The Federal Power Corporation— A Pattern For Nationalization?

By

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Regional nationalization of the electric power industry, the long-range goal of a potent left-wing political coalition, received a powerful impetus with the recent enactment of the precedent-making TVA revenue bond legislation. But there are other measures—including the proposed Bonneville Power Corporation now pending in Congress—which suggest that the federal power corporation could be an effective vehicle for ultimate nationalization of the power industry.

By FRANCIS X. WELCH*

SUPPOSE that you, the reader of this article, had been given the job of bringing about the nationalization of the electric power industry in the United States. Let us not quibble over the desirability of such a goal.

Right off, you would probably say that you would not accept such a responsibility under any circumstances, and that, on the contrary, you are very much opposed to the whole idea. But let us just lay aside, for the moment, any consideration as to the desirability of such an objective. Let us, for the sake of the argument, as the lawyers say, assume that you have taken on this assignment—many years ago, perhaps, when activity of the federal government in the field of electric power production and sale was virtually unknown.

All right. How would you go about it? Given a reasonable amount of familiarity with the economic make-up and shifting political climate of the United States through the years, you would doubtless agree that this was a task that called for

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the indirect approach—and a very ingenious indirect approach at that. You would know that you could never take the first step by calling a spade a spade or even talking about such things as "nationalization" or "socialization." In fact, you would throw such words right out of your vocabulary. There is probably not a single member of Congress today who would admit by name that he was a Socialist or in favor of nationalization. And there probably has not been more than a half-dozen such during the past half-century—the last probably being the late Representative Vito Marcantonio of New York.

So far, so good. We agree that both strategy (long-range) and tactics (short-range) must be by indirect approach. So you must seek allied objectives, popular causes in themselves, to carry you towards your goal gradually. If you had started out from scratch, way back there early in the century, you would have found very poor soil indeed in which to cultivate the seeds of socialization. But even then there was the wide-open West to be conquered and brought under cultivation through reclamation. Subsequently, there was unemployment to be relieved, floods to be controlled, navigation to be aided, depressed areas to be helped out—all very worthy objects in their own right. Association with such powerful welfare movements would be the logical course of progress that you or any other thinking person would follow.

The point to be made here, without going into details of the various steps which have actually been taken (see the timetable on pages 14, 15), is that such progress has been made, and is being made. If you were to write down on a piece of paper, just by name, all the steps that you would have taken over the years of your own personal recollection, you might be surprised by the comparison with what has been accomplished. The plain fact is: *Somebody has been working on this!*

Yes, a lot of people have been working on it, over the years. Within this writer's experience, he has seen public ownership in the power business advance from an infinitesimal fraction to more than a fifth of the productive capacity of the industry and still growing. And each step was by indirection, by calling it by any other name.

Some readers may object that public ownership and operation of electric power facilities for public use is not of itself Socialism. But when the federal government or any other government advances, through business competition with its own citizens, towards a business monopoly, area by area, what would you call it? You give it a name. Maybe we could use it.

Certainly, "Socialism" or "nationalization" does not seem to impress people any more in the United States. These are words for export only—something that happens only in foreign countries such as Russia or China, or even Great Britain (where the same gradual course towards nationalization of public utility enterprise was so successfully followed), but never, *never,* here in the United States!

Now let us get down to a bill of particulars. Let us take as a very up-to-

date example, the Bonneville Power Corporation Bill (S 1927), which will probably serve as a model for future regional power corporations. Sponsors of this bill were quick to take their cue from the recent enactment of the new law to allow the Tennessee Valley Authority to finance its own future expansion out of its own power revenues. The Bonneville corporation advocates hastened to proclaim that the precedent had now been established for early enactment of the Pacific Northwest legislation. The link between the two measures was underscored when introduction of the Bonneville bill, long ready, was withheld until two days after the TVA bill had safely cleared the House last May.

And it was the same President who not long ago described TVA as "creeping Socialism" who signed the TVA financing bill, not without some preliminary misgivings and subsequent uncertainties. Yet, when the President signed the TVA bond bill on August 6th, a map of the United States published in 1923 by the old *Public Ownership* magazine, balkanizing the nation into eight provinces of federal power corporations, took on latter-day life and meaning.

The first tangible fruit of that plan was TVA itself, established ten years later, ostensibly as a navigation and flood-control program, in which the production and sale of "surplus" electric power were to be entirely incidental, and were not even mentioned in the preamble to the law. Today, with TVA finally relieved of virtually all substantial congressional and executive restraint, the time is ripe to move for more new-model, revenue bond-financed federal power corporations. Yet, if we would but flash back fifty-three years, we can see in retrospect that a perfectly logical step-by-step legislative pattern began with enactment of the first public power "preference clause" in 1906.

The recent TVA public power financing law has set the stage for a long-brewing, massive drive for a breakthrough by the allied forces of government ownership. The next session of Congress will probably provide the sounding board to promote public acceptance of an impressive package of public power demands. Reasoning that they have nothing to lose and much to gain, proponents may well make a vigorous showing for enactment next year.

In the likely event of failure in the pre-election session of 1960, the next target will be the fall campaign of 1960. A slight further swing to the left may be all that they need for this and other regional power legislation.

OF SUCH STUFF political planks are hewn, not pre-election legislation. Even as the TVA was enacted in "the first hundred days" of the New Deal, so a new federal power corporation might well be created in response to a campaign-made "mandate" by a new and leftish administration early in 1961. The Bonneville Power Corporation Bill should be taken for what it is, a dead-earnest early maneuver for a greatly expanded public power program in the anticipated event of a complete changeover at the White House.

SPONSORED by the Northwest Public Power Association, the measure has been strongly supported by the entire public ownership bloc of pressure groups including the AFL-CIO and the National Rural Electric Co-operative Association. A wide assortment of auxiliary proposals are also included in this political package, ranging from incremental cost allocation to be repaid in 100 to 150 years, and capital budget legislation, to a blue-sky redefinition of "comprehensive development."

Blocking early passage of S 1927 are several local factors. Opposition from strong and responsible interests is manifest throughout the region. A united front of the business community, utility labor leaders, state and local government officials, and some farm organizations, joined with utility companies, presents an imposing counterweight to the zeal of the proponents. Conflicting interests within the region have not been sufficiently composed as to give the bill united and enthusiastic local backing even among avowed public ownership groups which otherwise support its basic philosophy. One deterrent is the ample present and probable future power supply resulting from a vigorous nonfederal construction program developed during recent years of less pressure for federal expansion. The skeptical attitude of real reclamation interests—local and national—is a further deterrent. All of these differences could be quickly composed or overridden should strong left of left-center elements control the balance of power with a political turnover next fall.

DRAFTED on a far broader and more generously subsidized scope than the TVA bill, S 1927 may prove to be one of the most significant developments of the first session of the current Congress. Since passage of the TVA legislation, the bill is expected to be broadened to include the removal of statutory budget controls as provided in the TVA law.

Shorn of the nonpower functions and early New Deal legal phraseology distinctive of TVA legislation, this broadly based charter was obviously drafted as a new concept of the federal power corporation adaptable with minor modifications to any region in the nation. It deserves thoughtful scrutiny from that viewpoint.

Here are the high lights: Federal public utility "responsibility" (a key word, that) for the total net wholesale power requirements, public and private, of the Pacific Northwest is the essential purpose of the Bonneville Power Corporation. Taking over the assets and functions of the Bonneville Power Administration agency with extensive new powers, it would be a single-purpose power agency. No more fooling around or paying lip service to such subterfuge "primary objectives" as reclamation or flood control, etc., as in former years. Funds would be supplied from appropriations, its own revenues, and from the sale of 50-year revenue bonds mandatorily purchased by the Treasury at average cost-of-money interest rate.

THE corporation would construct all federal transmission and interconnection systems. It would construct and operate without further authorization such thermal (steam) generating plants, conventional and nuclear, as it deems necessary. It would supply all or part of funds

required for power facilities at Reclamation Bureau or Army Engineers' hydro installations, and would become the sole marketing agent for all power generated by all federal projects in the region.

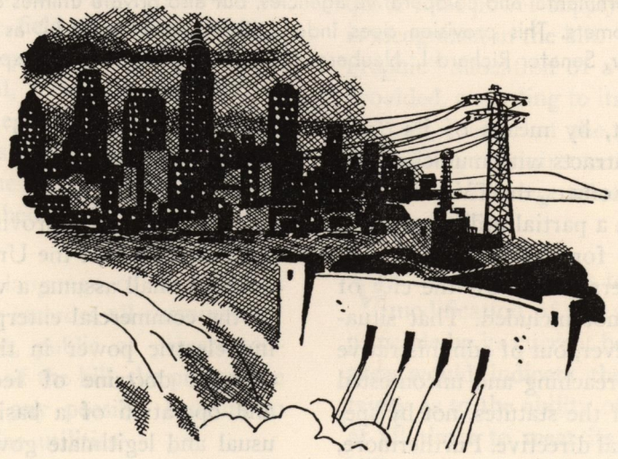
Licensing of hydro projects by nonfederal entities would be virtually eliminated. With an immaterial modification, the preference for public ownership in the sale of power would remain in force. The corporation would even operate in the Canadian portion of the Columbia basin in the same manner as in the United States, subject to State Department negotiation and Canadian consent. Unlike TVA, it would make no payments in lieu of local taxes.

THE bill creating this 1960 model federal power corporation starts off with a sweeping declaration of policy. Three of the most potent constitutional powers, promotion of the general welfare, regulation of commerce, and national defense, are cited as the broad umbrella sheltering its authority.

Development of electric power, it declares, shall be one of the *equal* purposes of the act, "as a *means of increasing the national productive capacity, promoting the general welfare,* strengthening the national defense, and assisting the economic feasibility of navigation, flood control, and irrigation developments." Future administrative and legal interpreters of the legislation may be expected to take note of the order of precedence in which these elements are enumerated.

THE emphasis on the general welfare clause here and elsewhere in the bill is chiefly significant as legislative sugar-coating, probably designed as much as a congressional directive to corporate policy as a legal prop in relation to thermal generation.

With the exception of TVA, the traditional constitutional justification for federal power generation has been the preservation of a federal asset (created by falling water) in pursuit of the commerce clause. Under the premises set forth in



the language of the Bonneville bill, the federal government could generate power entirely independent of hydro development. Already strained by TVA, the legal anchor chain that has traditionally moored federal power generation to river development, would be severed and sunk. Federal power could be generated anywhere and by any means—with the ubiquitous "preference clause" in favor of public ownership customers as an inevitable corollary.

HAD it been drafted for the specific purpose of later tying in with the Anderson-Gore-Holifield program for construction of regional federal atomic energy generating plants, the bill could not have been more adroitly phrased. It is tailor-made for a future federal regional atomic power program. Federal nuclear—or conventional fuels—generation of unlimited capacity and flexible location could be authorized in this pattern—all independent of hydro power at limited and fixed sites.

Hydro power facilities would continue to be built by existing federal agencies, but would be financed wholly or partly by the corporation which would also market their output. The extent of such financial support would be determined by the corporation on the basis of power requirements "to *maintain an expanding economy* or otherwise *improve the general welfare*" of the region. As an alternate or supplemental source of funds, existing agencies would be free to tap the federal treasury through the usual channel of appropriations.

Uncle Sam as Sole Supplier of Area Power

ALL of the sweeping provisions proposed for Bonneville area energy supply are set up to accomplish the main purpose of the bill: to assume and discharge for the federal government the sole public utility "responsibility" to provide the total net wholesale power requirements of the region. Here, for the first time, Congress would authorize a federal agency to assume the responsibility not only to supply local governmental and co-operative agencies, but also private utilities and industrial customers. This provision does indeed "break new ground," as the bill's sponsor, Senator Richard L. Neuberger (Democrat, Oregon), has explained.

IT is true that, by means of its "sole supplier" contracts with municipal and co-operative customers, the TVA has been able to maintain a partial utility responsibility monopoly for two decades. Its industrial customers—and now the city of Memphis—are not included. That situation arose, however, out of administrative action by a far-reaching and uncontested interpretation of the statutes, not by specific congressional directive. Furthermore, such public utility responsibility as TVA asserts extends only to its legally "preferred" customers, not to industries or private utilities.

This Bonneville provision amounts to a declaration that the United States government shall assume a virtual monopoly of the commercial enterprise of generating electric power in this region. The socialist doctrine of federal ownership and operation of a basic industry as a usual and legitimate governmental function is a fundamental implication of the

public utility responsibility provision and, in fact, of the entire bill.

THE broad significance of this concept was graphically summed up by Thomas W. Delzell, board chairman, Portland General Electric Company, at the July Senate committee hearings. He said:

> It would declare as law the proposition that the government has a moral and legal responsibility to enter into the field of manufacturing a basic commodity—in spite of the fact that this commodity is being supplied in plentiful amounts by nongovernmental units in our economic system. It is obvious that if, as this bill proposes, the United States government has the responsibility to build power plants and to serve as a public utility bound by law to provide electric service to residents of the Pacific Northwest, then it is equally bound to provide such service to all other states in the United States. It seems readily apparent also that if the United States has a "utility responsibility" in the field of electric energy, it has equal responsibility to harvest timber, pump oil, mine iron ore, and to provide the entire population of the United States with their "net requirements" for these products in both their raw and finished forms.

WHILE the language of this section apparently includes all customers of wholesale power, public or private, another provision of the bill, the preference clause, vitiates any possible benefits to private enterprise utilities.

This preference clause, for many years one of the principal legal instruments for the promotion of government ownership of electric utilities, provides that federal electric power shall be available to private companies only to the extent and for the period that such power shall not be required by the preferred local public ownership groups. This policy has proved a powerful local incentive toward acquisition of privately owned tax-paying utility businesses by untaxed public agencies, often created for the purpose. It was ultimately responsible for the surrender of private enterprise to the TVA in 1939. With enactment of S 1927 the private utilities in the region could suffer the same fate.

Thus, any long-term contracts between the corporation and private companies must include a clause permitting the reduction of any part or all of the power supply as dictated by increased demand by preferred customers. Federal power would be available to private companies only on an if, when, and as basis.

That the declaration of federal utility responsibility is no sure guaranty of adequate total power supply to all customers is recognized in the bill. "Reasonable geographic" allocation of available power is provided, according to its sponsor, "in the unlikely event that the public utility responsibility requirement were ignored and power shortage allowed to develop in the region."

VIGOROUS objections to even this slight modification of the preference clause principle by its current beneficiaries in the area would indicate the general uncertainty as to the ability of the corporation at all times to meet its utility responsibility.

It is axiomatic that no utility business should ever permit itself to be insecure as to its ability to meet the future requirements of its customers. Yet it is not difficult to foresee a situation arising, either from deliberate corporate design or from congressional reluctance to advance further credits, where the power supply would be so curtailed as to render the public utility responsibility clause meaningless to private contractors for federal power. This provision implicitly commits all future Congresses to approve such further appropriations and bond authorizations as the discharge of this responsibility requires. This ignores the rule that no Congress can bind its successors.

Since thermal generation as a federal function is the necessary consequence of federal utility responsibility, the question naturally arises as to whether such an activity can be constitutionally justified. In the light of controlling decisions it would appear that this question must be decided by Congress and not by the courts. It has been impossible for litigants to establish standing in court so as even to bring the question before the bar for determination. As a practical matter the courts have abdicated constitutional control of TVA and the other two branches of the government seem to be following suit.

THE repeated addition of the phrases "increasing the national productive capacity" and "promoting the general welfare," tends to make the function of commercial production and sale of electric power a federal purpose in itself—an entirely different basis than the recovery of an asset created by falling water. This approach rests squarely on the Marxian thesis that the federal government is the best and most appropriate instrument to engage in essential industrial commerce, with due regard for public interest. Where does that leave free enterprise?

However, the issue will be submitted on no such simple terms. Such euphemistic phrases as "comprehensive multiple-purpose water resource development" offer a pleasing disguise for the basic purpose of S 1927—creation of a vast federal power monopoly.

IN the name of comprehensive development the corporation would also take over the function of advance planning of water resource development in the region, annually submitting to Congress its proposed program for the ensuing six years. While programs of other agencies shall be considered, the purpose of such planning is "to meet its responsibilities" under the act. Such planning is a function long exercised in close collaboration by experienced existing agencies dealing with water resources. The Pick-Sloan plan for the Missouri basin, and the Columbia basin "308" reports are outstanding examples of the type of successful co-ordinated regional planning by long-established water resources agencies that would be scrapped by this bill.

Constructing agencies receiving assistance from the corporation would retain only a consultative rôle in the allocation of costs, a function which would become the sole responsibility of the corporation (except as to repayments for reclamation).

IT is apparent that the intent of S 1927 is to subordinate the Corps of Engineers and the Bureau of Reclamation to secondary rôles, mere constructing and power-producing agencies, dependent on the corporation for direction, planning, and financial support. Generation of electric power, declared to be an equal purpose, would in fact be dominant over reclamation, flood control, and all other water uses. The affected federal agencies have not meekly submitted to these proposals to partially dismantle their operating and planning functions. Their objections are a matter of record.

AS a further extension of corporation control over water resources of the region, the bill prescribes new and limiting criteria under which licenses for non-federal construction of hydro projects in the area may be granted by the Federal Power Commission. Licenses may be granted, under this provision, only to projects which are planned to meet *regional* comprehensive development requirements. The operative word here is "regional." Section 10 of the Federal Power Act, as amended, now requires applicants for licenses to file "a comprehensive plan for improving or developing a waterway or waterways," without reference to regional planning. As a matter of fact, most hydro licenses are usually designed on regional rather than basin planning. However, application of this additional stipulation lends itself to restrictive interpretation limiting the scope of private development.

FPC licenses would be further limited or even foreclosed by the application of the public utility responsibility clause to subsections 7A and 7B. As pointed out by Kinsey M. Robinson, president of the Washington Water Power Company, at the July Senate committee hearings on the bill, the corporation could pre-empt remaining economic hydro sites under § 7B, which requires the FPC to deny a license if it finds a project is required for a federal purpose. Hence the power requirements of the corporation under the public utility responsibility section could be interpreted to come within the scope of § 7B, hitherto regarded as applicable chiefly to navigation and flood-control purposes. Furthermore, a 1940 decision of the FPC under § 7A indicates a denial of any license that might result in the *loss* of a market by a federal power agency.

THE FINAL FEATURE of the Bonneville bill is the key to the entire ambitious plan for federal domination of this area: the method of financing the corporation by means of revenue bonds. Without easy access to huge reservoirs of cheap money, unfettered by the process of annual congressional appropriation, the creation of a corporation as a substitute for the present power administration would have little meaning. While the proposed revenue bond plan follows the new TVA-financing pattern in many recognizable principles, it varies from it considerably in details and methods.

Probably the most important variation (from TVA) is the provision that the Bonneville corporation's 50-year bonds must be mandatorily purchased by the

Treasury, not as provided for TVA financing offered to the public at interest rates and maturity dates sufficiently attractive to assure public subscription. Interest rates would not be determined by interest on government bonds of the nearest comparable maturity. Instead, the corporation would pay a rate determined annually as the average paid by the Treasury on all its outstanding marketable obligations—including the fractional rate paid on a large volume of short-term notes. This weighted average rate would give the corporation a varying interest subsidy in the range of 50 per cent over the long-term rate. The competitive advantage of heavily subsidized interest rates is particularly notable when applied to the high capital costs of hydro and nuclear facilities.

OBJECTIONS that have in the past been raised to the TVA revenue bond plan are equally applicable to the Bonneville proposal, with the addition that the latter also includes mandatory purchase by Treasury at an interest formula constituting a built-in subsidy. Bonneville Power Corporation revenue bonds up to the authorized maximum would be issued at the pleasure of its board without further congressional approval. While the corporation could request and receive regular appropriations, its expenditures from operating revenues and bond proceeds would bypass the constitutional appropriative process. In the pending draft budgetary controls would be a formality but, since the precedent was established in the TVA bond act, the bill is expected to be broadened to conform with the budgetary freedom now accorded the TVA.

In anticipation of future legislation establishing "a system of capital accounting," it is provided that the outstanding debt of the corporation shall not be included in calculations of the total national debt. The capital accounting method is a plan to divide the national budget between outlays for operating expenses of government and for capital investments such as public improvements. This hardy perennial of Lord Keynes' economic flower bed has survived the blighting frosts of cold logic for many seasons. It remains a key tenet of the Washington coterie of deficit spenders.

WHILE the bill authorizes an initial bond ceiling of $1.1 billion, the ambitious program proposed by the sponsors would suggest that this sum is only a small beginning. With the original authorization many new starts might be made, but further funds would soon be needed to complete the undertakings. It has been estimated in testimony that the region will require at least $20 billion in new money at present price levels.

The Bonneville Power Corporation would be created to fill a nonexistent need for more power capacity than is now available or in process of completion. Actually, the federal government has played a rapidly diminishing rôle as a source of new power supply for the region in recent years. According to the 1958 Bonneville Power Administration annual report, nonfederal agencies had 17 projects with a total capacity of 3,445,250 kilowatts under construction, while the federal government was building seven projects with a total of 2,484,650 kilowatts. The fact that the area enjoys an ample supply now and for a reasonable advance

period is due mainly to the nonfederal construction program which this bill would scuttle.

A SOMEWHAT cynical examination of the bill persuades this writer that the Bonneville Power Corporation is at least suited to eventual liquidation of the investor-owned electric utility business in the Pacific Northwest and the substitution of a federal power monopoly.

And if legislation of this character is adopted for this region, the forces of public power will be on the march—everywhere. They will have achieved an impressive breakthrough. Such an event might well be according to plan. It was outlined on December 11, 1953, by Leland Olds, former chairman of the Federal Power Commission, at a nation-wide foregathering of public power leadership called the Electric Consumers' Conference.

To this group Olds presented a remarkably penetrating outline of the future, entitled "A Power Program for the American People." Here, for the first time, he proposed federal power corporation revenue bonds as the solution of TVA's financial problems. Here he revived the eight-region federal power corporation scheme and coupled it with revenue bond financing. Here he named the Pacific Northwest as a first target to follow the TVA. The pending Bonneville Power Corporation Bill incorporates many of the essentials he outlined there.

BUT how are Congressmen, few of whom would touch anything frankly tagged as Socialism with a 10-foot pole, often persuaded to join in support of such adventures in Socialism? The bait, tried and true, is the old free lunch, the ostensible something-for-nothing, regional benefits for local constituents, at the expense of the general taxpayer. The general taxpayer is an entity so vague, if not so unconscious, as to be ignored with impunity. And the surest way to disguise the socialistic trap is smear it liberally with the odor of pork. Cheap electric power supply at somebody else's expense has always been a powerful lure for the unwary lawmaker with his eyes fixed unswervingly on the election returns.

And so progress is made by indirection. Only the old-fashioned Communists, who swallow their Marx straight, believe any longer in violent revolutionary methods. The Fabian Socialists since the heydays of Shaw and the Webbs in England found that slow poisoning was far more effective than bloody murder. Free enterprise is just as dead in the end by either method.

THE Fabians were able to prove in Britain that more socialistic progress could be made by purposefully working within the framework of a free society and making effective use of the very instruments which a capitalistic society had provided, including that most capitalistic of all creations—the business corporation, of all things! If this lesson has been entirely lost upon us, especially in the light of actual experience with the nationalization of public utilities in Great Britain and other so-called capitalistic countries, then we cannot blame others than ourselves.

"WHAT'S PAST IS PROLOGUE"

Legislative Milestones That Mark the March of Government Ownership In the Power Field

1906—GENERAL DAM ACT. Provided preference in leasing of excess reclamation electric power "for municipal purposes."

1920—FEDERAL POWER ACT OF 1920. Established preference to states and municipalities over private applicants for federal hydroelectric licenses.

1933—NATIONAL RECOVERY ACT. Hundreds of millions were loaned or given to federal agencies, states, municipalities, and public utility districts for construction of government-owned power facilities. Under PWA notable grants and loans were made to the South Carolina Public Service Authority (Santee-Cooper), the Lower Colorado River and the Grand River Power authorities, and to public utility districts in Nebraska, Washington, and Oregon. Initial grants were made to federal agencies to begin construction of such projects as the Bonneville, Grand Coulee, Fort Peck, and Shasta dams, to be completed by later regular appropriations.

1933—THE TVA ACT. Established the first federal power corporation and provided a strong preference clause favoring government customers, federal and local, and electric co-operatives.

1935—AMENDMENTS TO THE TVA ACT. The original powers of the corporation were expanded in two important particulars: (1) The TVA was authorized to acquire existing private utilities, and to assist its preference customers to acquire such systems; (2) wide contract-making powers were provided, permitting —but not directing—"sole supplier" contracts with its customers, allowing the TVA to assume public utility responsibility for their future power requirements and denying them access to other power supply, including their own generating plants.

1935—HOLDING COMPANY ACT OF 1935. Directed utility holding companies to consolidate holdings to geographically integrated areas, and forced the sale of noncontiguous operating companies. This opened the way for acquisition by municipalities and public utility districts which, by capitalizing on income no longer required for federal taxes, could outbid tax-paying potential private enterprise purchasers. San Antonio, Texas, and numerous towns and cities in Nebraska, including Omaha, embraced public ownership because of this situation.

1936—THE RURAL ELECTRIFICATION ACT. As a permanent law it replaced the organization set up by Executive Order of 1935 under the NRA. Provided low-cost 100 per cent loans for construction of rural power facilities in areas where central station service is not available. Preference in such loans was given to electric co-operatives and local governmental entities. Construction of federally financed co-operative generating and transmission facilities became a favored feature of the program.

1937—THE BONNEVILLE DAM PROJECT ACT. Supported by a strong preference clause, the Bonneville Power Administration was made an agency of the Department of the Interior, empowered to market surplus power from the Bonneville dam, and by later Executive orders and legislation, from a dozen other federal

power projects in the Columbia basin. It was authorized to acquire by purchase or condemnation nonfederal utility facilities, including "rights of way, franchises, electric transmission lines, substations, and facilities and structures appurtenant thereto."

1939—TVA ACT AMENDMENT. Authorized issuance of TVA bonds to the Treasury for the purchase of private utilities in its proposed service area and resale to potential municipal and co-operative preference customers. This action resulted in area-wide government ownership, federal and local.

1941—FIRST TVA STEAM PLANT. Authorized on the recommendation of the National Defense Advisory Commission under limited emergency defense powers, TVA began construction of its first steam electric plant at Watts Bar, Tennessee.

1944—FLOOD CONTROL ACT OF 1944. This legislation contained two provisions of historic importance: (1) Section 5, which authorized the Department of the Interior to act as the sole marketing agency for surplus federal power, with the usual preference clause. Under this section surplus power from Corps of Engineers' projects is marketed by the Southwestern, Southeastern, and Bonneville Power administrations as agencies of the Interior Department. (2) The Pick-Sloan plan for co-ordinated development of Missouri basin water resources by the Corps of Engineers and the Bureau of Reclamation was incorporated in the act. The usual preference clause was included.

1950—STEAM GENERATION PROVIDED FOR SOUTHWESTERN POWER ADMINISTRATION. Congress, having previously rejected proposals for an ambitious thermal power and transmission grid program for the SWPA, the same objectives were achieved by administrative action by the REA and the Department of the Interior. REA advanced funds for construction of generating plants and transmission grids to nearby co-operative groups, which in turn handed over to the SWPA the output or use of these facilities under life-of-the-project contracts on terms sufficient to reimburse the lender. A seemingly innocuous provision in the SWPA appropriation for 1950 for an ever-full $300,000 continuing fund to be maintained from operating revenues became the source from which the co-operatives were reimbursed.

1953—NEW YORK STATE POWER AUTHORITY granted FPC license to develop American share of St. Lawrence river power, following earlier ratification of St. Lawrence Seaway Treaty.

1955—MVG-AEC (DIXON-YATES) CONTRACT CANCELED. Announcement of plans by the city of Memphis to construct its own generating facilities in preference to continued dependence on TVA at the impending expiration of its "sole supplier" contract, enabled TVA to meet expanded power requirements of AEC without additional capacity. The MVG-AEC plan would have permitted a private utility generating company to have supplied augmented AEC requirements through the TVA system. Public power advocates opposed the plan as a possible pattern to limit TVA generating expansion.

1957—CONGRESS APPROVES PLAN for American share of Niagara redevelopment by New York State Power Authority under FPC license after seven-year controversy.

1959—PRESIDENT SIGNS TVA revenue bond financing bill.