

379
N81
No. 2408

THE HISTORY OF THE B-K ELECTRIC COOPERATIVE, INC.

SEYMOUR, TEXAS

THESIS

Presented to the Graduate Council of the
North Texas State College in Partial
Fulfillment of the Requirements

For the Degree of

MASTER OF SCIENCE

By

Robert Arthur Minick, Jr., B.S.

Denton, Texas

August, 1955

TABLE OF CONTENTS

	Page
LIST OF TABLES	iv
LIST OF ILLUSTRATIONS	v
CHAPTER	
I. HISTORICAL BACKGROUND OF THE RURAL ELECTRIFICATION ADMINISTRATION.....	1
II. ORIGIN AND DEVELOPMENT OF THE B-K ELECTRIC COOPERATIVE, INC.....	20
III. GROWTH AND EXPANSION.....	36
IV. PROBLEMS FACING RURAL ELECTRIFICATION.....	57
Local	57
National	60
V. CONCLUSIONS	84
APPENDIX	88
BIBLIOGRAPHY	100

LIST OF TABLES

Table	Page
I. Connected Consumers and Miles of Line Energized by REA Borrowers as of June 30, 1936-1954	13
II. REA Funds Allocated and Advanced by Fiscal Year, 1935-1954	14
III. Estimated Input of Kilowatt-Hours of Energy of REA Borrowers by Calendar Year, 1943-1963	15
IV. Man-Years of REA Administrative Manpower Employed by Fiscal Year, 1936-1956	16
V. Connected Consumers, 1941-1954	38
VI. Number of Miles Energized, 1941-1954	41
VII. Number of Kilowatt-Hours Sold, 1941-1954	43
VIII. Number of Kilowatt-Hours Purchased or Generated, 1941-1954	44
IX. Annual Total of Kilowatt-Hours Sold, 1941-1954	46
X. Number of Farm Consumers Billed, 1941-1954	49
XI. Average Farm Bill, 1941-1954	51
XII. Average Farm Kilowatt-Hours Used, 1941-1954	52
XIII. Annual Average Cost and Income per Kilowatt-Hour, 1941-1954	54

LIST OF ILLUSTRATIONS

Figure	Page
1. Present Personnel and Organization of the B-K Electric Cooperative, Inc.	35
2. Connected Consumers, 1941-1954	39
3. Miles Energized, 1941-1954	42
4. Kilowatt-Hours Purchased or Generated and Kilowatt-Hours Sold, 1941-1954	45
5. Annual Totals of Kilowatt-Hours Sold, 1941-1954	47
6. Number of Farm Consumers Billed, 1941-1954	50
7. Average Bill and Average Kilowatt-Hour Used by Farm Members	53
8. Annual Average Cost and Income per Kilowatt- Hour Sold, 1941-1954	55
9. Sources of Power Generated or Purchased by REA Borrowers, Fiscal Year Ending June 30, 1953	63
10. Electric Production in United States, 1900-2000	65

CHAPTER I

HISTORICAL BACKGROUND OF THE RURAL ELECTRIFICATION ADMINISTRATION

The Rural Electrification Administration was the outgrowth of many years of bitter feeling between the privately owned power companies and the American farmers. The farmers were calling loudly and clearly for electric energy in the early 1930's, and the utility companies answered just as loudly that the farmer would have no use for electricity--not enough use to justify running lines to the distant farms.

Man has always been a creator and user of gadgets and machines. Sometimes it takes a while for the new tools and devices to become adopted generally, since man first attempts to fit the new into the existing social framework. If this cannot be done, new social institutions come into being, more or less slowly, that afford man use of his new gadgets.¹ This was the exact course followed in the electrification of rural America.

In 1923 the Committee on the Relation of Electricity to Agriculture was formed by the private power companies

¹C. E. Ayres, The Theory of Economic Progress (Chapel Hill, N. C., 1944). See especially Chapter IX.

of the United States. From one of the experiments performed by the CREA--the Red Wing, Minnesota project--it was clearly established that the major problem of rural electrification was not the question of a farmer's willingness to use electricity. The question was, how could the farmer get the power which he could no longer afford to be without.²

The farmers appealed to the existing institutions to get the power they must have. They sought power from the privately owned utilities who were in the business of supplying power to people and businesses that needed it. The potential customers were refused electric service on the grounds that farmers would not use enough power to justify the building of lines in rural areas.³ What the farmers had run into was the free private enterprise system of establishing a monopoly through the device of the holding company.⁴ Under this system the farmers could have power provided they financed the original investment of running lines into the rural areas and at the cost established by the company; then the farmer would still have to pay the

²Marquis Childs, The Farmer Takes a Hand (Garden City, N. Y., 1952), p. 39.

³Ibid.

⁴Ibid., pp. 42-45.

exorbitant rates of the utility companies--rates established by the practices of high finance (stock-watering) common to that era of American economic development. As the Department of Agriculture put it:

Electric power hadn't been brought to the farm because it cost too much. If a group of farmers wanted to get a power line strung out from town to their farms, they had to plank down sums ranging up to \$3,000 a mile to pay the power company for the construction. After the line was built, they still didn't have title to it. And sometimes their power cost them as much as 25 cents per kilowatt-hour.⁵

Obviously, only a very small minority of the nation's farmers could afford such a program as this. Electricity on farms was reserved for the few.

At what point or at what specific time one institution is replaced by a more workable one can never be determined with any degree of authority, if indeed such a point or time even exists. But, in the case of rural electrification, disgust and frustration with the private power companies was widespread in 1934. Congress echoed the feelings of the depression-ridden farmers, and New Dealers saw an opportunity to do some pump priming through a national program of rural electrification.⁶ On May 11,

⁵United States Department of Agriculture, Rural Electrification Administration pamphlet, Electricity Comes to Rural America (Washington, 1950), p. 3.

⁶Childs, op. cit., p. 51.

1935, President Franklin Delano Roosevelt signed Executive Order 7037.⁷

It is clear from the wording of the order that REA was regarded as a stop-gap measure, as a temporary agency to put some money into circulation. The full impact of rural electrification was not clear to government officials or anyone but a handful of farmers. Certainly, \$75,000 was a very meager beginning for an agency that in twenty years would become a multi-billion dollar concern.

Behind this executive order lay many years of bitter feelings, frustrations, and hard fought battles of wit. Ahead of it lay still harder feelings between the power companies and the rural populace. With it began an economic and social revolution on American farms that was to have lasting effects on urban as well as rural living.

At the time of the signing of Executive Order 7037 by the late President Roosevelt, approximately 10 per cent of the nation's farms were receiving central station service. In 1955 about 93 per cent of the farms are getting electrical service--most of them from REA cooperatives.⁸

⁷The text of Executive Order 7037 appears in the Appendix on page 88.

⁸Congress of the United States, Senate Document No. 42 (Washington, 1955), Statement by Senator Hennings, p. 4.

As originally intended, the Rural Electrification Administration was to make low-cost loans to the private power companies for the purpose of financing the construction of power lines in rural areas. However, the utility companies still balked at the idea of going into the sparsely settled rural areas.

Morris L. Cooke, the first administrator of the newly created Rural Electrification Administration, assumed that the actual construction and maintenance of the electric lines would be done by the privately owned power companies now that low-cost loans would be available from the government.⁹ One of Cooke's first acts, therefore, was to call a conference of power company executives to offer them the funds and cooperation of his agency. The conference ended with the utility executives giving assurances that the then existing facilities would be adequate to supply the need for electricity. What the executives failed to see was that the farmers knew that if they had electricity they could put it to work profitably.

The report filed by the utility moguls to Morris Cooke presented a program calling for the investment of over a quarter of a billion dollars during the first year. However, this report stated that "to immediately attempt to

⁹Childs, op. cit., p. 57.

standardize rates for three million consumers under numerous jurisdictions . . . the difficulties that would arise would be such that the program would be delayed indefinitely."¹⁰ The report further states: ". . . the problem of the farmer is not one of rates, but of financing the wiring and purchase of appliances."¹¹ The concluding remark of the report shows the complete inadequacy of the private utilities to grasp the full import of rural electrification. It stated there were "very few farms requiring electricity for major farm operations that are not already served."¹² At the time of this report, only about 10 per cent of the nation's farms were using central station power.¹³

Morris Cooke wrote of the situation: "It became apparent that the (private) industry was not even going to use a portion of the funds available for rural electrification and farm organizations of a cooperative character forged to the front as the principal borrowers under the REA program."¹⁴

¹⁰Ibid., p. 58.

¹¹Ibid.

¹²Ibid., p. 59.

¹³Senate Document No. 42, op. cit., p. 4.

¹⁴Childs, op. cit., p. 63.

The farmers in the power area of the Tennessee Valley Authority began forming cooperatives. In Wisconsin, a farmer, George A. Lewis, organized his neighbors into a cooperative and submitted a loan request to the Rural Electrification Administration.¹⁵ These actions laid the pattern and others followed.

In 1955, Senator Lyndon B. Johnson of Texas recalled the shaky beginning of the Rural Electrification Administration in a speech commemorating the twentieth anniversary of that agency:

There were many who seriously believed that farmers and ranchers either did not want or did not need or could not pay for modern electric service.

There were many who insisted that the Government should do nothing about this problem--that it should be left to the power companies that had never betrayed the slightest interest in the plight of the farmer.

There were others who simply scoffed at the idea that farmers could organize and successfully operate electric enterprises.

There were still others who predicted that farm organizations would go bankrupt in a few years and that the Government would be fortunate to collect 10 cents on the dollar.

Without exception, these proved to be false prophets.¹⁶

Of the first ten projects authorized by November, 1935, only one was that of a private utility. By March,

¹⁵Senate Document No. 42, op. cit., pp. 2-3.

¹⁶Ibid., p. 3.

1936, of the twenty-seven loans authorized, five went to private utilities.¹⁷

Seven of the first ten loans were made to cooperative organizations. A cooperative in Boone County, Indiana, one in Miami County, Ohio, another in the Bartlett community of Texas and another in Monroe County, Mississippi, received the first Rural Electrification Administration loans announced in November of 1935.¹⁸ Other loans were made at the same time to public power districts in Nebraska, to the State of South Carolina, and to the city of Dayton, Tennessee. The one loan made to a private utility company was to the Central Iowa Power Company. It received six thousand dollars to build three miles of line.¹⁹ By the end of 1936 nearly one hundred cooperatives in twenty-six states had signed loan contracts with REA.²⁰

Loans from the newly created agency were made to cities, cooperatives, individuals, or to almost anyone else who would agree to build electric lines in the farming regions.

¹⁷Childs, op. cit., p. 60.

¹⁸Ibid., p. 62.

¹⁹Ibid., p. 63.

²⁰Ibid.

The farmers were quick to take advantage of the benefits provided for from the Rural Electrification Administration. In 1937, there were one hundred and twenty rural electric systems; in 1938, three hundred and sixty systems; by 1939, nearly a half million consumers were connected.²¹ As of December 31, 1954, the Rural Electrification Administration had some \$2,223,000,000 in loans receivable outstanding.²²

The task of supplying rural areas with electricity rapidly outgrew the emergency agency created by Executive Order 7037; and on May 20, 1936, the Rural Electrification Act (Norris-Rayburn Act) passed Congress.²³ This Act established the loan agency as a permanent agency of the Federal Government for a period of ten years. The Administrator was authorized "to make loans in the several States and Territories of the United States for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service, and for the purpose of furnishing and improving telephone

²¹Ibid., p. 118.

²²Federal Reserve Bulletin (Washington, June, 1955), p. 675.

²³Rural Electrification Act of 1936 (Washington, 1954), Title I, Section 2.

service in rural areas."²⁴ Section Four of the same Act defines the eligibility for receipt of the loans. The Administrator was authorized to make loans to "persons, corporations, States, Territories, and subdivisions and agencies thereof, Municipalities, peoples' utility districts and cooperative, nonprofit, or limited-dividend associations organized under the laws of any State or territory of the United States . . ."²⁵

The private enterprise companies had failed to deliver the desperately needed electricity to the farms, but now the farmers had the necessary backing to build their own power stations and lines.

By 1935 the private utility companies had abandoned, except in their propaganda, the absurd contention that the farmers could not use electricity; and in that year electrification of farms by private companies had increased by 175 per cent. They spent over five times the amount that REA spent.²⁶

However, the building took place largely in selected areas where the population was largest. The principle of

²⁴Ibid., Title I, Section 4.

²⁵Ibid.

²⁶Childs, op. cit., p. 65.

area coverage, so important to the mass use of electricity in the farm areas, was ignored; and rural electrification was to suffer from these "spite lines" as the farmer came to call them.²⁷ "Spite line" building took place in this way. Wherever a group of farmers had begun the formation of a cooperative with the intention of obtaining an REA loan, the utility company in that area would move in and build lines through the most densely populated sections but ignore the farms on the outskirts. This action cut the proposed cooperative out of the best part of the area and made the formation of a cooperative impractical. As a result of such operations many of the farms had to wait many years for service which the cooperative had intended to give them.

In 1937, Morris Cooke, who had been the administrator of REA since its inception, stepped down and the deputy administrator, John Carmody, took over. Cooke's most important contribution to rural electrification had been in solving the riddle of the rate and distribution costs of electricity.²⁸ What he had shown by a scientific study of costs was that the private companies were overstating the cost of building lines by from three to fifteen hundred dollars per mile. His figures were later borne out

²⁷Ibid., pp. 65-66.

²⁸Ibid., pp. 49-50.

when REA cooperatives built lines for less than nine hundred dollars per mile compared to the private companies' charge of three thousand dollars per mile.²⁹

John Carmody was the hard-driving technician who was needed after the architect, Cooke, had laid the plans. Carmody was an electrical engineer by profession and a man driven by only one purpose as administrator of the Rural Electrification Administration--to build lines and get the service to the farmers. As he told a group of farm cooperatives in Fort Dodge, Iowa, "I don't know anything about utility rates. But I know that they're too damned high."³⁰ But Carmody did know about applying mass production techniques to line construction. It was he who decided to strip poles of the useless hardware and the cross-arm construction, supplying instead the slim, strong poles at nearly double the span length of previous methods of construction.³¹ Carmody got the lines built, set up management systems for the cooperatives, and instituted production conferences among the cooperatives and his

²⁹U.S. Department of Agriculture, Rural Electrification Administration pamphlet, Electricity Comes to Rural America (Washington, 1950), p. 6.

³⁰Childs, op. cit., p. 114.

³¹Ibid.

staff. Under Carmody REA lines were extended to over 300,000 consumers of electricity. (See Table I.) Carmody quit the Rural Electrification Administration in 1939, protesting its reorganization under the Department of Agriculture by President Roosevelt.

TABLE I
NUMBER OF CONNECTED CONSUMERS AND MILES OF LINE
ENERGIZED BY REA BORROWERS AS OF JUNE 30
1936-1954*

Year	Miles of Line Energized (Cumulative)	Consumers Connected (Cumulative)
1936	400	693
1937	8,000	19,611
1938	41,736	104,528
1939	115,230	268,000
1940	232,978	549,604
1941	307,769	779,561
1942	369,129	981,193
1943	381,747	1,041,821
1944	397,861	1,153,031
1945	424,072	1,287,347
1946	474,831	1,549,057
1947	546,781	1,843,351
1948	666,156	2,263,869
1949	839,685	2,778,180
1950	1,018,336	3,251,787
1951	1,134,498	3,547,323
1952	1,210,473	3,769,426
1953	1,271,443	3,951,940
1954	1,387,441	4,367,045

*Source: Senate Document No. 42, speech by Senator Mansfield.

Line construction was slowed somewhat by the advent of World War II when funds were cut (see Table II), but

immediately following the war, partly as a move against the expected deflationary period, efforts to supply electricity to farms were redoubled.

TABLE II
 REA LOAN FUNDS ALLOCATED AND ADVANCED
 BY FISCAL YEAR, 1935-1954
 (NOT INCLUDING TELEPHONE
 LOAN FUNDS)*

Fiscal Year	Obligated	Advanced
1935-36	\$ 13,903,412	\$ 823,262
1937	45,032,805	11,041,574
1938	26,933,787	48,175,974
1939	133,158,334	62,297,014
1940	41,736,000	98,949,463
1941	100,054,672	75,107,855
1942	91,152,724	58,220,868
1943	6,700,978	14,536,572
1944	31,930,124	18,478,088
1945	25,731,055	39,736,068
1946	289,372,488	87,253,106
1947	254,521,172	190,085,857
1948	313,023,099	246,235,957
1949	448,859,597	321,286,868
1950	375,151,456	286,658,652
1951	221,733,800	268,130,658
1952	165,425,811	227,574,029
1953	137,379,160	207,633,936
1954	155,923,014	181,528,532

*Source: Senate Document No. 42; speech by Senator Mansfield.

In the five years from 1949 to 1953 inclusive, the input of electricity in the lines of the Rural

Electrification Administration borrowers more than doubled.

(See Table III.)

TABLE III
ESTIMATED INPUT OF KILOWATT-HOURS OF ENERGY
OF REA BORROWERS BY CALENDAR YEAR
1936-1963^{ab}

Year	Input in Kilowatt-Hours (Billions)	Percentage Increase over Preceding Year
1936-42	. . . ^c	. .
1943	1.920	. .
1944	2.188	14.0
1945	2.417	10.5
1946	2.817	16.5
1947	3.812	35.3
1948	5.232	37.3
1949	6.782	29.6
1950	8.308	23.0
1951	10.241	23.3
1952	11.991	17.1
1953	13.890	15.8
1954	15.480 ^b	11.5 ^d
1955	16.810	9.6
1956	18.150	8.0
1957	19.480	7.3
1958	20.820	6.9
1959	22.160	6.4
1960	23.490	6.0
1961	24.830	5.7
1962	26.170	5.4
1963	27.500	5.0

^aSource: Senate Document No. 42; speech by Senator Mansfield.

^bActual input through 1953; estimated for 1954-1963. "Input" excludes power for resale to non-REA borrowers.

^cData for years 1936-1942 not available on comparable basis. Gross input for earlier years destroys comparability because data on energy generated for resale to non-REA borrowers is not available.

^dIn the five year period, 1949 to 1953 inclusive, energy input more than doubled (1953 was 105 per cent of 1949).

The man-years of REA administrative manpower employed, by fiscal year from 1936 to 1956, inclusive, are shown in Table IV.

TABLE IV
MAN-YEARS OF REA ADMINISTRATIVE MANPOWER
EMPLOYED, BY FISCAL YEAR
1936-1956^a

Year	Man-Years Employed ^b		
	Electrification Program	Telephone Program	Total
1936	206	. .	206
1937	390	. .	390
1938	460	. .	460
1939	684	. .	684
1940	785	. .	785
1941	950	. .	950
1942	1,094	. .	1,094
1943	790	. .	790
1944	646	. .	646
1945	723	. .	723
1946	987	. .	987
1947	1,117	. .	1,117
1948	929	. .	929
1949	1,076	. .	1,076
1950	1,152	49	1,201
1951	1,131	190	1,321
1952	969	214	1,283
1953	811	320	1,131
1954	628	392	1,020
1955	566 ^c	440 ^c	1,006 ^c
1956	562 ^d	485 ^d	1,047 ^d

^aSource: Senate Document No. 42; speech by Senator Mansfield.

^bIncludes legal staff employed by REA prior to 1942.

^cEstimated.

^dBased on Bureau of the Budget request.

The future of the Rural Electrification Administration program lies largely in the outcome of the new attack being made on the program by the Hoover Commission task force on Water Resources and Power, which has just recently made its report to the Eisenhower Administration. It is believed by the friends of REA that this task force was "loaded" in favor of the view of the private power companies. For a fuller discussion of this conflict of opinion see Chapter IV on National Problems of REA.

In connection with Table IV on man-years employed by the Rural Electrification Administration, Senator Mansfield said on the floor of the Senate:

These figures show that the manpower available to service the loans of the rural electric systems is lower than it has been since 1938. There is a great deal of loose talk and propaganda about protecting the farmer's morals from too much assistance. I think if the Congress and the administrative agencies do their job in extending to farmers the same services they extend to other groups in the economy, the farmer will take care of his own morals. It is disturbing to me to hear the constant beat of propaganda from self-appointed theologians who make a living out of politics about protecting the farmer's morals. I am not disturbed about the farmer or his morals, and neither do I think anyone else is concerned whose own morality is beyond question.³²

³²Senate Document No. 42, op. cit., p. 36.

There are at this time about four hundred uses for electricity on the farm.³³ Not only is electricity used for modern conveniences of comfort and health, but the actual productivity of the farms has been increased by about two hundred of the uses made of electricity by the farmer.³⁴ The drudgery of farm living has disappeared, and the comforts of city life have taken its place wherever electricity is available. This revolution has occurred since 1935, when the Rural Electrification Administration was brought into existence by the signing of Executive Order 7037, to which reference has previously been made.

In view of the efforts presently being made to restore to private companies the management and ownership of public utilities which are now under government control, there is an urgent need for this type of study to demonstrate the economic importance of electrical energy to the nation's farms. There is a further need for this study to illustrate the development and exploitation of this economic

³³J. P. Schaenzer, Rural Electrification (Milwaukee, 1948), pp. 325-328.

³⁴Ibid. See also U. S. Department of Agriculture, REA, Rural Lines (Washington, May, 1955).

resource on the farms in the area covered by the B-K
Electric Cooperative around the city of Seymour, Texas.

CHAPTER II

ORIGIN AND DEVELOPMENT OF THE B-K ELECTRIC COOPERATIVE

The city of Seymour, Texas, has operated its own generating and distribution system for electrical power since 1929. In addition to this system, the people of the city are given a choice of service from either the city's facilities or a system operated by the Texas Electric Service Company, a private company. The rates of the two systems are controlled by a city ordinance which prohibits the private company from charging less than the city's system.¹ The mayor and the city council are directly responsible for the operation and maintenance of the city-owned power system.

On September 17, 1938, at a meeting of the city council the mayor, R. E. Baskin, presented to the aldermen,

¹This ordinance was challenged by the Texas Electric Service Company in the courts. The city lost in the Federal District Court, but won subsequent appeals to the Court of Civil Appeals and the Supreme Court. The ordinance still stands in effect today. Based on an interview with J. A. Wheat, attorney, who was the lawyer for the city during the action in the courts.

W. A. Melear, L. B. Donehoo, C. M. Randel, J. D. Montgomery, F. H. Davis, and to the city secretary, T. E. Craddock, a proposal that the city of Seymour, Baylor County, Texas, construct and operate electric transmission, distribution and service lines in rural areas of Baylor and Knox counties, Texas. The system was to be financed by a loan from the Rural Electrification Administration in the amount of \$110,000. The lines would serve about 440 customers and extend approximately 115 miles into the rural areas surrounding Seymour. The loan from REA was to be secured by the issuance of bonds from the city of Seymour to the Federal Government. This proposal was discussed along with the notice to bidders and was passed unanimously by the City Council.²

An Election was held to determine the feeling of the people of Seymour on the subject of rural electrification, and the proposal to extend the city's lines into the rural areas was passed by a large majority with only four votes being cast against the building of the rural lines.³

²Minutes of City Council, City of Seymour, Texas, (1938).

³Ibid. (See also election returns.)

Bids on the proposed contract were received, opened, and read to the City Council at ten o'clock a.m. on October 7, 1938. The contract was awarded to the Walco Engineering and Construction Company of Tulsa, Oklahoma, on October 10, 1938, with bids of \$80,740.91 on group one, section a-w of the contract which called for the construction of the lines and \$78,918.19 on group two, section a-w which was the bid on the A.C.S.R.⁴ conductors, an aluminum conductor determined as the best type for the proposed lines.⁵

It should be noted here that the foregoing action was taken only after the private utility company had refused to extend their lines beyond the city limits of Seymour except to some choice areas at the immediate limits of the city.⁶

In addition to the loan of \$110,000 noted above, resolutions passed the city council asking for loans from the REA to the city for:⁷

⁴Aluminum Conductor Steel Reinforced.

⁵Minutes of City Council, op. cit.

⁶Interview with T. E. Craddock.

⁷Minutes of City Council, op.cit.

(1) \$8,000 to be relaned to the potential customers of the rural electric service in order that they might wire and plumb their homes. (October 24, 1938).

(2) The purchase of a 500 horsepower diesel generating plant to furnish power to the REA lines yet to be built. (November 10, 1938).

(3) Financing the construction of a generating plant to be built in connection with the REA Project. (March 14, 1939).

In view of the last cited resolution, the mayor, R. E. Baskin, the consulting engineer, H. B. Gieb, and the city secretary, T. E. Craddock, were authorized to go to Washington, D. C. to present the application to John W. Carmody, the administrator of the Rural Electrification Administration. However, the city of Seymour was denied further loans from REA due to the fact that the REA could not take a second lien on property, and the city had extended its indebtedness to the legal limit.⁸

In the days of the New Deal with the emphasis on recovery from the depths of the historic depression of the

⁸Ibid.

1930's, legal affairs of the new administration sometimes conflicted with its social objectives. However, the legal questions caught up with some of the actions after a few years. This was the case in Seymour when, on January 22, 1940, the legality of the loan from the REA to the city of Seymour was questioned by Vincent D. Nicholson, general counsel with the legal division of the REA.⁹ The question arose when, in a test case, it was adjudged that a municipality could not operate power facilities outside its corporate limits.¹⁰

In order to avoid serious legal trouble for the city and for other reasons, the Baylor Electric Company was formed on April 29, 1940 by R. E. Baskin, Lem Bellows, and Wesley Harrison.

The formation of the Baylor Electric Company was a move by the three public-spirited owners to make it possible for the farmers in the area to obtain more power and to provide additional lines for the city's rural system. It was not intended, and did not turn out to be, a profit

⁹Ibid.

¹⁰Childs, op. cit., p. 61.

making company. It did provide more lines in the area with a \$200,000 loan from the REA.

Along with the legal question cited above, the city's financial position made it necessary for some action to be taken to afford desperately needed power in the area. The Baylor Electric Company provided the additional funds needed to further rural electrification in the area and integrated its lines and generating facilities with the city's lines.

Records of the two rural electric systems were kept together since the operations of the two projects were inseparably intertwined, the only exception being the general ledger of the Baylor Electric Company. All financial statements to the REA office in Washington, D. C. were made in combination. Baylor built some of its lines over the right-of-way that had been granted to the city.¹¹ In short, the entire operation of the Baylor Electric Company can be described as a legal maneuver to enable the city's rural electric system to be extended.

As the only surviving member of the original directors of the company said, "I am sorry that I cannot give you

¹¹Interview with T. E. Craddock.

much information on that, but I didn't run the company, and I can't remember who did. We just went down and signed up so they could borrow the money."¹²

The situation in the area can best be summarized by the following resolution adopted by the City Council on February 25, 1941.

Be it known that prior to December 9, 1938, the city of Seymour through its city council desiring to supply rural electrification to the rural districts surrounding and adjacent to the city of Seymour with the aid and assistance of the REA of the United States Department of Agriculture, proposed to construct some rural electric lines by and with the aid of the said REA and secured the funds for such construction from the United States government and constructed some 136 miles more or less, from Seymour westward, specifically designated as 'REA Project Texas 9074 Baylor';

That it was contemplated at that time, and subsequently that the city of Seymour would build and construct with the aid of the REA additional rural electric services in addition to 'Project Texas 9074 Baylor' and in order to determine if the rural districts and land owners desired to avail themselves of the opportunity of securing rural electrification the said city of Seymour secured and procured the execution and delivery to it of a number of 'right-of-way easements' contracts in which the owners of the numerous and various tracts of land in Baylor County and adjoining counties granted and conveyed to the said city of Seymour, its successors or its assigns the right to enter upon their

¹²Interview with Wesley Harrison.

respective lands and to place, operate, construct, maintain, relocate, and replace thereon, and in and upon any streets, roads or highways abutting said lands an 'electric transmission' or 'distribution' line or system and the right of ingress and egress for the purpose of maintaining and operating said lines for the consideration that the said city of Seymour and its successors and/or its assigns do construct said rural electric system;

That after the city of Seymour built and put in operation its REA project 'Texas 9074 Baylor' it was decided by some of the citizens of the city of Seymour and by the City Council and by the REA that the further building and construction and operation of rural electrification should be done, and carried out and performed by a private corporation organized under the laws of the State of Texas for that purpose;

That thereupon the corporation was organized and chartered under the laws of Texas for the purpose of operating and building power plants and to construct and operate rural electric lines and systems which said corporation was known as 'Baylor Electric Company';

That the Baylor Electric Company took over the enterprise and equipped itself sufficiently to build and extend rural electric lines, a part of which was over the right of ways procured by the city of Seymour as above outlined and under the said 'right of easements' proceeded to build necessary transmission lines over and upon the lands covered by the said grants by the said property owners to the city of Seymour and the said 'Baylor Electric Company' did go upon the said lands by and with the consent of the several owners of the several tracts of land and construct and put in operation its rural electrification project and service and the said 'Baylor Electric Company' now have a

rural electrification service over and upon the lands which were originally conveyed to the city of Seymour for the same purpose that all of the said acts were done by and with the consent of the city of Seymour, the Baylor Electric Company and the several owners of the several tracts and parcels of land;

That it is desired by the 'Baylor Electric Company' that all of these said 'easement-right-of-way contracts' and all rights granted therein and thereunder be transferred to the said Baylor Electric Company by the city of Seymour and it is considered by the council of the city of Seymour that the said transfer and a assignment should be made;

Therefore:

Be it ordained by the city council of the city of Seymour that it is here now and by these presents do so transfer and deliver unto the 'Baylor Electric Company' all of the rights, title and interest wheresoever that the city of Seymour has or had in and to the lands and premises conveyed to the said city of Seymour by the several land owners and property owners located in Baylor and/or adjoining counties over which the Baylor Electric Company have constructed or may construct any part or parcel of its electrification system and for a particular description of the said land and premises reference is here made to each and all of the said 'Right-of-way easements' executed by the land owners and property owners conveying such right to the city of Seymour, its assigns or successors;

There is also conveyed to the 'Baylor Electric Company' all of the grants, rights, privileges and appurtenances whatsoever that was so conveyed to the city of Seymour by the said property owners for the purpose

of rural electrification that each and every one of the said contracts are referred to for a specific description. To have and to hold the said lands and premises, grants, and privileges unto the said 'Baylor Electric Company', its successors and assigns forever.

That the foregoing ordinance was put to its first, second and third reading and upon the motion of Will Yoe, Alderman, seconded by T. J. Hooser, alderman, and that the said ordinance be put upon its third reading and passed and the said motion having been put to the council it was carried unanimously and the ordinance is here now declared to be adopted.

And a certified copy of this ordinance delivered to the Baylor Electric Company is sufficient muniment to title to the said property.¹³

s/ Mayor: C. M. Randal

s/ Secretary: T. E. Craddock

SEAL

It should be noted here that the foregoing resolution did not convey to the Baylor Electric Company the lines constructed by the use of the original loan of \$110,000 made to the City, but gave the company rights to extensions already made by the company to the lines belonging to the city. The city of Seymour continued to operate rural lines until May 10, 1945, along with the Baylor Electric Company,

¹³Minutes of City Council, city of Seymour, Texas (1941).

when all rural facilities were consolidated into the B-K Electric Cooperative, Inc.¹⁴

Adequate service to the area was not hampered by this arrangement, however, since the utmost cooperation between the sources of power was enjoyed. Former mayor Baskin became the head of the Baylor Electric Company, and the city secretary, T. E. Craddock, became the manager of the cooperative when it began operation of the lines. All of the men involved in the rural electrification projects had only one objective--to supply low cost power to the farmers in the area.

The \$260,000 in loans made to the Baylor Electric Company went for approximately 200 miles of line and to finance the purchase of a generating plant to supply the consumers with power which the city's facilities could not supply.¹⁵

The B-K Electric Cooperative, Inc. was chartered in 1941, although it did not operate any electric facilities until May 10, 1945. The cooperative received loans from the REA on June 4, 1941, for \$55,000, and \$108,000 on

¹⁴The name "B-K Electric Cooperative" has its origin in the fact that the two principal counties served are Baylor and Knox.

¹⁵Interview with T. E. Craddock.

December 4, 1941. These funds were used to supplement the rural lines already in operation by the city of Seymour and the Baylor Electric Company.¹⁶

The REA specified, in the loan contract amendments, dated May 31, 1944, whereby the Baylor Electric Company borrowed an additional \$60,000, that no funds would be made available to Baylor until they had obtained the rural facilities of the city of Seymour.¹⁷ Also included in the amendment to the loan contract was a clause stating that upon instruction from the Administrator, the Baylor Electric Company would have to sell all or part of its facilities to the B-K Electric Cooperative, Inc.¹⁸ It was felt by the REA that consolidation of the rural electric facilities under one organization would increase the efficiency of service in the area. On May 10, 1945, this consolidation was effected, and the B-K Electric Cooperative became the sole supplier of electric power in the rural areas surrounding Seymour.

T. E. Craddock, who as city secretary had fostered the idea of rural electrification in the area and later

¹⁶Ibid.

¹⁷Amendments to loan contract, Section 8.

¹⁸Ibid., Section 17.

had nursed the project through its trials and errors, became the manager of the cooperative. Craddock also has served as Region X executive committeeman for the National Rural Electric Cooperative Association and for a number of years as secretary-treasurer of that organization.

In the consolidation of the various systems in the area, the cooperative assumed all of the obligations to the REA¹⁹ and as of July, 1955, has loans totaling \$1,504,756 with \$56,243 still available and approved. This portion of available credit now is being used to re-phase some of the lines in the area. The cooperative not only has met all its obligations on time but at present has a cushion of credit with the REA in the amount of \$18,536.21 which testifies for the efficient management that it has had.

At the present time the cooperative purchases power from three sources, Texas Electric Service Company, West Texas Utilities Company, and Brazos Electric Cooperative.

¹⁹At the time of the formation of the B-K Cooperative, there was some question as to the ability of the Government to hold the Cooperative liable for the obligations of the city of Seymour and the Baylor Electric Company. In the interest of fair play, however, the cooperative did take over the payment of the obligations. Based on an interview with T. E. Craddock.

All bills for power are paid through the Brazos cooperative. This arrangement is made to facilitate the payment of bills for wholesale power by consolidating them under one bill.

Wholesale power bills for the power purchased from the private companies are subject to a 55 per cent discount. Behind this discount is a story which is typical of the fights that have occurred in the past between the cooperatives of the nation and the private power companies.²⁰

In the early days of rural electrification in the Seymour area, the city of Seymour and the Baylor Electric Company were taxed to capacity in supplying power to the rural areas. They consequently had to go to the only source of power in the area--the privately owned utilities--for any additional power. In the early 1940's a Federal damsite project was begun at Possum Kingdom Lake. Under the preference provisions of the public power policy at that time, cooperatives could get first call on the energy generated at federal dams. Thirteen cooperatives--later joined by others--in the North and Central Texas areas formed a

²⁰Interview with T. E. Craddock.

generating and transmission cooperative called the Brazos River Transmission Cooperative. This cooperative was designed to furnish power at rates considerably lower than the distribution cooperatives had been paying to the private utilities. The cooperatives had felt all along that the rates being charged by the companies were excessive, amounting to about 1.5 cents per kilowatt-hour, wholesale.

Upon learning of the proposed transmission cooperative, the private utilities offered a discount of about 25 per cent to the cooperatives if they would drop their plans for the Brazos River Cooperative. The cooperatives in turn, thanked the companies for the discount and proceeded with plans for the Brazos Cooperative. When it became evident that the cooperatives would get their transmission cooperative, the private companies offered a further reduction of 30 per cent on the wholesale power supplied to the cooperatives. This brought the price for power from the private companies in line with the price set by the Brazos Cooperative for the power that it generated. Thus by the lever of a transmission cooperative the cooperatives got sufficient power at a reasonable rate.²¹

²¹Ibid.

The present organization of the B-K Electric Cooperative is shown by the following diagram.

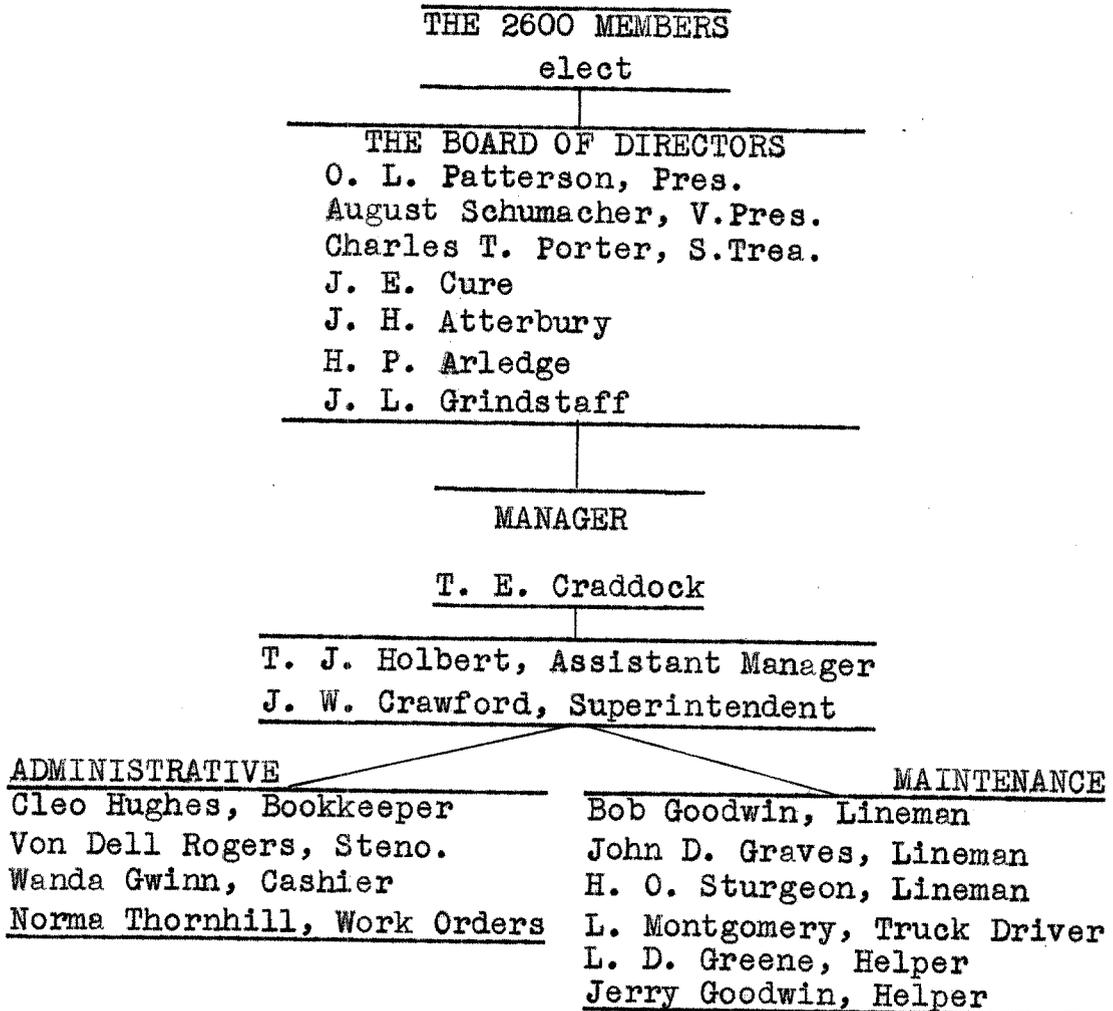


Fig. 1--Present personnel and organization of the B-K Electric Cooperative, Inc.²²

²²Source: Directory of Texas Rural Electric Cooperatives (1955).

CHAPTER III

GROWTH AND EXPANSION

Since the inception of rural electrification in the area now served by the B-K Electric Cooperative, Inc., widespread acceptance of the benefits of electricity have been noted. Steady growth has occurred in the area until practically all of the farms and ranches now enjoy the convenience of lighted homes and that ever obedient servant "Willie Wiredhand". The growth of power usage at times has been so rapid that the cooperative has been hard put to see that adequate service was supplied to all who desired it. However, the cooperative has been so far able to accomplish expansion with a minimum of loss to the members.¹

At the present time horizontal expansion is virtually at a standstill since the farms in the area are about 98 per cent covered.² There are no applications on file at the cooperative for new services.³ The last new member to be

¹Interview with T. E. Craddock.

²Ibid.

³Ibid.

"hooked up" was a man who had been using gas lights for the last ten years while the cooperative's lines were within forty yards of his home. He decided to purchase a television receiver and the cooperative ran a line to his home.⁴

Tables and charts on the following pages are presented for the purpose of demonstrating statistically the growth and expansion that has taken place since the year 1941. Figures for years prior to 1941 are not available on a comparable basis.

Table V shows the number of consumers connected for the period 1941 to 1954, inclusive. The number of members served has risen steadily since the beginning of the rural program. It will be noted that the increase became more rapid and marked after the cooperative became the sole supplier of power on May 10, 1945. This is due, not to inefficiencies of the program prior to that date, but rather to the fact that that date was towards the end of World War II when critical materials which had been rationed by the government were released and the backlog of service applications began to be met.

⁴Ibid.

TABLE V

NUMBER OF CONNECTED CONSUMERS BY MONTH, 1941-1954*

Month	Years													
	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
Jan	373	741	833	1007	1189	1419	1663	1934	2267	2524	2685	2767	2567	2749
Feb	624	779	827	1009	1202	1420	1701	1914	2272	2531	2661	2677	2547	2665
Mar	645	778	826	1030	1204	1455	1710	1912	2268	2548	2647	2680	2532	2637
Apr	653	793	831	1052	1228	1458	1737	1958	2306	2566	2678	2679	2551	2641
May	668	801	836	1059	1236	1510	1749	2013	2358	2587	2678	2670	2539	2640
Jun	686	799	855	1075	1269	1550	1760	2044	2374	2618	2673	2697	2563	2670
Jul	686	793	874	1087	1308	1554	1782	2067	2371	2631	2689	2705	2547	2686
Aug	689	805	892	1096	1283	1523	1786	2081	2405	2639	2724	2704	2551	2698
Sep	689	806	915	1117	1315	1584	1778	2100	2476	2637	2702	2701	2571	2693
Oct	710	820	938	1118	1328	1605	1840	2181	2496	2671	2616	2708	2701	2863
Nov	721	821	955	1120	1352	1621	1872	2222	2501	2705	2802	2666	2778	2881
Dec	722	824	973	1120	1358	1639	1861	2241	2514	2688	2753	2621	2799	2756

*Source: B-K Electric Cooperative Financial Reports.

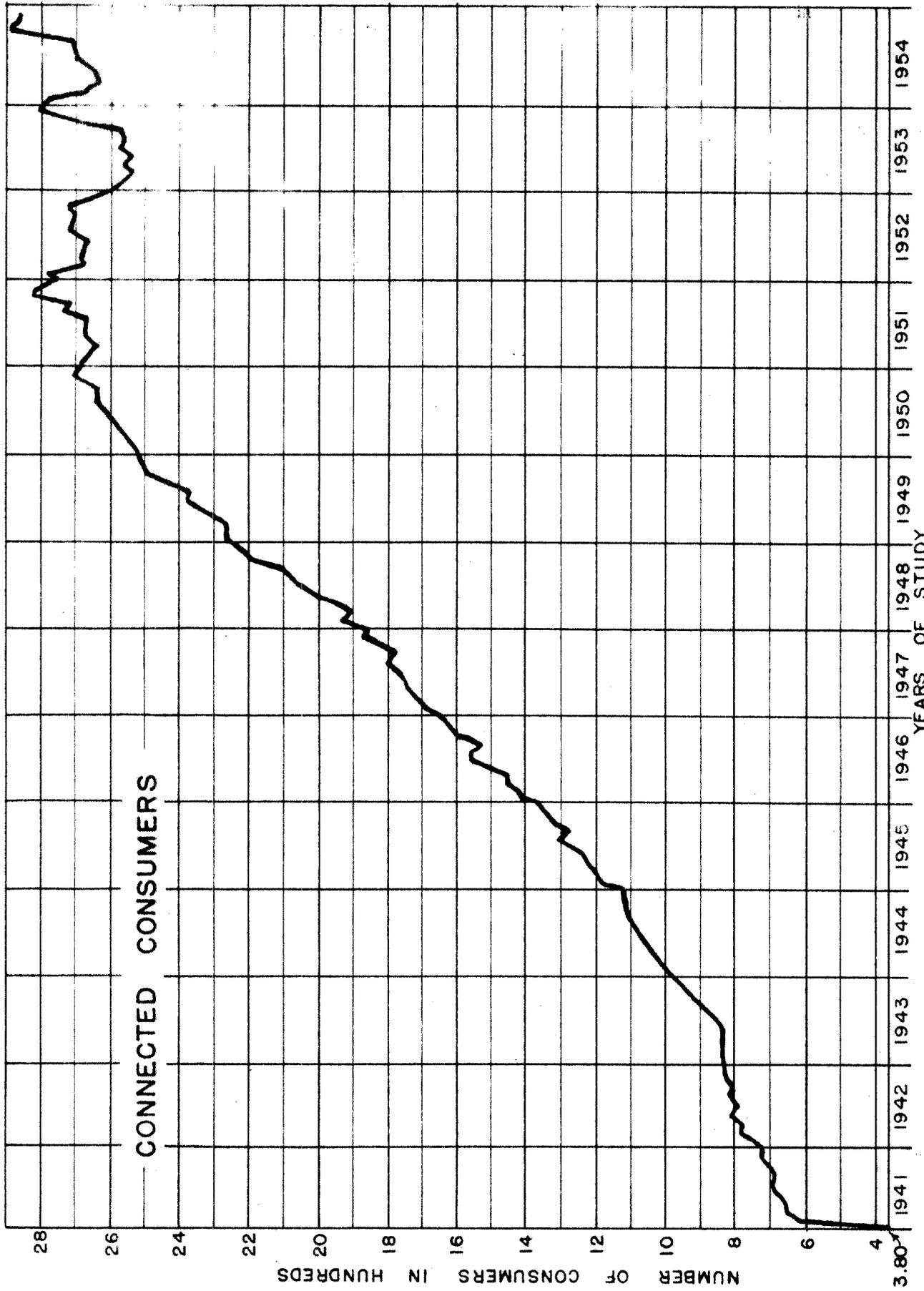


Fig. 2 --Connected Consumers

The sharp variations of the number of connected consumers noted by the peaks and valleys of Figure 2 are due to the fact that the area was almost completely covered by the year 1950 for all permanent farmers and ranchers in the area, and the fluctuations indicate the seasonal connections of migratory laborers' homes at harvest time. It will be noted that these fluctuations occur in the fall of the years indicated. The severe drought in the area caused the sharp drop in consumers connected for the period from the fall of 1952 until the fall of 1953.

A comparison of connected consumers and miles of lines energized with the total kilowatt-hours sold indicates the vertical expansion which has taken place in recent years. Whereas, in past years, the main problem of the cooperative was extending the lines to the members who wanted and needed the energy, the problem now is to furnish adequate power to the members already hooked up. It would also appear that the very fact that electricity is available has led to more and more new uses. New ways of putting "Willie Wiredhand" to work are being employed as knowledge and experience increase.

The number of miles energized and the number of connected consumers has grown moderately in the past few years.

TABLE VI
 NUMBER OF MILES ENERGIZED, BY MONTHS, 1941-1954*

Month	Years													
	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
Jan	427	427	427	484	484	553	679	746	964	1042	1125	1148	1173	1190
Feb	427	427	427	484	484	555	692	746	964	1059	1128	1150	1175	1191
Mar	427	427	427	484	484	566	698	767	992	1065	1131	1152	1178	1195
Apr	427	427	427	484	484	572	699	809	1010	1072	1135	1154	1180	1195
May	427	427	427	484	490	590	700	821	1014	1081	1137	1156	1179	1201
Jun	427	427	427	484	492	593	716	823	1017	1083	1138	1158	1185	1202
Jul	427	427	427	484	492	595	725	840	1018	1084	1140	1159	1187	1209
Aug	427	427	427	484	506	617	725	866	1029	1095	1141	1160	1187	1211
Sep	427	427	427	484	506	619	725	905	1032	1100	1142	1162	1188	1213
Oct	427	427	427	484	518	621	725	946	1036	1107	1145	1163	1188	1214
Nov	427	427	427	484	521	645	726	960	1040	1112	1146	1165	1189	1215
Dec	427	427	484	484	521	652	735	964	1041	1122	1148	1168	1190	1218

*Source: B-K Electric Cooperative Financial Reports.

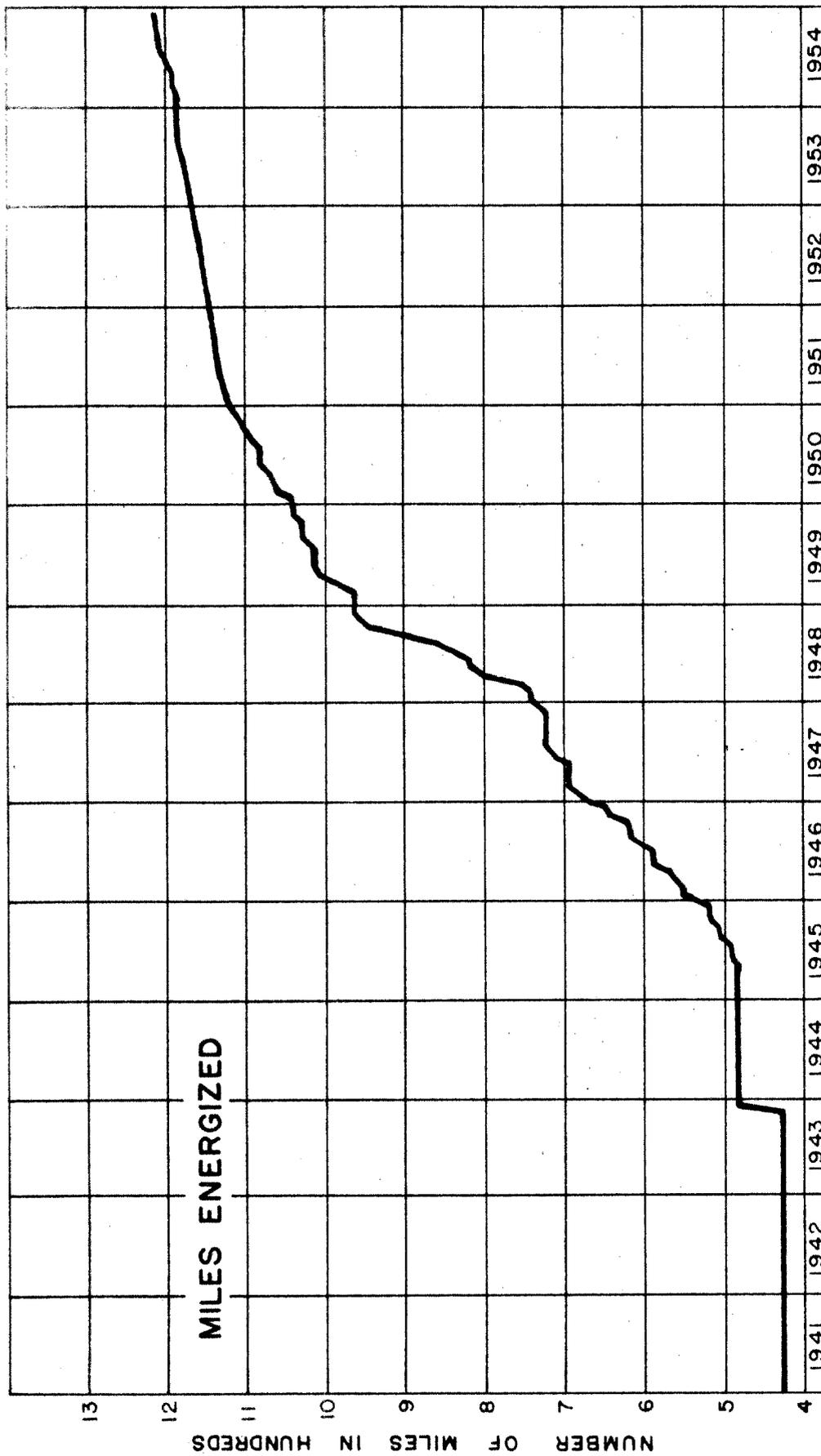


Fig. 3--Miles energized

TABLE VII
 NUMBER OF KILOWATT-HOURS SOLD, BY MONTH, 1941-1954
 THOUSANDS OF KILOWATT-HOURS*

Month	Years													
	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
Jan	13.3	31.3	42.0	52.9	72.4	89.7	115.1	140.9	178.9	262.4	315.2	370.7	395.1	448.9
Feb	23.5	32.3	39.4	53.1	70.4	89.7	114.6	141.6	188.4	255.9	309.5	325.9	340.8	443.8
Mar	23.2	30.8	39.7	58.5	70.2	89.1	116.4	131.2	181.2	265.1	294.2	344.0	361.2	449.2
Apr	21.1	36.0	49.8	69.3	80.8	92.4	127.7	149.0	231.6	283.2	346.3	367.6	400.6	479.3
May	25.7	39.4	48.0	61.5	80.9	98.1	117.4	154.1	205.9	272.8	320.8	349.5	379.7	447.9
Jun	30.5	42.8	54.2	66.6	76.8	98.1	128.7	177.5	237.1	272.0	342.8	375.6	474.3	465.2
Jul	29.3	46.8	49.8	65.3	75.4	104.1	135.0	175.2	265.9	320.9	350.0	429.9	537.2	568.0
Aug	36.4	50.7	63.8	73.8	87.0	112.6	139.5	187.8	280.9	336.5	424.8	466.4	490.8	659.5
Sep	37.4	47.1	59.2	64.4	83.8	103.8	146.9	191.0	249.4	299.8	423.3	465.9	462.5	685.4
Oct	37.0	44.9	50.9	61.9	82.7	99.5	134.8	170.2	232.6	291.2	342.6	346.5	461.0	532.6
Nov	36.8	41.3	50.6	70.0	88.8	111.0	139.7	183.9	265.7	290.2	335.5	353.0	435.0	509.5
Dec	34.2	41.6	52.5	64.4	90.5	108.6	137.3	184.1	243.2	296.1	338.3	356.5	475.3	462.5

*Source: B-K Electric Cooperative Financial Reports.

TABLE VIII

NUMBER OF KILOWATT-HOURS PURCHASED OR GENERATED, BY MONTH, 1941-1954
THOUSANDS OF KILOWATT-HOURS*

Month	Years													
	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
Jan	37.1	47.6	60.7	75.5	97.2	128.0	156.9	220.1	248.3	334.1	402.0	443.2	482.1	545.1
Feb	33.8	47.3	60.0	78.8	100.4	125.1	153.3	213.1	255.1	329.8	398.2	427.7	468.2	540.8
Mar	33.8	44.4	55.8	79.9	98.5	119.7	150.2	203.8	247.6	323.8	369.5	420.0	439.3	527.4
Apr	38.6	53.3	60.7	95.0	86.5	138.8	174.3	219.6	287.1	368.5	408.6	460.0	507.3	597.6
May	40.9	54.8	70.5	88.5	106.6	128.9	161.4	227.7	276.8	364.6	412.9	433.1	506.1	541.8
Jun	45.7	61.2	75.6	85.6	110.7	132.3	155.2	250.7	288.2	366.2	438.9	478.9	646.4	576.2
Jul	46.8	66.1	75.6	81.1	109.8	131.4	178.5	245.2	329.2	419.6	479.0	566.5	641.0	728.2
Aug	50.1	69.3	86.6	96.8	115.1	157.5	191.2	255.8	331.7	427.8	540.6	618.1	637.1	823.4
Sep	53.6	67.9	82.0	89.3	113.9	144.8	194.1	260.8	332.4	379.9	486.9	559.8	551.9	789.5
Oct	52.1	61.0	71.7	87.0	117.0	136.7	167.7	236.5	291.0	351.4	418.4	445.7	560.7	635.5
Nov	49.8	65.0	73.5	93.2	120.6	148.7	194.0	248.0	327.5	399.4	446.8	459.6	562.1	596.2
Dec	52.0	61.2	73.8	85.9	121.0	149.2	187.2	252.9	331.6	374.8	448.9	455.8	543.4	566.0

*Source: B-K Electric Cooperative Financial Reports.

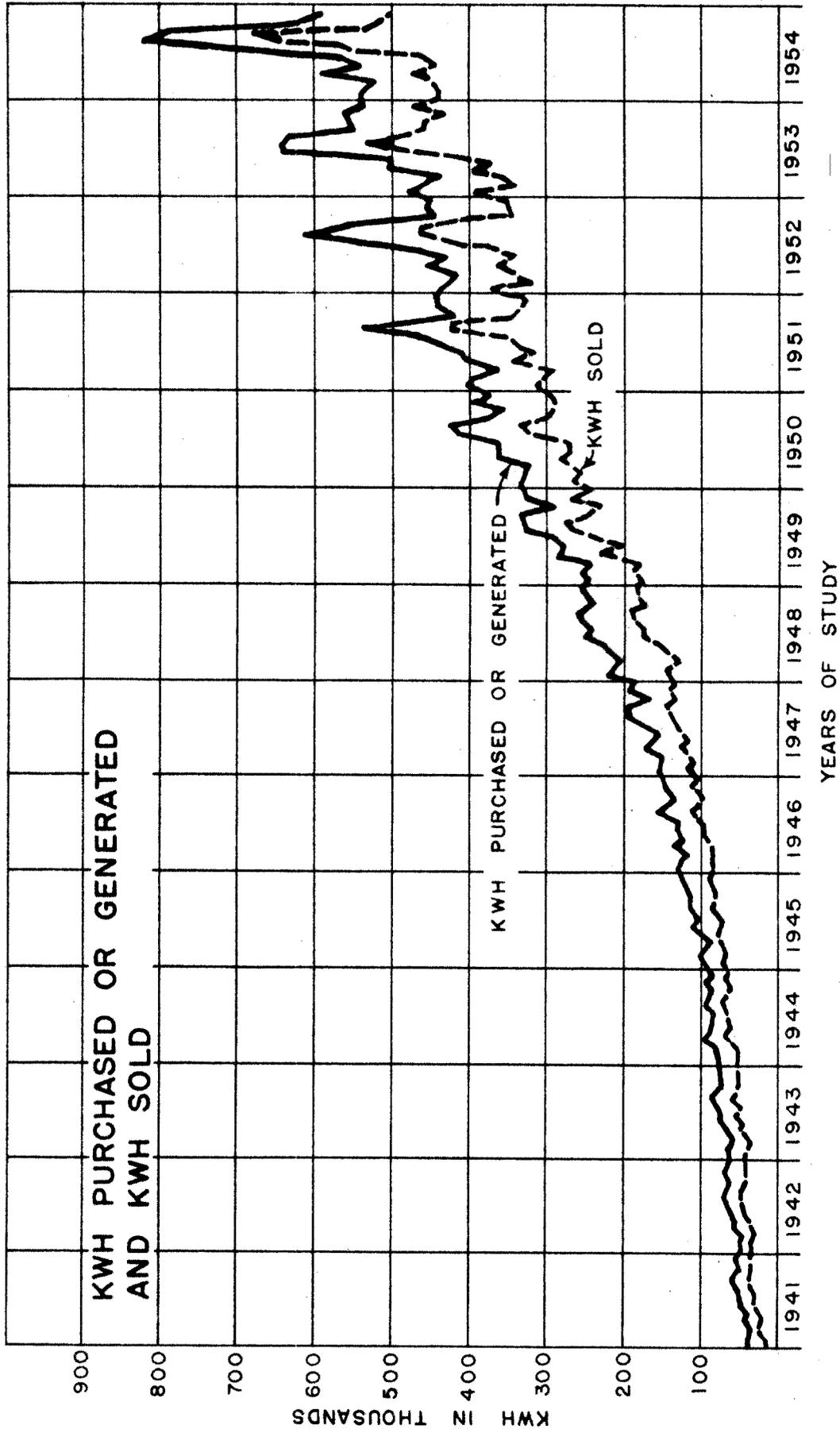


Fig. 4--Kilowatt-hours Purchased or Generated and Kilowatt-hours Sold

TABLE IX
ANNUAL TOTAL KILOWATT-HOURS SOLD
1941-1954*

Year	Kilowatt-Hour
1941	348,495
1942	485,301
1943	600,279
1944	761,810
1945	959,839
1946	1,196,871
1947	1,207,055
1948	1,986,379
1949	2,760,868
1950	3,446,119
1951	4,143,121
1952	4,551,441
1953	5,212,999
1954	6,151,937

*Source: B-K Electric Cooperative Records.

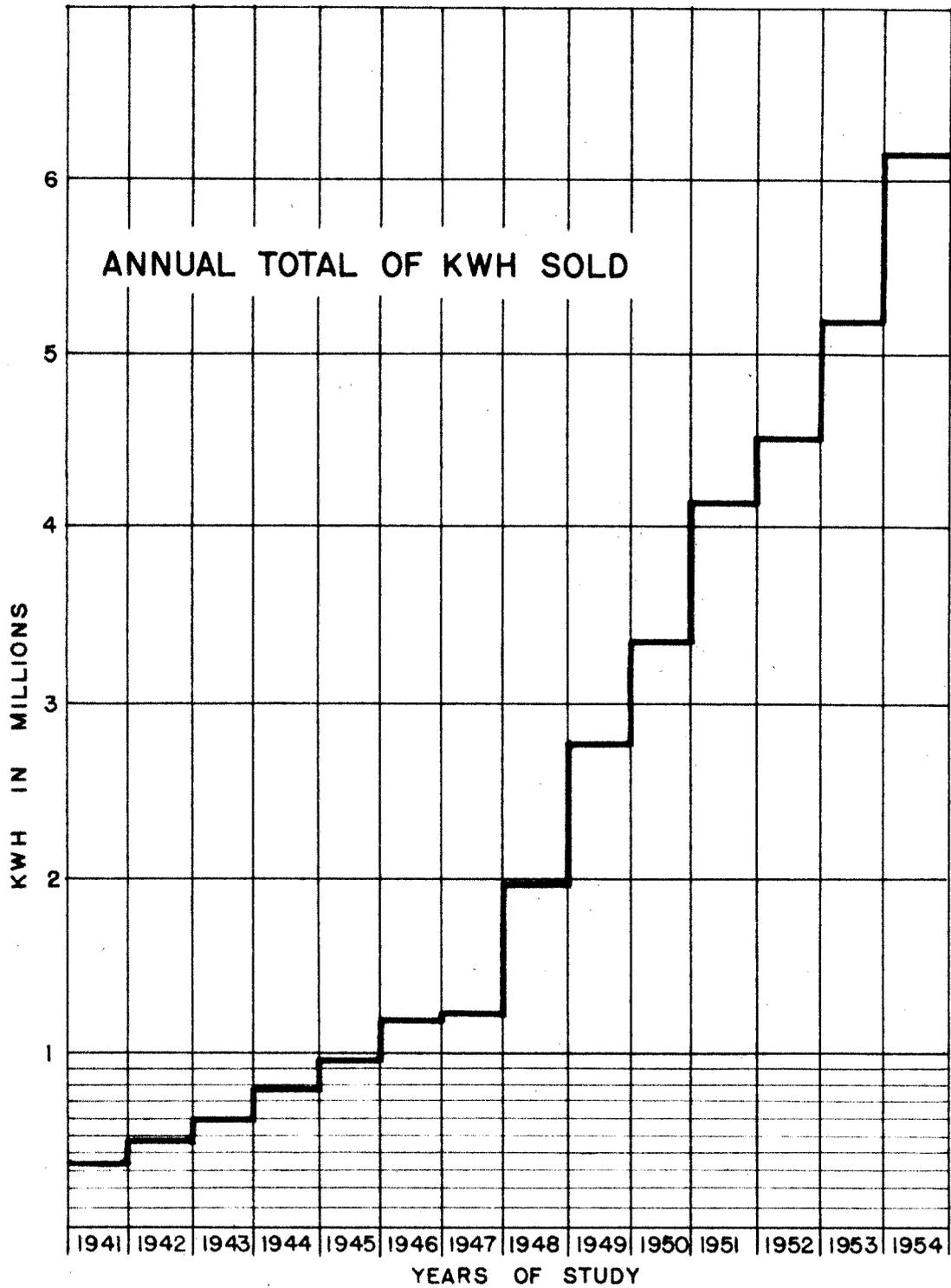


Fig. 5--Annual Totals of Kilowatt-hours Sold

By November, 1954, the number of consumers connected had increased only 6.5 per cent over the number of consumers connected in November, 1950. The percentage of increase in miles energized for the same period was 9.2 per cent, but the amount of kilowatt-hours sold for November, 1954, was 83.5 per cent greater than for the same period in 1950. The total kilowatt-hours sold for the year 1954 was 78.5 per cent greater than the amount sold in the year 1950.

The peak month load of purchased or generated power occurred, with two exceptions since 1941, in the months of August or September. This is due mainly to the tremendous increase in the use of air-conditioners during the extremely hot months. Table VII and Table VIII also show that the load during these peak months has doubled every three to four years since 1941. The management of the cooperative feels that this trend will not only maintain itself in coming years, but is likely to become more pronounced.⁵

Figure 8 and Table XIII show the cost per kilowatt-hour sold and the income per kilowatt-hour sold for the period 1941-1954. The costs included in the figures are all expenses incurred by the cooperative, taxes, payroll, interest, amortization, etc. The obvious trend pictured

⁵Ibid.

TABLE X

NUMBER OF FARM CONSUMERS BILLED, BY MONTH, 1941-1954*

Month	Years													
	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
Jan	336	692	791	965	1145	1359	1598	1774	2050	2245	2317	2363	2154	2292
Feb	583	729	781	967	1157	1364	1633	1747	2052	2238	2293	2270	2130	2220
Mar	603	733	781	988	1159	1397	1643	1731	2054	2246	2286	2267	2110	2184
Apr	607	748	787	1011	1183	1399	1669	1773	2085	2253	2295	2266	2115	2169
May	621	756	794	1017	1192	1450	1679	1820	2115	2264	2289	2257	2117	2159
Jun	638	755	815	1033	1225	1489	1689	1733	2130	2281	2282	2274	2131	2179
Jul	638	749	835	1045	1267	1493	1711	1875	2126	2295	2291	2279	2124	2184
Aug	644	759	850	1054	1243	1512	1719	1885	2147	2299	2318	2270	2133	2177
Sep	649	760	873	1073	1256	1520	1706	1893	2189	2284	2302	2266	2148	2166
Oct	662	777	895	1074	1275	1540	1720	1991	2223	2311	2424	2266	2275	2341
Nov	673	775	912	1074	1295	1550	1734	2004	2232	2343	2402	2235	2346	2339
Dec	674	778	930	1075	1301	1576	1718	2024	2229	2322	2344	2197	2364	2222

*Source: B-K Electric Cooperative Records.

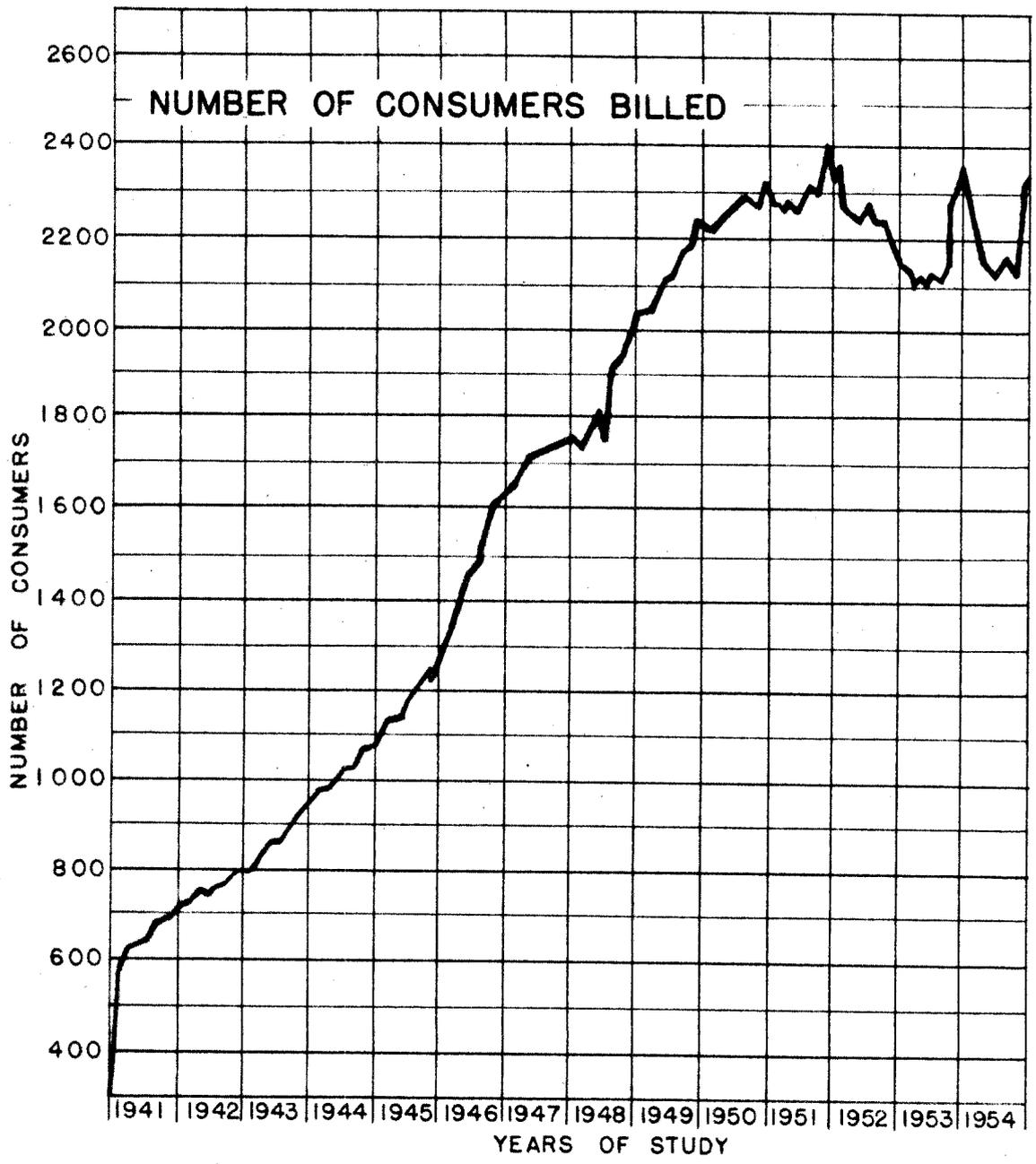


Fig. 6--Number of Farm Consumers Billed

TABLE XI
 AVERAGE FARM BILL, BY MONTHS, 1941-1954
 (IN DOLLARS)*

Month	Years													
	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
Jan	2.63	2.98	3.22	3.34	3.60	3.65	3.78	3.88	4.02	4.61	4.65	4.96	5.35	5.29
Feb	2.78	2.94	3.14	3.35	3.52	3.64	3.73	3.99	3.99	4.45	4.66	4.86	4.99	5.30
Mar	2.69	2.89	3.17	3.45	3.53	3.59	3.74	3.81	4.04	4.33	4.68	4.93	5.02	5.44
Apr	2.63	3.10	3.58	3.78	3.77	3.73	3.92	4.07	4.50	4.72	4.93	5.04	5.36	5.63
May	2.83	3.26	3.54	3.62	3.81	3.73	3.77	4.09	4.30	4.61	4.85	5.08	5.28	5.59
Jun	3.06	3.45	3.77	3.80	3.70	3.68	3.91	4.66	4.50	4.72	5.16	5.37	6.24	5.66
Jul	3.07	3.69	3.77	3.77	3.57	3.82	4.02	4.35	4.91	4.59	5.23	5.82	6.70	6.59
Aug	3.45	3.78	4.07	4.00	3.92	3.95	4.10	4.50	5.07	5.04	5.75	6.23	6.26	7.24
Sep	3.52	3.62	3.84	3.64	3.74	3.78	4.22	4.54	4.71	4.78	5.67	6.05	5.87	7.09
Oct	3.39	3.34	3.38	3.52	3.67	3.58	3.97	4.11	4.36	4.63	4.83	5.03	5.41	5.86
Nov	3.22	3.22	3.32	3.71	3.70	3.84	3.97	4.15	4.47	4.58	4.82	4.87	5.27	5.58
Dec	3.05	3.22	3.37	3.52	3.68	3.75	4.01	4.15	4.51	4.49	4.85	4.92	5.31	5.21

*Source: B-K Electric Cooperative Financial Reports.

TABLE XII

AVERAGE FARM KILOWATT-HOURS USED, BY MONTHS, 1941-1954*

Month	Years													
	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
Jan	33	42	50	52	61	63	68	74	78	99	102	118	134	132
Feb	36	41	47	52	57	63	66	76	77	94	102	113	117	167
Mar	34	39	48	56	58	61	67	70	78	98	102	117	119	134
Apr	31	45	60	66	66	63	73	79	97	103	114	123	129	145
May	37	49	58	58	65	65	66	78	86	99	109	120	130	139
Jun	43	53	64	62	60	62	72	95	96	101	119	128	170	144
Jul	42	58	58	60	57	66	75	87	108	113	118	152	203	186
Aug	52	62	72	67	67	71	77	93	115	117	145	168	170	219
Sep	53	58	65	57	64	65	81	94	100	104	143	161	153	212
Oct	51	52	53	54	61	59	72	79	89	98	109	118	136	158
Nov	47	48	52	61	63	67	74	80	87	97	107	109	125	141
Dec	43	49	53	56	66	65	74	81	90	95	106	115	168	181

*Source: B-K Electric Cooperative Financial Reports.

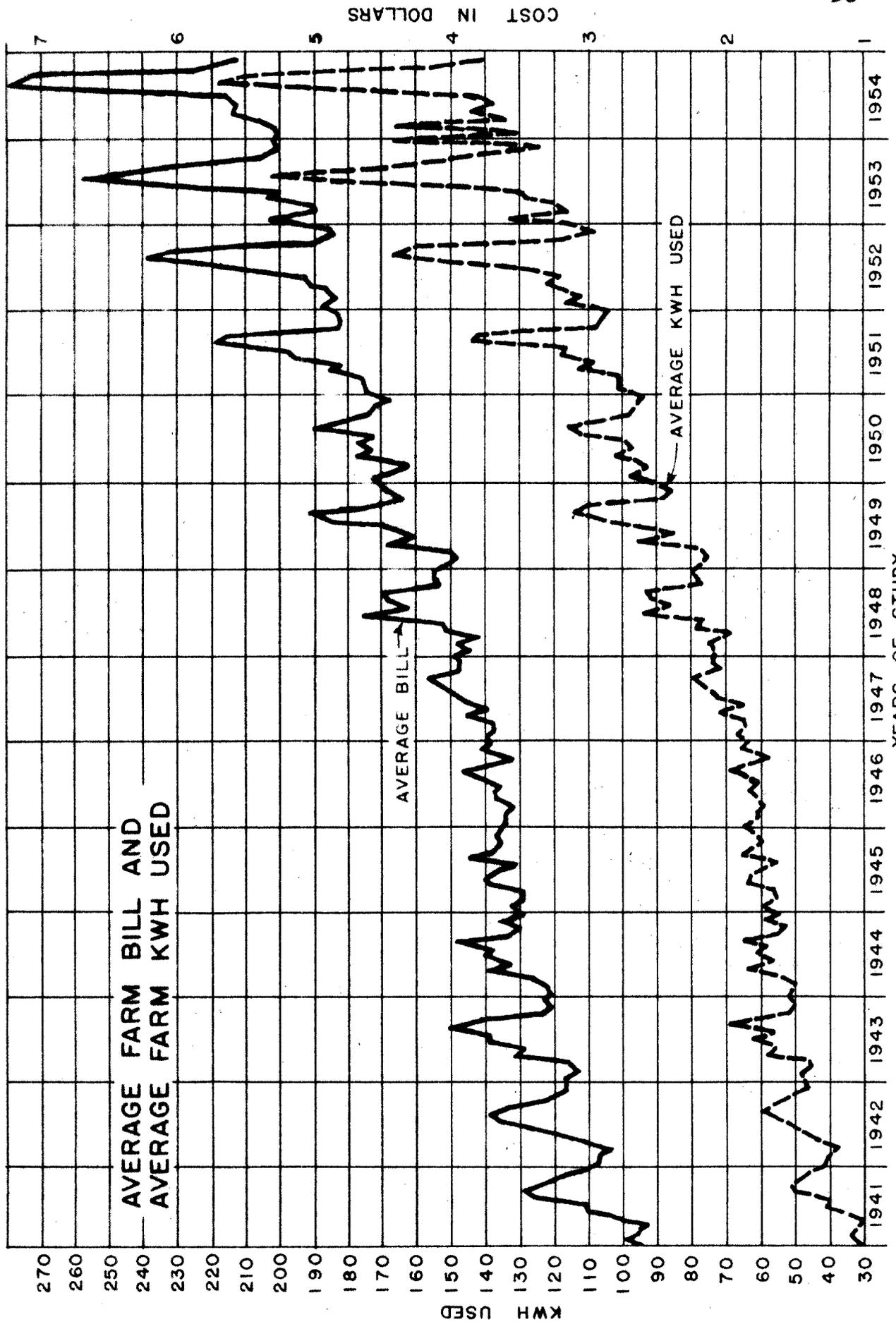


Fig. 7--Average Bill and Average Kilowatt-hour Used by Farm Members

TABLE XIII
 ANNUAL AVERAGE COST AND INCOME
 PER KILOWATT-HOUR
 1941-1954*

Year	Cents per Kilowatt-Hour	
	Cost	Income
1941	7.5379	7.1699
1942	5.7169	6.6847
1943	5.0328	6.3062
1944	4.9238	4.9469
1945	3.5592	4.3267
1946	5.2613	5.9792
1947	6.5997	7.3349
1948	4.7462	5.1675
1949	4.4783	4.7010
1950	4.0827	4.5196
1951	4.0513	4.1884
1952	3.8004	3.9790
1953	3.4346	3.7187
1954	3.0308	3.4934

*Source: B-K Electric Cooperative Financial Reports.

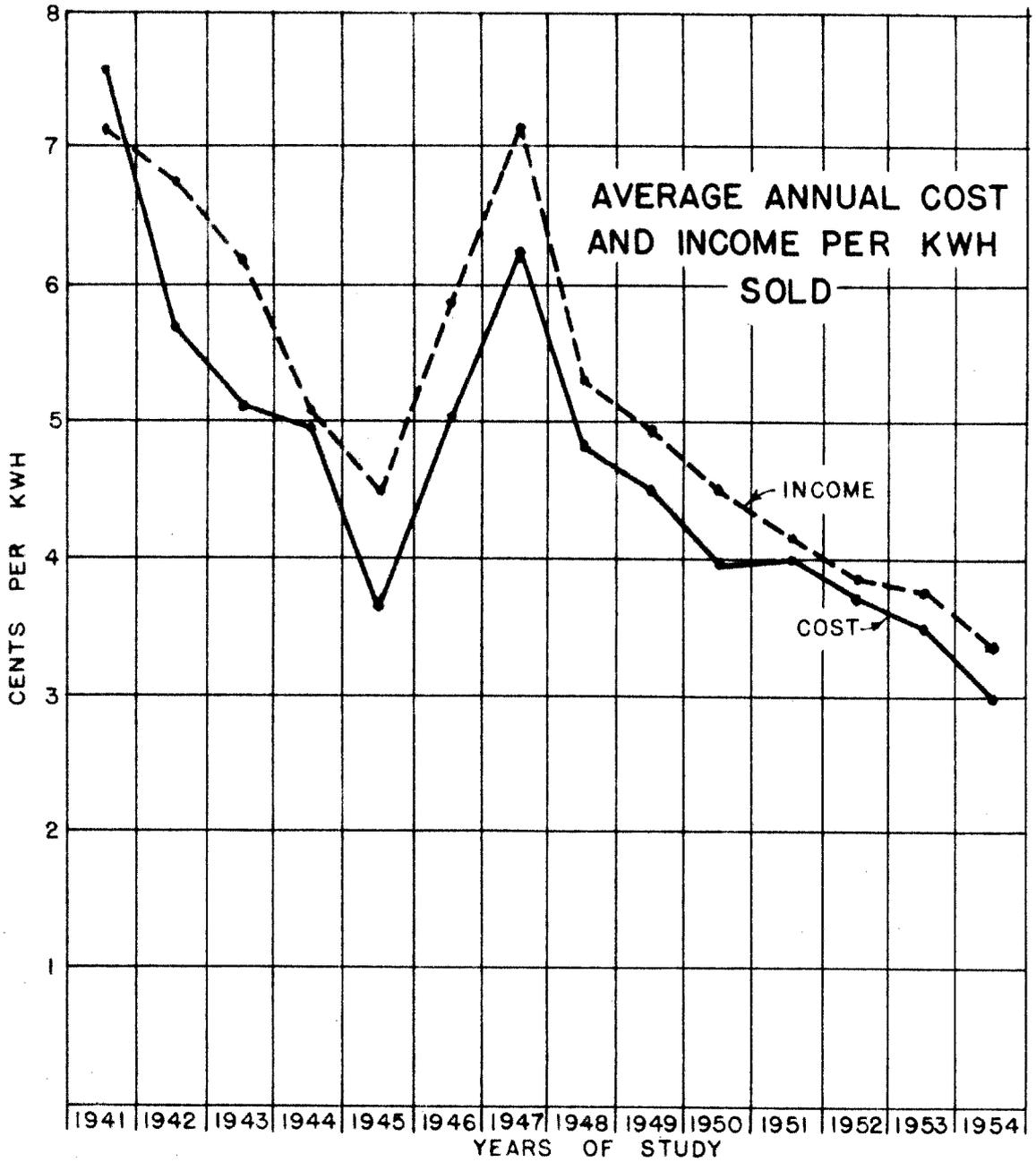


Fig. 8--Annual Average Cost and Income per Kilowatt-hour Sold

here indicates the effect on costs that the mass production of electricity by the cooperative has had. To maintain this downward trend in the cost per kilowatt-hour, the cooperative will of course have to continue to increase the volume of kilowatt-hours sold. This will happen if the past experiences of the cooperative as already cited are taken as an indication. The feeling among the cooperators is that the costs per kilowatt-hour can be lowered in a few years to a point not thought possible at the beginning of rural electrification in the area.⁶

⁶Ibid.

CHAPTER IV

PROBLEMS FACING RURAL ELECTRIFICATION

Local

The most pressing problem of the B-K Electric Cooperative at this time is the rephasing of the lines in the areas where the use of great amounts of electricity has made the job of rephasing imperative in order to keep up with the needs of the members.

The amount of electricity used has steadily risen since the beginning of rural electrification in the Seymour area. This means to the cooperative that there must be a constant search for new methods of supply and constant expansion of facilities. With the load on the lines doubling about every four or five years, it is approaching the point where the lines that served the farmers in the beginning are no longer adequate to meet the needs of the members. As a result of this situation, the REA is being petitioned for a further loan to provide credit for the rephasing job.

The problems of the cooperative are few at this time and the rephrasing of the lines is considered to be the only one that will require anything like real concern for the cooperative.¹

The supply of power is adequate at the wholesale level, and at this time relationship with the private utilities is probably at the best level it has been for a number of years.²

Peak loads in the summer and fall months is a problem to the cooperative, but they do not feel that there is too much that can be done about it. The weather in this north Texas area in the summer is extremely hot and dry. With the development of air conditioning systems that can be operated at relatively low cost, the load on the lines skyrockets in the hot season and then falls off again in the winter when electricity is not used for heating purposes. In order to furnish power to the members, facilities must be built to carry the peak load, but then are not used to capacity for many months of the year when the load is far below the maximum peak.

¹Interview with T. E. Craddock.

²Ibid.

As can be noted from the tables and figures in Chapter III, this situation of heavy summer loads and light winter loads is compounded by the number of consumers connected at harvest time. This is the result of the use of migrant labor to harvest the principal crop in the irrigated regions--cotton. Some of the homes of the migrant workers are kept connected for only about one month and then disconnected for the remainder of the year. The workers demand and should have electricity in their homes, and the cooperative is willing to furnish it to them, but the problem is still there. No solution to this problem is foreseen short of the mechanical cotton picker.

The problem of apathy on the part of the membership, which has been noted in other cooperatives, is not present among the membership of the B-K Electric Cooperative. Members are supplied by the cooperative with the Texas Electric Cooperative Association newspaper in order that they can be well informed on Statewide happenings. Door prizes valued at about \$1500 have been offered to the members to induce them to turn out for the annual meetings. For the past two years, 1953 and 1954, the annual meetings have

been attended by about 2300 members or approximately 90 percent of the total membership.³

The national problems of the REA are of primary concern to the B-K Electric Cooperative. Members are aware of the importance of changes in the national program and feel that the policies of the REA directly affect their cooperative. Members are kept posted on the developments of national significance by the NRECA, Statewide publications, and through the efforts of the manager, Mr. Craddock.

National

The basic problem of the REA electric systems lies in the differences of philosophical opinion between the advocates of public power and the advocates of private power. The cooperative is relatively unknown as a form of enterprise in the United States although the fundamental idea of the cooperative--neighbor helping neighbor--is as old as the pilgrims themselves. Ownership in the United States is traditionally in the "free enterprise" or private category. Therefore, any deviation from the tradition of this private ownership system is sometimes looked upon with a

³Ibid.

hostile mind. The REA electric cooperatives are a deviation from the tradition of private enterprise within the commonly accepted meaning of that term. Those in the private enterprise camp have been in virtually continuous warfare with those of the public enterprise side. Childs says of this conflict:

To anyone viewing it objectively, this warfare must seem a very curious phenomenon. Each year the twenty-billion-dollar private electric light and power industry expands both its operations and its profits. Part of the four billion dollars the industry earns in serving over one hundred million people goes into advertisements that speak in dire warning of the threat of nationalization. These advertisements talk about "federal socialism" eating away at the roots of American free enterprise.⁴

In 1953, the rural electrics of the REA system spent \$47,830,201.15 to buy power from the private utilities of the nation.⁵

The NRECA feels that part of the reason behind the power companies' attacks on the public power developments in general and the REA cooperatives in particular is the fact that the cooperatives have been so successful in a

⁴Childs, op. cit., p. 73.

⁵National Rural Electric Cooperative Association, NRECA Facts (Washington, 1955), p. 8.

field where the private companies refused to go with their service.⁶

Aside from the philosophical conflict there are many problems of great magnitude facing the REA enterprises.

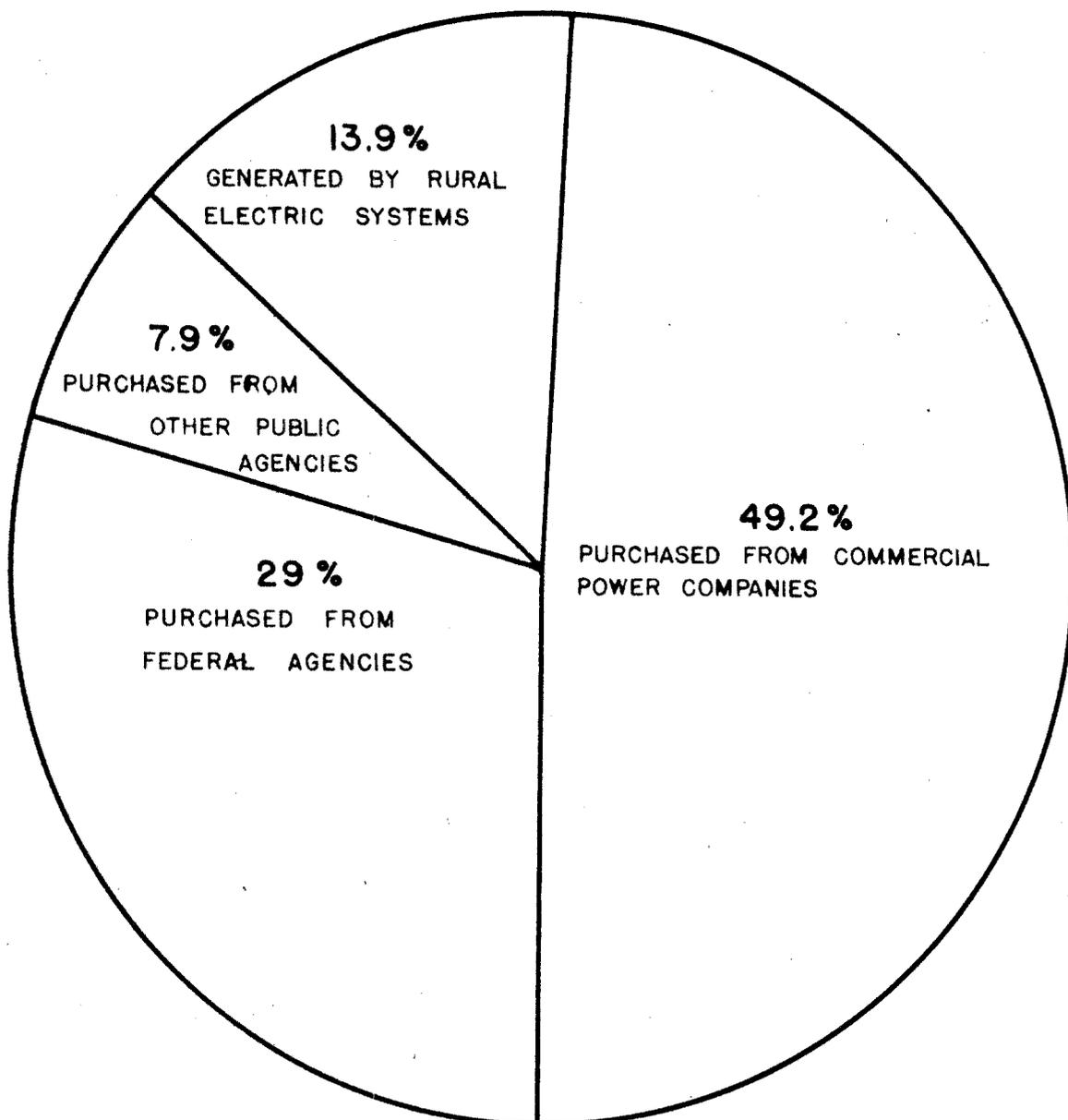
First, the problem of obtaining an adequate supply of power is of primary concern to the cooperatives.⁷ With the need for electricity doubling about every four or five years the cooperatives face the necessity of finding new sources of supply for their wholesale power. In the past, about one half of the wholesale power supply has come from Federal agencies such as TVA, Bureau of Reclamation, Bonneville, Southwestern Power Administration, from other public agencies, or was generated by the rural electric themselves. Forty-nine percent of the wholesale power was bought from the private power companies.⁸ (See Figure 9.)

As a part of the cooperatives needs for an adequate power supply, they feel that continuation of the federal power policy of granting preference rights for power generated at federal dams to cooperatives is essential. It is

⁶Clyde T. Ellis, "Halleluiah--REA!", Rural Electrification Magazine, Thirteenth Year, No. 8, (May 1955), p.4.

⁷NRECA Facts, op. cit., p. 10.

⁸Ibid., p. 8.



Source: National Rural Electric Cooperative Association, NRECA Facts

Fig. 9--Sources of Power Generated or Purchased by REA Borrowers, Fiscal Year Ending June 30, 1953

felt that if the policy is not continued, the cooperatives which buy power from private companies would soon be cut off from their supply of energy.⁹

Senator Wayne Morse has pointed out that "research indicates that by the year 2000, the people of America will need twenty times the kilowatt-hours of power that presently are generated in the United States."¹⁰ In order that the cooperatives of the REA system can be assured of the power that they will need in the future, continuation of the federal power program of the past twenty years is deemed essential by the cooperatives.¹¹ In recent months, there has been a change in the Government's power policy. The new power policy is known as the "partnership" policy. The government budget directive for fiscal year 1956 says:

Private participation will be maximized by confining direct loans and mortgages purchased to only the most urgent requirements and by substituting guaranteed or insured loans wherever possible.¹²

⁹Ibid.

¹⁰Senate Document No. 42, op. cit., p. 45 (see Figure 10).

¹¹Clyde T. Ellis, op. cit.

¹²Clyde T. Ellis, "A Hard Winter," Rural Electrification Magazine, Number I (October, 1954), pp. 3-4.

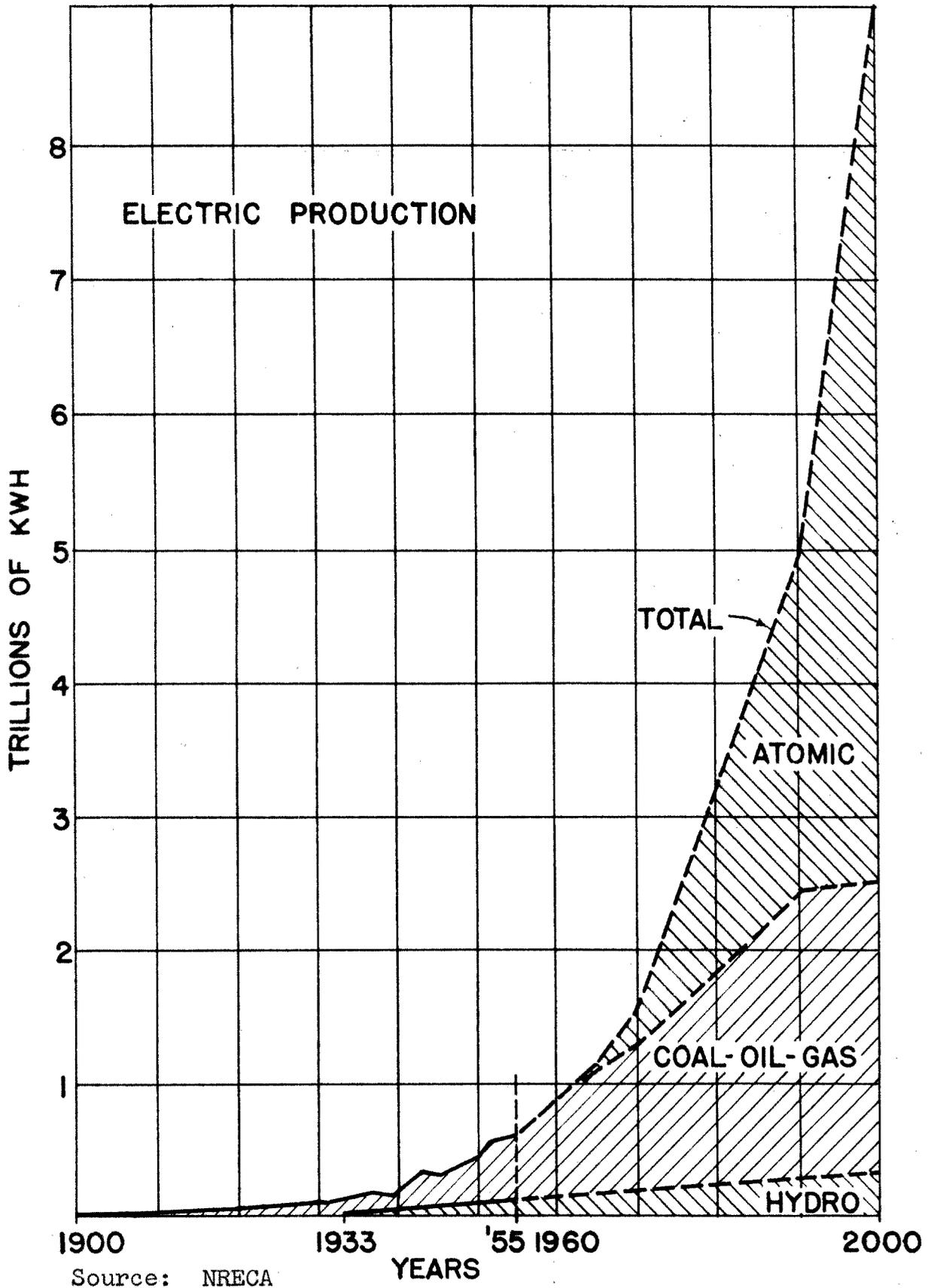


Fig. 10--Electric Production in United States

The NRECA feels that this partnership policy means that the government will subsidize private enterprise in the building of dams and in other power enterprises where the federal government has, in the past, been the builder.¹³

The present shape of the battle between the public and private power interests lies in the Hoover Commission task force report on power policy. In connection with this task force, Senator Morse had this to say on the floor of the Senate:

A year ago, when I stood on the floor of the Senate and opposed appropriations for that task force I warned the Senate what to expect from it, because it was typical of so many of the appointments of the President of the United States. It was rigged. The President placed on that task force men not in sympathy with the REA movement, as their background and history will show. So we have exactly the kind of report that those of us who had taken the time to study the background of the personnel the President was appointing had every right to expect.¹⁴

The task force consistently declares that the public power policy of the past twenty years is contrary to the interest of the people of the United States because it is contrary to the interest of private enterprise. On every

¹³Ibid.

¹⁴Senate Document No. 42, op. cit., p. 46.

phase of Federal power policy the task force wants less government and more private enterprise. This is clearly demonstrated in the second of the ten major findings of the task force:

The Federal Government has assumed a larger and larger share of responsibility for water resource and power development until it has become a dominant factor in enterprises which should be outside its domain.¹⁵

The basis for this finding lies in the fact that the federal government in 1953 had 12.4 per cent of the installed capacity of all electric utilities whereas the government in 1933 had less than 1 per cent of the total capacity.¹⁶ The task force believes that the government ". . . has invaded a domain which should be reserved for non-federal enterprise."¹⁷

The NRECA and Senator Morse believe that the necessary power for the year 2000 may reach nine trillion kilowatt-hours, but the task force disagrees with this concept of a tremendously expanded use of electricity. It says:

¹⁵Commission on Organization of Executive Branch of the Government, Task Force report on Water Resources and Power, Vol. I, p. 9 (June, 1955).

¹⁶Ibid.

¹⁷Ibid.

Since there is no present or prospective necessity for federal power development to overbalance the social undesirability of continuing such activities, the task force finds that they are not essential federal activities. This task force believes that the federal government does not owe a responsibility to supply any community, section, or region, with its power requirements. Nor does the presence of potential water power in a Federal water resource development project necessarily constitute a mandate for its development; but when such potential power can be developed in accordance with sound business principles, it should be developed in the national interest by selling either the potential or the power at the lowest technological level which will produce fair returns to the Federal Government.¹⁸

The term "lowest technological level" is defined by the task force as follows:

The term 'lowest technological level' as here used means that the first consideration should be given to issuing a license for a developer at his own expense to provide generating and other necessary power facilities. Only if such licensing is truly impracticable from the standpoint of fair returns should the government provide generating facilities, and then it should seek to lease or license non-federal operation. Where it is now or may in the future become unavoidable that the government itself operate the generating facilities, the electrical power should be disposed of at the generating station, or at the nearest practicable point thereto.¹⁹

¹⁸Ibid.

¹⁹Ibid., p. 10.

On the public side of the question of public vs private power, the NRECA feels that to make the recommendations of the Hoover Commission into law would be disastrous to the Rural Electrification Administration. Ellis says in an editorial that the Commission would "throw government into reverse and turn every possible federal function over to the great corporations regardless of the destructive results."²⁰

The task force was not concerned with the financing activities of the federal government and therefore only summarized the lending activities of the REA.

As for its recommendations for the REA, the task force concurred in the recommendations of the task force on Lending, Guaranteeing, and Insurance activities of the federal government:

As a result of its investigation of rural Electrification Administration, task group A agrees with the general recommendations of the task force on lending, guaranteeing, and insurance activities of the federal government to the effect that the interest rate on new borrowings should be increased from the present 2 percent and that some plan should be developed whereby the federal government is relieved of furnishing substantially all

²⁰Clyde T. Ellis, "Hoover Report Witches' Brew Still Boiling," Rural Electrification Magazine, Number X. (July 1955), pp. 3-4.

of the future capital requirements of the rural electric cooperatives and other rural electrification borrowers. Studies by this task group show that the interest rate on federal borrowings for a 35-year term represented by Rural Electrification Administration loans would be considerably in excess of 2 per cent. Further, its studies of the operations of Rural Electrification Administration distributors in the Tennessee Valley Authority area show that substantial equity money can be secured from cooperatives in the form of periodic and systematic contributions for the purpose of retiring debt. Some plan for the gradual transfer of ownership of the systems to the borrowers is highly desirable. The particular plan which should be followed in securing equity money in order to bring about this result is not within the scope of this task group's responsibilities.²¹

If the recommendations are followed by the full Hoover Commission and Congress, the REA program is doomed. The rise in interest rates recommended by the task force would force the cooperatives to charge higher rates for the power they sell. The closing down of the federal lending function of the REA would throw the cooperatives on the mercy of the private sources of finance--the banks--which would bring about an increase also in the power rates of the cooperatives. Bankers are not in the habit of making 100

²¹Task Force Report on Water Power, op. cit., II, 324.

per cent loans and this would seriously curtail the credit available for expansion of the REA cooperatives.

Clay Cochran, NRECA Staff economist, reports on the view of the cooperatives on the 2 per cent interest rate question:

The facts are that for many years the Federal government has borrowed billions for 2 percent or less. According to the latest Treasury report on September 30, the Federal government has borrowed \$60-billion on which the interest rate was 2 percent or less. The REA interest rate is not and never has been subsidized. According to REA Administrator Archer Nelsen's 1953 Annual Report, REA had netted over \$45-million in its lending operations down to that time, and his figures are on the conservative side. 22

The task force was concerned on one other point which affects the cooperatives--the question of taxes.

Since cooperatives do not pay Federal income taxes none of the power developed by them in generating plants bears any part of the costs of the federal government. The effect of their building generating plants and transmission lines is substantially the same as if the government itself built such facilities and sold the power

²²Clay Cochran, "Everybody's against Sin...But Not Subsidies" Rural Electrification Magazine Number 8 (May, 1955), p. 24.

generated at rates not providing for federal taxes, exclusively to federally tax-exempt customers.²³

Cooperatives in most states pay the same taxes that the private companies do. The only tax which they do not pay is the Federal Corporate income tax, and they do not pay this tax for the obvious reason that they do not make profits. Federal Corporate income taxes are based, of course, on profits.²⁴ Cochran puts the question in the reverse form when he says:

Can you imagine what screams we would hear if the rural electric cooperatives began to demand that all electric companies become non-profit, either public or cooperative? But the same poor, thrifty, hardworking, barefoot boys, by demanding that we make profits and pay taxes on them, are in essence demanding that all cooperatives change themselves into profit-making corporations.²⁵

The prevention of the adoption of the Hoover Commission Reports will be one of the most vital battles that the cooperatives will ever fight. This battle is going on at this time and will probably increase in ferocity in the coming months. As to the outcome of this fight it is difficult to evaluate the strength of either side. Tradition

²³Task force report on Water Power, op. cit., II, 325.

²⁴Cochran, op. cit.

²⁵Ibid.

of longer standing is on the side of private enterprise. This side also controls greater wealth for advertising purposes. On the other hand, the farmers of the nation well remember the fact that their farms were in the dark until they lighted them with the aid of the federal government. The NRECA is aware of the fight it faces and is prepared to do battle with the forces it must face. Ellis sounds the call for the cooperatives when he says: "...if we are to successfully oppose this assault upon democracy we have got to get the word around that something more than 'economy', 'budget balancing', 'tax exemption', and freedom and justice for the big corporations is involved."²⁶

The so-called "Dixon-Yates" project was one of the "partnership" type projects proposed by the Eisenhower Administration. Much to the joy of the public power side of the conflict, this contract was ordered terminated by President Eisenhower on July 11, 1955.²⁷ The project was to have created a steam plant at West Memphis, Arkansas to furnish power to the TVA to replace power drained off by the Atomic Energy Commission plants in the area. The steam

²⁶Ellis, "Hoover Report Witches'Brew Still Boiling," op. cit.

²⁷Wichita Falls Record News, July 12, 1955.

plant was to have been built by a combination of two private power companies and the cost of the operation was to have been underwritten by the Federal Government. The city of Memphis, Tennessee, was to have received the power from the Dixon-Yates plant which would then have released power from the TVA to be turned into the AEC plants. However, the city of Memphis balked at the idea of receiving the power from the Dixon-Yates plant and decided instead to go ahead with plans to build and operate its own plant. This action by Memphis killed any need for a plant at West Memphis, Arkansas.

The Dixon-Yates contract was shrouded in mystery and hidden from public view for several months, and it is still being investigated and argued.

One of the most interesting sidelights of the controversy, and one that promises to have far reaching effects on the entire public power program is the proposal made in opposition to the Dixon-Yates proposal by the Walter von Tresckow group.²⁸

Von Tresckow is a proponent of a new approach to the power problems of the nation, as well as a proponent of

²⁸"Interview with Walter von Tresckow", Rural Electrification Magazine, Number 10 (July, 1955), pp. 18-20, 48.

the Republican party and free enterprise. But unlike the usual proponent for free enterprise in the power field, he argues that "...there would be no use for private enterprise in the power business unless it could successfully compete with the government."²⁹

Simply stated, the von Tresckow group's plan for competing with publicly produced power is this: About one-half of the cost of electricity is incurred in financial factors such as depreciation, amortization, taxes and net income. To reduce these costs they would cut the standard 6 per cent return on invested capital and the profit of the company, thereby releasing themselves from some of their tax load. By using depreciation to cover any debts occurring from the construction of the facilities, a point is reached where costs of privately produced power can be cut by 25 to 40 per cent. The funds for financing the facilities would come from pension funds and insurance companies.³⁰

According to von Tresckow, the method of financing generating and transmission facilities by the private companies is outmoded:

²⁹Ibid., p. 18.

³⁰Ibid.

Today the average private utility finances all its capital requirements for expansion 50% in bonds, 20% in preferred stock, and 30% in common stocks. And on the basis of 6% return on capital, this produces a yield on common stocks of about 12%.

We've examined this whole concept of finance and find that insofar as the generation and transmission of electricity is concerned, the common stock equity and the preferred stock are not a requirement any more today. By eliminating that kind of financing insofar as generation and transmission is concerned, it is possible to have a return of about 2-1/4% to 2-1/2% on invested capital insofar as it is invested in generation and transmission facilities.³¹

The Dixon-Yates contract was not completely honest, according to von Tresckow, because it did not state the true picture of the profits which the combine would make from it. The cost of the power generated by the Dixon-Yates combine would be 1.863 mills per kilowatt-hour. The government would get about 60 to 65 per cent of the power generated at the plant. Since the government would pay for the entire plant, but only get about 60 per cent of the capacity, they would, in effect, subsidise the subsidiaries of Dixon-Yates who would get the remaining 40 per cent of the power generated. The subsidiaries of Dixon-Yates are obtaining power at a cost of about six to eight mills per kilowatt-hour at the present time. This means that they would get

³¹Ibid., p. 19.

a subsidy of about five mills per kilowatt-hour on the power received from the Dixon-Yates generating plant. While the government (TVA-AEC) would pay approximately five and one-third mills per kilowatt-hour for the power generated at the plant, the subsidiaries would pay about one and nine-tenths mills per kilowatt-hour.³²

Von Tresckow estimates that the total profits of the Dixon-Yates combine would be from five million to twelve million dollars annually over the guaranteed six hundred thousand dollars allowed by the contract for the generating plant.³³

Von Tresckow claims that the saving to the government, if his plan rather than the Dixon-Yates plan, is followed would be \$152,354,000 over the thirty year period of the contract. The government would get the plant at the end of that time for one dollar. The basic difference between the traditional philosophy of electrical power financing and the von Tresckow philosophy is summarized by von Tresckow: "We believe that charging for services rendered is a sounder basis than a high return on financing when a group is interested in working in the public's interest."³⁴

³²Ibid.

³³Ibid.

³⁴Ibid., p. 20.

The Atomic Energy Commission is directly involved in the Dixon-Yates dispute which leads to a more broad and important problem for the REA as well as the other public power interests.

Briefly stated, the problem is this: In regard to the peaceful use of the atom, is the development of atom-generated electricity going to be carried out by the privately owned power companies, by public agencies of the government; or through the cooperation of all interested parties? Will the patents derived from the development be held by the private companies or by the government?

It is estimated by the NRECA that electric production in the year 2000 will be about nine trillion kilowatt-hours.³⁵ (See Figure 10.) Most of this power will have to come from atomic powered generating facilities. And the cooperatives believe that if the patent rights lie in the hands of the private companies, the cooperatives will soon be put out of business because they will lack adequate facilities for generating enough power to meet the needs of their members. Ellis summed up the cooperatives' position on this matter in a speech at the thirteenth annual

³⁵Clyde T. Ellis, The Role of the Rural Electrics in the Atomic Age. (Atlantic City, 1955), p. 9.

meeting of the National Rural Electric Cooperative Association in Atlantic City, New Jersey, when he said:

It appears that we now face the same struggle in the development of atomic energy and the distribution of its benefits as we have seen with water power.

The technology of atomic energy has been developed at public expense. By June 30, of this year, the people of this nation will have invested over \$13-billion in public funds in this field, and Congress has appropriated a total of over \$15-billion. Individuals and corporations have invested virtually nothing. Furthermore, the United States government takes title to all atomic fuel, beginning with the processed ore. Under these circumstances, who can deny that atomic energy is a part of the public domain just as much as were the public lands, during the last century in the early days of the republic, or the water power resources of our rivers?

...from here on atomic energy will come cheap and quickly if we establish wise public policies and if we are willing to make the public investment or it will come slowly and will cost much more if we permit private monopoly, with its hesitant investment and arrogant profiteering policies, to dominate the field...

If the government in cooperation with consumer-owned power groups as well as with the big private companies does not move forward at once with atomic energy development, we shall see another big corporation landrush to grab up the 'sites' i.e. the patents, and sit on them. It is already under way.³⁶

The battle over the method of application of the newly developed atom power boils down to the fight over the

³⁶Ibid.

philosophy of private vs public enterprise. How permeated with this private enterprise philosophy is the present Administration of the government remains to be fully established. It is known, however that the cooperatives face an uphill battle in this area. An example of the feeling can be seen in the action of the Atomic Energy Commission in regard to the acceptance of bids for the construction of experimental reactors from groups interested in the development of atom-generated electricity: In January, 1954, the AEC announced that it would accept bids for the construction of these experimental reactors. The time for accepting bids would close April 1, 1955. The cooperatives learned that no group could submit a bid unless it had already obtained security clearance from the AEC. Forty-two private power companies, two public power agencies--TVA and Consumers Public Power District in Nebraska--had the necessary clearance. Since TVA needs Congressional authorization for such action, this left only the one power district from the side of public power. All other public power agencies, cooperatives and all municipally-owned electric systems were excluded on the basis of the AEC rules.³⁷

³⁷Ibid., pp. 19-20.

To accomplish their ends the rural cooperatives want an amendment to the Atomic Energy Act to establish a division of the agency devoted to the development of electricity and to clarify the preference rights clause for the patent provisions to provide for public patents where the Government has given aid in the development of devices.³⁸

In addition to the above noted problems, the cooperatives want a supplemental REA loan fund to enable people in certain areas to get rapid approval of loans.³⁹

The cooperatives desire public development of Hells Canyon damsite. According to Senator Morse, the President proposed to allow half of the power potential to be wasted by the construction of a series of small dams by private companies rather than the construction of one big dam by the federal government.⁴⁰

Clay L. Cochran has outlined one of the problems that face an investment agency of the federal government, such as the REA.⁴¹ Under the present system of accounting used

³⁸Ibid.

³⁹Ibid.

⁴⁰Senate Document No. 42, op. cit., p. 49.

⁴¹Clay L. Cochran, "The Case for a 'Capital Budget'", Rural Electrification Magazine, Number 1 (October, 1954).

by the government, outlays of cash, whether they be for capital increases or expenses, are carried as expenditures. This method is not in keeping with what is accepted as good accounting practices.⁴² Under the "double entry" bookkeeping methods employed by every solvent business in the country and some foreign governments all expenditures for investments which result in the increase of assets of a firm or government are carried as assets on the books. The present system employed by the government is not realistic since all expenditures for capital investments such as TVA, highways, airplanes, and the loans made to REA cooperatives are carried on the government records as expenses. Any business which followed such a method of accounting would be permanently "in the red" as is the Government. The net effect of such a system of accounting on the REA is that it must plead for funds to build its lines from Congressmen who look upon the loan funds, which will be repaid with interest, as if they were expenses. The opponents of such governmental activities as REA can and do plead that the government cannot make such expenditures because they would not balance the budget. If a capital

⁴²Paul A. Carlson, Hamden L. Forkner, Alva L. Prickett, Twentieth Century Bookkeeping and Accounting (Cincinnati, 1947).

budget system of accounting were followed by the government, the 2.3 billion dollars of loans receivable which the REA cooperatives will repay to the Government would be carried on the books as the assets which they are, and the books would be balanced automatically for all but the true expenses of the Government.⁴³

Cochran puts the argument for a capital budget this way:

Under a capital budget, federal planning agencies could move forward with an intelligent program of development of resources and loans to the rural electrics and power cooperatives, opposed only by those who would come out in the open in favor of private monopoly and exploitation. Loans and construction repayable with interest would show up as investments, and the amount of investment would be controlled only by the need for development, the availability of materials, inflationary pressures and other forces. Such activity would not be restricted by an outmoded system of accounting and the errors in thinking to which that system gives rise.⁴⁴

⁴³Cochran, "The Case For a Capital Budget."

⁴⁴Ibid.

CHAPTER V

CONCLUSIONS

The Rural Electrification Administration program has grown from a very meager beginning in 1935 to a large organization at the present time. The REA has not been administered within the framework of the traditional form of business enterprise of the United States. The institution of private enterprise failed to function in the field of rural electrification and the institution of cooperative enterprise replaced it.

Through the use of credit supplied by the Government, the cooperatives have been able to supply their members with adequate, low-cost power. The cooperatives have been fought by the private companies at nearly every point in the development of the rural areas, but have so far been successful in maintaining themselves against the propaganda advertisements of the private companies.

The evidence indicates that the REA electric systems have found the use of electricity a profitable source of energy. The use of electricity has increased very rapidly

in the past twenty years, and cooperatives can expect to double their energy sales every five years.

There is little evidence to support the claim that the government has subsidised the electrification of farms. Rural electrification has been carried out in such a way that the government has received returns on the investment which adequately covers the cost of operation of the REA program as well as the return on the investment through the increased productivity of farms. If a capital budget system of accounting were used by the government the investment in rural electrification made by the government would show up on the books as the asset which it is, and thus give a more realistic picture of the significance of rural electrification.

The philosophical battle between the public and private power interests is of prime significance to the cooperatives. If private enterprise continues to follow the pattern of the past in the development of electrical energy, it may force further changes in the institutional pattern. However, if the advocates of private enterprise adopt the methods and plans of the von Tresckow group, the advocates of public power may well be forced to modify or completely

reshape their thinking about the financing of electric facilities.

If the recommendations of the Task Force on Water Resources and Power are adopted by the Congress, the development of the power potential of the United States will be given over to private enterprise which in the past has demonstrated a lack of basic understanding of the nature of the development of power. This action would mean that the REA would probably be put out of business as a lending agency of the government. The cooperatives would be forced to go to the private sources of credit for funds with which to finance expansion.

If the development of the energy of the atom is not carried out by some public agency, the likelihood of a shortage of power for the cooperatives is increased. The public power institutions may not be able to obtain the patents for the methods employed in atom generating plants unless the patent rights are made a part of the public domain. If the cooperatives cannot get their share of atom-generated power they will not be able to furnish their members with adequate power in the near future.

The B-K Electric Cooperative demonstrates that if a cooperative can obtain and maintain efficient management,

basic understanding of the nature of a cooperative by the members, and increased usage of electricity, it can operate on a basis of steadily decreasing costs.

APPENDIX

EXECUTIVE ORDER 7037--May 11, 1935

By virtue of and pursuant to the authority vested in me under the Emergency Relief Appropriation Act of 1935, approved April 8, 1935 (Public Resolution 11, 74th Congress), I hereby establish an agency within the government to be known as the 'Rural Electrification Administration,' the head thereof to be known as the Administrator.

I hereby prescribe the following duties and functions of the said Rural Electrification Administration to be exercised and performed by the Administrator thereof to be hereafter appointed:

To initiate, formulate, administer, and supervise a program of approved projects with respect to the generation, transmission, and distribution of electric energy in rural areas.

In the performance of such duties and functions, expenditures are hereby authorized for necessary supplies and equipment; law books and books of reference, directories, periodicals, newspapers, and press clippings; travel expenses, including the expense of attendance at meetings when specifically authorized by the Administrator; rental at the seat of government and elsewhere; purchase, operation, and maintenance of passenger-carrying vehicles; printing and binding; and incidental expenses; and I hereby authorize the Administrator to accept and utilize such voluntary and uncompensated services and, with the consent of the State, such State and local officers and employees, and appoint, without regard to the provisions of the civil-service laws, such officers and employees, as may be necessary, prescribe their duties and responsibilities and, without regard to the Classification Act of 1923, as amended, fix their compensation: PROVIDED: That insofar as practicable, the persons employed under the authority of this executive order shall be selected from those receiving relief.

To the extent necessary to carry out the provisions of this executive order the administrator is authorized to acquire, by purchase or by the power of eminent domain, any

real property or any interest therein and improve, develop, grant, sell, lease (with or without the privilege of purchasing), or otherwise dispose of any such property or interest therein.

For the administrative expenses of the Rural Electrification Administration there is hereby allocated to the Administration from the appropriation made by the Emergency Relief Appropriation Act of 1935 the sum of \$75,000. Allocations will be made hereafter for authorized projects.

Franklin D. Roosevelt

The WHITE HOUSE, May 11, 1935.

NO. 77074

CHARTER OF

TAYLOR ELECTRIC COMPANY

Seymour, Texas

Capital Stock - - - \$ 150.00

Filing Fee - - - - \$ 50.00

Franchise - - - - - \$ 10.00

Remarks: 50 years

3 shares @ \$50.00 each
All paid in.

B-2

FILED IN THE OFFICE OF THE
SECRETARY OF STATE

THIS 3rd DAY OF May, 1940

Claude A. Williams

Secretary of State.
0454-1335-2m. Assistant Secretary of State

AK91

CHARTER OF
BAYLOR ELECTRIC COMPANY

Approved
5/13/40
Wesley Harrison

STATE OF TEXAS)
COUNTY OF BAYLOR)

KNOW ALL MEN BY THESE PRESENTS:- That we, R. E. Baskin, Wesley Harrison, and Lem Bellows, citizens of Baylor County, Texas, under and by virtue of the laws of the State of Texas, do hereby voluntarily associate ourselves together for the purpose of forming a private corporation under the terms and conditions hereinafter set forth:

1. The name of this corporation is Baylor Electric Company.
2. The purpose for which it is formed is, "To manufacture and supply gas, light, heat, and electric power, or either of them, to the public by any means."
3. The place where the business of the corporation is to be transacted is at Seymour, in Baylor County, Texas.
4. The term for which it is to exist is fifty years.
5. The number of directors shall be three, and the names and residences of those who are appointees for the first year are as follows: R. E. Baskin, Wesley Harrison, and Lem Bellows, all of whom reside at Seymour, Texas.
6. The amount of capital stock is One Hundred and Fifty Dollars, divided into three shares of Fifty Dollars each, all of which capital stock has been subscribed and paid as per affidavit attached hereto.

In testimony whereof, we hereunto sign our names this the 29th day of April, 1940.



R. E. Baskin
Wesley Harrison
Lem Bellows

STATE OF TEXAS)
COUNTY OF BAYLOR)

Before me, the undersigned authority, on this day personally appeared R. E. Baskin, Wesley Harrison, and Lem Bellows, know to me to be the persons whose names are subscribed to the foregoing instrument, and also known to me to be citizens of said State, and each acknowledged to me that he executed the same for the purposes and consideration therein expressed.

In testimony whereof, I hereunto subscribe my name and affix the seal of my office, this the 29th day of April, 1940.



J. E. Broadhead

Notary Public
Baylor County, Texas



The State of Texas
Secretary of State

Assistant

I, CLAUDE A. WILLIAMS, Acting Secretary of State, of the State of Texas, do hereby certify
that the foregoing is a true and correct copy of the charter of

BAYLOR ELECTRIC COMPANY

with the endorsement thereon, as the same now appears of record in this Department.

In Testimony Whereof, I have hereunto signed
my name officially and caused to be impressed
hereon the Seal of State at my office in the City of
Austin, this 4th day of May,
A. D. 1924.



Claude A. Williams
Assistant Acting Secretary of State.

NO. 80593

CHARTER OF

B - K ELECTRIC COOPERATIVE,
INC.

Seymour, Texas

Capital Stock - - - - \$ NONE

Filing Fee - - - - - \$ 10.00

Franchise - - - - - \$

Remarks: PERPETUAL

a-4

FILED IN THE OFFICE OF THE
SECRETARY OF STATE

THIS 2nd DAY OF June, 1941

Wm J Lawson
Secretary of State.

ARTICLES OF INCORPORATION
OF
B-K ELECTRIC COOPERATIVE, INC.

Approved
6/2/41
[Signature]

KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned, being natural persons of the age of twenty-one years or more and citizens and residents of the State of Texas, for the purpose of forming a corporation under the "Electric Cooperative Corporation Act" (hereinafter called the "Act"), of the State of Texas, do hereby adopt the following Articles of Incorporation:

ARTICLE I

The name of the Corporation is B-K Electric Cooperative, Inc.

ARTICLE II

The purpose for which the Corporation is formed is to engage in rural electrification by any one or more of the following methods:

- (1) The furnishing of electric energy to persons in rural areas who are not receiving central station service;
- (2) assisting in the wiring of the premises of persons in rural areas or the acquisition, supply or installation of electrical or plumbing equipment therein;
- (3) the furnishing of electric energy, wiring facilities, electrical or plumbing equipment or services to any other corporation organized under the Act or to the members thereof.

In order to carry out the above purpose the Corporation shall have all powers and be entitled to exercise all the rights of a corporation organized under the Act.

ARTICLE LII

The names and addresses of the incorporators who shall serve as directors and manage the affairs of the Corporation until its first annual meeting of the members or until their successors shall have been elected and qualified are:

<u>Name</u>	<u>Address</u>
Harry Portwood	Bomarton, Texas
Jack Idol	Benjamin, Texas
O.L. Patterson	Benjamin, Texas
E.R. Lowe	Weinert, Texas
Charles T. Porter	Seymour, Texas
T.W. Farr	Seymour, Texas, Rt. 3
J.V. Kisinger	Seymour, Texas, Rt. 3

ARTICLE IV

The number of directors to be elected at the annual meetings of the members is seven.

ARTICLE V

The address of the principal office of the Corporation is Seymour, Texas. The name and address of the agent of the Corporation upon whom process may be served is Harry Portwood, President, Bomarton, Texas.

ARTICLE VI

The period of duration of the Corporation is perpetual.

ARTICLE VII

The determination of the terms and conditions upon which persons shall be admitted to membership and retain membership in the Corporation is reserved to the directors and shall be provided for in the bylaws.

IN WITNESS WHEREOF the incorporators have hereunto signed their names this 30 day of May, 1941.

Harry Portwood
Jack Idol
O.L. Patterson
E.R. Lowe
Charles T. Porter
T.W. Farr
J.V. Kisinger

STATE OF TEXAS,))
))
COUNTY OF BAYLOR.))

BEFORE ME, the undersigned authority, on this day personally appeared Harry Portwood, Jack Idol, O.L. Patterson, E.R. Lowe, Charles T. Porter, T.W. Farr and J.V. Kisinger

known, to me to be the persons whose names are subscribed to the foregoing instrument, and each severally acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 30 day of May, A.D.1941.



Robert Lanington

Notary Public in and for
Baylor County, Texas



The State of Texas
Secretary of State

WM. J. LAWSON

I, ~~M. O. FLOWERS~~, Secretary of State, of the State of Texas, do hereby certify that the fore-

going is a true and correct copy of the charter of

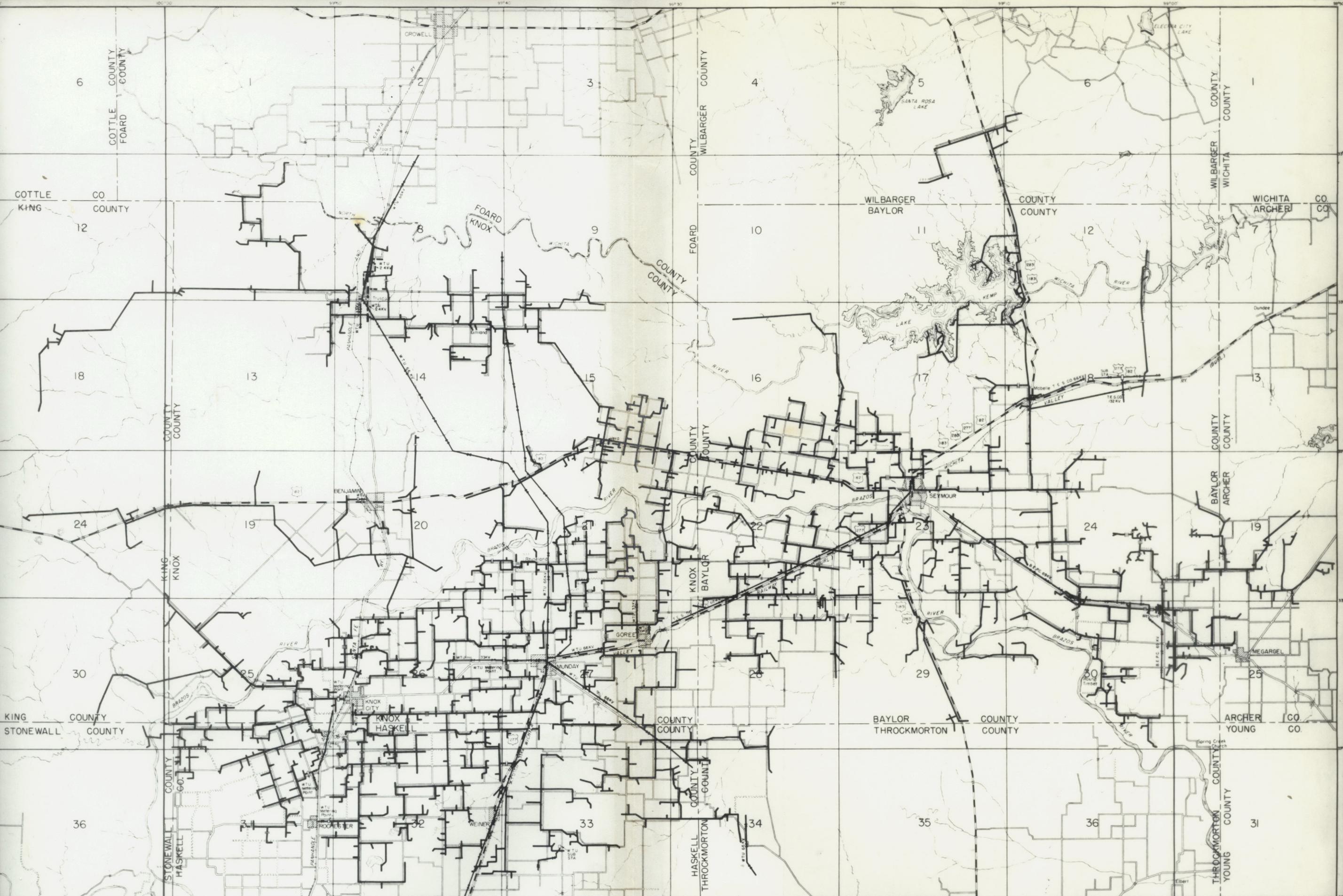
B-K ELECTRIC COOPERATIVE, INC.

with the endorsement thereon, as the same now appears of record in this Department.

In Testimony Whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in the City of Austin, this 2nd day of June, _____ A. D. 1941.



Wm J Lawson
Secretary of State.



COMPILED FROM GENERAL HIGHWAY MAPS, TEXAS STATE HIGHWAY DEPT



B-K ELECTRIC COOPERATIVE INC.
 SEYMOUR, TEXAS
 TEXAS 123 BAYLOR

DATE	REVISIONS

KEY MAP			
RURAL ELECTRIFICATION ADMINISTRATION			
STATE	KEY	DETAIL	TOWN
TEX.	18-19-20		

JOE E WARD, CONSULTING ENGINEER
 WICHITA FALLS, TEXAS
 OWN BY JO CKD BY APPO BY DATE ENGRS FILE NO

BIBLIOGRAPHY

BOOKS

- Ayres, C. E., The Theory of Economic Progress, Chapel Hill, North Carolina, University of North Carolina Press, 1944.
- Carlson, Paul; Forkner, H. L.; Prickett, A. L.; 20th Century Bookkeeping and Accounting, Cincinnati, Southwestern Publishing Company, 1947.
- Childs, Marquis, The Farmer Takes A Hand, Garden City, New York, Doubleday and Company, Inc., 1952.
- Schaenzer, J. R., Rural Electrification, Milwaukee, Bruce Publishing Company, 1948.

Articles

- Cochran, Clay, "Everybody's Against Sin...But Not Subsidies," Rural Electrification Magazine, Thirteenth Year, Number 8, (May 1955), 24-28; 44-46.
- Cochran, Clay, "The Case for a Capital Budget," Rural Electrification Magazine, Thirteenth Year, Number 1, (October, 1954), 30; 52.
- Ellis, Clyde T., "A Hard Winter," Rural Electrification Magazine, Thirteenth Year, Number 1, (October, 1954), 3-4.
- Ellis, Clyde T., "Halleliah...REA!", Rural Electrification Magazine, Thirteenth Year, Number 8, (May, 1955) 3-4.
- Ellis, Clyde T., "Hoover Report Witches' Brew Still Boiling," Rural Electrification Magazine, Thirteenth Year, Number 10, (July, 1955) 3-5.
- "Interview with Walter von Tresckow," Rural Electrification Magazine, Thirteenth Year, Number 10 (July, 1955) 18-20.

Public Documents

United States Department of Agriculture, Rural Electrification Administration, Electricity Comes to Rural America, Washington, Government Printing Office, 1950.

U. S. Congress, Senate Document No. 42, Washington, Government Printing Office, 1955.

U. S. Congress, Rural Electrification Act of 1936, Washington, Government Printing Office, 1954.

U. S. Department of Agriculture, Rural Electrification Administration, Rural Lines, Washington, Government Printing Office, 1955.

Minutes of City Council, Seymour, Texas, 1938.

Minutes of City Council, Seymour, Texas, 1941.

Commission on Organization of the Executive Branch of the Government, Task Force Report on Water Resources and Power, vols. I, II, III, Washington, Government Printing Office, 1955.

Reports

Federal Reserve Bulletin, Vol. 46, No. 6., Washington, Board of Governors of the Federal Reserve System, June, 1955.

Directory of Texas Rural Electric Cooperatives, Austin, Texas, Texas Electric Cooperative Association, Inc., 1955.

NRECA Facts, Washington, National Rural Electric Cooperative Association, 1955.

Newspapers

Wichita Falls Record News, July 12, 1955.