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The History and Administration of the Raton Municipal Light Plant

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RATON MUNICIPAL LIGHT PLANT

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THE HISTORY AND ADMINISTRATION OF THE RATON MUNICIPAL LIGHT PLANT

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CHAPTER I

THE PROBLEM

For the past several years interest in municipally owned light and power plants has been increasing. There is a difference of opinion regarding the merits of municipal ownership and private ownership of public utilities. Up to January, 1940, there had been no studies made concerning this question in New Mexico.

I. THE PROBLEM

Statement of the problem. It was the purpose of this study (1) to present the history and background of one municipally owned light plant, the Raton Public Service Company plant in Raton, New Mexico; (2) to present the manner of administration and organization of this municipally owned plant; (3) to compare the electric rates charged by some publicly and privately owned light plants in New Mexico, and (4) to draw any conclusions to which the results of this study and comparison pointed.

Importance of the study. There were in New Mexico on January 1, 1939, only two municipally owned light plants[1]--

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[1] Tucumcari purchased its light plant in January, 1939, and Gallup did so in November, 1939.

the plant considered in this study and another much smaller plant at Clayton. There were in the state dozens of privately owned light and power companies. In view of the importance of electric power and light to the people of New Mexico, and in view of the conflicting claims made by the proponents of the two types of ownership, a study of the situation was important. The study was especially interesting since Raton had the lowest electric rates in New Mexico.

II. ORGANIZATION OF REMAINDER OF THE THESIS

The remainder of the thesis is presented in the following order: Chapter II presents the history of the Raton municipal light plant from its inception in 1919 to the last audit of the plant made for the fiscal year ending June 30, 1939; Chapter III describes in detail the organization and administration of the Raton plant; and Chapter IV presents comparisons between the two municipally owned and various privately owned plants throughout New Mexico, sums up the findings of the study, and presents the conclusions drawn from these findings.

III. SOURCES OF DATA

Up to January, 1940, there had been no studies or compilations of data made concerning the Raton Public Service Company. The material presented in this thesis was obtained

from the files of the two daily newspapers published in Raton, from the files and records of the Raton Public Service Company, and from interviews in the field. The material concerning private utilities in New Mexico was obtained from the following publications of the Federal Power Commission: "Electric Power Statistics, 1938," "Typical Net Monthly Bills For Electric Service, New Mexico, January 1, 1939," and "Rates, Taxes, And Consumer Savings, Publicly And Privately Owned Electric Utilities, 1935--1937."

CHAPTER II

HISTORY OF THE RATON PUBLIC SERVICE COMPANY

I. EARLY HISTORY

Origin of the Raton Public Service Company. The work and planning which resulted in a municipally owned light plant for the city of Raton can be traced directly to one man--J.J. Shuler. Shuler was one of the first residents of the village of Raton, and served as mayor of the town from 1899 to 1902 and again from 1910 until his death in 1918. J.J.Shuler was in favor of municipal ownership of public utilities many years in advance of public sentiment in that direction. However, he was elected mayor of Raton in 1910 on a ticket which promised to build a $400,000 municipally owned water system.[2] This water system was constructed and thereafter it was Shuler's ambition to have the city also own the light and power plant.

Mayor Shuler, after the completion of the public water system, worked quietly for years in an effort to bring about municipal ownership of the electric plant. Various members of the city council and a few of the citizens of the town

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[2] Jay T. Conway, "A Brief Community History of Raton, New Mexico (1880-1930)," Colfax County [New Mexico] Pioneers Association, (Raton, New Mexico: Gazette Print, 1930), p. 10.

aided him. This work was done quietly because of fear of organized opposition to their plans by men who opposed public ownership.

It was not until March 7, 1919, that the local newspapers printed anything concerning the plans for public ownership of the electric plant. On that date one of the papers published the minutes of a city council meeting held February 27, 1919. This meeting was called for the specific purpose of considering purchase by the city of the light plant then privately owned. The Raton Electric Light and Power Company, the private corporation which was furnishing electric power for Raton at the time, was represented at the council meeting by George J. Pace, the president of the company.[3]

It was evident that J.J.Shuler and his associates had already completed much of their preliminary work. At this first official meeting of the council to consider the question of the light plant purchase, George J. Pace gave the council a prepared letter which in substance stated that the Raton Electric Light and Power Company would sell its complete property to the city of Raton for the sum of $60,000. This offer was made in the form of an option to the city,

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[3] Raton [New Mexico] Reporter, March 7, 1919.

such option to be exercised on or before May 1, 1920.[4]

At the same meeting a motion was made and adopted that the city council take the necessary steps to avail itself of the offer of the Raton Electric Light and Power Company as soon as possible. There were no dissenting votes on the resolution.[5]

Neither of the local newspapers made any sort of comment regarding this action taken by the city council. In fact, nothing more was published concerning the light plant purchase until nearly six weeks had passed.

It may appear odd that the Raton Electric Light and Power Company was willing to sell its property at such a low price at a time when Raton was just beginning to grow into a city of some size. Perhaps an explanation is found in a statement made by W.H.Boan. Boan was a member of the city council when the motion to buy the light plant was adopted. He also served a number of years before and after this date as a member of the council. Boan stated that the plant of the private company was badly in need of repair at the time, and was not worth a great deal. However, perhaps the main reason behind the company's willingness to sell lay in the fact that Mayor Shuler and his council had threatened to

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[4] Ibid., March 7, 1919.
[5] Ibid., March 7, 1919.

build a new plant and drive the private corporation out of business, unless the council's terms were met.[6]

In order to take up the option and carry out the purchase of the light plant the city council incorporated itself under the name of the Raton Public Service Company. The council, on April 22, 1919, filed a Certificate of Incorporation with the New Mexico State Corporation Commission.

Under these articles of incorporation, the Raton Public Service Company was made a full-fledged corporation with all the duties and rights appertaining thereto. In the articles of incorporation it was stated that the main office of the company would be located in Raton. The objectives for which the corporation was formed were (1) to generate and sell electricity for all purposes; (2) to hold and lease any and all property necessary and proper for conducting the business of generating and selling electricity; and (3) to conduct its financial affairs in accordance with the corporation laws of New Mexico.[7]

At a meeting of the city council on April 29, 1919, Raton City Ordinance No. 226 was adopted and approved. This ordinance granted the Raton Public Service Company the right,

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[6] Personal interview by the investigator, December 28, 1939.

[7] "Certificate of Incorporation of The Raton Public Service Company," Raton [New Mexico] Reporter, May 2, 1919.

privilege and franchise to erect and operate an electric light and power plant to furnish light and power to the city of Raton, and its inhabitants.[8]

The publication of these articles of incorporation caused no comment by the local newspapers, either editorially or as news.

On May 30, 1919, the city council held a meeting to discuss the actual purchase of the light plant, but no discussion was carried on because of the fact, as stated in one of the newspapers, that arrangements for the purchase were not sufficiently advanced.[9]

However, another meeting was called only four days later, on July 4, 1919, at which all the members of the council were present and at which J. Van Houten represented the Raton Electric Light and Power Company. After some preliminary discussion the amount of $60,000 in cash was paid to Van Houten by Mayor Shuler, the deed to the private plant was turned over to the city, and the deal was closed.[10]

The $60,000 which was paid to the private company was secured by issuing obligatory bonds in the aggregate amount of $75,000. These bonds were known as the Raton Public Serv-

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8 Ibid., May 2, 1919.
9 Raton [New Mexico] Daily Range, July 1, 1919.
10 Raton [New Mexico] Reporter, May 2, 1919.

vice Company First Mortgage Seven Per Cent Gold Bonds, bearing the date of May 1, 1919. To secure the payment of these bonds the Raton Public Service Company executed and delivered its mortgage and deed of trust to the National Bank of New Mexico, Raton, New Mexico.[11]

In discussing the purchase of the light plant by the Raton Public Service Company, one of the local papers stated editorially:

> In this manner the City of Raton and its people became the owners and operators of their own electric light and power company without paying for it--other than payment of fair rates for lighting, heating, domestic and power purposes, which would be the case if either private or public ownership prevailed.[12]

Shortly after the purchase of the plant the Public Service Company Board hired Morgan McGhee as superintendent-manager of the municipal plant. McGhee took the position July 23, 1919.[13] Soon afterward McGhee began work on the installation of a "white way" for the city streets of Raton.[14]

In accordance with the stated plans of the Raton Public Service Company, the new municipal ownership group lost no time in reducing the light rates. With the August statements, one month after buying the plant, the company sent out notices

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11 Ibid., May 2, 1919.
12 Ibid., May 2, 1919.
13 Ibid., July 24, 1919.
14 Raton [New Mexico] Daily Range, August 1, 1919.

to the effect that all rates would be reduced ten per cent effective August 1.[15]

The new plant. Under efficient management the light plant worked smoothly for the following six years. Repairs and a few small additions were made at various times, but nothing of importance was done to the plant or its appurtances.

By 1926, however, it was deemed feasable by the management of the plant and by the city council of Raton to construct a new plant. A new plant was considered necessary because of the fact that the old one was antiquated and greatly overloaded by new increases in demands for electric power. By 1926 the capacity of the plant was 350 kilowatts. Nevertheless, at times there was as much as a thirty-five per cent overload on the plant, which was twenty-five per cent greater than experts considered sound. A new plant would also make it possible to generate electricity at a lower cost and therefore make further reductions in rates to the consumers feasible.[16]

By this time, approximately seven years after the purchase of the plant, it had paid for itself and the light company had a balance of $33,000 in its treasury. During this

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[15] Ibid., August 1, 1919.
[16] Raton New Mexico Reporter, March 19, 1926.

period electric rates had been reduced from fourteen cents per kwh to eleven cents per kwh.[17]

In view of these advances and because of the need of new repairs and equipment in the old plant, an ordinance was passed by the city council which provided for the construction of a new plant. The ordinance granting the Public Service Company the authority to construct a new plant, Raton City Ordinance No. 279, was adopted March 16, 1926.[18]

One of the local newspapers stated that some objections to a new plant were made by a few taxpayers of the city. These citizens held that the old light plant was adequate, and they also objected to the new franchise issued to the light company in Ordinance No. 279, on the grounds of its legality. These citizens declared that under the new franchise the Public Service Board was not made responsible to the city of Raton or its citizens. It was pointed out in rebuttal that the city, under the rules of the new franchise, would have two councilmen on the board of management of the light plant, which would make the management of the plant accountable to the city.[19]

A city election was held in April immediately follow-

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[17] Raton [New Mexico] Daily Range, December 29, 1927.
[18] Ibid., July 20, 1926.
[19] Editorial in Raton [New Mexico] Reporter, March 30, 1926.

ing the adoption of the new light plant ordinance, and the two parties seeking election made the ordinance the basis of their political campaigns. One party held that the Raton Public Service Company had an illegal "monopoly" on the production of electric power. This party also argued that the light plant should be placed under the direct control and management of the city council and that the Public Service Company should be dissolved. The opposing political party held that the Public Service Company, as then organized, was merely an arm of the city government and therefore in reality the light plant belonged to the people of the city and was actually under the control of the city council.[20] The latter party won the election by a substantial number of votes.

Apparently the majority of the people in Raton were in favor of the new franchise and desired the construction of a new light plant, because they saw the possibility of reduced rates and better service resulting from such action.

The construction of the new plant was started July 20, 1926.[21] The work was completed and the plant formally opened on February 22, 1927.[22] The new plant cost approximately $200,000, and at that time the distribution system was valued

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[20] Ibid., April 2, 1926.
[21] Raton Daily Range, July 20, 1926.
[22] Ibid., February 22, 1927.

at $50,000.[23] The money to pay for the new plant was obtained by selling $135,000 first mortgage six per cent bonds at ninety-four cents on the dollar. There was also an issue of second mortgage seven per cent bonds in the amount of $30,000.[24]

The fight for municipal ownership. After the completion of the new plant the affairs of the light company ran quietly for almost a year. In December, 1927, representatives of a large corporation under the title of the North Continent Utility Corporation of Chicago came to Raton and began advance work preparatory to purchasing the plant and franchise of the Public Service Company. At a meeting of the Raton City Council on December 13, 1927, this corporation offered the city $445,000 for the light plant and franchise. The council passed a resolution calling for a city election to be held January 9, 1928, for the purpose of deciding whether this offer should be accepted or rejected.[25]

On the same day that the Raton Daily Range published the news concerning the offer by the North Continent Utility Corporation, it stated editorially that the city should sell to the private company. The Range defended its editorial policy in the following manner:

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[23] Ibid., January 5, 1928.
[24] Ibid., January 3, 1928.
[25] Ibid., December 14, 1927.

First, the movement [sale of the light]plant would put the city out of the light and power business following the trend which is growing among modern utilities and government agencies of the United States.

Second, the move would bring to Raton a new and large company, adequately financed and efficiently managed, proposing to make new and large expenditures in this city.

Third, at a single stroke of the pen the city would drop $445,000 of bonded indebtedness, thus nearly cutting in half its city tax burden, and placing it at a point as to finances which city officials had hoped by wise planning and management to reach 18 or 19 years in the future.

Fourth, it would make Raton a distributing center for electric power over a large field.

Fifth, through the reduction of taxation for city purposes and the addition to the city of another large taxpayer, the way is opened for carrying out without great hardship upon the people of an adequate school extension program to meet an insistent and growing need upon the community.[26]

From the date of the publication of the notice of the election to be held concerning the sale of the light plant, the newspapers were filled with statements pro and con concerning the question. The Range conducted an open forum and invited interested parties to send letters to the paper. The paper itself continually gave large headlines to the question and steadily urged the people of the city to vote for the sale of the light plant.

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[26] Ibid., December 14, 1927. (The ownership of the Raton Daily Range has changed hands frequently and the editorial policy has varied with the ownership.)

The Range again stated editorially:

> The sale of the light plant would save the city $17,414 annually. The effect of the sale of the city power and light company to the North Continent Utilities Company upon the taxpayers of Raton will be a reduction of $.0048 in the city tax rate.
>
> The present tax rate for city purposes is $.0108. If the sale of the power plant is approved by the taxpayers at the special election, January 9, the rate for city purposes will be $.0060.[27]

The attitude of the citizens of Raton toward the sale of the light plant was expressed in many letters to the papers. Quotations from one or two of the "average" letters will give the common opinion.

A common thought was expressed by E.V.Ludlum when he wrote; ". . . If this plant is worth $445,000 to a private corporation, should it not be worth more to us? . . ."[28]

In reference to a statement by the corporation that it would not raise the light rates if it became owner of the plant Ludlum replied:

> . . . . The rate for electricity is provided in the franchise and would be the same for a while until everything got settled. Then look out. They would do the same as any other privately owned public utility when they want to make more money. They would go before the commission and get a rate raise for the electric power without the public having anything to say.[29]

The Range, with the aid of the certified public accoun-

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27 Ibid., December 16, 1927.
28 Ibid., December 17, 1927.
29 Ibid., December 16, 1927.

tant who had audited the books of the Public Service Company for several years, prepared a list of computations with respect to the savings to the city which would result from the sale of the light plant. This list of figures was based on savings for a seventeen year period from 1928 to 1944. The totals of the computations, which were figured in great detail, were these:

Sinking fund savings (for the seventeen year period)	$295,000.00
Interest fund savings	1,306.25
Direct savings to taxpayers	$296,306.25
City water works interest savings	122,479.75
Total saved by the city	$418,785.00 [30]

In answer to the above argument a citizen of Raton, G.A. Smith, availed himself of the public forum in the paper to present this letter:

> . . . Our old plant was purchased for $65,000, paid for itself in seven years and had a balance of $35,000 left in treasury besides reducing rates from 12 1-2 cents per K.W.h. to 11 cents per K.W.h. I am reliable informed that the new plant should pay for itself in eight (8) years and should be able to show a net profit of at least $25,000 in the ninth year. That is figured at the present power demand and to the normal increase that can naturally be expected.[31]

The contracting firm of Wood and Weber, Inc. of Denver, Colorado, which had built the new light plant in Raton, became very interested in the proposed sale of the plant to a private company. In a letter to the Raton Public Service Company,

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30 Ibid., December 17, 1927.
31 Ibid., December 29, 1927.

Franklin P. Wood, of the firm of Wood and Weber, analyzed the situation in this way:

> The Electric Department [of the Raton Public Service Company] will earn about $30,000 in 1927; in 1928 with efficient and proper operation, it should earn about $34,000. Let it be further assumed that, in order to keep the department in good shape, the city appropriates by tax levy $15,000 per year for the next five years, for general amortization of bonds. This $20,000 and $34,000 and $15,000, or a total of $69,000, would be available for paying the interest on the bonds and retiring them. There is no question but that the net of the Electric Department can be increased each year, but we have assumed an increase of only $1,000 per year after 1928. . . . Now, if we carry this through for a ten-year period (assuming only $1,000 per year increase in net in the Electric Department), the table shows that all of the general obligation and all of the electric bonds will have been retired and over $85,000 put back into the property in the way of improvements.[32]

The two opposing parties presented various arguments and figures to support their viewpoints. As the election date drew near each faction held meetings and rallies almost every evening. The representatives of the North Continent Utility Corporation brought speakers from Denver, Colorado, and from various other cities to point out to Raton citizens the wisdom of selling to the private company. A number of the most

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[32] Ibid., January 5, 1928. (In connection with these figures it is interesting to note that after twelve years had passed the municipal light plant had given the city of Raton more than $200,000 in actual cash and free services, besides which the city still owned the light plant which was valued at $445,000.)

influential citizens in Raton spoke at rallies favoring the sale of the plant. The private corporation made a final plea in a dramatic full-page advertisement in the newspapers. The corporation summed up its arguments as follows:

> The North Continent Utilities Corporation has offered to pay you [the people of Raton] $445,000 for the Electrical Plant that is valued at about $260,000. Is it good business to accept the offer? $445,000 will put your city out of debt. You will immediately be relieved of bond interest in the amount of $23,320 per year. Corporate taxes payable directly to your city will amount to about $1250 more. This is equivalent to a net income of $24,570 per year. The net income from your Light Plant last year was only $14,959. Think this over.[33]

The Raton Daily Range editorially summed up its arguments by repeating the statements made by the private corporation and adding that the sale of the light plant would bring new capital, new blood, new energy, and new taxable wealth into Raton. The newspaper also reiterated that the light consumers of the city could not possibly be charged higher rates in the future than they were paying at the time of the election, because the franchise with the utilities corporation was a binding contract which the state corporation commission had no power to change.[34]

The election was held January 9, 1928, and the results were extremely conclusive. The vote against the sale of the light plant was heavy in each of the five wards in the city.

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[33] Ibid., January 4, 1928.
[34] Ibid., January 6, 1928.

The total vote was: for light plant sale--130; against light plant sale--1285.[35]

In April, 1928, three months after the light plant sale election, a regular city election was held in Raton. The election was won by a substantial majority by the "Citizen's Ticket". Among the pledges in the platform of this ticket were these: "We are against the sale of the light plant . . . We believe in a municipal institution owned by its citizens in fact, and not in name only."[36] The ticket opposing the victorious party was at least passively against municipal ownership.

This was the last election in Raton in which the question of municipal ownership played any appreciable part. In each election in which it did play a part the voters definitely and conclusively demonstrated that they favored municipal ownership.

II. THE LAST TEN YEARS

After April, 1928, the Raton light plant became a relatively unimportant factor as far as politics was concerned. The voters of Raton had many times demonstrated that

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35 Ibid., January 10, 1928.
36 Ibid., April 4, 1928.

they wanted the plant to remain under the municipal plan. Politicians were at last convinced that it was useless to fight municipal ownership in Raton.

However, politics brought about some indirect results. As a result of the political enmities aroused during the elections of 1927 and 1928 concerning the light plant, M.M. McGhee, who had been manager of the plant since the city purchased it in 1919, was forced to resign on April 10, 1928.[37]

Guy M. Palmes was appointed as the new city manager on May 16, 1928.[38] Under his management the light plant worked smoothly, and business pertaining to electric power in the city was carried on very successfully.

During the following seven years electric rates were reduced as rapidly as possible and by 1935 Raton was able to announce that it had the lowest rate schedule in New Mexico. Figures showing this were released in June, 1935, by the Federal Power Commission. A Raton newspaper proudly announced:

> The report [of the Federal Power Commission] was made in three sections: for communities of 5,000 to 25,000 population, communities of 2,500 to 5,000 population, and communities of 1,000 to 2,500.
>
> In the first section, of which Raton is a part, the [Raton] municipal plant furnishes the lowest rates in all classes. Twenty five kilowatt hours costs $2.48, while the same amount in Santa Fe amounts to $3.00, a

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[37] Ibid., April 10, 1928.
[38] Ibid., May 16, 1928.

difference of 21 per cent. One hundred K W H in Raton is $4.50 and in Gallup is 44.4 per cent higher with a charge of $6.50.[39]

On August 1, 1935, T.R.Kirby was appointed as third manager of the light plant, replacing Guy H. Palmes, who resigned after a very successful career in Raton, to accept a position as city manager of Fort Collins, Colorado.[40]

Under new management the light plant continued to work smoothly. In November, 1935, a lower residential rate was put into effect. This reduction in rates saved the residential consumers of Raton $8,600 during its first twelve months in operation. Largely as a result of the lowered rates, consumers of electric power began installing more electrical appliances in their homes, and Kwh production at the light plant increased twenty-three per cent over the figures of the preceding year. Because of the installation of new appliances and increased use of those already owned, the production curve at the plant steadily rose from 1936 to 1940.

Another rate reduction was put into effect on July 1, 1936, which saved the commercial user of electric power $4,200 yearly.

By 1937, the use of electric power in Raton had increased, principally due to the lowering of rates, until there was

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39 Ibid., June 19, 1935. (These figures were based on a two-meter rate system.)
40 Ibid., July 9, 1935.

a need for additional steam capacity in the plant. An extension was added to the plant building and a new boiler was installed at a cost of $70,000, which was paid out of savings that the plant had earned. It was expected that during 1940 a new turbine would be required which would cost approximately $80,000, which was to be paid out of a replacement account which had sufficient funds.[41]

On August 1, 1939, another general rate reduction became effective which reduced the light bills of Raton consumers $6,800 annually. The three rate reductions beginning in 1935, saved Raton consumers $19,600 by 1940.[42]

In 1939 the light plant was valued at $445,697. Revenue for the year ending June 30, 1939, totaled $143,877. The net operation income of the plant for the year was $63,972. Under an arrangement with the city, a cash appropriation of $19,350 was given outright to the city, and services, such as street lights, lights for public buildings, and care of the municipal swimming pool, all worth $15,249, were rendered free of charge to the city. This was a total of $34,599 given to the city by the light company in 1939. In that year the plant generated 3,788,700 kwh of electricity.[43]

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[41] Kirby, T.R., "Lowest Electric Rates in New Mexico," The American City, 54:49, December, 1939, p.49.
[42] Loc. cit.
[43] Loc. cit.

CHAPTER III

ORGANIZATION AND ADMINISTRATION OF THE RATON MUNICIPAL LIGHT PLANT

The Raton Public Service Company is organized and operated in an unusual manner. This unusualness is brought about by two factors: (1) the company is operated as a corporation; and (2) the controlling board of directors of the light plant is uniquely organized for the purpose of keeping the plant out of politics. This uniqueness of organization and administration made an interesting study.

The articles of incorporation. When J.J.Shuler and his associates decided to purchase the privately owned electric light plant for the City of Raton, they deemed it most satisfactory to form a corporation to be known as the Raton Public Service Company. This corporation was duly organized according to the regulations of the New Mexico State Corporation Commission, and the articles of incorporation for the new company were filed April 22, 1919.[44]

Among the more general objectives mentioned in the articles of incorporation as reasons for the formation of the

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44 "Articles of Incorporation of the Raton Public Service Company," Raton [New Mexico] Reporter, May 2, 1919.

company were the following: (1) to generate, produce, transmit, distribute, sell or utilize electricity for lighting, heating, power, manufacturing or other purposes; (2) to construct or purchase any and all necessary equipment for carrying out the production and sale of electric current; (3) to take, hold, lease, mortgage and convey any real property necessary to carrying out the above plans; and (4) especially desired were the rights and privileges of carrying on the business of the light plant in the manner of a full-fledged corporation, including the right to sell stocks and bonds and borrow money.[45]

The amount of the total authorized capital stock of the corporation was $100,000, divided into one thousand shares with a par value of one hundred dollars each. This stock was full-paid and non-assessable. The company was incorporated for a period of fifty years, and was to be controlled and directed by a board of five members of which two were to be from the Board of Public Works of the City of Raton,[46] and two

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[45] Ibid., May 3, 1919.

[46] The Board of Public Works consisted of four members, electors of the city of Raton, appointed by the mayor for four year terms. This board had charge of all public utilities in Raton and was especially charged with assessing rates for consumers of gas, water, and electricity. Ordinance No. 212, adopted February 28, 1916, Revised Ordinances of the City of Raton, New Mexico, (Raton, New Mexico: Raton Publishing Company, 1927), p.52.

from the city council of Raton. The fifth member was to be the mayor of Raton. At the first meeting of this board William Arkell was elected president; Thomas Shaw, vice-president; S.A.Wiseman, treasurer; Perry Turner, secretary and J.J.Shuler, manager and trustee for the stockholders. It was the duty of the trustee to hold in trust all qualifying shares of stock of the light company--none other being issued. The directors received no salaries of any sort. The board of directors was empowered to make such by-laws as it deemed necessary and prudential in the management of the affairs of the company.[47]

Ordinance No. 226. The authority to maintain and operate the municipal light plant was granted to the Raton Public Service Company by Raton City Ordinance No. 226, approved April 29, 1919. The authority for the following actions was that ordinance.

To obtain the money to purchase the private light plant, the directors of the Raton Public Service Company sold $75,000 worth of bonds, known as the Raton Public Service Company First Mortgage Seven Per Cent Gold Bonds, bearing the date of May 1, 1919. These bonds were redeemable at the option of the light company at any semi-annual interest paying date

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[47] Raton [New Mexico] Reporter, July 8, 1919.

and were absolutely due and payable on May 1, 1929. They bore interest at the rate of seven per cent per annum, payable semi-annually on November 1 and May 1 each year. Both principal and interest were payable at the National Bank of New Mexico in Raton. To secure the payment of these bonds the light company gave a mortgage covering all of its property to the National Bank of New Mexico in Raton. The bonding house of Sweet, Causey, Foster and Company of Denver, Colorado, handled the bond issue.[48]

The city council of Raton granted a twenty-year franchise to the Public Service Company. This franchise covered the rights and privileges of doing anything proper and necessary in carrying out the furnishing of electric power to the city of Raton. The city granted the light company free use of the alleys, streets, avenues and other public places for light poles, conduits and other necessary transmission equipment. However, the city council retained certain powers. For instance, charges to be made for electricity were to be fixed by the city council.

The prices to be charged for electric power were set by the council as follows:

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[48] Ibid., July 9, 1919.

(a) Street lighting . . . . . .$400.00 per month.
(b) Residence lighting. . . . . 12¢ per k.w.
(c) Lighting for buildings other than residences. . . . . 10¢ per k.w.
(d) Power purposes. . . . . 4½¢ per k.w.[49]

These charges, however, were to be in effect only if enough revenue was provided to the light company by them to discharge the company's bonds at maturity. If such revenue was not derived from the above charges the prices were to be raised sufficiently to provide money for the discharge of the bonds.

In accordance with Ordinance No. 226, the city council of Raton was to adopt all such ordinances, rules and regulations as were necessary for the protection of the light company in the conduct of its business, to the end that the business of the company could be continued without interruption. Uniform charges were to be made to all users of electric power. There was to be no discrimination in charges and the maximum rates fixed by the city council were not to be exceeded in any case.[50]

Other general and common regulations affecting electric power production and distribution within a city were incorporated into the ordinance which granted the franchise to the light company.

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[49] "Ordinance No. 226," Raton [New Mexico] Reporter, May 2, 1919.
[50] Ibid., May 3, 1919.

Before entering upon the enjoyment or exercise of any of the rights granted by the franchise, the light company was to file with the city a corporate surety bond in the penal sum of $5,000, running to and in favor of the city. The condition of this bond was that the light company should hold the city harmless from any and all damage rising from any negligence or want of due care on the part of the company in carrying out its business.[51]

The terms upon which the franchise was granted were expressed in detail by the city council. The light company was to cause all of its outstanding stock (one thousand shares), except one share thereof which was to be issued as a qualifying share to be held in the names of each of the board of directors, to be delivered to J.J.Shuler as trustee. The trustee was to have the right to vote on all shares of stock issued to him. This included the right to vote in elections of directors and on all other matters of corporate business, provided that such voting powers were not in any case to be used for any purpose contrary to or inconsistent with Ordinance No. 226 or the franchise of the light company.[52]

As stated by the ordinance, the net income of the light

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51 Ibid., May 2, 1919.
52 Ibid., May 3, 1919.

company was to be used for the following purposes only: (1) for necessary extension of the company's distributing system; (2) for such enlargement of the company's generating system as might be necessary from time to time; and (3) to establish and maintain a sinking fund for the purpose of paying off the bonds of the company as they matured.[53]

By the terms of the franchise the National Bank of New Mexico in Raton was named as trustee holding the mortgage and guarantees for the bond holders. The bank received five hundred dollars monthly from the light company which was used for bond redemption. At the end of each six months, beginning November 1, 1919, J.J.Shuler was authorized to take up and pay off a minimum of $3,000 of the principal of the outstanding bonds in their order. After deduction for operating expenses, interest, and depreciation, the surplus remaining passed to a sinking fund to be applied to the retirement of the bonds. This sum was in addition to the obligatory amount paid the trustee monthly for the same purpose. Upon the payment of the last bond outstanding, the entire properties of the light company were to automatically become the property of the city of Raton, and the rights, franchise and privileges of the light company were to cease and determine.[54]

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53 Ibid., May 2, 1919.
54 Ibid., July 8, 1919.

Finally, the company was to make to the city of Raton semi-annual reports in reasonable detail concerning its operations, receipts and disbursements.[55]

The general manager of the Raton Public Service Company. The manager of the light plant was at the same time the general manager of the Board of Public Works of the city of Raton. This board had control of all the public utilities within the city.

The general manager, who was appointed by the Board of Public Works, was responsible to this board for the management, operation and care of all the properties under its control, and for the proper execution of all the work undertaken by it. It was the duty of the manager to organize a force of employees for the efficient, economical and proper operation of all the properties of the city of Raton. The manager had the power to employ and discharge the members of this force.[56]

Ordinance No. 279. The Public Service Company operated successfully under the original ordinance, No. 226, until March, 1926. At that time it was deemed advisable by the trustees of the company to seek a new franchise from the city

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55 Ibid., May 2, 1919.
56 "Ordinance No. 237, adopted May 17, 1921, Revised Ordinances of the City of Raton, New Mexico, p.53.

of Raton. This action seemed advisable for several reasons: (1) the original franchise would expire in 1929; (2) the old power plant was antiquated and overloaded; (3) the company was in a position to retire all of its outstanding obligatory bonds and wished to retire them and construct a new plant; and (4) the construction of a new plant would make it possible for the company to render more efficient service to the community at a lower cost.

In view of these factors, on March 16, 1926, the city council of Raton adopted City Ordinance No. 279, which granted a new franchise to the Public Service Company.

The new franchise was granted for a period of twenty years. Most of its provisions followed the general lines of the original ordinance.

A new list of maximum charges was made out. On the average, rates were reduced about one cent per kwh from those in 1919.[57]

The new ordinance gave the light company the right to charge a deposit on all meters installed in connection with measure service. The charge to be made for these meters was not to exceed five dollars for a private residence, and twenty-five dollars for a business house.[58]

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[57] Revised Ordinances of the City of Raton, New Mexico, p. 90. [58] Ibid., p. 93.

In regard to the board of directors of the light company, the new ordinance specified several details that were not found in Ordinance No.226. The new ordinance stated that all the directors of the light company must be taxpayers and residents of Raton. No director was to be allowed to serve as manager of the light company, and the mayor and one councilman of the city of Raton were to be among the directors of the Public Service Company. This councilman was to be selected by the mayor and city council. The Board of Public Works of Raton, or if this board ceased to exist, then the mayor and city council, were to have the power to fill all vacancies in the office of trustee of the Public Service Company.[59]

The above changes and additions were made in an effort to remove the light board further from the political arena of the city. The city council was closely allied with politics and the new ordinance endeavored to sever the political connections between the city council and the light board.

The Public Service Company Board was selected in the following manner. The city council appointed a four-member Board of Public Works. These members were appointed from the city at large for a term of four years. The terms were staggered so that the term of one member expired each year. The vacancy was filled by appointment by the city council. This

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59 Ibid., p.95.

Board of Public Works in turn appointed a citizen of Raton to act as president of the Raton Public Service Company. The Public Service Company Board consisted of five members selected in the following manner: the president was appointed as outlined above; one member of the city council was selected by the council to represent it on the light board; the mayor of Raton acted as ex-officio member and vice-president of the light board. These three members then met and elected two more members, citizens of Raton who held no other public office.[60]

It can be seen that this arrangement practically did away with the possibility of a change in policy of the light board. The president of the light board, appointed by the Board of Public Works, upon receiving his appointment, automatically gained control of all but four of the one thousand shares of the light company's stock. Each of these shares represented a vote in the control of the company's policies. These votes placed the president of the light board in a dictatorial postion. Furthermore, the president could not be removed except by death, resignation or conviction of corrupt practices while in office. Thus the president of the light company moved in a serene atmosphere much like that which the supreme court justices of the United States enjoy.

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[60] Kirby, op. cit., p. 49.

He had no worries concerning politics or the possibility of his removal from office, and he had practically complete control of the light plant.

Thus far Raton has been fortunate in that it has always had a man of highest character in the office of president of the Public Service Company.

The Public Service Company Board holds its annual meeting on January 1, each year, at which time it selects officers, other than president, for the following year.[61]

Under the original ordinance, No. 286, the Raton city council had the power to decide when new additions and replacements to the light company's plant and distribution services were to be made. In ordinance No. 279, the light company board was given this authority with the approval of the Board of Public Works.[62]

Ordinance No. 286 specified that twenty-five per cent of the net earnings of the light company were to be set aside in a replacement fund to be used for replacement of the light plant and appurtenances. The new ordinance changed this per cent to ten.[63] The savings gained by the erection of a new plant made this reduction possible.

The new ordinance specified that any surplus of income

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[61] Kirby, T.R., in a personal interview with the investigator, January 6, 1940.

[62] Revised Ordinances of the City of Raton, New Mexico, p.95.

[63] Ibid., p. 96.

from the light plant, exceeding the requirements set forth in the ordinance, should be turned over to the city of Raton to be placed in the city's sinking fund.[64]

Finally, the new ordinance charged the light company with making a quarterly, rather than a semi-annual, report to the city concerning the activities of the light plant in general.[65]

In general, the new ordinance passed in 1926 gave more power to the light company board and reducted the authority of the city council and Board of Public Works. This revision was made for purely business reasons and also to remove the plant from politics and an ever-changing policy-making board of directors such as the city council and Board of Public Works.

The Public Service Company in 1940 was operated under Ordinance No. 279.

<u>The Raton Public Service Company in action</u>.[66] The light company board meets regularly once each month, and special meetings may be called by any of the members or by the city manager.

The city of Raton is charged for the electricity it

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[64] <u>Ibid</u>., p. 94. (In 1939 this surplus was more than $19,000.)

[65] <u>Ibid</u>., p. 96.

[66] The facts in this section of the thesis were obtained by the investigator in a personal interview with T.R.Kirby, January 6, 1940.

uses in its public buildings, on its streets, and at its swimming pool, but these charges are struck off the books at the end of the fiscal year. School buildings and churches are not included in the list of free users of electric power.

The municipal swimming pool is maintained and operated by the light company. As a working proposition the pool is leased during the season to some company or individual, and the city receives the returns from this lease.

The business of the light company is carried on in every respect like that of a corporation. All government reports required of corporations must be filled out by the light company. All governmental regulations pertaining to corporations apply to the Raton Public Service Company.

However, the light company escapes all taxes except the payment of a small yearly corporation tax. In lieu of city taxes the company gives the city a cash appropriation each year, and also furnishes free electricity for all municipal buildings and for street lighting.

The light company does not pay the state sales tax. This question was decided by the local district court June 3, 1937. The Bureau of Revenue of the State of New Mexico brought suit to recover money it believed due it by the Raton Public Service Company under the state sales tax law. The decision handed down by the District Court of the Eighth Judicial District of New Mexico held, in substance, that the

Raton Public Service Company was not required to pay the state sales tax because of the fact that in reality the light company was merely an agency of the City of Raton, and was therefore merely an arm or branch of government. Therefore, the light company was subject to the same exemptions and immunities as the City of Raton, which city was exempt from any and all of the provisions of the Emergency School Tax Act of 1935.[67]

In regard to payroll taxes, Ernest D. Reynolds, the auditor for the Raton Public Service Company, made the following statement:

> In the matter of payroll taxes, to be levied under the provisions of the Federal Social Security Act, your Auditor saw a letter from E. C. Crampton, Esquire [a Raton lawyer] , wherein Mr. Crampton submits the opinion that The Raton Service Company is not liable for the payment of these taxes.[68]

It is interesting to note that during the Christmas season of 1938 the light company gave the city of Raton $1,007.73 worth of Christmas decorations and free electricity. The company itself provided a huge community tree, decorated it and supplied it with electricity free of charge. Aside from this, the company furnished an unlimited amount of free

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[67] District Court, Raton, Colfax County, New Mexico, Record No. 9760, filed June 3, 1937.

[68] "Audit Report, The Raton Public Service Company, Fiscal Year Ending June 30, 1939," p. 9.

electricity to anyone who wanted it for decorating places of public business. These services are rendered each Christmas season.

The personnel of the Raton Public Service Company in March, 1940, was : W.E.Nutting, President; R.P.Kress, Mayor and Vice-president; E.G.Kilmurray, Treasurer; J.J.Evans, Director; H.R.Foster, Director; T.R.Kirby, General Manager; and Mrs. A.E.Dorman, Secretary and Book-keeper.[69]

Table I shows the financial status of the Raton Public Service Company as of June 30, 1939.

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[69] Ibid.,p. (preface).

TABLE I

FINANCIAL ANALYSIS OF THE RATON PUBLIC SERVICE COMPANY

JUNE 30, 1939

Gross revenue for the year.	$143,877.16
Cash discounts and allowances	11,553.37
Net operating revenue	132,323.79
Production expense.	27,391.63
Distribution expense.	3,360.40
Utilization expense	976.22
Commercial expense.	440.00
New business expense.	481.30
General and administrative expense.	13,251.75
Retirement expense.	23,070.91
Total operating expense	68,972.21
Net operating income.	63,351.58
Fixed capital of plant, 1919.	65,000.00
Fixed capital of plant June 30, 1939.	445,697.56
Increase in fixed capital past year	11,145.49
Appropriations to City of Raton:	
Cash.	19,350.00
Free electricity.	15,249.67
Christmas decoration, 1938.	1,007.73*

* "Audit Report, The Raton Public Service Company, Fiscal Year Ending June 30, 1939," pp. 1-23.

CHAPTER IV

SUMMARY AND CONCLUSIONS

In summarizing this study of the Raton Public Service Company, and in drawing specific conclusions in regard to the Raton light plant, three questions were kept in mind: (1) how had the Raton municipally owned plant served its community?; (2) how had the plant's financial history affected the financial affairs of Raton and its citizens?; and (3) what was the public opinion of Raton in regard to a municipally owned light plant? In considering these three questions, some general conclusions in regard to public and private ownership were arrived at.

Electric power service to the Raton community. One very common argument directed against municipal light plants is that they are not as reliable a source of power as are private plants. In regard to this point, Ralph Faxon, secretary of the Raton Chamber of Commerce, was able to state:

> . . . This argument, in Raton's instance, is absolutely ungrounded. There has never been interruption in service here [in Raton] , save for an hour or so during a storm something more than a year ago, when a line went out, but was repaired immediately. This, of course, would happen anywhere, whether in public or private service.[70]

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[70] Faxon, Ralph, (unpublished radio address given in La Junta, Colorado, May 2, 1938, p. 5.)

Chapter IX

Conclusion

In summarizing this study of the Boston Edison Company, and in drawing specific conclusions in regard to the Boston light plant, three questions were considered: (1) Has had one Boston municipally owned plant served the community, (2) does the plant's financial history allege the financial ability of Boston and its citizens, and (3) what is public opinion of Boston in regard to a municipally owned light plant? In answering these three questions, some general conclusions in regard to public ownership generally were arrived at.

Electric power service in the United States.

Very common argument directed against municipal ownership is that they are not as reliable a source of power as private plants. In regard to this point, Mr. [illegible], Secretary of the Boston Chamber of Commerce, has said:

> . . . This argument, in Boston's experience, is totally unfounded. There has never been a breakdown in service here [in Boston], even in the worst blizzard, and a storm something more than a year ago, but was repaired in an hour. Public service, under Jasper supervision, should be a model of service.[70]

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[70] Bacon, Edgar, [illegible] [illegible] in Boston, Colorado, July 7, 1928, p. [illegible].

Another objection often raised concerning municipal ownership is that the operation of a light plant is so highly technical that competent men cannot be found to run it. This objection would, of course, apply equally to both public and private ownership. The fact that the Raton light plant has had only three general managers since its beginning in 1919, seems to indicate a suitability and stability on the part of these men. The first manager served from 1919 to 1928. The second served from 1928 to 1935, when he resigned to accept a similar position in Fort Collins, Colorado, which was an advancement over his former position. The third manager has served since 1935. The remaining personnel of the light company has likewise been continuous. Many of the men who started with the company in 1919 still hold their positions.[71]

The opportunity to hire competent employees and keep them on the payroll is afforded the Raton Public Service Company, because of the fact that the light company board of control is almost entirely severed from politics. As detailed above, the manner in which the members of the light board are selected greatly decreases the possibility of politics entering into the management of the plant. It has become a matter

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[71] Paxon, loc. cit.

of community pride to have an efficient, orderly and well-managed light plant. Public sentiment demands that these qualities be continued.

The Raton light plant is modern in every respect. The building is neat inside, presents a good appearance outwardly, and is equipped with the most modern machinery for the manufacture of electric power. As indicated in the history of the plant, new additions are made to the equipment of the plant almost yearly. The next addition will be completed by December 1, 1940. This will be a new fifteen hundred kilowatt turbo-generator which will cost $58,000. The cost of installation will be $30,000. This expense was to be paid out of a replacement reserve which already had sufficient funds.[72]

Indirectly the Raton light plant has served its community in many ways. For instance, in 1935, in order to get the district offices of the WPA moved to Raton, the city guaranteed WPA authorities free rental of a complete floor of an office building. The funds for this came mostly from the light plant. In the near future a WPA project to widen city streets will be sponsored by Raton. The light plant will support this project with direct funds. A flood control project

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[72] Raton [New Mexico] Daily Range, March 29, 1940.

of community pride to have an efficient, orderly and well-managed light plant. Public sentiment demands that these qualities be continued.

The Raton light plant is modern in every respect. The building, in most images, presents a good appearance outwardly, and is equipped with the most modern machinery for the manufacture of electric power. As indicated in the history of the plant, new additions are made to the equipment of the plant almost yearly. The next addition will be completed by December 1, 1938. This will be a new fifteen hundred kilowatt two-generator which will cost $38,000. The cost of installation will be $30,000. This expense was to be paid out of a replacement reserve which already had sufficient funds.

Similarly the Raton light plant has served its community in many ways. For instance, in 1938, in order to put the district offices of the SCS moved to Raton, the city commission was authorized free rental of a complete floor of an office building. The funds for this come mostly from the light plant. In the near future a SCS project to drain city streets will be sponsored by Raton. The light plant will support this project with street funds. A flood control project

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[74] Raton [New Mexico] Daily Range, March 29, 1940.

near Raton received a large part of its funds indirectly from the light company.[73]

Another important service that the Raton municipal light plant has rendered may be mentioned here. Most privately owned light companies hesitate or refuse to extend their lines outside their local communities, merely to render service to small outlying areas. Unless a profit can be made from such an extension the private company will not make it. In contrast to this, the Raton plant serves areas as far as one mile outside the city limits of Raton. This is done as a service and without thought of profit from the action.[74] The failure of the private electric power industry to extend its services to rural areas was one of the chief reasons for the creation of the TVA with its huge program of rural electrification.

Financial aid given the city of Raton by the light plant. In the eleven year period from 1928 to 1939, the Public Service Company gave $200,375 to the city of Raton in actual cash and free power. During the same period, revenue from the plant was used to pay off all of the indebtness of the plant and for all the new equipment which was installed. Also, bonds of the city

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[73] Faxon, op. cit., p. 6.
[74] Kirby, T.R., in a personal interview with the investigator, January 26, 1940.

water company in the amount of $55,000 were paid off by arrangement with the light company.

The tax rate was very low in Raton because of the fact that the light plant had paid off the indebtedness of the city, and also furnished such large appropriations to the city in cash and power each year. The tax rate in Raton in 1938 was: .16004 for the city and county levy; .002920 city levy; .002740 for schools. This made a total levy of only .021664.[75] The Raton levy was much lower than that of other New Mexico cities of corresponding size. Representative cities had the following levies in 1938: Gallup--.036642; Las Vegas Town--.033491; Roswell--.031106; Santa Fe--.028198; Tucumcari--.045855; and Silver City--.032774.[76]

It has been computed that if the Raton light plant were taxed at the usual rate of about thirty-five dollars and sixty-two cents per thousand dollars of valuation, the city would collect about $9,516 each year.[77] Instead of the city collecting this amount, the plant goes tax free and donates about $35,000 a year to the city in lieu of taxes. This means that approximately $25,000 is saved the taxpayers of Raton each year.

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75 Faxon, op. cit., p. 7.

76 New Mexico Tax Bulletin, 18:172-177, December, 1939.

77 Pickel, W.T., "Earnings of Municipally-owned Public Utilities," New Mexico Business Review, 9:51, January, 1940.

During the fiscal year 1938-39, the light company appropriated $34,238.68 to the city of Raton. Table II lists the specific amounts given to the city.

TABLE II

APPROPRIATIONS OF THE RATON PUBLIC SERVICE COMPANY
TO THE CITY OF RATON

Cash Paid into the City's Sinking Fund, to be applied in Liquidation of the City's General Obligation Refunding Water Bonds		$ 10,000.00
Cash Paid into the City's General Fund.		6,650.00
Cash Expended in Liquidation of the Balance Due on the City's Street Maintainer.		2,700.00
Total of Foregoing Items.		$ 19,350.00
Electrical Energy Appropriated:		
Municipal Street Lighting Service . .	$ 12,838.68	
Municipal Building Light Service. . .	603.72	
Municipal Library Light Service . . .	152.89	
Municipal Jail Light Service.	229.45	
Municipal East Side Jail Light Service.	17.38	
Municipal Swimming Pool Light Service.	73.79	
Municipal Parks Light Service	532.40	
Municipal W.P.A. Barn Light Service.	8.00	
Municipal N.Y.A. Centers Light Service.	51.19	
Municipal Legion Field Light Service.	265.78	
Municipal W.P.A. Blacksmith Shop Light Service.	12.56	
Municipal Stoker Power Service. . . .	63.84	
Municipal Library Heat Service. . . .	24.00	
Municipal W.P.A. Blacksmith Shop Power Service.	15.00	
Total Energy Appropriated		$ 14,888.68
Total Appropriated to City.		$ 34,238.68*

* "Audit Report, The Raton Public Service Company, Fiscal Year Ending June 30, 1939," p. 28.

Electric power rates of the Raton light plant. In 1939, Raton had the lowest electric rates in New Mexico. Residential lighting cost eight cents per Kwh for the first twenty-five Kwh, three cents for the next seventy-five, and two cents thereafter. Commercial lighting cost eight cents per Kwh for the first one hundred, with a one cent decrease for e each additional one hundred. This was reduced to three cents per Kwh after five hundred were used. Commercial power cost four cents per Kwh for the first five hundred, three cents for the next one thousand, and two cents after 1,500 was used. A discount of ten per cent applied to all bills that were paid by the tenth of the month following the use of the power.[78]

The above rates could have been further reduced as evidenced by the fact that the light plant had a cash surplus in 1939 of $19,000.

Table III shows how Raton ranked with other towns in New Mexico in regard to rates charged for various amounts of electric power.

At the time this table was published, January 1, 1939, Raton electric rates ranked lower than those of any other town in New Mexico for bills of one hundred kilowatt-hours, and two hundred and fifty kilowatt-hours. In the bill for twenty-five kilowatt-hours, Raton rates were slightly higher than

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[78] Kirby, op. cit., p. 49

those of Roswell, Carlsbad and Artesia. However, in July, 1939, Raton rates were reduced below the figures given in this table. This last reduction gave Raton the lowest rates of any town in New Mexico in all three typical kilowatt-hour consumption divisions.

It is interesting to note that Clayton, with a municipally owned plant, ranked second lowest in the twenty-five kilowatt-hour division.

Public opinion regarding the Raton municipal light plant. Since its earliest beginnings the Raton municipal light plant has been popular with the citizens of that city. In every election in which the people had to make a choice concerning the ownership and management of the light plant, they voted in large majorities in favor of retaining municipal ownership. No political group which was not avowedly in favor of municipal ownership had a chance of winning an election in Raton.

After the new plant was constructed in 1927, it was a continual source of pride to the people of Raton. After that date the newspapers took every opportunity offered them to praise the plant and its service. The idea that the plant belonged to them was deeply inbedded in the minds of the people, and they took great interest in its operation and advancement.

tons of Rosenil, Verlaska and Jersey. Moreover, in the 1922, Baton Rouge refinery sales are figured [illegible] this table. This last reduction was taken [illegible] of any loss in New Mexico in all three refining divisions-Southwestern consumption division.

It is interesting to note that Singapore, with a capacity-only-owned plant, ranks second lowest in the country-[illegible] alternate-hour division.

Lehigh workers remaining the Baton Rouge refinery [illegible] [illegible]. Since its earliest beginnings the Baton Rouge refinery plant has been popular with the citizens of Louisiana. In every election in which the people had to vote [illegible] concerning the ownership and management of the refinery, they voted in large majorities in favor of retaining the refinery in Baton Rouge. The political group which was most vociferous in favor of municipal ownership had a chance of winning an election in Baton.

After the new plant was completed in 1929, it was a continual source of pride to the people of Baton. After each hole the newspapers took every opportunity of [illegible] the plant and its service. The [illegible] belonged to those who deeply interested in the welfare of the city, and they took great interest in its operation and management.

TABLE III

TYPICAL NET MONTHLY BILLS FOR 25, 100, and 250 KILOWATT-HOURS,
NEW MEXICO RESIDENTIAL SERVICE,
JANUARY 1, 1939

Community	Bill for 25 K.W.H.	100 K.W.H.	250 K.W.H.
Roswell	$1.75	$4.90	$9.10
Albuquerque	1.88	5.13	9.40
Santa Fe	2.50	6.38	12.08
Carlsbad	1.75	4.90	9.10
Clayton *	1.80	5.18	10.43
Raton *	1.80	3.82	7.20
Las Cruces	2.00	5.38	8.38
Tucumcari	2.10	5.15	9.65
Clovis	2.15	4.40	7.34
Portales	2.15	4.40	7.34
Gallup	2.25	6.00	10.50
Deming	2.38	5.70	10.95
Alamogordo	2.50	6.25	10.50
Las Vegas City	2.50	6.38	12.08
Las Vegas Town	2.50	6.38	12.08
Silver City	2.50	6.25	10.50
Artesia	1.75	4.90	9.10
Bernalillo	1.88	5.13	9.40
Loving	2.00	4.90	9.10
Otis	2.00	4.90	9.10
Central	2.50	6.25	10.50
Lordsburg	2.50	6.25	10.50
Tularosa	2.50	6.25	10.50
Mountainair	2.70	5.50	10.00
Farmington	2.75	6.20	12.20
Hot Springs	2.75	6.80	12.80
Socorro	2.75	6.80	12.80
Belen	2.97	6.54	13.00
Taos	3.13	6.80	12.80
Santa Rosa	3.75	7.40	14.90
Magdalena	4.20	7.50	13.00
Carrizozo	4.74	9.70	19.20

* Publicly owned utility.

"New Mexico Typical Net Monthly Bills for Electric Service, January 1, 1939," Federal Power Commission, p. 4.

TABLE XII

TYPICAL RUT COUNTRY SALES FOR 22, 1970, and 1980 [illegible]
RUN BASIS, [illegible]
[illegible] 4, 1980

Community	Bill for 22 A.D.U.	1970 A.D.U.	1980 A.D.U.
Cosgrove	1.75	[illegible]	[illegible]
Albuquerque	1.80	[illegible]	[illegible]
Santa Fe	2.00	[illegible]	[illegible]
Carlsbad	1.75	[illegible]	[illegible]
Clayton *	1.00	[illegible]	[illegible]
Acton *	1.00	[illegible]	[illegible]
Las Vegas	2.00	[illegible]	[illegible]
Tucumcari	2.10	[illegible]	[illegible]
Clovis	2.15	[illegible]	[illegible]
Portales	2.15	[illegible]	[illegible]
Gallup	2.25	[illegible]	[illegible]
Zuni	2.30	[illegible]	[illegible]
Alamogordo	2.30	[illegible]	[illegible]
Las Vegas City	2.30	[illegible]	[illegible]
Las Vegas Town	2.30	[illegible]	[illegible]
Silver City	2.35	[illegible]	[illegible]
Artesia	1.75	[illegible]	[illegible]
Española	1.80	[illegible]	[illegible]
Loving	2.00	[illegible]	[illegible]
Vaughn	2.05	[illegible]	[illegible]
Central	1.80	[illegible]	[illegible]
Lordsburg	2.20	[illegible]	[illegible]
Tularosa	2.20	[illegible]	[illegible]
Hobbs	2.25	[illegible]	[illegible]
Farmington	2.30	[illegible]	[illegible]
Hot Springs	2.30	[illegible]	[illegible]
Socorro	2.35	[illegible]	[illegible]
Raton	2.37	[illegible]	[illegible]
Tome	2.15	[illegible]	[illegible]
Santa Rosa	2.70	[illegible]	[illegible]
Roy/Mora	2.30	[illegible]	[illegible]
Raitoros	2.75	[illegible]	[illegible]

* Indicates census point.

Source: "Rate Basis Typical Rural Telephone Exchanges," Rural Telephone Service, January 1, 1980.

To the average citizen of Raton, the light plant was one of the most important factors in life. The fact that its rates were the lowest in New Mexico was mentioned continually in conversation. Many of the figures concerning the cost and operation of the plant were common knowledge on the street. In fact, the citizens of Raton regarded the light plant as their own property, which in reality it was.

General conclusions regarding the Raton municipal light plant. In 1939, the Raton municipal light plant had been operated successfully, both in a financial and service sense, for twenty years. It had substantially reduced electric power rates in the city of Raton. The private plant in Raton in 1919 charged thirteen cents per kwh for electric power with which to light residences. This rate was reduced by steady degrees until in 1939 the average charge for this purpose was four cents per kwh.[79]

During the twenty year period that the light plant had been municipally owned, the fixed capital of the plant rose from $65,000 to $446,000. During the latter half of this period of municipal ownership, the light company gave the city of Raton more than $200,000 in cash and free service. In the same period city water bonds and other municipal debts were paid off with money received from the light company, until in 1939 Raton boasted a total tax levy of only .021, which was one of the lowest levies in the state of New Mexico.

The municipal light plant gave entirely trustworthy service. At no time did Raton suffer from inefficient, faulty, or irregular electric power production or distribution. The light plant was at all times efficiently managed.

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[79] Kirby, op. cit., p. 49.

General conditions regarding the Baton municipal light plant.

Light plant. In 1929, the Baton municipal light plant had been operated successfully, both in a financial and service sense, for twenty years. It had substantially reduced electric power rates in the city of Baton. The private plant in Baton in 1910 charged thirteen cents per kwh for electric power with which to light residences. This rate was reduced by steady degrees until in 1929 the average charge for this purpose was four cents per kwh.[72]

During the twenty year period that the light plant had been municipally owned, the fixed capital of the plant rose from $65,000 to $665,000. During the latter half of this period of municipal ownership, the light company gave the city of Baton more than $600,000 in cash and free service. In the same period city water mains and other municipal debts were paid off with money received from the light company. Still in 1929 Baton enjoyed a total tax levy of only .021, which was one of the lowest levies in the state of New Berlin.

The municipal light plant gave entirely trustworthy service. At no time did Baton suffer from inefficiency, inability, or irregular electric power production or distribution. The light plant was at all times efficiently managed.

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[72] Kirby, op. cit., p. 49.

Without the use of the $200,000 which the light plant gave Raton in the ten years preceding 1939, it would have been impossible for the city to have sponsored many of the useful projects of the WPA and kindred agencies, such as flood control, building of a recreational field, Christmas lighting effects, clean-up and fire prevention work, and other work of a similar type.

Considering these factors, the municipal light plant of Raton was a highly successful enterprise.

General conclusions regarding private and municipal ownership. It is often stated that private ownership of public utilities brings the same good results that are brought about by municipal ownership. In most businesses competition causes business men to treat the public fairly. This happens because the public will trade with the business man who renders good service at reasonable prices and will ignore those who do not follow such practices. In the field of public utilities, however, this sort of competition is absent. By means of franchises and other privileges, or by being in the field first, a railroad or a light company may for all practical purposes do away with its competitors and gain a monopoly which is unbreakable. Because of such monopolies the government has stepped in to regulate public utilities.

However, government regulation has not solved all of the

problems in this field. The courts have often, because of the lack of expert understanding of public utility problems, hindered the work of regulatory commissions.[80] The commissions themselves are often inadequate and inefficient.

The state of New Mexico has been unable to satisfactorily regulate public utilities. The governmental agency which would ordinarily have this power is the State Corporation Commission. This agency was created by Article II of the state constitution. Section 7 of this article states:

> The commission shall have power and be charged with the duty of fixing, determining, supervising, regulating, and controlling all charges and rates of railway, express, telegraph, telephone, sleeping-car, and other transportation and transmission companies and other common carriers within the state.[81]

The New Mexico State Supreme Court decided in a case[82] which came before it that the phrase "and other transportation and transmission companies and common carriers" did not include local gas and electric companies. Therefore, the New Mexico State Corporation Commission had no power to regulate such companies.

Perhaps this lack of control was the reason why New Mexico as a whole had such high electric rates. The typical monthly bill in New Mexico in 1934 was two dollars and ninety-

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80 Pickel, op. cit., p. 48.
81 Cited by W.T.Pickel, op. cit., p. 53.
82 "Albuquerque v. Albuquerque Gas and Electric Company," 17 Pacific (2nd), 944 (1932), cited by W.T.Pickel, op. cit.,p.48.

seven cents, which was the highest of any state in the Union. The average monthly bill in Colorado at the same time was only one dollar and ninety-one cents. The average for the mountain states was only two dollars and thirteen cents.[83]

It has been estimated that if TVA rates were in effect in New Mexico and Arizona the consumers in these two states would save $4,287,000 per year on their electric bills.[84]

The policy of huge profits associated with private ownership is one of the main reasons why municipal ownership has become popular. Huge private profits are not compatible with the desire of the public for efficient electric service at low cost. Another reason for the extension of public ownership is that private owners have not always been ready to extend their services to the outlying parts of our cities or to rural areas. If there were no profits to be gained the private company hesitated or refused to develop such areas. In order to satisfy the wishes of the citizens of such districts, public ownership was utilized. Even the federal government, with such programs as that of the TVA, responded to meet the demands of the same group.

The opponents of public ownership argue that even though

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[83] Pickel, op. cit., p. 49.
[84] Rankin, John F., Congressional Record, February 28, 1936, pp. 3121-2, cited by W.T.Pickel, Ibid., p. 50.

the municipal companies sell electric power at lower rates they still cost the community more, because of the fact that the private company pays a large amount of taxes to the local government while the municipal company pays very little. W.T. Pickel quotes R.H.Montgomery to this effect:

> . . . To summarize: The private utility companies [of Texas] paid 9.5 per cent of their total revenues as taxes, while the municipals paid in taxes, net contributions, and free services, exactly 40 per cent of their total revenue.[85]

For the United States as a whole it was computed that in 1936, private light companies contributed to the various divisions of government, in cash and taxes, fourteen and four-tenths per cent of their base revenue for the year. During the same period public light companies contributed twenty-six and eight-tenths per cent of their base revenue to the government in free service and cash. Of this amount eighteen per cent was in cash contributions and eight and eight-tenths per cent was in the form of free service. The basis for these figures was the reports of 691 private and 537 public light companies.[86]

Publicly owned utilities have consistently rendered service at lower rates than have privately owned light plants.

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85 Pickel, op. cit., p. 49.
86 "Rates, Taxes and Consumer Savings, Publicly and Privately Owned Electric Utilities, 1935-1937," Federal Power Commission, p. 9.

In a report made public February 26, 1940, by the Federal Power Commission, it was shown that publicly owned utilities rendered the lowest electric bills during 1939:

> The report disclosed that the lowest typical electric bills in each category were those of publicly owned utilities. Highest charges in each bracket were those of privately owned utilities.[87]

Table IV shows that for the United States as a whole the average typical net monthly bill paid to a private utility amounted to one dollar and sixty cents, for twenty-five kilowatt-hours of electric power. For the same amount of electricity the bill paid to a publicly owned company amounted to only one dollar and forty-six cents. Likewise, the bills for one hundred, and two hundred and fifty kilowatt-hours of electric power were lower when the service was rendered by a public utility. In some sections of the United States, notably the South, the rates of the public companies were higher. But in the majority of the areas of the country and for the nation as a whole, the rates of public utilities were much lower than those of private companies.

The excellent service and the low rates which have been features of the Raton municipal light plant, appear to be a part of a larger whole. In cities all over the United States other public light and power companies are following similar policies and gaining similar objectives.

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[87] Denver Post, February 26, 1940.

TABLE IV

OVER-ALL AVERAGE TYPICAL NET MONTHLY BILLS,
PRIVATELY AND PUBLICLY OWNED ELECTRIC UTILITIES,
RESIDENTIAL SERVICE,
JANUARY 1, 1937

United States and geographic divisions	Type of ownership	25 K.W.H.	100 K.W.H.	250 K.W.H.
United States.	Private	$1.60	$4.39	$7.88
	Public	1.46	4.02	7.59
New England.	Private	1.82	4.95	8.99
	Public	1.44	4.07	8.02
Middle Atlantic. . . .	Private	1.68	4.60	8.16
	Public	1.54	4.63	9.22
East North Central . .	Private	1.64	4.30	7.78
	Public	1.19	3.69	7.53
West North Central . .	Private	1.64	4.30	7.78
	Public	1.68	4.45	8.24
South Atlantic	Private	1.50	4.38	7.81
	Public	1.97	4.92	8.82
East South Central . .	Private	1.45	4.04	7.32
	Public	1.67	4.38	7.69
West South Central . .	Private	1.91	5.03	8.56
	Public	2.14	5.26	9.61
Mountain	Private	1.95	5.10	9.19
	Public	1.89	4.66	8.34
Pacific.	Private	1.35	3.70	6.39
	Public	1.16	3.13	5.47*

* "Rates, Taxes, and Consumer Savings, Publicly and Privately Owned Electric Utilities, 1935-1937," Federal Power Commission, p. 56.

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B. FIELD NOTES OF THE AUTHOR

Study of the complete records, business files, and letter files of the Raton Public Service Company, Municipal Building, Raton, New Mexico.

Detailed study of the Raton Municipal Power Plant, April 22, 1940.