Clipping of Note NUMBER 56

When We Socialize Kilowatt-Hours

EDITOR'S NOTE—The following, except the table, is extracted from the proceedings of the New York Public Service Commission granting a rate increase of 18.84 per cent to the government-owned power system of the City of Jamestown, New York (Case 15896, Dec. 9, 1952). There is nothing surprising about this report—many of these same facts apply to the Tennessee Valley Authority and other government-owned power systems. But so far, most of them have managed to use their tax exemptions, Congressional grants of capital from the general tax funds, low interest rates or no interest at all, and various other special privileges and subsidies to spread the delusion that government ownership is cheaper than private ownership.*

"No product or service so intimately affecting the lives of so many people and so directly influencing the costs of so many products has been more resistant to the inflationary trend of our times than electricity. It is only recently, due mainly to the impact of heavily increased corporate taxation, that the trend toward lower rates for electricity has been halted. . . ."

"In the year 1949, this Commission granted six general increases to electric utilities. Two were municipally owned and the average increase was 16.6 per centum. Four were privately owned and the average was 2.8 per centum. During the following year one municipality was granted a general increase in electric rates of 10.5 per centum and a private utility received 6.0 per centum. In 1951, two privately owned electric utilities were granted general increases of 10.6 per centum. To date, during the present year, five general electric rate increases were approved —two to municipally owned utilities averaging 6.4 per centum [plus Jamestown at 18.84 per centum] and three to private utilities averaging 6.9 per centum."

INCREASES IN ELECTRIC RATES

(Granted by the N. Y. Public Service Commission, 1949-1952)

	PUBLICLY OWNED		PRIVATELY OWNED	
YEAR	*Number of cases*	*Average increase*	*Number of cases*	*Average increase*
1949	2	16.6%	4	2.8%
1950	1	10.5%	1	6.0%
1951	—	—	2	10.6%
1952	3	10.5%	3	6.9%

"The City [of Jamestown] had the advantage of issuing tax exempt bonds at an interest rate of 1.6 per centum. While legally absolved from the payment of real estate taxes, both city and county, [the utility] pays the City of Jamestown $175,000 annually in lieu of taxes although city officials admit that such payment is $45,000 less than a privately owned utility would pay for State and County, School and City real estate taxes based upon identical assessed valuations."

"In common with all municipally owned utilities, the operation is exempt from the New York State gross earnings tax of 3 per centum and a like percentage on dividends in excess of 4 per centum on paid-in capital stock employed in the State. It pays no taxes toward unemployment insurance or social security. The federal income tax, which absorbs 52 per centum of the net income of privately owned electric utilities . . . does not apply. The foregoing are decided advantages in the operation of any business. . . ."

"Production costs [of the new Jamestown power plant], excluding depreciation, are 6.93 mills per kwh, whereas a nearby private utility generates at a cost of 4.40 mills per kwh, in a comparably small 30,000 kw station. . . . The proposed residential rates to be paid by residents of the City of Jamestown will be $61,600 (11.4%) in excess of rates now being paid by the customers of a private utility serving adjacent territory. While exact figures and percentages are not available, both Commercial and Industrial schedules also appear substantially higher. . . ."

"It appears, to date, that all the benefits which flow from either partial or complete tax exemption have been dissipated and the residents of Jamestown must pay higher electric rates in all classifications than the neighboring customers of a privately owned utility which bears its allotted share of the burden of supporting government."

*See *The TVA Idea,* by Dean Russell (F.E.E., 1949, 108pp., 75¢ paperbound).

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