



Tennessee Valley Public Power Association NEWS

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TVA INFLUENCE SHOWN IN RATE REDUCTIONS

MY AIMS AND PURPOSES AS DIRECTOR OF TVA

By Dr. Raymond R. Paty

I appreciate very much this opportunity to greet the members of the Tennessee Valley Public Power Association and to express the hope that in the coming months and years our joint enterprise of valley development will bring us into more intimate contact.

Today the TVA is well-established. It has a long record of accomplishment behind it. Yet it is still a young organization, forward-looking and aggressive. It seems to me that nothing is more important than preserving and enlarging those qualities of enthusiasm, realistic seeking after facts, and practical approach to problems which have so far characterized TVA. I expect to devote my energies toward furthering the TVA generally along the course that has been set for it by the TVA Act and in line with its maturing experience of nearly two decades and the constantly changing demands of a dynamic region.

To me, the development of the Tennessee Valley, including the contributions of many people and agencies besides TVA, is an important demonstration of the concept of community service with which I am familiar through years of experience.

In your business of power supply, the idea of broad community service is all-important. The basic concept underlying the distribution of TVA power goes be-

(Continued on Page 4, Col. 3)

ANNUAL MEETING NOTICE

Make your plans now to attend the Annual meeting of the Association which is to be held in the Patten Hotel, Chattanooga, Tennessee, April 6 and 7, 1953.

Paul H. Tidwell, Chairman of the program committee, and manager of the Meriwether Lewis EC, promises one of the best programs that the Association has ever had.

SPEAKS TO ACCOUNTANTS

David H. Askegaard, recently appointed as Assistant Director of the Southeast Electric Distribution Area Office of REA, will speak to the Accounting Section group which is to meet in the Faragut Hotel, Knoxville, Tennessee, October 20.

Mr. Askegaard will explain to the group the recent reorganization of REA and what the function of the Southeast area office will be.

Mr. Askegaard is a native of Moorhead, Minn. He was graduated in 1939



from North Dakota State College, where he studied administrative engineering, and he later studied electrical engineering at the University of Wisconsin.

In 1940 Mr. Askegaard joined the REA as a Junior Engineer trainee, and later served as engineer before entering the armed forces.

In 1946 he became Regional Office Manager in the Management Division, and in

(Continued on Page 3, Col. 2)

Influence Shown

The extent to which TVA rates have influenced the level of rates applied by utility companies serving adjacent areas is difficult to measure precisely, but there can be no doubt that the influence has been felt. It was first felt in 1933 and 1934 when, shortly after the TVA rates were announced, several of the major utility companies in the region reduced their rates. These rate reductions represented the first really substantial rate changes by the companies in a decade.

Mass Production Theory

The rate policy adopted when TVA began operations in 1933 rested upon the conviction that a reduction in the price of electricity would encourage its greater use and that it was sounder policy to sell a lot of electricity at low rates than to sell a little electricity at high rates. The objective was to achieve the economics inherent in mass production and to depend upon increased volume of sales to make up the immediate revenue loss which resulted from reducing rates. This was not a new policy to American industry, even in 1933; Henry Ford, for one, had clearly demonstrated the soundness of the idea in the automobile field. It was, however, except for a few scattered instances, new to the electric utility industry.

Though perhaps the best proof of the low rate—high use theory is to be found in the experience of the municipalities and cooperatives that distribute TVA power, several of the large utility companies adjoining the TVA area, particularly the Georgia Power Company and the Alabama Power Company, have demonstrated that the idea is sound for the industry. These companies have adopted lower rates and have carried on active campaigns to promote the increased use of electricity. They have been rewarded with increased revenues and increased income.

(Continued on Page 4, Col. 1)

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TENNESSEE VALLEY AREA ESCAPES FLOOD DAMAGE

Quoted below is an extract from the Congressional Record of April 28. A great deal of the article on this subject has been left out because it mainly concerned itself with personalities. It is *not* the purpose of your editor to advocate or oppose an MVA. Our only purpose in publishing this is to show the people of the Tennessee Valley just how fortunate they are. What other sections of the country do or fail to do is their responsibility.

"Property damage in the Missouri Valley has totaled more than \$1,600,000,000 in the last 10 years. In the same period, Tennessee Valley property damage has been almost nothing. TVA's 23 major dams and reservoirs have made any major flood impossible. Chattanooga used to be flooded every year. Now it isn't.

"Tennessee Valley consumers spent \$52,000,000 less for their electric power than the national average last year. Consumers in Missouri, Iowa, Nebraska, Kansas, Colorado, Montana, Wyoming, Minnesota and the Dakotas pay \$100,000,000 a year more for electricity than they would pay in the Tennessee Valley.

"The Tennessee Valley, once an extremely low-income area, has now attracted industry from all over the United States—so much so that New England businessmen protest. Before TVA, the seven states in the Tennessee Valley area were paying 3.4 percent of total Federal income taxes. Today the same states have doubled both their earnings and taxes."

FREE ENTERPRISE DEFENDERS

In the last few months we have printed several reports of the increased profits of the private utilities. We do not intend to burden you with a running account, because there are certainly many more illustrations than we have used.

However, we were very much interested in the quotation from the Wall Street Journal of August 15, regarding the profits of the Pacific Gas & Electric Company who had a net income for the 12 months ending June 30 of \$41,547,535. This compares with a net income for the previous 12 months of \$36,287,336. The explanation of the increase is certainly interesting. They state it is largely due to increased gas rates and a better water supply for hydro-electric generation. In other words, thanks to nature and the California Public Utilities Commission, Jim Black and his associates picked up something over \$5 million more.

The real payoff, however, is in the following sentence which we quote: "The company now has pending before the California Public Utilities Commission an application for increases in electric rates." Is it possible to satisfy the greed of these men who call themselves the "defenders of free enterprise"?

POWER BUSINESS
IS PUBLIC BUSINESS

BRISTOL-HERALD-COURIER QUOTES HARRISON OF NRECA

The article which we are quoting from the Bristol-Herald-Courier of August 13 mentions a speech made by Walter Harrison of Millen, Georgia. Mr. Harrison is well known to many of us in the Tennessee Valley as one of the leaders in the cooperative movement. We think that the readers would be very much interested in his remarks about tax amortization and rates for electricity in the State of Virginia. It seems that the residents of the Old Dominion State have to pay a rather high price for Senator Byrd's privilege of posing as the watchdog of the Treasury.

The article follows:

"Walter Harrison, an official of the National Electric Cooperatives Association, told the annual meeting of the Shenandoah Valley Electric Cooperative: 'Big business has enjoyed more tax amortization benefits in the past year than has been borrowed from REA by all the nation's electric cooperatives during the past 17 years.' Electric cooperatives have long been under attack by private industry because of the aid they receive from the Government in easy-term loans and tax-free status. Tax amortization mentioned by Harrison refers to recent Government provisions for letting plants that help the defense effort speed up their depreciation rate . . . If TVA rates had prevailed in Virginia last year, Harrison said, Virginians would have paid \$41 million for electricity instead of \$85 million."

NAME CALLING CONTINUES

Mr. Fred Lardner, the Washington editor, was recently quoted in *Waterways*, May, 1952, as follows:

"Army engineer control of river basins can accomplish as much and probably more in the way of flood control, power development, navigation and irrigation than could river valley administrations. And the engineers do not inflict socialistic controls upon business and the populace."

The whole article is not available to your editor, but we wonder if Mr. Lardner had in mind the demonstration this year of the Army Engineers' control over the Missouri River as opposed to the TVA's control of the Tennessee. Also, Mr. Lardner was not explicit, but people of his kind can usually dodge an issue and it would be interesting if he would tell us where he thinks the TVA has inflicted socialistic controls upon business and the people. True, he doesn't say they have, but in saying the Army Engineers would not be very plainly implies it.

PRIVATE UTILITIES BOAST BECAUSE THEY CANNOT KEEP UP WITH DEMAND

Recently the private electric industries made public a statement on its postwar expansion program. This report said that the program, underway since 1945, totals \$18 billion. The report also specified that the utilities had not been able to keep up with the demands made upon them.

In commenting on this fact, Purcell Smith, the \$65,000 a year Lobbyist for the private utilities, bragged about the fact that the utilities were not able to keep up with the demands made upon them.

This seems to be a strange position for the utilities to take in that all other industries are apologetic for the fact that they are not able to keep up with the demand. We see no reason why the private industries should take this stand.

PUBLIC RELATIONS

By W. E. Hooper, Mgr., Sheffield, Ala., Power, Water & Gas Dept., and Chairman Public Relations Section.

Realizing that any organization that does not have an outstanding public relations program cannot accomplish the purposes for which it was organized, the Public Relations Section of the Association is undertaking this year to get the power distributors to realize that they must have a workable public relations program. The Section hopes to do this through various meetings that will be held, and from information that will be given to the distributors throughout the year.

In this article I wish to point out a few items that are necessary for a good public relations program. The water works people of the United States have a slogan that states, "Silent Service is Not Enough," and this certainly applies to the electric industry as well.

The items that we would like to call to your attention are as follows:

1. Newspapers
 - (a) Paid advertising using TVA service or your own copy.
 - (b) News releases. This must be news not history. When appropriate it should include an honest report on interruptions.
 - (c) Notices of pre-arranged interruptions. A fine way to prevent complaints and to gain good will.
 - (d) Feature articles on special occasions or achievements.
2. Radio
 - (a) Regular programs with national hookups may be used with one-minute commercials, or your own program may be presented. This may be a talk by a member of your organization or an interview of the manager by the announcer.
 - (b) & (c) Same as for newspapers.
 - (d) Programs of "public service." Radio stations are required to allot time for such service and if you can convince the station that your program meets the requirements it may give you the time.
3. Publications
 - (a) Regularly issued publications dealing with news and other items of interest.
 - (b) Annual reports either in newspaper or booklet form.
 - (c) Report at an anniversary or upon completion of some noteworthy achievement.
 - (d) Messages on bills or on stuffers sent with bills.
4. Personal Contacts
 - (a) Presentation of talks before civic clubs, trade and professional so-

HARRIMAN DEDICATES MUNICIPAL BUILDING



Shown above is the Municipal and Utilities Building in Harriman, Tennessee. On Friday, August 15, open house was held in this building. The building is a very modern structure, and houses not only the electric utilities section but other offices of the City Government of Harriman.

Under the managership of C. E. Perkins the Harriman Utilities have made great strides in the past ten years, and such a building as the one shown above is an asset to any town, and, the City of Harriman is to be congratulated on this progress.

Many of the Municipalities and Co-ops in the TVA area have recently opened new office buildings. The Nashville Electric System has just moved into their \$2-3/4 million office building. This office does not have a complete list of all of the new buildings that have been opened within the past year.

ACCOUNTANTS

(Continued from Page 1)

1948 was promoted to Assistant to the Chief of the Division. He was named Budget Officer in May, 1950, and assumed his new duties as Assistant Director July 1 of this year.

- (a) Participation in activities of civic clubs, Red Cross, Community Chest, etc. This should extend several steps down from the manager.
 - (c) Activities of sales and promotional employees.
 - (d) Personal contacts of manager and key personnel.
5. Displays
 - (a) Window and lobby.
 - (b) Picture exhibits in office.
 - (c) Exhibits at annual meetings of co-ops.
 - (d) Exhibits at fairs, etc.
 - (e) TVA-TVPPA Tent Exposition.
 - (f) Billboard advertising.
 6. Miscellaneous
 - (a) Guided tours of visitors, especially school children, through plants, offices, etc., with souvenir booklets.
 - (b) Sponsorship of athletic teams.
 - (c) Essay contests in schools.

We believe that if a power distributor will base his public relations program upon the items listed above, he will find the public will become more conscious of the fact that the distributor is doing a tremendous job within a community. And, this type of program will do much to improve your relations both with the public and with your employees, too.

DISTRIBUTION PRACTICES AND PUBLIC RELATIONS SECTIONS TO HOLD JOINT MEETING

The Distribution Practices Section of the Association is to hold its annual open meeting in conjunction with the Public Relations Section of the Association at the Farragut Hotel in Knoxville, Tennessee, Monday, Tuesday and Wednesday, November 17, 18 and 19.

The Distribution Practices Section meeting will be held on Monday and until noon on Tuesday. Beginning at 1:30 Tuesday afternoon the Public Relations Section will hold their meeting, continuing through Wednesday Noon, November 19.

There will be a banquet Monday night, November 17 for both sections. The program committees for both of the sections have planned a very entertaining program, and we are sure that every power distributor will want to be represented at both meetings.

Subjects to be covered by the Distribution Practices Section are as follows:

"Designing Modern Electrical Centers" by Arthur Crouch, of the Nashville Electric Service.

"Utility Safety" by Mr. A. B. Shehee, of the REA. A paper is to be delivered on the "South Carolina Public Service Authority" by someone from that organization.

"Underground Distribution for Residential Subdivisions," a paper to be delivered by C. E. Bryan, of the Jackson, Tennessee, Electric System.

(Continued on Page 4, Col. 2)

TVA RATES

(Continued from Page 1)

Rate Comparisons

In 1932, one year before the TVA Act was passed, the Alabama Power Company was charging its residential customers \$8.50 a month for 250 kilowatt-hours. In 1934, one year after the TVA Act was passed, the price had been cut to \$6.58, a reduction of 23 percent. This price was higher than the \$5.00 provided in TVA's rates, but represented a real savings to the customers served by the Alabama Power Company.

The case of the Georgia Power Company was similar. In 1932, this company was charging \$9.00 for 250 kilowatt-hours; in 1934, this was reduced to \$6.57, a savings of 27 percent to the company's customers.

Other rate reductions have taken place since 1934. By 1951 the Alabama Power Company was charging \$5.60 for 250 kilowatt-hours and the Georgia Power Company was charging \$5.85. The U. S. average is \$6.95, or 19 to 24 percent higher.

Savings to commercial customers were also substantial. In 1932 the Alabama Power Company charged \$76.40 for the use of 12 kilowatts of demand and 1,500 kilowatt-hours. The TVA bill is \$23.50 for this use. In 1934, the Alabama Power Company reduced its charge to \$67.83, a saving of 11 percent. By 1951, the price was down to \$39.90, a level 48 percent below the 1932 rate.

Again, the Georgia Power Company case is similar. Starting with \$79.00 in 1932, this company reduced its price by 28 percent to \$57.31 in 1934. By 1951, the price was down to \$49.66, a level 37 percent below that of 1932.

Consumer Use Tripled

Since 1933, the average annual use of residential consumers served by both the Alabama and Georgia Companies has more than tripled. The average residential use of the Alabama Power Company now exceeds the national average by 23 percent, while that of the Georgia Power Company exceeds the national average by 33 percent. In the TVA area, where rates are even lower, average residential use is now nearly double the national average.

Faster Growth By Comparison

This faster growth in areas adjacent to the TVA area is shown clearly in statewide or regional comparisons. The State of Georgia, for example, borders the TVA area but receives very little TVA power. In 1933 the average residential customer in Georgia used 686 kilowatt-hours, which was 162 more than New England's average of 524 kilowatt-hours.

The average rate in Georgia was higher than in New England—6.6 cents per kilowatt-hour versus 6.1 cents. In 1951, the average residential customer in Georgia used 2,382 kilowatt-hours, which was 758 greater than New England's 1,625 kilowatt-hours. Now, however, the average rate in Georgia is much lower than in New England—2.4 cents per kilowatt-hour versus 3.6 cents.

Earnings Not Affected

Reference to the financial statements of the Alabama Power Company and Georgia Power Company provides ample evidence that the application of lower rates has not adversely affected the companies' earnings or financial position. The Alabama Power Company's 1951 annual report showed the company earned a return of more than 6½ percent on the utility plant in service, less depreciation reserve. Operating revenue was at the highest level in the company's history and was double what it was ten years ago. Urban residential revenues were 2½ times and rural revenues 3 times what they were only a decade ago.

The last annual report of the Georgia Power Company reveals that it, too, is prospering. In 1951, the company earned a return of 6 percent on the book value of electric plant, less depreciation reserve. Revenue from the sale of electricity totaled \$73,000,000—4 times the \$18,000,000 received in 1933 just before the company's low-cost objective rate plan was introduced.

Other figures could be quoted as further evidence of the extent to which these companies have prospered under rates which are considerably below the level of rates applied by the electric industry generally. It would not be proper to conclude that lower rates have been entirely responsible for this prosperity, but certainly they have been an important factor in developing a greater volume of business. And, most certainly, the application of these lower rates has not resulted in financial instability.

JOINT MEETING

(Continued from Page 3)

"Method of Maintaining a Desirable Power Factor" by Franklin Elliott, of the Nashville Electric Service.

A round table discussion on "Service Experience in Aluminum Conductors" will be presented, and, acting as chairman will be Mr. Clyde J. Martz, of the Huntsville, Alabama, Electric System.

Subjects to be discussed in the Public Relations Meeting are as follows:

"Employee Aptitude Testing," "Home Service," "How to Deal With The Press," "Advertising Media," "Report of Sum-

PERSONNEL FOR HIRE FILE TO BE MAINTAINED BY ASSOCIATION

A file is being maintained in the office of the Executive Secretary on personnel available for hire for jobs that are peculiar to the electrical industry. From time to time we will run a list of the personnel available in this bulletin, and those distributors who know of qualified personnel available for hire should notify the Executive Secretary.

We now have on file applications from two qualified managers or engineers. Both of these men have had considerable experience in the electric distribution field. One of them is now employed in the Valley area, and the other one in one of the Western states. One of these men is known personally by the Executive Secretary, and he would recommend him very highly as either a manager or assistant manager.

We also have an application from an experienced lineman who has had considerable experience on construction work, and who comes very highly recommended by his previous employer.

Anyone wishing to secure further information on these men should write direct to the Executive Secretary.

DR. PATY

(Continued from Page 1)

yond the scope of just another business operation—it is a means of making increased productiveness, greater convenience, and higher standards of living available to the people of the Valley. This means, as I see it, that our responsibilities as partners in the TVA program go far beyond running an efficient power system, and include also active interest and participation in the welfare of the community generally. Widening that interest and participation should be one of our common goals.

If this attitude is maintained and enlarged upon, we can look forward with confidence to continued progress in our region in the challenging years ahead.

—Dr. Raymond R. Paty.

mer Load Building Activities," forum on "Do You Know What Your Customers Think of You," and "Telephone Courtesy."

All sessions will be held in the Farragut Hotel, and those distributors planning to attend these meetings should make their hotel reservations direct to the Farragut Hotel, or to the hotel of their choice in Knoxville. Printed programs will be mailed to the distributors and interested persons in the very near future.