

Leg: Public Power

IN Senate,

AUG. 1, 1953

STATEMENT BY SENATOR ROBERT H. NOMPHEEY
ON PUBLIC POWER AND THE NEW ADMINISTRATION

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Mr. President, I think it is high time that this distinguished body, representing every state in the Union, take time out for a few minutes as this session ends to inventory the nation's supply of electric power. We should examine exactly what the administration is doing, or not doing, to use to the best advantage our existing sources of energy and to develop additional sources for future years to keep our economy strong and to erect a bulwark against the forces of aggression that seem to run rampant almost at will throughout the world.

Some people are going to ask immediately why do we need Federal hydro-electric projects, and why do we need transmission lines to get the power away from the dams, and why do we need wheeling contracts, and why is the time of the Committees of this Congress taken up each year by long hours of testimony, examination and cross-examination, debate, and decisions on hydro-electric power issues, and why is the Senator from Minnesota right now on his feet

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talking about electric power -- the fastest growing major industry in the nation, and why do we have to sit here and spend hours discussing such subjects as transmission lines, switch yards, under water cables, substations, and other topics seemingly completely unrelated to the formation of legislative policy to run a nation of 158,448,000 people?

I'll tell you why, gentlemen. The electric power, both developed and undeveloped, in the rivers of our nation is one of the greatest remaining resources belonging to the people of our country-- and I stress it belongs to the people. It is the job of this Congress and all of its Committees to see that the resources of the people-- including land, water, transportation, and electric power -- are developed for the benefit of all of the people, and not simply exploited by great combinations of capital to put more money into the treasury of those who already have their share and more.

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It is the job of the Congress in 1953 to control and regulate the disposition of our hydro-electric resources, just as it was the duty of the Congress in 1862 to regulate and control disposition of the great land areas of the West, just as it was the duty and responsibility of the Congress in 1897 to place sufficient areas of our national forest reserves beyond the reach of those who would strip every tree from the land and allow the top soil to be washed into the ocean, leaving nothing but gravel, red clay, and burned out stumps.

The Congress provided for the homesteading of the Western land areas, not by the great land speculators, but for the benefit of the average citizen for the man who wanted and needed a small farm. Similarly, the Congress put aside large reserves of forest land, not for the purpose of depriving the big lumber companies of a profit, but simply as the only reasonable way to assure you and me in 1953 and our children and grandchildren in 1975 of enough

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wood to build a house, to make furniture, and to provide enough forest products for a thousand other purposes.

That is why this Congress spends so much of its time discussing our ^{NATURAL} national resources, discussing electricity and the policies necessary for an equitable apportionment of hydro-electric reserves of our nation. Electricity is the resource of the present and future, as undeveloped land was the resource of the 19th century.

There are, of course, two extremes or limits between which our Federal power policy must ultimately lie. On one hand, is the surrender of all control over our electric power reserves by the Congress and by the government administrative agencies to the private utility industry for exploitation as the industry may see fit. This would mean utilization of these resources under any criteria set by the industry for the profit of the industry alone, without regard to consumer welfare. That was, unfortunately, our policy for many years.

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Alternatively, there is the other limit or extreme of government ownership and control of the entire electric power facility of our nation, including hydro power, thermal power, and any future method of developing power.

Between these extremes, we must choose a course. Many will say the Federal power policy is already established and has been established for 30 years, since the adoption of the Reclamation Act of 1906, and the Federal Water Power Act of 1920, and the FNA Act of 1933, and the Federal Power Act of 1935, and the REA Act of 1936, and the Bonneville Act of 1937, and the Fort Peck Act of 1938, and the Omnibus Flood Control Act of 1944.

Well, the Senator from Minnesota thought that the Federal power policy was established, too, but apparently there are some in Washington who either don't think it is already established or who want to change it to suit their own ends, if it is. Some of these people would change Federal power policy through the language of Congressional committee reports, some would change it by reversing

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long established policies of departments of the Executive Branch, others would change it by appointing persons to administrative tribunals who are on record as opposed to the established policy, and I dare say those who would change it by an outright resolution of the Congress. There are those, also, who would change it by indirection -- by such methods as elimination of drastic reduction of appropriations for Federal power marketing agencies.

These same people will refer to the campaign platform adopted by the party now in power about a year ago this time. What did that platform say -- they will point to the following language:

"We support the principle of bona-fide farmer-owned, farmer-operated cooperatives and urge the further development of rural electrification and communication, with federally-assisted production of power and facilities for distribution when these are not adequately available through private enterprise at fair rates."

Let us look to what the new administration has done in the way of effectuating this plank of the platform. They fired the REA Administrator, an able man, appointed for a tenure of ten years and with two years to run, and now they have fired the Deputy Administrator,

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too, a service connected civil servant, who has devoted a major portion of his lifetime to the development of the rural electrification program. Certainly not a meritorious beginning.

Next, the present administration requested electric loan funds in the amount of \$95,000,000 for fiscal 1954, when the figure compiled by the cooperatives themselves indicated that \$294,000,000 is required. \$50,000,000 has been requested for telephone loan funds in fiscal 1954. The figures of the cooperatives themselves indicate that \$200,000,000 is required. So it goes with funds for the administration of REA and the funds for the other functions of the agency.

On the question of Federal power, I quote again from the platform of the majority party:

"We favor continuous and comprehensive investigations of our water resources and orderly execution of programs approved by the Congress. Authorized water projects should go forward progressively with the immediate priority to those with defense significance, those in critical flood and water-shortage areas, and those substantially completed."

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What has the administration done to carry this out? Well,

the Interior Department, by withdrawing its objections to a license for private development of the Snake River, has apparently given the nod of approval to at least one power company to start wrecking the comprehensive Federal program for the development of the Columbia River and its tributaries. The great Hells Canyon Project, which would provide 1,100,000 kilowatts of power as well as irrigation, recreation, navigation, and flood control benefits, is apparently to be dead. The so-called Eisenhower revised budget conveniently omitted the mention of construction funds for the Ice Harbor Dam in Washington which would be an economic, reliable, convenient, and badly needed source of energy for the atomic energy facility at Hanford, Washington. Planning funds for Libby Dam in Montana have been butchered from the Civil Functions budget. Libby would add about 1,000,000 kilowatts to the Federal system in the Northwest.

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The same budget recommendation deleted nearly \$8,000,000

of funds for construction of facilities for the transmission of Federal hydro-electric power to rural electric cooperatives in the Southeast. Also, in the Southeast, we understand the new administration has just signed a contract with a private utility company for the interim disposal of one half of the entire output of Clark Hill Dam on the Savannah River rather than allow the rural electric cooperatives of Georgia to purchase it as preference customers.

By the same token, the administration eliminated all funds to continue construction of Table Rock Dam in Missouri. This project is needed not only to provide additional power in an area that has only a 5% reserve at the present time, and which will have only a 11.5% reserve at the time the project would be complete, but it is also needed to generate electricity for the rural electric cooperatives in Missouri, Kansas, and Oklahoma. From 15% to 18% is considered, I am told, a minimum safe reserve. These cooperatives

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were forced to give up 150,000 kilowatts of Federal power which had been committed to them so that a new aluminum plant could be served in Arkansas. When Interior Secretary Oscar Chapman signed the contract to deliver SPA power to the aluminum plant, it was his understanding and the understanding of the then chairman of the Senate Appropriations Subcommittee on Civil Functions, and others, that Table Rock would be built quickly. Accordingly, the President last year declared it a defense project and Congress voted \$9,000,000 to begin construction of it, and construction was begun eight months ago. But the new administration budget carefully deleted it. So the House went along and killed Table Rock. Only after the Senate Committee restored it did the administration give it a belated, half-hearted budgetary approval. One million dollars was finally appropriated but it may not be used until a restudy is made by the Corps of Engineers and specific approval to proceed made by the Senate and House Appropriations Committees.

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Getting closer to the State of Minnesota, the new

administration cut from the budget and sought to kill the vital Oahe
Dam on the Missouri River in South Dakota. Only after the strongest
local pressure was imposed did the administration send up to
Congress a token budget request to continue Oahe.

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Last fall, speaking in Seattle, the President made still another statement on Federal power policy as follows:

"As one beginning I propose that the planning, management and coordination of all present and future public projects for Columbia Basin development be vested, not in federal Columbia Valley Authority, but in a new interstate body."

And at Portland, he said:

"We must be watchful that no special interests do irreparable harm to our watersheds by improper exploitation."

We now hear that, as a part of this local participation, the Secretary of the Interior, with offices in Washington, D.C., has, at the suggestion of certain power company officials in the Northwest, strongly hinted that he would like the Bonneville Power Administrator, Paul Raver, to sign a new long-term contract with the private utility companies in the area which would assure them of a far greater portion of firm energy than they now receive. As a further implementation of the so-called "local participation policy", the Senate Appropriations

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Committee, meeting in Washington, D. C. has suggested that the Bonneville Power Administration purchase steam energy to firm up the government's hydro-electric system to average water conditions so that the private utilities would secure a larger portion of firm energy. We understand this would cost the government several million dollars a year, and would amount to subsidization of the private utility industry by the preference customers in the Northwest.

In the Southwest, the portion of continuing fund appropriation by which the rural electric cooperatives are able to integrate their generation and transmission facilities with the Southwestern Power Administration was cut out completely by the House and approved by the Senate for only an 8-month period. The final bill included such restrictive language as to make it impossible to carry out existing contracts. The Senate Committee, has moreover, expressed its desire that all parties make arrangements so that the continuing fund will no longer be required. This is nothing but an ultimatum

to the cooperatives to sign a contract for their own execution.

Now, in the face of Congressional action of this nature, can the SPA Administrator obtain an equitable distribution of Federal power in accordance with the established policy of preference to rural electric cooperatives and municipalities?

In the Northeast, development of the power phase of the great St. Lawrence Project is apparently going to be left to the Power Authority of the State of New York, an instrumentality of the State, without organization, without personnel, without transmission facilities, and without any experience in the generation, transmission, or distribution of electric power. The Power Authority has refused to market its anticipated power in accordance with the established preference principles of Federal power marketing, and there seems little hope that anyone but the five great power utilities in New York State will get the benefit of St. Lawrence power. This would be the St. Lawrence give-away.

There is also pending a bill before Congress to give away Niagara Falls. The bill would turn over the development of this rich

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hydro potential at Niagara Falls to the same five power companies in New York, companies which now charge the rural electric cooperatives in that state some of the highest rates in the nation, and who have, from time to time, attempted to pirate the consumer members of the cooperatives, and kill them off by a process known to the trade as spite lining.

In Minnesota, there are 48 rural electric distribution cooperatives. The power companies in Minnesota have, in the past, either refused to sell the farmers cooperatives adequate wholesale power at any price, or charged the cooperatives such high rates that many of them were forced to build generating facilities of their own.

Two years ago, I stood right here and asked the Congress to help me obtain some of the benefits of Missouri Basin hydro-electric power for the cooperatives in Minnesota. At that time, the power companies fought tooth and nail to defeat the plan, and they succeeded. Last year, rural electric cooperatives and the power companies in Minnesota agreed on a plan for bringing Missouri Basin power into my state. The Senate twice approved our plan, but the House of

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Representatives refused to agree. This year again, the power companies and cooperatives of Minnesota came to Washington in an attempt to get Missouri Basin power into Minnesota, and all we have approved is a few dollars to plan a proposed transmission line into the very edge of the state.

What do all of these things mean? I say they add up to a nation wide policy of abandoning established principles of power marketing, and they represent an attempt to turn over the nation's electric power resources to the private utility companies. They add up to a Federal policy of encouraging complete private power company monopoly in the electric utility field.

Such a policy not only means that the consumers of America will no longer have the benefit of a Federal yardstick of electric power rates and practices, and it also means that the rural electric cooperatives in 42 states will be at the mercy of these same companies. The cooperatives' wholesale power rates will go up. The companies will no longer be willing to make adequate sources of

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wholesale energy available to the cooperatives, voltage regulation will deteriorate, pirating of consumers will increase. In a nutshell, the entire rural electrification program is seriously in danger.

Oh yes, something else. There is obviously a move afoot to burden the taxpayers with the construction of federal power projects and then turn over all of the benefits to the companies without their bearing a proportionate share of construction costs. All present Federal power facilities are self liquidating, as you know.

This is what I call give away number two, or maybe three, or seven or eight. I'm not quite sure of the number - - there have been so many of them in the past few weeks. But I would like it understood right here and now that the Junior Senator from Minnesota is not in favor of these give aways, is not in favor of killing the rural electrification program, and is not in favor of taxing the citizens to construct projects for the profit of the utility industry, and then allowing the utility industry to pocket the profits by charging the consumers high rates for cheap power.

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Those are the blunt facts confronting the American people today.

Tragic as that situation is, the most brazen fact about it is that the private power monopoly's vast propaganda drive and Machiavellian political string pulling to achieve this grab of the public's resources is financed out of the public's own purse--out of the pockets of taxpayers and electric consumers.

They have spent billions selling the American people a heart-rendering soap opera about the unfairness of taxpaying private power companies having to compete with publicly-financed power development.

They have cried in outrage at the expenditure of public funds for power development, on the grounds that private power companies stand ready and able to meet the nation's needs out of private funds, thereby taking a burden off the shoulders of the poor, struggling, taxpayer.

It's a great story, the way their propaganda experts tell it. They've hammered away at that story, over and over, - and all of us are actually paying the bill for this smokescreen.

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They don't tell us, of course, about the extent to which the private power monopoly is subsidized by public funds.

They don't tell us, of course, that the government had to shell out huge tax amortization benefits before the private power monopoly would expand its facilities to the extent needed for the nation's defense production.

They don't tell us how they are distorting and abusing this public assistance extended in behalf of our defense effort, into a gigantic grab for private profit.

It's time the public knows a little more about the complex financial maneuvers of private power companies to take advantage of fast amortization certificates for tax purposes--and how the public, as usual, is getting victimized and hoodwinked to the tune of more than a billion dollars.

When Germany's blitzkrieg overwhelmed France in 1940, President Roosevelt reacted promptly by calling for huge expansion of our air force. Congress quickly approved the funds to build 4,000 planes.

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But our planes only trickled off the assembly lines while Germany was producing 1,500 a month. It became obvious that our great manufacturing companies were not going to expand their plants to step-up production, except on a basis of higher than normal profits.

In desperation, the Secretaries of War, Navy and Treasury appeared before the joint hearings of the House Committee on Ways and Means and the Senate Committee on Finance. They recommended special income tax treatment for companies which would build defense plants. The result was the enactment of Section 124 of the Internal Revenue Code, on October 10, 1940.

The new law permitted the defense agencies to grant certificates of necessity which entitled the holder to amortize for tax purposes his new plant investment over a five year period at the rate of 20% a year. It was the intent of the Congress, I am sure, to provide a means whereby a corporation could write off the investments in plants which would have little, if any, use after the defense emergency had passed. No industry would end up with a white elephant on its hands.

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It was logical, of course, that a corporation would not want to construct a plant to manufacture tanks or planes, unless it could be reasonably certain that its invested capital would be recovered during the emergency period.

I do not believe, however, that Congress ever intended to give the utility industry a billion dollar windfall.

It is true that these provisions of the law apply to the regulated utilities as well as to the unregulated industrial enterprises of our nation. No doubt some utilities have provided some new facilities for the defense effort which will have limited usefulness, upon termination of the emergency. But from a perusal of the vast number of certificates which have been granted to utilities, from studying their geographic location and the existing power and natural gas demands beyond available capacity, I am convinced that most--if not all-- of the utility facilities covered by the certificates will have a useful life far beyond the emergency period.

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The World War II utility record with certificates was fairly good, because of restraint in granting them, because of OPA pressure to keep rates down, and because of the influence of outstanding regulatory men in the government. But they are now all gone.

With the start of the Korean War, the Congress again enacted the rapid tax write-off method as section 124A of the Revenue Act of September 23, 1950. This time there was virtually no restraint, in view of the Korean emergency, as certificates were issued at the rate of a billion dollars worth a month. A preliminary investigation of the first \$1,800,000,000 in certificates, and covering chiefly just the steel industry, was made by the House Committee on Expenditures in the Executive Department. In its report dated May 28, 1951, the Committee concluded:

"The certificate of necessity program is the biggest bonanza that ever came down the Government pike."

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We're just beginning to realize how right that conclusion was. During World War II, the certificates reached \$7.3 billion, of which witnesses before the Brewster committee suggested \$3 billion was unwarranted. However, the Korean War has resulted in such certificates accumulating past the \$25 billion mark, or more than three times as much as was necessary to defeat Germany, Italy, and Japan in a six-year war. We can hope the end is in sight.

Especially eager to obtain certificates of necessity have been the private electric utility corporations, and it is only about them that I wish to comment today.

As of March 24, 1953, they had received certification of 592 projects involving a total cost of \$3.7 billion, of which \$1.66 billion or 45% has been assumed to be investment incurred for national defense, and eligible for the rapid amortization tax write - off.

How does the defense agency determine what percentage of the plant is to be written off for national defense? The original

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National Security Resources Board criteria read "the major factor controlling the percentage of the certificate should be the probable economic usefulness of the facility for other than defense purposes after five years."

Under this criteria, the electric systems would have received virtually no certification. So apparently the Defense Electric Power Administration, with a staff made up largely of private utility executives on loan from their companies, came up with a relatively simple formula, under which the door has been wide open. The principal factor is "normal rate of growth" by the corporation, compared to the planned construction. The "normal rate of growth" is an average of that over the last two or three decades. The percentage of the total cost of construction planned which

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is above the "normal rate of growth" can now be covered by accelerated amortization certificates. That portion of construction covered by certificates can be amortized for federal corporation income tax purposes at 20% per year - compared to normal depreciation averaging 3 or 4%.

The result is a tremendous tax saving to the corporation holding such certificates.

At this point in my remarks I would like to ask unanimous consent to have inserted a compilation labelled "Table I", which illustrates the effect of a \$1 million certificate on the taxes of a power company.

TABLE I
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NORMAL POWER COMPANY WITH ACCELERATED TAX CERTIFICATES
TOTALING \$1 MILLION

Gross Operating Revenues	\$10,000,000
Total Operating and Other Expenses deductible for Federal Corporation Income Tax purposes (Excluding depreciation on \$1 million of facilities)	8,000,000
Net taxable income before deduction for depreciation on the \$1 million of facilities	2,000,000
Less deduction of normal 4% depreciation (4% of \$1 million)	40,000

WITHOUT TAX CERTIFICATE

Taxable Income	1,960,000
Federal Corporation Income Tax (52% of \$1,960,000)	1,019,200

WITH TAX CERTIFICATE

Net taxable income before deduction for depreciation on the \$1 million of facilities	2,000,000
Less deduction for accelerated depreciation (20% of \$1 million)	200,000
Taxable Income	1,800,000
Federal Corporation income tax (52% of \$1,800,000)	936,000
Annual tax saving (Normal tax less tax using certificate)	83,200
Total tax saving for 5 years	416,000

Every dollar the company can deduct from taxable income for depreciation saves it 52 cents in federal taxes. In five years, a utility holding \$1 million in certificates can withhold \$416,000 from the government which it otherwise would have to pay.

But this is still only part of the benefit: the Company still gets the use of the withheld taxes, or the tax savings. Thus the tax savings become an interest-free loan from the Federal government, to the private electric utilities of the country.

At this point in my remarks I would like to ask unanimous consent for inserting another compilation labelled "Table II", designed to further indicate the benefits flowing to the commercial companies from the tax amortization program.

TABLE II
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ESTIMATED BENEFITS TO COMMERCIAL UTILITY CORPORATIONS FROM
ACCELERATED TAX AMORTIZATION CERTIFICATES AT END OF 5 YEAR PERIOD¹

Total Accelerated Tax Certificates Issued	\$1,600,000,000 ²
Twenty Percent Depreciation, Annual	320,000,000
Less Normal 4% Depreciation, Annual	64,000,000
Excess of Depreciation Allowance with Use of Certificates, Annual	256,000,000
Tax Savings Annually Resulting From Accelerated Depreciation	133,120,000
Total Tax Savings For 5 Year Period of Acceleration	665,600,000
Plus Cumulative Interest on Savings at Rate of 6%	129,834,404
Total Benefits Accruing to Corporations by End of 5th Year	795,434,404

¹Assuming uniform 5 year period to simplify analysis. This simplification does not distort the final results.

²As of March 24, 1953, DEPA had issued certificates totaling \$1,659,726,899

Tax savings over a five-year period total an estimated

\$665,600,000. Since this is,,in effect, a loan to the companies from electric consumers--or the Federal government -- take your choice -- we should apply an interest charge against this loan, to measure total benefits.

Since commercial utilities fill thousands of volumes with assertions that they cannot operate on returns below 6%, that should be a fair figure; they should doubtless give a hearty assent to this 6% interest item.

Adding in the interest credit to the consumer -- or the Treasury -- the net benefits at the end of five years should be considered as \$795,434,404, or more. But even waiving the interest credit to the consumer, the industry still has a \$665,000,000 interest-free loan.

I cannot help but recall the vicious campaign of the National Association of Electric Companies denouncing alleged subsidies to

Federal power projects, and, by implication, rural electric cooperatives.

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It might be interesting to point out that this interest-free loan to private power companies is equal to about one-third of all Rural Electrification Administration loans outstanding as of June 30, 1952. It's equal to about one-third of the cost of all power facilities of the Tennessee Valley Authority, Bureau of Reclamation projects, projects of the Corps of Engineers, Bonneville Power Administration, and the Southwestern Power Administration.

Isn't it surprising that we haven't heard complaints about this form of "creeping socialism" -- this interest-free assistance to the private power monopoly that preaches so loudly against subsidies?

What a difference in the way REA cooperatives are treated! What a difference on any of our federal power projects. They get no interest-free loans!

REPA borrowers pay 2% interest on their loans from the Federal Government, and the various Federal power projects pay from 3 to 4.5% interest on their costs. The consumer-owned, publicly or cooperatively managed, interest-paying cooperatives, power districts, and Federal power agencies are actually discriminated against, instead of being favored. It is the private utilities that are being subsidized.

If the figures in Table II are projected over 25 years, and if the tax savings of the commercial companies using certificates are looked upon as Federal or consumer "loans" and credited with the normal 6% utility return -- the total equity which will be owed to consumers or the government will be in the neighborhood of \$1.33 billion -- after the payment of Federal taxes.

I ask consent to have inserted in my remarks at this point Table III, projecting this utility windfall over 25 years.

TABLE III
25-year projection of Table II, with accumulated interest, less taxes

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(Sixth Year and thereafter utilities cannot claim any depreciation - normal depreciation assumed to be a generous 4% of facilities or approximately \$64 million per year which would reduce taxes by .52 (tax rate) times \$64 million or \$33,280,000 per year.)

Year	Total Fund at Start of Year + 6%	Total at End of Year	Less Taxes
6	\$ 795,434,404	\$ 843,160,468	\$33,280,000
7	809,880,468	858,473,296	"
8	825,193,296	874,704,894	"
9	841,424,894	891,910,388	"
10	858,630,388	910,148,211	"
11	876,868,211	929,480,304	"
12	896,200,304	949,972,322	"
13	916,692,322	971,693,861	"
14	938,413,861	994,718,693	"
15	961,438,693	1,019,125,015	"
16	985,845,015	1,044,995,716	"
17	1,011,715,716	1,072,418,659	"
18	1,039,138,659	1,101,486,979	"
19	1,068,206,979	1,132,299,398	"
20	1,099,019,398	1,164,960,562	"
21	1,131,680,562	1,199,581,396	"
22	1,166,301,396	1,236,279,480	"
23	1,202,999,480	1,275,179,449	"
24	1,241,899,449	1,316,413,416	"
25	1,283,133,416	1,360,121,421	"

\$1,326,841,421 - Total Benefits

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Of course, utility spokesmen contend that their taxes over 25 years will be no less as a result of the use of certificates.

This is true assuming no change in corporation tax rates, or accounting or regulatory practices, or business conditions.

But even though total taxes paid would be the same, utility corporations would still get the benefit of over \$600 million in the interest-free loans.

That brings us up to date -- up to where the Federal Power Commission now has under consideration Docket No. R-126 on proposed rule making for treatment of Federal Income taxes as affected by accelerated amortization.

The issue is whether the tax benefits should be given to the stockholders as windfall profits, or be passed on to the consumer in the form of cheaper power rates. The utilities, as could be expected, are fighting to keep this virtually hidden compound interest advantage to themselves. Having received these subsidies, they now have the nerve to demand the right to incorporate these

Federal subsidies in their rate base and to exact from their consumers a 6% rate of return thereon.

I think it's high time to call a halt.

War requires a basic partnership between producing industries at home and fighting forces at the front. Yet to achieve this partnership we use on the one hand the mercenary method and on the other hand the compulsory draft.

The Korean War has cost 130,000 American casualties -- and \$26,000,000,000 in accelerated amortization certificates. The national defense has been used as a subterfuge and excuse to demand and obtain huge federal subsidies, paid by you and me, to get the electric corporations to perform their normal and simple public utility responsibilities.

And this billion-dollar grab is from an industry crying the loudest against investment of public funds -- at interest -- in public power development that could serve as a yardstick for measuring and pulling down present exorbitant private rates and private profits.

No wonder they try to propagandize the American people, into believing black is white. With such a windfall out of our pockets, they could finance such mass propaganda campaigns for the next twenty years and still come out enormously ahead.

What a mockery -- to have this private power propaganda campaign against our Federal power policy subsidized by the taxpayers and electric consumers; to charge us for their battle against us.

It's time electric consumers take another good, long, careful look at these interest-free loans, or tax subsidies, to corporate enterprise.

It's time the Federal Power Commission formulates rules which will guard and protect the consumer, by purging the utility rate base of the plant investment which has been amortized through the tax certificate process. Companies should not be permitted to charge their consumers some fictitious amount, representing what would have been paid, had the companies received no tax certificates.

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Congress certainly did not intend to provide them with such a windfall.

The utilities bear no taxes on their own. All taxes are charged to their customers as a part of the rate. Why should such customers be charged in any year more than the utility actually pays to the government?

We can understand, of course, that the utilities desire to be left entirely free to do as they wish with the additional income which will be produced by charging consumers for taxes not actually paid. Such a scheme, however, will inflate their income for the five-year period. Some utilities may use -- yes some have used -- this distorted picture of earnings to drive upward the price of their stock. From 1937 to 1950, as the result of many hearings and court cases, the utilities were required to wring out over \$1.5 billion of water from their capital structure. Now they propose to put at least as much back.

Perhaps it's time we go even further, and work for repeal of
Section 124A of the internal revenue code which has invited such
abuses, and carried so many evil consequences in its train.

At any rate it's time the public understands this great conspiracy of the electric power companies, and understands what is behind their smokescreen of attacks against the "creeping socialism" of public power development while they exploit and raid both the treasury and the nation's resources for private gain.

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Mr. President, this is not only the worst sort of exploitation of our natural resources, but is a policy which will, if it remains in force, weaken the economy of the nation, lower the standard of living of the average citizen, decrease our potential for defense, and retard the development of new industry.

I think it is high time that those of us who are interested in preserving the American way of life, those of us who are interested in the economic welfare of the nation, and those of us who would make our nation strong enough to resist the forces of world aggression, must band together and fight for what we think is the proper policy of development for the resources which belong to all of the people.

Mr. President, our supplies of electric power are low. An article appearing in the Wall Street Journal of June 1, 1953, states that at the time of the peak demand on our electric systems last December, the country's margin was about 11.7%, ran

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as low as 5% in the Southwest, and was nonexistent in the Pacific Northwest where adverse water conditions for making hydro-electric power forced curtailment of power use. Prior to World War II, the nation's margin of power producing capacity was over 20%, and at the present time, a goal of 18% is regarded as necessary by men responsible for operating some of the largest interconnected systems. In view of this statement, what do we have to look forward to for the next few years? Compared with the 18% of minimum practicable operating reserves, we can look forward, according to Federal Power Commission statistics, to 11.6% during the peak load period of 1953, 13% during the peak of 1954, 14.4% during the peak of 1955, and a sharp drop to 10.5% during the peak of 1956.

In other words, gentlemen, during the next $3\frac{1}{2}$ years, the Class 1 electric utility systems can, at no time, see an adequate operating reserve above peak load requirements. And in the Pacific Northwest, shortages of 6.5, 9.7, 9.3, and 8.7 percent are anticipated during the peak load periods of 1953, 1954, 1955, and 1956 respectively.

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The market for electricity, Mr. President, is limited only

by our ability to generate. The strength of our economy and our ability to defend ourselves against our enemies may well depend on our supply of aluminum, magnesium, and other electro-chemical and electro-metallurgical products which require huge blocks of electricity for their continuous production. Meantime, the Congress and the administration sit here in Washington, D. C. knocking the budget items that could help to provide us with a sufficient power reserve. We, like so many Neros, fiddle away while the city burns.

I hope and pray that the present situation does not soon remind us of ^a certain well known event in Roman history. I hope it will not soon be said of the President and certain of his cabinet and administrators, "We came not to praise the rural electric and Federal power programs, but to bury them."



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