



Tennessee Valley Public Power Association NEWS

Vol. 6

APRIL, 1955

No. 4

MEMPHIS HOST TO TVPPA

Peabody Hotel Headquarters

Final plans have been completed for the program for the Ninth Annual Meeting of the Association, to be held at the Hotel Peabody, Memphis, Tennessee, April 25-26. The program committee consists of E. H. Wright, Brownsville, Tenn., chairman; Thomas H. Allen, Memphis, Tenn.; E. S. Ferguson, Murray, Ky.; C. T. Ames, Holly Springs, Miss.; and W. H. Saxton, Batesville, Miss. They are to be commended for the fine program that they have arranged. It is hoped that every power distributor will be represented at this meeting. Following is a complete outline of the program:

MONDAY APRIL 25th MAIN BALLROOM 10:00 A.M.

CALL TO ORDER—J. F. Perry, President
 INVOCATION—Rev. Jimmy Stroud, Supt., Memphis Union Mission
 WELCOME TO MEMPHIS—Hon. Frank T. Tobey, Mayor, City of Memphis
 PRESIDENT'S REPORT—J. F. Perry, manager, Dept. of Electricity, Clarksville, Tenn.
 SECRETARY-TREASURER'S REPORT
 W. L. Manton, manager, North Georgia E.M.C., Dalton, Ga.
 EXECUTIVE SECRETARY'S REPORT
 J. Wiley Bowers, Chattanooga, Tenn.
 "A REPORT ON TVA"—Gen. Herbert D. Vogel, chairman, Board of Directors, TVA, Knoxville, Tenn.

12:00 NOON

JOINT LUNCHEON IN GEORGIAN ROOM—Engineers' Club of Memphis and TVPPA. Address: "The Washington Scene"—Frank Ahlgren, editor, *The Commercial Appeal*, Memphis, Tenn. (Luncheon tickets may be purchased at registration desk for \$1.50)

2:00 P.M.

"TOMORROW'S PLANT DOLLAR"—Wm. R. New, TVA, Chattanooga, Tenn.
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HOOVER COMMISSION RECOMMENDATIONS ON REA

Practically no one in the Valley was in the least surprised at the recommendations which the Hoover Commission made in regard to the Rural Electrification Administration. It was taken for granted by the public power people that the Hoover Commission report would be as unfavorable as Mr. Hoover and his associates could make it. It will be very interesting to see in the coming months whether Herbert Hoover, chairman of the government's Committee on Reorganization, has more influence with the Congress than Herbert Hoover, President, had with the Congresses from 1929 to 1933. If he is no more effective today than he was twenty-five years ago, we have nothing to fear. On the other hand, Governor Sherman Adams, Director of the Budget Rowland Hughes, and their associates may well give the former President the support which he so completely lacked during his term as President of the United States.

One thing about the Hoover Commission report that is of far more than passing interest is the fact that the Commission made two reports. The first report, which has been released as Exhibit A, was so drastic in its recommendations that it was modified considerably in the second, or Exhibit B, report. If you really want to know what the Hoover Commission had in mind for the electric cooperatives, you, by all means, should read its first report (Exhibit A) in order to really understand what its second report (Exhibit B) really means to do.

The premise used by Price, Waterhouse and Company, which completely got them "off the track" was their assumption that the expansion of the rural
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DEMMLER REFUSES TO ANSWER

Having been called before a Congressional committee recently, Chairman Ralph H. Demmler, of the Securities & Exchange Commission, refused to tell this committee whether he discussed the controversial Dixon-Yates power case with President Eisenhower before the Commission approved financing of the \$107 million project. Demmler used as his excuse for not answering a letter written by President Eisenhower during the Army-McCarthy row which forbade witnesses to tell a Senate subcommittee about Executive Branch discussions of Senator Joseph R. McCarthy's fight with the Army. Rep. Joe L. Evins of Tennessee, chairman of the subcommittee, told Demmler, "What I am trying to find out, to be very frank, is whether or not the President or the Bureau of the Budget, or anybody in the White House, influenced the decision of the Commission in this Dixon-Yates matter, or whether you acted on your own independence in the matter of your decision in that case." Under these circumstances it is very easy to understand why the SEC voted 4-1 against the TVA and the people of the Valley.

CENTRAL SERVICE ANNUAL MEETING

The annual meeting of the Central Service Association will be held in Nashville, Tennessee, June 16. W. O. Haggard, general manager, requests that every member have someone in attendance at this annual meeting. The exact time and place will be announced at a later date.

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Published by
TENNESSEE VALLEY PUBLIC POWER
ASSOCIATION

Electric Power Board Bldg.
Sixth and Cherry Streets
Chattanooga 2, Tennessee

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WHAT'S BACK OF DIXON-YATES

Let's all agree on this: competitive free enterprise is the best method yet devised by man to produce the goods and services he needs. But in a few of the services essential to our economy, competitive free enterprise simply isn't practicable. Most of these are public utility services; namely, electricity, gas, telephone, and water. The reason competitive free enterprise is not practicable in these businesses is obvious: the customers would have to pay the extra costs of constructing and operating the duplicate power and telephone lines or gas and water mains which would result from competing systems.

Our people and lawmakers have recognized this fact. In order to avoid the extra costs which would result from such uneconomic competition the utility companies are granted franchises which give them a monopoly in the areas where they operate. This cures one set of economic complications—the needless costly duplication of facilities; but it gives rise to another, equally important, and often more gravely detrimental to our economy and welfare. Unfortunately, any monopoly (and the people in it) which is selling something the public must have and must pay for whatever the price, tends to grow fat, complacent, and inefficient. And the people engaged in the monopoly activity grow to like their protected state of existence. These are the sort of things that free competition prevents.

This complacency and inefficiency bred by monopoly pretty well characterized the private electric power business until the 1930's when the public power movement came of age. Previously there had been a number of municipal electric systems; but let us emphasize that **ALTHOUGH THESE SYSTEMS WERE GENERALLY EFFICIENT, BECAUSE THEY WERE NOT BIG ENOUGH TO GENERATE POWER IN LARGE, EFFICIENT PLANTS AND WERE UNABLE TO BUY WHOLESALE POWER FROM SUCH PLANTS AT REASONABLE RATES, THEY WERE NOT ABLE TO SHOW RESULTS WHICH WERE GREATLY DIFFERENT FROM THOSE OF THE PRIVATE SYSTEMS SERVING MOST OF THE COUNTRY. CONSEQUENTLY, THEY WERE UNABLE TO SECURE PUBLIC APPRECIATION OF THEIR EFFICIENCY.**

Before the 1930's most of the large efficient power plants were owned by the private companies. In the instances where they provided power to the public systems they were able to set their own prices. And they set them high. Then, in the '30's, all this began to change. TVA began to make wholesale power from large, efficient plants available to municipal and cooperative systems. Similar developments started in Nebraska and in connection with reclamation projects in the Middle West; they were greatly stepped up in the Northwest where they had existed for a number of years on a smaller scale.

With low-cost wholesale power sources available, the

publicly owned utilities soon began to set records which caused customers served by the private companies to start asking questions. The captive customers of the private companies began to cite the records of low-cost production and distribution set by publicly owned systems and to ask the companies why they could not do as well. No longer were the customers satisfied by the glib explanations offered by the private utilities to explain away their inordinately high rates—some as high as 10c per kilowatt-hour for residential use!

In addition to embarrassing the private companies these comparisons forced them to start thinking more of efficiency and economy and less about ways of milking the public. (It bothered one, Sam Insull, so much that he had to leave the country!) Naturally, they did not like this; neither did the nobility of Europe like it when the serfs, after they began to hear of the rights of the individual, started asking embarrassing questions about the deal they were getting under the feudal system.

The reaction of the private companies was twofold; first, they learned to operate efficiently and economically, thereby increasing their production and lowering the cost of electric service to their customers; secondly, they developed a terrific aversion for those who had forced them out of their former extremely pleasant and easy lives. Who—if you please—had forced them to go to work! They vowed to get even! They longed for the good old days!

Now, it was not practical for them to indiscriminately attack all the publicly owned systems throughout the country. The nearly two thousand cooperative and municipal systems were too popular for that. No, their best chance of success lay in centering their fire on the keystones in the public power structure. From past experience they knew that control of the sources of low-cost generation would enable them to regain the effective control of the entire industry they had formerly enjoyed. TVA was both a keystone and the outstanding example of low-cost power supply to locally owned systems. So, they determined to wreck TVA.

First, they had public opinion polls made; these showed the public thought well of TVA. Since TVA was too popular to attack directly, they used the indirect attack. They began by seeking to offset TVA's nationwide, actually its world-wide, popularity by trying to hang the tag of "socialism" on it. This didn't go over very well because enough people were around to point out that while it was true that socialism did advocate government ownership of all business, this did not necessarily make a particular business carried on by the government socialistic, where this was obviously the best way to do the job. They pointed out that as a matter of fact, private ownership of electric systems, with their monopoly status, was actually a throw-back to the days before free competitive enterprise began—to the days of mercantilism when kings, who were the government, controlled all business and granted monopolies in various fields to individuals and companies for the enrichment of their own coffers and sometimes the advancement (they hoped) of the economic status of their subjects. The people of that period began to see the advantage of having a number of companies competing in each of the various fields of business; of having, if you will, competitive free enterprise instead of government control of business which was neither free nor competitive. They saw, however, that there were certain exceptions that had to be made. There were certain "natural monopolies"; an example was the post office. It just didn't make sense for more than one postman to be delivering mail on any street. No more sense, in fact, than more than one power line on the same street would make today. So the postal service became a monopoly, usually oper-

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DIXON-YATES

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ated by private companies and later by the government. And when electric power developed, government agencies, generally cities, handled it in some areas; in others they gave the job to private business. Where city governments handled the business they usually kept out competitors; where they gave the job to private companies they generally gave them a monopoly, an exclusive franchise by government directive, just as was done in the days of mercantilism. In neither case was it then nor is it today free competitive enterprise; it was not then, it is not today even free enterprise. It was and is a controlled monopoly conferred by the people.

So, the people saw that TVA was just a case of an agency of the government handling a natural monopoly job as government agencies had been doing for many years. The development by TVA of the total resources of a region was not the kind of a job which private business could handle. It never had been—and the question of socialism didn't enter into it at all!

The private power companies had to shift their attack. TVA was still going strong; perhaps they might gain control of its power supply, raise its cost, and wreck its efficiency by another route. In this plan they found willing accomplices in Washington!

And thereby hangs the Dixon-Yates deal. The private companies know that if they can drive a sizeable wedge in TVA's presently unified power supply setup, they will then have the ability to control its over-all efficiency and effectively disrupt the operations of the TVA power distributors. This they are determined to do, and the Dixon-Yates contract is designed to help them do it.

If Dixon-Yates is successful, they expect in a few years to set their own prices for power delivered to the TVA system. Due to its geographical location, at a point where TVA greatly needs new capacity, the Dixon-Yates plant would control the power supply to a major section of the TVA service area, including Memphis, the largest city distributing TVA power. The TVA would have no alternative except to pass along these higher costs to the distributors, and the distributors in turn would have to pass them on to their customers. The way the private companies see this, its benefits to them would be many. They would be reasserting their traditional control of sources of low-cost generation and setting their own prices for this generation. By forcing up rates in the TVA region

**GEORGE HORN
KILLED NEAR
CLEVELAND, TENNESSEE**

George Harding Horn, 31, son of Mr. and Mrs. E. P. Horn of Bellevue, was killed early Saturday morning, April 2, when his car crashed into a milk truck near Cleveland, Tenn.

Tennessee Highway patrol Corporal L. C. Ables said Horn died of head injuries. The body was taken to McClain funeral home in Cleveland.

Born in Bellevue, he was a graduate of the Wallace University school, a former prep school of Nashville, and Vanderbilt University school of engineering. Horn, a veteran of World War II, was employed as a field engineer for Line Material Company with headquarters in Knoxville.

Other than his parents he is survived by a daughter, Virginia Ann Horn; a son, Phillip H. Horn; two brothers, E. P. Horn IV, Flint, Mich., and Francis M. Horn, U. S. Marines, Quantico, Va.

**N.R.E.C.A. ANNOUNCES
REORGANIZATION**

The National Rural Electric Cooperative Association recently announced a partial reorganization in its national office staff. This reorganization was brought about by a change in the by-laws, which was adopted at the last annual meeting. Under the change, Clyde T. Ellis was made general manager, instead of executive manager, and Charles J. Fain, former NRECA legislative representative, was named assistant general manager. The reorganization created a new department called the "Legislative, Research and Management Department." Clay L. Cochran, NRECA's staff economist, was named to head this department, and Richard A. Dell of REA was named to the position of legislative representative. With the reorganization, the NRECA hopes to increase its efficiency and give better service to its membership. We congratulate the NRECA on its forward step.

they would make progress toward eliminating the embarrassing questions their customers continue to ask about the low rates charged by TVA power distributors, and they would have struck a terrific and perhaps fatal blow to the public power development they abhor—namely, the TVA.

MEMPHIS HOST

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"COMMUNITY GROWTH THROUGH INDUSTRIAL DEVELOPMENT" — Harry W. Clark, executive director, North Miss. Industrial Development Ass'n., West Point, Miss.

"TODAY'S CHALLENGE TO PUBLIC POWER"—Alex Radin, general manager, APPA, Washington, D. C.

"RUNNING WATER ON THE FARM" G. D. Munger, TVA, Chattanooga, Tenn.

5:30 P.M.

SOCIAL HOUR—CADET ROOM

7:00 P.M.

BANQUET — MAIN BALLROOM — "Sunrise in The Valley"—Dr. Andrew D. Holt, administrative assistant to the president, University of Tennessee, Knoxville, Tenn.

TUESDAY, APRIL 26th

MAIN BALLROOM

10:00 A.M.

CALL TO ORDER—J. F. Perry, president

INTRODUCTION OF OFFICERS AND BOARD MEMBERS FOR 1955-56

"THE IMPORTANCE OF AN ELECTRICAL DEVELOPMENT PROGRAM"—S. R. Finley, general superintendent, Electric Power Board, Chattanooga, Tenn.

"COMPLETE RESOURCE DEVELOPMENT—OUR RESPONSIBILITY"—Walter Harrison, manager, Georgia Electric Membership Corp., Millen, Ga.

CIVIL DEFENSE—George Grider, director, Civil Defense Training & Education, Memphis-Shelby County Civil Defense Commission

12:30 P.M.

INDUSTRIAL SECTION LUNCHEON MEETING — Knickerbocker Restaurant, 4699 Poplar St., Memphis. Round table discussion.

2:00 P.M.

RATE COMMITTEE MEETING—Thomas H. Allen, chairman. Room number to be posted.

ACCOUNTING SECTION BUSINESS MEETING—Raymond H. Forkner, chairman. Room number to be posted.

The registration desk will be located on the mezzanine of the Hotel Peabody. Registration will be held from 4:00 p.m. to 6:00 p.m. Sunday, April 24, and from 9:00 a.m. to 5:00 p.m. Monday, April 25.

For hotel reservations write direct to the Hotel Peabody or to the hotel of your choice in Memphis.

We wish to extend an invitation to the ladies. The Memphis Light, Gas and Water Division has made arrangements for a sight-seeing tour for the ladies on Monday afternoon, April 25.

'NOW YOU SEE IT NOW YOU DON'T'

Gossip in the private utility circles up until about the 15th of December indicated strongly that most of the industry was very unhappy and displeased over Edgar Dixon's insistence on going ahead with the Dixon-Yates contract. It was told in whispers that Mr. Yates would have been glad to have gotten out and that industry leaders thought that Mr. Dixon was jeopardizing the public relations of the whole industry by his stubborn insistence.

Apparently there was a sudden change of front. The big boys in the industry, seeing that they couldn't do anything with Mr. Dixon, decided that they had better back him up. Consequently, Hill & Knowlton, the very well known public relations firm in New York City, was employed. They were saddled with the heavy responsibility of making the public believe the Dixon-Yates contract was lily white and that the whole idea sprang from the patriotic breast of one Edgar Dixon.

A recent sample of the type of publicity that Hill & Knowlton is putting out is shown in an editorial from the St. Louis Post-Dispatch on March 12, 1955, which is quoted below:

"St. Louis Post-Dispatch March 12, 1955

"Now You See It, Now You Don't"

"We are in receipt of a 23-page brochure from the public relations firm of Hill & Knowlton, in New York City, headed 'Editorial Views on the Atomic Energy Commission's Contract for Electric Power with the Mississippi Valley Generating Co. (Dixon-Yates).' The brochure contains editorials from 29 newspapers, columns by Roscoe Drummond and Dorothy Thompson, and a news story from Time magazine.

"One of the 29 newspapers represented in the brochure is the Post-Dispatch. The editorial which Messrs. Hill & Knowlton have chosen to represent the Post-Dispatch's views is entitled 'Meet the Dixon-Yates' and was printed last December 6.

"In this editorial we said that Edgar H. Dixon and Eugene A. Yates turned in a good performance in their appearance on the TV program Meet the Press. We expressed no opinion of the Dixon-Yates contract.

"In some 40 other editorials this newspaper has dealt with that contract point by point as the controversy has developed. We have criticized its execution by Presidential fiat, its negotiation in secrecy, its lack of competitive bidding, its extravagant cost, its intrusion of the executive branch of government upon the legislative branch, its ill effects upon

R.E.A. REPORT

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cooperative distribution systems would come out of the earnings of the system. Price, Waterhouse and Company is a national accounting firm that has many of the large private utilities as clients. The Hoover Commission knew that they were well versed in the utility field and were in a position to make a very fair analysis of this problem. The report very plainly tries to confuse ordinary maintenance of an electric distribution system with an altogether different problem of expansion of that system. We all know that it is perfectly true that maintenance of a system should be carried on out of its earnings. No one is in better position to know than is Price, Waterhouse and Company that expansion of an electric system is rarely financed out of earnings. It is our belief that there is not a utility in the United States that finances as much of its expansion out of its own earnings as does the Tennessee Valley Authority. Few, if any, of the private utilities depend on their earnings alone for plant expansion. This being true, the bland assertion that this situation exists in regard to the rural electric cooperatives is really unpardonable. If that standard were really a fair test, then the REA program should be overhauled. But the plain facts are that utilities practically all over the country disprove the soundness of this assertion made in the name of the Hoover Commission by this N. Y. accounting firm.

One of the five recommendations made in the first report of the Hoover Commission is, "That is, that no loans be made for the construction of telephone or electrical facilities which private utilities stand willing to build." After having already recommended that the cooperatives get their money from private sources and that they add to their rates sufficient money to provide for expansion of their systems, they have the brazen effrontery to add this provision just referred to. In other words, if any one operating a rural electric cooperative is foolish enough to meet the first four

independent agencies (principally AEC and TVA), its threat to the entire public power program nationally, etc.

"Not a word from any one of these two-score editorials was chosen by Dixon-Yates' public relations firm to represent the Post-Dispatch's editorial views on the contract.

"Sweet are the uses of public relations."

It would really be unfair to blame Hill & Knowlton for picking their shots when they had such a tremendous job on their hands.

T.V.A. FINANCING

The Board of TVA has recommended to the Bureau of the Budget a new means of financing TVA's power generation facilities. Members of the Executive Board of the Association and other distributors representing different groups of the Valley met with the TVA staff on March 24 to discuss the proposed financing arrangements. Every person present was amazed at the fine report brought up by the staff of TVA. Not a one of those present had thought that it would be possible to present a report that would meet the full approval of everyone concerned. The staff of TVA is to be commended on its very fine work.

After much discussion at the meeting, it was agreed that the plan should be recommended to the Bureau of the Budget by the Board of TVA in its entirety, and that every effort be made to keep the Bureau and members of Congress from changing any part of the plan, as it was thought that should one part be altered or discarded, it would weaken the whole plan. Copies of this report have been placed in the hands of all the power distributors in the Valley and I am sure that they will agree with us that it is a very excellent plan. It is hoped that every distributor will contact his Congressman and his Senators requesting their support of the TVA Board in this matter.

conditions outlined by ex-President Hoover and his associates, they could be stopped from doing this simply by a private utility's making the statement that they will do the same job. There is no provision or even intimation that there is a time limit on the private utilities or that they shall say how much the rates shall be, or any of the other pertinent information that would be so vastly important to the rural people dependent on electricity.

As we stated in the beginning, no one in the Valley was surprised at the Hoover Commission report. We might just as well have said that no one in the United States who is familiar with the workings of the non-profit municipally or cooperatively owned electric distribution systems was in the least bit surprised that the Hoover Commission was attempting to force the electric cooperatives to sell out to the private utilities. They could have saved a great deal of time and money and could have merited the respect of the average citizen more if they had simply said in the beginning that the cooperatives should be sold to the private utilities. That is exactly what this report means to do.