

Regulation of railroads, common carriers, and public utilities in Tennessee has followed not only development in the technological and economic structures of those industries, but changes in general professional and public attitudes toward monopolies, competition and governmental regulation, particularly as reflected at the federal level, and the vicissitudes of party and personal politics as well.

In 1897, following the creation of the Interstate Commerce Commission and perceiving the need to regulate railroads, the legislature established a Railroad Commission consisting of three members, one from each grand division, to be elected statewide for six-year staggered terms, having the power to fix freight and passenger rates, to investigate rates and practices of railroads, and to approve tariffs. Unjust discrimination, excessive rates, and undue preferences were prohibited in provisions codifying the common law.

Electric power, street railways, and telephones developed rapidly in the late nineteenth and early twentieth century. They were regulated by city franchises, state charter provisions, and the common law. In 1919 street railway officials prompted the legislature to change the name of the Railroad Commission to Railroad and Public Utilities Commission. It gave that agency general regulatory power over public utilities, including the power to approve franchises, review local government regulations, fix rates and regulate practices, and to assess the property of such utilities for taxation.

In 1923, primarily at the urging of the electric companies, new utilities and extensions into new territories were required to obtain authority from the commission. Public utilities were viewed as natural monopolies and competition was considered wasteful and destructive. The administration was a prototypical administrative agency.

In 1933 the commission was given jurisdiction over motor carriers, entry was restricted, and rates and practices were regulated. In the late 1930s, with the creation of the Tennessee Valley Authority, almost all of Tennessee was served by municipally or cooperatively owned electric power entities which were excluded from commission jurisdiction. In 1943 street railways were

removed from commission jurisdiction. In 1955 the name was changed to the Public Service Commission.

By the 1980s the prevailing policies at the federal level had shifted to favor competition. Railroads and then motor carriers were substantially deregulated. Competition was introduced in long distance telephone service. New forms of price regulation were adopted. The pressure for competition began to reach the electric power and gas industries. In 1995 the legislature adopted a new telecommunications policy to bring competition to that industry.

In 1995, as a result of scandals in election practices and charges of favoritism and through the efforts of Governor Don Sundquist, a Republican (no Republican had ever been elected to the commission), the commission was terminated effective June 30, 1996. It was replaced by the Tennessee Regulatory Authority, whose three members were appointed by the governor, the lieutenant governor, and the Speaker of the House, and whose jurisdiction was limited to telecommunications, gas, and water and sewer utilities. The history of the Public Service Commission reflects the political and economic history of Tennessee for the ninety-nine years of its existence, the continuing experiment in federalism, and the development of administrative law.

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See Also: GOVERNMENT; LAW; RAILROADS; DON SUNDQUIST
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