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POWER ON THE PLAINS

A Business History of the Development and Operation of Public Power in Nebraska

by

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TITLE

POWER ON THE PLAINS, A BUSINESS HISTORY OF THE DEVELOPMENT AND OPERATION OF PUBLIC POWER IN NEBRASKA

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DEDICATION

This volume is fondly dedicated to my wife, Morna Y. Firth, whose help, inspiration and personal sacrifice, in order to make this study possible, cannot be measured.

PREFACE

The state of Nebraska has many things which make it unique among its sister states and accomplishments for which its citizens can be justly proud. It has been among the pioneers in irrigation and agricultural development. It lies in the heart of the grain producing part of the country and has taken a position of leadership in beef production. Industrial firms have been attracted to the state in increasing numbers. Nebraska can boast of having one of the most beautiful capitol buildings in the country. In its government, its unicameral legislature is unique among the states.

The subject of this study involves another unique feature possessed by Nebraskans. This state is the only state in the Union in which there is not a single privately owned and operated electrical utility company. While there are still a few REA Rural Cooperatives serving rural electrical users, the vast majority of the state is served entirely by public power agencies set up under a special law enacted by the Nebraska Legislature.

One of the most remarkable features of the Nebraska public power set-up is how little Nebraskans know about the system that serves them. In a recent survey conducted by Consumers Public Power District among its own customers, over twenty percent indicated they did not know that Consumers is publically owned and nearly half had never realized that they, in effect, were part owners. In spite of the fact that these

customers pay their bills every month, that the public power groups have been in the news repeatedly in late years, and that Consumers District does a great deal of advertising, many people know practically nothing about the organization that serves them every time they flick the light switch.

But even less is known of the other public power agencies which generate and transmit electrical energy to the Consumers organization before it gets to the ultimate power customer. Many people are likely to believe that the hydroelectric projects built here during the 1930's are owned and operated by the Federal Government rather than state agencies. Men among the educational and governmental circles of the state are not as well informed about this important aspect of the state's economy as they should be. Of all the groups in the state, the farmers are probably the best informed about the REA districts which serve them.

The main objectives of this study are to make available a fairly complete report of the historical processes through which Nebraska came to be a public power state and how this rather complicated and inter-related group of public agencies functions to serve the people of this state. Public power in Nebraska has been a very current and debated item in the news for some time, and it is very significant in the state's economic and political pictures.

It is surprising, too, how little has been written or studied about Nebraska's power development. The press, of course, has given it a great deal of attention, but other

than a few published articles and pamphlets, nothing comprehensive has ever been written or published on the subject. Considering the size and importance of Nebraska's public power program and the tremendous number of volumes written about TVA and electric utilities in general, it is somewhat surprising that someone has not done this job before now.

Nebraska's public power program today is faced with the decision as to just what direction its future development is to take. The people of this state have a gigantic stake in the outcome of this future development. The men who have guided Nebraska's public power program can be justly proud of their accomplishments and the progress they have made. But these same power agencies are a long way from solving all their problems and difficulties, some of which are of major importance. Nebraskans could do well to understand these problems and how they are affected by them. The leaders of the power agencies in this state would be happy to know more of what the people of Nebraska want for the future of their power picture.

Secondary objectives of this study will be to examine these present and future power problems in this state, obstacles of their solution, and the views of the men whose job it is to try and solve them. From this some conclusions and observations will be drawn. It is also hoped that the reader may gain an appreciation of the impact of the power industry and its associate, irrigation, on the economy of the state.

The first section of this report will cover the business

history of the public power movement and its development in Nebraska, and section two will attempt to analyze how it operates. The operation of the various public power agencies is a complex, inter-related and interdependent affair, complicated by organizational structures, financial arrangements, contracts, expediency, and personalities.

This study will be limited to the Nebraska situation. There will be no attempt at discussing the pros and cons of public utility vs. private utility ownership with the merits and disadvantages of each. On the national scene this is a hotly contested debate, and there was, of course, a time when it was in Nebraska too. While there is the possibility that it could become an issue in this state some time in the future, it is not an important one at the present. From a study of the facts in this state and for the country as a whole, it is this writer's opinion that Nebraskans have benefited from having a public power set-up, considering the growth and development, service, and rate structures over the last couple of decades. Other than expanding on the above statement, this study will not become embroiled in the classic public vs. private ownership argument.

The author is also aware that opinions as to what should be done and how it should be done concerning the present and future problems of Nebraska's power picture are both extremely varied and tenaciously defended. The statements made cannot hope to please all parties, but an attempt will at least be made to be honest and factual in discussing these problems.

The people who have devoted their efforts and their lives to bringing public power to Nebraska have often been accused of scheming a program of socialism for the state or of entangling the state and the utility business together politically. Such statements, like many others, are based more on uninformed emotional outbursts than on a knowledge of conditions. Actually, the development of public power in Nebraska was the outgrowth of many factors such as drought, depression, the experience of municipal ownership, the "New Deal" program, federal anti-trust legislation, electrification of rural areas, temporary and local expediencies and the result of many decisions, some of which were actually short-sighted. The whole program evolved from a related group of circumstances and its evolutionary processes are still going on because of new sets of circumstances.

From the standpoint of personal and educational growth and experience, this writer has been very pleased with the choice of topic for this doctoral dissertation. It has embraced the areas of management, organization, finance, accounting, economics, business law, marketing, business history, personnel and labor, and agricultural economics. In addition to this, the author has had the further broadening experience of learning a great deal about the state of Nebraska and has had the privilege of becoming acquainted with a large group of very fine people who are connected with the power districts.

A limited portion of the history of the early public

power movement, as it was associated with irrigation, has been written by Gene E. Hamaker in his doctoral thesis entitled Irrigation Pioneers: A History of the Tri-County Project to 1935. His study traces the early background of that project and follows it through to 1935. It also includes some of the early background to the Platte Valley Project. No attempt has been made to duplicate the research done by Mr. Hamaker, but to maintain the continuity of this study, large sections of his work have been referred to and summarized in the first four chapters of this thesis. The objectives of the two studies are entirely different. Mr. Hamaker's work is an extensive coverage of a limited area and period of time while this study is a survey of the public power development in the entire state of Nebraska from its inception up to the present.

Like any other volume, this study was not made without the help and assistance of many people. To attempt to name them all would be to risk offending someone unintentionally omitted. Special acknowledgement, however, is deserved by the general managers of the public power districts who so willingly opened all their records to inspection and spent many hours in interviews and discussions to provide research materials. Another group that this writer is indebted to is the secretaries and staff members in the offices of these districts who helped locate materials and duplicated hundreds of pages of it to save the writer untold hours in the collection of data. Many of the pioneers in the power development gave

willing interviews which will be referred to in footnotes. Dr. Charles S. Miller, under whose supervision this study was written, is also due the thanks of the writer for the numerous suggestions made.

TABLE OF CONTENTS

POWER ON THE PLAINS

LIST OF MAPS

LIST OF CHARTS

LIST OF TABLES

PART I

NEBRASKANS PIONEER A NEW PROGRAM:

THE DEVELOPMENT OF PUBLIC POWER IN THE STATE

CHAPTER I

MEN WITH A VISION

Nebraska Leads in Municipal Ownership

It is impossible to show a direct relationship between the early development of municipal ownership of electrical utilities in Nebraska and the development of a state-wide publicly owned system. It is reasonable to suggest, however, that there may have been some indirect relationship which influenced the thinking of men who promoted and worked to see Nebraska's power and irrigation projects become a reality. By the late 1920's, Nebraska had the largest number of municipally owned light and power plants of any state in the Union.[1] Such a distinction may very well have had a part in molding the movement that later developed into a public program even more distinctive.

When electricity came into more common usage in the cities of the East, it was natural that the people of the Midwest wanted it too. But the settlement of the population in the plains states in widespread, small communities and on the farms was not an inviting market for private capital in the utility business, especially with the limitations of use, low voltage, and transmission capacity of early

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[1]Carl D. Thompson, Confessions of the Power Trust, p. 535.

electrical technology. Private utilities could hardly be expected to venture where profits were not possible.

For people and communities who were determined to enjoy the benefits of electric lights and electrical energy, municipal ownership often did provide the answer. Typical of the pioneer spirit that settled this midwestern area, these people found a means to an end. There is no evidence to show that they were socialistic or enemies of private enterprise; they were practical people finding a practical solution to a need which private enterprise could not provide at that time and under existing conditions.

It is believed by some that Schuyler's plant built in 1893 and Fremont's in 1894 were the first city owned municipal plants in Nebraska.[2] The 1902 Census of Electrical Industries lists Crete as having the oldest municipal system which has remained municipal, established in 1886.[3] In a speech entitled "A Review of Public Power in Nebraska" before the League of Nebraska Municipalities in September, 1949, Thomas R. Pansing said that there were 11 municipal plants in the state by 1902, 85 in 1912, and the number reached a peak of

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[2]Roy Lang, History of the Public Power Program in Nebraska, an unpublished manuscript made up by the Publicity Department of the Nebraska Public Power System, p. 19.

[3]Clarence E. McNeil and Herschel F. Jones, Nebraska's Electric Power Development in Relation to Municipal Service, University of Nebraska Studies in Business No. 44, p. 19.

282 municipal plants in 1926.[4] The number of municipal plants declined in the 1930's for several reasons. Private companies bought some of them. For others, growth of transmission networks, central station service, and high voltage lines made private service more dependable and often cheaper.[5]

There was another influence partially responsible for the large number of municipally owned plants in the state. All over the country, Fairbanks, Morse & Company, and other diesel engine manufacturers, were actively promoting extensive campaigns to sell diesel engines to municipal groups. They were doing this regardless of strong and determined opposition from private power interests.[6] Fairbanks, Morse & Company was particularly active in Nebraska. This Company promoted the idea that diesel generators were so much cheaper than steam power, or power purchased from private companies, that the diesel engines could be paid for out of earnings. It did a booming business among the smaller towns all over the state during the early 1900's because the diesel engine was ideal for small town use. Fairbanks, Morse & Company published an ownership paper, and in 1930 it helped organize and underwrite a referendum

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[4]McNeil's booklet quotes 110 plants in 1915, 149 in 1917, and a peak of 281 municipals in 1925. In a reprint from March and April issues of Public Utilities Fortnightly, Judson King has an article, "Nebraska, the Public Power State", in which he lists 242 municipal plants receiving service in 1927 and 56 others, privately owned.

[5]King, op. cit., p. 17.

[6]Thompson, op. cit., pp. 564, 568, 569.

vote in the state that was responsible for legislation making the financing of municipal systems much easier.[7]

The real beginning of the public power development in Nebraska, however, grew out of the conditions of drought, depression, and the desperate need for water on the rich farm land of much of the state. It was this need for irrigation to steady the uncertainties of Nebraska's agricultural economy which paved the way for one of the most interesting and ambitious developments of the Midwest.

There were two projects which were actually the forerunners of what later became the hydro developments of the 1930's. One was on the Platte River; the other on the Loup River. Both were promoted in the same decade before the turn of the century; both had much the same purpose and objective; and both were failures. These will be discussed first before coming back to further development in the area of the Platte River.

Joel Hull's Power Canal, 1880's

In 1872, Joel Hull moved westward into Nebraska from Ohio and staked out a homestead in Logan township, near the Village of Lowell, the county seat of Kearney County. It was during

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[7]From an interview with Charles Wallace of Hastings on December 22, 1958. Mr. Wallace worked for Fairbanks, Morse & Company from 1902 on for many years selling diesel engines on commission and was involved in the 1930 referendum vote. He has been active in public power for many years. Mr. Wallace was on the original board of directors of the Platte Valley Reservoirs Association and his son was later on the board of directors of the Central Nebraska Public Power and Irrigation District.