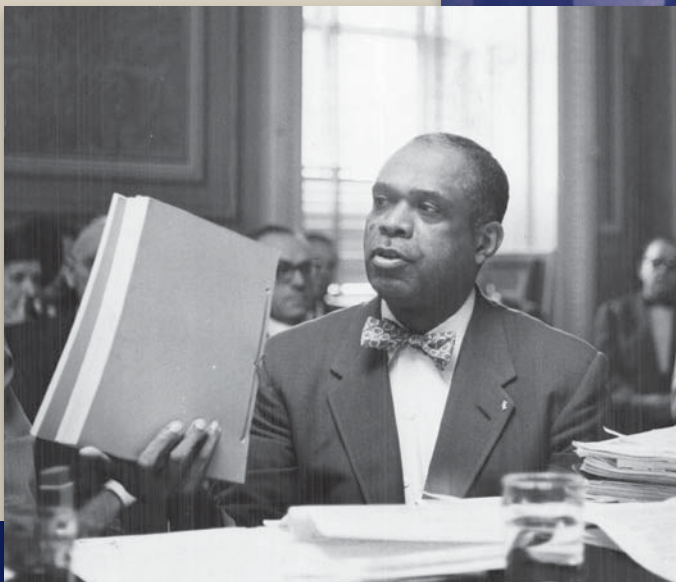
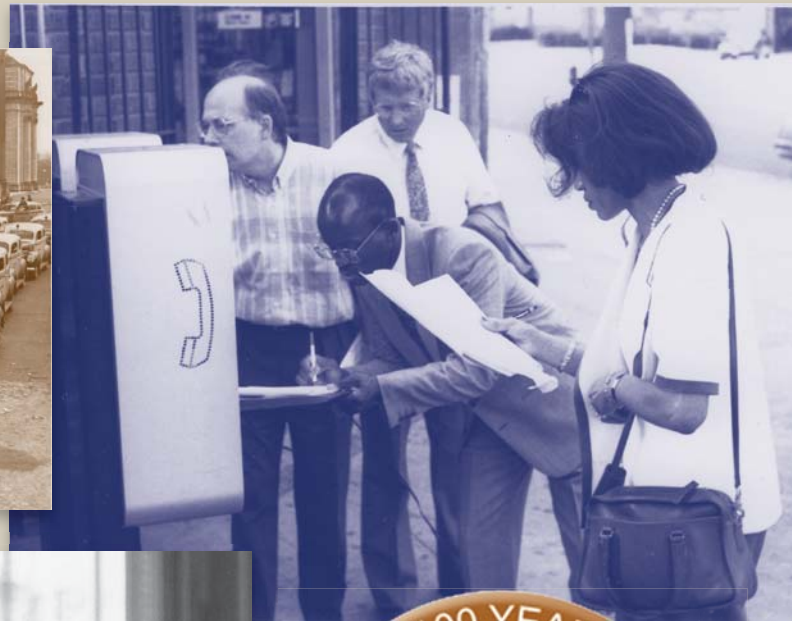
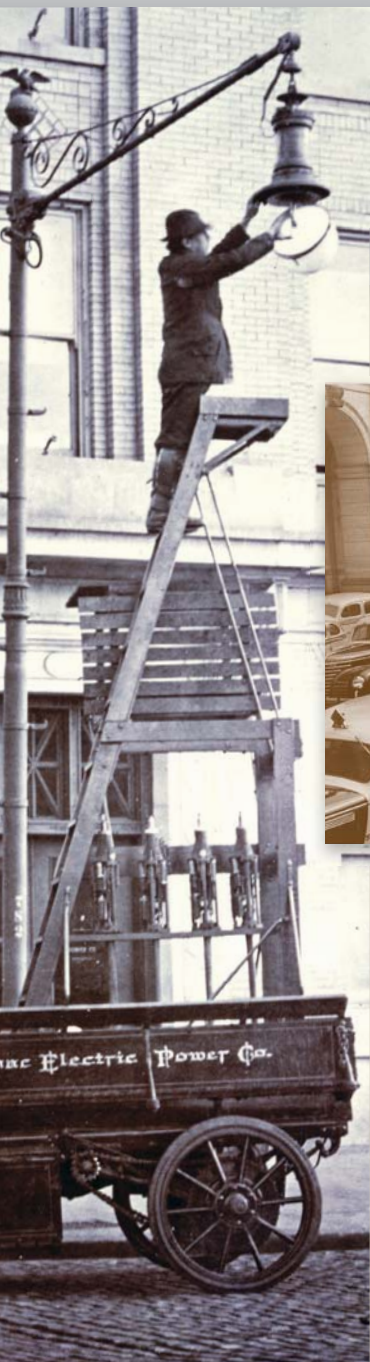


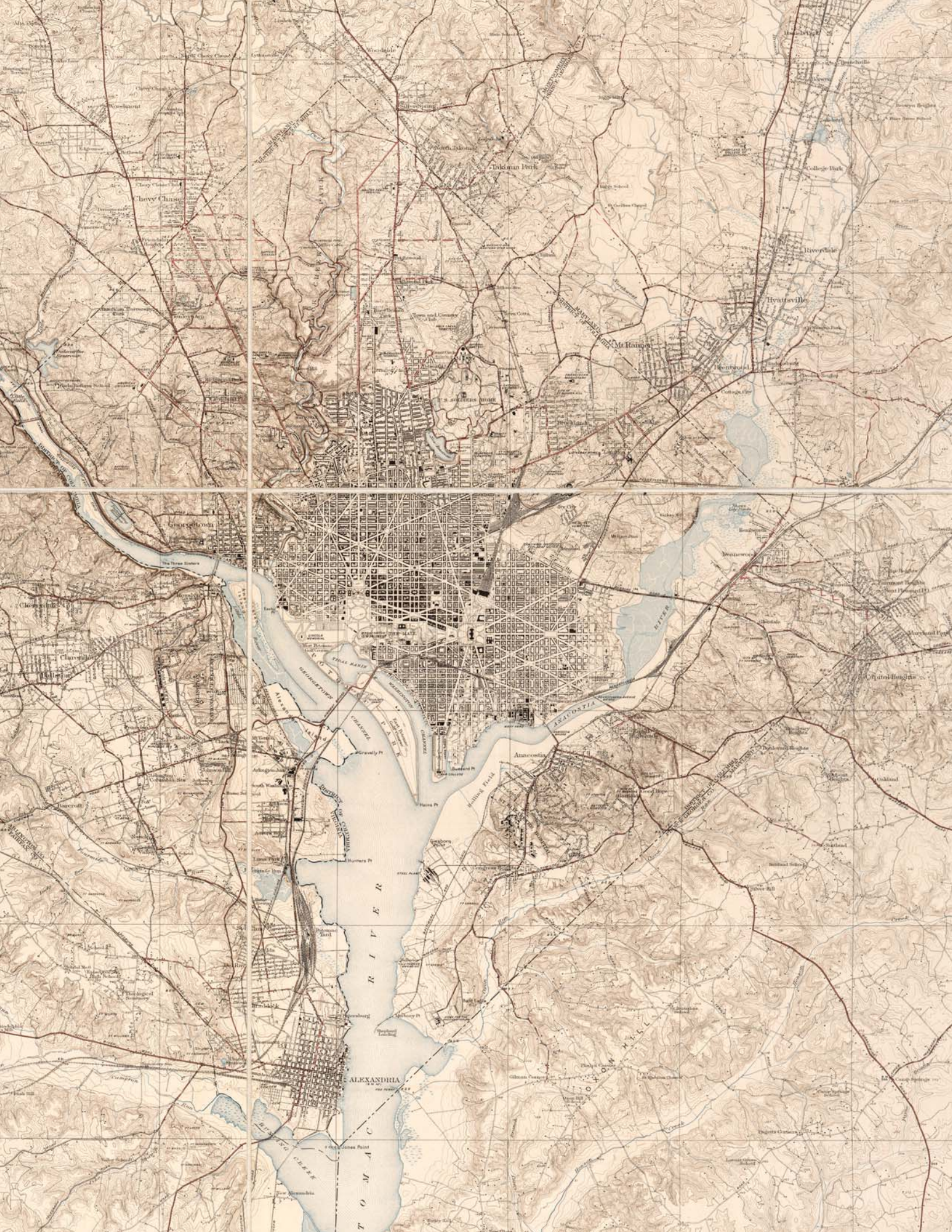
THE PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

THE FIRST 100 YEARS

Protecting the Public Interest

1913-2013





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by

Mara Cherkasky

and

Phylicia Fauntleroy Bowman, Ph.D.

Executive Director Emerita

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FOREWORD

The Public Service Commission of the District of Columbia is pleased to present this illustrated centennial history.

Created in 1913, our agency is among D.C.'s oldest in continuous operation, after the public safety (police, fire, and corrections) departments. As a quasi-judicial body it is different from most other D.C. agencies; that is, it is an administrative agency that holds hearings and makes decisions in the way a court would.

Remarkably, the PSC owes its existence, in large part, to the D.C. citizenry, although in 1913 Washingtonians lacked not only representation in Congress but also the right to choose their own government. The city was run by three presidentially appointed commissioners who, in their 1908 annual report to Congress, recommended the establishment of a body to regulate public utilities—the privately owned companies that provided gas, electric, telephone, and transportation services to the public. President Taft acknowledged the need for such a body in his 1910 State of the Union message to Congress. However, it was the Federation of Citizens Associations that pushed the idea forward. How could it be that consumers paid the streetcar and other public service corporations more than \$10 million a year, yet had no control over them, wondered Federation President William McK. Clayton.¹



This volume recounts how this inequitable situation changed. It describes the Commission's creation, its early struggles to establish authority over the corporations, the changes in its responsibilities and personalities, and the ways it has met the challenges presented by a dynamic city in an ever-evolving social, physical, and political environment.

We are proud of our agency and the integrity with which it has served our city since 1913. In addition to carrying out our mission of setting just and reasonable rates and ensuring quality, safe, and reliable services, we are also proud of the Commission's role in furthering the cause of equal opportunity, protecting low-income residents, preserving the environment, and fostering energy conservation and efficiency.

Thank you for your interest in the Public Service Commission of the District of Columbia and its history.

Betty Ann Kane
Chairman of the Public Service Commission of the District of Columbia

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INTRODUCTION

The Public Service Commission of the District of Columbia marked its first century on March 4, 2013. Created by act of Congress, the Commission was charged with regulating the privately owned corporations that provided streetcar service, electricity, illumination gas, and telephone and telegraph service, as well as taxicab service and the small pipe-

line operation that carried cooling fluid to the huge Center Market downtown.

Many states had begun regulating railroad corporations in the 1870s, and the notion that public utility companies should benefit consumers as well as investors was sweeping the nation in the early 20th century. This was the heyday of the Progressive movement. Public ownership—or, at the very least, government regulation—of utilities was among the reforms the Progressives advocated.²

Among the movement's giants was Robert M. LaFollette, who as governor of Wisconsin helped create a public service commission there. In 1905 he signed legislation establishing a three-member state

Railroad Commission; then, a 1907 amendment authorized that body to regulate public utilities.³ Wisconsin was one of several states to pioneer this effort in the first decade of the 20th century; many more jumped in during the following decade.⁴

LaFollette became a U.S. senator in 1906. Once in Washington he became the Capitol Hill ally who helped the D.C. Commissioners and Federation of Citizens Associations push through legislation establishing a public utilities commission for the nation's capital.

The 1913 law creating a Public Utilities Commission for the District of Columbia laid out a series of requirements for private utility companies doing business in D.C. It authorized the Commission to require the companies to comply with this or any other relevant law.

Specifically, utilities were to “furnish service and facilities reasonably safe and adequate...,” ensure that any charges were “reasonable, just, and nondiscriminatory,” and “obey the lawful orders of the commission.” They were also to keep their accounts according to methods prescribed by the Commission, to provide for depreciation, and to allow the Commission to examine their books at any time.

The law directed the Commission to assess every utility's worth and its expenses for property, equipment, and right-of-ways. It also authorized the Commission to compel any utility to allow another utility to use its equipment and facilities (for example, streetcar tracks), with compensation.

Given the extent to which the utility companies affected the daily life of every Washingtonian, the first commissioners knew they faced a daunting task. To start with, they were the same three individuals who also served on the D.C. Board of Commissioners, which ran the entire city. Wearing their utility commissioner hats, they now needed to establish control over the largely resistant companies, as an ever-attentive public looked on and Congress retained ultimate power—and did not hesitate to wield it.

In these most difficult of circumstances, the Commission managed to create order in the chaos of the competing and overlapping operations of some of the utilities.

As the body that both determined how much profit the companies could earn on their investments and approved their stock and bond sales, the Commission played a key role in the companies' growth and development.

At the same time it helped increase the standard of living for Washingtonians. Utility rates in 1913 ran extremely high compared to today. Electricity cost nearly 17 cents per kilowatt hour (\$4 in 2013 dollars), gas cost 8.5 cents per therm (\$2 in 2013 dollars), and a single-line telephone cost \$4 per month (\$94 in 2013 dollars). Of course, the number of households that used these services was low, but it rose rapidly after the Commission arrived on the scene to regulate the companies and ensure utility services would be priced so they were accessible to all. By 2013 the average monthly residential rate for electricity in the District was 13.44 cents per kwh; for natural gas it was \$1.16 per therm; and for single-line, local telephone service it was \$13.78.⁵

The Commission helped change lives in other ways, too. The country's progress in the area of Civil Rights led to a new era for the Commission starting in the 1950s. Even before the landmark Supreme

Court decision that ended legal segregation in public schools (*Brown v Board of Education*, 1954), the PUC, led by Chairman Robert E. McLaughlin, forced Capital Transit to stop its discriminatory hiring practices.⁶ Then, just after *Brown v. Board*, President Dwight D. Eisenhower appointed to the Commission an African-American attorney,



Sen. Robert M. LaFollette of Wisconsin, seen here in 1911, helped pass legislation creating a D.C. utilities commission.

Library of Congress

George E.C. Hayes, who had helped defend *Bolling v. Sharpe*, a Washington case that became part of *Brown v. Board*. Hayes's successor was also an African-American attorney, James Washington, appointed by President John F. Kennedy.

Like Hayes, Washington was associated with Howard University Law School and had a significant Civil Rights background; both translated their experience to their work on the Commission. Within the framework of the Commission's enabling legislation, they began expanding the agency's role in serving the evolving public interest. The first step was to end the Commission's and the companies' discriminatory hiring and contracting practices. The groundwork laid, the Commission began addressing other important societal issues, such as poverty and environmental degradation.

After securities broker/dealer regulation was added to the agency's portfolio in 1964, its name changed to Public *Service* Commission, to more accurately reflect its mission.

In 1975, after a 100-year hiatus, the District of Columbia finally gained back Home Rule. Since then D.C. voters have chosen their own mayor, who appoints three full-time utility commissioners, and city council, which confirms the appointees. The Act also re-created the PSC, this time as a charter independent agency.

Mayor Walter E. Washington selected African-American attorney Ruth Hankins-Nesbitt as the first woman commissioner since Mabel Boardman's six-month tenure in 1920-21. Hankins-Nesbitt was also the PSC's first female chair. Since her 14-year tenure the Commission has, with short breaks, been headed by a woman and/or a minority.

The Commission's staff also looks completely different from the way it did in 1913, when all members were white and male. The first African-American professional, C. Estella Bradley, arrived in the 1960s. In 2013 80 percent of staff members were non-white, nearly 50 percent were women, and 20 percent were foreign-born.

The utility commissioners who took the oath of office in March 1913 would be completely confounded by today's world. The streetcar tracks are gone from Pennsylvania Avenue, consumers choose their energy suppliers, and no one has a monopoly on telecommunications. Yet in 2013 the Commission continued to carry out its mission of ensuring that the utility companies of the District of Columbia serve the public interest.

PART I. COMMISSION CHRONOLOGY

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You Will Have To Be **QUICK!**
We have sold over a hundred homes in this immediate neighborhood in the past year. It is located right in the midst of one of the fashionable northwest's most desirable residential communities—a \$5,000 neighborhood.
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TO INSPECT—Take any 11th street car going southwest, get off at Columbia road, and walk one square east; or any 14th street car going northwest, get off at Columbia road, and walk three squares east; or any Ninth street car going northwest, get off at Columbia road and walk one square west.
SHANNON & LUCHS
713 14th Street N.W.
Look for Our Green and White Sign
S & L

These ads ran in the Washington Post in March 1913.

The Context: Washington, D.C., 1913

Washington, D.C. was thriving in 1913, and the city was becoming increasingly cosmopolitan. Wealthy businessmen were flocking here from around the country for the chance to mingle with government officials, diplomats, and members of the growing high society. Downtown, new office buildings clustered around the Treasury Department. Washington seemed impervious to the financial vicissitudes of Wall Street, and in a few years tourism would rank as the city's most important industry.

Land prices were rising, as “suburbs” such as Mount Pleasant and Lincoln Park filled with large brick rowhouses and apartment buildings. New

The busy intersection of Eleventh and F streets, NW, ca. 1913.

Library of Congress





*New rowhouses in
the 1600 block of
Newton Street, NW,
in Mount Pleasant.*

Postcard Collection of
Harold Silver



*Calvert Street Bridge,
lit by Pepco's "Newark
Street-type" incandes-
cent lamps, 1914.*

Historical Society of
Washington, D.C.

residential sections were materializing around the edges of the District, and the city's \$15 million budget included appropriations for the grand Meridian Hill Park along Sixteenth Street north of Florida Avenue and the bucolic Montrose Park in Georgetown.⁷

The 1901 McMillan Plan had recommended that stately government buildings replace the shabby neighborhood known as “the Division,” between Pennsylvania and Constitution avenues, NW. However, only the

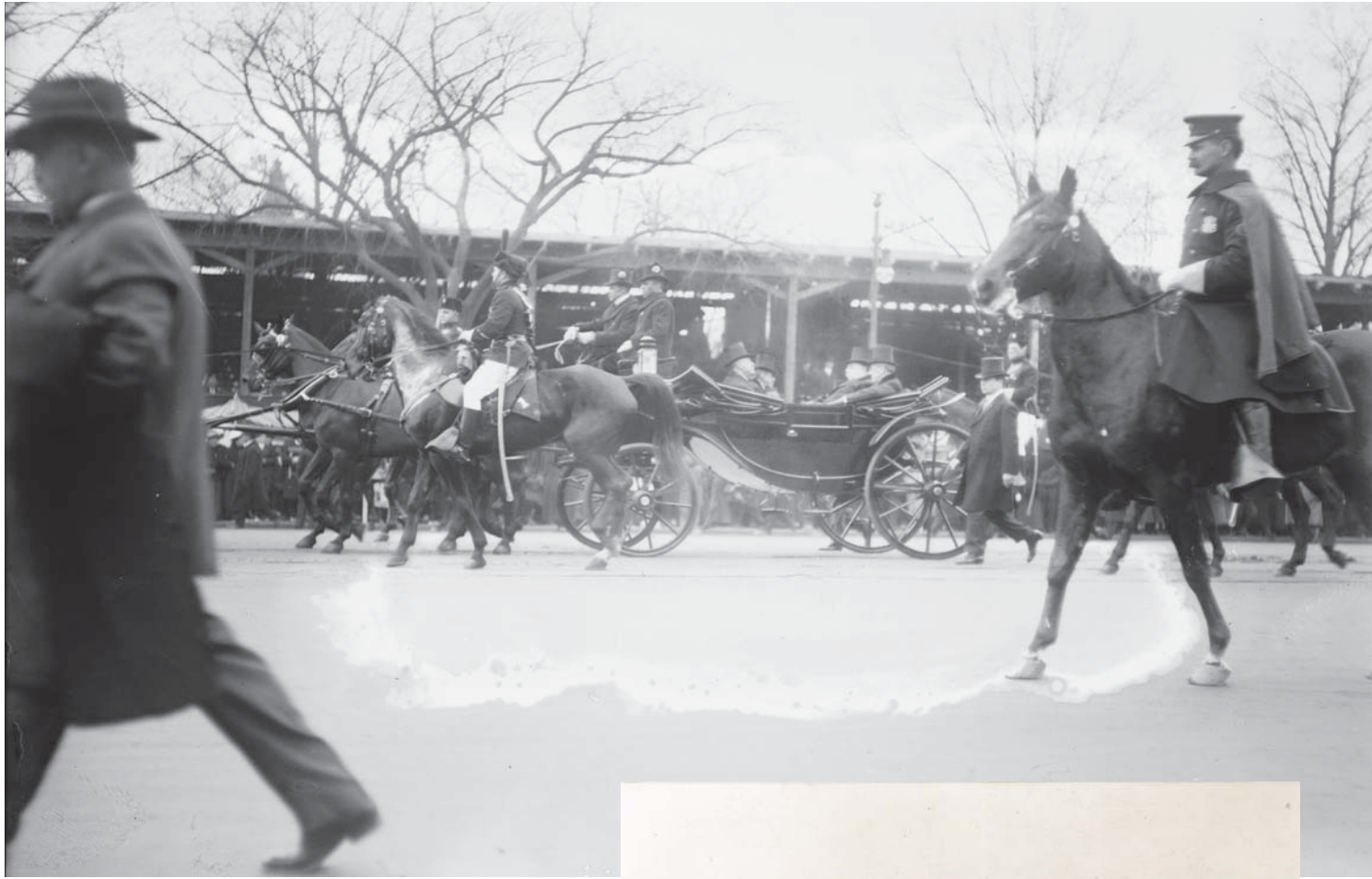


District Building (now the John Wilson Building) had been completed, in 1908. There it stood, surrounded by brothels and taverns, theaters and newspaper offices. It housed virtually all the D.C. agencies of the time, and the Public Utilities Commission became its newest tenant in 1913.⁸

The city's population stood at 353,297 in 1913. The U.S. Census Bureau denoted about 28 percent, or 98,144, as “colored,”⁹ who lived primarily in older, central neighborhoods. Racial segregation ruled most aspects of Washington life. Close to zero African Americans served in the District government, except in menial positions. White-owned companies did not hire, and often did not serve, African Americans. Black and white

A messenger boy at Thirteenth and C streets, NW, then the heart of the city's red-light district, 1912. Prostitution was outlawed in the District in 1914.

Library of Congress



A mounted D.C. police officer at President Woodrow Wilson's inaugural parade, March 4, 1913.

Library of Congress

Engine Company No. 24, on Georgia Avenue, NW, switched to motorized fire equipment in 1912.

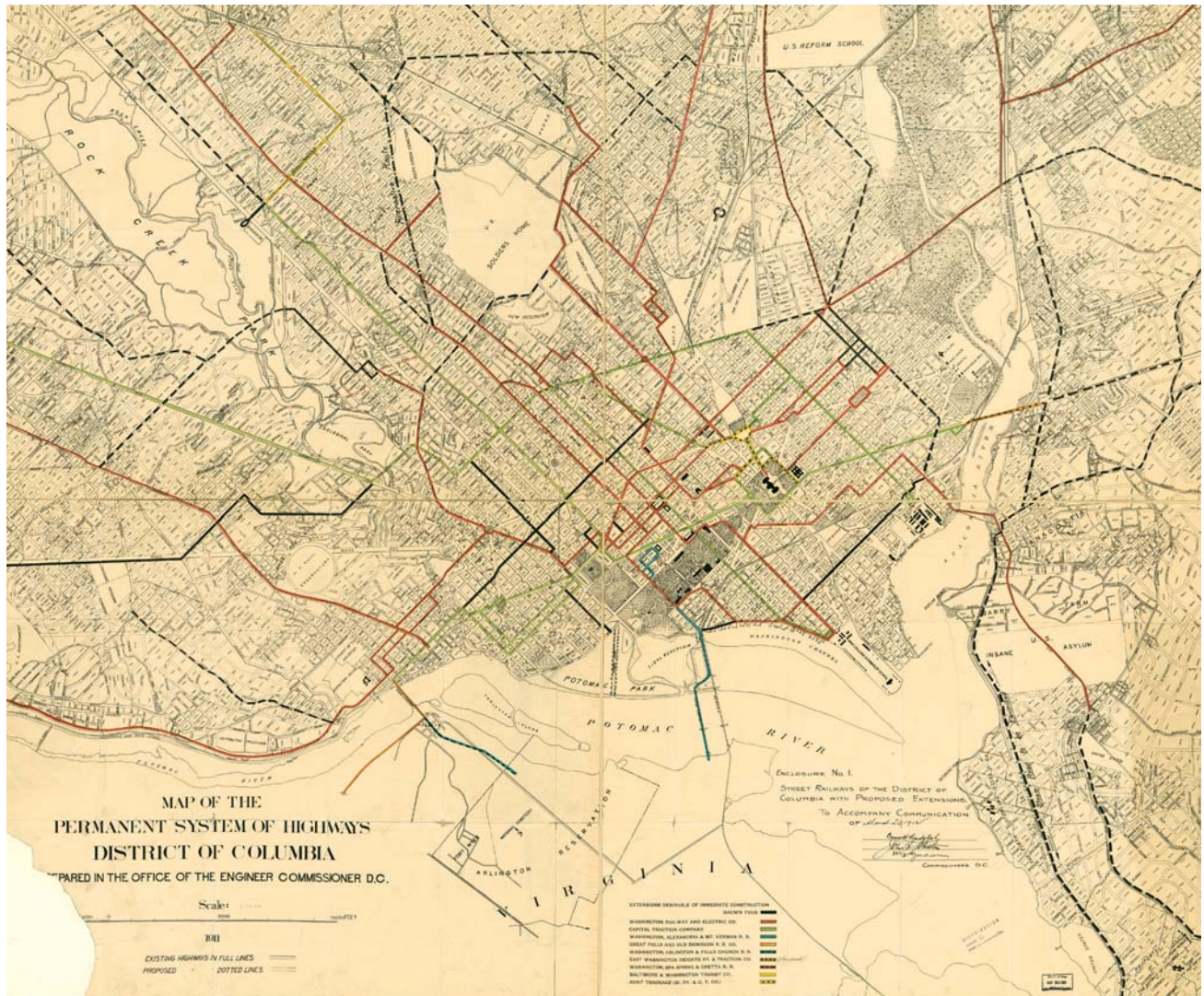
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children attended separate schools and played on separate playgrounds. Streetcars were the exception: during the Civil War, the U.S. Congress had forbidden them to segregate their passengers.



The new Commission's first executive earned an excellent salary of \$3,000 annually, but a more typical employee earned \$1,200.¹⁰ He paid 5 cents for a loaf of bread, 8 cents for a quart of milk, 26 cents for a five-pound bag of sugar, and 30 cents for a pound of coffee. He might splurge on a good pair of shoes for \$4 to \$7 or a brand-new Model T Ford for \$550—although the car price would drop to less than \$300 by 1925 due to improvements in manufacturing processes.

In any case, for a nickel per ride, most people navigated the city by streetcar in 1913, as fewer than 5,000 Washingtonians owned automobiles. This number was growing rapidly, though: in 1913 the D.C. auto-



A 1912 D.C. streetcar map.

Library of Congress

Georgetown's industrial waterfront, about 1913. The pair of stacks at right belonged to the Capital Traction power house. Washington Gas's West Station Gas Works rises above the landscape in the distance. The PUC regulated both.

Library of Congress



The woman's suffrage parade on Pennsylvania Avenue, NW, March 3, 1913. The following year organizers asked the Commission to close the route to streetcars.¹⁴

Library of Congress

mobile board examined 2,944 individuals for motor vehicle permits, an increase of 551 over the preceding year.¹¹ As would become clear, finding a way for mass transit and private automobiles to share the streets would fall to the Public Utilities Commission.

In 1913 the D.C. Fire Department had just begun using motorized equipment, but the Metropolitan Police Department had not yet invested in automobiles for its force of 722 officers. Men who were part of the mounted squad were required to supply their own horses.¹²

The streets of Washington had always served as a stage for the nation's popular movements. In 1913 one of the most dramatic was the campaign for woman's suffrage. On the eve of President Woodrow Wilson's March 4, 1913, inauguration, 5,000 women, surrounded by enormous crowds of well- and ill-wishers, paraded on Pennsylvania Avenue, demanding the right to vote.¹³

Creation of the Commission

The District of Columbia Public Utilities Commission came into existence on March 4, 1913, when President William Howard Taft signed into law the District of Columbia Appropriations Act. The legislation allocated \$40,000 for the PUC's first year's operations; the District's entire operating budget was \$15 million.¹⁵



The Act laid out a series of requirements for private utility companies doing business in the District and authorized the Public Utilities Commission to require the companies to comply with this or any oth-

Former President William Howard Taft and President Woodrow Wilson ride together in Wilson's inaugural parade, March 4, 1913.

President Taft at his desk.

Library of Congress

er relevant law. Specifically, utilities were to “furnish service and facilities reasonably safe and adequate...,” ensure that any charges were “reasonable, just, and nondiscriminatory,” and “obey the lawful orders of the commission.” They were also to keep their accounts according to methods prescribed by the Commission, to provide for depreciation, and to allow the Commission to examine their books at any time. The law directed the Commission to assess every utility's worth and its expenses for property, equipment, and right-of-ways. It also authorized the Commission to compel any utility to allow another utility to use its equipment and facilities (for example, street-car tracks), with compensation.¹⁶





This headline ran in the Evening Star on March 4, 1913.

The Public Utilities Commission's first home was on the third floor of the District Building (built 1908).

Library of Congress

Previously, utility and transportation corporations operating in the District of Columbia had been regulated solely by Congress. That body set gas and electric rates, fixed streetcar fares, authorized the street railways to lay tracks, and occasionally required the utilities to submit annual reports. However, in 1908 Congress turned over the power to regulate D.C. street railways to the Interstate Commerce Commission. That same year the D.C. Commissioners in their annual report to Congress recommended the establishment of a “public utility commission.” This was the first official acknowledgment of the need for such a body.¹⁷

President Taft supported the idea, briefly stating the case for a centralized utility commission in his 1910 State of the Union Message to Congress. He reaffirmed his support when he met with officers of the recently organized Federation of Citizens Association in 1911 and again in his 1912 State of the Union Message. “One of the most crying needs in the government of the District of Columbia is a tribunal or public authority for the purpose of supervising the corporations engaged in the operation of public utilities. Such a bill is pending in Congress and ought to pass,” Taft said.¹⁸

The bill finally did pass the Senate in early 1913, but then stalled in the House. Republican senators led by Robert M. LaFollette (R-Wisconsin) and Jacob H. Gallinger (R-New Hampshire), chairman of the Committee on the District of Columbia, came to the rescue, persuading House and Senate



D.C. Appropriations Committee chairs to incorporate language establishing a utilities commission into the D.C. Budget Appropriations Act. That bill passed Congress on March 3, 1913, and President Taft signed it just hours before his term expired at noon the next day.¹⁹

The legislation assigned the three D.C. Commissioners to serve as the utilities commissioners as well. These individuals were appointed by the U.S. president for three-year terms, and one of them, the Engineer Commissioner, was required to be an Army Corps of Engineers officer. In addition, the legislation called upon the city's Corporation Counsel to act as the Public Utilities Commission general counsel, too.²⁰

District Commissioner Cuno H. Rudolph and Engineer Commissioner Lt. Col. Chester Harding were sworn in as utilities commissioners on March 10, 1913. Corporation Counsel Edward H. Thomas declared the third D.C. Commissioner, John Johnston, ineligible to serve as a utilities commissioner due to conflicts of interest: he was a trustee of public utilities outside the District. However, the Commission soon had three members. Rudolph's and Johnston's terms ended June 30, 1913, and Oliver P. Newman and Frederick L. Siddons filled their slots.²¹

There was no doubt that Harding, who became the first Public Utilities Commission chairman, was qualified for the position: he had once headed up the city's water, sewer, building, and plumbing departments. In fact, he had supervised the construction of the District Building (now the John Wilson Building), where the Commission set up its first offices on the third floor.²²

Among the Commission's first actions was hiring a staff. Captain Julian L. Schley, Army Corps of Engineers, the assistant to the D.C. Engineer Commissioner, became the first executive officer. In lieu of receiving a pay increase, Schley was relieved of many of his Engineer Department duties. Daniel E. Garges, chief clerk of the Engineer Department, became the Commission's secretary, earning a yearly salary of \$3,000. Corporation Counsel Thomas was given \$1,000 per year beyond his base salary of \$4,500 as compensation for his new, additional duties; however, he resigned within months.²³



FROM THE TOP:
Chester Harding
served as PUC chairman during 1913-1914.

*Cuno Rudolph served
as commissioner in
1913 and 1921-1927.*
Library of Congress

The Interstate Commerce Commission's District Electric Railway Commission was dissolved as of March 4, 1913, making its executive officer and secretary, Harry C. Eddy, available to take charge of the Public Utilities Commission's Bureau of Transit and Equipment Inspection. Indeed, for the first half of the Commission's life, transportation would take up most of its time. The Commission also established an Electrical Inspection Bureau, a Gas Inspection Bureau, a Bureau of Statistics and Accounts, and an Executive Office.²⁴

The Commission faced an enormous job. At the end of its first year, the new general counsel, Conrad H. Syme, wrote:

“The principle that the rights of the people who supported a public-service corporation constituted a most important element in the determination as to how much a corporation should charge in the exercise of a public grant came almost as a shock to corporate comprehension. The principle is just, however, and what is more, it is established law.”²⁵

LEFT TO RIGHT:
A “street railroad” car
on H Street, NE.

*Suffragists in New
York City en route
via jitney to a
March 3, 1913, rally
in Washington.*

*Federal Taxicab Co.
vehicles outside Union
Station.*
Library of Congress



Formative Years

One of the Commission's first tasks was to determine which utility companies fell under its jurisdiction, since the law specified only that "The term 'public utility' shall mean and embrace every street railroad, street railroad corporation, common carrier, gas plant, gas corporation, electric plant, electrical corporation, water power company, telephone corporation, telephone line, telegraph corporation, telegraph line, and pipeline company." General Counsel Thomas came up with a list that included eleven street railway and coach lines, ten express and taxicab companies, two gas companies, one electric company, three telephone and telegraph companies, and one pipeline company. The Washington Market Company owned the huge Center Market at Seventh Street and Pennsylvania Avenue, NW, with a pipeline carrying refrigerant for the company's cold-storage and ice-making operations. These were all private companies and, not coincidentally, a vital source of tax revenue for the city. Water was publicly owned, and jurisdiction over it remained with the city's Engineer Commissioner.²⁶



An Adams Express Co. truck outside the White House.

Library of Congress





ABOVE: *Potomac Electric Power Co.'s headquarters and power plant at Fourteenth Street and Constitution Avenue.*

Pepco Archives

ABOVE RIGHT: *A gas fixture at Thomas Circle, NW.*

Historical Society of Washington, D.C.



The taxicab and express companies denied that the Commission had jurisdiction over them and appealed. The taxi case went all the way to the U.S. Supreme Court, which in 1916 ruled that the Commission had jurisdiction only over taxicab service when it originated from public stands. Congress subsequently amended the public utilities law to remove from the Commission's purview express companies already regulated by the Interstate Commerce Commission.²⁷

The Commission also wrangled with the city's two largest streetcar companies, Washington Railway & Electric Company (WRECO) and Capital Traction Company, whose owners argued that the Commission did not have the authority to require them to issue and accept transfers to and from Metropolitan Coach motor vehicles. The Commission stood its ground, but the streetcar companies and other utilities chafed under its control, throwing up roadblocks whenever possible.²⁸

In 1915 the Commission determined that sightseeing vehicles were not public utilities, but it did assume jurisdiction over "jitneys," defined as public motor vehicles operating on a defined route with a certain degree of regularity (i.e., buses).²⁹



The Pepco-WRECO Interlocking Directorate Case

One of the Commission's earliest, most important, and longest-lived cases was its effort to split up WRECO and Potomac Electric Power Company (Pepco). Streetcars had been the biggest consumer of electricity since the early 1890s, and the boundaries between the companies were not well defined. The Commission believed the overlapping management to be detrimental to electricity consumers—and illegal, given that Sen. LaFollette had inserted a provision prohibiting interlocking directorates into the D.C. public utilities law.³⁰

The struggle started in 1914 when the Commission learned that WRECO was increasing dividends on its common stock without taking depreciation into account, as prescribed in the public utilities law. An investigation followed, as well as four days of hearings, which were held behind closed doors because WRECO refused to open its records.³¹

The process revealed that:

- ◆ WRECO and Pepco had nearly identical boards of directors, and they shared top officers, including a financial officer who served both companies.
- ◆ Although WRECO had a contract with Pepco for electricity, its terms were ignored. The Commission was unable to determine what rates WRECO paid Pepco.

ABOVE: A Chesapeake & Potomac Telephone Co. switchboard.

Library of Congress

ABOVE LEFT: Center Market, whose refrigerant pipeline was regulated by the Public Utilities Commission

Library of Congress

- ◆ WRECO, in turn, was using different rates and different units when it sold power to its subsidiary railway companies, and none of this information was disclosed to the Commission.
- ◆ Property was being transferred between WRECO and Pepco without either company disclosing the value of the property.³²

Via a series of letters, the Commission directed Pepco to comply with the law. The utility simply ignored the letters and then also ignored a penalty the Commission assessed for disregarding the letters.³³

The only concession made by Pepco, shortly after an October 1915 hearing, was to propose to lower household rates for heating and cooking; household rates had been disproportionately high. The Commission approved this but regarded it as an attempt by the power company to meet competition from the gas company rather than an effort to comply with regulation.³⁴

The controversy continued in the Commission, in Congress, in the courts, and in public debate, but eventually the notion of splitting up the companies faded from public view. It was not until 1947 that the relationship ended—when WRECO was dissolved.³⁵

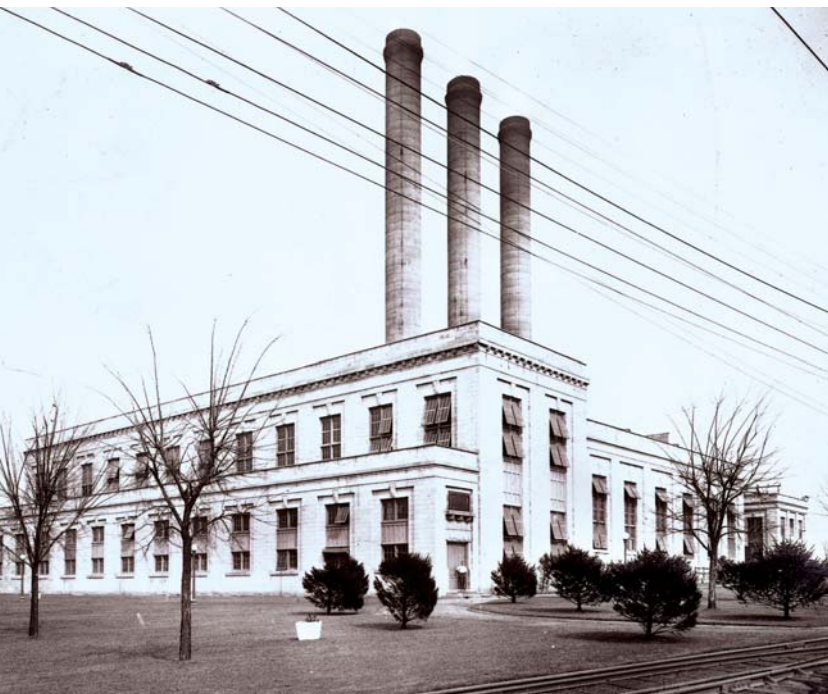
BELOW RIGHT:
Changing an electric arc streetlamp using a scaffold mounted to a service truck, about 1915.

Historical Society of
Washington, D.C.

*Pepco opened this
plant on Benning
Road, NE, in 1908.*

Pepco Archives

The adoption of the federal
Public Utility Holding Com-
pany Act of 1935 had given



the Commission important new tools that ultimately contributed to its ability to split up Pepco and WRECO. The legislation, which also gave consumers new protection, was part of the response to investigations into the causes of the crash of 1929, among them the collapse of a major holding company empire.

PUHCA regulated the parent companies of electric and gas utilities (known as holding companies because they hold the utilities' stock), to prevent these owners from subsidizing the activities of their unregulated companies with the proceeds of their regulated companies (public utilities). In the early 1930s, three holding companies owned half of the nation's utilities, and these huge companies' complex structures prevented states from regulating them. PUHCA solved that issue.³⁶ (The Energy Policy Act of 2005 repealed PUHCA.)



Louis Brownlow, a commissioner during 1915-1920 and chairman during 1917-1918, confronted Pepco over the higher rates it charged individual ratepayers.³⁷

Library of Congress

Valuations: Counting Bricks and Windows

The law creating the Commission charged it with determining the historical cost of used and useful property, replacement cost, and depreciation for each utility. These figures were to guide the Commission in setting rates that would be fair both to consumers and to the companies.³⁸

But first the Commission had to ask Congress for an additional appropriation. When \$100,000 came through in April 1914, the PUC established a Valuation Bureau comprising two divisions: Accounting and Engineering. The Engineering Division had eight departments—Track and Roadway; Buildings and Structures; Power Plant Equipment; Rolling Stock; Electrical Distribution; Gas Distribution; Cost Analysis; and Clerical—headed by a department engineer-in-charge and staffed by varying numbers of assistant engineers, investigators, helpers, draftsmen, and “computers.”³⁹

The Valuation Bureau set to work studying each of the four taxicab companies but quickly realized it would need still more money to complete the task. The Commission had based its estimate of need on valuations in other cities but had failed to take into account the fact that much of D.C.'s construction was underground—far more than in other U.S. cities. In addition, the utilities claimed not to have inventories of their own property, so the Bureau was faced with the time-consuming job of compiling detailed asset inventories through field inspections.⁴⁰

“While all of the companies have extended uniform courtesy, there has been so far no cooperation, except in the case of Capital Traction,” the Commission wrote in 1914. WRECO and Pepco “politely declined

Capital Traction's 1914 valuation report filled these volumes and seven more the same size.

Courtesy, Historical Society of Washington, D.C.





The PUC's 1914 WRECO valuation report included these images (clockwise from above): the 4-1/2 Street, SW, car barn, and the P Street maintenance facility, exterior and interior views.

Historical Society of Washington, D.C.



to furnish any specific information, other than ownership of property in certain cases... This peculiar, unusual, and unexpected attitude upon the part of these two companies has greatly increased the difficulties and cost of our work." The Commission repeatedly had to ask for more money and more time.⁴¹

By 1915 the Bureau had completed many of the valuations, but only the taxi companies accepted the results and reduced their rates accordingly. Formal valuation hearings for Pepco, Capital Traction, and WRECO started in June 1916,⁴² but appeals dragged the process out until the mid-1920s.

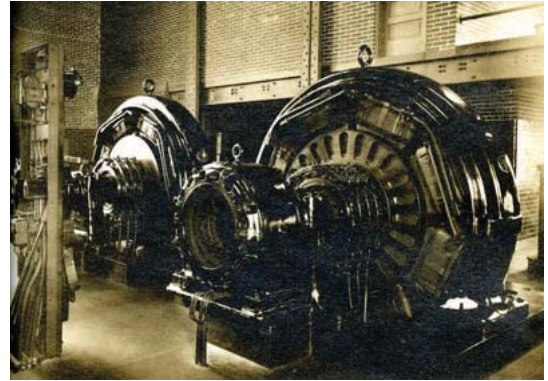
At the end of the Pepco valuation hearings in 1917, the Commission ordered the utility to decrease its rates from a \$1 minimum charge plus 10 cents per kilowatt hour to a 75-cent minimum charge plus 8 cents per kwh. The company immediately turned to the D.C. Supreme Court and secured a temporary injunction to prevent the PUC from implementing

the proposed rates. Pepco customers continued to pay 10 cents per kwh, but only 8 cents went to Pepco; the other 2 cents went into an escrow account, to be refunded if the court's judgment were ever reversed.⁴³

Three years later, because the injunction was still in effect, the D.C. Supreme Court decided it had the power to determine Pepco's rates. However, the court allowed the Commission to hold a hearing on Pepco's application for a further rate increase due to rising coal prices, and the company was granted an additional half cent per kilowatt hour. Customers continued to pay 10 cents per kwh, but the amount accruing to the escrow account was reduced to 1.5 cents. By this time the reserve fund contained nearly \$1.5 million (equivalent to about \$17.5 million in 2013).⁴⁴

The Pepco valuation case was finally adjudicated on December 31, 1924. Pepco and the Commission worked out an agreement that called for a "sliding scale" system:

- ◆ The rate base was set at \$32.5 million;
- ◆ Pepco's allowed rate of return was set at 7.5 percent, to be reduced to 7 percent in 1931 and 6.5 percent in 1936;
- ◆ To cover depreciation, Pepco was to pay 4 percent interest on its reserve for depreciation, as an accretion to the reserve, but would also be able to deduct from the amount of depreciation the same amount as an operating expense; and
- ◆ The agreement included a system for adjusting rates when there were earnings in excess of the prescribed rate of return.⁴⁵



Capital Traction Co.'s valuation report included turbo-generators, above, at the Georgetown power plant at the foot of Wisconsin Avenue, below left; and the maintenance shop at 3222 M Street, NW, interior and exterior views, below right.

Historical Society of Washington, D.C.



Pepco also agreed to refund about \$3 million to customers in the District, a mammoth task that required three years to accomplish.⁴⁶

This case and others took a huge toll on the Commission. According to Chief Accountant Byers M. Bachman, the studies required for these cases “have imposed heavy burdens on a bureau so inadequately equipped. The bureau makes an earnest plea for additions to its personnel that it may be enabled to perform the duties incumbent upon it [to] provide for the examination and audit of all accounts and all items.”⁴⁷

The WRECO and Capital Traction valuations had proven as difficult as Pepco’s. The Commission’s valuation reports for each company filled hundreds of pages and were based upon thousands of pages of research and testimony. Staff had essentially counted every company asset, down to the bricks. In the WRECO report the Commission explained that, “In inventorying brickwork ... completed dimensions were taken from which the number of cubic feet of brick was determined. The number of brick per cubic foot was determined by actual count in representative locations in each building. From this data the number of brick in the respective walls was derived. Each kind of brickwork, such as common, face, backing, etc., was listed separately. Deductions were made for all openings.”⁴⁸

During the WRECO valuation hearings, the Commission learned, to its dismay, that the company had withheld records during the appraisal process, despite the Commission’s specific and rightful request that all records be presented for inspection.⁴⁹

Ironically, the delay caused by WRECO’s recalcitrance resulted in problems for the company itself. Facing increasing financial difficulties and employee demands for higher wages, WRECO had petitioned the PUC for a 7-cent fare. Then, to make matters worse, an August 1, 1919, accident at Second and R streets, NE, injured thirty-five passengers, several of whom immediately announced their intention to sue the company. But no fare increases could be approved until the valuation was completed, the *Washington Post* reported August 5, 1919, adding: “With its clerical staff depleted by three since July 1, the Commission has been working day and night to complete the valuation.” The *Post* also predicted that the Commission would either approve a 10-cent fare or force WRECO to merge with Capital Traction.⁵⁰

A split Commission issued its final valuation decisions for the streetcar companies in September 1919. Chairman Charles Kutz and Commissioner Louis Brownlow made up the majority, placing the value of WRECO’s D.C. properties at about half of what the company claimed. Commissioner W. Gwynn Gardiner dissented, claiming that if the majority value were upheld



it would “result in a very serious setback...of the growth and development of this our National Capital.”⁵¹

WRECO’s owners decided to wait and see whether the company’s financial situation improved if and when it received permission to increase its fares, while Capital Traction appealed its valuation. However, its case languished in the D.C. Supreme Court for years awaiting a decision in the Pepco case, which was expected to determine important principles governing the valuation of all utilities. The Capital Traction case was finally decided in 1927.⁵²

The painful valuation process, along with prodding by the *Washington Post* and others, led the Commission to establish standard accounting methods and practices for utilities in 1930. As the Federation of Citizens Associations’ William McK. Clayton pointed out, it was not fair that the companies, for example, charged their federal taxes as an operating expense, with the result that consumers not only paid the cost of operating the company and ensuring it a good profit, but also paid the taxes the government levied on company profits, and any interest on those taxes.⁵³

This August 1, 1919, accident at Second and R streets, NE, in Eckington injured thirty-five people

Library of Congress

Evening Star.

WITH SUNDAY MORNING EDITION

WASHINGTON, D. C., SATURDAY, SEPTEMBER 11, 1920—TWENTY-FOUR PAGES.

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The Associated Press is
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All rights of public
disposition herein are

E "X" PROBLEM NG REPUBLICANS

e-Wire Politicians Are
ers to Cast Their Ballots
stic Party Candidates.

LEAGUE OF VOTERS STILL IN CONTROL OF NORTH DAKOTA

State Paradox of Politics, as
Conservatives Unite for
Crucial Test.

lack upon Gov. Cox's labor record in Congress and the digging up of some statements derogatory to him made at the time by labor officials.

Republicans Expect Reaction.

The republicans also expect to get a reaction in their favor from the very fact that organized labor has undertaken to defeat the republican ticket. It is calculated that when full realization comes of that propaganda, independent votes will be drawn toward the republican ticket, men who resent organized labor's political activity in the blundering of the whole party. Democratic leaders feel the appreciative kind words from [any] source are not unimportant of the phase and realize that it may not rebound entirely to their advantage, especially if toward the end of the campaign the labor politicians should become aggressive.

Aggressiveness, however, is just what the rank conservative managers desire to avoid, and the labor political workers are being admonished to keep their activities under cover as much as possible, so as to avoid stirring up a reaction. Indeed, this seems to be the program which is being followed and it is what worries the republicans.

Mouth of Work Secret.

The most of the work is being, it is said, in the secrecy of the union meetings, and in passing the word quietly from man to man. The only way the republicans can combat this aid to the distribution of literature and the efforts of the campaign talkers wherever laboring men can be addressed in crowds.

The republicans have a highly competent organization of foreign-language voters and are making appeals to them in their native tongue through their own class newspapers and printed documents. Voters of Italian blood are said to be very friendly to the republicans.

Between now and election Mr. Lawrence will visit every northern state, making speeches and reporting what he sees and feels. Just before election he will make a final summary, forecasting how the doubtful states will vote.

This is the trend of a series of dispatches, analyzing political sentiment in various states visited by him.

BY DAVID LAWRENCE.

PALMIST N. D., September 11.—Politically speaking, North Dakota is a paradox. Nothing like it will be found anywhere else in the Union. Here old-line democrats and old-line republicans, conservatives all, have formed a combination known as the Independent Voters' Association, the sole object of which is to break the Non-Partisan League's hold on North Dakota.

The fight over state offices is bitter. Neither side cares a whole lot about Harding or Cox. National politics is talked about only as it relates to the use of funds to boost state officers, and therein lies the chance for blundering.

The Non-Partisan League doesn't have as many state offices as it used to have, and the Independent Voters' Association is this time determined to wrest control from the Non-Partisan League, even if it means electing a Democrat.

Y. T. O'Connor—governor to succeed Gov. Frazier, the Non-Partisan League candidate.

The same republican and democrat mean little hereabouts. The Independent Voters' Association pledged itself to support Democrats if it could help them win.

How country are in- to the demo- quench it in sleeking ste. A man- teen- sty-five ne em- veling the candi- and sm. d that mem- re en- ste thin- est-at- and it of them sed as Indi- York sy. shlean after ntion, s have e vote over r they tak- es of the th of the

KEN TO Hlds His \$700 TAK Edge o mitte By the AS CHIN to sum- fore the ling c- nounced chaima: receive eastern : damors subpen: Senate affect t- peared l- monal re- utive as abut sub: Senate from Mc- dreda re- bers of that the Manag-

DISTRICT OF COLUMBIA—"WELCOME, MISS COMMISSIONER!"

U. S. SHOPPING ACCT World's Biggest ANTHRACITE MINES

Post-World War I Upheavals

ABOVE: *Clifford Berryman's drawing on the front page of the Evening Star.*

Washingtoniana Division, DC
Public Library

RIGHT: *Mabel Boardman is sworn in as PUC Commissioner, September 25, 1920.*

Library of Congress

Changes to the nation's political landscape often had an immediate impact on the Commission. Just five weeks after ratification of the 19th amendment gave women the right to vote, President Woodrow Wilson appointed Red Cross Secretary Mabel T. Boardman as the first female D.C. commissioner and utilities commissioner. PUC Secretary Garges swore Boardman in on September 25, 1920, and Morgan H. Beach, clerk of the D.C. Supreme Court, administered the oath. "Loud applause followed, heightened by cheers that reverberated through the halls of the District building," the *Washington Post* reported.⁵⁴

However, Boardman was a recess appointee



and never confirmed by the Senate, so her term ended March 4, 1921, when Wilson left office.⁵⁵ More than fifty years would pass before another woman sat on the Commission.

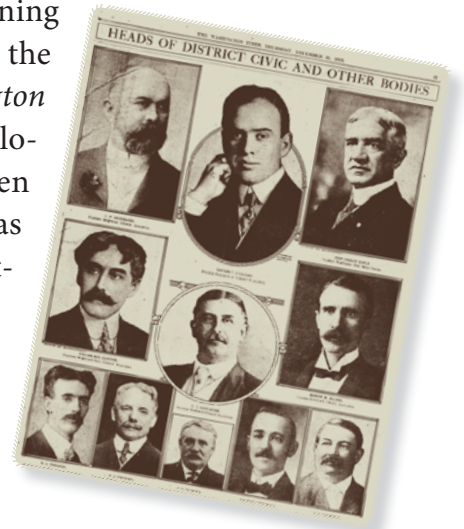
The end of World War I had brought rapid, global price fluctuations, resulting in numerous rate cases for the Commission and straining its already limited resources. Then, in 1922, coal miners went on strike, creating a serious shortage in the nation's coal supply. U.S. Commerce Secretary Herbert Hoover established the Office of the Federal Fuel Distributor and called on state governors and the D.C. Commissioners to appoint a local body to control coal prices and distribution. In D.C. that body was the Public Utilities Commission, which set aside its regular work and hired extra clerks to cover the new responsibilities.⁵⁶

Reorganizing the Commission

In 1919 the Federation of Citizens Associations began campaigning to make the Commission more responsive to residents. However, the House District Committee was slow to act, leading the *Washington Post* to comment in 1926: "There have been exhaustive hearings on local utility affairs in the several past sessions but they have never been seriously dealt with because they were looked upon by members as about the most complex problems with which the District committee had to deal."⁵⁷

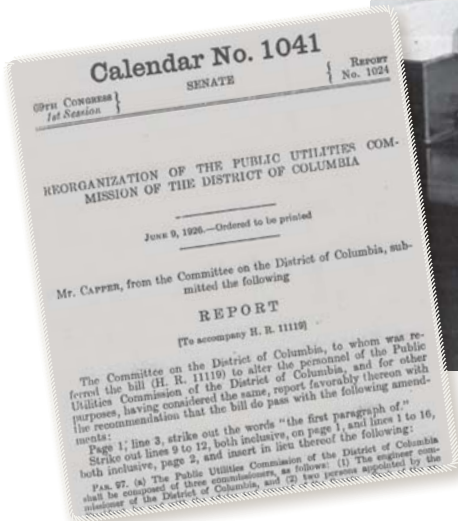
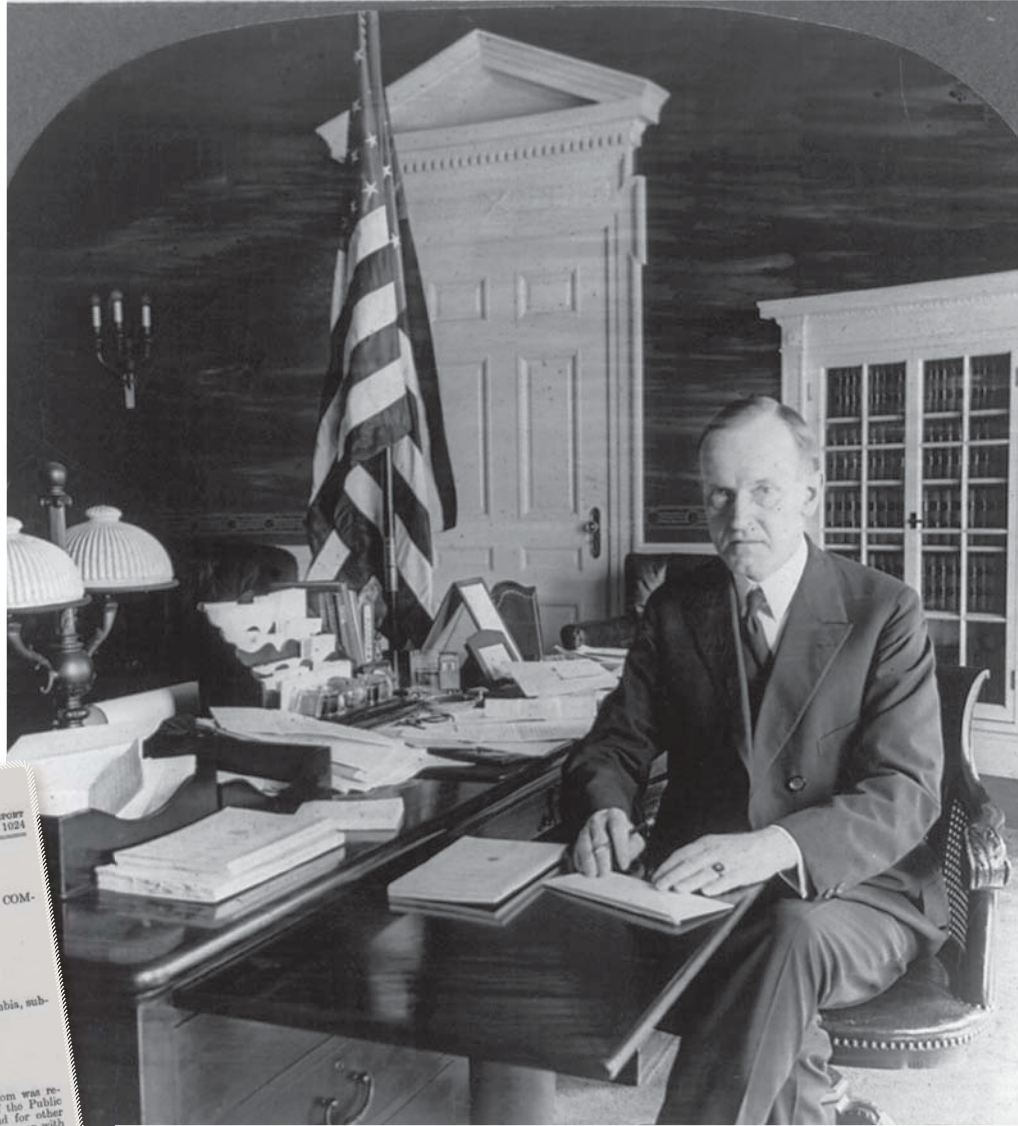
This assessment may have given the committee a needed push, as a bill passed later that year. On December 15, 1926, President Calvin Coolidge signed into law legislation reorganizing the D.C. Public Utilities Commission. Ostensibly the law's objectives were to give the Commission full-time, dedicated commissioners, as well as a lawyer to act as "People's Counsel" in all Commission hearings and judicial proceedings involving the interests of the customers. But, as the *Washington Post* noted, "The outstanding problem facing the [reorganized] utilities commission is the traction situation here. It was this question—a merger of the two streetcar companies—that was largely responsible for the creation of the [reorganized] commission."⁵⁸

In early 1927, Coolidge appointed Chevy Chase lawyer Ralph B. Fleharty as People's Counsel, ignoring a campaign by the Federation of Citizens Associations to appoint attorney William McK. Clayton, founding president of the federation—and, since October 1926, on staff with the Commission as special counsel. Resentful, Clayton resigned that post. Coolidge also appointed businessman John W. Childress and attorney Col. Harrison Brand, Jr., as the civilian commissioners. Engineer Commissioner Lt. Col. J.



William McK. Clayton (left column, center portrait), president of the Federation of Citizens Associations, led the campaign to establish the original Public Utilities Commission and, later, to reorganize the Commission.

Library of Congress



Franklin Bell, chairman of the old PUC, became the third member of the reorganized Commission. They were sworn in on March 7, 1927, in the board room of the District Building.⁵⁹

President Calvin Coolidge signed legislation restructuring the PUC, and giving it two dedicated, full-time commissioners, in 1926.

Library of Congress

The streetcar question was finally resolved in 1933. Early that year Congress passed a resolution authorizing a merger. The Commission held hearings in mid-September and, after receiving notification that a majority of the stockholders of Capital Traction and WRECO had agreed to the merger, ordered on September 28 that it go forward, effective December 1. “The Commission is of the opinion that [this] would be in the best interest of the public,” according to the order, which also approved the incorporation of the Capital Transit Company, and the issuance of 240,000 shares of common stock, at \$100 per share.⁶⁰

The People's Counsel

Fleharty remained People's Counsel until January 1930. The second man to fill the position, Richmond B. Keech, was sworn in on March 1 of that year. Given the timing, just after the economic crash of October 1929, Keech had his hands full. The Federation of Citizens Associations immediately elected him as ex-officio member and invited him to attend their bi-monthly meetings. Keech found himself overwhelmed, attending meetings of the Federation as well as those of many school and civic organizations. In addition he had his regular duties with the Commission to manage. The People's Counsel "was called upon to advise many citizens having problems of a municipal or private character, the latter being limited to persons without funds and unable to obtain the services of private counsel," Keech reported at the end of the year.⁶¹

He pleaded for a dedicated stenographer to help with "a large amount of correspondence, ... prepare for presentations both in court and before the Commission, lengthy and detailed exhibits, as well as ... prepare transcripts of records, abstracts of testimony embodying thousands of pages, briefs, and pleadings."⁶²

At the height of the Great Depression in 1934, the third People's Counsel, William A. Roberts, reported that the Commission was busier than it had been in many years and that he was particularly busy. "The title 'People's Counsel' attracted a very large number of citizens who were under the misapprehension that free legal service of a general nature was available in the office," Roberts wrote. "Few realized or cared that the act was confined to matters in relation to public utilities. Not less than 500 separate inquiries were noted and recorded after appropriate action during the calendar year 1934."⁶³

Roberts continued in his report: "In all instances effort was made to present the viewpoint of the petitioners to the appropriate municipal or Federal official. A conscientious effort to visit as many of the organization meetings as was physically possible was made by the incumbent of the office and during the last 6 months of the year 1934, 97 formal sessions of civic and trade meetings were attended, in most cases involving a presentation of information relating to utility questions," he wrote.⁶⁴

In 1935 Roberts attended "more than 200 meetings of citizens' associations, women's clubs, technical societies, and other bodies" as part of his job. He resigned in 1936, tired of trying to perform his duties with no staff. President Franklin D. Roosevelt declined to appoint a successor. In



***People's Counsel
William A. Roberts,
seated center, tries to
talk disgruntled taxi
chauffeurs out of go-
ing on strike, 1935.***

Library of Congress

his view the mission of the PUC itself was to protect the public's interest, making the People's Counsel redundant.

However, in 1944 Congress reinstated funding for the position, and Roosevelt chose James W. Lauderdale to fill it. Two years later President Harry Truman selected Lauderdale as utilities commissioner and John O'Dea as People's Counsel.



***John O'Dea was the
last People's Counsel
until Home Rule.***

Harris-Ewing photograph,
courtesy, The Washington
Post

The personnel issue remained unresolved, though, and history repeated itself: O'Dea asked not to be reappointed when his term expired in 1951. The office was abolished as part of a federal government reorganization the next year.⁶⁵

‘Punishing an Efficient Regulatory Body ...’

Given the amount of work entrusted to the Commission, the unwillingness of some of the utility companies to submit to its jurisdiction, and periodic meddling by southern Democrats on the House District Committee, it is perhaps not surprising that frustration and weariness seemed to color many of the Commission’s annual reports.

For example, in the 1925 report, Chief Accountant Byers M. Bachman wrote: “During the current year the work of the accounting bureau has been carried on by the accountant, the assistant accountant, and the statistician, all of whom have rendered faithful and efficient service, but with a force so limited, so inadequate, and with the many complex problems arising during the year, the accounting bureau has had to leave undone practically all analytical work, and has been forced to accept as correct, in all of its investigations concerning rates and valuations, the facts and figures furnished and sworn to by the public utilities. The bureau desires therefore to again make an appeal for additions to its personnel, of competent accountants, familiar with the various classifications and able to analyze and classify.” A long list of the Bureau’s work for the year followed.⁶⁶

Eventually Bachman’s pleas bore fruit. A few years later he reported: “The Accounting Bureau has, during the year 1930, been able to extend and diversify its efforts and to produce a greater volume of work than ever before. This has been partly due to the two additions to its staff of accountants on July 1.”⁶⁷

However, in 1934, as the entire D.C. budget was cut during tough economic times, the PUC seemed particularly targeted. Two members of the House Subcommittee on District Appropriations, apparently angry about the Commission’s approval of telephone rates they felt were too high, punished the agency, slashing its budget by a devastating 43 percent (\$37,323). Subcommittee Chairman Clarence Cannon (D-Missouri) and Representative Thomas L. Blanton (D-Texas) accused the Commission of giving the utility companies whatever they wanted. In a letter to the Appropriations Committee, PUC Chairman Riley E. Elgen said the budget cuts would preclude the Commission’s planned investigation of C&P depreciation matters, which might have led to a significant rate reduction for consumers. In fact, the Commission had recently ordered a 10 percent cut in telephone rates, and the courts had upheld the cut. Another member of the Subcommittee claimed that Blanton’s motivation was actually his annoyance with PUC Special Counsel William A. Roberts over travel expenses, including tips to maids and valets.⁶⁸

House Passes D. C. Budget; Sharp Slash Made in Fund

**U. S. Outright Grant Is
at Low Level; Fight
By Friends Futile.**

Utilities Board Slash Retained

**28 Members on House
Floor as Measure Is
Steam-Rolled.**

By J. D. Secrest.

A well-oiled Cannon-Blanton machine, supported by House Democratic leaders, yesterday rode roughshod over a handful of friends of the District in the House and passed the 1935 District supply bill with a reduced Federal contribution and with none of the restorations in estimates asked by the District.

**Congress slashed the
Commission’s funding
in 1934.**

The Washington Post



*Representative
Clarence Cannon,
Democrat of
Missouri.*

Library of Congress

Fourteen employees had to be laid off due to the budget cut, causing a debilitating manpower shortage.⁶⁹

In that year's annual report, which was much shorter than usual, the chief accountant described the Commission as understaffed and overworked. He said he had not inspected or audited the statistical data contained in the report because he hadn't had the time. Although the Commission had historically furnished members of Congress and federal agencies "complete data upon any subject desired," this would no longer be the case, he continued. "Under present conditions it will be impossible for the Accounting Bureau to furnish any data relating to local utilities beyond those contained in this report, or that may be shown in certain special reports the Commission requires the utilities to file. In the absence of such data, heretofore currently obtained by this Bureau, valuation, depreciation, and rate investigations cannot be undertaken nor kept up to date; thus the Commission is now constantly faced with delays."⁷⁰

Nonetheless, at the behest of the U.S. Senate, the Commission in 1934 investigated and reported on the cost and character of rental housing in D.C.⁷¹ The study was coordinated with a real-property inventory being conducted by the U.S. Department of Commerce, and it involved 500 people going door to door to enumerate all structures in the District, focusing especially on residential buildings. The study found that more than half of the District's population rented their homes, and more than half of the tenant population lived in the "old city" (south of Florida Avenue/Benning Road, east of Rock Creek, and west of the Anacostia River). A little more than 37 percent of the African-American tenant population lived close to downtown, while white tenants were scattered across the entire District.

The final report, submitted to the Senate on May 31, 1934, recommended the enactment of a comprehensive housing reform law for the District, and advised against rent increases.⁷²

Although the Commission received an extra \$25,000 appropriation the following year to hire more staff, the annual report for 1935 and subsequent years reiterated, "since July 1, 1934, personnel has been inadequate to carry out the duties imposed by law. The need for sufficient accounting, engineering, and inspectional staffs, if adequate service and reasonable rates are to exist, requires no discussion."⁷³

The Commission also labored under what it felt were inadequate powers. In 1931 General Counsel William W. Bride wrote: "I desire to call the attention of the Commission to the great difficulty in prosecuting minor

violations of the orders of the Commission by civil suit for penalty and to urge the necessity of modification of the act to permit the determination of fines and penalties by the Commission or direct prosecution in the police court on information.”⁷⁴ Many annual reports in the 1930s mentioned legislation the Commission initiated, only to see it languish in Congress.

In 1937, while the Commission was still recovering from the 1934 cuts in personnel, the chairman of the House Subcommittee on District Appropriations, Rep. Ross A. Collins (D-Mississippi), threatened to reduce staff or salaries after the Commission approved a transit fare increase, from four tokens for 30 cents (7.5 cents/token) to six tokens for 50 cents (8.33 cents/token). A *Washington Post* editorial commented: “In no event ... could anything be gained by punishing an efficient regulatory body for interpreting the law to mean what it says. That idea is too foolish to warrant a moment’s serious consideration.”⁷⁵



Representative Ross A. Collins, Democrat of Mississippi, at right.

Library of Congress

HOW DOES THE PSC SET RATES?

James Flanagan, the first accountant to serve on the Commission, is credited with employing the formula still used to set utility rates. The Commission switched in 1949-1950 from a sliding scale system to the following formula:⁷⁶

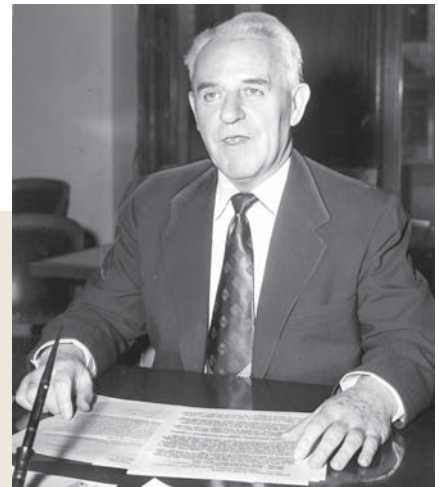
$$\text{Revenue Requirement} = \text{Operating Expenses} + (\text{Rate Base} \times \text{Rate of Return})$$

As a later Commissioner explained, if utility rates were set merely on a cost-of-service basis, a computer could do the work. It’s just a matter of plugging in numbers, taken off the companies’ books.

But one of the calculations necessary in rate-setting is not an empirically determinable number: the rate of return on equity, that is, the cost of common stock.

It comes down to this question: how much profit should the Commission allow a utility to earn in order for it to be able to sell its shares in the marketplace to raise the capital it needs to provide its service? It’s a matter of judgment and you need a human being, or three human beings, to do it.

—George A. Avery, PSC Chairman 1966-1971



James Flanagan chaired the Public Utilities Commission from 1942 to 1953.

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Changing Times

The post-World War II years brought to the nation important Civil Rights milestones, including the U.S. Supreme Court's 1954 ruling in *Brown v. Board of Education* that school segregation was unconstitutional. The next year President Dwight D. Eisenhower appointed prominent Howard University law professor and former D.C. Board of Education member George E.C. Hayes to the Commission. Hayes, who had served as lead counsel in *Bolling v. Sharpe*, a companion case to *Brown v. Board*, became the Commission's first African-American member and its chairman. He was also the first African American to be appointed to "so high a post in the city administration," according to the *Washington Post*, which noted that Hayes had "lent dignity to the District's long struggle against discrimination."⁷⁷

When Hayes's tenure ended in 1961, President John F. Kennedy appointed Howard law professor and Assistant Dean James Washington to take his place. Washington eventually went on to serve as a D.C. Superior Court judge for some thirteen years.

Chief Judge Nathan Clayton of the Municipal Court of Appeals swears in George E.C. Hayes as Public Utilities Commissioner, 1955. Hayes served for six years.

Star Collection, DC Public Library; © The Washington Post



The 1960s saw major changes in the Commission's responsibilities and focus, and in its address. The impetus for much of this upheaval was the transfer in March 1961 of mass transit regulation to the newly formed regional Washington Metropolitan Area Transit Commission. Chairman Hayes had promoted regionalization, and the Commission took the change in stride. Urban renewal and federal interstate highway projects had had a significant impact on electric, natural gas, and telephone utilities, it noted in its annual report. "Abandonment and/or relocation of services and facilities have required long-term planning and have resulted, and will continue to result, in tremendous expenditures by the affected utilities. These matters will require the continued, constant, and vigilant attention of the Commission."



George E.C. Hayes, Thurgood Marshall, and James Nabrit, the lead attorneys for Bolling v. Sharpe, celebrate victory on the steps of the U.S. Supreme Court, 1954.

Library of Congress

The *Washington Post* reported in May 1963 that the Commission was just as busy as ever. In reality, however, it was fighting a losing battle over its standing as a District government agency. Specifically, was it important enough to remain in the District Building, its home for fifty years? The Commission's forced move to the Cafritz Building, 1625 I Street, NW, over Chairman James Washington's strenuous objection, answered that question.⁷⁸

However, the Commission found reason to celebrate the following year, as it exuberantly exclaimed in the first line of its 1964 annual report: "We have a new name and a new responsibility!"

The Public Service Commission received the power to license and regulate securities traders, as a result of the 1964 District of Columbia Securities Act. The securities provision was meant to change the District's status



The Commission moved to the Cafritz Building, 1625 I Street, NW (now demolished), in 1963 and remained there through the 1970s.

Historical Society of Washington, D.C.

as "an unregulated Mecca for fly-by-night bucket shops and unscrupulous individuals who called themselves brokers," as the *Washington Post* put it. With this action the District joined the forty-nine states that already regulated brokers/dealers.⁷⁹

Redefining ‘Public Interest’

President Eisenhower’s apparent reason for appointing George E.C. Hayes to the Commission was honorable: the nearly one-half of the city’s population that was African American needed more of a voice. But Eisenhower most likely had no idea what a huge impact his choice would have. Neither Hayes nor his successor, James Washington, had worked in utility regulation, but both had important experience in Civil Rights litigation. These two relied on their demonstrated successes in using the law to effect important changes, to broaden the powers of the Commission. They had fought for rights through the courts; now they fought for them in this court-like agency.

Back in 1945, in the face of complaints that the Capital Transit Company was refusing to hire African-American drivers, the commissioners said they were “unable to find anything in the statute, or its legislative history, authorizing this Commission to impose its judgment upon management with respect to the employment policies of Capital Transit.” The Commission deferred to the President’s Fair Employment Practices Committee.⁸⁰

President Franklin D. Roosevelt had created the FEPC in 1941 at the behest of African-American labor leader A. Philip Randolph. It was a landmark move. Roosevelt’s Executive Order 8802 of June 25, 1941, charged the FEPC with ending racial discrimination “in the employment of workers in

Just after the Commission moved in, the Congress of Racial Equality picketed the Cafritz Building.

Photograph by Charles Del Vecchio © 1963 The Washington Post





defense industries or government because of race, creed, color, or national origin.” The order also authorized the FEPC to enforce this policy.⁸¹

The president strengthened the policy in 1943, requiring all government contracts to contain a nondiscrimination clause. His quest to codify the policy failed, however, thanks to southern Congressmen. Succeeding presidents consequently dealt with the issue the same way Roosevelt had, through executive order.⁸²

The Commission’s own position regarding its role in influencing hiring practices evolved during the tenure of Chairman Robert McLaughlin (1953-1955). In a 1948 Capital Transit rate case, the PUC had declared as outside its jurisdiction the company’s refusal to hire African-American drivers; however, in a 1953 rate case, the Commission reversed its stand. After ordering nondiscriminatory hiring, it brought the relevant parties together to negotiate a Memorandum of Understanding in which Capital Transit agreed to hire black drivers, starting in 1955.⁸³

By 1960 Washington’s demographics were changing drastically. In the aftermath of the Supreme Court’s school desegregation ruling, thousands of white families had moved to the suburbs, and the city had become 60 percent African American. At the same time, private companies were still not hiring African Americans. It was clear to Hayes, Washington, and succeeding commissioners—including George Avery and William Porter, two Lyndon Johnson appointees—that they could be part of the solution.

The Commission homed in on the huge utility companies’ hiring practices.

In 1962 Chairman James Washington began meeting with representatives of the three major utilities—Pepco, Washington Gas, and C&P Telephone—to pressure them to hire more African Americans. The Com-

President Franklin Delano Roosevelt at his desk, 1938.

Library of Congress

Ferdinand Smith, National Secretary of the National Maritime Union, and Chicago Alderman Earl B. Dickerson of Chicago, a member of the President’s Committee on Fair Employment Practices, meet with Donald M. Nelson, Chairman of the War Production Board.

Library of Congress



August 1963 March on Washington.

President Lyndon Baines Johnson signs the Civil Rights Act, July 2, 1964.

Library of Congress



mission also announced it would investigate racial discrimination in utility and taxicab companies' employment practices. In addition, Chairman Washington said the Commission would address complaints that some drivers ignored African Americans trying to hail a taxi on the street. The *Washington Post* had reported that the large utility companies employed only a token number of African Americans in higher-management jobs, and that some taxi companies employed only white drivers.⁸⁴

When the *Post* contacted the companies for a statement, Washington Gas and C&P said they hired based on merit. They denied allegations of

discriminatory hiring practices but could not provide information on the number of African Americans they employed. Pepco declined to comment at all. One taxi company owner said all of his drivers were white but they did not discriminate or, if they did, he did not condone it.⁸⁵

The 1963 March on Washington for Jobs and Freedom underscored what the Commission was trying to achieve bureaucratically. It also led to the adoption, at last, of an expanded version of the legislation President Roosevelt had sought more than twenty years earlier. The Civil Rights Act, signed into law by President Lyndon Baines Johnson on July 2, 1964, prohibited discrimination based on race, color, religion, sex, or national origin.⁸⁶

Supported by federal law, as well as by the Commission's original, 1913 mission to ensure that any charges by the utilities were "reasonable, just, and nondiscriminatory," in 1966 Chairman Washington added concurring comments to a Pepco rate case decision. "The facts of record referable to the Company's contracting processes compel comment," he wrote.

"This matter concerns the obligation of a regulated public utility to pursue procurement practices and procedures which minimize the cost of service to the public. There is also the related question of the extent to which a utility should afford its suppliers the right to compete openly on a free and equal basis for the economic opportunities involved."

Washington then artfully tied these two objectives together:

"This Commission bears the responsibility of ensuring that the Company's rates are fair and reasonable. The attainment of this objective is directly affected by the propriety and reasonableness of the Company's expenses. The greater the expense, the higher the rates; improper or excessive expenses lead to excessive rates. Propriety aside, the most reliable method of assuring the reasonableness of such expenses is their establishment through the competitive pressures of the free market place."⁸⁷

The Commission's anti-discrimination efforts intensified following the civil disturbances of April 1968, as it examined the disturbances' impact on utility service and the potential problems they raised for future security. In 1970, the Commission began to take specific action. It used the tool at hand, a rate case, and in granting Pepco a rate increase

Judge Andrew J. Howard, Jr., swears in James A. Washington as PUC Commissioner, 1961. Ada Collins Washington and D.C. Commissioner Walter Tobriner observe.

Star Collection, DC Public Library; © The Washington Post





Charles Duncan became D.C.'s first African-American Corporation Counsel, and also the PSC's first African-American General Counsel, in 1966. Also pictured: Duncan's father, renowned baritone Todd Duncan; mother, Gladys Jackson Duncan; and wife, Dorothy Duncan.

Star Collection, DC Public Library; © The Washington Post

imposed an affirmative action plan on the company. This move was unprecedented in the United States. Under Order No. 5429, the company was to hire more black employees and maintain a level of employment comparable to the ratio of African Americans in the labor force.⁸⁸

Pepco was not happy. In its annual report for that year, it noted that it had completed an affirmative action plan that was approved by the General Services Administration. GSA had the right to require such a plan because Pepco sold power—in fact, one fifth of what it generated—to the federal government.⁸⁹

The affirmative action plan imposed by the PSC, however, was “very detailed” and “quite different” from the GSA plan, Pepco complained.

“The Company petitioned the United States District Court to set aside this portion of the order on various grounds, including charges that the Company had not been given an adequate hearing before the Plan was ordered, and that the Commission had based its action on insufficient evidence. In January, 1971, the Court agreed with our position, ruling that the Commission’s procedure had been improper and announced that the order imposing the Plan would be vacated and set aside. The Company is now proceeding under the provisions



Judge Spottswood Robinson swears in William L. Porter as PSC Commissioner, 1966.

Star Collection, DC Public Library; © The Washington Post

of the Affirmative Action Program approved by the General Services Administration.”⁹⁰

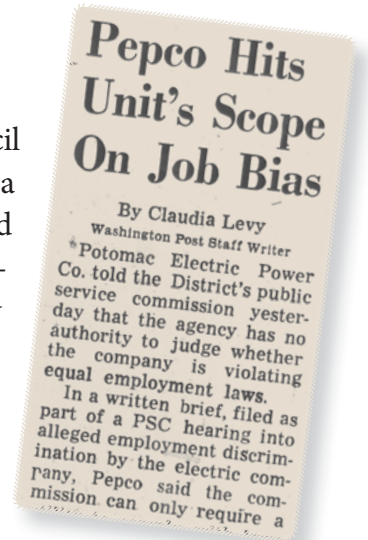
A related issue arose in 1968 when the Neighborhood Advisory Council and Consumer Action Committee of the Washington Urban League filed a complaint with the PSC against Washington Gas. The company’s credit and deposit policies for gas services discriminated against low-income consumers, the organizations claimed. The Commission agreed that the company should relax its policies in some cases, requiring that deposits be based on customers’ actual payment records. It also directed the company to make “exhaustive” efforts to settle past-due bills before terminating service and to advertise more widely its “budget method of payment.” In addition, it suggested that the company involve itself more in the community, for example by notifying landlords about housing conditions needing repair and working with landlords and tenants to lower gas consumption.⁹¹

William Porter left the Commission in 1970 and George Avery in 1971, but President Richard M. Nixon replaced them with two men who continued their quest: Chairman Jeremiah C. Waterman and Commissioner C. Mason Neely.

In 1972 they invited the U.S. Equal Employment Opportunity Commission, the D.C. Office of Human Rights, the Washington Urban League, and GSA to participate in an investigation of possible employment discrimination by Pepco against women and minorities. The U.S. District Court had invalidated the Commission’s affirmative action order; however the ruling was on procedural, not substantive grounds. “On the substance of the matter the Court concluded that the Commission has authority and power to examine Pepco’s employment practices, either as part of a rate proceeding or as an independent matter,” the PSC stated in opening the investigation.⁹² Coincidentally, GSA had found that the power company had failed to meet federal standards for minority hiring outlined in the affirmative action plan.

The investigation resulted in a June 1973 determination that Pepco was not violating hiring laws, thanks to changes in management and employment practices. However, the Commission promised to continue to monitor the company’s hiring practices.⁹³

Under the leadership of new President W. Reid Thompson, Pepco hired the first African-American member of its Board of Directors, Ted Hagans, in 1971. Sharon Pratt Dixon, an African-American attorney, arrived as legal counsel in 1976, rising by 1983 to vice president of community relations and thereby becoming the company’s



A Washington Post article from March 15, 1973.

Sharon Pratt Dixon in her Pepco office, 1978.

Star Collection, DC Public Library; © The Washington Post



Mayor-elect Marion Barry, left, with the chairman of his transition team, Delano Lewis, 1978. Lewis, then C&P Telephone Co.'s public affairs manager, rose to CEO in 1990.

Star Collection, DC Public Library; © The Washington Post



first female executive officer. C&P Telephone had its first African-American executive in the early 1980s: Delano Lewis rose to vice president in 1983 and president in 1988.

Patrick J. Maher, who arrived at Washington Gas Light Co. in 1974 as Vice President for Finance and Chief Financial Officer and retired as Chairman in 1998, called hiring practices “a very legitimate area for the PSC to look at.” In a 2013 interview he said: “If you have a bunch of old white men, you’re not going to get good results. You don’t clone yourself to operate in a diverse world.”



Patrick Maher, CEO (1992-1997) and chairman (1992-1998) of Washington Gas.

Star Collection, DC Public Library; © The Washington Post

Maher arrived at Washington Gas during a critical time for energy producers. Natural gas shortages had begun to manifest themselves in the late 1960s, and rising interest rates were cramping Pepco’s ability to build ever larger power plants and achieve ever greater economies of scale. In 1973, the Arab members of the Organization of the Oil Producing Countries (OPEC) imposed an embargo on the United States. Prices exploded.

Here, too, the Commission used its quasi-judicial authority to find solutions. In a 1972 rate case, Commissioners Waterman and Neely granted Pepco an increase of slightly less than half of what it had requested but also ordered the company to submit quarterly reports of its expenditures on environmental research and development. This was the start of the Commission’s involvement in energy conservation.⁹⁴

Diversity as a Strategic Advantage

The push for diversity in the higher echelons of the companies eventually began to bear fruit. James DeGraffenreidt, Jr., an African-American attorney and consumer advocate who went to work for Washington Gas in 1986 and rose to CEO and chairman before retiring in 2009, recalled:

“You would hear a lot of white executives talk about diversity from the point of view of, well, you know, it’s the right thing to do. We have to match how our work force looks to what the market looks like [and] where the demographic trends are going.

“Pat Maher [DeGraffenreidt’s immediate predecessor] was a bit more visionary than that. His litmus test was: Are you hiring, developing, and retaining talent that looks different than you do?

“The way Pat and I used to talk about it was this: We want to take advantage of the fact that the Washington, D.C. metropolitan area has some of the best talent in the world, and we want to be the employer of choice, where the best of the best want to come and do their best work. This is well documented. If you just look at the annual reports from Washington Gas, and later WGL Holdings, you’ll see a dramatic shift starting with Pat Maher’s administration, carrying through mine, and now continuing through Terry McAllister’s, that show women and minorities—Asians, blacks, and Latinos—in key decision-making roles with direct ties to strategic successes that the company has had over that period. I think Washington Gas excels because very early, relative to corporate America’s history, this is a company that began talking about and acting on the notion that diversity could be a major strategic advantage.



James DeGraffenreidt, CEO of WGL Holdings and Washington Gas (2001-2009).

Photograph by Ankers, The Washington Informer

“If we’re talking about the D.C. PSC, one very obvious way it played out, starting with Patricia Worthy [commissioner 1980-1991, chair 1984-1991], was that this was a company that was responding very positively to the signals that were being sent by the Commission, that it wanted to see progress on this front. We didn’t do it just for window-dressing purposes. They saw very clearly that we were sending people with actual decision-making authority to their proceedings.

“So the Commission knew in a very palpable way that Washington Gas was for real on this, in terms of not just who we were hiring

and developing but also our interaction with minority business suppliers, who we used as outside counsel, who we used to put pipe in the ground, whose businesses were supporting us as we pursued our actual business objectives. We were advancing an important public policy objective of the Commission's consistent with our strategic business objective."

Worthy, speaking at the Commission's centennial symposium in March 2013, remarked, "If we had had the luncheon that we had today when I joined the Commission [in 1980], everyone in the room would have been white and everyone in the room would have been a male. That was my challenge. When I look out today and see so many women and people of color, if I did anything, that is my legacy. We [also] worked very hard at attracting a diverse staff."

PSC Chair Patricia Worthy speaks at a D.C. City Council hearing, accompanied by, from left, Commission staffer Max Meredith, Commissioner Ruth Hankins-Nesbitt; and Commissioner Wesley Long, late 1980s. Office of Economics Director Phylcia Fauntleroy and General Counsel Howard Davenport sit behind Worthy.

Photograph by Marvin Jones



During the tenure of Chairman Howard Davenport, who had been General Counsel under Chairman Worthy, the PSC and the three regulated utilities signed a voluntary Memorandum of Understanding giving minority and protected-class-owned businesses the opportunity to participate in supplying goods and services to the companies. The 1991 MOU came in response to the U.S. Supreme Court decision in *Croson v. City of Richmond*, which struck down minority set-aside laws without evidence of past discrimination. The utilities submitted plans for 1991 as an indication of their good-faith efforts to comply voluntarily with the MOU⁹⁵ (which was renewed in 2012, at the behest of Commissioner Lori Murphy Lee).⁹⁶



Home Rule Arrives

By the mid-1960s the District's population of about 800,000 was more than 60 percent African American. President Johnson wanted to respond to what amounted to demands for Civil Rights for the District and asked Congress to approve Home Rule legislation. The Senate backed the legislation, but the House, led by southern Democrats, blocked all attempts at reform, as usual.

In 1967 the president tried a new tactic. He submitted a reorganization proposal calling for an interim, appointed D.C. government consisting of an executive, an assistant executive, and a nine-member council. Because government reorganization legislation was the purview of the House Government Operations Committee rather than the ultra-conservative House District Committee, Johnson's proposal survived long enough for the full House to approve it in August 1967.⁹⁷

Johnson chose former long-time National Capital Housing Authority Executive Director Walter E. Washington as the new "mayor-commissioner" of the nation's ninth-largest city. Washington was sworn in on September 29, 1967, becoming the first African American to head a major U.S. city.⁹⁸

Now, for the first time, utilities commissioners were appointed by a local official. Mayor Washington fingered Deputy Mayor Thomas W. Fletcher for the position formerly held by the Engineer Commissioner, in January 1968.⁹⁹

President Lyndon B. Johnson, right, watches as Supreme Court Justice Abe Fortas swears in Walter E. Washington as mayor-commissioner, 1967. Also present, from left: Margerie Fletcher, Benetta Washington, Deputy Mayor-to-be Thomas W. Fletcher, and Lady Bird Johnson, the First Lady.

Star Collection, DC Public Library; © The Washington Post



PSC Chair Ruth Hankins-Nesbitt, 1976.

Photograph by Chase, courtesy, Washington Post

In January 1970, he also appointed Deputy Mayor Graham W. Watt to the PSC. For the first time, also, the Commission had three dedicated commissioners. Former PSC Chairman George Avery, whose tenure started before the change, explained its importance: “[Earlier,] we had the third commissioner, but he was the engineer commissioner and the tacit understanding, as I came to learn, was that he relied on the two full-time commissioners to get the job done right. ... Where we had a difference, we just tried to work it out and come to an acceptable answer between us because the engineer commissioner had huge, important responsibilities of running the city.”¹⁰⁰

Finally, at the very end of 1973, Congress passed Home Rule legislation. In May 1974, citizens approved a new Home Rule charter providing for an elected mayor and thirteen-member council. They voted that November to retain Mayor Washington, and the city’s first elected government in 100 years was sworn in on January 2, 1975. Home Rule also brought four-year instead of three-years terms for utility commissioners.



Annice M. Wagner, People’s Counsel (1975-1977).

Star Collection, DC Public Library; © The Washington Post

Ruth Hankins-Nesbitt, sworn in as PSC Commissioner by Mayor Washington on March 5, 1975, and chosen as chairperson by her colleagues, wrote proudly in the PSC’s annual report: “For the first time in its history the Public Service Commission of the District of Columbia is filing the Annual Report for 1975 both to Congress and the City Council in recognition of self-government in the District of Columbia.”¹⁰¹

In response to rising energy prices, the Home Rule Act re-established the Office of People’s Counsel, and Mayor Walter Washington appointed Annice M. Wagner, general counsel to the D.C. Housing Authority, as the first People’s Counsel since 1951.¹⁰² Wagner’s tenure was brief; she left in 1977 after being appointed judge in the D.C. Superior Court. She went on to serve as chief judge for the D.C. Court of Appeals, which, significantly, hears appeals of the Commission’s orders.

New Energy Policies

While the mid-1970s brought progress in D.C.’s governance, external events—the Arab oil embargo and the natural gas shortage combined with ever-increasing inflation and a generally depressed economy—were pulling in the opposite direction.

The Commission stated in 1974: “The severe economic pressures caused by [these conditions] brought about swift reactions in the form of petitions to the Commission for relief and redress from all major segments of the community. The Commission responded to the many complaints and petitions in an appropriate and expeditious manner while continuing to operate with an already burdensome caseload and a serious staff shortage.”¹⁰³

Looking back, former Washington Gas CEO and Chairman Patrick J. Maher explained:

The high inflation of the period created “a particularly onerous burden for companies that have to continue to raise capital, because if they don’t generate enough capital to meet their obligations internally, they have to go outside and finance it. In order to finance that capital they have to show adequate earnings, cash flow, [and] coverage of interest.”

He continued: “An inflationary environment is tough on companies; it’s tough on the commissions, too. Historically, rates were set on the basis of costs that were incurred during a ‘test period,’ the previous fiscal year. So, in a rapid inflationary period, rates are set for the future but they’re based on the past. By the very nature of that system, rates frequently are behind, and therefore the earnings are not adequate.

“My judgment at that time was that all of the commissions [D.C., Maryland, and Virginia] analyzed the need very carefully and professionally. They met their public service responsibility, yet pushing us to achieve the necessary economies in the company to operate efficiently.”

The Commission endorsed the national goal of energy conservation in 1975. Federal legislation in 1978 outlined concrete steps toward meeting the goal, paving the way toward the complete restructuring of the energy industry and the emphasis on renewable energy sources that took hold by the late 1980s.

Creating economic incentives was key to achieving conservation. However, as former PSC Chairman Elizabeth Patterson (commissioner 1977-80, chair 1978-79) remarked in 2013, “We did not have the staff. We did not have the funding. Understand, this was an economic regulatory agency that had not one economist on staff. Not one. And we did not have a general counsel.”

The federal Public Utility Regulatory Policies Act of 1978 included funding for state utilities commissions, so in 1979 the Commission used some of that funding for a management analysis. A number of changes resulted:



Judge Theodore Newman swears in Elizabeth Hayes Patterson as PSC Commissioner, 1977. Also pictured, from left: Commissioner Will Stratton, Council Member Hilda Mason, Council Member Jerry Moore, Mayor Walter Washington, Jerome Patterson, and PSC Chair Ruth Hankins-Nesbitt.

Collection of Elizabeth Patterson

During the 1980s the PSC operated out of Old City Hall (now the D.C. Court of Appeals), on Judiciary Square, below left.

Library of Congress

From 1987 through 1996 the Commission had offices at the Securities and Exchange Building, 450 Fifth Street, NW, right.



the D.C. City Council authorized the PSC to hire an executive director and dedicated general counsel, create an Office of Economics, and finance its operations by assessing the regulated utility companies.¹⁰⁴

“Help wanted: executive director for controversial regulatory agency. Applicant must be able to deal with irate customers, powerful industry, ambiguous federal policy and inadequate staff. Apply to the District of Columbia Public Service Commission,” the *Washington Post* wrote only half-jokingly. Melvin L. Doxie, a protégé of Mayor Marion Barry, filled the post. Doxie’s proudest achievement, he later said, was relocating the Commission from the Cafritz Building, which lacked a hearing room, to the Old City Hall building at 451 Indiana Avenue, NW.¹⁰⁵



Melvin L. Doxie in 2014.

To lead the new Office of Economics, the Commission tapped Gordon Pozza, director of economics for the National Association of Regulatory Utility Commissioners. Pozza immediately set to work figuring out how to implement new federal energy policies in the District, while balancing the interests of the ratepayers and other stakeholders.¹⁰⁶ The mission of his office, Pozza felt, was to try to insert economic principles into the rate structure. He and a colleague developed the fuel adjustment clause (a mechanism for passing along fuel costs to customers in their monthly bills), which was used until 2000, when Pepco sold its generation plants.

Change Is the Only Constant

In 1987, taxicab regulation moved to the new District of Columbia Taxicab Commission, ending the Commission’s jurisdiction over transportation other than tourist vehicles for hire.¹⁰⁷ The Commission began focusing more attention on public participation in its processes. It also moved again, to 450 Fifth Street, NW.

In 1994 the Commission hailed the advent of new communications technologies, such as the “Information Superhighway,” electronic record-



keeping, telemedicine, video on demand, cable, and portable computers.¹⁰⁸

It acknowledged the positive aspects brought by new competition in the provision of energy services but warned that the “transition to a competitive environment is fraught with many dangers as well, especially for residential and small business customers,” and that “the pressure in a competitive environment will be to keep rates as low as possible.”¹⁰⁹

“Another variable affecting energy conservation efforts in a competitive environment is the role of the federal government. Competition is going to force utilities to control all their costs, including environmental, consumer education, and conservation costs. This means that state commissions must be more vigilant than ever. It also means that the federal government should become more active. Over time, all energy service providers should have to comply with more stringent clean air requirements; stronger efficiency standards”¹¹⁰

Securities regulation, which was added to the Commission’s portfolio in 1964, moved in the late 1990s to the newly created D.C. Department of Insurance, Securities, and Banking.

PSC headquarters were at 717 Fourteenth Street, NW (second building from the left, above), from December 1996 until May 2000.

Historical Society of Washington, D.C



1333 H Street, NW, the Commission’s home between 2000 and 2015.

Bringing the Public to the Table



During the tenure of Chairman Howard Davenport (standing at rear) in the early 1990s, the Commission established a citizen advisory board, seen here, to implement a new Telecommunications Relay Service for the deaf and hard-of-hearing.

Over the years, D.C.'s citizens and citizen organizations have played a critical role in helping the Commission accomplish its mission to ensure safe and reliable mass transportation, electric, gas, and local telephone service at reasonable rates. In facilitating public input, the Commission has strengthened its connection with the people it serves. Increased participation by the public has also allowed the Commission, as well as the utilities, to better understand how to improve their policies and performance.

Given the part the Federation of Citizens Associations played in the Commission's creation, it is no wonder that the legislation creating the agency provided for public input, specifically through formal proceedings including evidentiary hearings as well as via informal and formal complaint systems. From the beginning the Commission encouraged the public's involvement in its formal proceedings by mailing notices of all hearings to the Federation and other civic groups. Later it also posted notices in the daily newspapers.

The Federation, organized in 1910, represented only white neighborhood groups. (It dropped its whites-only policy in 1972.) Starting in 1921, after the Federation of Civic Associations was formed to represent the African-American neighborhood groups, the Commission added it to the mailing list as well.

Although the Commission in 1940 reduced the size of its mailing list, it did continue to send notices of hearings and orders to both Federations. Both have continued their involvement with the PSC.

In fact, the range of citizen groups participating in Commission proceedings has expanded over time as the agency has broadened the span of public policy issues it addresses. Attorney William McK. Clayton, the

founding president of the Federation of Citizens Associations, participated in virtually all formal hearings for many years. He also successfully lobbied for the establishment of the People's Counsel position, which was created by Congress in 1926 to advocate before the Commission and to the utility companies on behalf of the public. In the Commission's early years, the Federation and its member associations filed numerous complaints, inquiries, and requests for service, particularly with respect to streetcar and bus routes. The Commission responded to each informal complaint and request by letter. During 1929 to 1932, for example, this meant 4,000 to 5,000 letters annually.

The first recorded reference to a black neighborhood group's involvement with the PUC occurred in 1924, when the Southwest Civic Association filed a complaint of inadequate streetcar service.¹¹¹ With the arrival of African-American commissioners and attention by the Commission to hiring practices and other Civil Rights issues, the civic associations amped up their involvement.

The list of intervenors in four Pepco rate cases over time illustrates this trend. In a 1955 case, the Federation of Citizens Associations was still the principal public intervenor, although African-American attorneys had participated in several streetcar cases in the 1940s as advocates for the hiring of African-American conductors and motormen. In a 1966 case, while James Washington was PSC Chairman and D.C.'s population was majority African American, the principal intervenors were the predominantly black Northeast Boundary Civic Association and the African-American newspaper, the *Washington Informer*. In a 1970 case the public intervenors were the D.C. City Wide Consumer Council, Urban League, Capitol Hill Group Ministry, United Planning Organization, and CHANGE, Inc., a community development organization.¹¹²

In a 1972 case in which the Commission addressed not only minority employment issues but also environmental issues, the public intervenor list grew to include Students Hot for Conserving Kilowatts, the Sierra Club, Center City Community Group, D.C. Office of Human Rights, Friendship House, Senior Neighbors, and Companion Club Advisory Council.¹¹³

The 1973 Home Rule Act, which became effective in 1975 after a public referendum, had a major impact on the public's access to the Commission. Specifically, the Act established Advisory Neighborhood Commissions,



Consumer Specialist Margaret Moskowitz explains PSC programs to help save energy and money. In the era of competition, the PSC's role includes informing utility customers of their rights and responsibilities.

with elected commissioners each representing several city blocks, and it re-established the Office of the People's Counsel as a consumer advocate. The new Advisory Neighborhood Commissioners and People's Counsel became public interest-oriented parties in the PSC's formal case proceedings. The Commission must provide notice to an ANC of any matter the Commission is addressing that affects that ANC. The ANC then has the opportunity to express its opinion on the matter, and the Commission must acknowledge the ANC's views and explain why it agrees or disagrees with those views.

The law directs OPC to advocate on behalf of District residential electric,

natural gas, and local telecommunications consumers before the Commission, to assist consumers in disputes with utility companies about billing or services, and to provide technical assistance and consumer education to the Consumer Utility Board and other community groups. A party to all PSC proceedings, OPC is authorized to investigate the operation and valuation of utility companies independently of any pending proceeding.

CUB is a nonpartisan and community-based, independent group founded in 1977 to protect the interests of



*People's Counsel
Brian Lederer at a
1978 hearing on the
Utility Consumer
Bill of Rights, in the
Cafritz Building.*

Photograph by Charles
Del Vecchio © 1978 The
Washington Post

D.C. utility consumers. Its members are D.C. citizens who are not affiliated with any utility company, as well as D.C. Council members, community leaders representing civic and citizens associations, advocacy groups, and other community groups. Since its inception CUB has played a vital role in shaping utility policy in the District through community organizing, testifying at public hearings, filing briefs, demonstrating, and lobbying elected officials. In addition, CUB weighs in on the selection of People's Counsels and PSC Commissioners and Chairpersons.

Protecting Consumer Rights

The consumer rights movement led by Ralph Nader resulted in the enactment of dozens of new consumer-protection laws during the 1960s and '70s,¹¹⁴ and in 1979 the Commission became the second PSC in the country (after Michigan's) to adopt a Utility Consumer Bill of Rights. This document outlawed security deposits for telephone service (deposits for gas and

electric service had already ended) except in specific circumstances, established a mechanism for addressing customer complaints, and tightened the standards governing service disconnections, among other provisions. The Commission also published a *Consumer Handbook* meant to help D.C. residential customers understand the practices of utility companies, including billing and payment standards, meter reading, termination and reconnection rules, and service procedures.

A newly created Office of Consumer Services within the Commission was tasked with ensuring that the utility companies complied with the provisions of the Utility Consumer Bill of Rights. Its other duties included handling complaints from utility ratepayers (formerly the purview of the Office of Engineering) and gathering information on how well the utility companies served their customers. The Commission adopted *Rules for the Resolution of Commercial Customer Complaints Against Utilities in the District of Columbia* in 1985.¹¹⁵

At about the same time, the Commission began holding community hearings in rate cases and other major proceedings. The idea was to make it easier for consumers to have a say in these proceedings by bringing the Commission to libraries, schools, churches, and recreation centers in the neighborhoods. The initiative proved to be popular, and remained a routine practice in 2013.

Recognizing that high inflation rates were pushing up utility bills, in the early 1980s the Commission began requiring utility companies to offer programs for low-income consumers. Pepco's Residential Aid Rider (a 25-percent discount on the first 400 kilowatt hours of usage every month) was the first to be approved, in 1982. C&P Telephone's program, Economy II, started in 1985, and Washington Gas's Residential Essential Service program started in 1986.¹¹⁶

The PSC Office of Consumer Services adopted a plan for community outreach, focusing on a public awareness campaign designed to educate the public about energy conservation. The plan's components included cable TV programming, a speakers' bureau, and a mobile unit/display. OCS also created and distributed a newsletter, *The Utility Bulletin*, to all Advisory Neighborhood Commissions and citizens and civic associations four times a year. The *Bulletin* contained information on key cases and covered topics such as utility consumer rights and energy conservation.¹¹⁷



The PSC adopted a Utility Consumer Bill of Rights in 1979.

The Washington Post

People Serving the Community

In 1991 the Commission created a new consumer outreach program called “People Serving the Community.” One component of the program was “Take It to the Streets.” This was a two-pronged energy-awareness campaign designed to (1) help consumers minimize their bills by making informed



A community hearing at the Frederick Douglass Center in Ward 8, early 1990s.

choices about their energy use, and (2) encourage consumers to participate in decision-making that would affect them, by attending community hearings and submitting written comments. That year’s annual report explained the rate-making process and made a point of including phone numbers for PSC offices. The report noted that the Commission had negotiated an agreement with each of the utility companies to make copies of rate applications and supporting

testimony available for public inspections at the downtown Martin Luther King Jr. Memorial Library and one branch library with evening hours in each ward. The Commission installed TTY-TDD capabilities in order to open and maintain lines of communication with the deaf community.¹¹⁸

The Commission also set a goal to conduct at least 100 outreach events each year. It has consistently met that goal.

A New Mission Statement

By the mid-1990s the District had fallen into financial ruin. High crime and a dysfunctional school system had sent thousands of families fleeing to the suburbs. Mayor Marion Barry appealed to Congress for a bailout, but Congress instead took over the city and appointed a Control Board to run it. Most agencies, including the Commission, endured severe funding cuts for several years. Emerging from the cutbacks in 2002, the Commission issued a brand-new Mission Statement “intended to convey not just what we do, but what we do of value for consumers, service providers, and the District as a community.”¹¹⁹

Today, the mission of the Public Service Commission (PSC) is to serve the public interest by ensuring that financially healthy electric, gas, and telecommunications companies provide safe, reliable, and quality services at reasonable rates for District of Columbia residential, business, and government customers.



Washington Gas's D.C. Division Vice President Roberta Willis Sims explains the company's low-income assistance program at New Bethel Baptist Church in Northwest D.C., ca. 1993. Sims was previously PSC legal counsel.

The Washington Informer

We do this by:

- ◆ *Motivating customer- and result-oriented employees;*
- ◆ *Protecting consumers to ensure public safety, reliability, and quality services;*
- ◆ *Regulating monopoly services to ensure their rates are just and reasonable;*
- ◆ *Fostering fair and open competition among service providers;*
- ◆ *Resolving disputes among consumers and service providers; and*
- ◆ *Educating consumers and informing the public.¹²⁰*

Clearly the Commission had expanded its mission from that defined in the D.C. Code: "... to ensure that every public utility doing business in the District of Columbia is required to furnish service and facilities reasonably safe and adequate and in all respects just and reasonable. The charge made by any public utility for a facility or service furnished, rendered, or to be furnished or rendered, shall be reasonable, just and non-discriminatory."¹²¹

In 2008 the PSC reinforced its new mission by issuing a revised and updated Consumer Bill of Rights to cover not only the three utility companies but also competitive service providers.

Effectiveness of Public Input

The following five vignettes illustrate ways in which utility consumers and community groups have helped shape Commission policies and decisions.

How the Public Influences Commission Decisions:

A TRANSIT RATE CASE

A fare box on a Capital Transit bus, 1946.

Star Collection, DC Public Library; © The Washington Post



For at least its first half century, the Commission was best known for its regulation of streetcar and bus service. In January 1942, the federations of Citizens and Civic Associations petitioned the Commission to direct Capital Transit to sell three tokens for 25 cents instead of six tokens for 50 cents, as had been approved in 1937.¹²³ During three hearings the petitioners argued that having to put out 50 cents at once would be a hardship to the District's many low-income people. The Commission dismissed the petition on the grounds that

the proponents had failed to show unjust or unreasonable discrimination.

However, one Commissioner, Gregory Hankin, dissented, citing the Commission's continuous receipt of complaints about the 50-cent rate since 1937. In January 1943, after further citizen pressure, the Commission reversed its previous decision, stating that the sale of three tokens for 25 cents was "a convenient method of selling tokens."



A streetcar at the Soldiers Home gate at Upshur Street and Rock Creek Church Road, NW, 1961.

Historical Society of Washington, D.C.

How the Public Influences Commission Decisions:

A TRANSIT ROUTE CASE

From the establishment of the Commission in 1913, the Petworth Citizens Association was outspoken when it came to streetcar and bus routes. In 1914 the Commission ordered WRECO to add cars to its trains after PCA complained that the company was providing insufficient service to the Soldiers Home junction (Upshur Street and Rock Creek Church Road, NW) on the Brightwood-Ninth

Street line. Two years later the Commission established new standards for rush hour and non-rush hour streetcar service, including number of seats, standing-room area, headway (time between trains), and schedules, after PCA complained about the irregular headway on the same line. Another two years later, in 1918, the Commission mandated service improvements in a number of neighborhoods after PCA complained of insufficient ser-

vice to Petworth. And so it continued. PCA continued to file complaints on a regular basis, and the Commission often (but not always) took the neighborhood's side.

How the Public Influences Commission Decisions:

PEPCO'S PROPOSED EXPANSION OF THE BENNING ROAD PLANT

In June 1988 Pepco filed an application for permission to construct two combustion turbine units at its eighty-two-year-old Benning Road Generation Station in Northeast D.C. The utility alleged that 210 additional megawatts of combustion peaking capacity were needed to maintain reliable service, and that its customers would be subjected to unacceptable risks unless the first increment of this capacity was in service by summer 1990. The Commission received numerous comments opposing the expansion, along with petitions to intervene from five entities that wanted to ensure their rights and interests would be protected by the Commission's decision.

- ◆ The River Terrace Community Organization and two nearby Advisory Neighborhood Commissions expressed concerns about the proposed project's environmental and health impacts on the surrounding community.
- ◆ Telesis Corporation, the project coordinator for the development of Parkside, a twenty-six-acre residential and commercial site adjacent to the Benning Road plant, also expressed concern about the environmental impact, questioning the need for the added capacity and asking what Pepco would contribute to nearby residents.
- ◆ The Washington Metropolitan Area Transit Authority, which was purchasing \$14 million per year in electric services from Pepco in D.C., urged the PSC to deny Pepco's request for expedited approval of the expansion plan because environmental considerations, site suitability, fuel transportation, and other concerns warranted careful consideration by the Commission.



River Terrace-based activist George Gurley fought Pepco's proposal to expand its Benning plant. He was photographed in front of the plant in 1990.

Photograph by Justine Frazier © 1990 The Washington Post

Given the widespread opposition, the Commission never approved Pepco's request to add the two combustion turbines to the Benning Road plant. Eventually Pepco withdrew its request.

How the Public Influences Commission Decisions:

WASHINGTON GAS'S PROPOSED SERVICE CENTER CLOSURE

An open house at Washington Gas's Congress Heights Customer Service Center, ca. 1990.

The Washington Informer



the Office of the People's Counsel moved to intervene and requested a formal hearing. More than thirty-five community members spoke at the hearing, all in opposition to the proposed closing. The Commission subsequently denied WGL's request both to close the Anacostia location and stop accepting cash payments at the H Street location, noting that many people did not have bank accounts, credit cards, or Internet access and thus would not be able to pay by phone or online.¹²⁴

How the Public Influences Commission Decisions:

PAYPHONE COMPLAINT PROGRAM

In June 1984, the Federal Communications Commission introduced competition in the payphone industry by allowing individuals and companies (other than local telephone companies) to own payphones. The FCC directed the state public utility commissions to establish rules so the new entrants could connect to the local telephone companies' network of central offices. Subsequent to a public hearing and required notifications, the Commission published rules for Customer-Owned Coin Operated Telephones (COCOTs) in January 1986. COCOTs soon spread throughout the city.

In June 1991 OPC petitioned for an investigation into the use of the payphones by alleged drug dealers, and the Consumer Utility Board filed a supporting letter. The Commission held three hearings, at which numerous citizens and citizen groups testified.

In balancing the public need for payphones with communities' concerns about the possible illegal use of payphones, the Commission amended its COCOT rules to include a community-based outdoor public payphone complaint program that covered not only COCOTs but also payphones owned by C&P. The rules laid out a number of justifications for filing complaints, namely loitering, suspicious activity, and continuous rude, loud, or boisterous behavior on the part of someone using a payphone.¹²⁵ Possible remedies included conversion of service to outgoing only, limiting the capability of the phone to dial a pager (the technology that preceded cell phones), temporarily or permanently terminating service (except for calls to the operator or 911), or relocating the phone.

The rules also required, when a complaint was filed, that the Commission notify and ask for comment from the payphone owner, OPC, the relevant ANC, and the relevant police department. A Commission payphone inspector conducted an investigation, and the Office of General Counsel conducted an informal meeting to reach an agreement among the participants. If that process failed, a Commission hearing officer conducted a formal hearing and rendered a decision within ten days.

The new rules also created a Working Group to monitor the program; it comprised representatives of OPC, Commission staff, the Middle Atlantic Payphone Association, an ANC, the police department, and any other interested persons or organizations that wanted to participate. This was the first time, but not the last, in the history of the Commission that a citizens group, as opposed to the People's Counsel, was a member of a Commission-mandated working group.

Payphone rules, including the citizen complaint process, remained in effect in 2013, but by then the circumstances had changed greatly. More than 10,000 payphones served the District when the rules were first implemented, but only fifty-five remained in 2013.¹²⁶



Commission Chairman Howard C. Davenport (writing) and Commissioner Edward M. Meyers (middle) tour payphone sites with CUB President Daniel Wedderburn (left) and People's Counsel Elizabeth Noel (right), 1991.



Commissioner Joanne Doddy Fort and Chairman Betty Ann Kane with PSC staff, early 2013.

PRODUCTIVE AND PROLIFIC

The PSC's 2008 annual report was dedicated to Agnes Alexander Yates, the longest serving commissioner in the Commission's history (commissioner 1992-2008, chair 2003-2008). "Chair Yates served during the most productive and prolific period in the PSC's history. ... Over her full 16-year tenure, the PSC issued over 5,000 orders, accounting for a third of the more than 15,000 orders issued in the 95-year history of the PSC. This record is all the more remarkable when you consider that during Chair Yates's tenure, the PSC caseload more than doubled with the introduction of competition, while the number of positions declined by more than 40 percent."¹²²



Chair Agnes Yates, center, with Commissioners Rick Morgan and Betty Ann Kane, 2008.

PART II. UTILITY REGULATION

The 1913 law establishing the PUC gave it jurisdiction over private corporations that provided mass transportation, illumination gas, electricity, and telephone and telegraph service, as well as taxi service.

Part II of The First 100 Years: Protecting the Public Interest focuses on the history of the regulation of each of the utility industries.

PSC Asserts Authority Over Georgetown Plant

The Public Service Commission, which regulates the District's public utilities, ruled last week that a proposed power plant cannot be built at the Georgetown University campus by the university's commission, if it is approved.

The decision, which came after almost a year of deliberations, will delay the review process by at least three months and add another layer of review to a proposal that already is being scrutinized by two other city agencies.

The ruling also means that the Inc. of Virginia, which would construct the plant, must justify why it

steam power to cool buildings on campus.

Until the buildings that need the power are all built, by about 2010, it would sell any excess electricity to Potomac Electric Power Co.

The university tried to bypass the commission by citing federal energy laws that streamline the regulatory process for co-generation and other modern energy technologies, which pollute less than ordinary plants.

But the commission ruled that as the local regulatory authority, it had the right and obligation to review the environmental, design,

mental review of an industrial power plant in a highly populated residential area," said Westy McDermaid, a member of the Citizens Coalition against the plant.

"From a community perspective it's very good," said Grace Bateman, who personally has supported the Georgetown Adversity Neighborhood

Pepco to seek rate hike in D.C.

UTILITY WANTS \$52 MILLION MORE

Caller ID Approved, With Proviso

PSC: D.C. Residents May Block Display

By G. Quimpo
The Staff Writer

The Public Service Commission approved the use of caller ID by residents are of stop their numbers on devices that display incoming calls.

It has been perhaps the longest years—raising the numbers of wire-tap-

PSC Considers Making WGL Transport Gas

By Elizabeth Tucker
Washington Post Staff Writer

The District's Public Service Commission this week that it may re-regulate Washington Gas Light Co. to make it a utility, rather than self-gas, to force it to supply gas to some large District of Columbia customers to be supplied by companies.

The commission issued an order that it would look at the gas company's rates, with other issues, when it reviews Washington Gas' request for a rate increase.

Washington Gas serves about 1.5 million customers in the District, but only 582,000 customers in the District and Maryland.

The company asked to raise its rates by \$16.4 million, or 1.5 percent, to cover rising expenses.

The commission said it needs more information before it can decide whether to approve the rate increase, which must be approved by the PSC, would raise the bill by \$7.10 a month for a

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WASHINGTON POST: HEARING FOR CAR LINE

Utilities Board Also Going Into Potomac Electric Company.

CUT IN GAS LIGHT RATES DEMANDED BY CLAYTON

Files Petition Saying Earnings of Companies Show Big Increasing Returns.

AVORS SERVICE CHARGE

Reduction in the rate of the Washington Gas Light Co. and Georgetown Gas Co. companies was asked in a petition filed yesterday by the Public Service Commission.

W.R.E. FARE INCREASE ASKED BY ITS RIVAL

Capital Traction Co. Surprises Utilities Commission With Petition.

LOSS IN REVENUE

Capital Traction Co. yesterday filed a petition with the Public Service Commission asking that its competitor, the Washington Gas Light Co., be required to pay a fare increase.

PUC to Hold New Hearing In Taxi Snarl

By Roger Young
Post Staff Writer

Further delay and confusion settling the muddled state of government regulation of taxis in the District of Columbia was announced yesterday when the Public Service Commission announced that another public hearing will be necessary before any action is taken.

Moreover, the hearing will be held a month off, since the commission is interested in this case of public interest to come before the commission in the next 12 months—give or take 20 days notice in case of emergency to file for intervention.

PUC and FCC Study Hotel Phone Charges

The question of whether local hotels were within their rights in making extra charges to their guests for long distance telephone calls was considered yesterday by the Federal Communications Commission and the Public Service Commission.

At the same hearing the commission sought to determine whether hotel had jurisdiction over the regulations of interference with telephone service furnished by the Chesapeake & Potomac Telephone Co.

PUC Plans to Scan Utilities For Discrimination in Jobs

Chairman James A. Watson announced yesterday that the Public Service Commission will conduct a study to determine whether utilities are discriminating in their employment practices.

Watson said that the commission will look at the hiring practices of utilities to see if they are fair and equitable.

He said he has information that Negroes have only "more or less taken" representation among the utilities' better-paid jobs.

Spokesmen for two of the utilities, the Washington Gas Light Co. and the Capital Traction Co., said that they practice discrimination.

Washington Gas Light Co. said that it has a policy of hiring the best qualified person for the job.

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New Rate Rise Bid By C&P Rejected

The District Public Service Commission rejected yesterday a bid by the Capital & Potomac Telephone Co. for a rate increase and rate decrease.

Pepco Shareholder Anger Directed at District PSC

By William H. Jones
Post Staff Writer

A new era of confrontation between Pepco's shareholders and the District's Public Service Commission began yesterday when the commission rejected a bid by the company for a rate increase.

The commission's decision was met with anger from Pepco's shareholders, who said that the commission was acting unfairly.

They said that the commission was not taking into account the company's need for capital to expand its service.

D.C. Phone Rates to Zoom Under PSC-Approved Plan

By Elizabeth Tucker
Post Staff Writer

The District's Public Service Commission approved yesterday a plan to raise telephone rates in the District of Columbia.

The plan calls for a 15 percent increase in the rates for long distance calls and a 10 percent increase in the rates for local calls.

The commission said that the increase was necessary to cover the cost of new equipment and to provide for the company's expansion.

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PUC Official Urges 11% Gas Rate Rise

Agency Auditor Finds Increase Needed to Meet Inflated Costs

able hearings on the Washington Gas Light Co. are for a 15 percent boost in rates ended yesterday with a PUC staff official urging an 11 percent increase to meet inflated costs.

PUC Attacks C&P Stand On Increase

Utility's Wits Concedes 'Stand' Of Company As Case Resolves

D. C. Transit Fiscal Data For August Asked by PUC

Chalk, who bought the old Capital Transit Co. Aug. 14, said that the company's fiscal data for August would be made available to the PUC.

PUC to Hear PEPCO Plea to Reduce Rates

The District Public Service Commission will hold a public hearing on a plea by the Potomac Electric Power Co. to reduce its rates.

PSC Denies WGL Request For Rate Hike

The District's public service commission yesterday denied a request by Washington Gas Light Co. to raise its rates.

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Clippings from the Washington Post.

Taxicab Regulation: Meters v. Zones

The 1913 law establishing the PUC gave it jurisdiction over private corporations that provided mass transportation, illumination gas, electricity, and telephone and telegraph service, as well as taxi service.

The Commission faced a challenge in trying to regulate the taxicab industry, given that it comprised many different entrepreneurs. Right off the

bat, the taxicab companies appealed the PUC's assertion that it even had jurisdiction over them; however the D.C. Supreme Court, the D.C. Court of Appeals and the U.S. Supreme Court all agreed with the Commission.¹²⁷

While taxi companies and operators consequently had to have their rates approved by the Commission, they con-

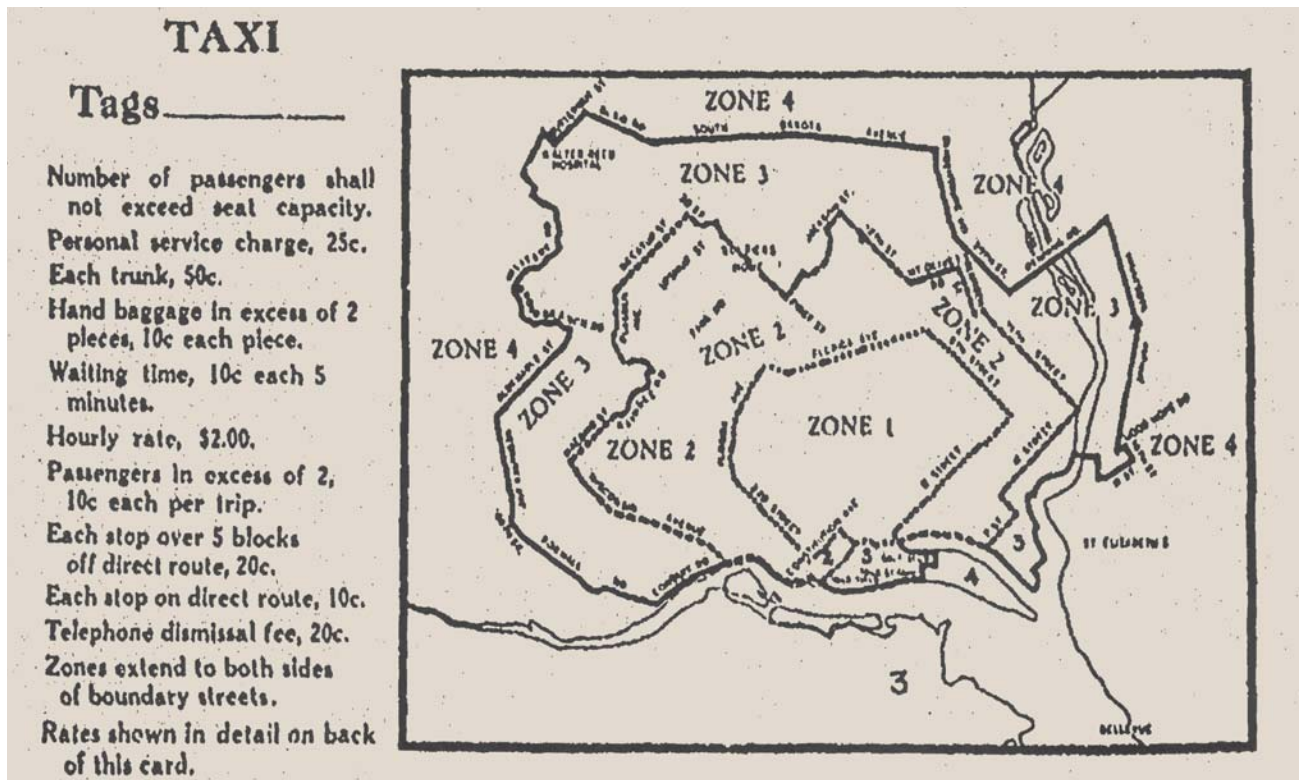
tinued to set them as they saw fit, some based on meters and some on an existing zone system. For example, in February 1916 the PUC approved revised meter rates for Terminal Taxicab Company: for one passenger, 30 cents for the first half mile and 10 cents for each quarter mile thereafter, and 20 cents additional per trip for each of the second and third passengers, with no additional charge for more than three passengers.¹²⁸

For more than a decade the Commission dealt with the cab companies in this piecemeal fashion. Then, in 1925 the *Washington Post* proclaimed that "Taxicabs were formally brought under regulation by the District public utilities commission ... by official adoption of a code of rules to govern them." The rules required taxis to be equipped with "taximeters" and to either carry liability insurance or provide proof of financial capability to satisfy a claim in case of an accident. However, some "hackers" appealed, and the insurance requirement was invalidated. The meter requirement was never implemented.¹²⁹



Independent Cab Operators taxi no. 1 at the Museum of Natural History, 1930.

Library of Congress



The Commission included this map in its July 22, 1935, order defining the zone system.

In 1931 a rate war among some taxi companies had other operators calling for the Commission to step in and standardize fares. The Commission's special counsel had determined that the body did have the authority to require meters; however, the Federation of Citizens Associations and People's Counsel Richmond Keech opposed them in favor of the zone system. The Capital Traction Company urged the Commission to regulate the taxi industry to prevent it from competing unfairly with streetcars.¹³⁰

That year the PUC did attempt to standardize the system. *Rules and Regulations Governing the Equipment and Operation of Taxicabs Operated for Hire in the District of Columbia* covered fares and a range of other issues. They prohibited alcoholics and drug addicts from driving cabs, required operators to wear a coat or duster at all times while driving, and forbade hackers from listening to the radio while operating the vehicle. They also required taxicabs to be equipped with brakes, lights, horns—and meters.¹³¹

Two taxicab companies appealed, charging that the Commission lacked the authority to order them to use meters. They also contended that a meter system would cause them to lose customers and income, and would put some of them out of business. D.C. Supreme Court Justice Jesse C. Adkins found that the Commission had thoroughly studied all of the issues and correctly chosen the meter system as more equitable. "I may add that the use of the meter is compulsory in most of the large cities of the country and it has been required in this District for many years," he wrote.¹³²

Too Many Cooks

The meter requirement so incensed members of the House District Subcommittee that they included a provision in the 1933 D.C. Appropriations Act prohibiting the Commission from spending funds to require the installation of meters in taxicabs. The PUC subsequently suspended the portion of the new regulations requiring meters. However, it did require cabs with meters to post their rates, in 2-inch letters, on each passenger door—until it rescinded that order, too.¹³³

In the 1936 D.C. Appropriations Act (adopted in June 1935), Congress reiterated its meter ban and for the first time required the Commission to set a uniform zone and rate system—which it promptly did, following three days of hearings. A July 22, 1935, order defined four zones and a rather complicated set of rates for trips within a single zone, between two zones, starting and ending in a single zone but crossing a second zone, and so on. It also fixed rates for transporting trunks, waiting time, and other extra services.¹³⁴

Meanwhile, the Commission had been trying for years to persuade Congress to legislate mandatory liability insurance for D.C. taxi operators. The measure came to a vote in May 1934 but was defeated. A modified version—which included a bonding option—finally passed in 1938. The Commission subsequently rescinded its ban on new taxicab associations, adopted the previous year, because operators would need to band together to keep insurance rates affordable.¹³⁵

The PUC's power over the taxicab industry had always been tenuous, and it became more so with the establishment of new entities with jurisdiction over certain aspects of taxi regulation. In 1931, Congress amended the D.C. Traffic Acts to create a Joint Board charged with, among other matters, approving the taxi stands established by the Commission. The Commis-

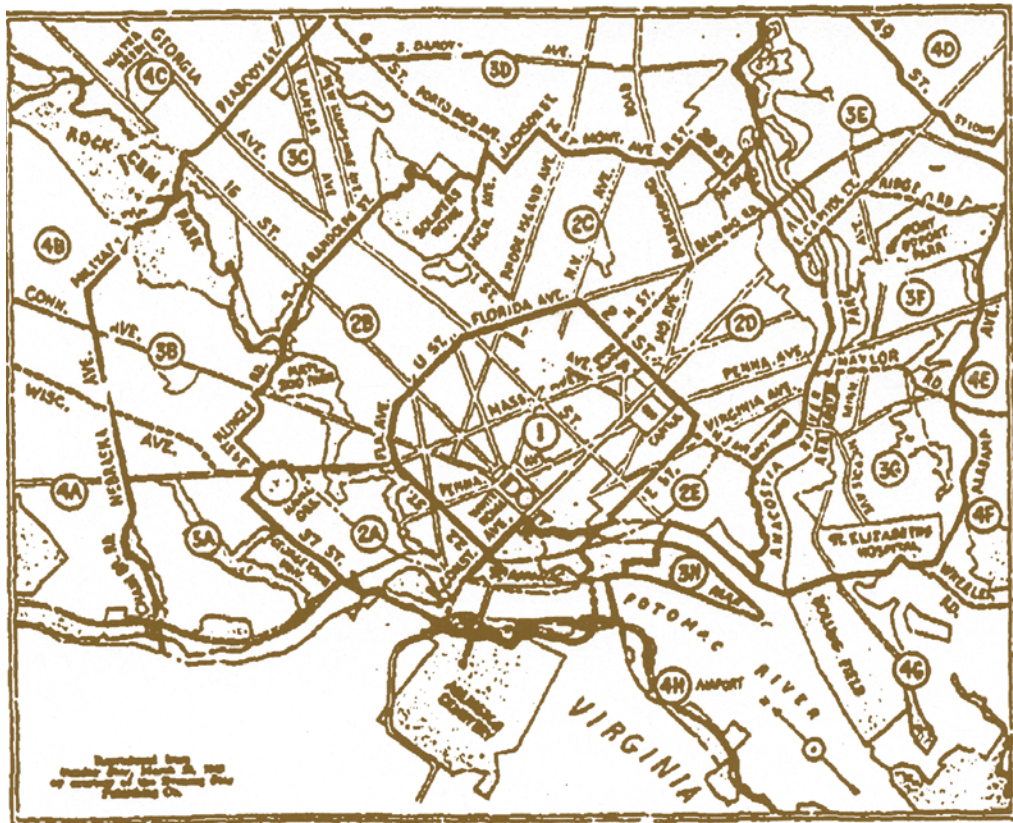


PUC Commissioner (and former People's Counsel) Richmond Keech, left, and Chairman Riley Elgen ponder taxicab issues, 1939.

©The Washington Post

sion did have representation on the Joint Board, at least. Then, in 1932, the D.C. Commissioners created a Board of Revocation and Review of Character Licenses. Originally the PUC had representation on that board as well; later this changed. Also in 1932, the D.C. Police Department was given the power to test and approve taxi brakes and equipment.¹³⁶

This map, showing the zone and subzone system established by PUC Order No. 2282, May 15, 1942, was to be posted in every taxicab.



The Commission did retain the authority to review advertising in and on cabs. For example, in 1934 it disapproved signage in taxis during the Cherry Blossom parade to advertise special trips to Potomac Park.¹³⁷

World War II brought thousands of war workers to town and, as a result, new regulation of the transportation system, much of it originating with the federal Office of Defense Transportation. The Commission ordered taxicab operators to haul full loads from Union Station and established rates, zones, and subzones. In addition, it forbade taxi chauffeurs from cruising, instead establishing a series of taxi stands, and also forbade chauffeurs from driving passengers to clubs, racetracks, and other pleasure destinations, including the Tidal Basin during cherry blossom time.¹³⁸

The taxicab operators' union, unhappy with the new subzone system, which it claimed would result in income loss, tried to obtain a court injunction but was unsuccessful. Instead, on June 24, 1942, many taxicab operators went on strike for a full seventeen hours. The *Washington Post* called the new subzone system "at best, a bewildering makeshift arrangement that will tax



the patience of drivers and passengers alike.” It added: “In spite of the persistent opposition of Congress and of some local residents to taximeters, the fact is that the fairest and simplest means of adjudging fares is on a mileage basis. Until Congress reverses its decision on the use of meters, however, the PUC is powerless to work out a really sensible rate system. In the circumstances the strike was an inevitable episode in the recurring tug of war between the PUC and the taxicab operators.”¹³⁹

On August 29, 1942, the Office of Defense Transportation took over regulation of the nation’s 50,000 taxis. It imposed a wartime moratorium on the number of taxi licenses in D.C., capping it at 5,000.¹⁴⁰

With the end of the war, the Commission resumed its duties and also did its part to welcome veterans home. Waiving its 1939 ban on new cab associations to comply with a new national policy of giving special treatment to discharged servicemen, the PUC authorized the nonprofit, cooperative Veterans Taxicab Association in May 1946. The year before, the Commission

Striking taxi drivers at the Arrow lot, Third and M streets, NE, June 1942.

Star Collection, DC Public Library; © The Washington Post



A lot full of idle Diamond taxicabs, First and M streets, NE, during the strike of June 1942.

Star Collection, DC Public Library; © The Washington Post

had appointed several veterans as its agents to investigate taxicab operators violating laws and regulations, such as charging illegal rates, failing to display proper signs, or refusing to transport prospective passengers. For this work the agents were paid 75 cents per hour.¹⁴¹

Despite the *Washington Post's* appraisal that "[Wartime] efforts to re-vamp the taxicab industry from a luxury to a mass transportation means resulted in one actual taxi strike and incessant threats of recurrent ones," during a protracted streetcar strike in 1955, the Commission again au-

thorized emergency group riding taxi service. But the next year, it helped the taxi industry boost its image by allowing bonded chauffeurs to deliver mail during the Christmas rush and NBC to advertise, through stickers placed on the back of the front seats, for toy collection for low-income families.¹⁴²

Engineer Commissioner Gordon R. Young takes an inaugural ride with the Veterans Taxicab Association, newly authorized by the PUC, 1946.

Star Collection, DC Public Library; © The Washington Post





The hackers' strike resulted in crowded streetcars.

Star Collection, DC Public Library; © The Washington Post



Taxi drivers attend a PUC hearing on revisions to the zone system, 1946.

© 1946 The Washington Post

'More Like a Populist Movement'

Years later, after the Commission lost jurisdiction over streetcars and buses in 1961, it admitted it had neglected the taxicab industry, and that some of the orders it had issued over the years conflicted with each other. Chairman James Washington resumed the fight for meters in cabs, and the Commission initiated an investigation of rates, fares, zones, and charges for taxicab service, including asking the public for suggestions.¹⁴³

The result was a clean new set of regulations. The PUC held public hearings on them in late 1962, and then the following March issued *Taxicab Regulations for the District of Columbia—1963*. Besides addressing zones, color schemes, group riding, taxi associations, safety issues and the like, the regulations allowed chauffeurs to play the radio and smoke, with their passenger's permission, but they forbade chauffeurs from driving "while wearing shorts or a 'T' shirt as an outer garment," and from driving "while not fully attired or when attired in such a manner as to give offense to the public." The taxicab regulations were printed as a supplement to the D.C. Register and sold at the District Building for 20 cents a copy.¹⁴⁴

But the Commission could only try to fix those aspects of the industry over which it had jurisdiction, including complaints regarding service, such as refusing to take passengers where they wanted to go. Licensing operators remained the purview of the D.C. Inspector of Public Hacks, and revoking licenses—even for violations issued by the Commission—fell to the Board of Revocation and Review of Hackers' Identification Licenses. Chairman Washington recommended consolidation, to no avail—until decades later.¹⁴⁵

Not surprisingly, the Commission's relationship with the taxi drivers—

thousands of independent entrepreneurs—remained contentious. According to former Chairman George Avery, when the drivers wanted a rate increase, "it was more like a populist movement than a rate case."¹⁴⁶

In 1969, as the Commission tried to figure out how to assess the cost to operate a taxicab, the drivers called a strike, picket-

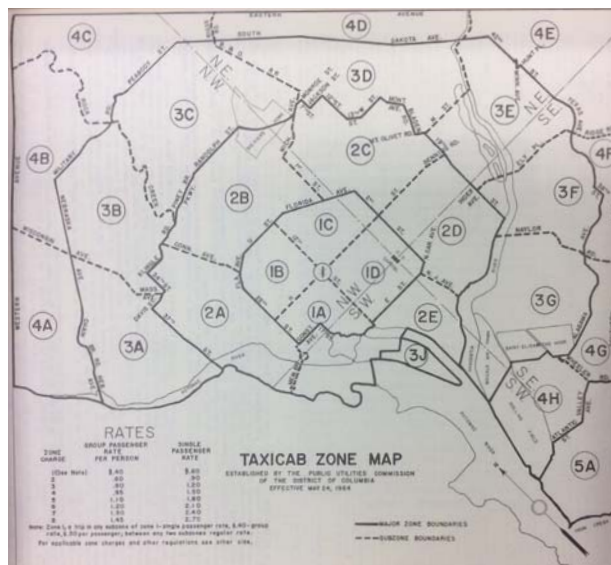
NEW TAXICAB RATES (Effective May 15, 1964)

ZONE CHARGE	GROUP PASSENGER RATE PER PERSON	SINGLE PASSENGER RATE
1	\$.40	\$.60
2	.60	.90
3	.80	1.20
4	.95	1.50
5	1.10	1.80
6	1.20	2.10
7	1.30	2.40
8	1.45	2.70

A TRIP IN ANY SUBZONE OF ZONE 1—SINGLE PASSENGER RATE, \$.40—GROUP RATE, \$.30 PER PASSENGER; BETWEEN ANY TWO SUBZONES REGULAR RATE

In 1964 the Commission simplified the zone system.

Washingtoniana Division,
DC Public Library



ing at Union Station, the bus stations, major hotels, and even the White House. Avery said:

“I had a very close friend who was the *London Times* correspondent in Washington, and he called me one day and said “George, the editor-in-chief of the *London Times* came in for a visit this week. He came down by train from New York and I had to pick him up, of course; he’s the big boss. I went down to Union Station, and I had to say, ‘I’m sorry, there are no taxicabs and we’re going to have to take a bus to the office.’”

“So they get on a bus, and Nick is just covered with embarrassment. They’re driving along in the bus, and Nick is still saying, “I’m so sorry.” At one point he says, “As a matter of fact I happen to know the fellow who is responsible for this” and the editor-in-chief turns to him and says: “Is his name George?” And Nick says, “Well, yes. Yes, it is. How did you know?” The editor-in-chief points out the window at [the Statler Hilton] hotel, and there are these guys [with signs]: “George Must Go.” Nick called me up in hysterics to tell me that story.”

The meter-versus-zone issue continued to plague the city. As Avery described it,

“The single most important aspect of how to set taxi fares was completely taken out of our hands by the famous rider—no meters—so you could not deal with the most obvious and fundamental aspect of how to set taxi fares. In fact, we were officially not even allowed to think about it because what the rider says is: The District of Columbia government can spend no money whatever on the consideration of meters.”

In 1973 Rep. Charles C. Diggs (D-Michigan), chairman of the House District Committee, called for an inquiry into why the Commission was not allowed to study the possibility of meters for D.C. cabs, and into the quality of taxi service in the District in general. That same year the appointed D.C. Council voted unanimously to ask Congress for full authority to regulate taxis.¹⁴⁷



George Avery was PSC chairman from 1966 to 1971.

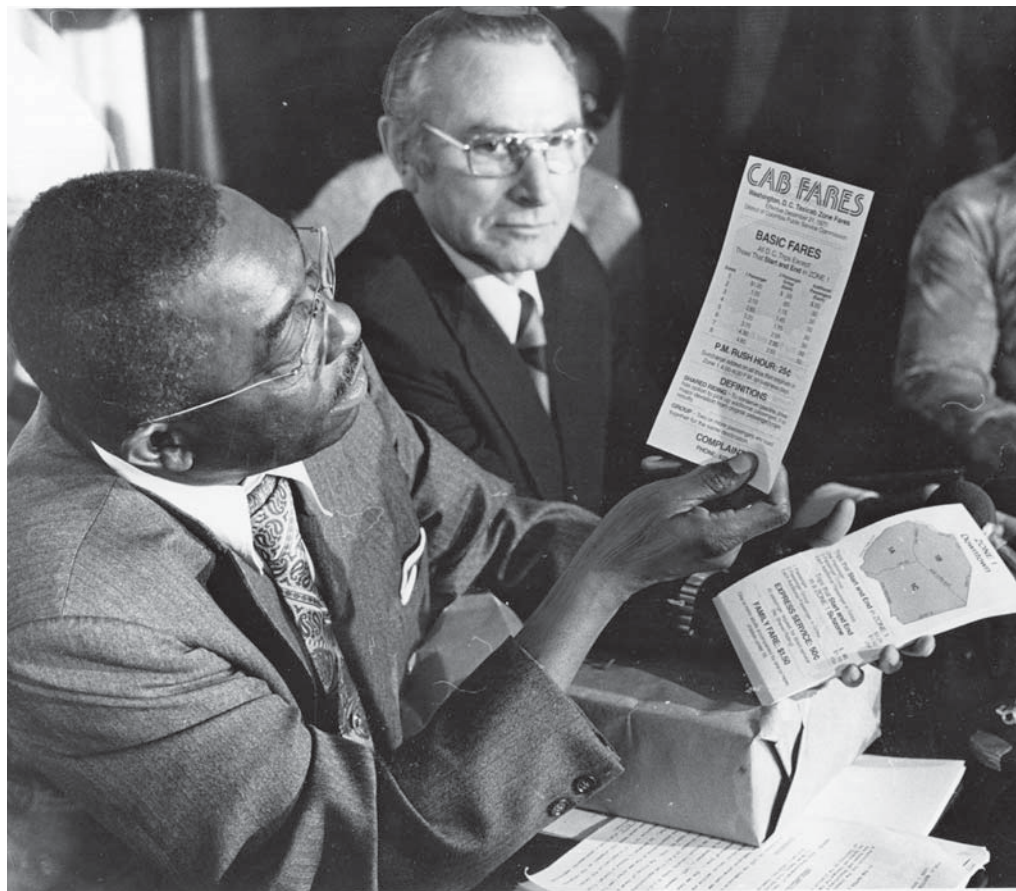
© The Washington Post

By the mid-1980s, the Commission still had responsibility for setting taxi rates, but other regulatory power over taxis was scattered among nine government agencies. To straighten out this muddle, in December 1985 the D.C. Council passed legislation, crafted by Councilmember Betty Ann Kane, to consolidate all taxi regulation into a new District of Columbia Taxicab Commission. The Council placed two caveats on the new commission: no meters and no limits on the number of licenses. After a contentious nomination process, the D.C. Taxicab Commission began operations in 1987.¹⁴⁸ The PSC was out of the transportation business, except for tourist vehicles, which it continued to regulate for another couple of years.

Although the Commission never achieved its goal of requiring meters for taxicabs, the issue eventually was resolved. In 2007 Sen. Carl M. Levin (D-Michigan) attached a rider to the D.C. budget bill allowing Mayor Adrian Fenty to order all cabs to have time-and-distance meters installed. The change did not occur without a fight by taxicab operators, but by 2013 the meter system was firmly in place.

Taxi association representatives discuss pursuing a restraining order against the PSC's proposed new fares, December 1975.

Photograph by Bob Burchette © 1975 The Washington Post





*The corner of
Fifteenth and G
streets, NW, about
1918.*

Library of Congress

Taking Over Transit Regulation

When the Commission was created in 1913, the street railway system had been in place for decades. Two companies dominated: the Washington Railway & Electric Company (WRECO), and the Capital Traction Company. Streetcar and, subsequently, bus issues consumed most of the Commission's time and energy in its first decades to the point that people often referred to it as the "Transit Commission."

Of the forty-three orders the PUC issued in 1913, twenty-nine dealt with internal issues such as hiring staff, and all but one of the other fourteen addressed streetcar issues. For the most part, the street railway companies resisted regulation. WRECO claimed, to no avail, that the public utilities law did not authorize these regulations, that there were no complaints over existing service, and that standards would interfere with interstate traffic.¹⁴⁹

Order No. 21, issued July 9, 1913, comprised *Regulations for the Operation and Equipment of Street Railway Cars in the District of Columbia*. Among its many provisions, it set speed limits at fifteen miles per hour on city lines and twenty on suburban lines; gave north- and southbound

cars the right of way over east- and westbound cars; directed companies to clean the interior of each car with an antiseptic solution once a week, and required all streetcars to be equipped with air brakes by the end of the following year. When WRECO requested a sixty-day extension on the air

The Commission required transit companies to report on delays. Here streetcar service was slowed by snow, 1922.

Library of Congress



brakes, the Commission denied it because, it said, hand brakes were inadequate in stopping the heavy cars.¹⁵⁰

Routine PUC tasks included approving changes in car stops, schedules, frequency of cars and buses, placement of loading platforms, and procurement of new cars and buses. The Commission also collected information from companies on delays, and addressed passenger complaints such as “Failure of conductor to supply tickets and insolence of conductor” (resolved with the company’s apology to the passenger, along with the conductor’s resignation) or “Carrying of clothes baskets [by washerwomen] in the aisles of cars” (resolved when the complaint was dropped). Commission staff also routinely observed traffic on the various transportation lines. The reasons for observations varied: to investigate a complaint, to determine the adequacy of service, to gather data on traffic in order to make informed recommendations for improved service, or to keep a check on the transportation companies’ observance of their own schedules and of Commission orders relating to schedules.¹⁵¹

Order No. 6, issued April 1, 1913, required companies to report all accidents that resulted in personal injury or loss of life. Investigating each accident consumed a significant amount of the Commission’s time, so it soon amended the order to require accident reporting only in the case of death or serious injury. The PUC compiled detailed charts showing the nature of each incident (for example, collision with pedestrians; collision with cars,



An October 1919 accident involving excessive speed on WRECO's Georgia Avenue line, near Walter Reed Hospital, killed one person and injured at least twenty, some seriously. This was WRECO's second major accident in three months.

Library of Congress

rear-end; collision with cars, crossing; persons falling from cars; or persons falling within cars), the number of employees and passengers injured or killed, and so on. This information would help the Commission develop safety regulations that might prevent similar accidents in the future.¹⁵²

WRECO continued to confound the Commission, which in 1915 criticized the company severely and threatened financial penalties over its failure to keep its equipment up to standards. But the Commission found, in analyzing its first two years of accident data, that most street railway accidents were due not to equipment failure but to carelessness by employees, often in violation of streetcar company rules.¹⁵³

Among the Commission's most controversial early orders was one ending the tradition of free passes for policemen and firemen in uniform, based on the public utilities law's prohibition against discriminatory treatment. Therefore, free passes for ministers, or any other individual who had previously ridden gratis, also ended, the exception being transit company employees and contractors working on valuations.¹⁵⁴

The D.C. Commissioners' 1913 Report to Congress noted that "The deprivation of free street railway transportation to members of the police force is working a hardship on them, because of the distances to and from the courts, between points to which

This 1918 advertisement named free streetcar rides as a benefit of joining the D.C. police force.

Washingtoniana Division,
DC Public Library



they may be detailed, and back and forth to their homes. The decision in this respect entails upon the members a new expenditure varying from \$4 to \$15 per month, averaging \$6 or \$7 per month each. The commissioners have recommended legislation to provide such conveyance.”¹⁵⁵

Congress consequently moved to require streetcar companies to transport all uniformed members of the Metropolitan Police, as well as crossing police, park police, and D.C. firefighters, free of charge. The PUC followed suit, reversing its earlier order.¹⁵⁶

Wartime Washington

World War I broke out in Europe in 1914. Although President Woodrow Wilson hoped to keep the United States out of it, Washington knew the situation could change at any time. The Commission’s new standards had pushed streetcar companies to improve service, but mobilization for war led to government expansion and increased ridership that strained the system’s capacity.¹⁵⁷

After the U.S. officially entered the war in April 1917, the streetcar capacity problem became more complex. With men joining the military, companies could no longer hire enough personnel to operate their regularly scheduled cars, particularly because they were willing only to hire white men, so service on all lines deteriorated. To make matters worse, WRECO motormen and conductors declared a strike against the company in March and April 1917.¹⁵⁸

The Commission received numerous complaints about inadequate service, overcrowding, and congestion, along with suggested solutions, some more helpful than others. The situation was exacerbated by the 1918 influenza epidemic, which hit young adults particularly hard. The Commission itself experienced staffing shortages because of the draft and civilian war effort, and then the epidemic.¹⁵⁹

“The number of employees on the Commission roll at the beginning of [1918] was 20. Changes, due principally to the war needs of the Federal Government, reduced this number to a minimum of 13 during November. It was practically impossible to obtain others to fill the majority of these positions,” the PUC reported in 1918.¹⁶⁰

Entrepreneurs jumped into the transportation void with more than 250 applications to operate jitney (bus) routes. Applicants offered schedules ranging from one round trip per day to regular and frequent trips throughout the day. Overwhelmed, the Commission approved 135 of these applications, primarily for service to and from employment centers, and directed the rest of the companies—whose proposed routes appeared to be short-term, i.e., war- and strike-related—to simply obtain a license from the D.C. assessor to operate as a public vehicle for hire.¹⁶¹



FROM THE TOP:

The corner of Fifteenth and F streets, NW, about 1917.

War worker housing near Union Station (left), and a Red Cross canteen at the station, during World War I.

The Walter Reed influenza ward during the 1918 pandemic.

Library of Congress

As for streetcars, the Commission authorized several “radical changes” intended to increase carrying capacity. These included adopting a “skip-stop” system (spacing stops based on an area’s level of congestion); rerouting some lines; rearranging stops at important crossings; introducing new schedules; and introducing intercompany transfers at certain points. The Commission also recommended staggering opening and closing hours for federal agencies, as well as for large stores and private institutions, to minimize rush hour. The federal government in fact implemented staggered hours in October 1918, to relieve congestion and thereby slow the spread of influenza.¹⁶²

That same month the Commission set a uniform fare for streetcars: 5 cents per passenger per trip, up from six trips for 25 cents. Although the agency agreed with the companies that operating expenses and material costs had risen during the war, it refused to raise rates further. The transit companies were enjoying increased income due to greater ridership, while the public was enduring poorer service, crowding, and congestion, the PUC noted.¹⁶³

However, the next year the Commission authorized a fare hike to 7 cents, then another, to 8 cents in 1920, and a third, to 10 cents in 1924. And there it remained until 1948.¹⁶⁴

Buses Make Inroads



President and Mrs. Coolidge at the Girl Scout Tea House, Hains Point, 1924.

Library of Congress

The year 1921, the Commission reported, “was marked by a notable development of motor-bus lines.” The *Washington Post* agreed: “The motor-bus has now become a permanent part of the transportation organization of this city.” Of the many new bus companies approved by the Commission, Washington Rapid Transit Co. was the largest. It started up in March 1921 with two lines from Fourteenth and Buchanan streets, NW, to downtown. That May it began running buses to Hains Point, offering access to its golf course, bathing beach, and tea house. By September 1921 the company

had carried more than 750,000 passengers.¹⁶⁵

In 1922 the Commission approved thirteen new motor-bus lines, four of which were proposed by streetcar companies as extensions or feeders from streetcars. One of these was WRECO’s crosstown Park Road bus route connecting the Mount Pleasant and Georgia Avenue streetcar lines. WRECO protested two bus routes planned by Washington Rapid Transit because it feared the competition, but the Commission dismissed the protest, reason-

ing that the bus routes were more direct than the streetcars' routes to the same destinations.¹⁶⁶

The 1930s brought the Commission more authority over bus lines. A 1932 law imposed a new tax of .008 cent per mile on both intra- and interstate buses operating in the District, and gave the Commission responsibility for licensing buses and for collecting the mileage information needed to determine the taxes. The new law also made the sixty-two sightseeing buses operating in the city subject to a flat \$100 tax, so they too came under the Commission's jurisdiction.¹⁶⁷

In addition, the PUC took over regulation of public vehicle stands from the police department in 1932.¹⁶⁹

In January 1933, Congress approved legislation authorizing a merger of WRECO and Capital Traction, which the companies' stockholders ratified that September. The Commission subsequently approved the unification agreement between the companies, along with a proposed power contract between Pepco and the new Capital Transit Company and the issuance of 240,000 shares of Capital Transit common stock at \$100 per share.¹⁶⁹

The merger was set for 12:01 a.m. on December 1, 1933. WRECO became a holding company, owning 50 percent of Capital Transit's stock and 100 percent of Pepco's stock.¹⁷⁰



The PUC approved this new bus service from Georgetown to Cherrydale, in Arlington, Virginia, about 1920.

Library of Congress



The Commission undertook a major rerouting of streetcars in 1936, resulting in a few days of confusion.

Star Collection, DC Public Library; © Washington Post

Boy Scouts on a sightseeing trip to Washington head for their buses, 1937. The PUC regulated interstate and sightseeing buses.

Library of Congress



SEGREGATION IN D.C.'S PUBLIC TRANSPORTATION SYSTEM

In a segregated city, public transportation was one of the few domains where discrimination was forbidden.

D.C.'s first streetcar line was operated by the Washington and Georgetown Railroad, chartered by Congress in 1862. It ran from the Capitol along Pennsylvania Avenue to Georgetown. The company set a policy of segregation that other streetcar lines followed: whites rode on the inside, while African Americans were required to ride on the outside platform or the roof.

Reports of the discriminatory policy, especially related to U.S. Colored Troops, began to reach members of Congress.

An especially egregious case caught the attention of Sen. Charles Sumner (R-Massachusetts), a Civil Rights leader in Congress. Sumner reported on the Senate floor that Major Alexander Thomas Augusta, an African-American surgeon in Union Army uniform, was refused a seat on the Pennsylvania Avenue line. Major Augusta, who was on his way to testify at a Court Martial, refused to ride on the outside of the streetcar and walked to his appointment in a driving rain. He later filed a written complaint with the War Department.

In an attempt to forestall the passage of anti-segregation legislation in Congress, the streetcar companies began to run separate cars for African Americans. Republican leaders in Congress found this solution unacceptable, however.

In February 1864, Sen. Sumner introduced a resolution asking the Committee on the District of Columbia to prohibit segregation on streetcars. Congress subsequently enacted amendments to several D.C. streetcar companies' charters that prohibited any policy "excluding a person from any car on account of color" (13 Stat. 329).

Sen. Sumner also introduced legislation, enacted on March 3, 1865, that extended the prohibition to every other railroad in D.C. (13 Stat. 537). This move came in response to the experience of abolitionist and women's rights advocate Sojourner Truth, who was refused admittance on a recently chartered line.

The taxi industry was much harder to regulate. In 1933 the Commission adopted a provision stating "No taxicab operator shall refuse to transport a passenger while holding his cab forth for hire," and sometimes had occasion to enforce the provision. For example, in 1942 the PUC responded to a complaint by African-American attorney E. Lewis Ferrell that two white drivers had refused to pick him up at a public stand at Hecht's Department Store. PUC Chairman Gregory Hankin fined each driver \$50, declaring, "I am not going to stand for any bi-racial setup in public transportation. You drivers, when on duty, must pick up any passenger who hails you."

Jim Crow By D.C. Cabbies Draws Fines

WASHINGTON, D. C.—Two white taxi drivers who failed to pick up a Negro fare were fined \$50 each by the Public Utilities Commission on Friday.

The complaint was lodged with the commission by E. Lewis Ferrell, attorney, who said the two drivers refused to accept him as a passenger while they were standing in the cab zone at Hecht's Department store. He took their license numbers.

George Hankins, chairman of the commission, who fined the men declared: "I am not going to stand for any bi-racial set-up in public transportation. You drivers, when on duty, must pick up any passenger who hails you."

A May 30, 1942, article in the Washington Post.

But the next year the Citizens Committee on Race Relations investigated complaints of discrimination by taxis against African-American passengers, and the problem continued even into the 21st century.¹⁷¹



The World War II Era

World War II brought drastic changes to Washington. The city's population increased dramatically with the arrival of thousands of war workers, and Capital Transit's passenger load more than doubled between 1940 and 1943. With shortages of commodities including fuel and rubber, and shortages of bus and streetcar operators, the government instituted gasoline and tire rationing, and the Commission undertook a study of mass transportation needs in order to modify routes and schedules for maximum efficiency. To this end, PUC Chairman Gregory Hankin asked all federal and city agencies to provide origin and destination data on their employees.¹⁷²

The Commission had already completed a survey of the taxicab industry and soon issued a series of taxi regulations standardizing fares, banning cruising, and increasing passenger loads. These provisions would prove controversial among drivers.

In fact, the *Washington Post* called 1942 "the most tumultuous year in the Public Utilities Commission's recent history," due to its struggle with the federal Office for Price Administration, which was

Passengers board a Greyhound bus at the New York Avenue depot, 1943. The PUC was given regulatory authority over interstate buses in 1932.

Library of Congress



A weekly streetcar pass, 1942.

Collection of C. Richard Kotulak



Faced with a ban on motor buses for sightseeing purposes, Jimmy Grace obtained a horse-drawn bus, which made daily trips to the points of interest of the nation's capital, 1942.

Library of Congress



A demonstration over Capital Transit's racist hiring policy at Eleventh and Vermont, NW, 1942.

Star Collection, DC Public Library; © The Washington Post

Adam Clayton Powell, Jr., speaks out against Capital Transit's refusal to hire black streetcar operators, Vermont Avenue Baptist Church, 1942.

Photograph by Gordon Parks, Library of Congress



investigating the Commission's approval of a Washington Gas rate increase, "usually an almost automatic adjustment" under the company's sliding-scale arrangement. "The Federal intervention into the realm of District utilities problems climaxed a year crowded with emergencies brought about by the war and complicated by a PUC membership of mutually antagonistic personalities," the *Post* commented.¹⁷³

Although the Commission approved Capital Transit's purchase of seventy-five new cars in 1942, the *Washington Post* commented at the end of the year that the agency's distracting internal problems had kept it from paying attention to the streetcar company's need for new equipment "to carry its unprecedented load."¹⁷⁴

Manpower shortages led Capital Transit to hire its first female streetcar operators, while the city's African Americans advocated unsuccessfully for the right to be hired as well. The Committee on Jobs for Negroes in Public

Utilities protested the company's request to the PUC to convert to one-man operations, claiming that conversion would be unnecessary if the company hired African-American drivers.¹⁷⁵

Commissioner Hankin (he was no longer chairman after August 31, 1942) concurred in approving Capital Transit's request but had strong words to add:

“The Company has been notorious in its discrimination against colored persons, and the President’s Committee on Fair Employment Practices on November 28, 1942 issued an order requiring the Company to desist from such discrimination. This order has not yet been complied with. The Company puts the blame on its own employees who, it says, will refuse to work if colored persons are employed, and has demonstrated this to be the fact by an incident which happened when the Company attempted to employ one colored man to be instructed in the operation of a street car.

“The President’s Committee on Fair Employment Practice testified ... that the Company has more recently employed an expert to iron out these difficulties and, through an ‘educational process,’ to bring about a situation whereby colored persons might be employed as platform workers without the opposition of the white employees. He also testified that ... should any of the white employees refuse to work with colored employees, ‘such workers would not be able to get certificates of availability for employment elsewhere.’ He also testified that there are several hundred [N]egroes in the District of Columbia who might qualify for positions as bus drivers or street car operators.

“In view of these facts, I am constrained to come to the conclusion that the Capital Transit Company has not made a sufficient effort to avail itself of the existing labor market and, ordinarily, would have dissented from this order. But we are up against it, so to speak ... The denial of the application would mean more than denying an advantage sought by the Company. It would mean imposing a hardship on the riding public.”¹⁷⁶

In 1943 the new five-sided War Department building opened in Arlington, and thousands of workers began reporting to work there every day. The PUC, the Interstate Commerce Commission, and the Virginia State Corporation Commission began negotiating to determine which agency had jurisdiction over transit lines carrying these workers. Both the ICC and the Commission issued Capital Transit permits to run a shuttle from Constitution Avenue to Arlington, with a temporary fare of 5 cents. At the same time, the Commission announced hearings to more systematically determine routes and fares between D.C. and the Pentagon, Washington National Airport, the Navy Annex, and the Army Air Force Annex at Gravelly Point. Virginia companies operating from these points to downtown D.C. were charging more.¹⁷⁷



Capital Transit Co. trains a woman as a streetcar operator, 1943.

Library of Congress



A bus from downtown D.C. to the Pentagon, 1943.

Library of Congress

The U.S. Army and Navy requested hearings before the ICC in an attempt to force lower fares on bus lines running to the Pentagon and other federal offices in Arlington. According to testimony, the 13.5- to 20-cent fare had caused some employees to quit, so the ICC ordered fare reductions of up to 5 cents. The bus companies appealed, and the case went to the U.S. Supreme Court, which in May 1945 upheld the reductions on national defense grounds. The Commission filed an amicus brief on behalf of the ICC.¹⁷⁸

The 1945 Strikes and Federal Takeover

In late 1945, the Commission had to deal with significant labor strife in the mass transit system, which ultimately led to a short-lived federal takeover. On November 6, Capital Transit workers walked off the job in a day-and-a-half strike to press their demands for a 30-cent-per-hour wage increase. Capital Transit's president, E.D. Merrill, said the fare rise necessary to make such wage increases possible would involve a request to the PUC, which "probably would take months to settle."¹⁷⁹

After a second wildcat strike two weeks later, President Harry S. Truman ordered the Office of Defense Transportation to take over and operate the system. The federal wage board granted the company's workers a wage increase on January 2, 1946, and ODT returned operations to the company three days later.¹⁸⁰

As noted by the *Washington Post*, there was a racial element in this controversy: in late 1945 the company seemed all too willing to tolerate a wage strike, though earlier it had refused to accede to federal requests to hire African-American operators, citing fears that white workers would strike. The *Post* editorialized on November 7, 1945:

"We recall with interest the piety of the Capital Transit Co. a year or so ago when the President's Fair Employment Practices Committee requested it to employ some Negroes as platform operators... The company could not accede to this request, it asserted in highly moral tones, because to do so might precipitate a strike by white employees afflicted with race prejudice... In the face of a wage demand, however, the Capital Transit Co. has shown no hesitation about challenging the intransigency of its employees. The unthinkable interruption of public transportation is now in progress."¹⁸¹

In fact, earlier in 1945, the Commission had again been asked directly to address Capital Transit's discriminatory hiring practices, as part of a case related to labor shortages. However, the Commission had responded firmly that hiring practices were outside the scope of its authority. At the time, the

President's Fair Employment Practices Committee had completed a series of hearings on Capital Transit but had not yet published its findings.¹⁸²

The issue of hiring African-American drivers came up again in a 1948 rate case. Attorney Charles Hamilton Houston testified on behalf of the FEPC; however, again the PUC declined to address employment practices and their effects on costs and revenues.¹⁸³

A breakthrough came in 1953, after attorney Robert E. McLaughlin replaced the pro-business James H. Flanagan as PUC Chairman. But Flanagan's departure shocked the public because he left to take a better-paying position with Capital Transit soon after overseeing a rate case in which the Commission approved an increase for the company.¹⁸⁴

Before long, Flanagan came before the Commission on his new employer's behalf, as Capital Transit sought to increase its fares, from 17 cents cash, five tokens for 75 cents, and a weekly pass for \$2.40, to 20 cents cash per token and five tokens for 95 cents.¹⁸⁵ The PUC held twenty-five daytime hearings and one evening hearing during June through September, gathering the testimony of a large number of transit riders upset by a recent spate of fare increases, as well as testimony of four Howard University attorneys bent on reversing the company's discriminatory hiring policy.

On January 20, 1954, the Commission issued an order denying the full amount of Capital Transit's request. The order noted that "no duty to [Capital Transit's] investors requires us to attempt to set fares unreasonably high in order to improve earnings," that the company was paying its top officers too much, and that the company was wasting a substantial amount of money by not hiring African-American streetcar and bus operators. This discrimination barred the company from using the U.S. Employment Service; instead it ran costly help-wanted ads in newspapers in various cities. Still, it faced a shortage of white drivers and thus had to pay overtime. These were wholly unnecessary expenditures, the PUC said. "In our opinion the program of integration should have been instituted at least some years ago. Failure to make any efforts toward such a program has, in our opinion, resulted in increases in labor costs. ...We will care-

Traffic moves at a snail's pace past temporary buildings on the Mall during the 1945 Capital Transit strike.

Star Collection, DC Public Library; © The Washington Post



Office workers pile into a taxi during the Capital Transit strike, 1945.

Star Collection, DC Public Library; © The Washington Post

fully observe, and cooperate with the Company and the union in action towards integration of colored operators, during the coming months.”¹⁸⁶

The Commission did just that, bringing together representatives of Capital Transit, the Urban League, the union, and the President’s Commission on Contracts in a series of meetings. That August, the PUC and Capital Transit signed a Memorandum of Understanding in which the transit company agreed to look into hiring black drivers, add local citizens to its Board of Directors, and convert to an all-bus system, in exchange for permission to issue dividends being blocked by the Commission. By February 1955, Capital Transit had hired its first five African-American operators.¹⁸⁷

The Right to Broadcast from Public Vehicles: Muzak in Buses and Streetcars

In the late 1940s, an invention called Muzak brought disharmony to the Commission. Capital Transit had contracted with Washington Transit Radio, Inc., to install radio service in buses and streetcars to broadcast music, news, and commercials supplied by Muzak, Inc. The Commission received hundreds of letters protesting the music and commercials (although not the news). One writer compared the broadcasts to a Nazi torture technique. The Federation of Citizens Associations and some of the neighborhood associations spoke out in favor of the broadcasts, while others opposed them.¹⁸⁸

Muzak, as described by a company spokesman, was “a musical style with the widest popular appeal...melody is emphasized throughout...played by a salon-type orchestra. Strings predominate over woodwinds and brasses. Swing and jazz and heavy symphonies are avoided. Brasses are muted. Extreme dynamic changes are eliminated. There is no bebop...”¹⁸⁹

After a series of tempestuous public hearings in October 1949, two bus riders, both attorneys, petitioned the Commission to prohibit Capital Transit from installing any more transit radios and from broadcasting over equipment already installed. They claimed the broadcasts would result in serious physical and mental harm to passengers, and increased accidents due to the music’s effect on some operators. They also charged that the broadcasts violated the First and Fifth Amendments because freedom of speech included the freedom to

Members of the public inspect one of Capital Transit’s fifty new streetcars, 1944. The PUC had authorized the purchase the previous year.

Star Collection, DC Public Library; © The Washington Post



read and listen or not to read or listen, and because the noise deprived riders of property—i.e., time and health—without due process of law.¹⁹⁰

On December 19, 1949, the Commission, “being of the opinion that the installation and use of radios in streetcars and buses is not inconsistent with public convenience, comfort and safety,” approved the service, in line with the Commission’s surveys that riders approved of transit radio.¹⁹¹

A group called the Transit Riders Association took the PUC to court, and on June 1, 1951, a three-judge panel of the U.S. Court of Appeals banned “buscasting” of commercials; it did not consider music. However, the U.S. Supreme Court subsequently ruled radio broadcasts on streetcars and buses constitutional: they were neither violations of freedom of speech nor did they deprive passengers of their rights, including the right to privacy.¹⁹²

As the Commission’s general counsel noted in 1952, the radio case was “the first and only case tried before any court involving the right to broadcast from public vehicles.”¹⁹³

The 1955 Mass Transit Strike

No sooner had George E.C. Hayes taken the helm as PUC chairman in early June 1955 when a major crisis loomed: the threat of a system-wide transit strike. Louis Wolfson and his brothers had bought Capital Transit for \$2.2 million in 1949, and had paid themselves huge dividends—so huge, in fact, that within six years the company’s reserves had dropped from \$7 million to \$2.7 million.¹⁹⁴ The situation was exacerbated by the post-war prosperity that led to the growth of the suburbs, new interstate highways, and increased car ownership.

As noted above, the Commission had granted the company less than its full, April 1953, requested fare increase. “Because of widespread public concern in Washington over successive fare increases granted to the Company in recent years, and the gravity of the transit situation here, the investigation of the relevant economic facts here has been exhaustive,” the Commission wrote in its January 1954 order. The order set new fares at 20 cents for one token (up from 17 cents) and five for 80 cents (up from five for 75 cents), with weekly passes at 75 cents plus 10 cents per ride. (Weekly passes had been eliminated in 1953 but had climbed from \$1.25 in 1943 to \$2.40 in 1952.)¹⁹⁵



A Herb Lubner cartoon published in the Washington Post, 1949.

Library of Congress

Parking restrictions were lifted downtown during the 1955 Capital Transit strike.

Library of Congress

People using mid-street parking during the strike were asked to leave their contact information so they could be reached if the car had to be moved.

Star Collection, DC Public Library; © The Washington Post



The next month the Commission began an intensive investigation into Capital Transit's finances, after the company advertised a dividend distribution, bond recall, and property liquidation without notifying the Commission. The PUC temporarily prohibited dividend payments.¹⁹⁶

The *Washington Post* condemned Wolfson in no uncertain terms. "Although it has continued a high dividend rate, the company so far has declined to offer a single cent toward a justified wage increase for the AFL transit workers," the paper said. "The union has reason to feel aggrieved. In 1953, at the insistence of the District Commissioners, it postponed a strike pending a fact-finding report on its request for a pension adjustment. Capital Transit, however, thumbed its nose and refused to supply information to the fact-finders appointed by the Commissioners. Two years later the pension adjustment is still tied up in court."

The *Post* asked the union to postpone the strike while the PUC expedited the company's fare-increase request, and called on the D.C. Commissioners to press Congress to raise the reduced fare for school children and drop the company's gross receipts tax liability. In addition, the paper begged Capital Transit to make a fair wage offer "with the understanding that the PUC will give speedy consideration" to a new fare.¹⁹⁷

As the strike deadline approached, Capitol Hill took notice. Sen. Wayne Morse (R-Oregon) asked Congress to cancel Capital Transit's franchise and find another mass transit company. Reps. Joel Broyhill (R-Virginia) and

John McMillan (D-South Carolina) floated a plan for the District to take over the transit system, make the operators city employees, and prohibit them from striking.¹⁹⁸

When last-ditch efforts failed to find a solution before the contract expired at midnight on June 30, 1955, union members walked out at 12:40 a.m. on July 1.¹⁹⁹ They stayed out for seven weeks.

Wolfson appeared indifferent. When asked to come to Washington to meet with congressmen and other stakeholders, he claimed commitments that would keep him on the West Coast through the following week. He was roundly denounced.²⁰⁰ On July 12, the *Post* editorial page again summarized the problem faced by the city, the region, and the Commission:

“Breezing into town 11 days after the transit strike began, Louis E. Wolfson showed little indication that he senses the responsibility he owes this community as chairman of the board of Capital Transit Co. His absence from the city since the strike began has itself been an act of contempt. For a week and a half many Washingtonians have been unable to reach their jobs. Thousands of others have been forced to walk long distances, to give up shopping and many other activities while Mr. Wolfson was dodging subpoena servers on the West Coast. And now that he arrives under subpoena by the Senate District Subcommittee, which is talking about revoking Capital Transit’s charter, he talks, as a free-wheeling schoolboy might, about the strike being a ‘bad situation’ that ought to be ‘settled.’



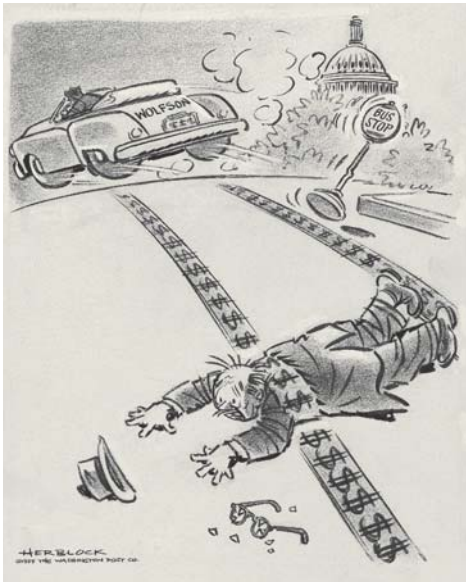
“Mr. Wolfson’s comments reached a peak of irresponsibility when he said, ‘I see no reason why the PUC just can’t go ahead and settle this promptly.’ Of course the Public Utilities Commission has no control over the wages paid by the Capital Transit Co. Nor can it have any part in the negotiation of wage agreements.

“The fixing of wage rates is solely the responsibility of the company and the union through the process of collective bargaining. Thus far the company, in part, no doubt, because of Mr. Wolfson’s absence, has refused to bargain. When and if it agrees to a new wage contract, the PUC will be in a position to fix rates designed to bring it a fair return. The PUC has already indicated that it will move quickly to afford the transit company relief if it agrees to a wage increase to settle the strike. But the PUC cannot be put into the position of bargaining with either the company or the union. Mr. Wolfson’s attempt to throw the whole responsibility for the tie-up on the regulatory body makes it appear the company is on strike against the PUC.”²⁰¹

Capital Transit President J.A.B. Broadwater, left, and Board Chairman Louis Wolfson wait for a hearing of the House District Committee to begin.

Star Collection, DC Public Library; © The Washington Post

A day later the *Post* editorialized again after Wolfson told the Senate District Subcommittee that no offer would be forthcoming until “new revenue was in sight”:



A Herblock cartoon published in the Washington Post, 1955.

Library of Congress

“It may be that Mr. Wolfson was trying to intimidate Congress and the Public Utilities Commission and thus force acceptance of the scheme he had approved at the suggestion of Congressmen McMillan and Broyhill. But if this is his game it is doomed to failure. The idea that Capital Transit can force the hand either of the PUC or Congress is utterly fantastic. The pity is that Congressmen McMillan and Broyhill did not foresee the embarrassing predicament in which their proposal would trap them. The McMillan-Broyhill proposal was hopeless from the beginning because they undertook to assume the responsibilities of the PUC. The commission could not ratify the Congressmen’s political bargain with Capital Transit without abandoning the standards of rate-making set up by law. It is not the function of the commission to make bargains; it has to determine rates on the basis of what is

fair to the community and the company in light of all existing circumstances. Its members would be subject to impeachment if they yielded when Congressmen point a gun to their heads.”²⁰²

It became clear that the only viable option was for the city to seize and operate the company. Congress acted late on August 2, 1955—its last piece of business before adjourning for the summer. It repealed Capital Transit’s

Cleaning the rails at the Tenleytown car barn after the 1955 strike.

Star Collection, DC Public Library; © The Washington Post



franchise and revoked its corporate charter, effective one year later, then granted the D.C. Commissioners authority over public transit.²⁰³

The D.C. Commissioners proceeded to negotiate with the union, Capital Transit, and the PUC. Based on the PUC's recommendation, they kept fares at 20 cents per ride, but raised the price of five tokens to 95 cents, and, of a weekly pass, to 90 cents. The union won new fringe benefits and a wage increase of 10 cents per hour plus another nickel increase starting July 1, 1956. On August 22, 1955, the trains and buses started rolling again.²⁰⁴

D.C. Transit and a Regional Mass Transit System

The mid-1950s saw a number of efforts to put the District's transit needs into a regional context. In February 1955 a nine-member joint commission began to explore the idea of a metropolitan authority to build and operate such a system. D.C. PUC Chairman Robert McLaughlin was elected chairman and Virginia Delegate J. Maynard Magrauder, vice chairman. Also in February, President Dwight D. Eisenhower asked Congress for \$400,000 for the National Capital Planning Authority to study the region's mass transit needs.²⁰⁵

When McLaughlin's tenure on the PUC ended a few months later, President Eisenhower appointed attorney George E.C. Hayes as his replacement, and Hayes was immediately elected chairman. Although he personally favored the formation of a publicly owned, regional transit system, Hayes led the Commission in fulfilling its new duty: to select a new



New D.C. Transit directors on the first bus to bear the company name. From left, O. Roy Chalk, president and board chairman; Mrs. Roy Chalk, secretary and board member; Morris Fox, first vice president; and Irving M. Buckley, vice president and board member.

Star Collection, DC Public Library; © The Washington Post

firm to run an all-bus system for the District, using a competitive bidding process, and to make a recommendation to Congress. The Commission received proposals from six companies; however, it found none of them capable of running the new system.²⁰⁶

The PUC then began drafting legislation for a privately financed, publicly owned transit system, to be run by a public authority.²⁰⁷

That spring the Senate passed a public authority bill, but the House voted to restore the franchise to Capital Transit. As the Senate-House conference committee deadlocked trying to reconcile the two bills, a new player appeared, offering to buy Capital Transit and operate as D.C. Transit System, Inc. The principals were O. Roy Chalk, a New York real estate and airline executive, and Morris Fox of B & F Transportation Co., a local trucking firm.²⁰⁸



Dora Barther boards a brand new, air-conditioned D.C. Transit bus, 1956.

Star Collection, DC Public Library; © The Washington Post

In July 1956, Congress granted a twenty-year franchise permitting D.C. Transit to operate in the metropolitan area, namely the District, the cities of Alexandria and Falls Church, plus Arlington and Fairfax counties in Virginia, and Montgomery and Prince George's counties in Maryland. D.C. Transit came into existence in August 1956.²⁰⁹

The PUC was charged with overseeing D.C. Transit's conversion to an all-bus system by 1963, and the removal of abandoned track. In addition, the Commission had the responsibility of fixing the company's rate of return and profit percentage, based on congressional "recommendations."²¹⁰

Air conditioning had come into general use by the mid-1950s, but not on D.C. mass transit. The summer after Chalk took over, he approached the PUC for permission to air-condition nine streetcars in an effort to boost ridership between 10 a.m. and 4 p.m. The D.C. Transit owner had started to rethink the idea of converting to an all-bus system because selling the old streetcars was proving more difficult than expected. The PUC denied the air-conditioning request, insisting that streetcars were on their way out. (Chalk did eventually find a buyer in Yugoslavia.)²¹¹

The streetcar phase-out coincided with the movement toward a regional transportation arrangement based on a new subway system. In July 1960 President Eisenhower signed a bill creating the National Capital Transportation Agency to oversee highways, mass transit, and other transportation matters. The next spring the NCTA ruled that the last four streetcar lines must go; they did not fit into a future rapid-transit network. The agency urged the PUC to require D.C. Transit to substitute air-conditioned buses for the last streetcars.²¹²

A second agency made its debut in 1960 when Congress created the Washington Metropolitan Area Transit Commission to take over regulation of mass transit from the PUC—something PUC Chairman Hayes had long been advocating. The compact creating the agency was signed in the District Building on December 22, 1960, by the governors of Maryland and Virginia and the D.C. Commissioners. Effective March 22, 1961, WMATC would oversee D.C. Transit and three suburban lines, as well as private bus companies, charter and sightseeing buses, and interstate taxi, limousine, and bus service for National and Dulles airports. PUC staff was reduced accordingly.²¹³

This was the end of the PUC's jurisdiction over the District's mass transportation system, a responsibility it had held since its creation in 1913.

However, it was not the end of transportation responsibility for the Commission's chairman. George Avery (1966-1971) explained that the chairmen of the D.C., Maryland, and Virginia public service commissions were members of the Washington Metropolitan Area Transit Commission. "Somehow I became [WMATC] chairman, and that just took a huge amount of time and effort."

By comparison, "the PSC was the sleepy little place that I liked to go to for the rest," he joked. "The Transit Commission was madness itself."

In another twist, between 1973 and 1979 the PSC found itself regulating common carriers on waters within the District, after Potomac Boat Tours, Inc. initiated a request "for a proposed tariff that would allow the company to operate a tour service on the Potomac and Anacostia Rivers."²¹⁴

A tour boat on the Potomac.

Star Collection, DC Public Library; © The Washington Post



Electricity Regulation: Submeters and Smart Meters

*An electric streetlight
in the 1300 block of
G Street, NW (look-
ing east), about
1910.*

Historical Society of
Washington, D.C.

In July 1882 Washingtonians marveled at the ten new electric street lamps suspended over F Street downtown, between the Treasury and Ninth Street. Seeing that this new type of light worked, the city installed 100 more lamps over the next few months—although the majority of the city's street lamps were still lit by gas in 1895. When the Potomac Electric Power Company incorporated in 1896, its customers were almost entirely commercial: mainly streetcar companies. Most homes were heated with coal or oil, and this remained true in 1913.²¹⁵

Suddenly finding itself under the purview of the new Public Utilities Commission came as a shock to Pepco. The timing was especially difficult. Progressive sentiment that utilities should be owned by the public had helped spur the federal government, in 1910, to build its own power plant at New Jersey Avenue and E Street, SE. Soon Pepco lost several of its largest customers, including the Library of Congress and the Cannon House Office Building, to the new plant. Then, in the summer of 1913, Congress authorized another federal power plant, to be located near the Potomac River, to supply the White House; State, War and Navy Department; and other, nearby government buildings. Public opposition prevented the plant's construction, however, and the Jefferson Memorial was later built on the site. In 1914 Congress floated the idea of having the city take over electric utility operations altogether. But after the PUC determined that this move would be prohibitively expensive, that idea was dropped, too.²¹⁶



Congress in 1899 had set the price of electricity for residential use in the District at a flat rate of 10 cents per kilowatt hour plus a \$1 minimum charge, or almost 17 cents per kwh.²¹⁷ Given that the residential market was tiny in 1913, the Commission left the rate in place and turned its attention to bigger issues: Pepco's valuation and the Washington Railway and Electric Company-Pepco interlocking directorate situation (see pages 23-24). During the ten years that it took the PUC to complete the Pepco valuation, including litigation, the company's customer base grew and changed drastically. The Commission subsequently reduced Pepco's rates, bringing them more in line with electricity rates paid by consumers in other U.S. cities.

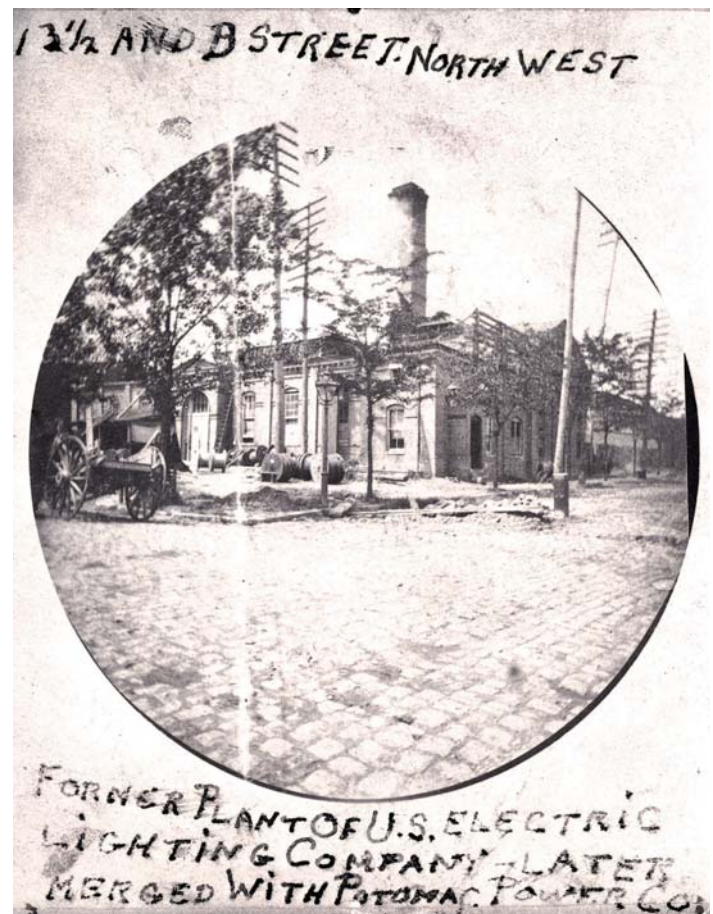
Pepco had begun selling electric appliances such as fans, toasters, and irons directly to customers in the early 1900s; however, the average home continued to use gas lamps and oil stoves into the 1920s. Then in 1925 Pepco established its Home Service Department, sending out home economists to demonstrate appliances in customers' homes, at special seminars, and at cooking shows.²¹⁸ This move spawned a whole new industry comprising manufacturers, dealers, and installers of appliances and lighting, as well as wiring contractors. Thanks in part to the Commission's efforts to reduce Pepco's rates, electricity was becoming a standard feature in homes.

A variety of issues brought Pepco and the Commission face to face over the years.

For example, in 1929 the PUC ruled that the practice of apartment and office building owners of buying power at wholesale rates and reselling it at retail rates was illegal. "Submetering," as it was known, had occurred since 1915, but in 1928 Pepco asked the Commission to approve a regulation that forbade the practice. The Commission held a series of hearings, in which some large property owners protested the proposed regulation, and several apartment residents and the People's Counsel endorsed it. Some building owners were profiting by submetering arrangements, it became clear. In late December the Commission took the residential consumers' side and approved Pepco's regulation based on its determination that Congress's intent had been that all utility customers in similar situa-

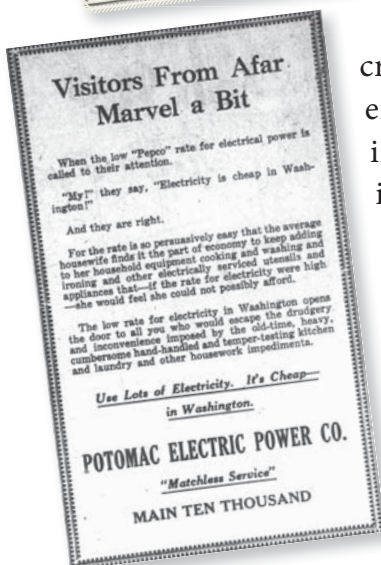
The United States Lighting Co. plant at Fourteenth and B streets, NW, early 1890s. The company later merged with Pepco, and B Street was renamed Constitution Avenue.

Pepco Archives



**1925 advertisement
for Pepco's Sunny-
suds home laundry
machine.**

The Washington Post



Pepco advised consumers to "Use Lots of Electricity - It's Cheap" in May 1926. The PUC did not allow Pepco to include advertising expenses in its operating costs, for the purpose of rate calculations.

The Washington Post

tions be treated the same. The Commission's action was upheld by the D.C. Supreme Court in 1931 and by the D.C. Court of Appeals in 1933.²¹⁹

Street lighting, or lack thereof, became a problem during the Depression. After Congress slashed the District's budget for fiscal year 1934, including \$70,000 from the streetlighting line item, Pepco dimmed some streetlights and extinguished a number of others, including half of the downtown lamps. The situation dragged on until, in 1936, the Commission approved reduced electric rates for the District and federal governments, in an effort to get street lighting restored. As it was, government rates were already lower than for other customers because governments bought such large quantities of power.²²⁰

A year later, Pepco asked the PUC to approve a new service, namely "Electric Kitchen Services." The utility proposed to provide at its own expense electrical service for kitchens with electric ranges and refrigerators in private homes or entire apartment buildings. The Commission denied the request, reasoning that, while all customers would pay for this installation, it would benefit only residents of new buildings, as few households would tear out gas appliances for new electric ones.²²¹

In 1948 the Commission approved a \$2.8 million revenue increase for Pepco, giving customers their first electric rate increase since 1920. Residential customers saw their rates rise by an average of 8.7 percent, but this was less than the overall 12-percent rate increase. Higher coal prices had reduced Pepco's earnings and hence its rate of return, one of the factors on which rates are determined. Another rate increase came in 1951, when Pepco needed additional funds to cover the cost of an aggressive construction program that included a new generating plant in Alexandria. This \$2.6 million revenue increase amounted to an extra 8 percent in residential rates.²²²

A massive Northeast blackout in 1965 raised the issue of electric system-wide reliability. "The vital importance of this city, both as the Nation's Capital and as a link in our national defense, makes it doubly important to avoid a power failure in this jurisdiction," the Commission commented. Chairman James Washington called a meeting of high-level representatives from Delaware, Maryland, New Jersey, New York, and Pennsylvania, states whose utility commissions regulated the regional power grid (or pool) known as the "PJM Interconnection." The D.C. PSC joined the group, which subsequently hired consultants to study the grid's reliability. The study recommended that the public service commissions take a more active role in monitoring the planning and operation of the PJM companies.²²³

Meanwhile, the D.C. PSC and the federal Civil Defense Administration joined forces to develop an inventory of emergency standby power-generating equipment for all services in the District that were vital to its functioning, i.e., hospitals and “sensitive government agencies.” At the time, the only hospital in Washington with self-generating electric power was the newest: Cafritz Hospital Center (now United Medical Center) in Southeast.²²⁴

Spiraling Demand and Costs

In 1969, the Commission noted that it had observed “with interest the spiraling demand for electric energy because of the increasing requirements of business and industry and residential customers.”²²⁵

But something else was happening as well. For decades the trend in the electric industry had been the construction of larger and larger power plants and, thus, an ever lower unit cost per megawatt hour. However, steeply rising interest rates for construction borrowing at the end of the 1960s put an end to the efficiencies. As former PSC Chairman George Avery described the situation, “Things started turning around for the basic economics of the electric industry in general and Pepco in particular, and we had at least one, maybe two Pepco rate cases because their costs started going up. Their profits fell and they said, ‘We’ve got to have some relief or we’re going to have trouble raising money in the markets and building the plants we need to build.’”²²⁶



In 1937 Pepco was promoting the all-electric kitchen, like this one on display in its 999 E Street, NW, headquarters.

Library of Congress



The Arab Oil Embargo

Along with growing environmental and consumer movements, the 1970s brought unexpected upheaval in the energy sector. A natural gas shortage and the Arab oil embargo of 1973-1974 created wild fluctuations in the price of fuel, and thus in Pepco's and Washington Gas's costs. Naturally these costs began to show up in consumers' utility bills, and soon the Commission started to draw an unusual amount of public attention. "The embargo and the shortage, combined with ever-increasing inflation and a generally depressed economy, had a traumatic impact on both the utilities and the consumers served by the Commission," it stated in 1974.²²⁷

Shareholders at Pepco's April 1979 annual meeting did not hold back in expressing their frustration with plummeting share prices. They denounced the PSC for failing to act on a request for a \$45 million rate increase that had been pending for two years. In part the delay was due to the sheer number and frequency of rate-increase requests, but the Commission also was attempting to find a way to protect low-income customers. In any case, speaker after speaker exhorted Pepco to force the PSC's hand by threatening to abandon service in the District, turn off streetlights, or refuse to pay taxes. Pepco officials agreed the delay was a serious problem but declined to take any of the suggested steps—even though, in February 1979, the utility had filed for an additional rate increase of \$15.5 million, and that request also was pending.²²⁸

During this period the Commission approved seven Pepco rate increases, totaling \$254.25 million and, on average, nearly doubling residential rates, from 2.6 cents to 4.4 cents per kilowatt hour.²²⁹

FACING PAGE:
In 1999 the PSC authorized Pepco to sell five of its seven generation plants. This one, which opened in Alexandria in 1949, was purchased by Mirant Corp.

Photograph by Ken Feil ©
1979 The Washington Post

New Federal Energy Policies

President Jimmy Carter and Congress responded to the oil embargo by creating the U.S. Department of Energy in 1977 and, the next year, adopting the Public Utility Regulatory Policies Act and National Energy Conservation Policies Act. Each law required PSCs to adopt, or at least consider, certain policies designed to promote greater energy efficiency and environmental protection.²³⁰

In response to the new laws, the Commission implemented a number of measures directed at both Pepco and Washington Gas. In 1979 it ordered Pepco to implement a "time-of-use" rate plan for its largest commercial customers. This plan was intended to motivate customers to use less power during peak hours by charging more for peak-use power. A federally required residential conservation plan was implemented in 1982, and the next year Pepco's time-of-use rate plan was expanded to the company's 800 largest residential customers.²³¹

Perhaps the centerpiece of this era, according to former Commissioner Rick Morgan, was the range of policies, targets, and requirements related to energy efficiency and environmental protection the PSC set in 1988 as part of Formal Case No. 834. One order adopted an integrated resource planning process (also called least-cost planning or demand-side management) for Pepco and Washington Gas—requiring them to identify the mix of supply-side and demand-side resources that would both minimize the cost of supplying energy and ensure a safe and reliable system.

Other orders called for customer energy conservation audits; pilot programs for energy efficiency and load (consumption) management; energy-efficiency targets for commercial buildings and lighting, as well as gas boilers and furnaces; a requirement for utilities to explore residential load control and customer financing for energy efficiency measures; and measures designed to promote alternative energy and co-generation/small power production.

Under one Pepco program approved by the Commission, rebates for residential compact fluorescent light bulbs that reduced their unit price from \$25 to \$1 ultimately led to the proliferation of more efficient lighting in homes throughout the District as market prices declined to rebate levels.²³²

The Commission received quite a bit of attention, particularly from other PSCs around the country, for its comprehensive approach.²³³

In May 1991 the agency ordered a new incentive formula to reward Pepco for a share of the savings it achieved through conservation and to penalize the company if it failed to achieve these savings. In accepting Pepco's first "least-cost plan" the Commission said: "Thanks to the LCP process, Pepco now projects that 47 percent of its new supply needs will be achieved not by construction of new plants, but through conservation." The Commission reported it had also approved twenty Pepco conservation programs for the commercial, government, and residential sectors. Seven of these programs were implemented on a full-scale basis in 1991.²³⁴

Four years later, the Commission approved a streamlined least-cost-planning process that focused Pepco's conservation efforts on the most efficient programs, and authorized the company to recover its conservation program costs for 1995-1998 through a customer surcharge. The PSC also established annual program spending caps designed to allow Pepco to implement cost-effective conservation programs while limiting the rate impact on D.C. ratepayers.²³⁵

A Thwarted Merger

In the late 1990s Pepco and Baltimore Gas and Electric abandoned plans to merge, thanks to conditions imposed by the D.C. and Maryland public service commissions that the applicants considered onerous. The D.C. PSC approved the proposed merger in 1997, on condition that the companies maintain their headquarters in the District and pass along their savings to D.C. customers: \$94.5 million over four years. The Federal Energy Regulatory Commission had already approved the merger, and so had the Maryland PSC, while adding a requirement that the company lower rates for Maryland customers by \$56 million.²³⁶

Pepco and BG&E had first proposed the merger in 1995, intending to create a new company called Constellation Energy, with 3.4 million customers in D.C. and Maryland and \$15.4 billion in assets. The proposal had called for a three-year freeze on rates. In addition, 50 percent of the savings realized by the merger would accrue to shareholders and 50 percent to the District.²³⁷

Pepco's Buzzard Point plant opened in Southwest D.C. in 1933 and closed in 2012.

Pepco Archives



However, the PSC's counterproposal demanded that 75 percent of the savings, or \$99.5 million, go to D.C. ratepayers in the form of a credit on their monthly bills. It also demanded that the new company create a \$5 million economic development fund for the District. The remaining 25 percent in savings would go to shareholders. The shareholders lost interest, and the project was dropped.²³⁸

Restructuring

Signs of competition in the electricity market began appearing in 1994, following actions by Congress and the Federal Energy Regulatory Commission to spur the dismantling of the many vertically integrated utilities. California and some of the Northeastern states led the way in allowing consumers to choose their electric generation suppliers, while the utility companies continued to deliver the electricity.²³⁹

A major development outside the District occurred in the late 1990s when the PJM Interconnection—traditionally concerned with keeping the regional power grid reliable—switched from a cost-based dispatch system of deciding which plants to operate, to a market-based system in which generators bid against each other. “This was a very important step toward having a competitive wholesale market, and these things wound up driving a lot of changes in the retail market,” according to former Commissioner Rick Morgan.²⁴⁰

Electric restructuring within the District got underway in earnest with the D.C. Council's adoption of the Retail Electric Competition and Consumer Protection Act of 1999. This legislation authorized the PSC to consider a Pepco request for approval to sell its generation plants and open the retail generation market to competitors. The Commission subsequently issued an order authorizing the company to sell five of its seven plants but not the two in D.C.²⁴¹ A second PSC order several months later established guidelines, procedures, and standards for consumer protection and the licensing of electricity suppliers.

To ease the transition to retail competition and ensure nondiscriminatory service, the Commission ordered Pepco to unbundle its rates by separating the costs for generation, transmission, and distribution, so consumers could compare the now separate generation and transmission rates among competitive suppliers. The D.C. Electric Choice Program, approved by the Commission in 2000, allowed all residential and commercial customers to choose their electric generation/transmission supplier by January 2001. Since that time Pepco has been the sole company responsible for distribution, and it has been one of several competitive electricity suppliers. The

Commission sets rates only for distribution, while generation/transmission rates are market-based.²⁴²

Pepco customers shared the benefits of restructuring in the form of rate reductions: the PSC reduced rates in three stages between January 1, 2000, and February 8, 2001.²⁴³ Those rates remained in effect for most ratepayers through August 7, 2007, and, for participants in Pepco's low-income discount program (now called Residential Aid Discount, or RAD) through the end of August 2009.²⁴⁴

The 1999 law also created the Reliable Energy Trust Fund to support energy efficiency and renewables programs. The fund was fed by a surcharge on the distribution portion of the bill, so all electricity customers, including those who had chosen another generation supplier, had to contribute to the cost. The funded programs were managed by the D.C. Energy Office and overseen by the PSC. The RETF was superseded in 2008 by the District Department of the Environment's D.C. Sustainable Energy Utility.²⁴⁵

Electricity Regulation in the 21st Century

In the 100 years between the Commission's creation and its centennial year, the electricity industry changed enormously. Pepco's residential customer base rose from nearly zero to 238,000, and the rate fell from nearly 17 cents per kilowatt hour (\$4 in 2013 dollars) to 13.44 cents per kwh. What were some of the issues the PSC and Pepco faced at the beginning of the 21st century?



PSC Chief Engineer Udeozo Ogbue inspects a manhole.

- ◆ **Exploding manholes.** In 2000 the Commission hired an engineering consultant to conduct an independent investigation into the cause of a series of fires, explosions, and smoke emanating from manholes in Georgetown and downtown D.C. (Pepco hired its own consultant to conduct a concurrent investigation.) The PSC investigator determined that overloading—too much demand placed on the power system—was a primary contributing factor to the manhole incidents. Another big factor was the use of aging equipment in manholes. As a result of the studies, Pepco and the other utilities worked with the D.C. government to solve the problems by rebuilding the underground infrastructure in Georgetown.²⁴⁶ The project began in 2003 and was completed in 2007.
- ◆ **Quality of service.** Also in 2007, the Commission issued its first set of Electric Quality of Service Standards, including new reporting requirements for service outages, manhole incidents, and power quality complaints; customer service standards; and reliability standards. In addition the Commission completed its investigation of Pepco's Outage Notification Policy and Procedures, finding no reason to alter Pepco's existing outage notification policy or to require proactive outage restoration notification by Pepco. The Commission enhanced its Elec-



Protesters attend a 2009 Pepco rate case hearing, presided over by PSC Commissioner Rick Morgan, Chairman Betty Ann Kane, and Commissioner Lori Murphy Lee.



tric Quality of Service Standards in 2012, with tougher reliability performance targets and standards, and new provisions regarding restoration of service after a major storm.²⁴⁷

- ◆ **Submetering**—not a big issue since about 1930—returned to the Commission’s plate in 2008, with the passage of the D.C. Clean and Affordable Energy Act. This law required the Commission to develop regulations for buildings that are not individually metered for electricity or natural gas. Final rules issued in 2011 provided standards for how building owners may install submetering equipment or energy allocation equipment for nonresidential rental units.²⁴⁸
- ◆ **Smart meters.** A smart meter program had been slowly building since 2002 when the Commission approved a settlement agreement cementing the merger of Pepco and Conectiv, a Delaware-based corporation that provided retail electricity service in Delaware, Maryland, New Jersey, and Virginia. Smart meters enable two-way communication allowing utility companies to collect usage data by customer on an hourly basis, and customers to track their usage as a means of minimizing bills. Smart meters also enable utility companies to detect and fix outages remotely, and hence more quickly, because they don’t need to send out a repair crew.²⁴⁹

The agreement called for Pepco to contribute \$2 million to fund a pilot program to test smart meters in the District. The result was the 2005 formation of a non-profit corporation called Smart Meter Pilot Program, Inc., comprising representatives from the Commission, the Office of the People’s Counsel, the Consumer Utility Board, the International Brotherhood of Electrical Workers Local 1900, and Pepco. A smart meter was approved in 2006.²⁵¹

Two years later, after the PSC approved the program design, meters, and rates, SMPPI started the actual pilot program. PowerCentsDC, as it was known, installed smart meters for nearly 900 Pepco customers in all eight wards and tested three different pricing methods to help residential customers modify their usage patterns and save money. The pilot program showed that all participating customers, low-income and higher-income alike, reduced their usage during peak periods when the prices were relatively high.²⁵²



*PSC Inspector
Damon Patterson
inspects a smart
meter.*

After the Commission determined that a smart meter program would be a wise investment, it allowed Pepco to begin installing smart meters for all of its customers in 2010. That same year PowerCentsDC received an award for Best Pricing and Demand Response Program from the National Association for Energy Services Professionals.²⁵³

- ◆ **Energy Wise.** In 2011 the Commission approved Pepco's Energy Wise Rewards program, in which the company installs free energy-saving devices (web-programmable thermostats and outdoor switches for air conditioning systems) and rewards participants with a rebate.²⁵⁴ Energy Wise also received much recognition.
- ◆ **Renewable energy.** The D.C. Renewable Energy Portfolio Standard (RPS) Act, enacted in 2005 and amended in 2008, requires District electricity providers to derive a certain percentage of



Pepco's D.C. customers may choose wind energy generated by turbines such as these. (None, however, are located in D.C.)

Pepco Archives

their supply from renewable energy sources, including a set amount from solar energy. As the implementing and rulemaking authority, the Commission must ensure that the District is meeting its yearly RPS goal by educating District residents and businesses about their options, and about the benefits of renewable energy resources.²⁵⁵ The mandatory solar output goal increased in 2011, and another requirement was added: the solar component must be sourced from D.C.

The Commission has established a process for certifying renewable energy generation facilities, and adopted a number of renewable energy policies, such as rules for small energy metering, which allows small customer generators to sell surplus energy back to the grid through Pepco and receive credit for the full retail rate.

- ◆ **Competing policy goals.** The proposed closing of a generation plant provides an example of ways in which public policy goals can clash, in this case environmental and reliability goals. In 2004, Mirant Corporation announced the shutdown of its Alexandria plant, a "must-run" unit for key parts of downtown D.C. including, at times, the White House. The Commission immediately and proactively petitioned the U.S. Department of Energy to keep the plant open. Environmentalists had pushed

for years to shutter the plant, and it finally was preparing to close in 2005. Instead, DOE sided with the Commission and ordered the plant to continue operating until Pepco upgraded its transmission system so the plant would no longer be needed. Two peaking plants in the District, Benning Road and Buzzard Point, were retired in June 2012 after Pepco made further improvements to the transmission system. The Mirant plant finally shut down for good in October 2012.²⁵⁶



Workers install solar panels on a row-house roof in Mount Pleasant. The PSC must help the District meet its goals for renewable energy.

Collection of Louise Meyer

- ◆ **Smart grid.** Other ongoing projects include Advanced Metering Infrastructure and Smart Grid initiatives. (A smart grid uses computer-based remote control and automation to control the networks that carry electricity from the plants where it is generated to consumers.)
- ◆ **Undergrounding.** In 2010 the Commission completed an Independent Study of the Feasibility and Reliability Implications of Relocating Pepco's Overhead Lines Underground. Undergrounding of lines in Washington dates to the late 1800s; Pepco's predecessor, the United States Lighting Company, pioneered the practice.²⁵⁷



In 2013 the Commission was studying the question of whether Pepco should underground cables in neighborhoods that are historically prone to outages caused by storms.

Pepco Archives

An early 1900s view along Virginia Avenue toward the West Station Gas Works, built in the late 1850s.

Library of Congress



Manufactured Gas to Natural Gas

Nights in early Washington were dark. People lit their homes and offices with candles and oil, and streetlights illuminated only the most important thoroughfares, after Congress appropriated \$100 for the purpose in 1802. Although individual Washingtonians had experimented with the use of gas for illumination as early as 1804, it was not until the 1840s that the idea

became viable. In 1841 Robert Grant successfully built an apparatus in the new Treasury building that lighted a room with gas manufactured from birch bark.²⁵⁸

Baltimore and Philadelphia had gas companies by 1846 when inventor James Crutchett arrived in Washington. Crutchett had introduced gas light in Cincinnati, St. Louis, and other cities, and he was looking for new challenges. He purchased a house just north of the Capitol, installed a small gas plant on his property, and manufactured “solar gas” from rosin to light his house and yard. Next he persuaded Congress to let him install a gas light on the Capitol dome, as well as a gas manu-

facturing plant on the building’s grounds.²⁵⁹

Congress chartered the Washington Gas Light Company in 1848 and then, in a controversial move, authorized it to build a coal gas manufacturing plant just two blocks west of the Capitol. Several years later WGL built a replacement plant at Twenty-sixth and G streets, NW. This location near the “Western Wharves” allowed the plant good access to coal delivered by barges as well as water from the Potomac. Both water and bituminous coal

James Crutchett’s house, at North Capitol and C streets, was the first building in Washington to be illuminated with gas.

Historical Society of Washington, D.C.





The East Station Gas Works on the Anacostia River in Southeast D.C., built in 1888.

Washingtoniana Division, DC Public Library.

were necessary for the production of “illuminating gas” through a distillation process. The East Station Gas Works, at Eleventh and M streets, SE, along the Anacostia River, went up in 1888.²⁶⁰

The Georgetown Gas Light Company, incorporated in 1854, manufactured and distributed artificial gas to Georgetown customers from its Twenty-ninth Street plant on the C&O Canal.²⁶¹

When the Public Utilities Commission was established in 1913, gas was used predominantly for street lighting but also for illuminating homes and businesses, although generally not for heating. Congress had set a flat rate of 8.5 cents per therm (\$2 in 2013 dollars; 1 therm = 100 cubic feet) for residential and commercial customers. The Commission issued its first set of rules and regulations for gas service in 1914 and completed a valuation for the companies by 1917.²⁶²

The Commission’s Bureau of Gas Inspection’s routine tasks included investigating the product for quality, purity, and pressure; inspecting and testing meters; and fielding complaints from the public about excessive bills, poor quality, insufficient pressure, and inadequate service. The manufacturing process evolved over the years. By 1915 the gas companies were mixing coal gas with a more efficient type of coal-based gas called carburetted water gas, and by the end of 1917 they had switched completely to the newer product.²⁶³

With prices for raw materials and labor rising during World War I, the gas companies approached the PUC for relief, and in March 1918 received permission to raise their rates to 9 cents per therm. An increase to 9.5 cents soon followed.²⁶⁴ Yet another rate case, in 1920, was notable in that



A gas lamp across from Armstrong Manual Training School, First and O streets, NW, ca. 1905.

Historical Society of Washington, D.C.



ABOVE: *Washington Gas headquarters at 413 Tenth Street, NW, opened in 1867 and was photographed in the 1940s.*

Library of Congress

ABOVE RIGHT: *WGL service and garage buildings, erected in 1928 on the site of the old Georgetown Gas Light Co.'s Twenty-ninth Street plant.*

Washington Gas



the Commission's first woman member, Mabel T. Boardman, participated in the deliberations. In explaining its decision to allow a temporary increase to 13.2 cents for the smallest users, the Commission noted that rates would drop significantly if the government were to pay for gas on

the same basis as the general public. The government rate was 7 cents, and the rate for municipal street lighting was just 3 cents. The Commission called on Congress to rectify this inequity, and the Federation of Citizens Associations, Washington Restaurant Association, and other groups added their voices. Nothing came of their demands.²⁶⁵

The issue came up again in a 1949 rate case, when Washington Gas proposed a 7.36 percent hike to cover losses after an unusually warm winter. Consumer and citizens groups were outraged that residential users would bear the brunt of the increase, while the federal government's rate would actually drop by 1.04 percent. The smaller the purchaser, the proportionally larger the labor costs, WGL pointed out in hearings. The government, of course, was the company's biggest customer, and the average homeowner paid \$3.31 per month for gas. The proposed rate would translate to an increase of 34 cents on the monthly bills of residential customers who used gas exclusively for cooking, and \$1.07 for those who also heated with gas. The 6.14 percent rate increase approved by the Commission in November 1949 allowed WGL to add 24 cents to monthly bills for households using gas for cooking and 83 cents to bills for those using it for both cooking and heating.²⁶⁶

Months later, in a lawsuit brought by the Federation of Citizens Associations, the District Court overturned the rate increase, and WGL was obliged to refund \$1,271,000 to 175,000 area customers. Judge T. Alan Goldsborough said the PUC should not have allowed the company to earn a fair return on \$1.7 million in abandoned property.²⁶⁷



The Advent of Natural Gas

In 1931 Washington Gas entered a new era: it began piping natural gas into the District from Kentucky and West Virginia. It then mixed the natural gas with manufactured gas at the East and West Station Plants, and distributed the product to consumers.²⁶⁸

Washington Gas had owned virtually all shares of Georgetown Gas since 1917—and the majority of shares before that—but the two companies operated separately until Congress authorized a full merger in 1936, to streamline gas regulation and keep rates down by reducing overhead. The PUC then allowed Washington Gas to issue additional shares of stock for the first time since 1896.²⁶⁹

After the merger, Georgetown Gas's headquarters at 1339 Wisconsin Avenue became a Washington Gas branch office, and Washington Gas operated the former Georgetown Gas plant on the C&O Canal at Twenty-ninth Street, along with WGL East and West Station plants and a gas holder at First and K streets, SW.²⁷⁰

The Commission authorized the conversion to straight natural gas in March 1947, and Washington Gas spent the next several months converting the gas burners and pilot lights of its commercial and domestic customers' appliances for use with natural gas.²⁷¹



ABOVE: Washington Gas's East Station plant, seen in 1948, when it was used as a backup manufacturing facility.

© 1948 The Washington Post

ABOVE LEFT: Enormous piles of coal at the West Station Gas Works, 1946.

Star Collection, DC Public Library; © The Washington Post



Washington Gas's 1947 schedule for conversion of the eastern portion of the city to natural gas.

Evening Star, July 10, 1947.

Movie star Ann Rutherford helps WGL promote gas appliances, ca. 1948.

Library of Congress



WGL also began selling and installing new kitchen appliances. William A. Roberts, the former People's Counsel who had since gone to work for the Gas Consumers and Independent Dealers, protested this merchandizing operation during a 1949 rate case before the Commission. WGL's charter allowed it only to manufacture and sell gas, he claimed. The Commission, led by Chairman Thomas Flanagan, insisted that selling appliances was "an incidental, yet inseparable, phase of the gas selling business" and declared the issue not germane to the rate case. Roberts's trade association also opposed the rate increase, which was subsequently approved by the Commission.²⁷² This was the same increase that was later overturned by a court.

WGL's East Station remained open as a backup manufacturing facility in case of an interruption in the pipeline, but the West Station became a storage facility before being dismantled and the property sold in 1948. That year, more than 90 percent of the new homes built were supplied with gas heating.²⁷³

The Federal Power Commission became the body charged with regulating the price of wholesale natural gas, after which the state utilities commissions would approve rates proposed by local gas companies. Partway through a months-long FPC hearing in early 1951, Washington Gas estimated that pipeline owners Atlantic Seaboard Corporation and Virginia Gas Transmission Corporation's proposed gas prices would increase D.C.-area consumers' bills by 28 percent, or 93 cents on the average residential bill, from \$3.34 to \$4.27.²⁷⁴

Sure enough, in November 1951, WGL asked the PUC to approve a 15 percent rate increase due to a 40 percent increase in the wholesale price of natural gas. Given that the 1949 rate increase had been overturned, this would

be the first increase since 1942, the company pointed out. The Commission approved an 11 percent increase, translating to an average rate increase of 16 cents for residential customers cooking with gas and 73 cents for those both cooking and heating. The company soon returned with another proposed rate increase, and the Commission approved a small one in late 1952.²⁷⁵

Two years later, the Commission approved a Purchased Gas Adjustment allowing WGL to make credit adjustments to customers' bills to cover costs associated with the volatility in wholesale gas prices without constantly having to submit to the PUC rate hearing process. Rates remained relatively stable until 1975, but during that time WGL's D.C. customer base fell virtually every year, as residents, especially white residents, left the city for the suburbs.²⁷⁶

But the company served the region, and it continued to thrive. It received approval from the Commission for new lower-priced service for large-volume users: in 1959 for an air-conditioning rate, to promote summer gas sales, and in 1962 for an "Interruptible" rate, allowing WGL to curtail delivery when supplies were low to large commercial and industrial customers equipped to switch to an alternate fuel source when interruptions or curtailments occurred.²⁷⁷

Then, in 1965 the Commission approved an unusual agreement between WGL and Watergate Improvements, Inc., for the utility to provide steam and chilled water for heating and cooling the Watergate Project, a new apartment and hotel complex on the Potomac. What was different about this plan was that WGL would lease the production equipment (such as boilers, pumps, and compressors) from a third party and furnish the natural gas on an interruptible basis to produce the steam for heating and hot water, and the chilled water for air conditioning. The third party, the United States Leasing Company, would be responsible for maintaining the equipment. WGL contended that this central-plant system would allow it to provide a desirable use for gas during off-peak periods, and this would benefit other gas customers.²⁷⁸

The natural gas pipelines supplying the D.C. area in 1951.

The Washington Post

A Pipeline's Pushing Up Your Gas Bill

By Sam Zagoria

THE PRICE of natural gas probably will go up in the Washington area early next year. Just how much cannot be predicted, but there is this guide: The Washington Gas Light Co. has said that if the Federal Power Commission approves a requested increase in the price of natural gas delivered here, it will push up gas costs 25 percent.

The company has been equally frank in declaring that all or some, at the very least, of this hike will have to be passed on to the consumers.

Since November, 1949, consumers have been paying a 6.14 percent increase, but that is up before the Supreme Court for review. The wholesale price of Washington gas has been the subject of a 5½-month hearing before FPC. On February 20, the lawyers, accountants and engineers, who have been the dramatic personae of the waxy affair, took a six-week breather until April 6 to prepare briefs.

As they departed, leaving behind 5000 pages of testimony and exhibits, it was quite clear that Washington—one way or another—will have to pay more for its natural gas.

WASHINGTON Gas Light, as the oldest and largest customer of the petitioner, the

Then, as the hearings were on, Atlantic agreed to hold off until November 1, 1950, and later extended this to last Thursday. Atlantic thus has the right to impose the new rate immediately and take its chances on the FPC decision, an FPC spokesman said, but the company has not yet done so.

Indications are that it won't, since the proposed rate structure is so erected that once the winter heating demand is past, Atlantic would gain little in revenues. On the other hand, it would have to put up load covering rebates in case the FPC decided against its request.

Atlantic's plea for higher rates is principally based on the cost of the new line, which it contends was primarily for Washington, and increased operating

mand charges, and 55 percent of Washington's business comes from them.

THERE ARE three ways of keeping demand charges down:

1. Peak shaving. When you see the cold wave coming and you don't want to buy as much gas—at the higher rates—make your own, advises Atlantic. WGL has testified that it has only limited facilities for doing so.

2. The Washington area converted from manufactured to natural gas between August, 1940, and October, 1947. Since then, small amounts of manufactured gas have been mixed in on high demand days from a standby station at 11th and N st. s.

3. Line packing. When the thermometer starts dropping, put additional pressure on the gas in

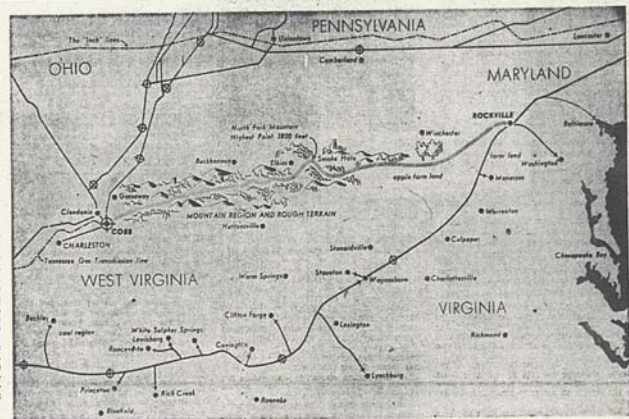
to pay the higher rate on the rest of its purchases. Thus a rate hike is inevitable, even under Washington's best terms.

ATLANTIC, backed by its newer customers, contends that the wholesale rate should be the same throughout the D. C.-Maryland-Virginia area. The other firms are already buying at the higher rate, it doesn't hurt them as much because of their more favorable load factor—the average consumption divided by the peak day.

Further, Atlantic cites the Natural Gas Act, which prohibits discrimination in rates for like customers.

Another big argument is over Atlantic's rate of return. Washington testified that Atlantic had an 8.2 percent average rate throughout the '40s. Atlantic said its return in 1950, however, dropped to 3.57 percent and therefore it was proposing rates to yield 6.31 percent in 1951 and 7.63 in 1952 or an average of 5.93 for the 1950-52 period. Atlantic has contended that the above six percent return is justified to make up for 1950 deficiencies. This view has not been shared by WGL.

MORE ARGUMENT, which has filled page upon page of the record, is over WGL's proposed thermal rate. The local firm has contended that the new "Toughest Inch" line, drawing from



The route of the "Toughest Inch," the broad line between Cobb compressor station in West Virginia and Rockville, Md., crosses some of the roughest country in the East. The

finer black lines are earlier installations and the broken lines are those of other companies. The crossed circles are compressor or booster stations.

The *Washington Post* reported: “Usually utilities provide only the fuel, and customers arrange for heating and air conditioning equipment.” It quoted Washington Gas President Donald S. Bittinger, who explained that this arrangement was a first for Washington and one of only a handful in the country. Coincidentally, the Watergate project was being constructed on the former site of WGL’s West Station.²⁷⁹

Switching to natural gas had turned Washington Gas into more of a middle man: the company bought product from national pipeline companies and resold it to commercial and residential customers. The Commission set rates that let the company recover its costs, which included investment in storage facilities. This was something new.²⁸⁰

Washington had almost no industrial market—which buys gas consistently throughout the year—and a huge residential market, which buys most of its gas during the winter heating season. Washington Gas, consequently, was stuck buying when prices were highest. As former PSC Chairman George Avery explained, “The pipelines have a problem: the stuff in the ground doesn’t know what the weather is, and it’s got to come out once you drill into it. You’ve got to do something with it almost on an instantaneous basis, or you’re going to store it when you get it and sell it when it’s needed. Washington Gas had a real interest in trying to buy as much gas in the summertime as it could, stick it underground and then draw it out of its own facilities in the wintertime.”²⁸¹

***Demolition of the
West Station gas
plant, 1954.***

Star Collection, DC Public
Library; © The Washington
Post



Gas Pipeline Safety

With the adoption of the Natural Gas Pipeline Safety Act of 1968, the Commission's Engineering Department took on new responsibilities with the Natural Gas Pipeline Safety Program (under the U.S. Department of Transportation). The Commission ensures that Washington Gas, the sole natural gas distribution company in the District, complies with federal and municipal regulations for the design, construction, operation, and maintenance of natural gas pipeline facilities. It also inspects pipelines and records, investigates incidents and determines their causes, issues notices of probable violation, monitors the training of pipeline operators, and promotes pipeline safety.²⁸²

Changing the Mindset

After a period of exceptional growth during the 1960s, the natural gas industry suddenly faced a reversal at the end of the decade: a shortage in the gas supply. This was just one more problem plaguing the country: the Arab oil embargo, rising interest rates, and the political turmoil of the period combined to create the perfect storm. Washington Gas stopped accepting new customers and started seeking out new business ventures.

Policymakers attributed the shortages, in part, to federal price controls, and worked to find solutions. The Gas Policy Act, adopted by Congress as part of the National Energy Conservation Policies Act of 1978, started natural gas pricing on the road to deregulation and prohibited the use of natural gas for certain industrial and power-generation facilities, in order to preserve it for residential use. Supplies began increasing by the end of the decade.²⁸³

Court decisions and actions by the Federal Energy Regulatory Commission to deregulate wholesale gas markets enabled states to allow retail customers to choose their own gas supplier starting in the late 1980s.²⁸⁴

The Commission had begun exploring the concept of demand-side management (also known as least-cost planning) and, in ordering Pepco to apply it to its operations, also included Washington Gas. According to James DeGraffenreidt, Jr., Washington Gas's senior managing attorney at the time and later CEO and chairman (retired 2009), "the outcome after a very long inquiry was that Washington Gas became, because of the Commission's leadership on the issue, the first gas company in the country to adopt and implement demand-side management. That's not a trivial accomplishment because, although the economic principles are the same for

any business, the structural realities of our business are very different from an electric company's, so the principles have to be applied very differently. To the Commission's credit, they listened to us and we listened to them. It was an important precursor to the applicability of deregulation at the retail level in D.C."

Years later, at the PSC's March 15, 2013, centennial symposium, WGL President Adrian Chapman named gas least-cost planning as the Commission's most significant innovation affecting the natural gas industry. Least-cost planning "moved the market" for high-efficiency gas furnaces and water heaters, he said.

DeGraffenreidt explained how he helped change WGL's mindset on deregulation: "What Washington Gas made its profits from was the safe and reliable delivery of natural gas. But the ratemaking formula never allowed a markup on the price of gas; the profit built into the ratemaking formula comes only from distribution.

"I got our company to focus on the fact that the increase in choices for customers would put downward pressure on the cost of gas because it would increase the sources of supply. The old economics 101 law of supply and demand worked to the customer's advantage. This was the same theory we were putting forward when I was a consumer advocate [earlier in my career].

"We made the commitment we were going to be the most user-friendly company from a customer point of view as well as from a competitor point of view to promote customer choices of gas suppliers. We worked very carefully and diligently to promote transparency so the D.C. Commission and the D.C. People's Counsel and all the competitor companies that wanted to participate in the market understood what the ground rules needed to be from a customer protection and customer satisfaction point of view, and I think we became the model for how to do it successfully as a result of all of that."

WHAT IS DEMAND-SIDE MANAGEMENT?

Demand-side management (also known as least-cost planning) asks the question: If a utility company paid, for example, for the installation of energy-saving appliances in the customer's home, would the company be able to avoid enough power plant expansion, in the case of an electric utility, to save a lot more money than it spent on installing the appliances? The gas industry does not have power plants, but it does have long-term contracts and they can be expensive.



In 1988 the PSC had allowed the utility's "interruptible" customers to select their own commodity gas supplier. Ten years later, the Commission approved a Customer Choice Program for other large commercial customers, then extended it to residential customers in 1998-1999 and small commercial customers in 1999-2002. Washington Gas remained the sole distributor of natural gas, however.²⁸⁵

Aging Infrastructure

In 1993 a summertime explosion at Pennsylvania Avenue and Thirtieth Street, SE, killed one person and injured several. An investigation revealed that the explosion resulted when a spark from a stalled van's starter motor ignited natural gas leaking from beneath the pavement. The culprit was aging cast-iron gas pipes. The Commission directed Washington Gas to replace 8-inch and 12-inch cast-iron pipes over a ten-year period, and the company completed the work on time by 2004.²⁸⁶

The next year the PSC investigated the causes of increasing incidents of natural gas leaks from aging couplings. Some of the leaks had resulted in explosions in Maryland, including one that destroyed a Prince George's County strip mall and injured eight firefighters and a Washington Gas employee. Because WGL used the same type of couplings in the District, the

From left, D.C. Councilmember Harry Thomas, Washington Gas Senior Vice President James DeGraffenreidt, D.C. Energy Office Program Manager Sabrina Williams and Chief of Conservation Services Michael Clark, U.S. Energy Secretary Hazel O'Leary, and Mayor Sharon Pratt Kelly check out a natural gas-fueled school bus, early 1990s.

The Washington Informer

Commission immediately ordered a leak survey and also directed the company to repair all known leaks associated with these couplings. In 2009, after the Federal Energy Regulatory Commission concluded its investigation into the causes of the Maryland incident, the D.C. PSC approved a settlement agreement directing Washington Gas to initiate a seven-year replacement and encapsulation program for all of its vintage mechanical couplings and pipes, to file monthly gas leak reports, and to impose a surcharge to cover the costs of the program. These included costs associated with injecting hexane into the gas system to prevent the shrinkage of rubber seals in the mechanical couplings.²⁸⁷

Natural Gas Regulation in the 21st Century

The D.C. Natural Gas Act of 2005 authorized the Commission to create a Natural Gas Trust Fund, similar to the Reliable Energy Trust Fund established a few years earlier on the electricity side. The purpose of both programs, which were overseen by the Commission, was to promote energy efficiency and low-income programs in the District. However, they were replaced in 2008 by the D.C. Sustainable Energy Utility, which now handles most ratepayer-funded energy efficiency and renewable energy programs and is supported by the SEU Trust Fund, overseen by the District Department of the Environment.²⁸⁸

With deregulation underway, the Commission turned its attention to establishing quality of service standards for WGL, which remained the sole natural gas distributor. In 2009 the PSC issued its first set of standards. Among the requirements:

- ◆ Report outages, as well as incidents that result in the loss of human life, personal injury requiring hospitalization, property damage of more than \$5,000, or service disruptions, and estimated restoration information.
- ◆ Follow a set procedure when responding to gas leaks and odor complaints.
- ◆ Establish a gas main ranking index for making improvement and replacement decisions.²⁸⁹

In its 2011 application to increase rates, WGL sought Commission approval to implement the first five years of a fifty-year Accelerated Pipe Replacement Program, at a cost of \$119 million, and to recover the cost of this program through a surcharge billed monthly to customers. The Commission ruled in May 2013 that the program was not actually “accelerated” because it would replace only seven miles of mains per year, less than half of the average of 15.67 miles per year of mains installed between 1986 and 2001. WGL filed a revised plan in August 2013, and the Commission was still receiving comments on the plan at the end of 2013.²⁹⁰

In sum, the Commission finished its first century of regulating the gas industry the way it started: keeping the city safe and rates affordable. In the 100 years between the Commission’s creation and its centennial year, the number of residential customers Washington Gas served in D.C. climbed from almost none to 141,790; in 2013 the company delivered about 261 million therms. During the same timeframe, the Commission oversaw an overall real rate decrease, from the equivalent of \$2 per therm in 1913 to \$1.16 per therm in 2013.²⁹¹



PSC Inspector Damon Patterson conducts a natural gas inspection.

Washington Information, ca. 1910.

Courtesy, Verizon Pioneers



Telephones to Telecommunications



This advertisement appeared in the Washington Post the day President Taft signed the Public Utilities Commission bill into law, March 4, 1913.

The telecommunications industry has changed more dramatically than any other utility; today it is the only one that is almost entirely competitive.

A workable telephone was available in the late 1870s, and the White House in 1878 became one of the first buildings in Washington to have one. Chesapeake and Potomac Telephone Company, later a subsidiary of the American Telephone and Telegraph Company, was incorporated five years later to provide local telephone service in the District.²⁹²

By 1913 when the Commission formed, about 46,000 telephones were in use around the city, but most were in businesses rather than homes.²⁹³

In less than ten years the number of subscribers would reach 100,000. The one millionth telephone was installed in Washington in 1976, and subscribership peaked in the 1990s as people added lines to connect to fax machines and to the Internet.²⁹⁴

In the Commission's early years, its regulation of telephone service focused on valuing the property of C&P and establishing a system of tariffs and rate schedules. In 1913, C&P's rate for residential single-line telephone service was \$4 per month (\$94.12 in 2013 dollars).



C&P transports “telephone girls” to work during a 1916 streetcar strike.

Library of Congress



PUC Chairman Gregory Hankin.

Star Collection, DC Public Library; © The Washington Post

Overall, the Commission’s early experience in regulating the telephone industry was less contentious than it was for the streetcar and electric companies, but challenges did arise.

One of them was an unusual jurisdictional issue that arose during the early years of World War II. Motivated by reports that some hotels, apartment buildings, and clubs were charging residents and guests service fees on their telephone calls, the Federal Communications Commission and D.C. PUC held joint hearings to determine whether this service was subject

to regulation by one of the agencies. “Fiery little Gregory J. Hankin, chairman of the Public Utilities Commission, in characteristic fashion yesterday sharply cross-examined witnesses at a public hearing to find out why it costs 10 cents to make a telephone call through a hotel switchboard and only 5 cents in a coin booth,” the *Washington Post* reported in April 1942.

Hankin claimed these excessive per-call charges violated the Clayton Antitrust Act. The hotels could not legally add telephone service charges unless they were acting as agents of C&P, in which case the extra charges would be subject to PUC or ICC regulation, he said.²⁹⁵

The hearings resulted in a decision that the PUC had jurisdiction in the matter, and it consequently directed C&P to file tariff schedules accounting for telephone service furnished to D.C. hotels, apartment buildings, and clubs. According to Hankin, this PUC order put an end to the surcharges.²⁹⁶

*A Civilian Defense
Message Center in
Washington, 1943.*

Library of Congress



In July 1942, the War Production Board curtailed telephone installations except for those needed for the war effort. When, a few months later, the Commission approved the company's bid to sell 300,000 shares to raise \$30 million to pay off debt, the *Post* noted with wonderment that Hankin had not dissented, as was his habit.²⁹⁷

*Operators at a D.C.
telegraph office,
1943.*

Library of Congress



In 1965 the Commission addressed a complaint filed by the Classified Directory Subscribers Association alleging that C&P was engaged in unreasonable, discriminatory, and preferential practices in the rendition of its classified directory (Yellow Pages) services, and that the company demanded and received excessive rates for advertising services. Advertising charges constituted a significant portion of C&P's overall revenue, and the telephone company challenged both the allegations and the Commission's jurisdiction.

The PSC determined that it had no jurisdiction over advertising rates as such; rather, its role was to ensure there was no undue manipulation of advertising charges so as to thwart the Commission's rate-making powers in those areas that were under its jurisdiction. The PSC ended up dismissing the complaint. However, it ordered C&P not to refuse or discontinue regular telephone service to any subscriber solely because that subscriber failed to pay charges for advertising in the classified directory.²⁹⁸

The Beginnings of Competition

In a harbinger of issues to come in the telecommunications industry, the Commission confronted the beginnings of competition in 1968, not in the realm of landline telephone service, but in the provision of mobile service. On August 9, 1968, the Washington Mobile Telephone Company sought permission to provide two-way mobile radio-telephone service to be interconnected with the facilities of the local telephone company, C&P. WMTC's application was opposed by American Radio-Telephone Service Inc., which had received its license to operate in the District two years earlier. However, the Commission granted the WMTC application on April 24, 1969, launching competition in D.C. telephone services.²⁹⁹ Few at the time thought that mobile communication was anything but a niche service. Certainly only a very few visionaries could have foreseen the remarkable growth of cellular telephone companies into the successful competitors they are today.

But competition was beginning to change the entire telecommunications landscape. In 1934, when Congress passed the Communications Act, AT&T was a regulated monopoly, providing long-distance and local



The telephone is always in use in a World War II-era boarding house.

Library of Congress

telephone service through its wholly-owned subsidiaries, including C&P. However, encouraged by the emergence of competitors such as Microwave Communications Inc. (MCI), the U.S. Department of Justice filed an anti-trust suit against AT&T in 1974.³⁰⁰

An ad published in the Washington Post, May 1983.

THE BEST DEAL ON A PHONE IS RIGHT IN YOUR LIVINGROOM.

If you're a Maryland customer, doesn't it make sense to own the Bell phone you now lease? The one you're already happy with. Now you can own it, instead of leasing it. Pay for it once or in easy monthly installments. So in the long run, you could save money. This is a new choice for any Bell Standard, Princess, or Trimline phone (Touch-Tone or Rotary).

For an example of the prices, look at the picture below. You can continue leasing with maintenance included, if you choose. But if you want to own the phone in your home, just call 1-800-554-3400, or fill out the coupon and send it in now.

Princess (Touch-Tone) Buy \$69**
1-yr. lease \$39**

Standard (Rotary) Buy \$69**
1-yr. lease \$39**

Trimline (Touch-Tone) Buy \$84**
1-yr. lease \$49**

Call toll free **1-800-554-3400**

MODEL NO. OF SETS COLOR CHECK ONE
☐ Rotary Dial ☐ Touch-Tone
☐ Rotary Dial ☐ Touch-Tone
☐ Rotary Dial ☐ Touch-Tone

Name _____
Address _____
City _____ State _____ Zip _____
Phone Number () _____

C&P Telephone
Buy or lease, we give you a choice.

**The AT&T Breakup:
A World of Confusion**

By Peter Behr
and Michael Isikoff
Washington Post Staff Writers

For most of this century, the telephone has been a simple necessity of American life, as much taken for granted as the kitchen faucet.

That relationship between Americans and their telephone is about to be turned inside out. On New Year's Day, American Telephone & Telegraph Co., the country's oldest and biggest monopoly, will be broken up into eight separate billion-dollar companies, accelerating a chain re-

pay much more than that, depending on where you live. It can be 100 percent or 200 percent."

In the District, the Chesapeake & Potomac Telephone Cos. have proposed to raise the flat monthly local telephone charge from \$8.83 to \$13.08 and the cost of a pay phone call from 15 cents to 25 cents. Larger rate requests are pending in suburban Maryland and Virginia. C&P President Thomas Gibbons predicts that local rates in the Washington metropolitan area will double in the next several years.

Nationally, the local Bell phone companies—about to be separated from AT&T—are seeking an unprecedented \$6.7 billion in higher rates and fees, at least in part to help cover the costs of divestiture. In addition, the

TURMOIL OVER TELEPHONES
PART 1

A Washington Post article published December 11, 1983.

In 1983 AT&T and Justice agreed on a settlement, and the telecommunications giant agreed to divest itself of its local telephone operations. The agreement broke up the Bell System (another name for AT&T) and created regional Bell operating companies (RBOCs) of which Bell Atlantic was one. The RBOCs were prohibited from manufacturing equipment, providing information services, or providing long-distance service. In exchange, they would continue to retain a monopoly in the provision of local telephone service (at least for the time being). The state public service commissions now found themselves in the complex world of competition, and D.C.'s Commission opened an investigation of the asset division between AT&T and C&P, the D.C. telephone operating company in the Bell Atlantic Region.³⁰¹

In 1985, the D.C. PSC became one of the first state commissions in the nation to respond to the introduction of competition by modifying its regulatory framework. C&P was facing the prospect of major losses as large customers switched from Centrex (telephone company-owned) to customer-owned Private Branch Exchange, or PBX, systems. Under traditional rate of return regulation, other classes of customers would have to bear the remaining costs, so the Commission decided to allow flexible regulation of Centrex services through C&P's use of Individual Case Basis contracts.³⁰²

PSC Chair Patricia Worthy, who also chaired the Committee on Telecommunications of the National Association of Regulatory Utility Commissioners, was asked to speak on the impact of divestiture and the emergence of competition before numerous national groups. Worthy advocated strongly for requiring Bell Operating Companies to provide their local services through separate subsidiaries to help ensure against cross-subsidization of nonregulated

ventures by the local monopoly ratepayers. On one occasion, in 1990, she told members of the American Newspaper Publishers Association that there had been a dramatic explosion in the number of nonregulated subsidiaries of the RBOCs. For example, the Bell Atlantic RBOC grew from seventeen non-regulated subsidiaries right after divestiture to more than ninety at the end of 1989. This trend meant greater oversight responsibility for state regulators who were charged with protecting the ratepayers and the company interests in the traditional telephone lines of business, she said.³⁰³

Other changes were coming quickly. In 1986 the Commission deregulated Customer-Owned Coin-Operated Telephone service in D.C., and required COCOT owners to file a “Form A” application for each telephone installed. The PSC received 416 such applications through September 30, 1986.³⁰⁴

Five years later the PSC became “the first and only utility commission to develop an action plan to address the many complaints received regarding the alleged illegal use of pay telephones,” it noted in its 1991 annual report. It started a 24-hour Pay Telephone Hotline for the public to report suspicious telephone activity that might be related to illegal drug trafficking. It also created a pay telephone database for tracking and monitoring complaints.³⁰⁵ But gradually this program’s relevance diminished. As of 2013, the use of pay telephones had decreased to such an extent that only about fifty remained in use in the District. Like landlines, pay telephones fell victim to the ubiquitous cellular phone.

From the early 1920s to 1992, the Commission had used some form of rate based Rate-of-Return regulation to govern telephone company rates. Under ROR regulation, the Commission essentially set rates at a level that would allow companies to recover prudently incurred costs and pay a Commission-determined rate of return on its assets. But by 1992 C&P (soon to be known as Bell Atlantic-D.C.) was arguing that monopoly-era rules were hobbling its ability to participate in an open market. The increasingly competitive telecommunications environment led the Commission to reconsider its reliance on an “outdated” form of regulation.



Patricia M. Worthy served as PSC commissioner from 1980 to 1991, and chair from 1984 to 1991.

Clearly a national trend was well underway. The Bell companies were engaging in nonregulated businesses, and competitors were eager to enter the local telephone market. Throughout 1995, the U.S. Congress debated national telecommunications legislation. On February 8, 1996, President Bill Clinton signed into law the Telecommunications Act of 1996, which shifted the entire paradigm of how telecommunications services were provided. Most importantly, it established the principle of local competition by imposing duties upon the incumbent local exchange carriers (the Bell companies and some independent operators) to interconnect with other telecommunications carriers. The 1996 Act provided for state commissions, such as the D.C. PSC, to implement the provisions of the Act.

To do this, the D.C. Council passed the 1996 D.C. Telecommunications Competition Act, which authorized the PSC to establish a new regulatory framework to facilitate the introduction of telecommunications competition



Telephone booths at the Soldiers Home in Northwest D.C., 1975.

Photograph by Ellsworth Davis, © 1975 The Washington Post

in the District. “The Act significantly impacts how local commissions regulate telecommunications service providers. Among other things, it removes barriers [that] have limited competition in the local and long distance markets and opens the telecommunications market to full competition for new market entrants,” the Commission noted in its 1996 annual report.³⁰⁶

Thus ended the era of monopoly rate regulation, as “alternative incentive regulation” began. In 1996 the Commission approved a Price Cap Plan, providing Bell Atlantic-D.C. a great deal of pricing flexibility and including a \$4 million Infrastructure Trust Fund that would be used to bring broadband Internet access to all public schools and libraries in the District. (As of 2013, Bell Atlantic’s successor Verizon’s rates continued to be governed by a Price Cap Plan.)

One of the principal ways to foster competition in the local telephone market was to allow potential competitors, called Competitive Local Exchange Carriers or CLECs, to lease elements of Bell Atlantic’s (soon, Verizon’s) network at wholesale rates to offer retail telephone service to residential and business customers, the Commission noted in its 2002/2003 annual report. The Commission therefore had to set the wholesale rates that CLECs would pay Verizon for the network elements, for Unbundled Network Elements, or UNEs. In December 2002, the PSC issued a seminal order establishing permanent, cost-based UNE rates in compliance with a methodology that had been mandated by the Federal Communications Commission.³⁰⁷

As of December 31, 2013, the Commission had certified 267 CLECs and a total of 365 Telecommunications Interconnection Agreements between Verizon and CLECs. It also was monitoring whether Verizon was treating its lessees equitably.³⁰⁸

Universal Service

From its beginning in 1913, the Commission has recognized the importance of “universal service,” a concept originally promoted by AT&T to ensure increasing connectivity. At that time approximately 13 percent of D.C.’s population had access to telephone service, well above the national average of 9 percent.³⁰⁹

By 1983, before divestiture, the rate for D.C. was 94.7 percent, well above the national average of 91.4 percent. But the AT&T method of ensuring universal service through cross-subsidies was no longer feasible in a competitive environment. As early as 1985, the Commission ordered C&P to provide a discounted local telephone service, called Economy II Service, to qualified low-income D.C. residents. After the passage of the national telecommunications legislation in 1996, the Commission has continued its efforts to ensure that support mechanisms, on both a national and local level would be available to consumers. In 2002, for example, the Commission established the Universal Service Trust Fund and required that Verizon “rebalance” its rates so that support mechanisms would be transparent and free of cross-subsidization. In 2013 the rates for Economy II Service remained at their 1992 levels: \$1 per month for income-eligible senior citizens and \$3 per month for others. And the D.C. subscribership rate stood at 97.2 percent, nearly universal.³¹⁰

The last century has resulted in many changes in the regulation of telecommunications services. In addition to great progress toward universal service, we have witnessed the abandonment of traditional rate regulation in favor of a “Price Cap” plan—and the phenomenal rise in the use of mobile services and the technological transition from a copper-based switched network to an Internet Protocol network. Through it all, however, the PSC has worked to preserve consumer protections. The Commission’s Consumer Bill of Rights governs standards of conduct and billing practices of all utilities, including the telephone companies providing local service.



Verizon corrects a cable failure at Eighteenth Street and Trenton Place, SE. The PSC is addressing issues related to the maintenance of the copper (landline) system.



At a March 15, 2013, centennial symposium, Mayor Vincent Gray spoke of his vision for the city's economic development and environmental sustainability, and the Commission's role in helping achieve that vision. The mayor also presented a proclamation commending the Commission for 100 years of public service.

Looking Forward

A glance at the Commission's website makes clear the complexity of the Agency's portfolio as it enters its second century. "Hot Topics" include reliability of electric service, service outages and restoration standards, the feasibility of burying electric lines, smart meters, the Energy Wise program, and maintenance of the copper (landline) system. The site's "Consumer Corner" provides tips on how to read a utility bill, choose a service provider, switch to solar power, or enroll in a low-income discount program. Another click of the mouse leads to instructions for how to file a complaint against a utility company, report a downed wire, have service restored after a cutoff for nonpayment, or request a speaker from the PSC at a community meeting. The list goes on. In 2009-2013 the Commission's website received an average of nearly 200,000 visits annually.

Looking to the future in 2013, Chairman Betty Ann Kane named some of the challenges the Commission faced. Even with all the efforts to "make consumers feel more comfortable with the fact that they can choose their electricity supplier, their telephone supplier, their gas supplier, we're only at about 5 percent in gas choice and 12 percent in electricity choice and so I see that as unfinished business for the future.

"There's such a need for consumers to be educated and aware. The greatest challenge at this point is that so many things that impact our constituents and the utilities' customers are out of our control and out of their control, and we don't like to sound like we're making an excuse: well, we only regulate distribution. In addition, we face the challenge of how to keep aging infrastructure up to date. How do you replace infrastructure, whether it's gas, electric, or telephone infrastructure, when the rates you have some control over are so limited and such a small part of what you're dealing with?"

These are issues for the second century.

Thank you for your interest in the Commission. We look forward to continuing to serve the public interest in the District of Columbia.

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COVER CREDITS

Front cover photographs

(counterclockwise from upper right):

Commission Chairman Howard C. Davenport (writing) and Commissioner Edward M. Meyers (middle) tour payphone sites with Consumer Utility Board President Daniel Wedderburn (left) and People's Counsel Elizabeth Noel (right), 1991.

DC PSC

Taxis at Union Station, April 1939.

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PUC Chairman George E.C. Hayes testifies before the House District Committee, 1956.

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On spine:

A Potomac Electric Power Co. employee uses a scaffold mounted to a service truck to change an electric arc streetlamp in front of Pepco headquarters at Fourteenth and B (Constitution Avenue) streets, about 1915.

Historical Society of Washington, D.C.

Back cover photographs

(clockwise from upper left):

Commissioner Rick Morgan, Chairman Betty Ann Kane, and Commissioner Lori Murphy Lee preside over a 2009 Pepco rate case hearing.

DC PSC

A Washington Railway & Electric Co. streetcar at Eleventh and F streets, NW, 1918.

Library of Congress

The telephone is always in use in a World War II-era boarding house.

Library of Congress

Washington Gas Light Co.'s West Station plant, ca. 1920s.

Library of Congress

Inside front cover:

U.S. Geological Survey map, surveyed 1913-1915, originally published 1917.

Library of Congress

Inside back cover:

2016 map by Brian Kraft using DCGIS data.

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