 Thit Nothe Noth Hesterer Rate Case

 the courts. The Northwestern Electric company case may
well become a test case for utility regulation in Oregon. I case upon which to base their claim for regulation that reg-
ulates. The development of this case by Judge Thomas and the
engineers and accountants in his department was careful and
painstaking. The department wis painstaking. The department was fortunate in working with
a company of rather recent origin, whose books and papers
were complete. Thus were complete. Thus it became possible to analyze complete
ly the investment of the company, the capital structure, and
the operating ner. Usually the great point of contention is over actual in-
vestment or plant valuation. In this case state and company
engineers came very close together, so close that there is engineers came very close together, so close that there is
left practically no dispute on this ground.
The real bone of contention came in the allocation of
valuation, of generating plants and main distributing lines between the two states of Oregon and Washington.
company operates in both states, with one hydro plant
Washington and steam plants in Portland. The power th
drops into a common pool for use in both.
Washingtes. The is chiefly industrial fore as, which enjoys a low rate. The company sought to have
the generating property divided on a gross earnings basis
which would throw the major portion to Oregon, which is
the larger consumer and pays the higher domestic and com-
mercial rate. The commissioner held that this mercial rate. The commissioner held that this was an im-
proper method for the reason that gross returns ought to be
the product of valuation times fair return. Since the pur-
pose of the inquiry was to find out what the returns should
be, gross returns could hardly be, gross returns could hardly be used to figure from to de-
termine what the valuation may be. His findings in this
particular seem supported by deceision of the U. S. courts.
So Judge Thomas used the other methods of allocating
the property: the peak system demand and the kilowatt
hours, both indicating the demands heurs, both indicating the demands demand and the the kilowatt of the gen-
erating property by the two states. This method seems rea-
sonable. It has been for years the metho sonable. It has been for years the method the company has
used in charging its consumers: connected load and kilowatt
hours. There could seem then to hours. There could seem then to be no valid objection for
using these methods to arrive at the valuation properly as
signed to Oregon. When this was done the commissioner fixed his valua-
tion and then determined his rates. The rate base would
seem also to be fair to the company. After allowing bond interest at $6 \%$ and preferred stock dividend at $7 \%$, the rate
is designed to allow $8 \%$ to the owners of the equity. Since
the $\$ 10,000,000$ common stock was admittedly issued for no turn at the expense of the rate payers.
There may de of course question as to the propriety of
disallowing certain items of expense like donations ties and commercial organizations. And it may be that the
business recession may have affected the company's reve mues so that the rate cut ordered may be found too drastic
for present conditions, but on the whole we do not believe
Commissioner Thomas has anything Commissioner Thomas has anything to fear if the company
does take the case into the courts. There will be the expense
and the delay; but his major findings stand good chance of
being sustained. When this case went to hearings this paper remarked
that Commissioner Thomas was on trial and the system of
state regulation was on trial. A study of the find case justifies the expression of opinion now findings in the
missioner has acquitted himself ably, that he has not as a utility baiter nor has he hesitated to make the utility ice. It now remains to be seen whether state regulation will
survive the test. Those who like The Statesman believe in
private ownership of utilities with public regulation will in deed be disheartened if the courts now step in ind and knock out
what appears to be a judicious determination after haustive hearing. Such a reversal would go far toward fanMarion eounty fa not golng to have to go hat in hand to the federal
government for relliet money. We are still able to care for our own
here.

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