

### RATE DISCOURSE CONFUSES TVA QUIZ COMMITTEE

#### Lilienthal's Explanation Fails to Explain.

BY ARTHUR EVANS.  
[Chicago Tribune Press Service.]  
Knoxville, Tenn., July 23.—[Special.]—The congressional investigation into the Tennessee Valley authority today recessed until Monday with members of the committee still confused about the methods used by the TVA to determine its rates for electricity.

Director David Lilienthal completed an exhaustive historical review of what caused the delay in allocating the costs of Wilson, Wheeler, and Norris dams among power, navigation, and flood control, a basic element in finding the cost of kilowatts sold by the TVA.

Taking up rates promulgated in 1933, which Dr. Arthur Morgan has charged were guesswork and the basis of a false yardstick to measure fair prices by private utilities, Director Lilienthal read a letter he wrote Jan. 18, 1938. This letter, to Senator Charles L. McNary (R., Ore.), explained the basis on which TVA electricity rates were based five years ago.

Confused, Says Frazier.  
Senator Lynn J. Frazier (R., N. D.) interjected himself into today's questioning.

"We're all confused," said Senator Frazier in tones of wearied exasperation. "The public is confused. You have not explained rate making by the TVA. It takes much more than a historical review of troubles on the board to explain the 1933 rates, and as yet we have no answer whether the rates were justified."

"A letter written in 1938 is not a sufficient explanation of rates set up in 1933."  
The committee recessed when the noon whistle blew, leaving rate making the yardstick, and the precise method of allocating costs still up in the air. Mr. Lilienthal will take up the subject again Monday.

Fuzzled Over Records.  
Earlier in the hearing Representative Charles A. Wolpert (R., N. J.) propounded a question, saying he was puzzled because of the scant rate records in 1933.

"It seems to me a matter of such importance as fixing rates for long term contracts should be in a report to the board," he said. "It seems strange it was not presented in written form for action by the board."

"It would have been better," replied Lilienthal, "but there were great pressures and difficulties at that stage—we were organizing the staff and planning the work."

"Dr. Arthur Morgan testified that the first he knew of the 1933 rates was in a story he read in the newspapers," said Senator Frazier. "He said he had no information as to what basis the rates were on, and he signed the minutes of the board."

Denies Secret Conclave.  
"It is distinctly not so that they were arrived at in secret conclave," answered Lilienthal.

In explanation of the basis on which the TVA rates were fixed, Mr. Lilienthal read his letter to Senator McNary.

"On wholesale rates," Lilienthal read from the letter, "you will recall that the TVA sells power only at wholesale to agencies designated in the statute—municipalities, rural associations, and corporations. It also sells to a few industries."

"These wholesale rates were determined in September, 1933, when the authority took custody of Wilson dam. In fixing wholesale rates, the

#### Thriller Star III



PEARL WHITE.

PARIS, July 23.—[AP.]—Pearl White, heroine of a thousand breathtaking adventures in the mystery serials of the silent movie days, was reported to be in grave condition tonight in the American hospital, where she is being treated for a liver ailment. Miss White, a one-time bareback rider who thrilled millions with "The Exploits of Elaine," "The Perils of Pauline," and a dozen serial pictures which followed, is 49 years old.

following elements of cost were included:

"Operating expenses—the cost of operating Wilson dam under the army's custody was taken as a proper figure to use for future estimates.

Interest at 3 1/2 Per Cent.  
"Interest was included at 3 1/2 per cent, this being the rate of interest provided for in the bonds which the TVA was authorized to issue. This per cent was conservative, and probably too high, inasmuch as the government's actual cost of money is less than 3 1/2 per cent.

Taxes were included as follows: 5 per cent of estimated gross revenues for the output of the plant. To this was added 7 1/2 per cent of gross revenues, making a total of 12 1/2 per cent of gross revenues as a tax charge in the wholesale cost of power.

"Depreciation was computed on the basis of the best available engineering data as to the life of property and was intended to provide a sufficient sum to retire and replace depreciable property at the end of its estimated useful life.

"The capital base, or what might be called the rate base, was determined in the following manner: An estimate was made by men of practical experience and based upon the best available data as to what a prudent business man would pay for the Wilson dam property as a going concern for the production of electricity.

Kilowatt Costs Estimated.  
"This was reached on the basis of estimates of the cost per kilowatt of installed capacity and was checked against a figure of capitalized revenues derived from the operations. "The results obtained by using this 'business man's price' were checked against an appraisal of the property at Wilson dam.

"This appraisal figure then was allocated on a tentative basis. First, the appraised value of the navigation locks was charged entirely to navigation; the power house and plant were charged entirely to power; the portion of the structure remaining, substantially the spillway section lying between the navigation locks and the power house, was divided 50 per cent power and 50 per cent to other purposes. This 50 per cent figure was arbitrary.

"Subsequently a detailed appraisal by a staff of five consulting valuation engineers re-appraised Wilson dam. Their appraisal, reached independently, has been presented in a detailed report to the congress, which the President has approved. They reached a figure which is almost the same as the original tentative appraisal figure.

"After Norris dam was completed computations were made to see how the rate base worked out with the addition of Norris dam to Wilson."

### MILWAUKEE WINS CUT IN SEWAGE DISPOSAL AWARD

#### Action May Help Chicago Reduce Judgment.

Milwaukee yesterday settled a \$4,977,000 judgment for \$818,000, ending a long court fight over patents on sewage disposal. This gave hope to officials of the Chicago Sanitary district which is faced with a bill for about \$7,500,000 in a similar case.

Activated Sludge, Inc., of Chicago, holds patents on a process of purifying sewage. A year ago the company was awarded \$4,977,000 against the city of Milwaukee, its sewage commission, and ten contractors who built an extension to the city's sewage disposal plant.

Yesterday the United States Circuit

Court of Appeals here entered orders which carry out an agreement reached by attorneys for both sides. In the company's case against the Milwaukee sewage commission, the court ordered Federal Judge Ferdinand A. Geiger of Milwaukee to enter a new decree for \$818,000. Two companion cases, against the city of Milwaukee and the contractors, were dismissed.

The appeals court also ordered that \$303,769 which had been deposited with the court clerk be returned to the sewage commission. This money, received from the sale of fertilizer produced at the Jones Island sewage treatment plant, was being held by the court to help pay the final award to the company.

Attorneys went directly from the Chicago court to Milwaukee yesterday to have Judge Geiger sign the orders—a formality.

Award Largest in State.  
When the \$4,977,000 judgment was entered against Milwaukee—the largest award in the history of Wisconsin courts—the case was appealed on grounds of error. Rather than have the case drag on for an indefinite period, attorneys agreed upon a settlement which the city is able to pay.

Judges Will M. Sparks and Walter E. Treanor of the appeals court here quickly ratified the agreement. Patent infringement suits against Milwaukee, Chicago, and 150 other cities were started in 1924. The Chicago case is now back in the Federal District court, where an accounting is to be reached as to the exact amount of damages to be paid. The amount, however, has been estimated at \$7,500,000. The United States Supreme court refused to review a decision of the Appeals court in favor of the company.

How Process Works.  
Briefly, the process patented by the company consists of purifying sewage by rapid oxidation. The sewage is kept in movement so that air in the water makes it possible for certain bacteria to convert putrid matter into wholesome compounds.

Milwaukee began use of the process in 1915. The Chicago Sanitary district has used the method since 1922 and the \$120,000,000 sewage disposal program ordered by the United States Supreme court could not be carried out without the process. The patents expired in 1935.

#### World War Balloon Men of Chicago Meet Tuesday

Chicago Balloon Bed No. 5, whose members were world war balloon crew men, will hold its monthly meeting in the Great Northern hotel at 7 p. m. Tuesday. S. R. Rothschild, commander, invites all former army balloon men of the Chicago district.

### GOES TO PRISON FOR OLD HOLDUP AFTER U. S. TERM

Louis Stanek, alias Rudolph Cerney, who led an escape of six prisoners from the county jail in 1929, was in the Joliet penitentiary yesterday beginning a one year to life sentence for a robbery committed nearly ten years ago.

Stanek escaped while awaiting trial for a \$324 pay roll robbery in September, 1929. While police searched for him, he robbed a post station in Oak Park. When arrested several weeks later and tried on the pay roll robbery charge he received the one year to life sentence. Before starting the term, however, he was turned over to federal authorities and sent to Leavenworth penitentiary for the postoffice holdup.

Upon Stanek's release from the federal prison last March, Chief Deputy Bailiff Edward Scholler met him to take him back to Illinois. Various legal attempts to avoid serving the term were fruitless and Stanek was brought back to Chicago Friday night.

DIES OF HEART ATTACK IN HOME.  
John Cash, 45 years old, 1810 North Lincoln avenue, a machinist and world war veteran, died of a heart attack in his home yesterday.

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