

The Commonwealth of Massachusetts

SPECIAL REPORT OF THE DEPARTMENT OF PUBLIC UTILITIES AS TO WHETHER OR NOT INVESTIGATION SHOULD BE COMMENCED TO DETERMINE WHETHER SUBSTANTIAL REDUCTIONS SHOULD BE MADE IN THE RATES OF COMPANIES FURNISHING ELECTRICITY FOR LIGHTING PURPOSES.

DEPARTMENT OF PUBLIC UTILITIES, March 21, 1928.

To the Honorable House of Representatives:

The House of Representatives on February 28, 1928, passed the following order:

Ordered, That the Department of Public Utilities be and it is hereby directed to advise the House of Representatives as to whether — in view of the fact that the Cambridge Electric Light Company has just been ordered by the Department to reduce its lighting rate from 3 to 5½ cents, that the United Electric Light Company of Springfield has just announced a wholly voluntary reduction in its lighting rate to 6 cents, that 5 cents has been found by the Department to be a fair lighting rate for the Worcester Electric Company, and the municipal plants have established lighting rates as low as 4½ cents — investigation should not be commenced at once, under the power to initiate rate inquiries granted to the Department by the General Court at its last session, to determine whether substantial reductions should be made in the rates of other companies doing business in large centers, such as the Edison Electric Illuminating Company of Boston, and the Lowell, Lawrence, Lynn, Fall River, New Bedford, Malden, Quincy and Brockton companies, and as to whether investigation should not be commenced in the case of the Edison Electric Illuminating Company of Boston to see whether the high rate of 3½ cents charged by that company, as compared with those referred

to above, is caused in part by extensions at high cost into sparsely settled territory, and, if so, whether the establishment of a zone system of rates is advisable, in order that the congested portion of the company's territory may obtain a rate which takes into account the lower cost of service in that territory; and that the Department report to the House of Representatives by filing its findings and recommendations with the Clerk not later than March 15 in the current year.

The order requests the Department to advise the House of Representatives whether, in view of the facts stated therein, an investigation should not be commenced at once under the power to initiate rate inquiries, granted to the Department by the Acts of 1927, chapter 316, effective April 26, 1927.

1. To determine whether substantial reductions should be made in the rates of companies doing business in large centers, such as the Edison Electric Illuminating Company of Boston, and the Lowell, Lawrence, Lynn, Fall River, New Bedford, Malden, Quincy and Brockton companies; and

2. To see whether the rate of $8\frac{1}{2}$ cents charged by the Edison Electric Illuminating Company is caused in part by extensions at high cost in sparsely settled territory, and, if so, whether the establishment of a zone system of rates is advisable in order that the congested portion of the company's territory may obtain a rate which takes into account the lower cost of service in that territory.

As to the companies enumerated in the order, the situation is as follows:

(a) A petition was filed by customers of the Edison Electric Illuminating Company of Boston for a reduction in the price charged for electricity, extensive hearings have been held, and the matter is now before the Department for consideration and determination.

(b) A petition was filed by the mayor of Lowell for a reduction in the rates of the Lowell Electric Light Corporation, and a date has been set for a hearing thereon.

(c) Petitions were filed for a reduction in rates in the territory served by the Malden Electric Company, nu-

merous hearings thereon have been held, and the testimony has not as yet been completed.

(d) *Quincy*. — The Department, after hearings, by order dated May 13, 1927, effective June 1, 1927, reduced the maximum lighting rate from 9 cents to 7½ cents per kilowatt hour. Subsequently the company filed a petition requesting the approval of a service charge. After hearings, this petition was dismissed on October 29, 1927.

(e) *Lynn*. — Two voluntary reductions, effective July 1, 1927, and January 1, 1928, have been made by this company.

(f) *Fall River*. — Two voluntary reductions, effective June 1, 1926, and January 1, 1928, have been made by the company.

(g) *New Bedford*. — A voluntary reduction, effective May 1, 1927, has been made.

(h) *Brockton*. — A reduction in the optional rate, effective April 1, 1928, which will result in a reduction of price to a large number of consumers, has been announced by the company.

(i) *Lawrence*. — After hearings, the Department, by order dated June 14, 1926, reduced the maximum lighting rate. The company has filed an optional rate, effective April 1, 1928, which will effect a reduction to many users who choose to avail themselves of this form of rate.

So far as the order relates to the Edison, Lowell and Malden companies, we deem an additional investigation on our own motion, to determine whether reductions should be made in the rates charged by these companies, unnecessary, for the reason that action can be taken by the Department in the cases pending before it to as full an extent as in a proceeding initiated by it. Whether a proceeding to revise rates is instituted upon petition or upon the initiative of the Department, no action can be taken until the company has been granted a full opportunity to be heard.

The question whether initiative proceedings should be brought as to the other companies involves many con-

siderations. The Department has been kept constantly occupied since the statute referred to in the order became effective in the hearing of cases that have been presented to it for consideration. During that period the Department has held 445 public hearings, and it has made 563 orders and findings, and 4 special reports on legislative orders and resolves. The hearings in rate cases as to gas and electric companies have recently been much more protracted than formerly, due to the fact that in many instances the companies have contended for the right to base their rates upon the reproduction value of property less observed depreciation. Under the statutes, the Department is required to hear the companies and to permit them to introduce all evidence that may be material to the issues involved. This has resulted in long and involved hearings, with extensive testimony of a more or less expert nature. We believe that hearings upon petitions of city or town authorities or customers of companies for reduction of rates should not, as a general rule, be delayed solely to enable the Department to institute proceedings for rate reductions on its own motion. As a consequence of the Department's time being thus fully occupied, it has not had an opportunity to make investigations on its own motion.

We think we should call to the attention of your honorable body that the duties of the Department are of a judicial character, and that, whereas it might feel that the returns of a company indicated a condition which warranted the Department in initiating a rate proceeding, nevertheless, it should be careful, in the determination of whether or not such proceedings should be initiated, not to prejudge the case against the company. When proceedings are instituted by the Department, it has not the benefit of the assistance of the petitioners in the presentation of evidence and in the argument of their counsel.

When the business of the Department is such that it has an opportunity to initiate proceedings in cases where it appears that such action should be taken, and effectively carry them on to a conclusion, it will do so.

As to your inquiry whether investigation should at once be instituted to determine whether the rate of $8\frac{1}{2}$ cents charged by the Edison Electric Illuminating Company of Boston is caused in part by extensions at high cost into sparsely settled territory, and, if so, whether the establishment of a zone system of rates is advisable in order that the congested portion of the company's territory may obtain a rate which takes into account the lower cost of service in that territory, the Department is of the opinion that, as a result of the knowledge gained through the long hearings on petitions for rate reductions resulting in an order reducing the maximum lighting rate, effective August 1, 1925, and through evidence adduced in the rate case in which the hearings have recently been closed, it is in a position to bring about the establishment of zone rates, if it is deemed just and reasonable so to do.

It may not be inappropriate to point out that the statute giving the Department the right to initiate rate cases has been of further value in that it has placed the Department in a position where it could, with propriety, suggest to companies that reductions in rates should be made or the Department would feel it necessary to institute proceedings on its own motion.

In our annual report we pointed out that the attempts of companies to justify rates on the so-called reproduction theory causes such protracted hearings as to make it difficult for the Commission to determine more than a few rate cases in a year, and we recommended legislation to remedy this situation. We have no recommendations to make other than those contained in that report.

Respectfully submitted,

HENRY C. ATTWILL,
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Commissioners.

