

December 12 2019 3:43 PM

KEVIN STOCK
COUNTY CLERK
NO: 19-2-11506-3

The Honorable Judge Shelly K. Speir
Hearing Date: January 10, 2019
Oral Argument Requested

**IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF PIERCE**

BOWMAN

Plaintiff,

v.

City of Tacoma,

Defendant.

MITCHELL SHOOK,

Plaintiff,

v.

CITY OF TACOMA,

Defendant.

NO. 19-2-11506-3

**DECLARATION OF
MITCHELL SHOOK**

PART II WITH EXHIBIT 67

I, Mitchell Shook, declare as follows: I am a resident of Tacoma, ratepayer of Tacoma Public

1 Utilities, taxpayer to City of Tacoma, and customer of Click!, the municipal broadband
2 telecommunications system operated by Tacoma Public Utilities. I am an expert in matters related
3 to Click! Network and the ISP industry, having over 20 years of experience working with Click!
4 and other open access systems, in my role as Founder and CEO of Advanced Stream, an Internet
5 Service Provider that operates on Click! Network. I am over the age of eighteen, competent to
6 testify in this matter, and make this declaration on my own personal knowledge.

7
8 This is Part II of my 12-12-2019 Declaration. The Declaration is too large for the Court's
9 LINX System, which will not accept files larger than 502Mbps. Consequently Exhibit 67 is
10 being filed as PART II.

11 1. Attached hereto, in PART II Of this 12-12-19 Declaration, as **Exhibit 67** and
12 incorporated herein by this reference is a true and correct copies of historical Public Service
13 Magazine pages, related to the power struggles at the time RCW 35.94 was written. These are
14 examples of the Private Power Trusts' Propaganda efforts to oppose public power and the BONE
15 BILL. Also included is historical information on the efforts by public power to promote the benefits
16 of public power, including a letter by Honorable Homer T. Bone, obtained from the Library of
17 University of Puget Sound.

18 I declare under the penalty of perjury under the laws of the State of Washington that the
19 foregoing is true and correct.

20 DATED this 12st day of December 2019, at Tacoma, Washington.

21
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26


Mitchell Shook

R 34336

MINUTES OF MEETING
OF
FREEHOLDERS' CHARTER COMMISSION

Held November 10, 1926

Pursuant to notification by the County Auditor of Pierce County of their election to the office of Freeholder, the following Freeholders assembled at the Council Chambers at the City Hall:

- | | | |
|-----------------|--------------------|----------------------|
| Homer T. Bone | G. W. Osgood | Dr. M. J. McNerthney |
| Louis J. Muscek | C. B. Hurley | Mary C. Hutchinson |
| J. A. Eves | F. P. Haskell, Jr. | Kathryn E. Malstrom |
| E. K. Murray | Fred Shoemaker | Robert B. Abel |

The above named Freeholders took their respective oaths of office before Genevieve Martin, City Clerk of the City of Tacoma, Washington. Whereupon the Freeholders were called to order with Homer T. Bone presiding as temporary chairman.

Nominations were declared open for the office of Chairman. Homer T. Bone was nominated. It was thereupon moved and seconded that the nominations be closed and Mr. Bone be declared unanimously elected. Mr. J. A. Eves presided as temporary Chairman and put the motion to the Freeholders assembled, which was unanimously carried.

Nominations were declared open for the office of Vice-Chairman. Mr. J. A. Eves was nominated. It was thereupon moved and seconded that the nominations be closed and Mr. J. A. Eves declared unanimously elected. Upon motion being put to the Freeholders assembled, it was unanimously carried.

Nominations were declared open for the office of Secretary. Robert B. Abel was nominated. It was properly moved and seconded that the nominations be closed and Mr. Abel declared unanimously elected. Upon motion being put to the Freeholders assembled, the motion was carried unanimously.

Thereupon Mr. Homer T. Bone, as Chairman of the Charter Revision Commission, called the Committee to order for the transaction of business at the hour of 7:30 p. m. Wednesday, November 10, 1926.

The following Freeholders being present:

Homer T. Bone	G. W. Osgood	Dr. M. J. McNerthney
Louis J. Muscek	C. B. Hurley	Mary C. Hutchinson
J. A. Eves	F. P. Haskell, Jr.	Kathryn E. Malstrom
E. K. Murray	Fred Shoemaker	Robert B. Abel
Dr. H. J. Whitacre		

The first business to come before the Committee was the consideration of the raising of funds to meet necessary expenses. It was properly moved and seconded that the Secretary write a letter to the City Council requesting an appropriation of not less than \$500 to defray stenographic and other expenses of the Committee. Motion carried.

It was moved by Mr. Osgood and properly seconded that the executive sessions of this Committee be held at the Public Library and that open meetings be held at the City Council Chambers at the City Hall; that the regular meetings of the Committee be held on Monday and Thursday evening of each week at 7:30 p. m. Motion carried.

It was moved by Mr. Murray and seconded by Mrs. Hutchinson that the following standing Committees be appointed:

1. Rules
2. Revenue and Taxation
3. Civil Service
4. Accounting and Finance
5. Harbor, Tidelands and Docks
6. Utilities
7. Public and Local Improvements
8. Engineering
9. Elections
10. Officers, Employes, Salaries and Departmental Functions
11. Contracts, Awards and Purchasing
12. Miscellaneous provisions
13. Health and Sanitation
14. Franchises

After discussion, this motion was carried.

It was moved by Mr. Haskell and seconded by Mr. Shoemaker that each department of the City Council be requested to file in writing any suggestions in the change of the present city charter. Carried.

It was moved by Mrs. Malstrom and seconded by Mr. Shoemaker that this Board make a study of the different forms of municipal government. Carried.

It was moved by Dr. Whitacre and seconded by Mrs. Hutchinson that a committee of three be appointed to report on the different forms of municipal government at the next meeting of this Commission. Motion carried.

The following committee was appointed by the Chair:

Mrs. Hutchinson
Mr. Shoemaker
Dr. Whitacre

It was moved by Dr. Whitacre and seconded by Mr. Shoemaker that the motion of Mr. Murray for fourteen committees be stricken and that five committees of three each with proper grouping of subjects be worked out at a later date. Motion carried.

It was moved by Mr. Murray and seconded by Mr. Shoemaker, that the Chair appoint a committee of five to report back at the next meeting on organization and standing committees. No action was taken upon this motion.

It was moved by Mr. Haskell and properly seconded that the committee rescind their action on the motions of Mr. Murray for fourteen committees and Dr. Whitacre for five committees of three each and that the Commission as a whole proceed to the grouping of subjects and appointments of committees. Motion carried.

It was properly moved and seconded that the following standing committees be approved:

1. Utilities; Franchises; Public and Local Improvements; Miscellaneous

E. K. Murray, Chairman	Louis J. Muscek
Homer T. Bone	J. A. Eves
F. P. Haskell	
2. Revenue and Taxation; Accounting and Finance

Fred Shoemaker, Chairman	J. A. Eves
F. P. Haskell, Jr.	E. K. Murray
3. Civil Service; Officers, Employes, Salaries and Departmental Functions; Elections.

Mary C. Hutchinson, Chairman	Louis J. Muscek
J. F. Hickey	Kathryn E. Malstrom
Dr. H. J. Whitacre	
4. Engineering; Harbors, Tidelands and Docks; Contracts and Awards

G. W. Osgood, Chairman	Ralph Shaffer
C. B. Hurley	Robert B. Abel
Dr. M. J. McNerthney	
5. Health and Sanitation

Dr. H. J. Whitacre, Chairman	Dr. H. J. McNerthney
Kathryn E. Malstrom	



4-1-42

329 Senate Office Bldg.

Speech file

Mr. Bone's Speech -

The conscience of the people at a time of grave national problems has called into being a new attitude of mind toward these problems born of the nation's awakened sense of justice. The great body of progressive minded citizens who are now bringing to the democratic party a new spirit of liberalism are dedicating themselves to the fulfillment of the duty laid upon them--the duty to maintain that government of the people, by the people and for the people, whose foundations were laid by those before us. This country belongs to the people who inhabit it. It is now time to set public welfare in the first place. Political parties exist to secure responsible government and to execute the will of the people. Too often the major parties have deliberately turned aside from such a task. The time is here to face the fact that behind the outward forms of government sits enthroned an invisible government, owing no allegiance and acknowledging no responsibility to the people. The time is here for the people to destroy this invisible government and to dissolve the unholy alliance between corrupt business and corrupt politics. That should be

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the first task of the statesmanship of the day.

During the past twelve years we have witnessed the fatal incapacity of the Republican Party to deal with the new issues of the new time. This form of incapacity has compelled the people to forge new instruments of government through which to give effect to their will. We see that exemplified in the adoption of weapons of popular government like the Initiative, the Referendum, and the Recall in the State of Washington. I compliment the people of this state for their courage and vision in securing to themselves these weapons of popular government.

The direct primary is an instrument of control which the people should zealously guard. If it is ever impaired or destroyed, popular government will disappear and in its place will come control by corrupt business interests that live and prosper by brutal exploitation of the people. The voters should be ruthless in dealing with those who would assail the direct primary. Its function should be broadened rather than restricted. To destroy the direct primary would be to assault the foundations upon which rests the principles and ideals of Thomas Jefferson.

The supreme duty of the nation is the conservation of human resources through a vastly enlarged measure of social and industrial justice. I believe in the principle of minimum wage standard for women in industry. Child labor is a social crime and should be outlawed as fully and completely as was human slavery. There can be no safety for any one under the American flag so long as we confront the sordid spectacle of millions of idle adults while children labor in industry. The American people must set themselves resolutely to the task of eradicating this scourge.

The water power resources of this nation belong to the people. It would be a calamity of the greatest magnitude for them to part with this, one of the greatest heritages that ever came to any people. The right of the people to develop under public ownership this great resource is beyond challenge. The remarkable thing is that this natural right has ever been subjected to challenge. We would regard it as a social crime of the first magnitude to give to a private corporation the control of the air by virtue of which it might compel citizens to

Page 4.

wear meters and buy the air they breathe by the cubic foot. And yet, we have complacently permitted private corporations to seize upon as vital an essential--the waters of the nation and subject them to private exploitation. Were it possible to seize upon and control the rainfall and parcel it out to farmers at rates fixed by a rain trust, the same interests would do that very thing.

The power trust of this nation has junked every standard of decency in its dealings with the public. It has debauched our institutions of learning and our legislative bodies. It has brazenly gouged the pocketbooks of the people to maintain a flood of propaganda calculated to deceive the public mind. Its victims have been compelled to pay for the flood of corruption it has loosed upon the country. It has set up a long train of abuses and usurpations of power, pursuing invariably the same object which is reducing the American people to a state of vassalage to the greatest instrument of plunder the world has yet produced. The people must not only destroy the power of this insolent organization, but write into the laws of the land new guards for future security against such monstrous invasions of

Page 5.

their rights. One need only look at the record of the Washington State Legislature to perceive how completely a public body can be dominated by a power trust lobby. The thing has become a stench in the nostrils of decency in the state of Washington which led the people of this great state to rise in their wrath and pass the Grange Power measure by a big majority in 1930. We have seen the principle of state regulation of power companies become a farce. When we adopted the principle of regulation, these companies simply plunged into politics and with their vast financial resources wrung from the pockets of consumers, ~~and~~ set about to control the politics of the state and thereby were enabled to very effectively regulate their regulators. The moment we permitted a private corporation to own this great natural resource which belongs to the people and should have been developed under public ownership, that very moment we enthroned corruption in government--we deliberately invited it.

We have seen the collapse of a monstrous bubble of power trust finance in the crash of the Insull power combine which now presents the spectacle of the greatest receivership in history. Private

Page 6.

power combines have floated huge aggregations of stock which represent a neverending opportunity to exploit the people of this country. Naturally they took advantage of this power and abused it, and I bluntly assert that the entire system of private ownership of power is a deliberate invitation to abuse.

We live in the richest country in the richest period of the world's history. Today, the average American worker, with the aid of modern machinery, can produce twenty times what his grandsire could, and yet, in the face of this marvelous productive capacity, millions of decent Americans find themselves in a death grapple with destiny itself. The American worker is the marvel of this age of industrial miracles. For the first time in human history the worker ^{is living} ~~has lived~~ in a period when the genius of man has so completely harnessed the forces of nature that they have become tireless toilers for the human race, and these instrumentalities of science have made it possible, for the first time, to abolish poverty. What shall we think of an economic and social set-up which dooms millions to involuntary poverty when the instrumentalities for the liberation of mankind are all about us?

Bone, Homer Truett (1883-1970)

By Frank Chesley
Posted 12/28/2003
HistoryLink.org Essay 5628

Homer T. Bone, a Democratic senator representing Washington in the United States Congress (1932-1944) and later a Judge in the United States Ninth Circuit Court of Appeals (1944-1956), has been dubbed the Pacific Northwest's "father of public power." Bone was a pragmatic populist who vociferously championed public ownership of utilities while damning big business, especially the utility trusts. He was ousted from the Socialist Party in 1916 for being too moderate and later forayed into politics under the Republican and Farmer-Labor banners before alighting as a Democrat. Among Democratic Party loyalists, suspicions of apostasy would dog him his entire career. As a senator, he pushed the bills to build the Bonneville and Grand Coulee dams as well as that creating the National Cancer Institute. He was progenitor of a coterie of progressive politicians who would further nourish his vision and indelibly flavor Washington state's socio-political character for decades. Senator Warren G. Magnuson (1905-1989) was his most notable political descendent.

Hardscrabble Childhood

Homer Bone was born in Franklin, Indiana, on January 25, 1883, to James M. and Margaret Bone, and he came by his populism and abhorrence of war naturally. His father had never really recovered from a brutal imprisonment during the Civil War and his mother's first husband had died in battle. Homer's middle name came from a prison mate of his father. His ancestors had served and suffered as well, he recalled, in wars going back to the American Revolution.

The Bones, left destitute by the Panic of 1893, moved to Tacoma in 1899 to seek a better life. The family survived on whatever young Homer could earn and his father's \$20 a month pension. Homer's formal education had ended in the eighth grade and he worked variously in a grocery store, a furniture store, and for the postal service. But he was ambitious and came from a family of some accomplishment in Indiana politics. A cousin, Scott C. Bone, had been editor of the *Seattle Post-Intelligencer* and was Alaska's territorial governor from 1921 to 1925. (It was Governor Bone who ordered a relay of dog teams to transport diphtheria antitoxin to Nome in 1925 to thwart a threatened epidemic, a mission now memorialized by the Iditarod sled dog race.)

Self-educated Lawyer

Bone studied law at night and passed the bar in 1911, at age 28. Like many self-educated men, he remained a voracious reader all his life. He specialized in labor law, became a special deputy prosecuting attorney in 1912, served as corporation counsel for the Port of Tacoma from 1918 to 1932, and as attorney for Tacoma City Light.

On January 25, 1919, his birthday, he married Blanche Slye, a 1918 University of Washington journalism graduate whose first interview subject was the longshoremen's union attorney, Homer T. Bone. A son, Homer T. Bone Jr., was born in 1922.

Homer Bone was a "Debsian socialist" -- a rather mainstream type of socialist not unusual for the day, a member of the Socialist Party led by Eugene V. Debs (1855-1926). Bone first discovered the public-private power battle in 1908. He recalled later in a letter to a researcher: "I wonder what would have happened to me had I not been so vigorously stirred by the attacks on the patriotism of men whose only purpose was to have their city produce power for its own municipal system."

Bone became politically active, running unsuccessfully for prosecuting attorney and for mayor of Tacoma as a Socialist at a time when conservative Republicans firmly controlled the state. He ran for the Third District congressional seat as a Farmer-Labor candidate, but lost in the 1920 Warren G. Harding (1865-1923) landslide.

He was slight -- five feet, six inches tall and 135 pounds -- but his impassioned oratory and tart tongue quickly established him as the major Pacific Northwest voice for public power. He allied himself with other public-power visionaries of the time, among them Rufus Woods (1878-1950), publisher of *The Wenatchee World* who dreamed of harnessing the Columbia River, and James Delmage Ross (1872-1939), the "father of Seattle City Light." His opponents called him a radical, a demagogue, and a Bolshevik, among other epithets.

Stormy Start

He finally won his state House seat in 1922 as a Farmer-Labor candidate, though his district was strongly conservative. He immediately submitted the "Bone Bill," which would give municipal electrical utilities -- such as Seattle's and Tacoma's -- the power to sell their service beyond the city limits. The two-month session, one of the stormier in legislative history, escalated the simmering public vs. private power battle and catapulted Bone into the political spotlight. "The power lobbyists were as thick as bees around a hive," Bone recalled. The Bone Bill did not pass until 1933.

Bone also served as counsel for the state Grange ("a virile and progressive group," Bone said) and, in 1928, helped the organization draft the Grange Bill, which would give counties the power to create public utility districts. It also gave PUDs the right of eminent domain over private power properties. The 1929 Legislature

declined to take action on the bill and it was submitted to voters at the November 4, 1930, state general election. It passed (with 152,487 votes in favor and 130,901 against), becoming Chapter 1, Laws of 1931, which is codified as RCW Title 54, Public Utility Districts.

Bone again ran for Congress in 1928, as a Republican, and again lost.

Senator Homer T. Bone

For the third time, Bone ran for Congress in 1932, now as a Democrat, and easily won a U.S. Senate seat in the Democratic landslide led by President-elect Franklin D. Roosevelt (1881-1945). Bone's campaign was managed by Saul Haas (1896-1972), who became a power in state Democratic Party politics, a key member of the Bone-Magnuson circle, and a broadcast magnate with KIRO, Inc.

At this time the Depression was approaching bottom and Bone easily ousted Wesley Jones, who had held the seat since 1908. During the campaign, Bone hammered away at the numbers, particularly Tacoma's, which boasted the lowest electricity rates in the nation. He told a Wenatchee audience on October 10 that Tacoma "sells electricity for less than any other city in America and yet makes a profit." If Tacoma charged as much as the private utilities, he said, "there would be no need for taxes" (*Seattle P-I*).

The global arms race also was an issue and Bone flashed his isolationist credentials early. "Keep to America but Keep America Safe" was a slogan he offered during an October 1932 campaign speech in Port Angeles. He charged that the Olympic Peninsula was "glaringly unprotected" in the event of war in the Pacific.

Newspapers of that day made no pretense of fairness or balance and most of the state's papers, including *The Seattle Times*, viewed public power as Socialist nonsense and Bone as a radical or worse. The Hearst-owned *Seattle Post-Intelligencer* and the Scripps papers, including the *Seattle Star*, however, were Bone champions. Two weeks before the election, the *P-I* ran a gushing, five-part series, "Life Story of Homer T. Bone, Career Marked By Battles for People," accompanied by sidebars liberally quoting the candidate on the campaign issues.

Saul Haas was 34 when he managed Bone's campaign, but already had established a controversial reputation, particularly as managing editor of the *Seattle Union Record*. Haas spent 18 months in Washington, D.C., as Bone's administrative assistant, but made time to explore the Federal Radio Commission, further grounding himself for a future in broadcasting. Both Bone and Magnuson quickly learned to use radio, the new communications phenomenon.

Roosevelt, with an overwhelming mandate and a compliant Congress, immediately launched his New Deal, a massive, progressive effort to lift the country out of the worst Depression in its history. The package included banking reform, agricultural reform, jobless pay, Social Security, and huge public works projects such as the Columbia River dams and the Tennessee Valley Authority to create jobs and wealth.

Bone became chair of the Senate Committee on Patents, a low-profile post, but easily shifted his public

power fight to the national stage, with the enthusiastic support of Roosevelt. Bone saw the Columbia River as a mighty public resource and was instrumental in promoting construction of Grand Coulee and Bonneville dams. Bone introduced the Bonneville bill soon after he took office and construction on Bonneville Dam, as well as the Grand Coulee Dam, began in 1933.

While acknowledging his role in public power, he was most proud of his bill creating the National Cancer Institute, first introduced in 1937 and another revolutionary direction for government.

Bone and Boeing

Bone was an isolationist, though not a pacifist. He began exercising his anti-military muscle on the Senate floor in 1934, lambasting early manifestations of the military-industrial complex and citing Boeing by name.

Boeing had yet to become a local sacred cow, but was the state's largest employer, with 1,000 on its payroll. Consistent with his position on public power, Bone wanted military wares produced by government-owned facilities to thwart profiteering. He charged that Boeing had made 68 percent profit on Navy business and 90 percent on Army contracts. He also railed against Boeing's new \$25,000-a-year executive hired to hustle federal business. The Seattle press, however, was now supporting military preparedness and ignored Bone's polemics.

Bone also supported an amendment proposed by Rep. Louis L. Ludlow (1873-1950), D-Ind., that mandated a popular referendum before the United States could go to war, but it was opposed by Roosevelt and defeated in 1938 (Kirkendall).

Bone's convictions earned him a seat on the Senate Munitions Investigating Committee, chaired by Gerald Nye (1892-1971), a progressive North Dakota Republican and an America First supporter. (The America First Committee -- now the America First Party -- was generally nationalist, anti-war, anti-imperialist, populist, and isolationist.) The munitions committee accused the nation's bankers (mostly Morgan) and munitions industry (mostly DuPont) of war profiteering and lobbying the United States into World War I. But after a two-year investigation, the committee's conclusions about profiteering were lost in the growing war fever as World War II approached.

A curious footnote: The committee's legal assistant was Alger Hiss (1904-1996), a bureaucrat who would rise through the ranks and become one of the Cold War's more controversial figures, accused of spying for the Soviet Union.

New Deal Woes

By 1937, Roosevelt's New Deal juggernaut was slowed by conservative courts and an increasingly recalcitrant Congress, including some isolationist Democrats. Homer T. Bone was among them and Harold Ickes (1874-1952), Roosevelt's interior secretary, had lost faith in him. Bone did not fully support the president's controversial effort to reorganize the federal government and the Supreme Court. Ickes and Bone also disagreed over management of Bonneville Dam, but it was the failure of "[c]ertain so-called

liberals" to fully support Roosevelt's government reorganization bill -- what the critics were calling his "court-packing" bill -- that really angered Ickes. He singled out Bone for particular scorn, calling him "a liberal of the very soft variety" (Ickes, 349).

Ickes "was glad to hear" that Roosevelt's White House also was "looking for a candidate to run against Senator Bone," in the 1938 election, because "he abjectly follows Senator [Burton K.] Wheeler (1882-1975)," one of the most outspoken America Firsters in Congress (Ickes, 416).

The White House apparently didn't find a challenger because in 1938 Bone won re-election easily. Nationally syndicated columnist Drew Pearson praised Bone's campaign, especially the "astute organization work of Saul Haas," and noted that Haas and Bone were inseparable.

Power Struggles

The public vs. private power battle, meanwhile, had not abated. In 1937, the offices of Bone and Rep. Martin Smith, D-Wa., had submitted bills that would create a permanent Columbia Power Authority. Both bills gave the organization the authority to buy private power companies. In 1940, private power forces in Washington state offered Initiative 139, which sought a citizen vote whenever a public utility district offered revenue bonds under the Grange Bill, on the assumption that such bonds were evidence of public debt which must be repaid by taxes.

The campaign was fronted by the "Let the People Vote League," but in a letter to a constituent, Bone said, "This league is a sham front for private power companies -- nothing else." On May 22, 1940, Bone even interrupted Senate debate on the defense program to declare that, "At this very moment, the federal power program in Washington state was confronted with a cold and deliberate attack."

The initiative lost, but another battle followed in late 1940 over purchase of Puget Sound Power & Light's Seattle territory under condemnation proceedings allowed in the Bonneville bill. PSP&L (now part of Puget Sound Energy) admitted spending more than \$670,000 fighting the effort and the tug of war lasted until 1951, when Seattle City Light bought out the private utility's Seattle service for \$27.8 million. At one point in the debate, Bone asked the Securities and Exchange Commission to investigate the "remarkable rise" in the value of Puget preferred stock.

Judge Bone

In 1944, another election was looming, but Bone had broken a hip in 1939 and, despite two operations, was virtually crippled. He was 61, had lost some of his fire, and was considering retirement and returning to Tacoma to practice law. But Roosevelt, despite whatever residual animosity remained from earlier skirmishes, nominated Bone on April 1, 1944, to the Ninth Circuit Court of Appeals.

The Senate unanimously approved the nomination the same day, but Bone delayed resigning from the Senate until November 13 to prevent Republican governor Arthur B. Langlie (1900-1966) from appointing a Republican to the seat. Bone's heir-apparent, popular, four-term Rep. Warren G. Magnuson, ran for the seat,

defeating Harry P. Cain (1906-1979). Langlie was forced to name Magnuson to the seat, which gave him a seniority advantage over Arkansas' William Fulbright.

Blanche Bone died in San Francisco in 1955. Bone retired from the bench as a full-time judge in 1956, but served intermittently until 1968, when he returned to Tacoma. He died on April 12, 1970, a day when University of Washington students rioted against the Vietnam War. The public-private power battle was no longer front-page news, but war was still making headlines.

Bone was cremated and his ashes interred at Oakwood Cemetery, beside the remains of his father and mother. *The Seattle Times*, one-time Bone nemesis, noted with regret in a eulogistic editorial on March 13, 1970, that "No public power dam in this country ever was named for Homer Truett Bone."

This essay made possible by:
Henry M. Jackson Foundation



Homer T. Bone (1883-1970), March 22, 1943

Courtesy Library of Congress



Homer T. Bone, 1932

Courtesy *Seattle Post-Intelligencer*

Sources:

Harold Ickes, *The Secret Diaries of Harold Ickes, Vol. II, The Inside Struggle* (New York: Simon and Schuster, 1953-54); Shelby Scates, *Warren G. Magnuson and the Shaping of Twentieth-Century America* (Seattle: University of Washington Press, 1997); Homer T. Bone Papers, Manuscripts, Special Collections, University Archives, University of Washington Libraries, Seattle, Washington; Richard S. Kirkendall, "Two Senators & The Boeing Company," *Columbia*, Winter 1997-98; Terry Slatten, "Homer T. Bone, Public Power, and Washington State Progressive Politics in the Mid-1920s," Master's thesis, University of Washington, 1980; Frank Chesley, *Saul Haas (1896-1972)* (Seattle: Saul & Dayee G. Haas Foundation, 2001); Kit Oldham, "Magnuson, Warren G. (1905-1989)," HistoryLink Cyberpedia Library (www.historylink.org); Archives of *The Seattle Times* and the *Seattle Post-Intelligencer*.

Note: This essay was corrected on September 29, 2009.

DOUBLE NUMBER—SEPTEMBER-OCTOBER

PUBLIC OWNERSHIP

UNIVERSITY OF CALIFORNIA

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Devoted to Public Utility Problems and Social Progress

Vol. VI.

September-October, 1924.
Monthly, \$2.00 per Year

Nos. 9 and 10.

Washington Number

Superpower for Washington

by Carl D. Thompson

The Bone Power Bill

by Homer T. Bone

Seattle Municipal Light and Power System

by J. D. Ross

NEWS AND NOTES

Published Monthly by the

PUBLIC OWNERSHIP LEAGUE OF AMERICA

127 N. Dearborn St., Room 1439, Chicago, Illinois.



PUBLIC OWNERSHIP

A Monthly Journal Devoted to Public
Utility Problems and Social Progress

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CARL D. THOMPSON, Editor

Vol. VI.

September-October, 1924.

Nos. 9 and 10.

Superpower for Washington

**Bone Power Bill, Initiative Measure No. 25, Next Step in Development of
Existing Public Superpower System in Washington**

By Carl D. Thompson

The state of Washington already has a public superpower system. It is the first one in the United States and second only to the great public superpower system of Ontario.

The Bone Power bill which goes to referendum vote of the people of the state at the general election on November 4th this year if adopted opens the way for the development of this existing organization into a state-wide, public superpower system with service at cost thruout the state.

The Existing System

In these matters Seattle, the largest city in the state has led the way. It has gradually developed its municipal hydro-electric and steam power plants until today it has the greatest municipally owned power system in the United States. It is operated upon the principle of "service at cost" instead of "all the traffic will bear", as is the case with all private power companies. The rates are among the lowest, the service the best and the system the greatest in the country.

This great city stands ready and eager to extend and to cooperate with the other cities and the rural communities of the state in extending this power service at cost into every section of the state.

Great Cities Ready to Cooperate

Tacoma, the third city in size in the state, having the second largest and in some respect the most remarkably successful power system in the country, also operated on the principle of "service at cost", has joined forces with Seattle, interconnected its splendid hydro-electric power system with the steam and hydro plants of Seattle and is supporting her in the present proposal. Tacoma also stands ready and eager to help extend the public—"service at cost"—power system across the state.

Last spring Aberdeen, in the Grays Harbor county, observing the amazing advantages of the public power system of Seattle and Tacoma, passed a bond issue of \$2,000,000 with which to construct hydro-electric power plants. These also are to be operated upon the principle of "public power service at cost". Aberdeen will tie in and cooperate with Seattle and Tacoma. Thus Aberdeen is offering its aid and cooperation to the other cities and the rural communities of the state in the development and extension of a public power system.

Greatest Superpower System in the States

Meanwhile Seattle is just completing a power system up in the Skagit river county near the Canadian border which when finished will be the greatest hydro-electric power system on the continent second only to the Ontario system at Niagara. Its total potential development will be over a half million horse-power. And this service will be brought down over the transmission lines thru cities, towns and villages and intervening rural communities, serving all who care to avail themselves of its power possibilities, and delivering its power into Seattle and into the general public power system.

Thus we have in this Seattle system together with the Tacoma and Aberdeen developments a public superpower system in Washington with a total transmission system of over 200 miles covering practically, or capable of covering, the entire western half of the state, serving the people at cost and offering its assistance and cooperation to every city, town, village and rural community in developing a general, state-wide, public power system.

Fifteen Washington Cities Own Power Systems

Besides Seattle, Tacoma and Aberdeen there are twelve other municipalities in the state that own and operate electric power plants. These are Blaine, at the extreme northwestern part of the state; Port Angeles, on the Puget Sound; Steilacoom, Centralia and Eatonville, south of Tacoma; Index and Skykomish, just east of Seattle; Waterville, Cashmere, Wilson Creek and Ellensburg, in the Great Bend section; and Chewelah, in the north-eastern part.

Thus there are fifteen cities in the state of Washington committed to, and conducting their power systems upon the principle of "service at cost".

Two Government Plants

And, finally, besides these fifteen "public service" cities the United States Government owns and operates two hydro-electric power projects in the state of Washington in connection with the Reclamation Service. One of these is located at Okanogan in the extreme northern part of the state and the other in the Yakima district in the central southern part. These plants, too, are established and operated by the United States Government not for profit but for service. They would therefore naturally fall into line as units of the public service system cooperating to mutual advantage all around.

Washington's Superpower Opportunity

Here, then, are all the elements of a supreme opportunity for the people of the state of Washington. First of all the state has by far the greatest water power and hydro-electric resources of any state in the Union. Twenty-one million horsepower of potential hydro-electric energy are possible of development upon the Columbia river and its tributaries. The greater por-

tion of these possibilities lie within the state of Washington. The public, service-at-cost system is already established and in operation. Two cities, one the largest and the other the third largest in the state have led the way. A third is nearly ready to join. Twelve other cities and two government plants are available for further inter-connection and cooperation. And all this achieved in spite of bitter and relentless opposition and an interminable fight by the private power companies; and, also in spite of restrictive laws that tie the hands and feet of the cities of the state while the private power companies are given every privilege and advantage. The cities of Washington are denied the simple right of selling current outside their limits. Private companies can sell current anywhere and everywhere. The cities may not—at least not in Washington. The cities of other state—Iowa and Missouri for example—have this right and have had it for many years. But the cities of Washington have not.

That shows how the state legislature of the state has been controlled by the private power companies so as to hog-tie and ham-string the cities of the state while giving the private power companies every opportunity and advantage to develop their private monopoly of the power of the state.

Unshackle the Cities

One thing is needed now to make possible the rapid extension of a public power system with service at cost thruout the state—just one thing: Unshackle the cities; give the cities of Washington the rights that the cities of other states have—the rights that the private power companies have—the right to sell their power service anywhere within the state, to interconnect their power systems, to extend their transmission lines and cooperate with each other; and with that right the great cities that have already developed their “service at cost” systems will quickly get into cooperation with the twelve other cities that have public plants and with the government systems; and finally these cities cooperating with the rural communities will speedily extend the system thruout the state.

Look at the Map

On the inside cover page will be found a map of the state of Washington showing the existing publicly owned superpower system, the location of the municipally owned plants, the government plants and the proposed extensions and interconnections that will constitute the state-wide system when completed.

The passage of the Bone Power bill will give the cities the simple right and power that will make these things possible.

What “Service at Cost” Means

And here just a word about what “service at cost” means: Private power companies are forever over-capitalizing their enterprises. That compels them to charge high rates for the service to earn their interest on the capital. Then, too, the private companies must have 8 or 10 per cent on their capital account including watered stock and fictitious values. And finally they never retire or amortize their capital account so the burden is there forever. In fact it is always increasing. So a private power monopoly means an ever increasing burden upon the people of the state.

On the other hand a public service at cost system such as the cities of Seattle and Tacoma have, such as the Province of Ontario has reverses all these

burdensome tendencies. The public system never waters its stock. The public can borrow money at 5 and even 4 per cent while the private company pays 8 and 10. And, finally, and most important of all, the public system gradually pays off, eliminates, amortizes the capital account. At the end of 30, or at most 40, years the capital account is all retired and there is no interest burden at all to carry after that.

No less an authority than Guy E. Tripp, Chairman of the Board of the Westinghouse Electric and Manufacturing Co. declares that four fifths of the cost of producing electric power by water power is due to the capital charges.⁽¹⁾ Therefore by amortizing and thus eliminating the capital account, as the public system alone can do, it will be possible to reduce the cost of electric service to one half, one third and finally to one fifth of what the private power monopoly must charge.

This has been fully and strikingly demonstrated by the experience of Seattle and Tacoma as well as by many other cities thruout the country. It has been still more strikingly and fully demonstrated by the 275 cities and 77 rural communities operating this very system in Ontario for the last 14 years. Write to the Public Ownership League, 127 N. Dearborn St., Chicago, for full information and the facts concerning this wonderful system. A very excellent story of its achievements may be found in Harper's Magazine for September on "Niagara Milks the Cows" by Robert Bruere, pages 480 to 490. Copies may be secured at any good news stand or publisher.

What the System Will Do

This system by reducing rates as it has done elsewhere will make it possible ultimately to electrify every home in the state—not only in the cities, towns and villages, but in the rural communities as well.

It will enable the cities to offer such low rates for power that industries of every sort will spring up, expand and multiply and others will be drawn into the state. These industries, made possible by cheap power, will work up the raw materials of the state, especially the mineral resources available in the eastern part that will make of that section a Pittsburgh of the north west. In short, this system will open a new era of industrial, commercial and civic progress and prosperity such as no one here-to-fore has dared to prophecy.

Power and Prosperity for the Farmer

This system is the only possible hope of the farmers of the state to get electric power on the farms. The cost of transmitting the electric current thru sparsely settled rural communities is too great to interest the private power companies who are seeking profits only. As in the rural free delivery service of the postal department—"it doesn't pay". Not in dollars and cents. Not in huge profits to private interests. Therefore only the public "service at cost" system will ever reach the farmer with adequate electric power.

This system will reach the farmers of Washington. And it will be the greatest boon, the greatest helpful service ever rendered to them. It will make the use of electricity possible in the farmer's home, bringing an infinite relief to the farmer's wife and brightening the home life and increasing the comfort and convenience, the attractiveness and the efficiency of the homes of the farms. It will put into the farmer's hands the greatest power and helpful agency the farm has ever had, and do it at cost. And what is most important

(1) "Superpower as an Aid to Progress" by Guy E. Tripp, Knickerbocker Press, New York, 1924, p. 11.

of all the tremendous industrial expansion that is certain to follow the development of this system will enormously increase the demand for farm products. This will stabilize the farmer's market and open a new era of agricultural progress and prosperity otherwise impossible.

Nothing—absolutely nothing that can now be conceived, means so much to the future of the state; so much of progress, prosperity and human betterment; so much to the homes, the municipalities, the agriculture, the industrial and commercial expansion of the state as the public power service system at cost.

And the first next step towards such a system is the passage of the Bone Power Bill, Initiative Measure No. 25.

And remember this: Either the people of the state of Washington will develop, own and control a **public service at cost superpower system**, such as we have described above, or the private power companies of Washington will develop, own and control a **private superpower monopoly operated for private profit**.

A monopoly of the power system is inevitable and unescapable. Shall it be superpower for public service or superpower for private profit?

The passage of the Bone Bill means an immediate advance all along the line, thruout the state towards a public superpower system for public service. The defeat of the Bone Bill means another victory for the power trust and a further tightening of the grip of private monopoly upon the vital resources, industries, municipalities and agriculture of the state.

To prevent this disaster: to win the victory of a power system for public service; to secure the passage of this Bone Bill Initiative Measure No. 25 on November 4th is a matter of such tremendous importance that if the people on the farms, in the cities in the forests, upon the railroads—everywhere, did nothing else from now until the votes were counted at the close of the ballot boxes on November 4th but to work for the passage of this measure it would repay them a thousand fold—they and their children and their children's children after them, in the larger, better, freer, happier lives of the people for generations to come.

Will Help the Nation

Moreover, the carrying of this measure and the rapid development of a public service power system that is sure to follow in the state of Washington will have a very helpful and stimulating influence thruout the nation. For everywhere the struggle is on to save to the people the one remaining natural resource that God has given them that has not been monopolized and exploited for private profit viz.: the water power. And everywhere in every city and state and at the national capital there are heroic groups of public spirited people and their leaders valiantly battling for the conservation of our national resources, for their utilization in the public service and the larger, better, nobler life of the nation that such a service will make possible. To win this victory in Washington will strenghten these forces in every other state not only by sustaining the public service system that we already have in Washington and extending and enlarging it; not only by multiplying the power of the demonstration already made by the cities of Seattle and Tacoma; but also by the courage and hope that it will inspire in the hearts of those in every city and state and at the nation's capital who are struggling for the conservation of our natural resources, for the constructive development of the public service and the largest possible degree of social, industrial and civic progress and prosperity for the American people.

The Bone Power Bill

By Hon. Homer T. Bone, Author of the Bill

The State of Washington is the richest state in the Union in hydro electric resources. One-sixth of all hydro electric power in the country is to be found in this state. This magnificent prize very naturally stimulates the cupidity of the power interests, and desperate efforts have been made to prevent public ownership and development of this resource.

The State of Washington has been the victim of ruthless exploitation. A certain land grant railroad has taken up such enormous areas of coal, timber and farm lands that it has become a veritable scandal. The wonderful timber resources of the state are controlled entirely by private individuals, and afford no revenue to the State of Washington except a comparatively small tax paid on standing timber. Of all the wonderful resources Nature has given us with such a bountiful hand, all that remains open to public development is the water power. The battle to control this is now tearing the state wide open in what promises to be the most savage political battle ever waged in this state.

The Struggle for Public Ownership

On the one hand are the three private power corporation of this state, and all of them are working in perfect co-ordination and harmony. On the other hand are arrayed the public ownership forces that are gathering strength every day.

The last declaration on the subject of public ownership is to be found in the platform of the Democratic Party of the State of Washington, adopted at its State Convention May 2, 1924, in the City of Seattle, and which is a ringing challenge:

"The State of Washington contains one-sixth of the potential water power of the United States. This is the bounty with which nature has endowed us to compensate for the absence of the deposits of oil and mineral that make the wealth of other states. This great resource is the most enduring and, under our modern civilization, the most valuable of natural endowments and should be held and developed under conditions that will never permit private monopoly or greed to limit or hamper its fullest and freest use by the people who inhabit the State.

"With respect to water power, we are reaching the point where we must choose one of two paths. We must either adopt a permanent policy of conservation and public development, or resign ourselves definitely to private exploitation. We do not believe the enlightened people of the State of Washington will follow the latter course. Twice have they voted down, by striking majorities, certificate-of-necessity laws, passed by pliant Republican legislatures. But they will not be content with this negative action. They demand a positive and affirmative program of public development, and, in line with their aspirations, we recommend a

declaration of policy by the Democratic Party of this state, favoring the retention by the state of complete control of its water power, and the development of this power by the state itself in its corporate capacity as the needs of its people require for their use in city and in town, in hamlet and on the farm.

"We condemn the Reed bill as a measure favorable to the private power interests. On the other hand, we heartily favor the enactment of initiative bill No. 52, known as the 'free power (Bone) bill'".



HON. HOMER T. BONE
Author of the "Bone Power Bill"

The Public Will Decide November 4th

This declaration is the culmination of years of struggle against the aggressions of a selfish power monopoly that has sought to and has successfully controlled the legislature of this state for years past. For the first time the people of this state have been able to get the battle out of the legislature and before the public in the form of Initiative No. 52, commonly called the Bone bill.

This bill permits the cities of the State of Washington that own their own light and power plants, to tie them together freely in a super power system

and to sell electric current freely from their inter-city power lines, and to surrounding communities. The private power companies are using every resource at their command to defeat this bill. Every country newspaper that that will accept advertising is being swung into line thru this means. The campaign promises to become as intense as was the campaign in California in 1922, where the power companies spent an enormous sum of money in an effort to defeat public ownership. In Washington we are somewhat better off in that one of the great political parties has seen fit to take up the cudgels for public ownership.

When the power plants of Seattle, Tacoma and Aberdeen are fully developed, these three cities will have in excess of one million horsepower of hydro energy to put on the market, and this means the end of the private power monopoly in the entire Western half of this great state.

Tacoma's Great System and Low Rates

The City of Tacoma today has established power rates that are the cheapest in the United States, and yet its plant is enormously profitable. The writer used one hundred and seventy-eight kilowatt hours of service in his small home in March of 1924, at a cost of \$2.90, or at the rate of one and six-tenths cent per kilowatt hour. The City of Spokane, Washington, supplied by the private power trust, is said to give about the lowest rate given by a private company to any city in the country. The same bill in Spokane would have been \$6.14. It would have been \$8.34 in a city near Tacoma, which is also supplied by a private company. This will give readers an idea of what a wonderful graft the private power interests have in the control of the water power.

The City of Tacoma is now engaged in developing a new power site which will produce one hundred and forty thousand horsepower. It is known as the Cushman development, and promises to be one of the finest power plants in the United States. When that plant is finished, Tacoma will have a total maximum output of one hundred and eighty-four thousand horsepower. This whole power development is being built by utility bonds, payable solely from the revenues of the plant, and they can never be a burden upon the taxpayers. The first issue of the Cushman bonds will be paid off in fourteen years, a portion of the issue being retired each year, and this wonderful power system will then be the property of the City of Tacoma, without having cost the taxpayers one cent. This was the method of financing the Nisqually plant of the City of Tacoma, which has proven so profitable.

Keep Your Eyes on Washington

The City of Tacoma is a wonderful and outstanding example of how successfully a city may conduct a power business. It should be an inspiration to every other city in the United States that can possibly acquire her own power plant. Many of our public streets are great "white ways" that make Tacoma one of the best lighted cities in the world.

The people of the United States should keep their eyes on Washington, for this state is going to lock horns with the private power trust in a battle that will determine once and for all the policy to be pursued in respect to water power. The big financial interests of the East are expected to finance much of the fight, and it is very generally understood that millions of dollars will be poured into Washington, if necessary, to stem the tide in favor of public ownership.

The Seattle Municipal Light and Power System

Address by J. D. Ross,
Superintendent and Chief Engineer.



J. D. ROSS

Seattle's politics twenty years ago were dominated by the Seattle Electric Company, a Stone and Webster Corporation. Mayors and Councilmen were made and unmade, for monopoly means the usurping of the functions of Government. This company still dominates state politics, and, thru the state, strikes at the city power systems with telling results. Self preservation for the cities and rural districts must come thru the initiative and referendum, and through the tireless building of public plants welding the whole by tie lines into a great network.

For twenty years Seattle has so struggled until today in an addition to her Cedar Power Hydro, and a modern steam plant, she is preparing to bring in 50,000 H. P. additional, the first unit of the greatest power development any city has ever undertaken, the third step of a system rising toward 750,000 h. p. in the coming years.

The Seattle System

The Seattle System now serves about 72,000 customers with light and power, besides all city buildings, streets and grounds. The street lighting is claimed to be the best in the world.

The private company is serving about 23,000 customers and competition has reached the stage of a gigantic struggle, its effects reaching not only to the confines of the state, but all over the nation.

Our City-owned Light and Power plant was one of the very first transmission systems in the world. It was built in 1902 and 1903. The highest voltage by which power was transmitted at that time was 30,000. This was raised to 45,000 for the Seattle lines.

The first plant consisted of two 1250 k. w. machines. The call for a City-owned plant was the natural outcome of high rates and the company's apathy toward the public. The city felt that a little competition would work wonders, and it did. Seattle was then a city of about 75,000 people. Today it is growing very rapidly and is variously estimated at from 350,000 to 375,000 population.

The City had launched the greatest undertaking of its kind in America. Her citizens were glad to vote for it but slow with their patronage, the one thing that could make it a financial success. The suburban districts with their small residence loads were willing to swing to their own plant, but not one in ten of the business men was willing to risk the new service.

This introduced a troublesome problem. The cost of distribution is the greatest item of expense and lines must be ready at all points to take on the business. Heavy costs with only ten per cent of the business, widely scattered, would be ruinous.

Necessity is the mother of invention and we solved the problem. Instead of using the present day system with its heavy cables and expensive voltage regulators the power was distributed directly from 15,000 volt lines. At that time this was the highest voltage for which any concern would build outdoor transformers. This system has been later extended and modified, the final system using 15,000 volts to ground in a three phase Star connection. This system of distribution will be the greatest factor in further reducing our residence rate. It gives vastly better regulation without regulators, and the largest wire required on the streets in almost every case, is No. 2, about the size of a lead pencil. No secondary substations are needed and very heavy loads at any distant point are welcome. Simplicity gives safety to life, and assures good service.

Making a Million a Year

The first year and a half of operation showed us in the red. Then we began to pay back our debt and since that time have returned to our institution over \$5,000,000.00 profit and \$3,000,000.00 more marked off for depreciation. These sums have been used to retire bonds and to extend our lines and plants. This year out of \$2,800,000.00 gross receipts we will make a round million in profit after paying all operating costs and interests and after marking off \$300,000.00 as depreciation.

The City plant is in the hottest competition with Stone and Webster, who have gradually been driven to the heart of the city, where cost of distribution is lower and loads larger and more profitable, the cream of the business. The fight has been very bitter and soon developed into personal attacks in the usual way and with the usual rubbish printed in company newspapers, about

burdensome tendencies. The public system never waters its stock. The public can borrow money at 5 and even 4 per cent while the private company pays 8 and 10. And, finally, and most important of all, the public system gradually pays off, eliminates, amortizes the capital account. At the end of 30, or at most 40, years the capital account is all retired and there is no interest burden at all to carry after that.

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(1) "Superpower as an Aid to Progress" by Guy E. Tripp, Knickerbocker Press, New York, 1924, p. 11.

U. S. Federal Trade Commission
UTILITY CORPORATIONS

LETTER

FROM

**THE ACTING CHAIRMAN OF
THE FEDERAL TRADE COMMISSION**

TRANSMITTING

**IN RESPONSE TO SENATE RESOLUTION NO. 83,
SEVENTIETH CONGRESS, A MONTHLY
REPORT ON THE ELECTRIC POWER
AND GAS UTILITIES INQUIRY**

No. 81

**Northern Natural Gas Company System
Utilities Power & Light Corporation (Schedule E)
Granite Trading Corporation
Federal Water Service Corporation
Power, Gas & Water Securities Corporation**

*Filed with the Secretary of the Senate
October 15, 1935*



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SENATE RESOLUTION NO. 112

Submitted by Mr. NORRIS

IN THE SENATE OF THE UNITED STATES,
September 9 (calendar day, September 11), 1929.

Resolved, That as a part of its reports to the Senate, pursuant to Senate Resolution 83, Seventieth Congress, first session, the Federal Trade Commission be required expeditiously to transmit duplicates, or true copies, of all exhibits introduced into its record in hearings held and to be held pursuant to said resolution, and that they be printed as parts of said reports, to accompany the respective parts thereof printed in accordance with Senate Resolution 221 of May 3, 1928; except that as to copyrighted books, bulky volumes, and other lengthy exhibits only such descriptions thereof and pertinent extracts therefrom shall be printed as the Federal Trade Commission may indicate and transmit with such exhibits for that purpose.

Attest:

EDWIN P. THAYER,
Secretary.

SENATE RESOLUTION NO. 221

Reported by Mr. SHIPSTEAD

IN THE SENATE OF THE UNITED STATES,
May 3, 1928.

Resolved, That the reports submitted to the Senate, or which may hereafter be filed with the Secretary of the Senate, pursuant to Senate Resolution 83, current session, relative to the investigation by the Federal Trade Commission of certain electric power and gas utility companies, be printed, with accompanying illustrations, as a document.

Attest:

EDWIN P. THAYER,
Secretary.
By JOHN C. CROCKETT,
Chief Clerk.

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LETTER OF SUBMITTAL

OCTOBER 15, 1935.

To the Senate of the United States:

Pursuant to Senate Resolution 83, Seventieth Congress, first session, approved February 15, 1928 (as extended by S. J. Res. 115, 73d Cong., 2d sess., approved June 26, 1934), directing the investigation of certain classes of holding and operating electric and gas companies, and associated engineering, finance, management, and construction companies, upon other matters specified in the resolution, and directing that the Commission "report to the Senate within each 30 days after the passage of the resolution and finally on the completion of the investigation", and that it transmit therewith the stenographic report of the evidence taken, this eighty-first interim report covering the period from September 16 to October 15, 1935, inclusive, is respectfully submitted.

Public hearings were held September 26 and 27, and October 7, 9, and 10, 1935.

Reports and testimony presented at the above hearings related to the following companies and matters:

Northern Natural Gas Co. and subsidiaries.

Utilities Power & Light Corporation (schedules E).

Granite Trading Corporation (formerly known as "G. L. Ohrstrom & Co., Inc.").

Federal Water Service Corporation (of Ohrstrom group).

Power, Gas & Water Securities Corporation (of Ohrstrom group).

Further evidence re Cleveland municipal system.

Further evidence as to British thermal unit content of gas.

The witnesses, of the Commission's staff, were H. H. Carter; Arthur E. Lundvall; Thomas W. Mitchell; Arthur C. Harper; John H. Crabtree; A. M. McDermott; Elmer R. Weaver, chemist of United States Bureau of Standards; Edward James Kenealy, electrical engineer, Cleveland municipal plant; John F. Merriam, assistant secretary Northern Natural Gas Co.

The reports and exhibits put into the record were—

Extensive excerpts from minutes of meetings of stockholders, boards of directors and executive committees, and of various journal entries, income accounts, balance sheets, annual reports, charters, bylaws, and other material of various companies of the Niagara-Hudson group. (Not sent for printing.) (Exhibits 6341 to 6360 and subnumbers, both inclusive)

Report by Harry H. Carter (Federal Trade Commission) on the interstate transmission of gas by the Northern Natural Gas Co. system, exhibit 6361).

Report by Andrew W. Wilcox (Federal Trade Commission) on the examination of the accounts and records of Northern Natural Gas Co. and subsidiaries, with exhibits and appendixes. Exhibits 6362 to 6364, both inclusive.

Extracts from schedules E furnished by the Utilities Power & Light Corporation (exhibit 6365).

Letters concerning conference on report of operations of G. L. Ohrstrom & Co., Inc., and reply (exhibits 6366 A and B).

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The companies of the American Power & Light group operate in the States of Arizona, Florida, Idaho, Kansas, Minnesota, Montana, eastern Nebraska, Oregon, Texas, and Washington.

For the 2 years ending December 31, 1928, and December 31, 1929, the officers of the Electric Bond & Share Co. were the same as those of the American Power & Light Co., with one exception. In 1928 C. E. Groesbeck was a vice president of the Electric Bond & Share Co. and president of the American Power Light Co. In addition to having officers in common, three of the directorships of the American Power & Light Co. were held by the Electric Bond & Share Co.¹⁸

Many of the officers of the American Power & Light Co. were holding executive positions with the national associations, National Electric Light Association, American Gas Association, and joint committee of National Utilities Association. S. Z. Mitchell, president of the Electric Bond & Share Co., and of the American Power & Light Co., was a member of the joint committee of National Utilities Association, of the public-policy committee of the National Electric Light Association, and of the advisory council of the American Electric Railway Association. C. E. Groesbeck, vice president of Electric Bond & Share Co. and president of the American Power & Light Co., was a member of the joint committee of National Utilities Association and of the public-policy committee of National Electric Light Association; Vice President H. C. Abell, of Electric Bond & Share Co. and of American Power & Light Co., was a member of the joint committee and a member of the executive board of American Gas Association; H. T. Sands, vice president Electric Bond & Share Co. and of American Power & Light Co., was president of National Electric Light Association in 1927-28.¹⁹

In 1932, when the public-policy committee of National Electric Light Association was abolished and its work taken over by the advisory council, S. Z. Mitchell and C. E. Groesbeck were members of the newly formed advisory council. In January 1933, when the National Electric Light Association ceased to exist and the Edison Electric Institute was organized, the board of trustees governing the institute was composed of men representing the dominant groups in the electric and gas industries. C. E. Groesbeck was one of these trustees.²⁰

Activities Concerning Legislative Matters

In the States of Oregon and Washington committees were organized within the electrical industry for the purpose of opposing the passage of laws considered detrimental to the proper development of the industry.²¹

Referring to the contributions made by the Northwestern Electric Co. of Portland, Oreg., to State political campaigns in 1924, the sum of \$500 was paid to the Washington committee on public-utility information, to be expended by that committee to oppose the passage in the State of Washington of a bill then before its voters, known as the "Bone bill", which this company "considered detrimental to the proper development of the electrical industry in the State of Washington." The sum of \$100 was paid by this company to the business men's committee for income-tax repeal in the State of Oregon.

¹⁸ Pt. 20, p. 53.

¹⁹ Pt. 71 A, pp. 410, 419, appendices 5, 7.

²⁰ Pt. 71 A, pp. 416, 417, 418.

²¹ Ex. 4916, pt. 35, p. 215.

In 1926 this company paid \$3,837.40 to the Oregon Public Utility Committee and \$1,100 to a committee of utility employees, to be expended by those committees to oppose the passage of a constitutional amendment known as the "Housewives' council water and power amendment." For the same purpose there was also expended \$156.83 for postage and stationery and \$13.85 for the rental of a school auditorium in which was held a meeting of the employees of the company. The total expended by this company in 1926 amounted to \$6,108.08.²²

Before the elections held in November 1930 this company expended, chiefly for pamphlets and advertising in opposition to the initiative measures known as the "Grange public-utility and power district bills" before the electorate of those States, the sum of \$273.37 in Oregon and \$1,866.17 in Washington. The sum of \$273.37 was exclusive of \$5,979.50 contributed to the utility taxpayers' committee for the purpose of opposing the measure in Oregon referred to above. There was also an additional contribution of \$173.46 collected by the committee against initiative no. 1 in Washington.²³

District power bill initiative no. 1 was also opposed by the Washington Water Power Co. This total expenditure by this company was \$33,435.15. A large part of this sum was devoted to advertising in opposition to the measure, but contributions to committees and expenses of individuals also represented a great portion of this total expenditure.²⁴

The Washington Water Power Co. in January 1933 was planning to send a representative to Olympia to represent the company while the legislature was in session.^{25 26}

In 1924 the Pacific Power & Light Co. also made a contribution of \$19,496.84 to the Washington Committee on Public Utility Information, the major portion of which was expended by that committee to oppose the passage of the Bone bill, which this company "considered detrimental to the proper development of the electrical industry in the State of Washington."²⁷

In 1926 there was paid by this company to the Oregon Public Utility Committee \$3,442.56 to be expended in opposition to the passage of a constitutional amendment then before the voters, known as the "housewives' council water and power amendment."²⁸

Prior to the elections in November 1930 this company, like the Northwestern Electric Co., expended funds chiefly for pamphlets and advertising in opposition to the measures known as the "Grange public-utility and power district bills." The sums of \$2,796.45 in Oregon and \$4,635.57 in Washington were spent for this purpose.²⁹

In addition to the sums mentioned in the preceding paragraph, there was also contributed by this company the sum of \$2,973 to the utility taxpayers' committee and expended by it in opposing the measure in Oregon and \$2,865 was contributed by the committee against initiative no. 1 and expended in opposing the measures in Washington.

²² Ex. 4915, pt. 35, p. 214; ex. 4691, pt. 25, p. 923.

²³ Ex. 4916, pt. 35, p. 215.

²⁴ Ex. 4789, pt. 29, pp. 234-247; pt. 29, p. 54.

²⁵ Ex. 6100, pt. 70, p. 981.

²⁶ See Stone & Webster section post under subhead Lobbying.

²⁷ Ex. 4915, pt. 35, p. 214; ex. 5923, pt. 65, p. 429.

²⁸ Ex. 4915, pt. 35, p. 214.

²⁹ Ex. 4916, pt. 35, p. 215.

From January 30, 1924, to May 13, 1924, correspondence relating to the Bone and Erickson bills was passing between the Pacific Power & Light Co. and the Electric Bond & Share Co., which latter company was circulating the information and material in the East and among members of the other affiliated companies.

On January 30, 1924, F. G. Sykes, vice president of the American Power & Light Co., wrote to Guy W. Talbot, president of the Pacific Power & Light Co., acknowledging receipt of two copies of the "proposed Erickson bill and two copies of a digest of the same." He forwarded the letter to Messrs. Silliman, Groesbeck, and Odlum, the latter two of whom were officers of the National Power & Light Co., which is also an affiliated company of the Electric Bond & Share Co.²⁰

On April 21, 1924, A. W. Flor, of the Electric Bond & Share Co., wrote to George L. Myers, assistant to the president of the Electric Power & Light Co., thanking him for copies of the Bone bill and commenting on some new features appearing in this bill:

I am moved to wonder at the basis for the rather unusual wording of section 3. However, whatever the reason may be, this new bill impressed me as a very sedulous affair and one which probably offers as much, if not more, opportunity for a real fight than did the original Erickson bill.²¹

Mr. Flor immediately wrote M. H. Aylesworth, managing director National Electric Light Association, on April 22, 1924, sending him a copy of the Bone bill, which had been recently substituted for the Erickson bill. He stated, with reference to the utility activities in the State of Washington:

The officials of certain of the companies in the Northwest have lately been busy in getting together a complete argument against the Bone bill for distribution in pamphlet form to approximately 100,000 voters. This pamphlet, it is expected, will be available within the next few days.²²

On May 7, 1924, Mr. Myers wrote again to Mr. Flor mailing 25 copies of the pamphlet containing the essential argument against the Bone-Erickson bill. He stated:

This is the bill I wrote you about which is being circulated for the necessary signatures in the State of Washington to provide that electric light and power companies, municipally owned and operated may extend their services to communities outside of present incorporated limits within which they operate.

If for any reason you should wish additional copies of the pamphlet, I will be glad to see that you get them.²³

In a letter from Samuel P. MacFadden, manager of the Western Public Service Co., Scottsbluff, Nebr., on December 17, 1925, to Stone & Webster, Boston, Mass., the following comment is made concerning the municipal ownership situation in Nebraska and the opposition to it in the legislature:

Mr. K. R. MacKinnon, general superintendent of the Nebraska Power Co., in Omaha, an Electric Bond & Share Co., also attended the meeting and after the meeting came on up here with Mr. Parks and me. From him, I learned that in the past, bills facilitating municipal ownership presented in the State legislature had been fought successfully by the Electric Bond & Share and Insull, but that during the last year or two Insull had more or less withdrawn his support, leaving the Electric Bond & Share to carry the entire load.

Omaha is the home of Senator Howell, one of the prominent municipal ownership advocates of the country, and his activities in and around Omaha have

²⁰ Ex. 5923, pt. 65 p. 428.

²¹ Ex. 5923, pt. 65, p. 429.

²² Idem. p. 429.

²³ Ex. 5923, pt. 63, p. 429.

The record further bears evidence of a loan made by Mr. Knight to a member of the Florida Railroad Commission. Commissioner A. D. Campbell wrote Mr. Knight on December 20, 1923, asking for a loan of \$2,000, and Mr. Knight acknowledged the request on December 24 by stating:

It so happens that at the present time I do not have it myself, but I have been able to get it locally for you, even though I must endorse the note.⁶⁰

Mr. Knight sent Mr. Campbell's letter on to the Boston office on the same date, accompanying it with the remark:

Of course we must take care of this matter;⁶¹
with which decision Mr. Wetterer was in full agreement, as witness has reply:

I can understand how necessary it is to take care of this request in the manner that you have arranged.⁶²

Political Activities in the State of Washington

Erickson and Bone bills.—The city of Seattle, Wash., is the headquarters of the Puget Sound Light & Power Co. which in output is by far the largest unit of the Stone & Webster group. In its schedule E filed with the Commission, the Puget Sound Co. reported the expenditure of approximately \$100,000 in 1924 in opposing the so-called "Erickson and Bone bills."⁶³

The Erickson bill as proposed in 1923 provided for the formation of power districts, State-wide or less in extent, and permitted such districts to purchase or condemn the existing light and power properties, or to construct properties of their own, among other things. Upon its proposal the Stone & Webster interests immediately got in touch with the National Electric Light Association in New York, as evidenced by the following excerpt from a letter from Mr. E. T. Steel to Mr. M. H. Aylesworth, of the National Electric Light Association, under date of August 28, 1923:

Letters and clippings received from Mr. Leonard at Seattle give a vivid idea of the activities of Messrs. Thompson and Erickson in organizing the Washington campaign for State ownership of water powers.⁶⁴

In a letter dated the next day, Mr. Aylesworth proposed to Mr. Steel a plan of campaign. He suggested:

What our people need to do in Washington * * * is to organize through various organizations other than public utility groups a definite campaign against the proposed agitation. * * *

My experience has led me to believe that we should always be the aggressors and lay out plans for future electrical development and make them public rather than assume the position of the defense and answer the other fellow's statements.⁶⁵

In an interoffice communication at the Stone & Webster headquarters in Boston, November 10, Mr. Steel made further suggestions to Mr. W. H. Blood, Jr.:

Mr. Leonard recommends that the Washington situation should be presented at a meeting of the public policy committee of the National Electric Light Association and their assistance definitely secured to the point, not only of giving financial assistance, but also securing as soon as possible one or more high-grade, capable publicity men and sending them out to Washington. * * * Probably 90 percent of the newspapers in the State will oppose State ownership, and a lot of

⁶⁰ Pt. 70, p. 404.

⁶¹ Idem.

⁶² Ex. 6014, not printed.

⁶³ Pt. 70, p. 930.

⁶⁴ Pt. 70, p. 1005.

⁶⁵ Idem.

good work, could be done with these papers by the right kind of publicity which we have not the capacity for getting at at the present time.⁸⁶

The campaign against the Erickson and Bone bills was handled by the Washington Committee on Public Utility Information. Mr. Norwood Brockett, of the Northwest Power & Light Association, testified that the committee expended \$175,000 in the campaign,⁸⁷ most of which was contributed by the power companies in the regions affected. The Puget Sound Co. was by far the largest contributor, its \$100,000 accounting for almost 60 percent of the total.

The committee's elaborate plan of campaign was summarized in a report of October 16, 1923, to Mr. Leonard, chairman of the committee as well as president of the Puget Sound Co. The committee decided:

That we should immediately begin an active campaign among the business interests. * * *

Mr. W. B. Henderson was employed for this work. Through his long association with the chamber of commerce he has an intimate acquaintance with the business men of this state. * * * His method of procedure is to bring the question to the attention of the president and secretary of each association. They then call a meeting of the executive committee of their association when the matter is fully explained, either by Mr. Henderson or myself. * * *

These organizations then send out a letter prepared by us on their own stationery to each member of their organization, calling their attention to the dangers of this bill and urging them to do everything they can to defeat it.⁸⁸

As a means of obtaining publicity the committee engaged—

the services of Mr. Wood to prepare special articles which are distributed by our company through Strang & Prosser to the newspapers in our territory and which are also sent to each electric light and power company in the State for publication by the papers in their territory.

As a preliminary to the publicity work, Mr. Mattison and Mr. Wood are visiting all of the newspapers of this State. * * * Mr. Wood is visiting them as the representative of the Portland Oregonian and Mr. Mattison as secretary of the Republican State central committee.

During the course of their conversation it is not difficult for them to get an expression as to how they feel toward this bill and to discuss the bill with them. This should give us a very definite line on the papers which will publish the articles we desire. This work is not as yet completed but from the editors so far seen we are safe in assuming that 80 percent of them are against the Erickson bill.⁸⁹

The report continues:

The bill as drawn is, in my opinion, subject to a successful attack in many of the provisions. It cannot be filed, however, with the Secretary of State as an initiative measure until after January 1, 1924. When once filed, its provisions cannot be changed. We are very much in hopes that no changes in the bill will be made prior to its being filed, but we believe that if we should at this time start pointing out its worst features that they would amend the bill and that our work would simply result in the filing of a bill which would be more difficult to defeat.⁹⁰

The Puget Sound Power & Light Co. was prepared to do its part in addition to the committee's efforts in opposing the Erickson bill. An excerpt from a memorandum of managers' and staff officers' meeting of the company, October 16, 1923, reads:

Classes on the company's business totalling 250 employees are being held in the various districts, and out of these he expects to get 40 who will talk to 50,000 people in 1924. The talks will be from 30 to 40 minutes and the speakers will answer questions for perhaps an hour, principally before farmers' grange meetings.⁹¹

⁸⁶ Pt. 70, pp. 1003-1004.

⁸⁷ Pt. 13, p. 39.

⁸⁸ Pt. 70, pp. 1000-1001.

⁸⁹ Pt. 70, p. 1001.

⁹⁰ Pt. 70, p. 1002.

⁹¹ Pt. 70, p. 1006.

When it was decided to send a representative to Ontario to get arguments against State ownership and operation of electric utilities, the *Portland Oregonian* gave the Washington committee its cooperation. Mr. Norwood W. Brockett, of the Puget Sound Power & Light Co. and also secretary of the Washington committee, wrote Mr. Leonard on October 24, 1923:

The *Portland Oregonian* finally decided that it would disrupt their Washington news service if Mr. Wood went to Ontario at this time. They readily agreed however, to have Mr. Cowen go in his place and appeared to have every confidence in him. Mr. Cowen, as you will remember, is the man who was suggested by the *Spokesman's Review*.⁹²

The Washington committee printed 100,000 copies of the Erickson bill together with an analysis of its provisions which they mailed out to registered voters within the State.⁹³ Mr. Brockett testified that the copies cost approximately a cent apiece. As a result of the efforts of the power companies the bill was abandoned by its sponsors.

Then came the Bone bill, giving to cities owning and operating producing plants the right to sell electric current outside their corporate limits, and to condemn properties of the privately owned light and power companies. It appeared on a referendum ballot to be submitted to the voters at the general election in November 1924. Mr. Brockett admitted on the witness stand that the power companies advertised extensively to prevent signatures being obtained to the petitions necessary in order that the measure might be included on the ballot.⁹⁴

Under the committee's direction, there were organized in various communities throughout the State citizens' committees composed of citizens opposed to the legislation. They advertised extensively in the newspapers against the measure, but while the advertisements appeared over their signatures, the bills were paid by the utility bureau. Their principal expense consisted of letters gotten up and signed by members of the citizens' committee in the various communities and sent to the people living in their vicinity. Mr. Brockett estimated that the letters cost approximately \$15,000.⁹⁵ In addition to the letters, in the city of Seattle, pamphlets were circulated by the citizens' committees, and these also were paid for by the power companies.

Mr. Brockett testified further that probably 75 percent of the advertising against the Bone bill was placed through Strang & Prosser,⁹⁶ and that company filed with the Commission statements of such advertising paid by the utilities, amounting to more than \$16,300.⁹⁷ Strang & Prosser also sent out cartoons against the measure as a gratis service which were reproduced by the newspapers. However, most of the cartoons were sent to newspapers direct from the committee and, as in the case of the ads and letters, carried no indications that they were put out by the power companies.⁹⁸

The Puget Sound Co. approached the problem of beating the Bone bill from other angles. On May 6, 1924, President Leonard wrote Mr. F. S. Pratt of the Boston office of Stone & Webster:

I went to Spokane, and with Huntington, left Spokane at 8 o'clock, Tuesday, for Pullman to discuss with the president and a few of the faculty of Pullman

⁹² Pt. 70, p. 1006.

⁹³ Pt. 13, p. 37.

⁹⁴ Pt. 13, p. 38.

⁹⁵ Pt. 13, p. 41.

⁹⁶ Pt. 13, p. 42.

⁹⁷ Pt. 13, pp. 627-632.

⁹⁸ Pt. 13, p. 43.

College the question of organizing in the State of Washington a committee on the relation of electricity to agriculture.⁹

Another quotation from the same letter throws light on the occasion for organizing such a committee:

I believe the sentiment in eastern Washington * * * is quite general against the Bone and Erickson measures. However, the farmers are not in very good shape financially, especially in the wheat district, and they may possibly lean somewhat more toward radicalism between now and November than at present.

The president of Pullman College favored the idea of setting up such a committee but thought it should not be appointed until after the November election.¹

On October 11, 1924, Mr. D. C. Barnes, district manager in Boston for the Puget Sound Power & Light Co., telegraphed Mr. Leonard:

Aylesworth talked with Mr. Pratt and Mr. Bradlee by telephone this morning and feels that it would be desirable to circulate broadly Hoover's speech, which is available in the pamphlet form from National Electric Light Association or could be printed locally in Seattle, if desired.²

The Washington State situations had national repercussions, as indicated in a confidential letter dated February 11, 1924, from Mr. Pratt to Mr. Leonard:

Sometime ago you wrote me a letter speaking of how the backers of the Bone bill and the Reed bill were representatives of the radical and more conservative wings of the Republican Party in the State of Washington and that the fight over these two bills was likely to split the party. You suggested that the president or his organization ought to know about this * * *.

I told him [Mr. Frank Stearns] that it probably meant the expenditure of greater money and effort in the State of Washington in order to elect Coolidge * * *.

Mr. Stearns asked me to write him a memorandum, which need not be signed, outlining in general this situation * * *. I will get you to do this for me.³

In 1930 the people of Washington voted on the district power bill, initiative measure no. 1, known as the "Grange bill", which permitted districts to be created for engaging in power development and distribution. According to their schedule E, the Puget Sound Power & Light Co. contributed approximately \$124,000 in that year to the Washington Committee on Public Utility Information in the interest of defeating the measure.⁴

Communications between the Boston and Puget Sound offices of Stone & Webster indicate an ingenious device for covering the State through the aid of outside agencies, viz., the insurance companies. On September 20, 1930, Mr. D. C. Barnes wired Mr. Leonard in Seattle:

Paul Clapp has asked that representative of national fire-insurance companies have someone call on you to offer assistance in initiative campaign.

To which Mr. Leonard responded, September 27:

Fire-insurance companies today notified their special agents, numbering 30, who travel continuously over State interviewing local agents, to stress importance of defeat Grange bill. Automobile club today breaking all precedents authorized turning over list 12,000 members to us to send copy of proposed bill in automobile club envelopes.⁵

⁹ Pt. 70, p. 1007.

¹ Idem.

² Pt. 70, p. 1009.

³ Ex. 6159, not printed.

⁴ Pt. 70, p. 930.

⁵ Pt. 70, p. 1011.

The Western Public Service Co. spent a high in 1927 of \$25,900 for advertising, and a low in 1925 of \$5,400; for newspaper advertising, \$14,000 in 1929 and \$2,000 in 1925. Engineers Public Service Co., the top company for most of the operating subsidiaries, spent \$19,300 for all advertising in 1931, and \$600 in 1926; for advertising in newspapers in 1931, \$19,000, and in 1926, \$400.

Motion picture advertising cost Stone & Webster, Inc., \$10,500 during the period covered by schedules E; Stone & Webster Engineering Corporation spent \$2,300 for that purpose; Virginia Electric & Power Co., \$9,000; Western Public Service Co., \$1,000; Puget Sound Power & Light Co., \$8,400; and various other subsidiaries, smaller amounts. Radio advertising cost the Sierra Pacific Power Co., \$2,300; the Savannah Electric & Power Co., \$2,200; the Gulf States Utilities Co., \$5,300; and the Western Public Service Co., \$4,300.

Contributions and dues to trade associations.—The Puget Sound Power & Light Co. reports by far the highest sum contributed in 1 year to local trade associations throughout the entire system, \$154,600 in 1930. That was the year in which the Washington State private utility interests united to fight the "District power bill." In 1924, also, the Puget Sound Co. contributed a very large amount mainly in support of the fight against the "Bone bill", \$125,984. Its lowest total of expenditures to local associations was \$10,500 in 1919. The same company also contributed the highest amount to national associations in a single year, \$14,000 in 1930, with less than \$800 contributed in 1918. Its "other contributions" totaled something under \$20,000 in 1931, and something over \$2,300 in 1917.

Stone & Webster, Inc.'s total for "all other contributions" came to almost \$27,000 in 1925, and in 1933 had dropped to \$1,650. It contributed \$3,500 to national associations in 1931, and only \$750 the next year; \$1,650 to local bodies in 1928, and \$420 in 1933.

Virginia Electric & Power Co. made similar contributions in sizeable amounts: To local associations, \$15,000 in 1929 and \$4,200 in 1925; to national bodies, \$13,600 in 1929, and \$4,200 in 1924, and to "all others", \$20,000 in 1933 and \$2,000 in 1924.

The Gulf States Utilities Co. contributions are comparable in amount: \$12,000 to local bodies in 1931 and \$500 in 1925; \$5,600 to national associations in 1931 and \$1,300 in 1926; \$8,300 for all other purposes in 1928 and \$230 in 1925.

The Western Public Service Co. contributions "for all other purposes" jumped to a high of \$6,600 in 1933, and were only \$31 in 1925; its local contributions amounted to \$4,000 in 1932 and \$18 in 1925; its national, \$2,200 in 1927, and \$50 in 1925.

Stone & Webster Engineering Corporation contributed \$9,200 for "other purposes" in 1931; the Northern Texas Traction Co., \$7,800 in 1927. The amounts noted comprise the significant figures for the system.

In contributions to the Joint Committee of National Utility Associations, Virginia Electric & Power Co. ranks first, with \$6,800 in 1930 and \$3,000 in 1927, a total of \$9,800. Next comes the Puget Sound Co. with a total of \$8,400 for 3 years; then the Gulf States Utilities Co. with a total of \$2,700 for a 3-year period. The Savannah Electric & Power Co. contributed \$2,000 in 3 years, and the El

Paso Electric Co. \$1,300 in 2 years. Joint Committee contributions for other companies in the system come to much smaller totals.

Attorney payments.—The Stone & Webster top company's payments to attorneys ran to sizable figures in 1929, \$328,800, while in 1920 it spent only \$500. Stone & Webster & Blodget, the finance company of the set-up, in 1929 spent \$101,600 in legal fees as against \$7,400 in 1932. Virginia Electric & Power Co. spent a high of \$95,000 in 1925 and a low of \$43,600 in the preceding year. Puget Sound Power & Light Co. spent \$87,500 in 1931 as against \$33,500 in 1917; Western Public Service Co. \$74,000 in 1930, from a low of \$645 in 1925; Savannah Georgia Power Co. \$50,000 in 1926 and \$7,100 in 1927; and other companies in the system smaller amounts.

Contributions to educators and schools.—Stone & Webster, Inc., contributed \$30,000 to the Massachusetts Institute of Technology over the 3-year period, 1923 to 1926; \$2,000 to Harvard University, 1923 to 1925; \$3,500 to Drexel Institute, 1924 to 1926; \$2,000 to the college of William and Mary in 1926; and \$500 to Simmons College in 1923. A contribution of \$5,000 was made to Whitman College at Walla Walla, Wash., in 1925, concerning which the assistant to the chairman wrote Mr. Pratt of the same company on December 15 of that year:

With respect to the Whitman College contribution Mr. Stone asked me to say that he was anxious to have this appear not as a joint facilities charge, but as an expense of the operating division, inasmuch as he looked upon this gift as an expense incurred in furthering the public relations of our interest in the north-west territory, and therefore a proper deduction against such earnings as the management fee of the Puget Sound Co.⁶⁷

Stone & Webster & Blodget, Inc., kept the dean of the College of Business Administration, College of the City of New York, Dr. George W. Edwards, on their pay roll over the period 1927 to 1933, inclusive, during which period Dr. Edwards was paid a total of \$37,390. The Stone & Webster Engineering Corporation made contributions to the Massachusetts Institute of Technology from 1929 to 1933, inclusive, totaling \$25,000. Virginia Electric & Power Co. gave the Medical College of Virginia \$2,125 from 1926 to 1930, the University of Richmond \$2,500 from 1927 to 1930, and the State Teachers College \$550 from 1927 to 1929. Puget Sound Power & Light Co. gave the University of Washington \$3,820 between 1923 and 1932; the School of Utilitarian Economics \$850 from 1923 to 1927; Auburn Academy \$450 in 1931 and 1932; and various smaller schools a total of \$840 over the 10 years 1923 to 1933. Other companies in the system report small contributions to schools.

Newspaper stock ownership or loans.—Stone & Webster & Blodget, Inc., reported ownership of 3,960 shares of stock in the Boston-Herald Traveler in 1929 with a value of \$149,057.50; 2,350 shares in 1930, value, \$84,913.64; 1,632 shares in 1931 with a written-down value of \$1,380.50, after which no such stock ownership was reported. Virginia Electric & Power Co. in 1933 advanced \$500 to the Suffolk News Co. "with the understanding that it was to cover prepaid advertising."

⁶⁷ Pt. 70, p. 1014.

The Western Public Service Co. reported ownership of 5 shares of voting stock in the Alvin Sun, Alvin, Tex., valued at \$500 in 1925. In 1929 the stock was sold to Gulf States Utilities Co. which disposed of it in the next year. Puget Sound Power & Light Co. made advertising payments in advance totaling over \$10,000, to various Washington newspapers in the years 1928 to 1933, inclusive, the company reporting "the monthly bills for advertising being applied to the prepayment as advertising space was used." Most of the accounts were closed at the date of reporting.

On November 15, 1928, the Puget Sound Co. purchased 25 shares of stock valued at \$2,500 from the Seattle Broadcasting Co. In a letter of August 22, 1933, Mr. McLaughlin, president of the power company, advised this commission:

The subscription was made with the understanding that the company, if it so desired, could appropriate the amount paid for the stock as an advertising fund and that the Seattle Broadcasting Co. would allow it 33¼ percent discount on all advertising until the full amount paid for the stock was used.⁶⁸

⁶⁸ Pt. 70, 1015.

- Owens, Robert L., ex-Doherty employee—Continued.
 Testimony re Cities Service Co., Topeka office publicity, pt. 70, pp. 60-79.
- Oxford County Citizen, The, N. Eng. Pub. Serv. Co. payments for advertising, pt. 42, p. 663.
- Oxford, Nebr., municipal plant, Western Public Service Co. expenses, pt. 70, p. 923.
- Oxley, G. F., N. E. L. A.: pt. 64, pp. 1085, 1086, 1097, 1108-1112:
 Director, department of public information, U. G. I. Co., pt. 51, p. 700.
 Letter to A. W. Thompson re "Alladdin U. S. A.", pt. 51, pp. 355 699, 700.
 To send copy of Wyer report to each Member of Congress, pt. 51, p. 338.
 Uniform Public Utilities Act, recommended to company executives, pt. 22, pp. 1185-1188.
- Ozark Distributing Co. (*see also* Siebenthaler, A. L.), contribution to Pierce City Chamber of Commerce, "Good public relations", pt. 70, pp. 136, 492.

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- Pace, H. M., Letter from W. J. Baldwin re Dr. Thomas, pt. 79, p. 292.
- Pacific Coast Gas Association. Contribution from U. G. I. Co., pt. 51, p. 680.
- Pacific Coast Geographic Division, N. E. L. A. Payments from N. E. L. A., pt. 61, p. 189.
- Pacific Gas & Electric Co.:
 Diesel engine competition in municipal plants, N. E. L. A., letter re, pt. 64, p. 1097.
 Government ownership of public utilities, pt. 61, p. 133.
 P. U. R. underwriter, pt. 42, pp. 995-996, 998.
- Pacific Power & Light Co.:
 Advertising—motion pictures, newspapers, radio, pt. 25, p. 929; pt. 65, p. 327.
 Attorney payments, pt. 25, p. 929; pt. 65, p. 328.
 Contributions to schools, pt. 25, p. 929; pt. 65, p. 328.
 Contributions to trade associations and political campaigns, pt. 25, p. 929; pt. 65, p. 328.
 Expenditures to combat grange public utility and power dist. bills, Oregon and Washington, 1930, pt. 35, p. 215.
 Expenditures to combat Washington "Bone bill", 1924 and Oregon const. amend., 1926, pt. 35, p. 213.
 Leighton, M. O., assists in securing license, pt. 25, p. 948.
- Pack, R. F., V. P., Northern States Power Co., pt. 25, p. 125:
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Public Service

Vol. XXVI No. 1

January, 1919

Fourteenth Year

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H. J. GONDEN · PUBLISHER
122 SOUTH MICHIGAN AVENUE
CHICAGO · ILLINOIS

\$2.00 PER YEAR

Let us talk it over

Purpose of this Magazine

THE purpose of this magazine is to present the *facts* about public utilities, both privately and governmentally owned; to inform its readers about these important industries in which all citizens are vitally interested.

Dedicated to the public service, to the highest good of the taxpayer, this magazine is opposed to government ownership and operation of public utilities because it believes paternalism is the antithesis of industrial freedom and independence.

In steam and electric railways, in telegraphy and telephony, in electric and gas lighting, heating and power, the United States leads the world as the result of the genius, thrift and economy of individual initiative and private enterprise.

Political conditions in this country, as experience proves, defeat economic and the most efficient operation of public utilities by city, state or federal government. Experience also proves that government operation of public utilities burdens the taxpayers with great economic waste.

Experience convinces this magazine that the public can secure the best possible service at the lowest possible cost by leaving the ownership and operation of steam and electric railways, electric light and power, gas, water and telephone properties to individuals of technical knowledge and practical training under such governmental regulation as will best protect the interests both of the public and the companies.

The sinking of the ships surrendered by Germany would be altruism carried to the point of self-defeat.

“Thank God, the government at Washington still lives,” seems to lose its fervor with the president, the secretary of state and George Creel in far-off France.

Mayor Hylan appointed W. R. Hearst chairman of the New York committee to welcome our homecoming soldiers. The precedent having been established by our largest city, it is now in order to appoint Victor Berger as the head of the Milwaukee reception committee. While it is yet time, we want to suggest to Bill and Victor that the proper dress for occasions of this kind may include a plug hat and a frock coat, but certainly not a red cravat.

Protecting Public Utilities

To the everlasting credit of the *thousands* of public utility operators of this country it may be said that *only two or three* of them have joined the socialistic movement for municipal ownership. During the past three or four years and at this time, with operating expenses sky-high and with capital charges almost prohibitive, the operation of a public utility has been nothing less than a big job for a big man. And the biggest part of the job calling for the biggest part of the man has been to keep the utility out of the bankruptcy courts. The selling prices of utilities cannot be raised at the will of the operators to meet advanced costs—and it has required the utmost in intelligent, patient, yet vigorous, effort to secure from some reluctant state commissions and city councils and some slow-going courts the legal authority to fit rates to costs. It should be said here that some state commissions and some city councils have granted just relief promptly, but even with these the burden of proof was carried by the utility operators.

The public should know, and it does in most cases, that no increase in rates has been sought for the purpose of adding to the profits of the owners of the property. In every case the effort has been to secure only such an increase as would cover the advanced operating expenses and fixed charges, including only such return on investment as was necessary to maintain the property in efficient operation and development.

In these trying times for the utility operators there have been and are three courses for them to pursue.

First—To keep the utilities in experienced and competent hands and thus assure the best possible service to the public; to make an honest and energetic effort for such fair and reasonable compensation as will protect the service for the public and the property for its owners.

Second—To turn the utilities over to the bankruptcy courts and force the public to pay such rates for the service as the courts may find it necessary to order.

Third—To unload the utilities, with all their responsibilities, on the municipalities and let the taxpayers pay the losses.

Of these three courses, over 99 per cent of the utility operators have chosen the first, which is the most difficult, and in this they have shown an unselfish devotion to the public interest. The road to bankruptcy or to municipal ownership is much

-and be fair about it.

easier, but to take it means deterioration of the service to the public and either higher rates or the saddling of heavy losses upon the taxpayers. The two or three utility operators who have sought to unload their properties on the municipalities have had but one desire—and that was to save their investors' money.

Again we say it is to the everlasting credit of the utility operators of this country that over 99 per cent of them have stood and are standing firmly against the waste, extravagance and inefficiency of bankrupt and municipally owned and operated public utilities.

A Mighty Reform Impends

For twelve years this magazine has been pointing to the Sanitary District of Chicago as the greatest sink-hole for taxes existent in this country. The Sanitary District was created many years ago for the primary purpose of building and maintaining a drainage canal to divert sewage from Lake Michigan and thus remove the contamination of Chicago's water supply. The legislation necessary for its creation was put through with the understanding at the time that the canal could be built for \$20,000,000 and the cost of its maintenance and administration would be covered by the revenue from the sale of its water power and the lease of lands abutting the canal.

Like all other municipal undertakings the cost of the canal exceeded the preliminary estimate—in this case the excess being a trifle of about \$80,000,000. Instead of making the expenses of maintenance and administration out of the sale of water power and land leases, as promised at the beginning, the drainage district trustees are taking it out of the taxpayers at the rate of over a million dollars a year, the hydro-electric power generated by the district being sold for less money than it costs to operate the generating and distributing plant and the lands owned by the district being allowed mostly to remain in idle waste.

This gigantic sink-hole for the taxpayers' money has been built up and elaborated by the usual political methods of patronage. It has been considered the first political duty of the trustees, of whom there are nine elected by popular vote, to use the tax resources of the district for the support of a large army of what Col. George Harvey aptly terms "the salaried unemployed."

Last November three republicans were elected as members of the drainage district board over three democratic candidates for re-election. Before this

election there were five republican and four democratic members; now there are eight republicans and only one democrat on the board. During the recent campaign the five republican members of the board put out a signed statement, which said, in part:

Since 1912 the sanitary district of Chicago has been under the control of greedy and incompetent democratic spoils-men.

Under the reign of the spoils-men, of which the three present democratic candidates were ringleaders, jobs were peddled at wholesale as political plums to unprincipled and incompetent henchmen at enormous cost to the taxpayers. Pay rolls were topheavy with aids of ward bosses and kin of the trustees. Political contractors waxed rich at the expense of the people. Rapacity was rampant and the district was easy plucking.

Against candidates of such malodorous repute the republicans have nominated for trustees three men of unusually clean records for high ability and unimpeachable integrity.

This statement comes from the five members composing the majority of the board since 1915 and the question naturally arises: Why have they not, during the past three years, wiped out the evils they complain of? Maybe their majority of only one was not sufficient to carry out such a great reform. But now that the republicans have a majority of eight to one we may look for speedy and drastic reform.

We confidently expect to see hundreds of democratic names dropped from the pay rolls—and the names of republicans inserted therefor.

What "suckers" we taxpayers are!

Administering the Anaesthetic

Governmental operation of the railroads became necessary as a war measure because political interference with the railroads for a great many years had prevented men of experience and ability from bringing and keeping our great carrier systems up to that standard of efficiency required to meet the unusual transportation demands of a nation at war. The truth of this assertion is admitted by the government in its action of doing with the railroads nearly everything which it had previously prohibited by law or denied by regulatory authority. If the railroad companies had not been subjected for a great many years to the harassing "political" control of the federal and all the state governments and if they had been permitted to charge for transportation an amount sufficient to provide increased wages for their employes and the maintenance of a credit for necessary extensions and improvements, no doubt they would have been in condition to render the maximum service required during the past two years.

In the face of the undeniable fact that years of governmental regulation impaired, rather than improved, the efficiency of the railroads, comes Di-

rector General McAdoo with the amazing proposition to extend the period of governmental operation for five years in order to give it a fair trial. Governmental regulation, on trial for decades, has failed, and it has failed not on account of any misunderstanding of railway economics on the part of the regulators, *but on account of political interference.*

Knowing that political interference is the sole cause of the failure of governmental regulation, the public is not ready to accept the hazards of government *ownership and operation* of railroads at this time, nor will it be ready in the fall of 1920. Nor will astute politicians be ready to go before the people in the fall of 1920 with a declaration favoring outright governmental *ownership* of railroads. No, indeed. It will be much safer for them to appeal for "a fair trial"—say five years—of governmental *operation*. We all know the American people are kindly disposed toward "fair trials."

Ignorance Is a Dangerous Leader

Where private enterprise actually fails to render proper public utility service it is the duty of the municipal government to consider municipal ownership, and in doing so, it should investigate and determine these questions:

1. Is the failure of private enterprise to render satisfactory service the fault of the company rendering the service?

2. Assuming that the failure is the fault of the company, is such failure due to a willful and avaricious purpose to disregard public requirements? or,

3. Is such failure due to the conditions imposed by the franchise—or regulating conditions under which it is compelled to operate being such that it cannot—financially or otherwise—render satisfactory service?

4. If it appears that the franchise conditions are too stringent should the city undertake municipal ownership under similar rates and conditions; or, should the city prescribe rates and conditions of operation that will make it possible for the private concern to perform good service.

5. Assuming that the city cannot succeed without increasing rates and making for itself more favorable conditions—such as long term bonds and higher service rates—is it wise for the city to undertake municipal ownership; or, would it not be wiser to allow private ownership the same terms and conditions which the city would have to put into effect if it undertook municipal ownership?

The mere fact that private enterprise has failed to supply satisfactory service does not indicate that municipal ownership would certainly meet public requirements. In fact, municipal service might be less satisfactory than private ownership. Municipal governments are not always successful in perform-

ing even their imperative duties—health, police, street and alley cleaning. In fact, foreign students of American governmental conditions assert that the great failure in civic affairs in America is the incompetency and corruption of municipal governments.

Too often, men who are not well informed—who do not know the principles that govern—men who are addicts of passion and prejudice—men who seek for profit for themselves—propose and promise impossible benefits from municipal ownership. Ignorance is a dangerous leader in civic affairs.

Stop, Look, Listen

A good many taxpayers in Chicago do not look with disfavor upon municipal ownership propaganda. They drifted into this mental attitude at a time when they were made to believe that if the city owned the street railways fare-rates would be reduced, lines extended, and revenue turned into the city treasury that would operate to reduce the burdens of taxation on real and personal property. It is unfortunate that real estate agents and property owners do not take cognizance of the fact that at this time there is strenuous agitation in favor of buying the traction lines and paying for them with bonds based upon the general credit of the city of Chicago. This would mean that unless the traction properties took care of themselves and earned enough to pay interest that taxes would have to be levied to make up the deficiency.

At the present time the municipal government of Chicago is running behind nearly five million dollars a year. To some extent this is due to diminishing receipts from saloon licenses. Before the November election there were twenty-eight dry states. November 5, four states voted for prohibition—making thirty-two states which, presumably, will vote in favor of the dry amendment to the Federal constitution. In addition, five states that were classed as "wet" have already adopted the national dry amendment. This makes thirty-seven states which, in all reason, may be counted upon to support the amendment. Thirty-six states are all that are required to adopt the amendment. In addition to the foregoing states may be counted, at least as probable, Illinois and New York. All of this is highly germane to the taxation system in Chicago. It means that, in all probability, within a year or so, Chicago will be deprived of more than one-fourth of its total revenues for municipal purposes. This will have to be made up, in whole or in part, from increased taxes upon real and personal property.

At the present time Chicago is in debt for money expended for its ordinary operating expenses about ten million dollars and most of this indebtedness is in the form of judgment notes in the hands of bankers, which can be taken into court when due, and the

judgment obtained, and a special tax levy ordered in addition to the regular legal tax rate. When this is done—and it is almost certain to be done—the tax rate will be increased about fifty per cent. Notwithstanding these financial embarrassments confronting Chicago, municipal ownership propagandists, as already explained, are persistent and insistent that the legislature, at its coming session, enact legislation that will enable the issuance of bonds to pay for the traction properties, plunging the city into a new maelstrom of financial complications.

Why Deceive the Public

In an interview published in the Chicago Evening Post Donald R. Richberg, special counsel in gas litigation, made the following statement:

“At the outset the commissions were organized to protect the public from the utility corporations. Now, however, the pendulum is swinging the other way, and we find the utility corporations appealing to the commissions for permission to add to the burdens of the public on the plea of rising cost of labor and material due to the war.”

This is from a lawyer! It shows how people are being deceived by the attorney hired by the city council and paid for out of taxpayers' money. The fact is the public utility commissions were created to establish justice; and, not to save anybody from anybody else. The commissions came in as the best device that could be provided after city councils had failed to properly regulate rates and conditions of public utility service. As a matter of fact, at the time when the public utility commissions were organized, all of the courts—state and national—were cluttered with cases arising out of the attempts of city councils to make political capital out of rate regulation. The commissions came in and, taking the work away from the city councils, proceeded to uniformize regulation of rates and service by establishing similar rules for all.

Mr. Richberg's statement that the commissions were organized to protect the public from the utility corporations is true, but it is not *all* the truth, for the commissions were established, also, to protect the utility corporations' investors from political transient adventurers who try to perpetuate themselves by deceiving the people—just as Mr. Richberg seeks to do.

The most efficient of the state public utility commissions—those doing most *for the benefit of the public*—have declared in many recent cases that a utility rate may be unjust and unreasonable because it is too low on the very same principle that a rate may be unjust and unreasonable because it is too high.

One of the things of small consequence which we cannot understand is how Professor Edward W.

Bemis has so far escaped being drafted into the Wilson administration. Perhaps they are reserving the professor to take the management of the telephone and telegraph systems, a job for which he is particularly unfitted.

A copy of this magazine addressed, in printing, to Sioux Falls, S. Dak., was returned by the post-office with the notation “No such office in state named.” If we are to believe the postoffice department the metropolis of South Dakota is without postal service. Somehow or other, we can't believe it.

According to the political writer on the *Daily Journal* the principal result of the recent local election in Chicago was the shifting of several thousand pay-roll positions from “deserving democrats” to “deserving republicans.” Come on, you taxpayers—pay, pay, pay.

That sure was a pat caption Col. Harvey put under the pictures of General Leonard Wood and Col. Theodore Roosevelt in a recent issue of the *War Weekly*. It read: “He kept us out of war.”

The postoffice department, having almost completed the failure, financially and otherwise, of the postal service, is now ready to lend its talents in that direction to the telephone and telegraph service.

Taxpayers, beware of the public utility operator who advocates municipal ownership—he is simply tired of the job of discharging his obligations to the public.

Hughes on Public Ownership

In commenting on a recent speech by Charles E. Hughes at Columbia University, the *North American Review's War Weekly* says:

“Regarding the respective merits of private and Government ownership and operation of public utilities, Mr. Hughes but puts in words the result of all but universal experience when he says that such Government ownership and operation mean inefficiency for one thing, and for another, the deadly danger to a Republic of vast bodies of organized political office-holders and job-holders. But Government Ownership is not the question which now concerns the country. It is not up for decision by the American people. What is before the people, and before them in ominously aggressive form, is whether the country shall be dragooned and tricked into a policy of Government Ownership without having an opportunity to say whether it wants it or not. It is that dragooning and chicanery process to which we are now being subjected. It is for the promotion of that Government Ownership policy in the interests of scheming politicians and Socialistic faddists that that temporary authority, granted under the impulse of generous patriotism, is now being exploited to ends never contemplated when it was granted.”

Municipal Electric Lighting in Massachusetts

Dr. Lincoln of Harvard University, in a New Book, Concludes There Is No Reason Why a Municipality Should Invest in an Electric Plant

"The Results of Municipal Electric Lighting in Massachusetts," by Edmond Earle Lincoln, M. A. (Oxon.) Ph. D. 484 pp. Published by Houghton, Mifflin Company. Sold by Utilities Publication Co., Chicago; price \$3.00.

The author of this book, Edmond Earle Lincoln, who is an instructor in economics at Harvard University, approaches his subject with a rare appreciation of its importance and a will to make his work informative. Therefore he makes no guesses, but enters upon a laborious investigation which brings out all of the facts essential to show "The results of municipal electric lighting in Massachusetts." It is by gathering these facts and presenting them in well ordered classifications that he brings about an inevitable conclusion:

"Under such effective regulation of the electric light and power business as is found in Massachusetts at present, there is no reason whatever why a municipality should invest in an electric plant. * * * No real economies are likely to be thereby effected and the possibility of loss is great."

Before this conclusion is stated there are chapters devoted to a survey and criticism of the literature on the subject of municipal electric lighting in the United States, the Massachusetts laws and the work of the Board of Gas and Electric Light Commissioners of that state, physical statistics, analyses and comparisons regarding municipal and private electric plants in Massachusetts, financial statistics of generating and purchasing plants, the local survey and the local background. There is also a very interesting chapter on miscellaneous considerations, including labor and wages, labor legislation, valuation of estates and tax rates and the financial condition of municipalities owning electric plants.

"The object of the present study," says the author, "is

to determine as nearly as may be the results of municipal electric lighting in Massachusetts, viewed not merely from one or two angles, but from all angles. * * * Though balance sheets, operating accounts and rates have been usually zealously invoked in researches on this subject, they alone can indicate but a limited portion of the real issues involved for they are *relative* rather than *fundamental* considerations. They are the results of other factors not so easily discoverable, but in many cases far more significant."

So Dr. Lincoln goes thoroughly into the "other factors," even into such matters as the proximity of the generating plants to navigable waterways and to sources of fuel supply, whether equipment is all owned or partially leased, the topography of the district served, the traits and traditions of the inhabitants, the character of the local government and labor legislation and conditions. In important details he goes much farther than any other writer on the subject has ever attempted.

The research covers 18 municipal generating plants, 21 municipal purchasing plants, 17 company generating plants and 16 company purchasing plants; a comparison of municipal with company plants being necessary to show the net results of municipal ownership and operation. Dr. Lincoln explains that in selecting the private plants he found it necessary to choose "the smallest and in many cases the more poorly managed" because only such could be fairly compared with the municipal plants, all of which, excepting Holyoke, are small. Therefore "the results of municipal electric lighting in Massachusetts," in this work, are not drawn from any comparison with such efficient private operation as prevails in Boston, Lowell, Worcester, Springfield, New Bedford and other large cities of the Bay State. As the author states, "*Existing circumstances have made it necessary to compare public business as*

Profits That Failed to Materialize

From "Results of Municipal Lighting in Massachusetts."
By Edmond E. Lincoln.

In 1897, a special investigating committee, appointed by the city of Holyoke to look into the subject of municipal electric lighting, reported that, under public ownership, there would result a saving of more than 25 percent in the rates, and that after five years the city would own its plant, debt free. Holyoke has done well, and the rates are low; but the outstanding liabilities, current and funded, together with the appropriations from the tax levy for debt payments, at present amount to about \$1,200,000, though the plant still confines its operations to its own narrow territory, and probably a large investment in a new station will soon be needed.

Sixteen years later, another special committee, having made a careful investigation with the assistance of a trained engineer, reported to the selectmen of South Hadley that, if the town would take over the plant of the South Hadley Falls Electric Company, there would, in one year, be effected a saving to the municipality of \$4,250, and the street lights, which had been costing \$5,800, could thus be secured for \$1,550. The plant was bought, and under the first year of public management, the actual cost of the street lights, allowing for taxes lost, was between \$6,500 and \$7,000, or one-sixth higher than when the service was supplied by private enterprise.

Municipal plants should be required, by law if necessary, to be conducted exactly as if they were commercial enterprises. In no other way can the public be made to understand clearly what they are gaining or losing as a result of municipal ownership.

we find it with private business in many cases at its worst. Consequently, if municipal ownership shall appear to hold its own, the reader can rest assured that it has been given the benefit of any doubt which might arise, and if the results are found to be unfavorable, the case against municipalization as a general policy will be thereby the stronger."

Municipal Plants Not Progressive

In his concluding chapter, Dr. Lincoln says:

"In the first place, it appears that the conditions under which the municipal generating plants are operating, both natural and artificial, are far more favorable to success than is the case in the corresponding group of companies. They serve a more densely populated territory, in which relatively more manufacturing is done than in the districts supplied by the other group. Nor does their history indicate that they have in general been instrumental in promoting the higher industrial development here found.

"When the pragmatic test is applied, it becomes evident that, from the physical, financial and developmental point of view, when due allowances have been made, this group of public plants (Holyoke excepted) have, in the more important respects, usually lagged somewhat behind the private plants studied. They seem not to be serving their more favorable territory so adequately as are the latter, nor have they made any attempt to develop new territory. They have probably tended to be too conservative in their extension policy, and, with a very few exceptions, have taken little thought regarding the future development of business, in so far as their station equipment is concerned. Their aim seems to have been to follow rather than to lead the growth of industry and the new demands for service. This, however, may be a far more correct policy for public industry to pursue than one of reckless expansion which sometimes characterizes the conduct of private enterprise.

"In a financial way they have recently, for the most part, been doing reasonably well—a condition of affairs due to over-conservation rather than to superior efficiency. The operating accounts and balance sheets make a much better showing for municipal ownership than do the physical features of the business, which are not so easily discovered, but which, when properly studied, furnish us with far more accurate tests than can be applied by means of a superficial survey of rates and balance sheets. Though the earlier deficits are generally being made good, the quality of the service rendered has, in many cases, appeared to suffer as a result.

"Upon the whole, while this group of plants have by no means been altogether failures, it cannot be truthfully asserted that, when all elements in the problem are considered, they have been any conspicuous success. With one or two exceptions they seem simply to be performing for themselves, with little or no return except the satisfaction derived from their exertions, those services which might have been rendered equally well, if not better, by private enterprise.

"Fortunately, these municipal plants have been in the main comparatively free from most of the sinister influences which frequently beset public business of this kind. Yet barring Holyoke, careful investigation has revealed the fact that the larger the city having its own plant, the greater is the danger from "politics" and "graft." In at least one unusually important case the conditions have been disgusting beyond relief, while in two other large plants, in the past at

any rate, the situation has been, to say the least, highly unpleasant.

"Nor is the outlook a propitious one. Not a municipal generating plant has been installed since 1904, though 18 purchasing plants have begun operation since 1907. There is a marked tendency in both groups in favor of purchasing current from large private concerns and doing only a distributing business. Already three of the companies studied for the year 1914-15 have ceased the generation of current, but within the same time seven municipal plants have, for the present, and probably for all time, stopped the production of current. And, in spite of the great loss which will result to the community if a public plant be 'scrapped,' and notwithstanding the greatly increased cost of street lighting which must be borne, it would probably be far more economical in many cases to follow this policy than to overhaul the old plants and equip them for future needs.

"In some respects a marked contrast is afforded by the municipal plants which operate only a distributing system. For them the conditions seem to be in large measure reversed. They have, in many instances, commenced operation in districts which could offer small inducement to private concerns, and it might appear that they would accordingly have little possibility of success. Yet, as a result of the united public sentiment back of them, and by reason of the careful supervision of the board in countless details, they have made an unusually good showing as contrasted with the purchasing companies.

"As would naturally be the case by reason of their more recent installation, this group of public plants is burdened with a far lower investment than are the private plants. As they have never generated any current, they have had no opportunity to accumulate a larger proportion of 'dead assets.' In fact, the relations existing between the two in this regard are such that it seems almost futile to attempt comparisons. But, measured by the tests which it is customary to apply, they appear to have been making a better record, under less favorable geographical and business conditions, than have the other plants. To be sure, they have not really made anything in a financial way—they have, upon the whole, simply kept even with the game. They are still young, and in the years to come, when repairs and renewals become urgent, the operating expenses can be expected to mount rapidly. A good share of their success also is due to the fact that they are dependent upon private enterprise for that portion of the business which is most difficult to be handled by public officials and employes. All credit is due them, however, inasmuch as they have been rendering, at a comparatively low cost, service which would in many cases have been difficult if not impossible to secure from private concerns.

"Finally, the writer believes that, under such effective regulation of the electric light and power business as is found in Massachusetts at present, there is no reason whatever why a municipality should invest in an electric plant, certainly not in a generating plant. No real economies are likely to be thereby effected, and the possibility of loss is great. There may be instances in which public ownership of merely a distributing system is highly desirable. Yet, this form of ownership also, from an economic point of view is justified only when private business cannot be induced to enter the field except at prohibitive rates. The day has long passed when there is no alternative between unrestricted private industry on the one hand, and public ownership on

Whether under private ownership or under public control, there probably never has been and never will be a time when the best results can be attained if those methods which make for efficiency, those stimuli to individual initiative which are the basis of industrial and social development, are cast into the discard. From an economic point of view, the most nearly public business conforms to the well known canons of the best private enterprise, the more successful it is bound to be.

the other. There now seems to be no valid reason for using the taxpayers' money for the sake of doing what can be as well done without adding to the ever-increasing municipal debt. The burden of proof clearly rests upon those who would, under the circumstances, advocate a further municipalization of the industry in this state."

* * * * *

Good Business Methods Urged

"Finally, and far more important from an economic point of view, the municipal plants should be required, by law if necessary, to be conducted exactly as if they were commercial enterprises. In no other way can the public be made to understand clearly what they are gaining or losing as a result of municipal ownership. Only by subjecting these publicly owned plants to the same tests that are applied to private business can we reach any definite conclusions as to their real efficiency.

"This means that they should sell street lighting service to their municipalities at what appears to be a fair price, and that they should in turn pay taxes at the usual rate. They should either own all of their property, or, if municipal real estate be utilized, they should pay an equitable rental therefor. Further, the services rendered by any public official should be estimated and charged at the true value of that service. Probably not a single appropriation should be made from the tax levy for any purpose whatever in connection with a municipalized commercial enterprise, after it has become 'seasoned.' Such an industry should be given every opportunity that is afforded to private business, and it would, in addition, have the advantage of securing its capital at a lower than usual rate of interest. But here the public financial responsibility should end.

"If publicly owned commercial business were carried on as here suggested, the writer will venture to predict that, while many municipalities would be dissuaded from plunging into ills that they know not of, those which have already acquired an industry or which, under the new conditions, do make the experiment, will be encouraged to bring their business to the highest degree of efficiency. Whatever may be our conclusions regarding the desirability of public ownership for other than financial reasons, there seems to the writer to be no disputing the fact that if the attempt is made, it should be done in the most effective manner possible. Whether under private ownership or under public control, there probably never has been and never will be a time when the best results can be attained if those methods which make for efficiency, those stimuli to individual initiative which are the basis of industrial and social development, are cast into the discard. From an economic point of view, the more nearly public business conforms to the well-known canons of the best private enterprise, the more successful it is bound to be.

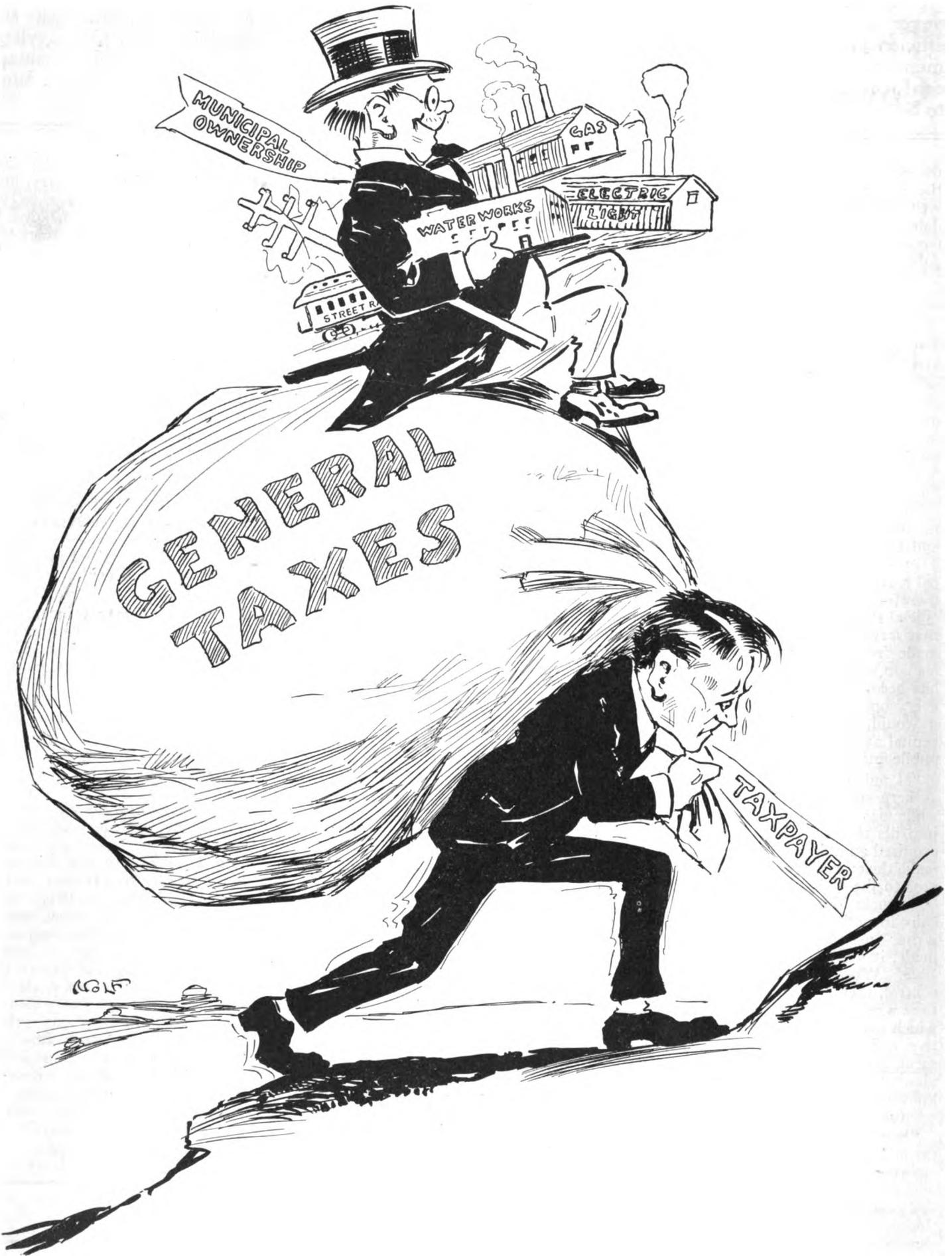
"In parting, what further light does the present study throw upon the broader problems of public ownership? The stress of the present war is greatly hastening a tendency which was already strongly pronounced in the electric light and power business throughout the country, i. e., the shutting down of small and wasteful generating plants, and the consequent development of a comparatively few large cen-

tral stations—hydroelectric wherever possible—which can keep pace with the economic growth of the industry, and thereby conserve for other uses our supplies of fuel. The electrification of practically all means of transportation is probably not far distant: the use of electric current will eventually, no doubt, displace other methods of heating; our factories will depend for motive power almost solely upon central station generation. We are on the threshold of marvelous possibilities in the art.

"But in the meantime much experimentation will be necessary, great risks must be run, many failures will ensue. The problem is fundamentally too vast to be bounded by the confines of any municipality, with its petty demagoguery and the jealousy of its neighbors. No unit smaller than the state could possibly deal with the situation. But would the state prove equal to the task? We fear not, so long as human nature remains as it now is. Under democratic institutions, the larger the governmental body, the less economic and the more political it becomes, and the more energy is wasted in accomplishing little. To blaze the trail is the work of a select few, not of the people en masse. The electrical industry, as all industries which reach their perfection, will be developed by personal genius and individual effort urged on by the desire to serve, no doubt, but more potently stimulated by the prospect of material rewards.

"What part the state and the national government will play in our future industrial life cannot well be foretold. The more primitive stages of civilization were marked by minute regulation of private affairs. The individual was submerged, while the ruler, or his representatives, was the chief entrepreneur. Such an extension of state activity to commercial undertakings does not appear to be compatible with freedom and growth. The most autocratic of civilized government has until recently also been the most active in industrial enterprises. Could it be otherwise? The present world struggle is forcing others to follow suit. Will the coming of peace bring with it a fuller realization of the dreams of the socialist, or will the former conditions be restored? Public ownership of some producers' goods may eventually become more general. We must not, however, be unmindful of the fact that, when the war is over, people will again be actuated by the old individual motives; most of the existing urgent incentives to unselfish group action will cease. Business now carried to a reasonable degree of perfection by the public powers will, if retained in public hands, be in danger of rapid stagnation. Whatever the sequel may be, this modest study, as well as most careful and unbiased investigations, points to the conclusion that as a rule only the simplest and the 'well-seasoned' enterprises are at all suitable for public operation; and even these are in grave danger of becoming less efficient than they would be in private hands. Though political expediency or social necessity may sometimes momentarily outweigh all economic considerations, it still seems inherent in the nature of things that private industry must continue to show the way."

See advertisement of Dr. Lincoln's new book on
Page 31 of this number of Public Service.



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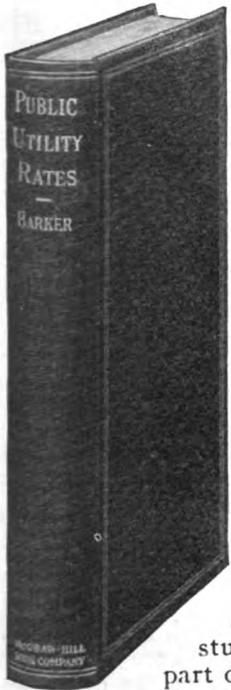
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one-half of their earnings in dividends. The other half they passed to their surplus accumulation. The Comptroller's Report says further:

"Based upon the capital stock, dividends were paid at an average rate of 11.82 per cent. Based upon capital and surplus, 6.78 per cent. The net earnings for the year are shown to have been 11.09 per cent on the capital and surplus."

It is not designed to find fault with the earnings of national, or other, banks, but it is worth while to ask the question, Why should there be restraints and criticisms of public service concerns because they earn, maybe, less than one-half as much as the national banks? And, too, it should, also, be considered that banks are not at any time liable to lose their entire investment by the expiration of their franchises, but can organize and proceed with their business. The more one considers the liberality and fairness with which governments—state and national—have dealt with the banks the more one is compelled to wonder why the same policy cannot be pursued toward investments which built up the physical and taxable values of cities.

"The Public Be Damned"

A good many years ago one of the Vanderbilts was accused of saying "The public be damned!" He never said it, but how Vanderbilt was abused because of the rumor that he did say it!

It was charged that he said it in connection with the railroad business. But now that the government has charge of the railroads, how perfectly it carries out a policy of "The public be damned!" A gentleman tells me that in New Orleans he wanted to buy a railroad ticket. He took his place in a line and waited fifty-five minutes before he could transact his business. And when he finally reached a clerk, he was told he was lucky to be waited on in fifty-five minutes.

This is the railroad "reform" we have accomplished after years of effort. And rates are 25 per cent higher than under private ownership, with a tremendous deficit looming up.

Some of our wisest men say the proposed league of nations is a similar "reform."

That is the trouble with us fool Americans: we scream and agitate for a certain thing, claiming it will solve our problems, and then discover it isn't what we needed—that all our work for reform has been wasted.—From Ed Howe's Monthly.

Weighed and Found Wanting

[From Harvey's Weekly]

THE President's Socialistic dreams seem doomed to a rude awakening. Three recent, or current, incidents have given them a shock from which we shall not expect to see them easily recover. For the American people are practical. They judge things by their results. And when those results directly concern the popular welfare, in both cost and efficiency of service, they will not be ignored, and no idealistic talk of voices in the air will seduce the people from the paths of judgment. This nation is quite willing to pay high prices for good service. It never complains of increasing cost when there is a commensurate increase in quality. It also is quite willing to let the management and control of utilities be vested in whatever hands can manage and control them best.

But the American people will not permanently consent to higher prices for inferior service, or to transfer of control to less efficient hands.

The railroads are one case in point. They are under dictatorial government control; and the Administration is trying its utmost to keep them there in perpetuity. What is the result? February, 1918, was the worst month down to that time in the history of American railroads. For that there was a reason. There was a scarcity of coal, and the weather was extraordinarily inclement. But February, 1919, proved to be a still worse month for the railroads. Conditions were reversed. There was plenty of coal and the weather was extraordinarily mild and pleasant. Moreover, freight rates had been considerably increased. Yet the net operating income of the roads was less by \$2,225,000 in February, 1919, than in the disastrous February of 1918. Rates were increased about 25 per cent, but the income decreased 14 per cent, and the service was slower. Nor was that month singular. The net operating income in January was \$37,000,000 below the average of three years. The deficits thus created must, of course, be met out of taxation. In 1918 the deficit averaged \$17,000,000 a month.

This year it has thus far averaged \$37,000,000 a month. Expert figurers and account-mongers may juggle with these facts as they please. The facts which appeal beyond all contradiction to the public mind are these:

The railroad service is poorer than it has been before in this generation. The trains are slower, less frequent and less trustworthy.

The cost of the service to the immediate patrons of the roads is higher than it has been before in this generation. Passenger fares are higher; freight rates are higher.

The people are being taxed as never before in this generation, through inquisitorial incomes, stamp and other taxes, to meet a deficit of hundreds of millions of dollars a year in railroad accounts.

In brief, government control of the railroads has meant, and now increasingly means, poorer service at higher cost.

The food supply is another case in point. Early in the war there was formed what was substantially a government food trust. The government assumed the power of fixing prices of wheat and other important staples, and of regulating their distribution. The result is that with larger stocks of food products on hand than ever before in our history, the cost of food to the people remains at famine figures. Here is the situation: The supply of wheat in hand today is about three times as great as it was a year ago; the prospect for this year's crop enormously exceeds the greatest ever before recorded. The winter wheat crop is estimated at about 900,000,000. That is many millions of bushels more than both the winter and spring crops put together ever were, save in two or three years. It is more than both those crops were in the bumper year of 1914, when farmers were glad to sell at 70 or 80 cents a bushel. And now, with this perfectly unprecedented crop in prospect on top of a plethoric present supply, they are holding wheat back from the market in order if possible to force

(Continued on page 136.)

The Tribulations of Public Operation

By ELLIOTT CHURCH

THERE are people who have really believed that public ownership and operation would result in better service and lower cost to the public. These people were delighted when the war resulted in the Government taking over the operation of one utility after another. Rates were going to come down right away and the service was going to be better. Any of these people who have been forced to patronize any of the government operated utilities have not found it easy to keep their enthusiasm up to the high pitch that it was when the Government first began operations.

The railroads were the first to be taken over. It is true that this was a war measure and that the public could not expect the service that it had received. Nevertheless it was deceived by announcements made by government officials into the belief that better service would be rendered. It was announced that the "Public be damned" policy of the railroads would cease and that henceforth the policy would be "The public be pleased." This public be pleased policy was carried out by cutting down the number of passenger trains to the minimum, side tracking those which were run to give long fast freights the right of way, and holding up the shipments, or even refusing to take the shipments of private shippers. There is one thing very certain. The railroads under private operation could not have put through such practices under the slogan "The public be pleased."

At no time in the whole history of the American railroads have they been operated under a "public be damned" policy to the same degree that they have been during the time that they have been operated under the Government. There is no question but that this was necessary. The railroads have not been operated and it was not the intention of the Government when taking over the railroads to operate them under a "public be pleased" policy. From the very start they were operated under a "help win the war" policy. This was right and proper. They were taken over largely because it was felt that the "public be pleased" policy of private operation, the only policy that makes private ownership a success, would not result in the fastest possible movement of war supplies. The fact nevertheless that the Government did advertise a "public be pleased" policy and then not only failed to back up this advertising but operated on the opposite policy shows its inability to make a success of railroad operation under normal times. The public has become too much accustomed to the courtesy, good service and comfort of pre-war American railroad travel to take kindly to the sort of service that can be expected from government operation.

The method of standardization put into operation by the Government, though a good war measure, would if continued for any length of time result in reducing the efficiency of the railroad systems and very materially hold back progress. Standardization is all very well for quantity production, but quantity production does not spell progress. If all our automobiles had been manufactured in highly standardized factories, they would not have all the comforts and conveniences to be found in them today. This fact is demonstrated by an examination and comparison of those cars which have not been standardized to any great extent in the production processes and those which for many years have been manufactured where quantity pro-

duction and standardization are the main features of the factories.

Railroad rates instead of coming down have steadily advanced and the service has steadily depreciated. Today we have to pay much more and we get much less than we did under private ownership. If this was confined to the railroads we might be persuaded that the railroads are a special case but in everything that the Government operated the cost has mounted. It is hardly possible that it could have mounted as fast under private operation.

For years we have been accustomed to look upon the telephone and the telegraph service to be as reliable as the rising and the setting of the sun. Labor troubles were handled in such a way as not to seriously interfere with the service rendered to the patrons. Today my telephone is dead. It is of no use to me. No one can call me and I can call no one. I am still paying rates but am receiving no service. Why is this? Simply because the governmental powers now operating the telephones have not been able to handle the labor situation as satisfactorily as were the men who did this work under private operation. All commercial, industrial and social activities have come to depend to so great an extent upon the telephone that this is a real catastrophe. There is promise that continued government operation will result in placing our telephone service in the same class of that of other countries where government ownership and operation of telephones and telegraphs is in the hands of the Government. Up to the time that the Government took over the operation of these systems, the United States had the best and the most efficient systems in the world. They were dependable and the modern business man found it greatly to his advantage to make use of them.

The cost of using the telegraph lines is constantly rising and the increases are greater than at least one man whose experience in building up a great system should qualify him to know, claims is necessary. The public is being given poor and poorer service and it would almost seem is being mulcted at the same time.

The post office is held up as a shining example of the efficiency of government operation. Yet this service has not demonstrated its ability to meet emergencies any better than have privately operated utilities. The cost of the service has been increased and the quality and reliability decreased. This decrease in quality of service appears to become greater as the Government takes over the operation of more and more utilities. It would appear that when railroads were privately operated they tended to maintain the mail service on a high standard. Although government bookkeeping is such that it is rather difficult to get at the true condition of affairs it is quite evident that the post office service is not self-sustaining. It is also evident that at least a part, and this a goodly part, is due to the abuse of the franking system. It costs the Government thousands and thousands of dollars to carry free though the mails political propaganda that should and no doubt would under private operation have to pay its way. There is no question about a private corporation being able to render better service and to render it at lower cost than the Government is now doing in the mail service.

Free service rendered by large private corporations is being condemned by the Government but government operation means a greater and greater extension of free service

to politicians and a great and greater expense to the taxpayer. Why should and why does the Government permit abuses that it condemns in the case of private operation?

Some states have attempted to enter the insurance field. The state of Wisconsin organized a state life insurance company. The object of this company was to render life insurance service at a lower rate than do the privately operated companies. The government ownership visionaries expected this undertaking to show up the profiteering of the private companies. This undertaking was launched and started out with some promise of success. Within a few years, however, business fell off rapidly while expenses increased. Recently the time came when it would be necessary to very considerably increase the rates or re-insure the policy holders in a private company. The only satisfactory solution was to re-insure the policy holders. The state could not give the service rendered by the private companies and do it at as low a cost unless a deficit was made up by the taxpayers.

State and national governmental departments have usually been considered better qualified to operate big enterprises than municipal governments are to operate them. This idea is based upon the assumption that men of greater ability hold the state and national offices and that when the control is thus centralized, politics does not enter into the operation to so great an extent as when the government is strictly local in nature. Whether or not this is true, the state and the national governments have already demonstrated beyond every question of doubt that politicians, no matter how great their political ability, cannot operate business enterprises as efficiently and as satisfactorily as business men can operate them. Politics requires a certain sort of ability and business another. Successful business men do not ordinarily make great successes in politics and our politicians are not making a great success in business.

A Public Ownership Sink Hole

Toronto's white elephant, the civic abattoir, continues to drain the city's finances at an alarming rate, and is now a quarter of a million dollars in the hole. Last year the cost of operating the institution amounted to 104,662, while the revenue was so small that a loss of \$75,000 was shown. The situation will be even worse this year, as the cost of operation will be larger. Including the civic cattle market, there will be a loss this year on the two enterprises of little short of 100,000—truly a costly price to pay in a single year for the satisfaction of supporting the public ownership fetish.

Even the most ardent advocates of public ownership in the city council are admitting that the situation looks bad, and at this week's meeting it was decided to set a committee to work to make a thorough investigation of the whole business. It is a foregone conclusion just what the result will be. Already Finance Commissioner Bradshaw, who for one does not believe in saddling the whole population of a city with the cost of operating undertakings for the benefit of the few, has expressed the expert view that it is impossible to make the enterprise remunerative, even if the city had power to force every butcher outside of the packing interests to slaughter all animals at the abattoir.

And to talk of the city plunging deeper into the morass, with the addition of a dead meat business, shows an infatuation on the part of Toronto's will-o'-the-wisp chasers that should be promptly dealt with by the citizens.

The city of Wheeling, W. Va., has lost more than \$1,000,000 on its municipal gas plant. It has closed down that plant now and the total loss may reach an additional \$500,000.

Weighed and Found Wanting.

(Continued from page 134.)

the price up to the \$3.50 a bushel which the Administration itself anticipates. They are already refusing to sell at prices considerably higher than the minimum guaranteed by the government. But the government price-fixing system, which guarantees a minimum price which the farmer shall receive for his wheat, has either no power or no inclination to fix the maximum price which the people must pay for their bread.

Under the government food trust, the more plentiful food is the more costly it is.

The third current example is seen in the steel market. There also government control has been established, for the purpose of "stabilizing prices"—a sounding and glittering phrase. What is the result? The Industrial Board of the Department of Commerce fixed the prices which were to be paid for steel rails and other foundry products. And the Director-General of Railroads refuses to pay such prices and demands that the "stabilizing" business shall be thrown into the discard and that steel shall be thrown into an open market, free from government control. Explain it as anyone may, the simple fact of the case is this:

The government would not pay the prices which it had itself prescribed.

We have said that there are these three noteworthy current examples. There is a fourth, which we might mention, which is both current and of long-standing; in some respects the most flagrant of them all. That is, the extension of government control over the telephones, telegraphs and cables. But we hesitate to refer to it because of the difficulty of doing so in language befitting general circulation in polite society. Let us dismiss it with the restrained observation that services which were formerly inexpensive have been made much more costly, and that services which were formerly singularly efficient have been made so grotesquely bad that to mention "efficiency" in relation to them seems an offensive contradiction of terms.

Let not this criticism be misunderstood. We are not disputing the desirability, perhaps even the necessity, of making some of these arrangements as war-time expedients. We do not believe even that would have been necessary or desirable if affairs had been properly managed before the war. For example, if the government had not for years been apparently trying to starve the railroads to death, the war would not have found them in so inefficient a condition as to call for government intervention. The simple fact is that the government itself was chiefly responsible for the poor condition of the railroad service, and it is notorious that as soon as it took control of the railroads it immediately did with the roads the very things which it had refused to let them do for themselves. Only, if it had let them do those things for themselves, the service would have been improved, while, when the government itself did them, the service was not improved but impaired.

Nevertheless, let us concede that at least some of these extensions of government control were necessary as war measures. It was only as such that they could be justified, and the results to date are nothing short of a "horrible example" to warn us against continuing such control in time of peace. That is the great object-lesson before the American nation today—a lesson so striking and so beneficial as to be worth all its enormous cost to the nation, if only the nation will heed it and learn it and act upon it. Government control has meant and means less efficiency and greater cost; it has meant and means higher prices for the necessities of life. It has been weighed in the balance of practical experience and has been found wanting in profit to the public welfare.

Some Present Problems of Public Utilities

Address by Samuel Insull at the Annual Meeting of the Illinois Gas Association

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WHILST sitting here and enjoying the good-fellowship of the occasion, I could not help thinking what a fortunate people we are. Here at the close of the greatest war the world has ever known, before peace is declared, we go back to our ordinary avocations and pleasures, scarcely scarred, in proportion to our population and resources, by loss of life or sacrifice of national wealth; whilst other nations, after meeting the brunt of the awful conflict for nearly four years and grief stricken by appalling losses of life, are doomed to carry enormous burdens for generations.

And what a change has come within the year!

If we had met a year ago the air would have been charged with apprehension of the great German military machine which was to be let loose in a few days for its supreme effort; and instead of indulging in hilarity, we would have been fearful of the consequences of that effort, now ended so gloriously for the arms of the Allies and of the United States.

But notwithstanding our lightheartedness tonight, we in the utilities business have many grave problems before us. We are living in extraordinary times; we face conditions and problems calling for our best thought; and I ask you to pause in the pleasures of the evening to consider some of them.

As utilities men, we must carry our share of the after-the-war reconstruction burden; we must conserve the properties for which we are responsible to their owners, the stockholders; and in doing this we must not fail to maintain and extend the service which these properties render to the public, because maintenance and extension of service is both a duty to investors and to the public and a factor in the state's reconstruction tasks. To meet these obligations adequately, we need to take the broadest possible view of our obligations.

In the very first place we must see to it that the men who went from our service to war, with banners flying, do not have to look for a job when they return. Our duty to the communities in which we live and to the properties which we manage is to place those men on the payroll first and find them jobs afterwards; to see to it that every man who went from our service to serve his country gets as good a position as he had when he left and if possible a better one.

The public utilities business as a whole has been hard hit by the war, with selling prices of its products fixed by ordinance, by contract, or by commission order, and with prices of labor and material steadily advancing over a period of several years. The difficulties in that side of the business represented in this room have been very greatly increased by the still greater difficulties of other kinds of utilities, particularly the street and interurban railways. Their situation has at times frightened our security holders, who have failed to differentiate between the positions of gas and electric companies on one hand and street railways on the other. In the street railway business, labor is a far more important item of expense than any other. Great advances in wages (in many cases by governmental action) without any relative advance in price of service, have brought street railway properties to a dangerous position. Unless we can convince the public that we are not as seriously affected, we will suffer sympathetically as much as the street railways actually suffer.

This situation raises another disquieting question, namely, whether public utilities of any class can depend upon the governing powers for the calm, scientific and just treatment which is so essential both to the maintenance of good service and to the protection of investors in utility properties. This question is emphasized by the positive statement in the newspapers that the Chicago surface lines are to receive no relief whatever from the Public Utilities Commission, and by the hurried re-opening of the Peoples Gas Light & Coke Company's case before the commission, while that company is in the midst of applying recent orders of the commission. And with this discussion comes the further question, voiced in a leading newspaper only a few days ago, asking whether problems of utilities regulation were being considered from the viewpoint of service cost and fair return to the investor, or whether they were being considered with one eye on the Chicago mayoralty campaign and the other eye on the legislative chamber at Springfield.

Gentlemen, regulation of public utilities by state authority—non-political, scientific, just regulation—is on trial at this moment in Illinois.

If state regulation is to be a success, that regulation must be divorced absolutely from politics and administered without reference to the popular favor or prejudice of the moment; if the Public Utilities Commission's existence is to be justified, its decisions must be wholly on the basis of cost of service rendered and a fair wage for capital as well as a fair wage for labor.

I have some right to discuss this subject. I was the first man in the utilities business in this state, I believe, to advocate the regulation of public utilities. In 1898, as president of the National Electric Light Association, I urged regulation in place of competition as a means of stabilizing the utility business, developing service adequate to the needs of the public and lowering the cost of that service.

Regulation has shown, wherever given a fair trial, that it is sound in theory and workable in practice. Whenever given a fair trial it has worked better from year to year. But regulation will not work unless applied justly, in complete harmony with the fundamentals of the theory of regulation.

The right to regulate must carry with it the obligation to protect; and this obligation to protect is not subject to reservations or evasions. The Public Utilities Commission of Illinois was created, and clothed with full regulatory powers, for the protection of the citizens of the state, whether those citizens be producers of utility service or users of utility service. To sacrifice the interests and rights of either class to those of the other is equally reprehensible and unjust; and when injustice enters anarchy is at the threshold.

Whether the utility to be regulated is an individual or a corporate creature of the state, corporation and individual are equally entitled to protection, just as the smallest user of gas or electricity or other public service is entitled to protection; and until we can show the citizenship of the state that justice is not done unless we, as well as our customers, are treated justly, we will have failed in our mission as public utilities men.

Permitting political expediency to color the work of a state regulatory body will destroy that body's usefulness to

the people, and the evil consequences of that destruction will reach far beyond the utilities directly concerned.

Take Illinois as an example. How many people—how many of us utility men, even—realize the importance of this subject to the state as a whole?

The electric light and power, gas, and street and electric railway companies of Illinois represent \$850,000,000 of invested capital. They have a gross income of \$175,000,000 a year.

The new capital expenditures of these Illinois companies in this year of 1919, according to the budgets that have already been made, will be between \$65,000,000 and \$70,000,000; will be that is, PROVIDED *their credit is maintained* (by means of adequate rates) *on a basis that will permit them to secure the necessary funds.*

Think of what that one item means to the reconstruction problems of the state and to the task of providing work during an anticipated period of acute unemployment in general industry.

Let me make a comparison. We have heard much of the state's road building program as a factor in reconstruction and in providing employment; yet the state has provided only \$60,000,000 for road building and its plans provide for spreading expenditure of that sum over not less than a five-year period. In those five years, the public utilities will spend for new capital work in this state, provided their credit is maintained, not \$60,000,000, but probably all of \$450,000,000.

These companies have 45,000 employes, of whom 8,000 to 10,000 were in the fighting forces of the country during the war. They have, it is estimated, upwards of 35,000 stockholders, of whom 25,000 are citizens of Illinois, and there is probably an equal number of the holders of our senior securities, or a total of 50,000 stockholders and bondholders, who are citizens of this state.

The gas and electric companies of the state serve 1,700,000 customers. The street and electric railways carry 2,000,000,000 passengers each year.

In the light of these figures, no words of mine are needed to emphasize the importance of these public utility properties in the commercial, industrial and social fabric of the state. Unless these properties can live and prosper there will be no prosperity in Illinois.

Whilst the protection of this great public utility interest is, therefore, or should be, a matter of concern to all of the people of the state, it is the particular concern of us who manage these properties. Think what it will mean to us if we can bring home, to the communities in which we operate, the significance of the figures I have just given you.

Now it is our special job to get at the people of those communities: to get at our own 45,000 employes, our own 50,000 stockholders and bondholders, our own 1,700,000 customers, and the customers of the electric railways—the people we serve and who know whether our service is good or bad.

We ought to bring home to them that rate making in our business is not a simple matter of fixing a flat price for a product or a service; that a proper system of rates has to be adjusted to varying classes of service and to the conditions under which that service is rendered; that proper systems of rates cannot be worked out scientifically when politics enters, and that an enormous field for development will be opened alike to industry and to ourselves by proper systems of rates.

One of my young men—I do not know whether he was dreaming, or figuring, or just happened to put the decimal point in the wrong place—has worked out the conclusion that the Peoples Gas Light & Coke Co. would be doing an industrial gas business of \$90,000,000 a year if it were supplying gas to all the industries in Chicago that can use it to advantage. That may seem a wild dream. But I know

that the Commonwealth Edison Co., notwithstanding its large business, is doing less than one-third of the possible electrical business in Chicago, and that it would be entirely possible to do \$90,000,000 of electrical business a year instead of \$28,000,000, as this year, if we could get all of the available business and the plant to take care of it.

If that is so, the same figures are likely to apply eventually in the gas business, as the industrial field is more generally developed and we are permitted to work out rates that bear a closer relation to the actual service rendered to each customer, with the charge to him based upon the service rendered.

I am a great believer in publicity. I believe it is our duty to the properties we manage, to the stockholders who own them, and to the communities they serve that we should enlighten those communities on the situation. I believe in doing it not in any gum-shoe way, but openly and boldly. I believe in presenting the facts to the employes, whose interest is just as vital as that of the managers; to the citizens of the state who are owners of the properties; to every customer of a gas company, an electric light and power company or a street railway.

The public utilities have the means of getting at their customers, of getting at nearly every household in the state. If that is done, often enough and vigorously enough and fairly enough, you will find the newspapers taking notice of the facts. If that is done, the politician in quest of votes, whether as a candidate for mayor or other local office, or as a candidate for the legislature or for the highest executive office in the state, will be forced to discuss utility questions on the basis of the economic facts and not by drawing on his imagination to create prejudice against a great industry.

I am discussing this, gentlemen, because to my mind it is vital to our business at this time. I see here many who are in both gas and electric business. We are on the fortunate side of the public utilities business. The electric business has suffered some during the war; the gas business has suffered more; both are recovering and can look forward to years of substantial progress. The street railway business is in a very serious condition, especially in Chicago and the larger cities where heavy wage advances have been made by the federal war labor boards. It is up to us to do our part in presenting the facts, not only of our own business, but of the street railway business, so that justice may be done and promptly done. A great English statesman once said, "Justice delayed is justice denied." That is undoubtedly the case of the street railways today.

Control of public utilities by means of state regulation is at a crisis in Illinois. It must weather this crisis if it is going to establish itself in a way that is fair alike to the public and to investors and so become a permanent and respected function of our state government. And if we, openly and boldly, do our share in this crisis by challenging the fallacies and misrepresentations uttered against the public utilities business, we shall be doing a service to the whole state and to future generations of its citizens.

Six Cents in Spokane

Following the hearing in Spokane, Wash., before the Public Service Commission on April 2, on the application of the Spokane Traction Company and the Spokane & Inland Empire Railroad for 7-cent fares the commission issued an order making a 6-cent fare effective immediately for a ninety-day period. The new rate was set to go into effect on all lines on April 6. No change in the present transfer or school-ticket system is made. It was proposed to supply conductors with strips of five tickets to be sold for 30 cents, as an accommodation to those not wanting to handle pennies.

How Taxpayers Who Do Not Use Hydro Are Made to Bear Burden of Below-Cost Service

Expenditures Paid by Province at Large as Indicated by Clarkson Report But One Instance of Unsound System

THE Clarkson report reveals that in order to show a surplus of \$174,919, Sir Adam Beck's Hydro Commission charged up the Province at large with \$1,117,433 of power general expenses—a deficit of \$942,514 is thus actually indicated.

Here is an outstanding example of how hydro projects, in order to kill private opposition, are financed at the expense of the ratepayers of the Province. Yet *The Financial Post* alone calls attention to the fact. Where are these servants of the people—the newspapers? Do they represent the interests of the ratepayers of the Province as a whole or only those who are users of Hydro power?

Sir Adam would undoubtedly argue that these expenditures were for the good of all citizens of the Province. But such arguments could not be "put over" on the people were it not that they are condoned by the newspapers. The T. Eaton Co. might just as well argue that its advertising expenditures are for the good of the city of Toronto and get the city council to pay the bills. The cases are parallel. There is just as much logic behind the idea that Toronto citizens who do not shop at Eaton's should pay for the running of the store for the benefit of those who do as there is behind the system by which the Hydro Commission spends the tax revenues from citizens who do not use Hydro for the benefit of consumers—and glorification of the name of Beck.

Sinking Fund Responsibilities

And that is only one item in the count against the soundness of Hydro financing. Take the sinking fund situation as revealed by the Clarkson report. Charges for the first five years have not been deferred—in accordance with sound interpretation of the Act—but have been wiped out. Common business sense demands that sinking fund charges should be set aside every year. If the Hydro has not made proper allowances—and the investigations at Hamilton and St. Catharines have indicated that it has not—then eventually and inevitably the bill must be paid by someone and that someone is the general taxpayer of the Province.

Here, again, methods which only a public ownership project with the people's funds for backing and a public purse to draw upon have been used to crush the private companies and destroy the property of investors. But the piper must be paid at the end of the dance and it will not be the dancers alone who will pay. Not only is the burden upon the users of Hydro but also upon the general provincial taxpayer who does not.

Why are the ratepayers of the Province kept in ignorance of this state of affairs? Who are the newspapers serving?

Those Rebates of Duty

Take, again, the claim of the Hydro chairman for a rebate of duties paid upon Hydro equipment. Here are the same tactics of demanding discrimination against the private companies which must pay the tariff charges imposed by the Dominion Government. On behalf of the users of Hydro-Electric, Sir Adam asks the national government to turn over to his commission funds which have been collected according to act of Parliament. Hydro customers

would, therefore, get the benefit of this refund while the amount was added to the burden of general taxpayers throughout Canada.

And if this is not done Sir Adam threatens to raise the rates for Hydro.

Instances of Discrimination

Speaking further on this question of tax exemptions for the benefit of Beck ambitions and Hydro consumers we have recently heard a disquieting rumor that further concessions will be sought by legislation during the present session of the Provincial Legislature. And let it be said in passing that the usual procedure is to bring down these measures at the eleventh hour when they can be rushed through by the aid of the "big stick"—the voting power represented by the Hydro municipal ring—which Sir Adam has learned to wield so effectively.

In August, 1917, the Hydro Commission purchased the stock of the Ontario Power Co., a company generating about 160,000 horsepower, and formerly owned by Buffalo capitalists. The township of Stamford and the city of Niagara Falls have collected large sums for taxes each year from this company. The township gave this company a fixed assessment for 21 years from its inception, which covers all taxes except for school purposes. For school purposes the property is assessed at a small fraction of the amount for which it was valued at the time of the sale of the capital stock to the Hydro Commission. Now, so says the report, the Hydro Commission will seek to relieve itself of all these taxes because the stock of the company is owned by the Hydro.

The Hydro does not own the plant; it owns the stock, subject to the various bond mortgages of the Ontario Power Co. covering the plant. There is no reason why the Hydro Commission should not pay Stamford and Niagara the same rate of taxes as is charged to the other companies.

Having been able for the five-year period to pass sinking fund obligations and at the same time charge general expenses to the Province at large, Sir Adam is now evidently finding it necessary to discover some other means of camouflaging Hydro finances if he is not to charge the consumers what the service is costing. Otherwise he will have to raise the rates; he has threatened it himself. And why, we repeat, should he not do so? Why should his ambitious and fantastically financed schemes be placed as a burden upon the general ratepayer?

The Vote of Hamilton.

The Hamilton situation is a case in point which illustrates the methods of public ownership finance. The figures of independent experts appointed by the Canadian Society of Civil Engineers proved conclusively that the Port Credit-St. Catharines line could not be made to pay. Yet Sir Adam "put it over." He had to do so to find a market for the power which he is developing at the expensive Chippewa plant, and the Chippewa project represents, in the first place, justification of Sir Adam's overtures to the Niagara Park Commission for all the available water supply for the people's enterprise—an argument which was

Facts on Municipal Ownership in 336 Towns and Cities

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Adair, Ia.—Having failed of successful operation, the city sold its electric light plant to the Iowa Railway & Light Company, and quit municipal ownership.

Alexandria, Va.—The municipal electric light plant was built in 1889, costing \$17,000. It was sold in 1906 for \$3,500, which included a 30-year franchise. The company which bought the plant made a contract for street lights at \$75 per lamp per year, a saving of \$28 per lamp, and made many important extensions of service.

Allegheny, Pa.—The municipal plant began operations in 1890, giving city service only. The cost was \$562,000. Investigators for the National Civil Federation call the plant "poorly designed, inefficient and expensive to operate," and state that appropriations for equipment had been neglected to such an extent that "the electrician had to build his own switchboard out of such junk as he could collect from machine shop yards." They state that the payroll could be reduced 15 to 18 per cent, and criticize the use of the plant for political employment.

Allerton, Ia.—The municipal electric plant, which has been running at a loss for some time, was sold by practically unanimous popular consent to the Centreville Light & Traction Company.

Ames, Ia.—The engineering experiment station of Iowa State College issued data showing: "In a number of Iowa towns the waterworks (municipal systems) are not self-supporting." It showed, as a result of an investigation, that in many towns pumping costs, operating expenses and fixed charges brought the cost of water up to 75 cents per 1,000 gallons, yet the towns, in many cases, were charging only 50 to 66.7 cents per 1,000 gallons, throwing the remainder of the costs onto the taxpayers. The investigation also revealed waste and inefficiency in leaky valves, clogged wells, unsuitable machinery, and deficient underground flow.

Amherst, Ohio.—In 1912 the council abandoned the municipal electric plant and have since purchased current from a private company. The machinery was so worn out that the town could not sell it at any price, and in 1914 it was still standing idle in the plant.

Appleton, Minn.—The city finally got tired of the burden of its municipal electric plant and sold it to the Otter Tail Power Company.

Arcanum, Ohio.—A very exhaustive report on the municipal light and water plant for one year showed a deficit of \$5,397. Total revenue from all sources was \$11,674, operating expenses and fixed charges were \$17,072. The deficit amounted to over \$3.50 per capita.

Arlington, Ohio.—In one year the municipal electric plant turned up a deficit of \$4,048. The deficit equalled about 225 per cent of the total revenue from private consumers. To break even, the rate should have been 32½ cents per kilowatt hour instead of the 10 cents which was in force.

Ashley, Ill.—The municipal electric plant was sold at auction.

Atchison, Kan.—Superintendent E. C. Willits, of the State Orphans' Home, estimated that it cost the state two or three times as much to make its own power as it would have from a private company, so the public plant was shut down and a contract made with the Atchison Railway & Light Company.

Athens, Ohio.—The people voted to sell the municipal electric plant in 1914. With a registration of over 2,000, only 14 votes were cast in favor of retaining the plant. It had been losing money for years, even though high rates were in force, and the service was very poor. Lamp renewals cost the customers a great deal on account of the irregular voltage.

Attalla, Ala.—After a few years' operation of the municipal electric plant it was leased and afterward sold for less than \$25,000, though it cost \$50,000 in 1892. The city could not make the plant pay.

Audubon, Ia.—Arthur H. Grant states that a municipal electric light plant at this place was sold or abandoned prior to 1908.

Bainbridge, Ohio.—The village water and light plant had a deficit of \$4,926 in a single year. The figures showed this to be about twice as much as the total revenue from customers. This would have made necessary a rate of 24 cents per kilowatt hour for electricity and 75 cents per 1,000 gallons of water to make ends meet.

Baltimore, Md.—An audit of the books of the waterworks in 1911 showed that the department was operating at an annual loss of \$400,000, and that an increase in rates averaging 30 per cent was necessary.

Ballard, Wash.—After five years the municipal electric light plant, which cost \$10,600 in 1897, was leased for fifty years to a private company for \$3,800. The plant was leased because the income was about a third of the operating expenses.

Barberton, Ohio.—The waterworks had a deficit of \$4,175.35 in 1913, according to a report to the state auditor. Serious irregularities in conducting the business were also reported; among them were allowing accounts to run two or three years, and failure to collect penalties for non-payment of bills within a specified time.

Batavia, O.—The city's reports showed total income for its water and electric light plant of \$5,924 for the year, expenditures of \$5,602, leaving an apparent profit of \$312. But these "expenditures" included nothing for interest, sinking fund, depreciation and lost taxes, which totaled \$6,992. That converts the "profit" into a loss of \$1,068.

Bay City, Mich.—The municipal electric plant was shut down in 1919 and a contract made with a private company for current.

Beatrice, Neb.—The municipal electric street lighting plant showed a loss of \$6,051 for the year ending April 30, 1916, according to the report of J. M. McTaggart, expert accountant of Kansas City, who was engaged to investigate the records. In submitting his report Mr. McTaggart said: "Owing to the incomplete condition of the records, we were unable to obtain the necessary data as accurately as is usually available in accounts of private corporations and partnerships, where efficiency in every department is absolutely essential to their very existence."

Bellefontaine, Ohio.—An investigation into the water, gas and electric plants, made in 1914, showed that the gas cost \$2.25 per thousand feet to manufacture, while the deficit on the waterworks, including interest and other fixed charges, was \$10,077.31 in 1913. The electric plant was so run down that it could not give adequate services, and at least a third of the street lights had to be left off every night until enough people went to bed to permit the generators to carry the street lighting load.

Berea, Ohio.—After the town had built a waterworks, getting its supply from the seepage of an abandoned stone quarry, the State Board of Health forbade the officials to turn on the water until an ordinance was passed forbidding the citizens to use city water for drinking purposes.

Berkeley, Cal.—This city bought an electric plant in 1889. After ten years the plant was so worn out that it was not worth operating and was leased to the Berkeley Electric Lighting Company.

Bethel, Ohio.—The town council failed to pay the bills of the municipal electric plant in the winter of 1913-14, and the Board of Public Affairs turned off the street lights until the bills were approved. The 1913 deficit amounted to nearly 100 per cent of the total revenue from commercial customers.

Beverly, Ohio.—The municipal electric plant was sold in May, 1907, to Messrs. Walker and George. Reason for selling: Poor service, high rates, losses in operation.

Birmingham, Ala.—The North Birmingham waterworks, owned by the municipality, was shut down and abandoned in 1911 as the authorities considered it a menace to public health. Water was thereafter taken from the Birmingham Waterworks Company, a private corporation. An epidemic of typhoid was traced to the municipal plant before it was abandoned.

Blacksburg, S. C.—The municipal electric lighting plant was shut down in 1913 because it was cheaper to buy current than to make it. The plant was not a financial success.

Blaine, Wash.—The municipal electric light plant was shut down and abandoned in 1911 after three years' operation. Current has since been purchased from a private company. The service of the municipal plant was both costly and unsatisfactory.

Blanchester, Ohio.—The 1913 deficit of the municipal electric plant was \$701.77 short of making operating expenses. Interest and other fixed charges increased the deficit to \$6,085.10.

Bloomington, Ill.—The street lighting plant was made to show low operating cost by making no allowance for deprecia-

tion. The plant had to be entirely rebuilt in 1906, at a cost of \$40,000. The old machinery was sold for \$3,300, though the plant had cost \$87,000. A contract could be made with a traction company which would save the city \$10,000 to \$15,000 a year over the present cost of running the plant.

Blue Island, Ill.—J. B. Gobet, in 1907, when mayor, said the plant had been grossly mismanaged and that it cost twice as much to make current as it cost the North Shore Electric Company, with whom the municipal plant was in competition. The city made a contract with the Sanitary District of Chicago for a bulk supply of current, shutting down the generating plant, but did not pay their bills; so the Sanitary District, in 1912, had to threaten to shut down the plant unless it got its money—about \$30,000.

Bowling Green, Ky.—In 1914 the city abandoned its municipal electric street lighting plant and made a contract for service with the local company, resulting in lower cost and greatly improved service. It was the inefficiency and expense of the municipal plant which led to the change.

Bowling Green, Ohio.—The city went into the gas business about 1895, and sold out at \$6,000 in 1899. The original investment was \$60,000. In addition there were losses in operation estimated at \$50,000, making the total loss to the city for five years of municipal ownership \$104,000.

Bradner, Ohio.—Though but a village of about 900, this place was able in 1913 to maintain a municipal water and light plant that produced a deficit for the year of \$3,313. This was 130 per cent of the total revenue from private consumers. To offset it light rates should have been 18½ cents per kilowatt hour, instead of 8 cents and water basing rates of \$11.50 instead of \$5 for domestic use.

Brainerd, Minn.—The city got in debt to itself to the extent of \$6,000 for street lighting from its own plant and the lights were turned off. The people tired of darkness and demanded lights. The city council ordered the lights turned on. The lighting board refused until it could find a way of settling the \$6,000, the plant not producing income sufficient to meet the demand. A compromise was reached, but no way was found of making the plant an economic success.

Brandon, Manitoba.—The municipal street railway lost for the taxpayers \$33,868 in 1916, which with a 1915 deficit made a total deficit on January 1, 1917, of \$79,159. Quoting from the official report issued by the city treasurer, G. F. Sykes, we have this statement:

Deficit as at Jan. 1, 1917.....	\$45,290.98
Loss for the period as above (1916).....	33,868.60
Total	\$79,159.58
Less adjustment of depreciation charges.....	\$12,233.80
Less contribution from city general account..	20,322.48
Total	\$32,556.28
Total deficit	\$46,603.30

So while the railway lost \$33,868 in 1916, it began the year 1917 with a deficit of \$46,603, even after allowing for the \$20,322 taken out of the general tax fund to help along. As a matter of fact, this \$20,000 comes from the taxpayer's pocket and not from the earnings of the street railway. It is interesting to note from the official report that in the six classes of tickets issued by the city's railways there were decreases in the proceeds from all except one and that was in miscellaneous, which showed an increase of but \$16 for the year.

Brookfield, Mo.—The municipal waterworks lost money for the city every year for at least five years as follows, according to the report of Marwick, Mitchell, Peat & Co., chartered accountants of St. Louis, employed by the city to go over affairs: 1911, \$1,242; 1912, \$1,651; 1913, \$1,126; 1914, \$829; 1915, \$1,785. Interest on bonds and the contribution for the sinking fund were paid from taxes. The accountants showed the amounts for these items paid each year from taxes. Interest for five years totalled \$4,429, sinking fund \$6,259.

Brookfield, Mo.—The city bought a theater for \$10,000, issuing bonds for the amount. The theater proceeded to lose a nice sum of money for the city, and, according to a local newspaper, "since the theater became the property of the city it has been going to the bad."

Braidwood, Ill.—In 1910 the town sold its municipal electric plant to the Public Service Company of Northern Illinois. In 1909 the total income of the plant was \$3,578, while the expenses were \$5,700, leaving a deficit of \$2,122, according to a statement prepared by Alderman J. B. Howatt, chairman of the lighting committee. The tax levy for 1910 was exactly one-half what it was for the year previous, when the town had to meet lighting deficits.

Brighton, La.—The gas supply from the municipal plant is so bad that none of the city officials will use it. One of the councilmen is agent for a company selling individual gas systems, and is replacing the city service with these as fast as possible—an easy matter when service from the city plant is poor and gas costs \$1.75 per 1,000 feet.

Brownstone, Ind.—The municipal water and light plants were sold in 1908 to the Brownstone Water & Light Co., in order to get the plants out of politics.

Brunswick, Mo.—Debt was the only thing that this city got out of municipal ownership of water and lights. After ten years' operation the plant was sold for one-third its cost. The mayor is quoted as saying, "You could not give Brunswick such a plant under condition that the city run the business."

Bucklin, Kan.—The city abandoned its municipal electric light plant in December, 1915, deciding by a five to one vote at a popular election to buy current from a private corporation. The operating expenses and cost of repairs, not to speak of the fixed charges of the city's plant, exceeded the income and at that gave service only part of the night. The burden became unbearable to the taxpayers.

Buffalo, Minn.—The municipal plant was closed down and put on the market and the city made a contract for service with the St. Cloud Public Service Company.

Burlington, Vt.—The municipal light plant is a huge financial failure. Its report for 1911 shows a "gain" of \$1,321.81 for the year, but in another place the commissioners state that a law suit begun "more than a year ago is still lagging on and has cost the city thus far many thousands of dollars to end it." There is no mention of the "many thousands" in the accounts of the plant. The taxpayers, users and non-users of electric light alike, pay that money.

The suit mentioned is an injunction against spending money to rebuild the plant. The depreciation of the plant has not been properly charged off. The plant is completely worn out, though the depreciation fund amounts to only one-seventh of the cost of the plant. In other words, there is an investment of \$124,085.33 not represented by depreciation which must be written off with the exception of \$16,975.03, which represents land and buildings.

Butler, Mo.—H. M. Cannon, manager of the municipal electric plant, wrote, in 1914, as follows: "I have had enough experience with municipal ownership to know it is a dismal failure. I have figures to show that our plant has always been a failure and an expense to the people. The trouble with municipal ownership lies, in the fact that in the larger cities it soon drifts into public corruption and favoritism, and in smaller cities, where the council changes every year, the men and management never know what to depend upon, have no interest in the business other than their wages, and let things go to rack."

Butler, Ohio.—The municipal electric plant consumed so much fuel that in 1914 the council turned off the street lights on all nights but Saturdays. The tax levy for street lighting, however, was just as high as before. The deficit for 1913 was about 100 per cent of the revenue from private consumers.

Caldwell, Ohio.—This village of 1,800 has municipal water and electric light plants, against which \$44,500 in bonds had been issued up to the close of 1914, when the plant probably could have been reproduced for \$30,000. There was a loss on the plant for 1914 of \$5,844, or 175 per cent of the total revenue from private consumers. On that basis electric rates should have been 22.8 cents instead of 8 cents, while a certain water rate for homes should have been \$55.58 instead of \$19.50.

Calgary, Canada.—The municipal street railway system, with its 2½-cent fare, proved a failure. In 1914 its actual income was \$702,531 and expenses paid were \$698,698. The funded debt of the system was \$2,280,210, upon which there was an annual interest charge of \$106,359. The depreciation charge was \$29,299 in 1914, or less than 1½ per cent, which, of course, was absurdly low. Five per cent would be as little as conditions warranted. If the city had allowed 4 per cent depreciation, its loss for the year would have been \$58,000, net.

Canal Dover, Ohio.—The people started out to build a municipal electric light plant in 1908. They voted \$35,000 as the cost. It took three years and \$60,000 to get the plant in operation and this \$60,000 did not, of course, include expenses for election, litigation, preliminary reports, etc. In one year the light plant produced a loss of \$11,850. And that was not the first nor the second year of its operation, either. This loss was almost 100 per cent of the total revenue from private consumers. It was found necessary to increase the city's tax rate 10 per cent.

Carthage, Ohio.—When the town was annexed to Cincinnati the water and electric plant was abandoned, most of the equipment being sold for junk, and the electric pole line sold to the Union Gas & Electric Co.

Casselton, N. D.—The municipal electric light plant was installed in 1897 and sold in 1903 at about one-third of its cost.

There was a large deficit each year under municipal ownership.

Cedar Rapids, Ia.—In a decision of the Iowa Supreme Court in 1913, the court pointed out that municipal ownership was very costly to the people of Cedar Rapids. The people voted to buy the water works with the understanding that the rates would be reduced. The rates were not reduced, but, instead, a special tax levy is made to meet expenses connected with the plant which cannot be met from the revenue of the plant.

Central City, Neb.—Finding that municipal ownership was too costly, the city sold its electric plant to the Central Power Company.

Chardon, Ohio.—The municipal electric light plant has been such an expense that the people have four times voted down the proposition to establish a municipal waterworks. The books have not been kept accurately, and an investigation showed that the deficit in 1913 was \$1,860.83.

Chariton, Ia.—In 1914 the people voted to sell the electric plant because the town had no more money to spend on it.

Chehalis, Wash.—The municipal electric plant was leased to a private company about 1906, because it could not be made to pay. There were also serious accusations against the city officials in charge of the plant while under municipal management.

Cheraw, S. C.—In April, 1912, the voters authorized the town council to sell the municipal electric light plant to the Blewitt Falls Power Company, the purpose being to get cheaper and better service.

Chicago, Ill.—The loss on the municipal electric light plant operated by the Sanitary District of Chicago amounted to \$199,781.10 in 1911. The total losses during the four years of operation up to that time amount to over \$600,000. The actual expenses of the electric department of the Sanitary District for 1911 were \$901,723.47, while the total income from the sale of electric current amounted to \$701,942.37. In order to make a showing more favorable than the above the officials have charged part of the investment costs to other departments, and have neglected to make adequate provision for depreciation. On Jan. 8, 1914, the Chicago Tribune, always a defender of the Sanitary District administration, said: "The demonstrable fact is that the present cost of producing electricity is at least twice as high as it should be. This excessive cost is due to three general conditions: unsystematic engineering plans, grossly padded payroll costs, unbalanced consumption of the power of the plant. These three faults are all due to politics."

The waterworks has been run at a loss for years. Dabney H. Maury, consulting engineer for the "Merriam Commission," reported in 1911 that the plant was obsolete, and large sums were needed to put it in good condition. Aldermen place this sum at \$15,000,000. The leakage is astounding, being over 70 per cent. A water famine is a regular summer affair, owing to inefficient pumping and water waste. The rates are far too low. On account of the poor character of the service it is estimated by insurance engineers that the people of Chicago pay about \$1,500,000 annually in extra insurance premiums. In addition to water rates the property owners have to pay, in many cases, special assessments, for construction. In 1910 these amounted to \$152,436.76. It is impossible to estimate the millions of dollars invested in pumps which are necessary in all buildings over three stories high. In regard to actual cost the commissioner says in his 1910 report: "Nobody knows. The necessary accounting is not done."

Chickopee, Minn.—On Oct. 1, 1912, the city shut down its municipal electric plant, where the station operating expense alone was over 9 cents per kilowatt hour, and made a contract with the Minneapolis General Electric Company for service. The high generating cost was due to the discontinuance of electric service by some of the large power customers because the service was too unsatisfactory and unreliable.

Chicopee, Mass.—C. W. Whiting, consulting engineer for the Municipal Light Commission of Chicopee, made an examination of the plant in 1911, and found the equipment, which had cost \$65,000, to be worn out and practically useless. He found it would be necessary to spend \$90,000 to put the plant in condition adequately to serve the city. The report recommended a revision of rates, as a customer using 150 kilowatt hours can save \$1.40 by having one more kilowatt hour. The allowance for depreciation had been made a bookkeeping charge only.

Chilton, Wis.—This city attempted to establish a municipal electric plant in competition with the Calumet Service Company, but was prevented from doing so by the Supreme Court of Wisconsin. The decision (made in 1912) says:

"During the latter part of the 10-year period of the Bink franchise, the owner became financially weak and did not efficiently maintain the plant and give altogether satisfactory service, though largely or wholly, because of defendants' (the city's) fault. The latter, ostensibly because of such poor service, refused to deal with such owner; whereupon the latter offered to comply fully with the franchise, or sell to the city,

or meet any competition, but said city refused all advances in that regard and invoked the Railroad Commission, Dec. 23, 1907, to grant a certificate of public convenience and necessity, authorizing another public utility in the city. The proceedings were dismissed because of the existing public utility and defendant's failure to proceed in reference thereto as contemplated by the public utility law.

"Notwithstanding the refusal to deal with plaintiff's predecessor, under the public utility law or the old franchise, public and private lighting was continued until January 17, 1908, though payment for public service and recognition of there being any existing privilege in the matter were refused. Hostility by the city, its efforts to have the claimed privilege superseded, as indicated, or by proceedings, by the attorney general, destroyed the then company's credit, caused its legitimate business to drop and forced it to temporarily suspend. However, it continued all reasonable endeavors to make some sort of arrangement with the city and failed in that regard."

Concerning the Public Utilities Law it says:

"That one of the principal mischiefs sought to be remedied by the new system, was elimination of the conditions promotive of hostilities between municipalities and public utility companies, after making large investment by permission and invitation to serve the public directly as well as indirectly—bitter controversies, sometimes for good reasons and sometimes not, but in any event at the expense of consumer of the product—seem quite certain.

"It likewise seems certain that one of the major means for attaining the desired end was elimination of excessive investments, and excessive expenses caused by two or more public utilities, each with its separate property and fixed charges, where the need of the consumers only required one, and elimination of risk to investors by encroachments, or threatened encroachments, upon an occupied field of public service without any public necessity therefor. Doubtless an unvarying and invariable economic law was squarely faced and appreciated, that all such subjects for elimination represent waste, which if not avoided would, in the main, fall on the product, increasing the cost of service per unit and be paid by the consumers. It was the interests of consumers which was the prime subject of legislative solicitude; such object to be conserved without injustice to others.

"In the situation pictured it could not have escaped legislative consideration and, necessarily, would not have been considered left unguarded against that in the cities and villages of the state; in general, public utility service at the lowest practicable rates with the highest practicable efficiency is impossible without combining the municipal service with that to others.

"Further, it could not well have escaped appreciation and been left unguarded against, that one of the fruitful sources of waste to ultimately fall, largely, if not wholly, on consumers, and fruitful sources of wasteful controversies and injustice to owners of existing investments, many of whom were bondholders as in this case, was opportunity for municipalities to unreasonably menace existing investments by threatening to displace, or actually displacing, in whole or in part, existing public utilities in cases where proper regulation would secure efficient operation—ample efficient service in the whole field, thus creating waste in many ways and to a large amount in the aggregate, to the impairment of efficiency in general, and enhancement in cost per unit of service to the consumer, contrary to the purpose of the act."

Christianburg, Va.—The municipal electric plant was established in 1900. In 1907 the generating plant was shut down and power purchased from a private company. In 1908 the distributing system was sold to a private company which promised to make extensions and improvements which the city could not afford.

Cincinnati, Ohio.—The Madisonville municipal electric plant is a mystery to the people of Cincinnati. They are unable to get any facts regarding it. An investigation made in 1914 disclosed the fact that even the city officials themselves had never collected any comprehensive data regarding the plant. There is a discrepancy of hundreds of dollars between different reports of the same transactions. The city electrician reported a surplus of income over bare operating expenses of \$490.98 for 1913. Fixed charges turn this surplus into a deficit of \$15,698.70.

Clarion, Ia.—On July 9, 1910, the municipal lighting plant was sold. The plant had been a persistent loser, and was practically depreciated out of existence.

Cleveland, Ohio.—The municipal electric plant has been a consistent money loser ever since its establishment. A complete plant, which was to give cheap light to every citizen, was estimated by F. W. Ballard to cost not over \$2,000,000. Up to 1919 the municipal plant had as customers less than one-sixth of the actual users of electricity in Cleveland, the rest being supplied by a private company. It supplied only one-third of

the street lights, the company supplying the remainder. Its total plant capacity was rated at 17,000 kilowatts, while that of the company was 135,000 kilowatts.

Mr. Ballard, the plant's original manager, and one of its founders, stated, in 1915, shortly before his resignation, that "We expect to make \$200,000 surplus for the year 1915." The plant actually lost \$58,219 in that year, as established by Nau, Rusk, & Swearingen, certified public accountants, of Cleveland, who were employed by Mayor Newton D. Baker to report on the exact financial condition of the plant and settle some of the controversies which centered about it. They devoted about ten months to the investigation. This was evidently considered by the accountants as an unusually long period, for they said in their report: "The delay in rendering this report and the almost inexplicable length of time it has taken to prepare the statements herein must be entirely attributed to the chaotic conditions of the bookkeeping records for the year 1915." About seventy pages of the report were given over to corrections of errors found in the bookkeeping. The accountants found and reported that during 1915 the plant had capitalized one-half of its bond interest. The total amount of bonds outstanding was \$2,817,000 (on \$70,000 of these half the interest was not so capitalized) and the total investment in the plant \$3,667,688. In November, 1916, another bond issue of \$1,750,000 was voted, making the total bonds more than \$4,500,000. Originally they were \$2,770,000. The report further showed receipts for 1915 to have been \$548,574.72, operating expenses \$428,669.74, leaving \$119,904.98. From this the report shows the following deductions: Funded debt interest, \$112,655.90; other interest, \$9,545.48; interest on city investment, \$24,229.32, and taxes foregone, \$31,693.72, making a total of \$178,124.42. This exceeds the gross income by \$58,219.44. It was shown that the project could not have been financed at an interest rate of 4.5 per cent if the entire credit of the city had not been behind it.

Cleveland, Ohio.—The State Bureau of Inspection and Supervision of Public Offices examined the books of the South Brooklyn municipal electric plant for the three years ending 1908 and showed the following costs per arc lamp: 1906, \$81.10; 1907, \$73.15; 1908, \$69.25. Compare these with the claims of the municipal manager—1906, \$58.25; 1907, \$73.37; 1908, \$48.13. Compare them further with the prices paid by the city of Cleveland to the Cleveland Electric Illuminating Company for lights in areas not covered by the municipal plant—1906, \$69.72 per lamp; 1907, \$67.92; 1908, \$54.96. During the four years ending 1909 the lights furnished by the municipal plant cost \$133,000. If these lights had been furnished by the Cleveland Electric Illuminating Company they would have cost \$109,000, showing a loss to the city of \$24,000 on the small proportion of lighting done by the municipal plant.

Public Service Director Lea, in July, 1910, said of the two municipal light plants owned by the city of Cleveland: "For weeks accountants have been trying to arrive at a correct posting of the records of the two plants so as to enable us to tell whether they are paying or losing. I am satisfied that both plants have never earned a cent, if depreciation is figured in. Figures already compiled tell us this, but the system of bookkeeping employed has not been detailed enough to give us an accurate accounting."

Coal City, Ill.—In August, 1911, the municipal lighting plant was sold to the Public Service Company of Northern Illinois. The town had been losing money on its operation for fifteen years. The first cost of the plant was 20 per cent above the estimates. William E. Somerville, president of the board, says: "Depreciation was never figured on while we were running the plant. It should have been, of course, and many other things should have been figured on, too, for that matter, but they weren't. Under municipal ownership our plant was never run on a business basis, and from a business standpoint it was run at a steady loss. We corrected the evil, however, when we sold the plant, and as a result we now get much more satisfactory service at less money."

The original estimate of the cost of the plant was \$12,000, but this was too low, and \$15,000 was spent before the plant was completed, an increase of 25 per cent over the estimate.

Columbia, Ala.—The municipal electric plant was in existence two years, being sold in 1908 because the town could not afford to meet the losses in operation.

Columbiana, Ohio.—The State Inspector reported, under date of March 29, 1913, as follows: "The village owns and operates a water and light plant. Said plant is not self-supporting, as transfers amounting to \$6,000 have been made from the service fund to the water and light fund during the period covered by this audit."

Columbiana, Ohio.—The State Bureau for the Supervision of Public Offices examined the water and electric plants a few years ago, reporting the physical condition bad, and the financial condition worse. "Grave irregularities" were reported,

such as the issue of vouchers in such sums as to cause overdrafts of public funds and the failure of the clerk to keep any record of the water and light funds in his appropriation ledger.

Columbus, Ohio.—The Bureau of Municipal Research, of New York, examined the municipal electric plant, and reported in part as follows:

"The statement of bonds outstanding does not agree with the records of the sinking fund trustees, owing to the omission of a series of electric lighting supply (4 per cent) bonds amounting to \$18,000, issued in 1905, due 1915.

"Unless the rates are very carefully adjusted to take this fact into account, those utilizing city power for private residential lighting will receive a portion of this service at the expense of the taxpayer of the city."

There was an apparent profit for the year of \$216.41. However, the expert found that this took no account of sinking fund and interest. Sinking fund amounted to \$20,000 and interest to at least that much more. Taking \$40,000 or more from \$216 did not leave much "profit."

The experts stated in their report that the accounting system of this plant management was bad and needed replacing by an "efficient method." They also condemned the "politics and vascillating policy" of the management. They recommended that the management of the city water and light plants be combined, taken out of the hands of the city council and turned over to "specialized commissioners."

This plant was built originally in 1898 with \$68,000 raised by bonds, which amount the promoters said would be sufficient. It was only the starter. In 1901 the plant was reconstructed and then began successive bond issues, leading up to \$910,500 by 1915, aside from \$50,000 subscribed and paid for by the sinking fund commission. The net cost of the plant to the city in 1913 was \$245,751, instead of \$125,659, as reported by the lighting department. This plant has been the source of continual trouble, turning up its share of costly investigations and prosecutions, practicing favoritism and unbusinesslike methods in letting contracts and hiring employes. In 1916, when as a means of helping the city to meet a deficit, the light plant management suggested curtailing service, the Daily Citizen of Columbus observed: "Had the light plant been operated efficiently the last few years, there would be no need for retrenchment in the matter of street lighting today."

Columbus, Ohio.—The 1910 report of the municipal electric plant said: "It is necessary to call your attention to some of the conditions existing at the light plant at the beginning of January, 1908, and what was done to eliminate them.

"There was a lack of information and records giving the costs, location and number of poles, lamps and a map showing the location of lines, etc. The overhead lines were in poor condition; every wind that came up broke the leading wires at the lamps, and wires falling down on wires of other companies. This resulted in poor service and a very large maintenance cost.

"The current supplied was 6.6 amperes and should have been 6.9.

"Switchboard meters were never calibrated, and it was necessary to recalibrate them and send same to factory for repairs before any accurate record could be obtained.

"Boilers were very scaly, coal conveyor in poor condition, a very poor grade of coal was being used and the amount of coal burned was excessive."

Columbus Grove, Ohio.—When in 1902 this village started in to buy its electric plant from a private company it incurred legal expenses to the amount of \$4,000 in the process, but this \$4,000 was paid from general taxes and never charged to the cost of the property, which was put down at \$15,000. This is a common practice of municipal ownership. In one year the plant's gross income from private consumers was \$7,828 and credit for public service \$2,155, making \$9,983. Its operating expenses alone were \$8,404, to which was added fixed charges of \$7,300, making total expenses \$15,704 and the deficit, therefore, \$5,721.

Concord, Mass.—The report of the Electric Light Board for 1910 says, regarding the law requiring that depreciation be charged in municipal plants: "Reference was made to this law in our report of last year, and the town took no action in the matter. We again call the attention of the town to Section 21 of Chapter 34 of the revised laws, as amended by Section 1, Chapter 411, of the Acts of 1906. We respectfully refer the consideration of this matter to the town." Depreciation has never been charged off by this town. In 1910 it would have been, according to law, \$4,320 (3 per cent of \$144,021), and would have created a deficit, as the cash balance was only \$1,645.21. The city appropriated \$5,000 for operating expenses, and spent \$20,000 in 1909, a large part of which went for replacing worn-out equipment which had not been charged off to depreciation.

Council Bluffs, Ia.—Municipal ownership has not lowered water rates, but it has increased taxes by at least 5 mills.

according to a report of the State Examiner of Public Accounts made early in 1914. The meter rates for water are the same under municipal ownership as under the old company. The flat rates are higher. Under private ownership the people were taxed 2 mills to pay for hydrant rental. Now they are taxed 2 mills on account of water bonds, and 5 mills additional to meet running expenses.

Crawfordsville, Ind.—In 1910 Prof. J. W. Esterline, of Purdue University, was engaged to examine the municipal electric light plant with a view to rehabilitation. He recommended that the entire plant be scrapped, as it was worn out and obsolete. He estimated the cost of a new plant at \$93,000.

Cuba, Ill.—The city council has decided to sell the municipal electric light plant. Bids for the plant will be received by Virgil Durand, city clerk, until Aug. 13.—*Electrical World*, June 22, 1912.

Cumberland, Wis.—The State Railroad Commission ordered the municipal lighting plant to increase its rates in 1909 because the plant was losing money. The 1900 deficit was \$961.65.

Cuyahoga Falls, Ohio.—The municipal water and light plants piled up a deficit of \$14,057.24 in 1913, according to an investigator, who also found that the plant is ready for the scrap heap, and that political interference prevented the plant from being run economically.

Dana, Ind.—Municipal electric light plant sold to the Clinton Light & Power Co. for \$6,700.

De Graff, Ohio.—This village of 1,000 population has paid dearly for municipal ownership. It built its own electric light plant in 1893. Its deficit in one year amounted to \$3,188.36 and for more than twenty years it kept taxes so high as to discourage facing further debts for new ventures. In the summer of 1913 fire gutted the heart of the town, entailing a loss of about \$100,000. This could undoubtedly have been prevented, but for the lack of water. The town had no waterworks. Its electric plant absorbed all surpluses, by continuously creating deficits, which might otherwise have been invested in a waterworks.

Decatur, Ill.—When the people got an estimate on the cost of municipal lighting plant the figure was \$52,000. Later it was thought well to add more lamps, so the figure rose to \$60,000. Then the figure went to \$75,000 in order to provide high grade equipment. The real cost was \$90,000.

Delta, Iowa.—The municipal gas plant was disposed of in 1908. The new owner reduced the price of gas and relieved the taxpayers of the losses they had had to meet under municipal ownership.

Dexter, Mo.—The municipal electric plant was leased to B. F. Eicholtz in 1905 and later sold to him.

Dubuque, Iowa.—In 1907 the scandals surrounding the operation of the waterworks came to a head. The plant had then been municipally owned seven years. It was purchased for \$545,000, the idea being to take the plant out of politics, to extend the system, reduce taxes from "profits," reduce the "robber rates" which "oppressed" the manufacturers and domestic consumers. It was necessary to levy taxes to meet interest and sinking fund payments. Taxes to the amount of \$46,000 were raised. The city had paid the company \$12,000 for hydrants and other charges, so the increase in taxes used for water purposes was \$34,000. Large debts were incurred and kept a secret as long as possible. The trustees, manager and several employes were forced to resign and it was hard to get responsible citizens to act on account of their fear of besmirching their characters.

Dunkirk, Ind.—This city tried municipal ownership of electric light for three years, beginning 1901. In 1904 the city lost the plant to the bondholders, paying them \$2,300, besides meeting the operating losses during the period of municipal ownership.

East Chicago, Ind.—The operation of the municipal electric plant was so unsuccessful during the first three years (1900-1903) that a receiver was appointed. The plant was sold to a private company for a fraction of its cost in 1907.

East Grand Forks, Minn.—The municipal electric plant began operation in 1902. In 1907 it burned. Five days afterward the people held a mass meeting and decided unanimously not to rebuild. A contract was made with the company in Grand Forks, N. D., which is still in effect (1912).

East Point, Ga.—In 1914 the city shut down its generating plant and has since purchased electricity from a private company, reducing the deficit by over \$500 a month.

East Portland, Ore.—When the city consolidated with Portland it was not considered worth while to continue the year-old municipal electric plant so it was sold.

Easton, Pa.—The municipal street lighting plant has been the subject of criticism by city officials and citizens for many years. The manager, in his report dated April 1, 1911, recommends the purchase of current for part of the service, and says "a saving would be effected."

Edgewood, Ga.—The municipal electric plant had been in operation only a year when it was shut down in 1908 and sold,

the citizens getting their light from the Georgia Ry. & Light Co. **Edmonton, Alberta.**—According to the statement of W. T. Woodroffe, superintendent of the municipal street railway, there was a deficit of \$26,495 during the year 1912. The *Official Gazette*, the city's publication, reports that the loss on the municipal street railway up to Jan 1, 1914, was \$405,394.

Elgin, Ill.—The municipal plant was turned over to a private company in 1904, after sixteen years of unsuccessful operation, during which time the loss is estimated to have been at least \$100,000. In 1911 the city tried to sell its generating machinery (which the company had found too antiquated to operate) and, although this machinery had cost the city \$50,000 twelve years before, the only bid received was an offer of \$1,000, delivered at Chicago. Depreciation, it is therefore evident, was at the rate of over 8 per cent, for which no allowance had ever been made during the time the city operated the plant.

Ellensburg, Wash.—Rates of the municipal light and water plants were raised, after several years of losses, in an attempt to make the plants pay. The rates for lighting were advanced, for instance, beyond those paid a private company by the neighboring town of North Yakima.

Ellisville, Miss.—In April, 1912, the people voted by an overwhelming majority to ratify the aldermen's action in selling the municipal lighting plant to the Laurel Railway, Light and Power Company.

Ellwood City, Pa.—The municipal generating station was unable to carry the load after three years' operation, so, in 1904, it was shut down and has been idle ever since, the city purchasing electricity from the Pennsylvania Power Company.

Elk Rapids, Mich.—The municipal electric plant did not pay and was sold in 1908 to the Elk Electric Company.

Elma, Ia.—By popular vote the city abandoned its municipal electric plant because it could not be operated without loss.

El Paso, Tex.—When the city bought the waterworks a rate of 20 cents per thousand gallons was put in effect. This was found to be such a heavy loser that the rates under municipal ownership had to be increased to 30 cents.

Emaus, Pa.—In 1895 the borough sold its electric plant, five years old, for one-third its original cost. The reason for selling was high cost of operation. A company supplied light at a much lower cost.

Emporia, Kan.—After leasing the municipal electric plant to a private company in 1912 the number of customers grew from less than 500 to over 1,300 in a year's time, showing that the plant was not properly managed under municipal ownership. It was freely admitted at the time the lease was made that the city's books had been so confused that it was impossible to tell the true financial condition of the plant.

English, Ind.—Seven years after the municipal electric plant started it was sold on account of the large losses incurred. The plant was sold in 1907 for about one-third its original cost.

Escanaba, Mich.—Only five years after the municipal electric plant started the finance committee of the council recommended that it be sold on account of inefficient management and losses. This was in 1905. The plant was not sold, but in 1908 the generating plant was abandoned and current purchased from a private company. Complaints of service are common among the citizens and in the newspapers.

Fairbury, Neb.—The city has light and water plants which it bought for \$135,000 with 5 per cent bonds, \$10,000 of which have been redeemed. The plants do not pay anything from earnings for bond redemption or interest. The city makes a direct tax levy for both annually.

Falls City, Neb.—Both the municipal water and light plants were economic failures and in 1916 an examination showed an absence of systematic records. The city engineer run the plants and a water and light commissioner made collections. There was some sentiment and a move toward selling the light plant.

Farmington, Utah.—Owing to unsuccessful operation, the city offered its electric light plant for sale to the highest bidder. The income from the plant, with the rates it charged, was not enough to pay interest on investment and depreciation, so the city gave up the effort.

Fayette, Ia.—After eight years of municipal ownership the people voted to abandon the city electric light plant and grant a franchise for the service to the Turkey River Power Company.

Fayetteville, N. C.—The municipal electric plant shut down its generating station in 1908, after six years' operation, and has since been purchasing power from the Carolina Power & Light Company for less than it cost the city to make its own power.

Fergus Falls, Minn.—At an election April 2, 1912, the citizens defeated the proposition to rebuild the city's waterpower dam, which had insufficient storage capacity to give steady service. Current is purchased now from a private power company.

Findlay, Ohio.—This city tried municipal ownership of a gas plant, but ran heavily in debt and sold the plant in 1899, the outstanding obligations at that time being over \$60,000. When

Findlay went into municipal ownership it purchased the plant from a private company for \$75,000. An additional investment of \$40,000 was made immediately after the purchase and from time to time money was spent until the total obligations amounted to over \$310,000 at one time. When the natural gas wells gave out in 1899 the city had no available funds for the construction of a \$150,000 artificial gas plant and therefore decided to sell. Instead of increasing rates to cover an expenditure of this sort, the plant was sold to the Citizens Gas Light and Coke Company for \$150,000. This company is still furnishing natural gas in Findlay. When asked about the plant, the former superintendent of the municipal plant said:

"When the city owned the plant unnecessary expenditures were constantly being made, while in many cases necessary improvements were ignored. The pipe line, some of which was thirty years old or more, was in very bad shape. A large amount would have been necessary to put the plant into shape by the city. It was therefore sold. The company immediately set to work to remedy the defects in the old plant, so that now practically all of the pipe lines in the city are new. No city can own and properly operate a gas plant."

Florence, Neb.—This little city, seven miles north of Omaha, Neb., is the site of the Omaha Metropolitan (municipal) water works' chief reservoir and pumping station. Under private ownership, Florence got most of its tax revenue from this plant. Under municipal ownership it reported to the Nebraska state authorities its inability to redeem \$3,000 Florence school bonds past due, giving as the reason, "the withdrawal of the water plant from the tax rolls."

Forest Grove, Ore.—In 1909 a municipal light and water plant was built, bonds being voted on the promise of low rates. In the summer of 1910 the rates were raised to a higher point than those paid by customers of private companies in nearby towns. Customers were also forced to buy their own electric light and water meters. In 1912 the plant was shut down and sold to the Independent Electric Co.

Ft. Wayne, Ind.—H. P. Page, certified public accountant, made an investigation of the municipal electric plant in 1910 which showed that the plant lost \$29,784.47 between Sept. 1, 1908, and Jan. 1, 1910.

Ft. Worth, Tex.—In 1911 the city abandoned its electric street lighting generating plant and has since purchased power from a private company. In 1911 there were 446 arcs and 500 incandescent lights supplied from the municipal generating station. In 1912, a year after beginning to take current from the private company, there were 700 arcs and 1,150 60-watt mazda lamps, yet the cost with privately owned supply was almost identical with the cost of the much smaller installation which had been supplied from the municipal plant.

Fostoria, Ohio.—One of the worst ventures the city ever made was to embark on the establishment of a natural gas plant in 1885. It soon found this out and disposed of the losing plant.

Frankfort, N. Y.—The municipal electric plant was sold to the Utica Gas and Electric Company in 1907 because it could sell current for less than the operating cost of the municipal plant. The plant was then four years old.

Fremont, Neb.—Both the municipal water and electric light plants were shown to be economic failures by the engineering firm of Harold Almert of Chicago, engaged by the city to examine the plants and records. The light plant had been operated by the city for twenty years and had never paid a penny of fixed charges from earnings, sloughing off the whole amount every year upon the taxpayers. The two plants together to date (spring of 1916) stood the city \$627,062 and could, the engineers showed, be replaced for \$477,099. In the last three years, 1913, 1914, 1915, they had lost for the city \$21,590, besides having \$23,090 in bad and uncollected bills and an overdrawn bank account of \$8,365. The net losses for the light plant alone for 1913, 1914, 1915, respectively, were \$12,584, \$12,306, \$5,093. The last loss was less because, the engineers explained, the city had taken on a number of new buildings erected the previous year and had begun properly to bill for merchandise sold, which it had not done before. Yet there was a net loss of \$5,093. The taxpayers had sunk, all told, more than \$340,000 in their light plant alone.

Fulda, Minn.—The municipal electric light plant lost about \$1,000 a year, according to the mayor, so it was given away in 1902.

Gaffney, S. C.—In 1913 the municipal electric light plant was shut down. It had always lost money. Current is now purchased from the South Carolina Light, Power & Railways Company.

Galena, Ill.—The municipal electric light plant was started in 1898, costing \$18,000. It was sold March 6, 1906, to the Tri-State Light & Power Co. for \$13,000, including franchises. The city secured twice the lighting from the company at an increase of

only 10 per cent over the amount of the old bills. Service was so bad that at times there was no street lighting at all.

Galesburg, Ill.—In the winter of 1910-1911 the city was in darkness for a month, owing to inefficiency of the municipal water and light plant. The boilers were in such poor condition that both water and light service could not be maintained. The steam was therefore used to maintain water pressure and the lights were not operated. Later the plant was shut down completely and a contract made with the Galesburg Railway, Light & Power Company.

Galva, Ill.—The receipts of the municipal water and light plant for the year ending March 31, 1910, were \$4,258.76. The operating expenses were \$4,191.33, to which are added interest (5 per cent on \$18,000) \$900, and depreciation (7 per cent) \$1,260, and sinking fund (2 per cent) \$360, making a total deficit of \$2,452.27, or more than half the total income from both plants.

Galveston, Tex.—The new 200 K. W. steam turbine plant was shut down in 1911, and a contract made with the Brush Electric Light & Power Co. for current for street lighting. The change was primarily due to faulty designing of the municipal undertaking, the lighting plant being in the same room as the high pressure water pumps. This resulted in a 10-cent excess premium being placed on all insured property in Galveston. It was cheaper to abandon the new electric plant than to pay the insurance, so the move met with universal approval.

Garden City, Kan.—The city sold its telephone plant to the Arkansas Valley Telephone Company because of unsuccessful operation.

Garretson, S. D.—In 1912 the municipal acetylene gas plant blew up putting the system out of business.

Georgetown, Ohio.—The municipal electric plant has never paid operating expenses. The plant cost \$27,000, though the people were assured in advance that it would cost only \$15,000. The 1913 deficit, including fixed charges, was over 77 per cent of the total revenue.

Germantown, Ohio.—After twenty years of trying to make municipal ownership pay its own way the city sold its electric plant to the Dayton Power & Light Company in 1919.

Gilroy, Cal.—The municipal gas plant was leased to a private company in 1908, after municipal ownership had been tried for six years. The plant had, to use the words of a council resolution, "been conducted at a large loss to the city," and was in poor physical condition. The new managers practically rebuilt the plant in order to give adequate service. An investigation of the water and electric plants, made in 1912 by Charles Remington, showed a loss of \$13,635.39 for the year 1911. In 1916 the city grew weary of trying to make its electric plant come out even, and leased it to private parties for a period of ten years.

Girard, Ill.—Poor service and poorer earnings led the people to sell their municipal electric light plant in 1912. The vote in favor of selling was ten to one.

Gloucester, Ohio.—An investigation into the municipal water and electric plants made in 1914 showed that it cost 64 cents per kilowatt hour to make electricity in 1913. In a town of 3,500 population there are only 35 electric light customers. The water supply from 1898 to 1913 was mine drip, and could not be used for drinking purposes.

Goldsboro, N. C.—In 1912 the municipal electric light plant was sold to the Carolina Power and Light Company, a contract being made at the same time for the operation of the city pumping plant by electricity. The high cost of operating the steam plants is given as the reason for giving up municipal ownership.

Grand Ledge, Mich.—The municipal electric plant was sold in 1908 to the Commonwealth Power Company, thereby getting lower rates and better service than could be obtained under municipal ownership.

Grand Island, Neb.—Hanford & Stone, public accountants, report that bond interest on the electric plant is paid from taxes, and not from earnings of the plant, and that the taxpayers have been assessed \$18,677 for light improvements and \$61,116 for water improvements on account of the insufficiency of the bond issues made for these purposes.

Granville, Ohio.—An investigation in 1914 showed that the cost of 250-watt mazda street lights furnished by the municipal street lighting plant, and burning only until midnight on a moonlight schedule, cost \$48.64 each in 1913.

Gravesend, N. Y.—The municipal electric plant, built in 1899, was never put in operation. When Gravesend was consolidated with Brooklyn the plant, which cost \$120,000, was sold for \$31,000.

Greenwich, Ohio.—Though a place of less than 1,000 inhabitants, the village has a municipal water and light plant able to show up a loss in a single year of \$3,693. This was 100 per cent of the gross income from private consumers, indicating that to make ends meet the electricity rate should have been 17 cents

instead of 8 cents per kilowatt hour and the water rate 45 cents per 1,000 gallons instead of 20 cents.

Greenwood, S. C.—The light and water plant was built in 1898, but was shut down in 1907, as it was cheaper to buy power from a private company. None of the bonds have been paid, nor is there any sinking fund provided.

Griffin, Ga.—On August 27, 1911, the municipal generating station was shut down, and power purchased from the Georgia Power Company. The report for 1911 shows that the water plant's receipts failed to pay operating expenses alone by nearly \$1,000, exclusive of all fixed charges. Without any allowance for interest, depreciation, sinking fund, or lost taxes, the combined water and light plants were overdrawn \$2,309.46 on Jan. 1, 1912. The above fixed charges, figuring interest at 5 per cent, depreciation at 7 per cent, and sinking fund at 2 per cent, making no allowance for lost taxes, would make the total deficit for the year \$12,809.46.

Grove City, Pa.—The deficit of \$1,433.11 in the municipal lighting plant during 1909 resulted in the removal of the street commissioner and a policeman.

Hagerstown, Ind.—The State Examiner reported, in 1913, that the electric light receipts for four years—1909, 1910, 1911, 1912—were \$5,445.58, and the operating expenses for the same period were \$8,668.29, leaving a deficit of \$3,222.71. "In addition to the above," the report continues, "there was paid from Jan. 1, 1909, to Dec. 31, 1912, for meters, borrowed money, engine repairs, cement and lumber, \$1,989.14. During this period there were net transfers from the general fund to the electric light fund of \$4,161.19. This, however, is not included in the statement of receipts. Municipal ownership has not proved a success in Hagerstown."

Hamilton, O.—The municipal water, gas and electric plants have all been disastrous failures. In 1906 a report made to the state auditor said: "The administration of the board of public service extending over the period stated heretofore, is marked with evidence of mismanagement, extravagance and unbusiness-like methods in the operation of public properties placed in their hands." The city reports do not include interest, depreciation, lost taxes or legal expenses and therefore purport to show a profit which quickly disappears and becomes a large deficit in the case of each plant when the total cost to the taxpayers is included. C. S. Metcalf, state examiner for the Bureau of Inspection and Supervision of Public Offices, examined the municipal water, gas and electric plants in 1911 and found them all losing money. His figures on the gas plant for 1909 are as follows: Actual revenue, \$46,277.80; total actual expense, \$71,108.81; loss in taxes (\$161,000 value, 40 per cent of value at 3.45 per cent), \$2,221.80; loss to city, \$27,052.01. The utilities owned by the city of Hamilton are reputed to be the worst operated in America, and have been subject to severe criticism by state and city official investigators for years. In his report Mr. Metcalf said:

"Two and a half years ago, the electric light plant, which was built in 1903, was a complete wreck, and the figures obtained from careful examination into the cost from bond issue and from transfer from tax levy, showed for the life of this plant, fifteen years, a cost per arc lamp of \$113.33, while other cities furnished by private plants showed a cost of from \$55 to \$75; therefore, it is the opinion, that inasmuch as the price per arc can be regulated by the council to a great extent, the problem of municipal ownership of this plant has not so far been a decided success.

"It is admitted by many that such is the case and we should accept the situation as follows:

"The old electric light plant is conceded to have been a failure, and the condition should be the same as any bankrupt company, but such is not the case; the money is gone and the taxpayer will never be repaid and the interest on the money he has in the old plant must be charged up forever. The situation has been that for the privilege of municipal ownership the taxpayer has paid the interest on the bonds, the sinking fund levy for the retirement of the bonds, and stood a tax levy each year for street lighting nearly as great as the levy would have been had the city purchased its electric current from a private corporation.

"Of course, it cannot be helped now; the money is gone and the only purpose in setting forth this argument is to warn the citizens of Hamilton that bond issues submitted to popular vote should be given careful consideration and that it is within the power of council to regulate the charges made by public utilities."

An investigation made in 1914 disclosed the fact that, although the city had abandoned its gas manufacturing plant, which is a pitiful wreck, and purchases natural gas, the losses in 1913 on this service came to over \$40,000, while the losses on the electric plant were \$23,956.27, and on the waterworks they were \$55,580.80. This means a loss of nearly \$400 a day to the taxpayers of Hamilton on account of the city's venture into municipal ownership.

Hampshire, Ill.—In 1907 the municipal electric plant was called "unprofitable to and a burden upon said village" in the ordinance under which the plant was sold for about two-thirds of its original cost.

Hart, Mich.—The generating station of the municipal electric plant was cut down in 1908 and current purchased from a company. The saving amounts to about 25 per cent.

Harvard, Ill.—Just before the municipal electric plant was sold in 1907 it was estimated that arc lamps cost over \$150 a year. The plant had been in operation twelve years, and was in bad condition.

Hastings, Neb.—With a municipal electric lighting plant generally regarded in the city as a fine physical enterprise, the taxpayers have always footed the bills for interest, depreciation and other fixed charges. "Never," said A. T. Bratton, city clerk, who keeps close tab on the plant, in answer to a question if the plant paid its fixed charges from earnings. The plant was valued in 1916 at \$190,000 in round figures. It was established in 1901. In 1916 it had not a pound of its original machinery or equipment. Every pound of this had been scrapped at a complete loss, never a penny being put aside for depreciation or replacement.

Herington, Kan.—The municipal electric plant was so badly operated that the loss amounted to \$3 per capita. The plant was sold, but as soon as it began to show a profit under private management, the people tried to get the profits by buying the plant back, with the usual result that all excess income disappeared.

Hickman, Ky.—The municipal water and electric plant was leased to a private company in 1906 in order to get rid of the deficits which were piling up under municipal ownership.

High Point, N. C.—In 1902 the generating plant of the municipal electric system was sold. Current was purchased at a price lower than the cost of operating the municipal station. Even with no generating problems the city plant cannot make money.

Holgate, O.—After fifteen years of municipal ownership of electric light and water works, the town went over to private service, making a contract with and granting a franchise to the North Western Ohio Light Company for transmission of current from its Leipsic plant.

Hubbard, Ohio.—The municipal electric plant burned twice and was rebuilt. Then it was so mismanaged that the town got better service and saved money by shutting it down and buying current from a company in 1912.

Hudson, Mass.—In 1911 the receipts of the plant were \$22,030.46 from sale of energy. The total cash spent during the year was \$27,792.72, not including any allowance for depreciation. The report for 1911 shows the loss on the plant since establishment to be \$20,924.94. The State Commission on Gas and Electric Light gives the loss as \$21,443.51. The average lighting rate is 12 cents per kilowatt hour. In towns adjoining, the private companies charge a maximum of 10 cents per kilowatt hour. The large manufacturers refuse to patronize the city plant because of high power rates.

Hudson, Ohio.—An investigation into the municipal water and electric plants in 1914 disclosed the fact that the electric generating plant had been abandoned in 1913 after only two years' operation. The plant was given to the town without cost by a philanthropic millionaire, but, without figuring anything for interest or sinking fund, the expenses in 1913 were 644 per cent of the gross revenue.

Hudson, Wis.—While the municipality built a lighting plant in 1888 it has always been able to lease it on better terms than the cost of municipal operation, so the city has never run its plant.

Huntington, Tenn.—By leasing the municipal electric plant the town is able to save on street lighting and get better service than it did when the plant was municipally operated. It was first leased in 1905 and has been run by lessees ever since.

Huntsville, Mo.—After buying the municipal electric plant from a company, and running it for several years, the city sold it again on July 1, 1913. The plant cost \$38,000, according to the McGraw Electrical Directory. It was sold for \$5,150, which included the cost of holding the special election. The sale practically amounted to a gift, the purchaser merely agreeing to pay off the outstanding bonds. The plant was so badly run down that it had to be rebuilt.

Huron, Ohio.—The municipal electric light plant was built in 1898, but an investigator in 1914 found that there is no record of its cost on the city books. In 1909 the original plant was abandoned and the machinery installed in the waterworks which was built in that year. The 1912 deficit was \$7,717.61, that of 1913 was \$11,506.78 and for the first half of 1914 was \$4,596.69. The deficits for 1912-13 and January-June, 1914, average about 150 per cent of the gross revenue from private consumers during that time, after making a proper credit for street lighting and hydrants.

Ionia, Mich.—Dr. Geo. P. Winchell states that the plant is a heavy loser. No depreciation account is carried, and the interest and sinking fund are paid by taxes. Dr. Winchell estimates the annual loss at \$2,000 or more.

Independence, Mo.—Judgments amounting to \$50,000 against the city for personal injuries to men connected with the municipal electric plant were pending in 1914, but the city had no money, and had to levy a special tax to make payment.

Itaska, Tex.—According to M. J. Francisco, the municipal electric plant operated about six months at a loss of \$100 a month. The mayor was then authorized to sell the plant, which he did at a loss.

Juka, Miss.—The municipal electric plant is leased to J. N. Graham. The city could not keep a competent manager and found operation unsuccessful.

Jackson, Ga.—The generating station of the municipal electric plant was shut down in 1912 and power purchased from the Central Georgia Power Co., according to "Public Service." Even though it was necessary to spend \$12,000 to build a new sub-station, it was cheaper to purchase power than run the old station.

Jacksonville, Fla.—Up to 1912 the municipal electric plant demanded a minimum of \$2.00 a month, or \$24.00 per year, from all consumers, whether they used that much current or not. Thus a customer using 10 kilowatt hours in a month paid 20c per kilowatt hour, although the advertised rate was only 7c. In 1912 this was modified by abandoning the minimum and substituting a "service charge" of 50c per month which must be paid in addition to the cost of current. A customer using 10 kilowatt hours pays 50c service charge plus 70c current charge, or \$1.20, making the true cost per kilowatt hour 12c. A special cooking rate of 2c per kilowatt hour has been much advertised, but current under this rate is not available between 5 p. m. and 10 p. m. So its use is very limited. Customers using this rate must also pay all installation costs. This expense, which is very high, also tends to preclude a wide use of this rate. The city has also always paid the municipal plant for street lights at rates higher than those generally in force in other cities of similar size.

Johnstown, O.—An investigation made in 1914 disclosed the fact that the operating expenses for 1913 were \$3,873.31, while the revenue from private consumers was \$1,473.40, making a deficit on operation alone of \$2,399.91. Allowing a credit of \$675 for street lights and hydrants, and including the fixed charges in the expense makes the actual deficit \$4,837.41.

Joliet, Ill.—The municipal gas plant, established in 1857, was sold in 1859 to a private company, on account of the losses which had been incurred under municipal ownership.

Jonesboro, Ind.—This town tried municipal ownership in 1902, but could not meet expenses and the bondholders took over the plant.

Kalamazoo, Mich.—In 1912 the citizens had to vote \$125,000 to rebuild the municipal lighting plant, which was worn out. No depreciation fund was available.

Kansas City, Mo.—An investigation by the council in 1910 showed the following conditions: "We find that the management of the Quindaro plant is characterized by carelessness, shiftlessness and incompetency. The machinery and plant generally are dirty, and particularly the basement, and machinery therein is clogged with filth. Valuable tools are thrown about in outhouses and are uncared for. We believe that a complete reorganization of the force at this plant is absolutely essential and necessary to bring about the efficiency and safety of the source of water supply for this city, and we recommend that steps be taken immediately to put this plant in thorough repair, and that all machinery therein be put through a thorough overhauling."

Kendallville, Ind.—The municipal electric plant is not large enough to carry the load, having lost efficiency through depreciation. The council did not want to sink any money in new construction, so a contract has been made with the Toledo & Chicago Interurban Railroad Co. to furnish current for all customers which the municipal plant is unable to supply.

Kent, Wash.—Because it could not be made to pay after ten years' operation the municipal electric plant was sold in 1902 for \$2,500.

Kinmundy, Ill.—The municipal electric light plant was sold in 1909. The present owner writes as follows: "City's reason for selling—they could not make it go. The reason they could not, I believe, was principally because the committee did not know anything about running a lighting system. Every two years they had new committee men on the job, and being paid no salary, they would not look after the plant. As is usual in councils, every new man thinks his way is right. When they first had a plant here they used alternating current. Then a new board came along and said it should be direct current, so they sold the A. C. machinery and put in D. C. The voltage at the plant was 250 and at the end of the line it was 150. When they

did get a good man, they all thought they knew more than he did and did not keep him. When I took the plant, I told them about Tungsten lamps and they laughed and said, 'We have them now and they are no good.' I took one from the line and found it a 250-volt lamp. I tested the line and found that the voltage was 178. I am now using Mazda lamps exclusively. They sold me the plant for \$10,000. I pay for it in city lighting, a thousand dollars a year."

La Crosse, Wis.—In 1911 the citizens had to appeal to the state railroad commission to force their own officials to bring the water plant to a state of efficiency. The plant was so run down that it required \$250,000 to put it into shape. The water was so poor that it could not be used at all for domestic purposes. Several disastrous fires have been due to poor pressure.

La Grange, Ill.—In a letter to Arthur H. Grant, the village president made the following statement:

"The water and light plant in this village was erected by a private corporation under a thirty-year franchise. At the end of the first ten-year period the village exercised the privilege which it had under the franchise, and bought the entire plant. The original cost is not known; we paid (or agreed to pay) the sum of \$160,000 for it. Municipal control and ownership were not successful, and after a few years it was sold to a branch of the Edison Company, the consideration being that the purchaser assume all obligations standing against the plant and put it in good order. Nothing had been paid on the principal by the village.

"The cost to the village for incandescent street lights under the original franchise was ten dollars a year; under municipal administration no one can tell, as the plant ran down so greatly that the new purchaser has paid over \$168,000 so far to put it in good order and is not through yet. Contract price at present again ten dollars a year.

"Reasons for selling—the village could not raise the money necessary to rehabilitate the plant. Under our law we could not pledge the corporate credit, but only the plant itself; the prospect that the village could manage it successfully was not attractive to capital."

The plant was in operation about 4 years; at the end of which time, it had depreciated to the extent of about \$60,000, although the Public Service Company of Northern Illinois has spent about \$200,000 since the plant was purchased by it in 1905. The superintendent of the plant was in favor of selling and in his report thereon he said:

"Respecting the rates for light, both for public use (street lighting purposes and other municipal purposes) and for domestic consumption, I beg to say that the rates, as set forth in the proposed ordinance and agreement, are the same in price which we have now, but under which provisions both the village and the consumers will derive more current and service for the same money as heretofore paid. I recommend the passage of this ordinance and the signing of the contracts and the adoption of said rates. The present condition of the plant is such that I cannot conceive how it can be operated longer by the village without the expenditure of large sums of money, and the incurring of many obligations."

Lake City, Minn.—Writing to the Wisconsin Railroad Commission for information, J. Cole Doughty, representing the board of water and light commissioners, concluded thus: "Our plant under aldermanic lack of management was permitted to run down to what might have been bankruptcy in an individually-owned concern."

Lakewood, Ohio.—The municipal electric plant was installed in 1897, the total cost to 1906 being about \$60,000. Expert accountants found the cost of street lights on moonlight schedule to be \$129.56 per year in 1905. The plant was sold in 1906 and a street lighting contract made at \$55 per year.

Lancaster, Pa.—The Lancaster Examiner, referring to the "profitable" city waterworks, says: "At the end of the fiscal year 1910-1911 there was an apparent balance in the city treasury of \$113,371.46, but as only \$19,354.93 was carried forward in the estimates for the succeeding year, it is presumed that the balance of over a hundred thousand dollars was largely fictitious, and that the actual amount left over was \$19,354.93. The system of city bookkeeping is a peculiar one, and it takes a full-fledged journeyman in that particular system to understand its vagaries. If there was a balance in the treasury of \$113,371.46, it is mighty bad municipal bookkeeping if the city could not build a new boiler house, costing but \$30,000, without borrowing the money."

Laurens, S. C.—The generating station of the municipal electric plant was shut down in 1908 on account of the cost of operation, and current has since been purchased from the Reedy River Power Co.

Langdon, N. D.—The cost of the municipal electric plant, including purchase price and improvements, was \$17,500. After four and a half years' operation the plant was sold for \$9,000. The loss on operation was \$2,000 a year, making a total loss

during the time the city owned the plant of \$17,500. The plant was sold in 1906.

Lawrence, Mich.—The village gas plant has been an expensive investment. The taxpayers have to pay interest, sinking fund, depreciation, and make up the lost taxes, besides contributing cash for paying operating expenses. Gas is sold for \$1.25 per thousand cubic feet, and the operating expenses alone come to \$1.37 per thousand cubic feet.

Lebanon, Ohio.—The city bought a gas plant from private parties, paying \$5,500 for it. The city issued \$15,000 of bonds with the proceeds of which it paid for the plant and made extensions and improvements. The income of the plant at the time of this examination was a little over \$2,500. Interest on the \$15,000 alone was \$1,500, not to speak of sinking fund, depreciation and displaced taxes, while the operating expenses were \$2,000 a year.

The city built its water works in 1892 and first turned on the water four years later. What went on in the meantime seems hard to find out. In 1913, taken as an average year, the receipts of the plant from private customers were \$5,477, expenses as published by the city, \$6,172. But this bill of expense included none of the fixed charges. Interest amounted to \$1,575, depreciation at 4 per cent would have been \$2,080 and lost taxes \$676. And as \$3,500 of bonds were paid off during the year from general funds, that should have gone down in the report for sinking fund. With an income of \$6,752 for private custom and city service combined and a total expense bill of \$13,493, it is evident the city had a deficit from its water plant that year of \$6,740.

The municipal electric light and power plant produced a total income from the year of \$13,441, with expenses, as set forth by the city of \$12,825. But these expenses included no fixed charges, except \$550 for bond redemption. Fixed charges, which came from taxes, convert the apparent "profit" into a deficit of \$2,240.

Lebanon, Tenn.—The generating plant of the municipal electric system has been shut down since 1906 when it was found cheaper to purchase current than to take it.

Lehighton, Pa.—The municipal lighting plant was given to J. J. Blakely in 1900, he assuming the bonds. The plant could not operate without loss. The year before the city gave up the plant the loss was \$2,500.

Leon, Ia.—While the city owned the electric plant its affairs were in a constant tangle. In 1903 the city had to issue \$5,000 in bonds to meet operating expenses. Finally, in 1905, the plant was sold for one-third its cost, and the city still had \$3,000 of outstanding bills.

Lethbridge, Alberta.—The municipal street car lines of this city, like those of other western Canada cities, showed up with snug losses in 1916, as they had done in preceding years. The deficit for the Lethbridge lines in 1916 amounted to \$27,924.89, as shown from the official statement given out March 1, 1917, by M. Freeman, commissioner of railways for the city. Their total revenue was \$49,639.54, total operating expenses \$41,535.04, leaving an operating profit of \$8,104.50. But interest, sinking fund, taxes, insurance and bank commissions totalling \$36,029.39, wipe out this and give a deficit or loss for the year of \$27,924.89, with nothing mentioned for depreciation.

Lewisburg, Tenn.—The municipal electric plant, after five years' operation, was sold in 1908 for half its cost.

Linneus, Mo.—In order to get continuous and reliable service, the municipal electric plant shut down in 1913, and current has since been purchased from a company. The plant had been in operation only eight years when it was abandoned.

Lisbon, Ia.—The service given by the municipal electric light plant was so poor that the people became disgusted and sold the plant in 1912 to W. S. Tasker.

Lisbon, Ohio.—A council committee found, on investigation, that the city was furnishing water at from 25 per cent to 50 per cent less than cost, according to the character of the service.

Lockport, Ill.—The village electric plant passed from the hands of the village authorities to the Sanitary District of Chicago in 1907. The superintendent said, at that time: "We are running about \$300 to \$350 in debt every month, due to political handling."

Logansport, Ind.—An investigation into the operation of the municipal electric light plant in 1913 disclosed the fact that in the 17 years' operation of the plant there was a surplus in only one year, and it is claimed this surplus was secured by failure to maintain the plant properly. This claim is borne out by the fact that the deficit was twice as much in 1911, the year following the year of the supposed surplus, as it was in 1909. The total deficits from 1895 to 1911, inclusive, amounted to \$309,869. Deducting the 1910 surplus of \$12,000 leaves a net deficit of \$297,869 as the result of municipal ownership.

London, Ohio.—The municipal electric light plant was to have cost \$15,000, but before its erection \$20,000 of bonds had been

issued. In eighteen years the town has installed four sets of street lights. Including fixed charges and a proper credit for street lighting, the financial statement for a year stood: Revenues \$13,722, expenses \$20,502, loss \$6,780. This was about 60 per cent of the revenue from private consumption.

Los Angeles, Cal.—The Los Angeles Municipal News, an idealistic municipally owned newspaper, was discontinued in 1913, after less than a year's existence. The expected advertising patronage did not materialize and the loss was in the neighborhood of \$35,000 before the people voted to discontinue publication.

Loudonville, Ohio.—The municipal water and electric plant had a deficit of \$8,522.46 in 1913, and in addition the people had to issue \$20,000 of bonds to repair the plants.

Lowell, Ind.—When the municipal electric plant was sold in 1907, it was worth about \$1,500 as junk. The purchaser of the plant, who got a 25-year franchise, sold all the equipment of the old plant and built a new one. The plant was in operation by the city for only seven years but was unable to operate without loss. The town had been run into debt so far that it could not finance the rebuilding of the old plant, and so private parties were called in to take the burden off its hands.

Lowellville, Ohio.—The municipal electric plant was shut down in 1911 and current has since been purchased from a private company. The machinery was in such poor condition that the town has not been able to sell it to anybody.

Lynchburg, Ohio.—The water and electric plant had a deficit of \$2,127.86 in 1913. The plant is nearly worn out and the building is full of cracks. The roof has sagged to such an extent that it is highly dangerous. The distributing system is in bad condition.

Lyons, Ia.—When the village of Lyons was annexed to Clinton in 1902 it was decided to abandon the municipal electric light plant in order to obtain superior and cheaper service from the company operating in Clinton.

Madison, Ind.—The municipal electric plant was abandoned in 1898 after being in operation about two years. The city thereby saved about \$20 per year per lamp on street lighting.

Madison, Wis.—After the burning of the capitol, the state railroad commission put a pressure gage on a hydrant and then turned in a fire alarm. It was forty-two minutes before direct pressure was given by the municipal waterworks. Madison is surrounded by lakes, any one of which could be purified and made available for unlimited use.

Manitoba (Province), Canada.—The first year's operation of the telephone system under government ownership (1911) resulted in a deficit of \$50,000, despite an advance in rates over the former charges of the Bell company. The Government, when agitating for public ownership, promised reductions in rates averaging over 50 per cent. Instead of keeping these promises it was found that the Government could not operate, even at the old Bell rates, and there has been an advance in many of the rates, instead of a reduction. Government officials are flooded with complaints of deterioration in service since the province took over the system.

Mansfield, La.—The municipal electric plant was sold in 1908 because the city had no funds with which to pay the plant's bills.

Marblehead, Mass.—Because of inadequate depreciation charges, the city paid more for reconstructing the municipal electric plant in 1910 than the original cost of construction. The light board's report is so incomplete as to be unintelligible, but appears to show receipts just about equal to expenditures, without any allowance for fixed charges.

Marceline, Mo.—This town had one of the first municipal electric plants, but it did not pay. The city operated it at a loss until it burned. Sentiment was so strong against municipal ownership that the plant was not rebuilt.

Marengo, Ill.—In a letter to Arthur H. Grant, in 1908, the mayor said, regarding the leasing of the municipal electric plant: "Our reason for doing this is that we consider municipal management a complete failure and the less there is of it the better for all parties concerned."

Marietta, Ohio.—A recent investigation showed that the cost of street lights as supplied by the municipal street lighting plant on a moonlight schedule was \$69.25 in 1913. The lights were off completely for several months after the 1913 flood, while the officials were haggling over the question of rebuilding. Hardly a year has gone by when the lights have not been put out by high water, owing to the poor location of the plant. A private company offered to do the lighting for \$55 per lamp with deductions for outages, so the city is losing at least \$14.25 per lamp through municipal ownership.

Marion, Ind.—The generating station of the municipal electric plant was abandoned in 1910. The result is summarized in the mayor's annual report as follows: "A saving of exactly \$22.05 per lamp per year for street lighting, or a little over \$6,000 per year on the 278 lamps now in use, and a decrease of eight cents

in the city tax levy over last year." The report of the board of public works says: "The cost to produce current alone at the old city light plant for the year 1910, as per bills on file, show the following:

Cost of coal, freight and drayage, repairs to plant, supplies for plant, telephone, extra and relief men in plant.....	\$4,699.52
Regular labor in plant.....	2,980.00
Total	\$7,679.52

Or \$35.88 per lamp per year for current alone. The cost for current alone under the new contract is \$22.05 per lamp per year, making a saving to the city of \$13.83 per lamp per year, in addition to the reduced rate for commercial lighting."

Martin's Ferry, Ohio.—An investigation in 1914, covering the operation of the municipal electric plant from 1908 to 1913 inclusive, showed the deficits to be nearly 50 per cent of the total revenue from private consumers. The total deficits during the six years investigated amounted to \$68,860, in addition to the payments of \$6,000 to \$8,000 a year made by the city for street lighting. The waterworks was also found to be losing money.

Mayville, N. D.—In 1912 it was found necessary to rebuild the electric plant, for which bonds had to be issued, as there was no money to meet depreciation.

McAdoo, Pa.—After losing money for nine years, the municipal electric plant was leased, in 1908, for 25 years. The council thus stated the situation:

"The borough is now owner of a certain municipal electric light in the said borough, and in the operation thereof has encountered certain losses to such an extent that the cost of operation and maintenance together with the interest on the bonded indebtedness incurred by reason of the erection of such municipal plant, exceeds the income derived therefrom."

McArthur, Ohio.—After allowing over \$50 each for the street lights, which burn only until midnight on a moonlight schedule, the deficit on the operation of the electric plant in 1913 was over 200 per cent of the income from consumers.

McKinney, Texas.—Tiring of the inefficient service and uneconomic operation of its municipal electric light plant, the city sold the plant to the Texas Power & Light Company.

McRae, Ga.—The municipal water plant was spending \$3,500 a year more than it was taking in. In an effort to improve things, the city took the management away from the regular city government and put it in the hands of a board of business men.

Menasha, Wis.—The city refused to make a report to the state railroad commission on its waterworks. Finally the commission had to serve notice that unless the report was forthcoming the commission would send a man to make an investigation at the expense of the city. Water is pumped from Lake Winnebago without any treatment whatever, even though the lake catches all the sewage from its watershed.

Mendon, Mich.—When it was found that the municipal steam generating plant of the electric system was costing over \$1,200 a year more than the revenue of the plant, it was decided to abandon the plant in 1911 and take current from a private company.

Miamisburg, Ohio.—A municipal electric light plant was built in 1890-92. It at once became a financial burden to the taxpayers, who desired to build also a city water plant. It was fourteen years, though, before they could do this, owing to the unprofitable operation of the light plant. Regardless of the fact that the town paid usual rates for its water and light, both plants were losers up to the last investigation. The original electric light plant was scrapped and a new one installed in 1904, but the last bond of the original plant ran on until 1910—six years after the plant had been scrapped. Up to June, 1913, \$37,000 in bonds had been issued against the light plant, \$94,000 against the water works. In addition to these obligations, the "department of public service" raised extra money by notes, aggregating \$26,150 at 6 per cent from August, 1905, to 1914, much of which money went to these two plants. A report from the records of the lighting plant for 1913 showed a deficit of \$9,942.

Middleboro, Mass.—The municipal gas plant has always lost money. The most favorable accounting shows that there was a loss of \$1,719 in 1911, and previous to that time the losses had been much greater, amounting to over \$3,000 a year. The loss is nearly half the total operating expenses, without any allowance whatever for fixed charges, which are very high on account of the reconstruction of the plant during 1910. The loss on the combined gas and electric plants amounts to \$2,279.70 in 1911.

Middletown, Pa.—In a letter to Arthur H. Grant, regarding the abandonment of the municipal electric plant in 1907, the chief burgess says:

"Concerning shutting down our plant and taking up York

Haven power is because the York Haven people can furnish light much cheaper than we could run our plant, so we felt justified in making the change."

Milan, Ohio.—After vainly trying to make a success of a municipal electric plant, it was shut down in 1914 and current purchased from a nearby company.

Milford Centre, Ohio.—In 1907 the municipal electric and water plants were sold at auction. They had been losing money at the rate of about \$1,200 per year.

Mineral City, Ohio.—The municipal lighting plant has been offered for sale to the highest bidder on account of the huge deficits. The plant has never earned more than half its expenses.

Minerva, Ohio.—This municipal plant claims to have earned a "surplus" of \$30,000 for its municipal electric plant, but there was so little real money available at the beginning of 1919 that the rates had to be increased nearly 20 per cent. Investigators are not permitted to examine the books, it is reported.

Mitchell, Ind.—Early in 1911 the municipal electric plant was sold to S. D. Rowland for \$7,103, the price including a waterworks franchise. The electric plant had been running twelve years, constantly losing money.

Modesto, Cal.—The city shut down its electric generating station about 1906, and leased the poles and wires to a power company. The plant was worn out, as no depreciation had been allowed for, and the city got cheaper service from the power company. The waterworks was also found to be losing money and was disposed of.

Mohawk, N. Y.—The deficit on the municipal light plant from 1897 to 1904 was over \$3,000 per year. In 1904 the plant was leased to a company at a saving of about \$4,000 per year.

Moline, Ill.—The city was able to save over \$35 per lamp per year, in addition to getting improved lamps, by giving up its municipal electric plant and making a contract for street lamps. The plant cost \$25,000 and was sold for \$7,900.

Montpelier, Ind.—The electric light plant was built by the city in 1901 and sold for \$1.00 in 1905. It cost \$38,000. The plant was completely worn out.

Montpelier, Ohio.—The municipality built a water and light plant in 1895, which imposed heavy burdens upon it every year. Aside from many bond issues for money with which to make repairs, it has been necessary to contribute several thousand dollars a year from taxes to keep the plant going. The tax rate has been steadily going up. From 1913 to 1914 it rose from \$1.34 to \$1.40. It became necessary after thirteen years to reconstruct the plant. As depreciation had not been provided for by the plant, \$30,000 more bonds had to be issued when the old plant was scrapped. So far as the water plant, proper, is concerned, it was impossible to find out much about its financial condition, beyond the fact that the plant was a steady loser, because of the loose methods of accounting. For nineteen years the excess of expenditure over income for this plant amounted to about \$8,000 yearly.

Monroeville, Ohio.—The municipal electric plant, according to reports of officials, was a losing proposition, so in 1917 it was shut down and current purchased from a private company.

Mooresville, N. C.—The Southern Power Company sells power cheaper than the municipal plant could make it. Therefore the municipal generating plant was shut down and sold as junk.

Mountain Lake, Minn.—The municipal gas works, which cost \$3,000, has been offered for sale. Price \$500.

Mt. Serling, Ohio.—This village of 1,500 population built its own water and light plant in 1895, and it proved a loser every year. Despite continuous contributions from the tax fund to meet operating expenses, it is seldom the plant's account is not overdrawn. An investigation for one year, taking the city's fund ledger figures as basis, showed loss of \$6,675, which was more than 110 per cent of the total revenue from private consumers, indicating a cost of 21 cents per kilowatt hour for generating service and 50 cents per 1,000 gallons of water. For the first eleven months in 1914 the deficit was \$4,777, or 90 per cent of the total revenue from private consumers.

Muncie, Ind.—The municipal electric plant was shut down in 1906, and the machinery sold for scrap, the dismantled building still remaining in the hands of the city. During the fourteen years' operation the cost per street lamp practically doubled. The plant was considered a "white elephant" to use the words of the councilman, and the city was able to obtain much cheaper street lighting from the local electric company.

Murray, Ky.—Total water receipts for year, \$2,040; total expense, \$5,854; total loss, \$3,450.

Murray City, Utah.—The city officials failed to inform the people of the condition of the plant in 1914, and a local newspaper made an investigation which showed that the plant, estimated to have cost \$60,000, had cost \$85,459.08, and that \$15,000 to \$25,000 would be required to complete the plant. The

receipts for the first six months, including payments for street lights, were \$2,000, and the expenses, including interest but no other fixed charges, were \$8,774.28, making a loss of \$6,774.28 during a period of six months.

Muskogee, Okla.—An investigation made by the Muskogee Times-Democrat disclosed the fact that the revenue of the city waterworks for 1913, including hydrants, was \$87,203.70, while the expenses were \$123,575. The deficit was \$36,371.23. The excessive payroll was given by the paper as the chief reason for the deficit.

Napoleon, Ohio.—The town has a municipal water and electric light plant, which began operation in 1895. The electrical equipment was renewed in 1904 and again in 1911, showing enormous depreciation. The joint plants turned up a deficit for the year 1913 of \$10,650.

Nashville, Ark.—The municipal gas plant was abandoned in 1908 because it could not be made to pay. The price of gas was \$3.00 per thousand feet—the cost of manufacturing was \$6.00 per thousand.

Needham, Mass.—The municipal electric distributing system was sold in 1908 for reasons of economy. It was found cheaper to have a company do the lighting.

Nelsonville, Ohio.—An investigation into the water and electric plants in 1914 showed that the deficit for 1913 on the waterworks was \$9,851.11 or nearly 200 per cent of the total income from consumers, while the electric plant lost \$9,106.14 in addition to the payments made by the city for hydrants and street lights.

Newark, Ohio.—An investigation into the municipal street lighting plant in 1914 disclosed the fact that there were \$21,000 of bonds outstanding under names which gave no clue to the fact that they were electric light bonds. In estimating the cost of service, these bonds have heretofore never been included. The plant was worn out, and the boiler capacity was not enough to carry the street lighting load. Although the city got \$5,000 worth of gas free in 1913, the cost per lamp for 6.6-ampere arcs was \$57.69 on a moonlight schedule. If Newark had had to pay for its fuel, as any other city would have to, the cost per lamp would have been \$69.71, which is among the highest rates paid in the state of Ohio.

Newburgh, N. Y.—The water board early in 1912 decided at a special meeting that it would be necessary to increase the water rates 20 per cent in order to make the plant less of a drain on the taxpayers.

New London, Ohio.—A village of 1,700 people has a municipal electric light plant with an annual deficit of \$1,235. At least that was the record when our investigation was made. While the officeholders in charge of the plant advanced the claim that the plant was meeting its bond redemption obligations, the books showed that in one year sinking fund requirements amounted to \$1,367, of which \$385 was paid from the plant's revenues. The remainder, or \$982, was paid from the village's general fund.

Newport, Ky.—In July, 1910, a special committee appointed by the mayor to investigate the municipal waterworks found conditions to be "deplorable and a menace to public health."

The report also says: "Your committee visited the Newport reservoir July 8 and the condition that met its gaze was alarming. On the bottom of the basin there lay, festering in the July sun, a puddle of muddy water, fringed with a border of pasty mud, and on the southeast end of the reservoir there was started a rank vegetable growth.

"* * * The foundation for the new pumping machinery was begun in September, 1909; the machine was to be running by January 15, 1910; contractors were granted an extension of 30 days; the machine is not finished yet.

"Should council refuse to grant funds for that purpose (expert engineering) your committee feels compelled to raise such funds by private subscription."

New Richmond, Ohio.—The 1913 deficit on the municipal water and electric plant was \$3,708.49. The electric distribution system is dilapidated and falling down in places, one of the pumps in the waterworks will not work, and there is still in use a "temporary" wall for one side of the station building; this wall was erected in 1902 to replace the three-year-old brick wall which collapsed on account of faulty construction.

New York, N. Y.—Up to December 31, 1912, according to the New York Sun, the two municipal ferries in New York had cost \$15,354,257.02 more than they had brought in. One ferry had been in operation seven years, the other six years.

The city tried to light the Williamsburg Bridge from a municipal light plant using garbage as fuel. After about a year's trial the plant was abandoned in 1907, and the lighting was purchased from a private company at less than half the cost under municipal ownership.

Niles, Ohio.—The city installed its own water and electric plants in 1891 or 1892, at what cost no one can tell, for bonds were issued promiscuously, the proceeds being applied indis-

criminate, depending upon which plant was in need at the time. The water works was completely rebuilt once since originally established. The electric plant passed first through a stage of partial municipal ownership. At first it did only street lighting. Then it went through a stage of complete municipal ownership, doing both street and commercial lighting and finally it lapsed into a stage of private ownership. The city found a private company that could transmit current from a distance of six miles and deliver it for less money than the municipal plant could make it.

Norristown, Pa.—The municipal street lighting plant reports a cost of street lamps at \$39 per year in 1911, which looks very good until it is discovered the repairs during 1908-1909 were capitalized instead of being charged to operating expenses and that the repairs those years amounted to \$57.70 per lamp.

North Bend, Ind.—With the condition of the plant running down and expenses up, netting annual losses to the town, the municipal electric plant was abandoned after many years of operation in 1916.

North Vancouver, British Columbia.—The funds of the municipally owned ferries were overdrawn \$25,216.00 in March, 1913.

Northville, Mich.—The city got enough of municipal ownership and by a popular vote of ten to one sold its electric light plant for \$36,000 to the Detroit Edison Company.

Norwood, Ohio.—An investigation in 1914 disclosed the fact that the municipal water and electric plant had signally failed to keep up with the growth of the city. The electric plant was overloaded about 30 per cent and the voltage is so poor and irregular that the people must choose between having good light and high lamp renewal cost or miserable light if the lamps are of high enough voltage to withstand the sudden jumps to which the system is subject. There have been many serious shortages in the water supply. The 1913 deficit on the electric plant was \$12,972.76, and on the water plant was over \$36,000, after giving credit for such public service as was given by the plants.

Osborn, Ohio.—The municipal electric plant was sold in 1916 to a private company in order to stop increasing taxes.

Oxford, Ohio.—After spending large sums for improvements in an effort to make the municipal electric plant pay, it was sold in 1918.

Painesville, Ohio.—In the summer of 1911 the Warren Bicknell Co. of Cleveland was employed by the Council to examine and report on the electric light system. The report said:

"The present equipment is long since out of date and in no sense modern. Although it may continue to generate current for years to come, it will do so with extremely poor generating efficiency, and at high cost per unit of output.

"The switchboard equipment and layout is poor.

"The distributing system is poor and at many points even dangerous. Your arc lighting system should be thoroughly overhauled. In places the poles are too far apart, and many should be replaced on account of age. The arc light conducting wire is at many points dangerously near the ground, and at any moment the city may be liable for the death of any of its unsuspecting residents.

"There are many other details that might be referred to but the above statements should be sufficient to show the general condition of the plant."

Paris, Tenn.—Here is a municipal electric light plant generally reputed as among the most successful of its kind. Its superintendent, M. W. Younkin, in February, 1916, made the statement: "No allowance is made in any way for sinking fund or interest; no allowance is made for taxes lost through displacement of private ownership," and added that as for depreciation it was "taken care of in maintenance." The plant's alleged "profits" for the year were \$10,434. Its valuation was \$119,367. Bond interest and sinking fund, depreciation and taxes figured out, as should have been, on that amount would more than wipe out any "profits" of \$10,434.

Peabody, Mass.—The annual report of the electric light commissioners of the town of Peabody for 1910 says: "The Commission feels that the financial condition of the plant is understood by few of the citizens of the town. It is their intention, therefore, to state as clearly as possible, the true condition, and to recommend such changes in policy as the welfare of the plant demands. A financial statement of the assets and liabilities, as figured in the Massachusetts State Gas and Electric Commissioners' Report, shows a deficit of \$28,964.26, January 15, 1911. All figures used in this computation are taken from the report of the manager and must be correct. The assets are \$160,433.00 and the liabilities \$189,397.26. This means the plant is \$28,964.26 in debt, and that the operation of the plant has cost the town \$28,964.26 more than has been annually appropriated. The actual cost of the municipal lights, therefore, has exceeded the apparent cost by the amount of this accumulated deficit, according to the Massachusetts State Commissioners' report."

Pelham, Ga.—In return for street lighting concessions, the municipal water and electric plant was leased in 1908 to the Pelham Public Utilities Co.

Pepperell, Mass.—The town sold its municipal electric distributing system to the Shirley Electric Company. The municipal plant has charged high rates but could not make money. The company reduced the rates and made a profit.

Philadelphia, Pa.—Probably the most colossal failure of municipal ownership in America is that of the Philadelphia Gas Works. The plant was leased to the United Gas Improvement Co. in 1908. Prior to the lease, the city lost about \$400,000 a year. The city now secures an annual income of over \$3,000,000 as its share of the plant's income under the lease. For years the municipal gas works was the most corrupting influence in Philadelphia politics.

Pierce City, Mo.—This city tried municipal ownership for fifteen years; then it sold its electric plant to the Ozark Power Co.

Pittsfield, Ill.—In "Defunct Municipal Lighting Plants," the mayor is quoted as follows: "Cheaper to pay the Pittsfield Electric Company than to do it ourselves. We ran it ourselves for several years, and have had it run by contract at least five years, saving money by contracting it to outsiders."

Pontotoc, Miss.—The municipal electric plant, after two years' operation, failed to pay expenses, so it was sold in 1907 at about two-thirds of its cost.

Poplarville, Miss.—Dissatisfaction with municipal ownership led the citizens to vote in 1912 to lease the municipal electric plant to J. G. Rouse with an option of purchase within five years.

Portsmouth, Ohio.—The municipal electric plant was first leased to the street railway company, who offered to do the lighting cheaper than the city could, and was sold to the railway company about 1905.

Price, Utah.—By leasing the municipal light plant in 1914 the town turned a deficit of over \$3,000 a year into a net income of \$1,200 a year, and in addition gets a considerable amount of free public lighting. The plant had been in operation only four years.

Pulaski, Va.—In 1912 the municipal electric light plant was sold to a private company. At the time of the sale the plant was very much run down, the service was a subject of general complaint, and the city was losing money.

Pullman, Wash.—The city council, in 1907, in its resolution to sell the municipal light plant at less than half its cost, said: "The electric light plant owned by the city of Pullman has proven to be a burden to the taxpayers of the city, and the same cannot be operated by such city so as to repay the cost and expense of operation."

Raton, N. M.—The city voted \$400,000 for a municipal water works, then had to go to court to find out whether it really owned the works or not. One thing it did not need legal light on was the fact that in one year, as a result of the bond issue, its taxes were doubled. City taxes in 1914 were \$15,368; in 1915, \$30,212.

Reading, Mass.—This town has owned its electric light plant for some time, but when it was proposed to go into municipal ownership of a gas plant the people voted, on June 20, 1911, by a majority of 123 to 28, not to go into municipal ownership of the gas plant, but to give a franchise to a private company. The electric plant has been very aggressive, yet the receipts from customers last year amounted to only \$33,962.38, while the cost of running the plant was \$45,125.09. With the exception of the money received for rent of poles, and for scrap, the taxpayers had to make up the losses. This has not been to their liking.

Reading, Ohio.—Failure to include fixed charges in the accounts of the municipal water and electric plants misled the people for many years into thinking the plants were successful. An investigation made in 1914 showed that the losses of the plants, after interest, sinking fund, depreciation and lost taxes were included, amounted to \$12,505.91 in 1913.

Red Bud, Ill.—In reply to a request for a report of the municipal light plant, the following was received in 1911: "Expense of plant from May 1, 1909, to May 1, 1910, including electrician's salary (\$1,140), \$4,660.36. Income for fiscal year, \$1,988.58. We have no published itemized report. This was published in City Clerk's (bulked) report last May."

Regina, Sask., Canada.—The municipal street railways of this city, rolled up a deficit for the taxpayers in 1916 of \$76,145.03. This was, however, much less than the deficit of the previous year, 1915, which amounted to \$115,919.29. The comparative figures of volume of business, income and expenses, as issued in the city's annual report of 1916 and given out by D. W. Houston, superintendent of the street railway system, are as follows:

	1916.	1915.
Passengers carried	4,671,402	3,661,177
Passenger revenue	\$197,188.00	\$156,200.00
Miscellaneous revenue	15,602.19	16,004.98
Total revenue	\$212,790.19	\$172,204.98
Operating expenses	191,359.68	180,410.34
Operating surplus	\$ 21,430.51	
Deficit		\$ 8,205.36
Debt service—Interest and sinking fund charges.....	97,575.54	107,713.93
Total deficit	\$ 76,145.03	\$115,919.29

Richmond, Mich.—The municipal electric plant was sold to a company in 1912, because in that way the people could get 24-hour service which the management of the municipal plant said was impossible under municipal ownership. There were only eleven votes in favor of having the municipal plant kept in operation.

Richmond, Va.—The municipal gas plant of Richmond is an example of large claimed profits which do not stand up under investigation. The profits are arrived at by charging operating expense to capital and paying interest out of taxes. A report made a few years ago by a council committee read:

"1. The chief causes for dissatisfaction among our customers are insufficient manufacturing capacity and holder storage, inadequate main system, lack of proper treatment of gas before it leaves the works and entire lack of system in maintaining the mains, services and meters, in regulating pressures and in following up and permanently removing sources of individual complaints.

"3. In reporting on the cost of production our management has heretofore omitted many items which should have been included.

"8. Our expert reports that the gross cost of distributing our gas has been phenomenally low, but declares that this economy has been at the expense of good service to the consumer, and by failing to provide for further extensions and repairs to the plant. As he declares: 'To give proper service to the public and properly maintain your property, your costs for general expense, distribution, etc., would be nearer 18 cents per 1,000 cubic feet than the present figure of 11 cents.'

"It has been the policy to cut down expenditures for such purposes to a minimum, making a show of apparently large returns, with the ultimate result that we find ourselves facing the necessity for a large outlay for replacement and extension."

Romeo, Mich.—Twelve years the town owned an electric plant. It could not be made to pay and the people were glad to accept the offer of the Eastern Michigan Edison Company to purchase the property. A thirty-year franchise was given. The Edison company gives continuous service, while the municipal plant did street lighting only until midnight and had no day service.

Sabina, Ohio.—Although the municipal light plant was found to be in good physical condition, it was not economically successful. Accounts taken from the town clerk's fund ledger showed a deficit of \$4,933 for the period from January 1, 1912, to November 30, 1914. An investigator was given the assistance of every town official from the mayor down in searching for a record of the bonds, but without avail. The 1912 and 1913 deficits were practically 80 per cent of the total income. This indicated that the rate should have been 11 cents instead of what it was, 6 cents per kilowatt hour.

Sabina, Ohio.—The municipal water works in 1912 and 1913 lost 80 per cent of its gross income, indicating the rate should have been 27 cents instead of 15 cents per 1,000 gallons.

St. Bernard, Ohio.—The State Inspector has found evidences of loose bookkeeping in the municipal water and light plants several times. There is no complete record of the deposits which have been made by customers as security for payment of bills. The equipment has always been second-hand and expensive to operate. For the first time in its history the plant was equipped with new machinery in 1914. Street lights are out frequently and there are serious interruptions of service. The 1913 deficit was \$21,223.81, more than 100 per cent of the total revenue from consumers for water and electricity.

St. Charles, Mo.—According to local opinion, St. Charles changed from one of the most poorly lighted towns in Missouri to one of the best when it abandoned municipal ownership and voted a franchise to the St. Charles Light & Power Co. in 1914.

St. Paris, Ohio.—Municipal electric light plant producing a loss of \$5,303 a year for a village of 1,250 population. To overcome this loss, which was almost 75 per cent of the total revenue from private customers, the rate should have been 14 cents per kilowatt hour instead of what it was, 8 cents.

St. Peter's Minn.—The city's electric distributing plant broke down and, pending repair, the city hooked up for current from the Northern States Power Company. Finding the service so much more economical and efficient than its own, the municipality continued it rather than resume operation of the city plant.

San Francisco, Cal.—A grand jury examined the operation of the municipal street railway in 1911 and found the books so tangled as to be unintelligible, the payroll stuffed for political purposes, and much equipment stolen. Both incompetence and dishonesty were discovered.

Santa Clara, Cal.—The generating plant of the municipal electric system was shut down about 1907, after ten years' operation, because it was cheaper to buy current from a company than to make it in the municipal plant.

Santa Cruz, Cal.—An inquiry for a report of the municipal light plant of Santa Cruz, made in 1912, brought the following reply from J. L. Wright, City Clerk: "I beg to say that we have no published reports."

Seattle, Wash.—In order to make a showing of apparent profit at low rates, the city charges itself exorbitant rates for street lighting, the highest in the United States in large cities.

In 1911 the Taxation Committee of the Seattle Chamber of Commerce reached the following conclusions and embodied them in a report: The plant collects direct from the taxpayers an average of \$181 per kilowatt per year for street lighting, while private consumers are getting service at from \$45 to \$80 per kilowatt per year. The street lighting requires 12 per cent of the maximum demand at the power plant, and the taxpayers pay 32 per cent of the total gross receipts of the plant. The plant cost \$3,500,000, and is not making enough to pay operating expenses and fixed charges, even though the city itself contributes a third of the gross revenue.

In 1912 the private company in Seattle offered to do the street lighting at the same rate at which they furnished current to commercial customers. This would have resulted in a saving of \$127,000 a year, but was rejected. The management of the municipal plant publicly admits that it grants discriminatory rates to those in a position to demand them.

Sebewaing, Mich.—When the village went into municipal ownership in 1911 it was stated that \$10,000 would build a suitable plant. The cost was \$17,000, and the tax rate was advanced from three-fourths of one per cent to 1¼ per cent the year after the plant started operation.

Sharon, Wis.—In a case affecting the municipal water and light plants of Sharon, before the Railroad Commission of Wisconsin, decided January 11, 1912, the commission says:

"With respect to the rates for water and gasoline gas, the statement of earnings and expenditures shows that after paying the expenses of operation, excluding interest charges upon the funded indebtedness, there is a large deficit in both the gas and water departments for each of the three years given. Inspection of the expenditures discloses that no allowance for depreciation, as such, has ever been made by the village.

"Owing to the absence of meters, and especially to the failure of the utility to keep the accounts and records as required by the Public Utilities Law, the information available at present is insufficient as a basis for rate schedules."

Shepherd, Mich.—Early in 1913 the village closed down its municipal electric generating station and has since purchased power from a private company. The village thereby got 24-hour service, and effected a considerable saving as well.

Shepherdstown, W. Va.—In a letter to Arthur H. Grant, the mayor says:

"The town electric plant was installed in 1901 at a cost of \$4,800, and sold for \$3,200. Reasons for selling were that no fund was accumulated for depreciation, and the town could not afford to pay for its property superintendence, and almost every year there was a change of officials. The rates were too low."

The plant was sold in 1907.

Silverton, Colo.—After spending twice as much as the estimates called for on a municipal electric plant, the city shut down its generating plant and purchased current from a private company at a considerable saving.

Souderton, Pa.—After spending large sums for enlarging the municipal light plant the authorities closed down the generating station and made a contract with the Excelsior Light, Heat & Power Co., which has been supplying current since 1907.

South Lyon, Mich.—In March, 1912, the taxpayers voted to sell the municipal lighting plant to the Eastern Michigan Edison Company, thereby saving a considerable sum on street lighting, as well as improving service and reducing rates to private consumers.

South Pittsburgh, Tenn.—After two years' operation and an expenditure in excess of \$12,000 the municipal electric plant was sold in 1907, payment being made in lighting. The reason for selling was high operating cost and lack of up-keep.

Spokane, Wash.—An investigation made in 1913 disclosed the fact that the waterworks deficit for 1912 was \$225,329.71, which did not include services of other city departments, legal expense, of which there was a great deal, or lost taxes. The gross revenue, including running services, was \$472,972.75, while the cost of operation, including interest, depreciation and sinking fund, came to \$698,302.46. The deficit is largely due to the practice of issuing bonds to meet the cost of operation and depreciation, and to the political influences which governed the plant for many years.

Springfield, Ill.—In 1914, J. E. Dalby, superintendent of the municipal electric plant, made the following statement: "The outage records at the plant which are very carefully kept, show that one or another of the light circuits have been off forty times during the past year. When a circuit is off it means that about 75 street lights are off. Despite a close daily inspection, we have frequent cases of burned out coils, grounded coils, grounded commutators and other mishaps, each of which causes from 75 to 150 lamps to be out for periods ranging from five minutes to several hours."

Stockton, Kan.—The municipal electric plant here was one of the first in operation, but was sold only two years after it was built on account of the difficulty of securing competent management. The plant lost money while the city owned it.

Swift Current, Saskatchewan.—The municipal electric plant in 1914 had to increase its base rate 12 cents per kilowatt hour in order to meet operating expenses.

Sycamore, Ohio.—In 1913 the municipal water and light plant produced a loss of \$6,558, according to the figures in the city clerk's fund ledger. The plants were practically put out of business early in 1914 on account of depreciation of equipment, for which they had from their earnings made no provision. Then reconstruction began at the general taxpayer's expense.

Tiffin, Ohio.—The city built a natural gas plant with \$500,000 worth of bonds and after operating the plant at a loss sold it to Kerlin Bros. of Toledo for \$27,000, still having to pay interest on and redeem the bonds.

Tippecanoe City, Ohio.—The village established jointly a water and electric light plant in 1897, issuing bonds of \$18,000 against the water plant and \$7,000 against the light plant, although as events proceed no distinction is made in appropriations and accounts for the two plants. In 1913 they stood on the books at a value of \$40,000, with a deficit for the year of \$5,420. The total income that year was \$12,072, total operating expenses \$10,573. The interest on investment—5 per cent on \$40,000—was \$2,000; depreciation \$2,400 and lost taxes \$520, making total expenditures of \$17,493 as against total income of \$12,072.

Toledo, Ohio.—The municipal water works, Director of Public Service Goodwillie reported, showed a loss in 1916 at the rate of \$100,000 when "proper allowance is made for deterioration." The director pointed out that the plant wasted and "gave away" water, which led the Toledo Times to remark: "It is an old trick of the bosses to exchange municipal favors for political influence, leaving the taxpayers to foot the bill."

Toledo, Ohio.—The million-dollar failure of municipal ownership in Toledo is one of the worst this country has seen. The city went into the natural gas business, but the wells shortly gave out, and the city was left with a useless investment of \$1,500,000. Finally the city lines were leased, and the lines outside the city sold for \$102,000. Most of the bonds are still unpaid and the people are paying interest on them.

Toronto, Canada.—The city auditor, reporting on the operation of the municipal electric distribution system, which purchases power from the Ontario Government Hydro-Electric System, found that, at the close of business June 30, 1912, the system had lost \$290,639.65 after about two years' operation. Too low rates and too many employes are given as the reasons for the shortage.

Townsend, Mont.—Early in 1912 an election was held for the purpose of deciding whether the town should sell the municipal lighting plant to the Butte Electric & Power Co. Only one vote was cast against the sale.

Trenton, Mich.—In 1907 the people voted 142 to 18 to sell the municipal electric plant, which had been losing about \$500 a year and was in very poor physical condition.

Troy, Kan.—The city had its own lighting plant, but gave up the ghost when the losses continued to roll in. It hooked up with several other neighboring towns to the lines of the Atchison Railway Light & Power Co.

Troy, Ohio.—Political interference caused the municipal electric plant to lose some of its best power customers in 1913, with the result that there was a deficit of \$3,097.22 on the year's operation.

Ukiah, Cal.—The generating station of the municipal electric plant was operated at heavy expense until 1908, when it was abandoned and current purchased from the Snow Mountain Water & Power Co.

University Place, Neb.—After trying municipal operation for three years, the generating station of the municipal electric plant was shut down in 1907 and power has since been purchased from the Lincoln Traction Company.

Upper Sandusky, Ohio.—This city acquired its own natural gas plant in 1889 for \$80,000, represented by bonds issued. It sold the plant in 1902 for \$8,000, just one-tenth of this sum. Nor did the plant ever produce a penny from its earnings for bond interest or redemption. All of this came from the general taxpayer's pocket.

Urbana, Ohio.—In 1890 the city issued \$250,000 6 per cent general municipal bonds maturing from ten to twenty years with which to acquire a natural gas plant. The plant was so unsuccessful that eight years later the city sold part of the property for \$15,000 and leased the distributing plant to a private company for \$3,000 a year. All fixed charges were paid, not from the plant's earnings, but from general tax funds. In 1897, a year before it disposed of the plant, the city defaulted on this bond interest and compromised with the bondholders by getting them to cut the rate from 6 to 4½ per cent. Between 1903 and 1909 \$55,000 bonds maturing had to be refunded. The last \$5,000 of these bonds was paid in 1916.

Vancouver, Wash.—In June, 1902, the municipal electric plant, costing \$70,000, was sold for \$11,000, including a franchise in which the purchasers agreed to give lower rates than had ever been given by the city. Even with high prices, the plant had always lost money.

Versailles, Mo.—The people voted in 1906, by a majority of 218 to 12, to shut down the generating station of the municipal electric plant and buy current from the local company, as the company's price was lower than the cost to the city in using its own plant.

Versailles, Ohio.—A village of 1,700 with a municipal light and water plant producing a loss of \$7,092 a year—in 1913. This deficit amounted to 90 per cent of the revenue from private consumption.

Waddington, N. Y.—The municipal electric plant was sold, after five years' use, for less than half its cost. The service was extremely bad.

Wadesboro, N. C.—The municipal electric plant was sold in 1912 to the Yadkin River Power Company on account of poor service and financing.

Wakefield, Mass.—According to the report of the municipal gas and electric department for 1911, the town has always paid more out of taxes for the maintenance of the municipal plants than it would have had to pay for lighting by a private company. The average annual amount taken from taxes up to 1903 was \$13,074, while the cost of lighting by a private company is estimated at \$8,500 a year. From 1907 to 1911 the average taken from the tax levy amounted to \$15,540 per year. In 1913 the town decided to shut down its electric plant and purchase current.

Waynesville, Ohio.—The municipal electric plant was sold in 1919 because the city officials had never been able to make it come out even.

Westerville, Ohio.—The municipal electric plant was shut down in 1914 because the cost per kilowatt hour was about five times the price at which current could be purchased from a private company. The town got 24-hour service and lower rates through the abandonment of its generating plant. Arrangements have also been made for the operation of the waterworks by electricity purchased from the private company at a considerable saving over steam operation.

Wheaton, Ill.—The electric plant was started in 1890. In 1904 the generating plant was shut down and current purchased from the Aurora, Elgin & Chicago Railway Company. The generating plant was worn out and no money was available. Later the city found it cheaper to sell the distributing system to the Western United Gas & Electric Co., which now does the lighting.

Wheeling, W. Va.—Municipal gas plant closed down, March 31, 1916, because it proved a complete and costly failure. It lost several thousand dollars a year for the taxpayers. In June of 1915 alone it lost \$1,900. Its rates were double those of natural gas. It was unable to compete with the electric light company.

Whitehall, Mich.—The deficit of the municipal water and electric plant in 1912 was \$1,127 and in 1913 it was \$1,597, although the town contributed over \$3,000 a year as payment for street lights and hydrants. It is understood that the town also has paid the fixed charges in addition to the charge for street lights and hydrants.

Williamsburg, Ohio.—The municipal electric plant has been run by inexperienced men during the nine years of its existence. The plant was improperly constructed in the beginning, and much of the distribution system had to be rebuilt. The 1913 deficit was \$3,695.03, after allowing credit for street lights.

Willoughby, Ohio.—In 1910 the municipal electric plant, after only a few years' operation, broke down and left the town in darkness for months. It was found that the plant was worn out and not worth repairing. A contract was therefore made with the Cleveland, Painesville & Eastern Traction Co. The town's loss through municipal ownership was about \$75,000.

Wilmington, Ohio.—The municipal light plant was sold in 1903, after ten years' operation, for \$12,000. There had been \$110,000 spent on the plant, but it was a "complete wreck" and was giving only intermittent service. The people were so disgruntled that they refused to sanction further expenditure. The popular vote in favor of the sale was 896 to 34.

Winfield, Kan.—The report of the municipal electric plant for 1911 shows total receipts for current amounting to \$25,573.72 and expenses amounting to \$27,574.26, without any allowance for interest, depreciation or sinking fund. A book charge of \$6,739.90 is made for depreciation, but no money is provided to take care of the charge.

Winnetka, Ill.—While it is difficult to obtain information about this plant, the superintendent having said, "I would not even let a taxpayer look through our books and records," it is known that the losses to the village amount to at least \$3,000 a year. The revenue from all sources is about \$15,000 a year and the expenses are known to be at least \$18,000 a year.

Winnipeg, Manitoba.—The government telephones of Manitoba have proved a huge economic failure and inferior in service to the Bell system which they displaced. From a comprehensive investigation made by James Mavor, Ph.D., professor of political economy in the University of Toronto, who published a book setting forth the results of his discoveries, the following facts are presented:

The system, begun in 1908, represented a loss of \$1,000,000 to the people at the time of this investigation.

In 1909 the government proclaimed a profit of \$271,797, while there was instead a deficit of \$15,593.

In 1915 the government proclaimed a profit when the actual facts showed a deficit of \$97,629.

Payrolls are badly padded. "Men were forced upon foremen by members of the provincial legislature; cabinet members made 'recommendations' over the telephone," and "the whole running of the system has been permeated with politics."

There has been a good deal of labor trouble, despite the oft-made claim that public ownership does away with this.

The author says the Bell service and rates were satisfactory, and the government took over the telephones simply "to promote the political interest of the government party in such a way as to contribute to keep the government in power."

He also says:

"It is a compelling and fearless narrative of the true record of an American government in the management of a great commercial business. It tells what happened to the rates and what happened to the finances, what happened to the consumer and what happened to the taxpayer. It is essentially a vivid narrative of political intrigue and carries a lesson to every patriotic American.

"From the beginning of public ownership, the telephone system was used for political purposes, sometimes overtly, at other times furtively, but always with a cynical disregard for the interests of the public.

"The unsound financial policy and the management of the government brought the telephone system to the pass that either the revenue had to be increased or the system had to be permitted to gravitate rapidly into hopeless insolvency."

It has not reduced, but in some cases has raised, the rates of service.

Winthrop, Mass.—A committee of five was appointed by the town moderator under a vote passed at town meeting, held March 11, 1912, and this committee immediately entered upon a thorough investigation of the question of municipal ownership. Their report is illuminating in the thorough and competent way in which the investigation was handled.

The committee found that if the town operated its own plants it would be necessary to raise the price of gas and electricity from the present rate of 90 cents per 1,000 cubic feet of gas and 11 cents per kilowatt hour for electricity to approximately \$1.30 and 14 cents, respectively.

As at none of the public hearings which were held were any complaints registered on account of the character of the service furnished by the company, and as the committee found that the cost of gas and electricity would be considerably greater under municipal ownership, their recommendation was that the town should not purchase or acquire the gas or electric lighting plants and that the town should enter into a new contract with the gas and electric company for municipal lighting.

The following is a quotation from the conclusion of the committee's report:

"If your committee had been able to find from its investigation that the town could sell electricity at 11 cents per kilowatt hour and gas at 90 cents per thousand cubic feet, or if your committee could have found by its investigation that under municipal ownership electricity could be sold to private consumers a cent per kilowatt hour cheaper than it could be obtained from the company, such a slight advantage as that would not seem to justify the hazard and risk and the upsetting of town affairs that would be incident to the years of litigation which would follow the vote for municipal ownership."

Woodsfield, Ohio.—The municipal electric plant sells current for 7 cents a kilowatt hour. It costs 17½ cents to make. The taxpayers foot the bill.

Woodville, Ohio.—The municipal electric plant, started about 1896, was abandoned in 1911, and energy has since been purchased from the local interurban company. The plant was obsolete and the town could not afford to rebuild it. The interurban company made an offer which reduced the cost of current material, and so the municipal plant was shut down. It has been for sale ever since, but no purchaser has been found.

Wyandotte, Mich.—This plant has never paid interest or sinking fund on its bonds, has been rebuilt several times during its life of 22 years, the reconstruction funds in each case coming out of bond issues instead of being charged to operating expenses, and has been subject to political influences most of the time, according to the statement of a former official, made in 1913. He also states that the plant was not a success as a business proposition.

Wymore, Neb.—According to City Attorney A. D. McCandless, municipal ownership is responsible for all this city's financial troubles. He states the tax rate is the highest in Nebraska because the taxpayers have to contribute over \$12,000 a year to support the city electric plant, which never pays any of its fixed charges.

Xenia, Ohio.—The municipal light plant was sold in 1896 for \$2,500—about one-tenth of its original cost. After the plant was sold a contract was made for street lighting which effected a saving of \$40 per year per lamp.

Ypsilanti, Mich.—Concerning the waterworks Mayor Tracy L. Towner said in his 1912 inaugural address: "The installation of the plant cost in round figures \$143,000. Of this amount bonds were issued in the sum of \$125,000, drawing interest at 4 per cent per annum. These bonds will mature in the year 1919, at which time the city will have paid in interest alone the sum of \$150,000. Not one cent of the principal due on these bonds will have been paid and the issue will have to be refunded. Of the interest on water bonds, amounting to \$110,000 since the installation of the plant, but \$23,030 was raised from the receipts of the waterworks, the remainder being raised by direct taxation."

Yorkville, S. C.—In October, 1911, it was necessary to make material advances in both water and light rates because the income was not sufficient to meet the expenses.

Zeeland, Mich.—By a popular vote of over 87 per cent the people authorized the sale of its electric light plant to the Consumers Power Company.

Home Rule and Other Utility Legislation

By B. P. ALSCHULER

This is a plea made by Mr. Alschuler before the senate and assembly committees of the Illinois legislature against the passage of bills to reduce the powers of the State Public Utilities Commission and place the regulation of rates and service with local commissions, city councils and village trustees. As similar legislation has been attempted in many other states, Mr. Alschuler's argument for state control is of general interest throughout the country.—Editor.

I HAVE been delegated by the Fox River Valley Manufacturers' Association to represent them at this meeting, but I also address you as a holder of public utility securities and as a holder of life insurance policies in old line companies which invest in public utility securities, and as a bank director and stockholder, banks being interested as holders and dealers in public utility securities. And it has been my fortune in the practice of the law to represent municipalities on occasion, and at other times to be opposed to municipalities; likewise, I have been employed by and against utility corporations. Of late years it has fallen to my lot to represent and work with and for utility corporations and I believe that I have had as much occasion as almost any other attorney in the state of Illinois to appear before our Public Utilities Commission, in consequence of which I feel that I am in a fairly good position to judge not only of the Public Utilities Commission law, but of its administration as well.

Obviously, the home rule advocate will at once remark that because I represent corporations, I naturally favor the law as it stands. This does not follow as a matter of course because from a purely selfish standpoint I can see my work greatly increased by the adoption of any of the bills now under consideration and I know that I can safely say that there is no unanimity of opinion in this regard among public utility companies. It has been my experience that a public utility company appearing before the Commission does not get the relief it may ask unless it is in a position to show that it is entitled thereto.

The state, by the creation of the public utilities law, sought to control the activities of the quasi-public corporations, which are the creatures of the state. We must not forget that the public utilities corporation owes its existence

to state law, not to local law, and should be amendable to state control of its activities with far greater show of reason in the last analysis than it should be to local control.

The time-honored and smooth-sounding phrase, "Home Rule," appeals to the agitator and to the man who does not give serious thought to the causes which may create dissatisfaction and to the effects which may result from the adoption of home rule legislation.

One of the principal problems that confronts all of us at the present day is that of reconstruction and provision for employment of the unemployed. It strikes me that rather than to curtail and hamper industry, it should be the object of everybody to foster and to aid. The proposed legislation can do nothing else than curtail and hamper public utility companies, and I will address myself to that thought at greater length further on in this discussion.

I listened with considerable of interest, at the hearing before your committee on April 24th, to advocates of the passage of the so-called Home Rule Bill and their reasons why the bill should pass. I did not hear any discussion of the bill itself and by that I mean House Bill 200, introduced by Mr. Wanless. I did hear considerable talk concerning the beauties of home rule and I also heard the complaints of those who had at some time been unsuccessful in litigation before the Public Utilities Commission.

The principal discussion and arguments offered, however, were of an entirely different tone from those made by the proponents of the bills before the Senate committee because the Supreme Court in its recent opinion in the Springfield case has held that part of the utilities law eliminating cities from its operation is unconstitutional, as a result of which the city fathers who have been a law unto themselves in the management of their city owned and operated utilities, must

now conduct their plants on an entirely businesslike basis and not as a political proposition. They must now justify their rates to their patrons, give service supervised by experts and keep their accounts as they should be kept. We will have no more low rates for political effect with deficits made up by taxpayers, but if you or I wish to know anything of the affairs of our municipally owned plants, the uniform system of accounting of the utilities commission will readily show us what we may want to know. The wonder to me is that these enthusiasts have not already had presented and have not appeared before you advocating the abolition of the Supreme Court.

Municipal Accounting Uncertain

I do not know how the accounts of the Springfield municipal electric plant or similar water or electric plants throughout the state are kept, but it is safe to assert that in most cases accounts are not properly kept. For instance, do water plants charge fire departments with hydrant rental as privately owned companies do and should do? If not, then the taxpayer gets the benefit at the expense of the water user, because water pumped must be paid for. If municipally owned utilities are controlled by our Commission, rates will be fair, will not be arbitrarily fixed by those who would use their actions in that regard for political capital, and the public at large will reap the benefit. I may have dwelt at too great length on this discussion, prompted as it is by the previous arguments before this committee, but the reason is obvious. The bills under consideration do not return this control to the cities and the discussion in that particular is beside the issue unless we seriously consider the bill to repeal the law. That bill, however, does not have the unanimous support of the proponents of amendatory legislation and I don't believe requires serious discussion. Some of these gentlemen have stated that they do not favor repeal, others favor it, and before the Senate committee others favored municipal ownership of all utilities, which of course might be brought about in any city under our present laws.

I want to say to you frankly that I have appeared in a great many cases before our Public Utilities Commission and not with a uniform degree of success as viewed by my clients. I have made it my practice to assert and claim those things which I thought were right, and I have not always found the Commission ready to agree with me. At the same time, I have been of that possibly peculiar temperament that I have been disposed to concede that possibly there may be two sides to a question and that it might even be possible that I was wrong in my contention, and I have always had the opportunity of recourse to the courts if I saw fit so to do to remedy the errors, if such there were, of the Utilities Commission.

The principal burden of complaint of most of the speakers seems to be that they feared that injustice was being done to municipalities. I say to you, gentlemen, that if such is the fact, then the fault cannot be ascribed to the principles of the utilities law nor to shortcomings of our commissioners, but rather to the frailty of human judgment which may and does err at times even in our trial courts and in the highest court of the state. We might as well contend that because errors of judgment will creep into the decisions of the courts, therefore the courts should be abolished and the people be a law unto themselves.

I represent, among other clients, several gas companies, at least two of which operate in different municipalities. It is also my fortune to represent almost every other kind of utility subject to Commission control. The proposed legislation provides, among other things, in Section 89, for the creation of municipal commissions. By its terms, a municipality that withdraws from state regulation may provide for a local public utility commission which shall, in general,

have the power to hear complaints, receive applications for changes in rates and charges, inquire into facts, make investigations, but shall have no power to decide anything, having power only, after doing the delegated things, to report to the city council or board of trustees. In other words, the larger and richer communities may and would create some additional political offices at the expense of the public, such additional officers having no real powers, and great expense will be incurred in the employment of such municipal commissioners, engineers, accountants, stenographers, investigators, lawyers, and all others who go to make up the machinery of an adequate commission, and such expenditure will be necessary if such commission will fairly and properly do its work, because we must not presume that any municipality or municipal commission would deal unfairly, either with the public or the utility corporation. Indeed, the complaint of these city officials who appeared here before you seems to be that they want to see to it that justice is dealt, they to do the dealing. On the question of rates, for example, would they not, if rendering real justice, employ competent engineers and competent accountants, competent investigators and competent lawyers, so that a thorough and complete investigation of the affairs of the particular utility involved may be made so that this even-handed justice may be rendered? But, of course, the answer to this may be that the amendment does not say that a public utility commission must be created in each municipality, it leaving it entirely to the discretion of the particular municipality to determine whether or not it shall have such commission.

Lacking in Safeguards

The proposed law would give to local authority control over practically everything that a utility company may do or may not do within a city or village, except the matter of the issuance of securities, and while a municipality may have a commission whose sole and ultimate authority is but to report, the decision of all questions involving public utilities is left to the discretion and tender mercies of the common council or board of trustees, as the case may be, without any safeguard as to actual investigation or appeal to the courts.

In cities like Springfield, for example, where we find a municipally owned electric light plant competing with a privately owned plant, we would find this situation: The privately owned plant, constructed and operated under public grant and authority, in which, because of such grant and authority, investors have placed their money, would find its rates and service controlled arbitrarily by those men who operate the competing plant and not be disinterested and impartial men. Springfield may be an exception in that political or ulterior motives might not actuate the minds of its commissioners in so regulating the privately owned utility. I do not have the pleasure of personal acquaintance with any of the men. But I cannot help but feel that however honest a man placed in such position may be, he cannot act as impartially as one entirely without interest in the matter.

In addressing myself to you gentlemen, I am proceeding on the theory that utility corporations have rights that must be protected, and at the same time I argue that the public have rights which must be protected, and I insist that when the utility company is eternally harrassed and embarrassed in manner such as must necessarily follow from the adoption of such law as the one proposed, not only will the utility company, its stockholders, bondholders, creditors and employees be seriously embarrassed, but a like degree of embarrassment must necessarily result to the public.

Let us, for the sake of argument, suppose that a city has withdrawn from the operation of the utility law, that its council has passed an ordinance fixing the rates, determining

Public Service

Vol. XXVII No. 1

July, 1919

Fourteenth Year

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H. J. GONDEN · PUBLISHER
122 SOUTH MICHIGAN AVENUE
CHICAGO · ILLINOIS

\$2.00 PER YEAR

Let us talk it over

Purpose of this Magazine

THE purpose of this magazine is to present the facts about public utilities, both privately and governmentally owned; to inform its readers about these important industries in which all citizens are vitally interested.

Dedicated to the public service, to the highest good of the taxpayer, this magazine is opposed to government ownership and operation of public utilities because it believes paternalism is the antithesis of industrial freedom and independence.

In steam and electric railways, in telegraphy and telephony, in electric and gas lighting, heating and power, the United States leads the world as the result of the genius, thrift and economy of individual initiative and private enterprise.

Political conditions in this country, as experience proves, defeat economic and the most efficient operation of public utilities by city, state or federal government. Experience also proves that government operation of public utilities burdens the taxpayers with great economic waste.

Experience convinces this magazine that the public can secure the best possible service at the lowest possible cost by leaving the ownership and operation of steam and electric railways, electric light and power, gas, water and telephone properties to individuals of technical knowledge and practical training under such governmental regulation as will best protect the interests both of the public and the companies.

Supreme Court on Competition

THE SUPREME COURT of Illinois recently gave an important decision concerning the protection of private public service enterprises from municipal competition. The question was whether or not a municipality in Illinois owning and operating an electric light plant for the production of electricity for municipal uses could sell its excess product at rates far below what it was possible for a private corporation to supply the same service. The suit was brought by the Springfield Gas & Electric Company against the City of Springfield to protect the company from destructive competition.

The City of Springfield contended that it was expressly excepted from the operation of the public utilities act of Illinois, which defines a public utility to be "every corporation owning or operating a plant used for the production, transmission or sale of electricity, except such public utilities as are or

may hereafter be owned by any municipality in Illinois." The company contended that this exception could not possibly be made to apply to the business of the City in furnishing electricity to private consumers; because, to so apply it would be a violation of the limitation of the provision in the Illinois constitution, which prohibits the legislature from passing any local or special privileges; and, also that it would be in violation of the fourteenth amendment to the federal constitution which prohibits states from denying to any person "the equal protection of the law."

In deciding the case the Supreme Court of Illinois, with great clarity, pointed out that in operating an electric light plant to supply private users a municipality is not exercising its governmental powers; but, that it is exercising only private, or proprietary rights, and that its duties and liabilities are the same as those imposed by law upon individuals engaged in the same business. The court said:

"There is no doubt that the exception of municipalities owning or operating public utilities from the operation of the public utilities act, which applies to every other corporation, association or individual, grants to such corporations a special privilege which such other corporations do not enjoy, and is therefore obnoxious to the provision of the state constitution against special laws unless there exists some reasonable basis, having reference to the object of the legislation, for placing such municipalities in a class by themselves."

The court does not find that there is any condition making municipalities a class by themselves; and the tenor of the decision is altogether to the effect that it would not be possible to do so. It further points out that "the purpose of the public utilities act was to prevent extortionate charges and unjust discrimination by public utilities"; and, all concerns supplying public utility service are placed under the Public Utilities Commission, which is required to regulate rates and prevent unjust discrimination. Therefore, as the court indicates, it is the duty of the Public Utilities Commission to establish reasonable rates for the Springfield electric light company and that the same rates must be charged by any competitor that enters the field against it.

There is an aspect of this matter which the court does not touch upon, probably because it is not germane to the essential features of the case, and it is this: In such conditions as the Springfield case discloses it appears that the major portion of the public are compelled to obtain service from the public utility corporation at the reasonable rate necessary to

Dead and Buried Municipally Owned Lighting Plants

Following is a list of municipally owned lighting plants which are dead and buried. They have gone out of business as losing propositions and the taxpayers—the small home owner and renter, as well as the wealthy merchant—have had to pay for the losses. Frequently the tax burdens have lasted for years after the abandonment of the plants. No figures are necessary. The fact of abandonment speaks for itself.

- Adair, Ia. (electric plant sold)
Afton, Ia. (electric plant shut down)
Alexandria, Va. (electric plant sold, 1906)
Allenhurst, N. J. (plant sold)
Allerton, Ia. (electric plant sold)
Anherst, Ohio. (electric plant shut down, 1912)
Appleton, Minn. (electric plant sold)
Ashley, Ill. (electric plant sold)
Argenta, Ark. (electric plant shut down, 1913)
Athens, Ohio. (electric plant sold)
Attala, Ala. (electric plant sold)
Audubon, Ia. (electric plant sold, 1898)
Ballard, Wash. (electric plant leased)
Barnesville, Ga. (electric plant shut down)
Batesburg, S. C. (electric plant leased)
Bay City, Mich. (electric plant shut down, 1919)
Bergen, N. Y. (electric plant shut down)
Berkeley, Cal. (electric plant leased)
Beverly, Ohio. (electric plant sold, 1907)
Blacksburg, S. C. (electric plant shut down)
Blaine, Wash. (electric plant shut down)
Boscobel, Wis. (electric plant shut down, 1914)
Bourbon, Ind. (built, never operated)
Bowling Green, Ky. (electric plant abandoned, 1914)
Bowling Green, Ohio. (gas plant abandoned)
Bradford, Ohio. (electric plant burned, rebuilt by company)
Braidwood, Ill. (electric plant sold, 1910)
Brownstone, Ind. (electric plant sold)
Brunswick, Mo. (electric plant sold)
Buckley, Ill. (electric plant sold, 1913)
Bucklin, Kan. (electric plant abandoned)
Buena Vista, Va. (electric plant sold)
Buffalo, Minn. (electric plant shut down)
Burlington, N. C. (electric plant sold, 1904)
Burlington Junction, Mo. (electric plant sold, 1916)
Burlington, Vt. (power plant abandoned)
Butler, Ind. (electric plant abandoned)
Cape Vincent, N. Y. (electric plant sold, 1915)
Carrollton, Ga. (electric plant abandoned)
Carthage, Ohio. (electric plant abandoned)
Casselton, N. D. (electric plant sold, 1903)
Central City, Neb. (electric plant shut down, 1916)
Chariton, Ia. (electric plant sold, 1914)
Charlotte, Mich. (electric plant sold, 1907)
Charlotte, N. Y. (electric plant sold, 1913)
Chehalis, Wash. (electric plant abandoned)
Cheraw, S. C. (electric plant shut down)
Chester, S. C. (electric plant sold, 1908)
Chikopee, Minn. (electric plant shut down, 1912)
Christianburg, Va. (electric plant sold, 1908)
Churubusco, Ind. (electric plant sold)
Clarion, Ia. (electric plant sold, 1910)
Clayton, Ill. (electric plant sold, 1913)
Coal City, Ill. (electric plant sold)
Colfax, Ia. (electric plant sold)
Columbia, Ala. (electric plant leased, 1908)
Concord, N. C. (electric plant shut down)
Cridersville, Ohio. (electric plant sold)
Crystal Springs, Miss. (water and light plant leased)
Cuba, Ill. (electric plant sold, 1912)
Cuba City, Wis. (electric plant shut down)
Cumberland, Md. (electric plant shut down)
Dalton, Ga. (electric plant abandoned, 1913)
Dana, Ind. (electric plant sold)
Dayton, Tenn. (electric plant abandoned)
Delano, Minn. (electric plant abandoned)
Delta, Ia. (gas plant abandoned)
Dexter, Mich. (electric plant sold)
Dexter, Mo. (electric plant sold, 1910)
Duluth, Minn. (gas plant abandoned)
Dunkirk, Ind. (electric plant sold)
Durant, Okla. (electric plant abandoned)
Earlville, Ia. (electric plant shut down)
East Chicago, Ind. (electric plant sold, 1907)
East Dubuque, Ill. (electric plant abandoned)
East Grand Forks, Minn. (electric plant abandoned)
East Point, Ga. (electric plant shut down)
East Portland, Ore. (electric plant sold)
Easton, Pa. (electric plant abandoned)
East Tawas, Mich. (electric plant sold)
Edgewood, Ga. (electric plant shut down)
Elbow Lake, Minn. (electric plant sold)
Elgin, Ill. (electric plant leased)
Ellisville, Miss. (electric plant sold)
Elwood City, Pa. (electric plant shut down)
Emaus, Pa. (electric plant sold)
Emporia, Kan. (electric plant leased)
England, Ark. (electric plant leased)
English, Ind. (electric plant sold)
Escanaba, Mich. (electric plant shut down)
Fayette, Ia. (electric plant sold)
Fayetteville, N. C. (electric plant shut down)
Fergus Falls, Minn. (electric plant abandoned)
Findlay, Ill. (electric plant sold)
Findlay, Ohio. (gas plant sold)
Forest Grove, Ore. (light and water plant sold)
Fort Deposit, Ala. (electric plant leased, 1916)
Fort Worth, Tex. (electric plant shut down)
Fort Francis, Ont. (electric plant shut down)
Forty Fort, Pa. (electric plant sold)
Fostoria, Ohio. (gas plant abandoned)
Frankfort, N. Y. (electric plant abandoned)
Fredericksburg, Va. (water and electric plant leased)
Fremont, Mich. (electric plant abandoned, 1915)
Friend, Neb. (electric plant shut down)
Fulda, Minn. (electric plant given away)
Gaffney, S. C. (electric plant shut down)
Galena, Ill. (electric plant sold, 1908)
Galesburg, Ill. (electric plant shut down, 1916)
Galveston, Tex. (electric plant shut down)
Garden City, Kan. (telephone system sold)
Garretson, S. D. (gas plant blew up)
Gastonia, N. C. (electric plant shut down, 1905)
Georgetown, O. (electric plant shut down)
Germantown, O. (electric plant sold, 1919)
Gilroy, Cal. (gas and electric plants leased)
Girard, Ill. (electric plant sold)
Gladstone, Mich. (electric plant shut down)
Goldsboro, N. C. (electric plant sold, 1912)
Goodland, Ind. (electric plant sold, 1912)
Graceville, Minn. (electric plant sold)
Grand Ledge, Mich. (electric plant sold, 1908)
Gravesend, N. Y. (electric plant sold)
Green Island, N. Y. (electric plant abandoned)

Greenwood, S. C. (power plant shut down)
 Griffin, Ga. (electric plant shut down, 1912)
 Grimes, Ia. (electric plant shut down)
 Hamilton, Ohio. (gas plant abandoned)
 Hampshire, Ill. (electric plant sold, 1908)
 Hampton, Neb. (electric plant shut down, 1914)
 Hanover, Kan. (electric plant abandoned, 1914)
 Harrisville, W. Va. (gas plant leased)
 Hart, Mich. (electric plant sold)
 Harvard, Ill. (electric light plant sold, 1907)
 Hempstead, N. Y. (electric plant sold)
 Hickman, Ky. (water and electric plants leased)
 High Point, N. C. (electric plant shut down)
 Hillsboro, Ore. (electric and water plant sold)
 Holgate, O. (electric plant shut down)
 Honey Grove, Tex. (electric plant abandoned)
 Hubbard, O. (electric plant shut down, 1912)
 Hudson, O. (electric plant shut down)
 Hudson, Wis. (electric plant leased)
 Hull, Mass. (electric plant sold, 1915)
 Huntington, Tenn. (electric plant leased)
 Huntsville, Mo. (electric plant sold, 1913)
 Iberville, P. Q. (electric plant sold, 1916)
 Iliion, N. Y. (electric plant shut down, 1914)
 Itaska, Tex. (electric plant sold)
 Iuka, Miss. (electric plant leased)
 Jackson, Ga. (electric plant shut down)
 Jewett City, Conn. (electric plant shut down, 1910)
 Joliet, Ill. (gas plant given away)
 Jonesboro, Ind. (electric plant given away)
 Kansas, Ill. (electric plant sold)
 Kent, Wash. (electric plant sold, 1902)
 Kinmundy, Ill. (electric plant leased, 1910)
 LaCrosse, Kan. (electric plant sold, 1915)
 La Grange, Ill. (electric plant sold, 1905)
 Lake City, Minn. (electric plant shut down)
 Lake Mills, Wis. (electric plant shut down)
 Lakeview, Ore. (electric plant sold)
 Lakewood, O. (electric plant sold)
 Langdon, N. D. (electric plant sold)
 Laurens, S. C. (electric plant shut down)
 Lawrenceville, Ga. (electric plant shut down, 1913)
 Lawson, Mo. (electric plant abandoned)
 Lebanon, Tenn. (electric plant shut down)
 Lehigh, Okla. (electric plant sold, 1913)
 Lehigh, Pa. (electric plant leased)
 Lemoore, Cal. (electric plant sold)
 Leon, Ia. (electric plant sold)
 Le Roy, N. Y. (electric plant given away)
 Lewisburg, Tenn. (electric plant sold, 1918)
 Lexington, N. C. (electric plant junked)
 Linneus, Mo. (electric plant junked)
 Lisbon, Ia. (electric plant sold, 1912)
 Lockport, Ill. (electric plant sold, 1907)
 Lowell, Ind. (electric plant sold, 1907)
 Lowellville, O. (electric plant shut down, 1911)
 Lyons, Ia. (electric plant sold, 1902)
 Madison, Ind. (electric plant abandoned, 1898)
 Mansfield, La. (electric plant sold, 1908)
 Marceline, Mo. (electric plant abandoned)
 Marion, Ind. (electric plant abandoned, 1910)
 McAdoo, Pa. (electric plant leased, 1908)
 McKinney, Tex. (electric plant sold, 1915)
 Madisonville, O. (electric plant shut down, 1895)
 Mahanomen, Minn. (electric plant sold, 1915)
 Marcus, Ia. (gas plant discontinued)
 Marengo, Ill. (electric plant leased, 1908)
 Mazomanie, Wis. (electric plant discontinued)
 Mendon, Mich. (electric plant sold)
 Mentone, Ind. (electric plant sold, 1899)
 Michigan City, Ind. (electric plant sold)
 Middletown, Pa. (electric plant abandoned, 1907)
 Milan, O. (electric plant abandoned, 1914)
 Milford Center, O. (electric plant sold, 1907)
 Millers Falls, Mass. (electric plant shut down, 1907)
 Mineral City, O. (electric plant sold)
 Mitchell, Ind. (electric plant sold, 1911)
 Modesto, Cal. (electric plant shut down, 1906)
 Mohawk, N. Y. (electric plant leased, 1904)
 Moline, Ill. (electric plant sold)
 Monett, Mo. (electric plant shut down)
 Monroe, Ga. (electric plant shut down)
 Monroeville, O. (electric plant shut down, 1917)
 Monticello, Ga. (electric plant shut down)
 Montpelier, Ind. (electric plant sold, 1905)
 Mooresville, N. C. (electric plant shut down)
 Mount Olive, N. C. (electric plant abandoned, 1911)
 Muncie, Ind. (electric plant shut down, 1906)
 Mountain Lake, Minn. (gas plant shut down)
 Murray, Ky. (electric plant sold, 1908)
 Nashville, Ark. (gas plant abandoned, 1908)
 Napanee, Ont. (electric plant abandoned, 1911)
 Needham, Mass. (electric plant sold, 1908)
 Neponset, Ill. (electric plant sold, 1913)
 New Carlisle, Ind. (electric plant sold)
 Newnan, Ga. (electric plant abandoned, 1912)
 New Richmond, Wis. (electric plant shut down, 1897)
 New Westminster, B. C. (electric plant shut down, 1905)
 New York, N. Y. (electric plant shut down, 1907)
 Niles, O. (electric plant abandoned, 1909)
 North Branch, Mich. (electric plant abandoned)
 Northfield, Vt. (electric plant abandoned)
 North Bend, Ind. (electric plant abandoned, 1916)
 Northville, Mich. (electric plant leased)
 Norwich, Conn. (electric plant abandoned)
 Oglesby, Ill. (electric plant discontinued)
 Osborn, O. (electric plant sold, 1914)
 Oxford, O. (electric plant sold, 1918)
 Paynesville, Minn. (electric plant sold, 1915)
 Pelham, Ga. (electric plant leased, 1908)
 Perham, Minn. (electric plant sold)
 Pepperell, Mass. (electric plant sold)
 Pierce City, Mo. (electric plant sold)
 Peterboro, N. H. (electric plant sold, 1913)
 Philadelphia, Pa. (gas plant leased, 1897)
 Pierce City, Mo. (electric plant sold, 1916)
 Pittsfield, Ill. (electric plant sold)
 Pocahontas, Ia. (electric plant abandoned)
 Pontitoc, Miss. (electric plant sold, 1907)
 Poplarville, Miss. (electric plant leased, 1912)
 Portsmouth, O. (electric plant sold, 1905)
 Price, Ut. (electric plant leased, 1914)
 Pulaski, Va. (electric plant sold, 1912)
 Pullman, Wash. (electric plant sold, 1907)
 Port Angeles, Wash. (electric plant abandoned, 1912)
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 Sauk City, Wis. (electric plant abandoned)
 Savannah, Mo. (electric plant abandoned, 1911)
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 Shepherd, Mich. (electric plant shut down, 1913)
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Skaneateles, N. Y. (electric plant abandoned, 1914)
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 South Lyon, Mich. (electric plant sold, 1912)
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 Tawas City, Mich. (electric plant sold)
 Tiffin, O. (electric plant sold, 1905)
 Toledo, O. (natural gas plant sold, 1903)
 Towanda, Kan. (electric plant sold)
 Townsend, Mont. (electric plant sold, 1912)
 Tracy, Minn. (electric plant sold)
 Trenton, Mich. (electric plant sold, 1907)
 Tracy, Minn. (electric plant sold)
 Troy, Kan. (electric plant abandoned)
 Ukiah, Cal. (electric plant abandoned, 1908)
 University Place, Neb. (electric plant shut down, 1908)
 Upper Sandusky, O. (natural gas plant sold, 1902)
 Urbana, O. (electric plant sold, 1898)
 Valley, Neb. (electric plant sold, 1905)
 Victoria, B. C. (electric plant abandoned)
 Vancouver, Wash. (electric plant sold, 1902)
 Versailles, Mo. (electric plant shut down, 1906)
 Wabash, Ind. (electric plant sold, 1885)
 Waddington, N. Y. (electric plant sold)
 Wadesboro, N. C. (electric plant sold, 1912)
 Wakefield, Mass. (electric plant shut down, 1913)
 Walkerton, Ind. (electric plant shut down)
 Wappingers Falls, N. Y. (electric plant sold, 1910)
 Washburn, Wis. (electric plant sold, 1908)
 Waterville, Wash. (electric plant abandoned)
 Weiser, Ida. (electric plant shut down)
 Westerville, O. (electric plant shut down, 1914)
 West Newton, Pa. (electric plant sold, 1910)
 West Springfield, Mass. (electric plant sold, 1914)
 West Tampa, Fla. (electric plant sold)
 Wheaton, Ill. (electric plant shut down, 1904)
 Wheeling, W. Va. (gas plant abandoned shut down, 1916)
 Willoughby, O. (electric plant abandoned)
 Wilmington, O. (electric plant sold, 1903)
 Winchester, Tenn. (electric plant leased)
 Winder, Ga. (electric plant abandoned, 1915)
 Winnebago, Minn. (electric plant sold, 1915)
 Wood River, Neb. (electric plant abandoned)
 Woodstock, N. B. (electric plant abandoned, 1906)
 Wytheville, Va. (electric plant abandoned)
 Waynesville, O. (electric plant sold, 1919)
 Westerville, O. (electric plant shut down, 1914)
 Woodville, O. (electric plant abandoned, 1911)
 Xenia, O. (electric plant sold, 1896)
 Yarmouth, N. S. (electric plant abandoned, 1912)
 Zeeland, Mich. (electric plant sold, 1915)

Service-at-Cost in Boston

By T. DAVID ZUKERMAN

New York Bureau of Municipal Research.
 Reprinted from National Municipal Review.

THE electric railway industry is today the "sick man of business." It has come out of the war in much worse shape than other staple industries and is still facing a crisis. A material portion of the street railway mileage of the country is in the hands of receivers; not a little has been abandoned and sold for junk; and both processes are being continued. That the situation is no worse than it actually is can be ascribed to the mildness of the winter through which we have just passed as well as to the ending of the war.

The traction managers and investors are clearly at a loss as to the solution for the problems they are facing. When the need for additional revenues became insistent, apparently the one method of meeting it that appealed to the traction interests was an increase in fares. The evils of the industry were attributed to the fixed price at which transportation was being supplied. Now, however, that the companies operating in nearly four hundred communities throughout the country have been granted increases in fare—in many cases two or three times—ranging from 20 per cent to 100 per cent, it is becoming more and more evident that the fare increase in itself is not a panacea for the ills from which the street railways are suffering. The results are distinctly disappointing. That such is the case is frankly admitted by prominent traction managers and financiers.

Service-at-Cost Franchise the Proposed Solution

The last hope of railway men for private ownership and management seems to be the service-at-cost franchise,

which furnishes that public co-operation which they now confess is vitally necessary for successful operation. The legislature of Massachusetts has taken the most radical steps to find a solution for the situation by passing a general service-at-cost act of which any company in the state may avail itself. That body went much further, however, in the case of the Boston Elevated Railway Company, which serves the metropolitan area of Boston. The Boston Elevated Act, passed in 1918, provides not only for automatic adjustments in the rate of fare to furnish the revenues necessary to cover all legitimate operating costs, including adequate maintenance and depreciation and a guaranteed dividend; it also provides for payment by the state of any deficits that may nevertheless be incurred.

The troubles of the Boston Elevated were but intensified by war conditions. The company was facing financial difficulties even before the outbreak of the war. The situation became so acute in 1913 that the Boston transit commission and the state public service commission sat as a joint board to consider the company's affairs. Again in 1914, the public service commission made a complete investigation at the request of the legislature.

Special Commission of 1916.

Two years later the directors appealed to the governor of Massachusetts for a special commission of inquiry to suggest possible legislative remedies for the difficulties confronting the company. Reaffirming their belief that the fare charged was inadequate, they insisted on the necessity for a radical increase in revenue. The governor transmitted

If I were the trouble man I would try to render the customer the best service possible. I would do my work quickly and accurately, and try to create the impression that the company was interested in the proper operation of the customer's gas and electric equipment. I would be a firm believer in gas and electric labor saving appliances for the home, and would co-operate with the sales department by not "knocking" any appliances that might be giving trouble in the customer's home. I would try to acquire the salesman's point of view that a satisfied customer is the company's most valuable asset.

If I were a wireman I would strive to be a first class wireman. When working in a customer's home I would try to make as little muss as possible. I would always use drop cloths wherever possible, so as to avoid getting plaster or dirt on the rugs, or furnishings, of the home. When necessary to remove base boards or flooring I would try to avoid splitting them, and would see that they were replaced in as good condition as when I found them. I would do my work so well that the customer would be pleased and would recommend us to his friends.

If I were a salesman I would know my line so thoroughly that a customer could not ask me a question about my goods that I did not know. I would have a thorough understanding of the company's rates for service and a general knowledge of the business as a whole. I would be careful of my appearance, always clean shaven and well groomed. I would never misrepresent my goods, and would always try to satisfy my customers so that they would feel that it was a pleasure to deal with me and would refer their friends who were in need of gas and electric appliances to me.

If I were a sales clerk in the store, in addition to having a thorough knowledge of the goods I was selling I would make a study of merchandising methods and try to learn the best methods of displaying and selling goods. I would keep the stock clean and in good order. I would dress plainly and neatly. I would never call to another clerk across the room. I would not address a fellow employe by his given name, or use such terms as "Dearie," or "Gerlie." I would not chew gum or use tobacco while on duty. I would treat the customer with the utmost courtesy and respect, and would try to create the impression in the customer's mind that we appreciated his business and that it would receive our most careful attention.

If I were the head of the department I would not think of it as "My Department," but would think of it as a part of the company, and would so try to conduct the department that it would run smoothly in close cooperation with all the other departments of the company.

If I were the superintendent and you did not do your work properly, I would tell you about it. If you still persisted in making mistakes I would—but I must close as my space is limited.

Scaife Company Opens Chicago Office

Wm. B. Scaife & Sons Company of Pittsburgh announces the opening on July 1st of a Chicago sales and engineering office at 38 South Dearborn Street, with Charles F. O'Hagan, formerly chief engineer of the company at Pittsburgh, as resident engineer and manager. This company is the oldest manufacturing concern west of the Allegheny mountains. During the more than one hundred years since their business was founded, they have from time to time as conditions arose, added to their manufacturing facilities. They now manufacture black or galvanized, riveted, brazed or welded steel tanks for air, gas and liquids, steel shipping drums, range boilers, steel structures, also the well known We-Fu-Go and Scaife water softeners and filtering equipment.

PRIVATE OWNERSHIP THE BEST

By F. G. R. Gordon in N. E. L. A. Bulletin.

It is always easy for a municipality to do what someone else has already done. A gas or an electric lighting plant can be run by a city after the individual has solved the problem, but no one ever heard of a city initiating anything, except higher and higher costs for city government.

The theory of the municipal Socialists is that a municipality or a state can perform any service better than a private corporation or an individual.

The whole history of public ownership proves this theory to be false the world over. In order to make out a case for municipal or state ownership, a few places are picked out here and there which, owing to their superior location near coal fields, or vast water powers, are offered as illuminating examples of the alleged success of public ownership. But even in these cases it is generally found that only a part of the truth is shown. Almost always such overhead charges as depreciation, part of the cost for capital account, loss of taxes, etc., etc., are ignored.

And if all the costs are taken into consideration the alleged "profits" and "successes" are often turned into losses and failure. As a matter of fact it is losses and failure for nearly all the public-owned enterprises all over the world.

The United States Census proves that public ownership is much more costly than private ownership. Another point often overlooked is the fact that whenever you find a city that has plunged into public ownership you will find high taxes and a very great increase in the municipal debt.

For instance, the story has been published a hundred times over that Cumberland, Md., which owns its electric lighting plant, has street lighting for an average cost of \$34.06 per light per year. But an investigation proved that this price was secured without reckoning the depreciation on plant of some \$40,000 a year and the loss of taxes. If these two items were reckoned into the actual cost, it would have shown a net loss to the city of \$15,564.91 a year. What is more, a private company offered to light the city at a cost of \$7,500 a year, a saving over the socialistic price of more than 30 per cent.

In connection with this let us ask: Will public ownership decrease taxes? No. In 90 per cent of cases it has increased taxes as the history of public ownership will prove.

Pearly Morse, the author of the "A. B. C. of Government," says in the *Forum*: "No human being knows what the Government owns or how much it is worth; no department keeps a satisfactory record of depreciation—a thing is worth what it costs until it is thrown away, and precious little is thrown away on government books. And because the Government does not know what it costs to do business it never knows the exact expenses of any purchase or products." Of course this is true, and everybody who has taken the time to investigate knows that it's true.

The report of the Investment Bankers' Association committee on railroads says: "According to reliable authorities, the records of public ownership the world over show decreased efficiency, increased expenses, lessened initiative, political interference and economic waste. We find nothing in the experience of our own country in the field of public ownership which encourages the hope that we can profitably extend its sphere." This is exactly what every intelligent investigation will show, and yet we have several million citizens led by men like William R. Hearst and Senator LaFollette, who want to extend public ownership, not only to the railroads but to the wire systems, gas and electric lighting plants and coal mines, and so on.

Public Service

Vol. XXVIII, No. 6

June, 1920

Fifteenth Year

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431 SOUTH DEARBORN ST.

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It has been shown very clearly by Mr. Pardee that in the matter of production alone the electric utilities play a big part. It is just as true that the electric roads and all the other utilities—gas plants, electric light plants and telephone companies—play parts of equal importance in virtually every phase of our modern life.

Thinking men can not but reach the conclusion that to hamper the development and operation of public utilities is to hamper the growth and development of the communities in which they operate, and that unreasoning prejudice, incited by demagogues in public life against the utilities, amounts to cutting off the public nose to spite the public utility face.

HANSON UPHOLDS PRIVATE CONTROL

Former Seattle Mayor Points Out Fallacy of Municipal Ownership

Ole Hanson, former mayor of Seattle, knows about municipal ownership. His city tried it and still is trying to make its municipal street car system pay expenses. And as the result of that experiment Mr. Hanson has been converted. He no longer believes that municipal ownership is the universal panacea for utility ills. Here is what he says:

"I cannot believe from my experience that the public utility that employs any large number of men or where a large amount of capital is necessary can or will function as efficiently as a public operated utility as a private corporation which has individual reward at the end of the day. Nor do I believe that the cities of this nation or the government of this nation will ever be willing to pay for brains.

"Brains are the cheapest thing there is in the government and you are driving the men of brains away because of poor recompense. When you do get brains you cannot keep them. I think that is the main fault with our government ownership and municipal ownership.

"The time has come, it seems to me, to speak plainly. It is of no use to pussyfoot any longer. We have got to come out and tell the truth to the people and let them understand that the government of the United States is not a self-perpetuating Christmas tree for the benefit of anyone. It seems to me that the time has come to protect the great body of men and women who put their money in public utilities and who during the war have had their entire capital cut in two and you have never heard a murmur from them.

"The man who invested \$10,000 in a railroad bond seven or eight years ago or five or six years ago simply has his \$5,000 today, figuring on the meat and clothing and house rent basis. We must see to it, if we are honorable men that these men get a run for their money or else we are thieves. If we want to make the American government a kind of pickpocket the way to do is just to confiscate these great properties throughout the country."

Third of Wealth in Utilities

Figures compiled by the Illinois Committee on Public Utility Information show that more than one-third of the total wealth of the country aside from real estate is now invested in public utility companies. If real estate, farm equipment and products and personal belongings such as clothing, furniture and vehicles are deducted, the utility companies account for approximately half the remaining wealth.

"In one way or another," says the committee's bulletin, "every economic activity now depends on the public utilities and if they are managed wrongly nobody can escape the consequences."

REVEAL MUNICIPAL INEFFICIENCY

Indiana Commission UnCOVERS Public Ownership Faults at Anderson

Conditions not at all uncommon in the management and operation of municipally-owned utilities were brought to light early last year by the Indiana Public Service Commission's investigation of the publicly-owned water and electric plants at Anderson, an important manufacturing city of about 30,000 population.

The commission's engineers and accountants found that the large water and electric properties at Anderson, in which hundreds of thousands of the taxpayers' money had been invested, were being managed and operated with less efficiency than one would expect to find in the direction of a peanut stand. Of course the engineers and accountants made no reference to a peanut stand in their official reports, but they did say:

"With our form of government, politics are necessary in certain places, but not in the public utility organization, and people who wish to pay their water bills and their electric light bills should not be compelled to run into political conditions in order to meet their public utility obligations."

They found there were no means by which the management of these big business properties could find out what it cost to produce the service sold, no means for accurately measuring the sales and no means for correct collection of the accounts receivable. Here the reader may be reminded that any ten-year-old boy in the peanut business would know exactly what his product cost him, would make an accurate measurement of his sales and would know how to collect every penny of his revenue.

The commission found that the plant needed more boilers, that the equipment was sadly in need of repair, that no adequate record had been kept of meters installed and no tests made to see whether they were registering properly and the plant officials had no record of the amount of coal burned. The commission's accountants reported that the accounting methods were inefficient and should be revised completely.

These conditions, due solely to the mismanagement resulting from municipal ownership and its attendant political interference in utility affairs, were ordered corrected by the commission.

Competition Disastrous to Public

Public utility men everywhere know that competition in the utility field is ruinous to the companies and detrimental to the public in the long run. That this view is not shared by the general public is due largely to the fact that political demagogues mislead the people by declaring that a municipal utility, placed in competition with the privately owned one will result in forcing the private utility to reduce rates, the inference being, invariably, that the existing rates are unreasonably high.

The fallacy is gradually being disproved, however, and commissions who inquire deeply into public utility affairs are daily discovering that such is not the case.

For instance, in a recent decision, the Public Service Commission for the Second District of New York refused to permit the Ausable Forks Electric Company to construct a generating plant which would enable the company to compete with the Northern Adirondack Power Company, the companies both having vested interests and being unable to reach an agreement to merge. The commission, in its decision, declared that "competition, while it works to the temporary advantage of the public, is, in the long run, disastrous to the public and to both companies."

Municipal Plant Burden to Taxpayers

Too Low Rates Causes Big Deficit in Rock Hill, S. C., Water and Light Plant

It is distinctly unpleasant even to consider what the mental attitude of the citizens of Rock Hill, S. C., would be toward municipal ownership if the rates of their municipal water and light plant were increased to the point where the plant would become a profitable investment for the taxpayers of that little city.

For the year ending March 31, 1919, the municipal plant saddled the taxpayers of Rock Hill with a deficit of more than \$24,000, amounting to about 65 per cent of the total revenue of the plant. To break even, rates would have to be increased about that much and municipal ownership's favorite argument—cheap service—would vanish.

The situation existing at Rock Hill shows very clearly the results of inefficient political management of a public utility. For instance, after taking over the electric plant from the private company in 1911, the city abandoned the generating station and erected a new one. A year later this plant was abandoned and the city began buying current from a private company.

After purchasing the plant the city installed a new street lighting system. Shortly after this decision was reached the council changed its mind and decided to replace the new system with lights of a different type.

Municipal ownership was rather forced upon the inhabitants of Rock Hill. Under private ownership the service was bad and there was continual war between the public service company and the council. This situation was found intolerable but the company can hardly be blamed for not making extensive improvements in the midst of a hot agitation for municipal ownership, and in the unfriendly circumstances which manifested themselves at every turn. The people voted for the construction of a badly needed sewer system but when someone suggested that construction of sewers would increase the volume of water used and thereby increase the revenue of the water company, the council held off construction of the sewers for several years, merely to spite the corporation. In the year following this decision there were 53 cases of typhoid with 17 deaths due entirely to the crude sanitation then in force.

After purchasing the light and water plants the city established rates about 20 per cent lower than those of the private corporation but the losses each year have been considerably more than 20 per cent of the gross revenue with the result that the service is costing the city considerably more than it did under private ownership.

The accounts of the municipal utilities of Rock Hill, while incomplete, are in far better condition than those of the average municipal plant. All city departments are charged at regular established rates for service and bills are rendered to the city for street lights and hydrant rental. Interest on the bonded debt is charged against the plants. Omitted items include rent of office in the city building, lost taxes on basis of taxation of old company, services of other city departments in helping manage and operate the property, interest on such proportion of the 1914 funding bond issue as is chargeable to water and light, and sinking fund requirements for the retirement of the original bond issues when they mature, as well as the proper proportion of the 1914 issue. The plant makes a charge for depreciation, but it is inadequate. For the year ending March 31, 1919, the plant charged off \$4,150 as depreciation but this amount is ridiculously small. The plant charged off \$1,000 as extraordinary depreciation (against an abandoned well purchased from the old com-

pany) and \$3,150 as depreciation of machinery and equipment. The maintenance of the properties has not been up even to the average and depreciation figures covering a great many properties show that with even average maintenance the depreciation rate is at least 7 per cent on electric properties and from 4 to 5 per cent on water properties, particularly in growing communities like Rock Hill, where new and larger water mains must frequently be laid to replace mains which have been outgrown. A fair depreciation charge, including depreciation chargeable against old company property purchased and junked, is certainly 7 per cent, which would make the depreciation, based on the reported plant value of \$256,819.03, amount to \$17,977.33 instead of only \$3,150, which was charged in 1919.

Making this correction in the accounting and including the charge for rent in the city hall, lost taxes, services of other departments, interest and sinking fund, we have:

Earnings water dept.....	\$18,152	
Earnings electric dept.....	36,858	
Joint earnings.....		\$55,010
Expenses water dept.....	\$10,389	
Expenses electric dept.....	16,934	
Joint expenses		\$27,323
Surplus earnings over expenses.....		\$27,687
Joint general expenses	\$ 7,611	
Bond interest	11,750	
Tools and supplies deficit.....	28	
Depreciation reserve	4,150	
		\$23,539
Net profit		\$ 4,148

The following items are chargeable against the net profit above not included in the city's accounting:

Office rent (estimated)	\$ 600
Lost taxes (on basis of valuation).....	2,863
*Services other city depts.....	1,200
**Depreciation	14,825
***Interest additional	1,125
Sinking fund requirement.....	7,685
	28,298
Deducted reported net profit.....	4,148
Net loss	\$24,150

This deficit amounts to slightly more than 65 per cent of the total revenue from water and lighting customers and would indicate that rates must be raised by that amount in order to make the plant break even. This would make the initial rate for water 44.5 cents per thousand gallons net, with a minimum bill of 82 cents net.

Municipal ownership in Rock Hill was justifiable as an escape from the intolerable condition which had arisen on account of the differences between the company and the city officials, but if it was entered into with any hope of profit, that phase of the situation must be a serious disappointment to the people.

*Includes services of mayor, council, city attorney, city treasurer, police service in reporting trouble, etc.

**This sum is 7 per cent normal depreciation less the auditor's nominal depreciation charge of \$3,150. Deep well depreciation is extraordinary.

***Interest on one-half of funding bond issue of 1914 chargeable to water and light department. The issue was for \$45,000, for the purpose of funding the city debt and a considerable part of this debt if not all of it was incurred on account of the water and light plants.

Public Service

Vol. XXVIII, No. 3

March, 1920

Fifteenth Year

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H. J. GONDEN · PUBLISHER
431 SOUTH DEARBORN ST.
CHICAGO · ILLINOIS

\$2.00 PER YEAR

What Public Ownership Did to Taunton, Mass.

Epidemic of Municipal Ills Directly Traceable to High Cost of Operating City's Light Plant

TAXPAYERS of the important industrial city of Taunton, Mass., of 38,000 people, are receiving a liberal education in the school of municipal ownership. The tuition fee in this school for the year 1919 was more than \$66,000, the amount of the deficit piled up by the municipal electric light plant. In addition to this drain upon the public purse, the consumers are paying higher rates than are in force in any comparable city in the state and, because of the inadequacy of the plant, 65 per cent of the industries upon which the city depends for prosperity have been forced to obtain their current from isolated plants.

Probably the greatest ill suffered by Taunton has been this effect of municipal ownership on industry. About 65 per cent of the power used in the industries of the city is generated in individually owned plants and although the municipal plant is called upon to carry only 35 per cent of the power load of the community, it is heavily overloaded and the management is endeavoring to obtain an appropriation for a new 4,000 KW. generating unit.

The municipal electric plant at Taunton has always required appropriations from general taxes, which have been considered in the light of payment for street lighting service, though the relation between the two has not always been very apparent. Today the domestic lighting rate, as well as other rates, take place as the highest in similar cities in Massachusetts.

In spite of the \$100,000 bond issue for operating expenses in 1919, and other bond issues, of which it is certain part of the proceeds were used for operating expenses, the plant is in a serious state of deterioration. The resident superintendent feelingly describes it as "rotten!"

The city tried municipal management from 1897 on, but in the summer of 1919 the city officials threw up their hands and turned the solving of the problem over to a committee of citizens, composed chiefly of men who were large users of the municipal power and large taxpayers as well. Their most important step was the employment of an outside engineering firm to act as operating managers, with no supervision or interference from the city officials. The engineering firm has a resident manager, who devotes his entire time to the plant. A significant fact is that the engineering firm receives about three times as much to act as manager as did the politically appointed superintendents preceding. Taunton has apparently learned a lesson, albeit belatedly, that cheap help is the most expensive.

Demand Exceeds Capacity

The municipal electric plant has never adopted a progressive policy of expansion. The demand for electricity has always been ahead of the capacity of the plant, with the result that overloaded and neglected equipment has been subject to frequent breakdowns.

The expense of maintaining the electric plant is undoubtedly a contributing cause to the unsatisfactory condition of other public works, such as sewers, paving and park development. The sewer system was put in ten years ago, but has never been completed and is considered by many to be a serious menace to the health of the community. Owing to the scattered character of the city—an area of 50 square miles for a population of 38,000—there are many unpaved streets though the paving which is installed is in fair condition. There are only two city parks, aggregating about

two acres, and of these only one is improved. There are 28 grade schools and one high school in which crowded conditions prevail and there is an urgent need for new buildings.

Prior to July, 1919, the municipal electric plant was operated by a superintendent, appointed by the mayor, and directly responsible to him. The salary was \$1,800 a year. The term was for four years. Since 1903 there have been five superintendents, the changes being political in each instance. The action in July, 1919, was to take the electric plant out of politics and insure some sort of business supervision. In line with this effort, a special act was secured, calling for the creation of an Electric Light Commission of three members to be appointed by the mayor. Naturally the first commission, appointed at a time when the affairs of the plant were at a crisis, is composed of men who will, during their tenure of office, keep the plant out of politics; but it is a matter for the future to determine whether the injection of political influence into future commissions will not occur just as appointment of past superintendents has been a matter of politics. The commissioners receive \$300 a year each, with an additional \$200 for the chairman. This is hardly enough permanently to attract high grade men who will give the necessary time to supervising the management of an important public utility.

The crisis which brought about the attempt to reform the administration of the plant was not because of operating deficits, which have always been the rule, rather than the exception—it was not on account of the rates, though power rates had been increased by a 25 per cent fuel surcharge in September, 1918. It was on account of the fact that the service had become so poor and was so subject to interruption that the manufacturing interests of the community could not tolerate the condition any longer.

The management estimates that about 20 per cent. of the houses in the city are wired, with 3,400 meters in service. The plant furnishes about 35 per cent of the power used in the city, the remainder being furnished by isolated steam, oil and gas engine plants. The small percentage of houses wired for electric light again indicates the unprogressive nature of the municipally owned undertaking, and shows in a striking manner the unfairness of municipal ownership, where all the residents are taxed to pay operating deficits from which only 20 per cent of the families derive benefit.

A significant feature of the electric lighting situation in Taunton is shown by the fact that 50 per cent of the gas company's business is lighting business, even though the cost of gas is \$1.30 per thousand feet—an increase of 40 cents over pre-war prices.

The electric plant now carries a considerable overload, running as high as 50 per cent at times. On account of this overloaded condition the plant will accept no more power business, but makes an effort to connect up new residence customers within two or three days after application is filed, provided the customer is directly on the existing lines. No line extensions will be made until the new generating unit is purchased and installed.

Electric Plant Statistics

The plant was purchased in 1897. The present generating station was built in 1902.

The real estate consists of 6,900 square feet of land on

which the original plant was situated, purchased from the old company in 1897, and valued at \$4,000, and 78,454 square feet of land on which the present generating station is located. This land belonged to the city and has never been paid for by the plant. It is valued at \$9,500. Since 1897 there have been eleven bond issues, ranging in size from \$125,000 to \$3,000 and bringing the total bonds issued to \$603,000. Of this sum, \$16,000 has been paid, bringing total bonds outstanding to \$587,000 on which the interest charge for 1920 will amount to \$24,760.

The official report for the year ending November 30, 1919, shows an operating deficit of \$3,939, as follows:

Earnings—	
Commercial and domestic light.....	\$129,842
Contract incandescents.....	542
Power.....	130,347
Municipal buildings.....	6,556
Cooking and heating.....	1,265
Street lighting.....	30,000
	\$298,552
Expenses—	
Station operation.....	\$259,460
Distribution.....	22,248
General.....	20,783
	\$302,491
Operating deficit.....	\$ 3,939

The above figures do not include the charges for depreciation, interest, bad debt and jobbing losses allowed in the official profit and loss account for 1919, which were as follows:

Depreciation.....	\$20,287
Interest.....	19,799
Bad debts.....	2,376
Loss on jobbing.....	238
	\$42,700
Add operating deficit.....	3,939
Year's deficit officially shown.....	\$46,639

The official accounting allows nothing whatever for lost taxes—the amount of tax revenue that would be derived by the city if this property were in private instead of municipal ownership. It is estimated that at least \$20,000 yearly in taxes would have to be paid on this property were it in private hands. So, without taking into consideration the decreased value of the dollar or adding anything to the above official depreciation charge to make up for it, but by merely adding \$20,000 for lost taxes to the officially acknowledged deficit of \$46,639, we find that municipal ownership and operation of an electric plant actually resulted in a loss of \$66,639 to the city of Taunton for the year of 1919.

The rates of the Taunton plant would have to be increased 23 per cent. to make the earnings cover the actual operating and fixed charges. The present maximum lighting rate is 15 cents per KWH. with a minimum of 13 cents; power rates range from 8.75 cents to 2.5 cents. The minimum monthly charge for lighting is 75 cents and for power a minimum of 75 cents for the first horsepower connected is charged with a 50 cent charge for each additional horsepower. The commercial charge, as reported to the State Board of Gas and Electric Light Commissioners, is "an operating charge of 5 cents a KWH. and a standing charge of 7 cents a KWH. divided by the hours a day of full load consumption, with a discount of 10 per cent of the gross charge if the bill is paid on or before the 15th of the month."

This charge is now subject to a 25 per cent surcharge on account of war conditions.

Summed up briefly, municipal ownership in Taunton has accomplished the following results: (1) it has hampered industrial growth by failing to provide adequate power facilities; (2) forced consumers to pay more for light and power service than their neighbors; (3) saddled on the taxpayers, only 20 per cent of whom are consumers, a debt of more than half a million dollars, of which only \$16,000 has been paid and interest on which for 1920 will total approximately \$25,000; (4) piled up an annual deficit which for 1919 is computed at more than \$66,000; (5) cost the

city \$20,000 annually in lost taxes; (6) has given such poor service as the result of political interference that outside help had to be procured at great public expense to run the plant; (7) retarded necessary public improvements and (8) provided the city of Taunton with a plant which its own superintendent describes as "rotten," and able to supply, even when overloaded, considerably less than half the power requirements of the city.

Taunton furnishes a shining example of the fact that an electric light plant cannot be successfully operated politically.

PUBLIC DUTY TO UTILITIES

Development of Public Utility Corporations Is for General Public Interest

There is frequent discussion in the newspapers and by politicians of the service the public utility owes the public, but it is rarely that the other side of the case is heard and one learns that the public also owes something to the utility which supplies it with service.

This is well illustrated by the testimony given before the public utilities commission of California recently with regard to the development of hydro-electric power.

In this particular case the witness, a banker, expressed the opinion that it would be fairer and more to the interest of the general public to promote the development of the utility company than for the people to listen to the bickerings of the politicians and quibble over differences in the proposed rates for service amounting only to a fraction of a cent. In support of his contention the witness cited the San Joaquin valley. This valley is one of the garden spots of California. Only one-fifth of it, he said, had been developed. Development of the other four-fifths depended absolutely on the development of hydro-electric power. The witness wondered what profit the residents of the San Joaquin could expect to gain by combining to force the power companies to charge rates that would give them little, or practically no return for the money invested. The valley, he said, could not develop without power; power could not be developed and the facilities of the public utility expanded to provide more power without credit; and credit could not be obtained unless the corporation could show where the company could earn money to pay off its creditors.

The banker's position was well taken. He knew what the public does not know, or rather what the public oftentimes chooses to disregard—that capital, other things being equal, will gravitate toward investments that promise the highest return. This is so true that it amounts to an economic law. And the public, by allowing itself to be duped into believing that public utilities are in the robber baron class, only work injury to the public. The public often wrecks the utility, but it suffers in turn. Failure to provide money for expansion results in no expansion and insufficient expansion means that the progress of the community is seriously hampered.

Lost Forever

Edith—So that rich old bachelor didn't propose?

Madge—No, he ate six meals at that summer hotel where they advertised home cooking and decided to stay single.—Boston Transcript.

The "reds" seem blue because America proved to be not as green as they thought.—*Pittsburgh Gazette-Times*.

TMLP History

When Taunton Municipal Lighting Plant (**TMLP**) began operating as a municipal electric utility in 1897, it already had 15 years experience providing electricity to customers in the business section of Taunton.

TMLP's predecessor, the Taunton Electric Lighting Company, was created as a business venture by several Taunton entrepreneurs who provided the funding for a 100' x 75' wooden structure on Mechanics Lane which contained a 60-horsepower engine, boiler and dynamo machines to illuminate 35 to 40 lights in the Main Street/City Square area.

Service began on a small scale, with 22 customers with one, two or three arc lights. Electricity was available from one hour before sunset until 10 p.m. each night except Saturday when electricity was provided until 11 p.m. By September 1892, 18 stores around the Green had electricity and streetlights were lit on Broadway, Main Street and City Square.

Taunton Electric Lighting Company made it possible for the first electric cars to start service from the Green to Whittenton and back on April 30, 1893. Service was later extended to Weir Street and back. By then, the company was generating enough power to illuminate 84 streetlights and 2000 incandescent lights throughout the city.

Demand for electricity increased and an addition to the generating station was constructed in 1890. As the demand for electricity increased, so, too, did the company's debt. In December 1896, the stockholders voted to sell the company.

The city of Taunton came to the rescue in 1897, and decided to purchase the floundering company, making it a publicly-owned electric utility. In June 1897, the city of Taunton purchased the electric light company for a total \$125,000.

Renamed Taunton Municipal Lighting Plant, the utility continued to generate power at the Mechanics Lane Service Station. The Mayor appointed a Board of Commissioners to help govern the utility. By 1918, TMLP was in financial disarray due to the lack of a permanent manager or commission. With the insistence of the Taunton Central Labor Union and the Taunton Chamber of Commerce, the state legislature passed a bill that created a three-person commission to oversee TMLP. Governor Calvin Coolidge signed a bill establishing the Taunton Municipal Lighting Plant Commission in April 1919.

Today, TMLP provides electric service to 34,000 customers in Taunton, Berkley, Raynham, and sections of Dighton, Lakeville and Bridgewater. TMLP is governed by a three-member Board of Commissioners, which is elected by the citizens of Taunton.

TMLP employs 165 associates and has an office location at 55 Weir Street and the Cleary-Flood Generating Station at 1314 Somerset Ave, Taunton, Massachusetts. The Generating Station, which has two units (#8 and #9), is capable of generating 136 mW. Unit #8 burns fuel oil (#6), and Unit 9 is a combined-cycle unit that burns natural gas and #6 fuel oil.

In late 1997, TMLP began offering Internet service for its customers as TMLP Online. TMLP Online today provides Internet and network service to residential, commercial, industrial, and municipal customers in the area, including the entire Taunton school system as well as Morton Hospital and its associated medical facilities.

TMLP and its associates are active members in regional and national organizations such as the Northeast Public Power Association, American Public Power Association and the Municipal Electric Association of Massachusetts. Locally, our employees sit on a number of Boards and participate with civic organizations including the Taunton Chamber of Commerce, Taunton Area School to Career, Taunton Boys and Girls Club, Rotary, Project Best, United Way and American Cancer Society.