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Article Summary: In the post-war period the Nebraska electric power system could expand rapidly. Legal and economic barriers to expansion had been removed. Access to electricity was going to enable rural people to change their way of life.

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Rural Electrification

A Story of Social Pioneering

C. A. SORENSEN

During the past eight years 21 rural public power districts in Nebraska have constructed and energized 11,055 miles of rural electric transmission and distribution lines. As of July 31, 1944, 21,090 Nebraska farm families were being served with electric light and power from these lines. Today not less than 95,000 men, women and children on Nebraska farms, who eight years ago read their newspapers and school books in the light of kerosene lamps, now turn on electric lights when the sun goes down.

This is a no mean achievement; it is a story of social pioneering, of economic engineering, and of the introduction of new concepts of governmental functions. It is a story of leadership, long-range planning and group cooperation in a democracy for the achievement of specific social and economic goals.

In 1930 in all of Nebraska only 5,278 farmers were served with electricity.² With few exceptions, the suppliers of electric energy to these farmers were private power companies. In a few places small groups of farmers had constructed short lines at their own expense in order to obtain electric service from a private power company or from a municipality operating a generating plant. At that time, or shortly thereafter, there were in existence in Nebraska perhaps a half dozen such short farm lines, among them, the Dannebrog Line, near Dannebrog; the Liberty Farm Line; the Eden Valley Farm Line; the River View Farm Line near Cedar Bluffs; and, I am informed, a line near Emerson. But because the farmers had no trained personnel for the maintenance and operation of these lines, most of them in time were taken over by private power companies. These corporations of

¹Read before the Nebraska Historical Society, September 29, 1944; revised January, 1945.

²Bulletin No. 289 of College of Agriculture University of Nebraska.

course had no sympathy with the idea of the farmers going into the electric light and power business.

Under the leadership of John O. Schmidt, Wahoo, a farmers electric district was organized in Saunders County and quite a number of miles of electric lines were built. But the private power companies succeeded in having declared unconstitutional the law under which the farmers district was organized and the Nebraska Power Company took over the lines.

In 1929 cities and villages owning and operating power generating plants were prohibited by law from constructing lines outside their boundaries to serve farmers or to serve or interconnect with other municipalities. For ten years prior thereto, Nebraska's cities and villages, in a more or less haphazard way, had sought legislation to free municipalities owning and operating their own electric light and power plants from the legislative chains sponsored by the politically-powerful private power companies. Sometimes the municipalities, operating usually through the League of Nebraska Municipalities, would get one of their bills through one chamber of the Legislature only to have it killed in the other. At other times the Conference Committee of the two houses appointed at the end of the session eliminated the desired measure.

A definite legislative program with reference to public power was adopted by the Annual Convention of the League of Nebraska Municipalities held at Norfolk, January 10, 1929. The bills sponsored by the League provided, among other things, that franchises granted to private power companies should be limited to fifteen years; that any city or village owning an electric light and power system should have authority to transmit and sell electric energy outside the municipality within a radius of twenty-five miles, and that the cities and villages might finance the construction and improvement of municipal electric light and power plants and transmission lines by pledging the accumulated and future net earnings of the plant and system. Duplicate bills were introduced, one set in the Senate and one set in the House. The House bills were referred to the House Committee on Municipal Affairs which at that time was notoriously in the control of the private power companies. Two of the bills were taken away from the

Committee by a vote of the House but were kept from coming to a vote on third reading. The Senate was more progressive that year. With slight changes the Senate passed all of the main bills in which the League was interested. Most of the bills were passed by a vote of 22 to 4. Notwithstanding this overwhelming majority for each of the bills in the Senate, all of them were killed in the House or left to die in the Conference Committee of the two houses of the Legislature.

The defeat of these obviously reasonable bills intensified the growing distrust of the Legislature. By controlling a majority of the House the private power companies had controlled the Legislature. Incidentally, this defeat of the public ownership forces not only laid the foundation for Initiative Measure No. 324, hereinafter referred to, but created a block of votes favorable to a One-House Legislature.

At that time I was Attorney General. For more than a decade I had supported and worked for municipal ownership of electric plants. As secretary and attorney for the League of Nebraska Municipalities 1917 to 1920, I had founded and edited the *Nebraska Municipal Review*. This organization and its publication had done much to formulate opinion upon the power question. Early in 1930, therefore, some of us called a statewide conference which met in Hastings to consider ways and means of circumventing the private power companies' control of the Legislature in the matter of public power ownership. There was organized at that time The People's Light and Power Association of which I was elected President. It was agreed that we should submit to the people at the general election in November, 1930, our legislative proposals to free the cities and villages of Nebraska from their legal chains. The Initiative Measure which we drafted, provided briefly as follows with respect to municipalities owning electric light and power plants:

(a) Authority to extend their electric light and power plants and lines beyond their boundaries for the purpose of serving rural communities and other municipalities, provided that the cost thereof must be paid out of the net earnings of the plant or lines and not by taxes or bonds.

(b) Authority to connect and interconnect their power plants

and lines with other publicly-owned or operated power plants and lines.

(c) Authority to pledge the net earnings and profits of their electric light and power plants, lines or systems, for the payment of the cost thereof.

(d) A provision that a municipality could not sell or alienate its power plant, distribution system, or transmission lines to a private person or corporation without a favorable vote of sixty per cent of the voters, and that no such sale or alienation should be effective until all the facts concerning the plant sold had been filed with the State Department of Public Works, and that no private person or corporation could, in order to promote and bring about the sale or alienation of any such publicly-owned power plant, system or lines, pay out or expend an amount in excess of three thousand dollars nor in any event in excess of a sum equal in number of dollars to the number of voters in the municipality affected.*

That year Senator Norris was a candidate for United States Senator and I was a candidate for re-election as Attorney General. On every occasion that offered an opportunity we urged the adoption of the measure. The private power companies circulated initiative petitions for two other power bills, one of which was identical in language, with the bill which we were sponsoring. Under the laws of Nebraska each initiative measure is represented on the ballot by a short description of the measure consisting of not more than one hundred words. The result, therefore, was that the three ballot titles were almost identical. This was the same year that the enemies of Senator Norris caused a grocery clerk by the name of G. W. Norris to file for Republican nomination for United States Senator. The private power companies tried the same fake method to defeat our initiative power bills.

Some of the representatives of private power companies afterwards stated that they spent \$100,000 in this campaign. Whether this is true or not I have no way of knowing, but I do know that they flooded the state with their literature and the

* No. 324 on the Ballot, now Sections 70-601 to 70-609, inclusive, 1931 Cumulative Supplement to Compiled Statutes of Nebraska for 1929.

newspapers carried full-page advertisements in behalf of the two fake power bills. Since the ballot title of our measure was almost identical with the ballot title of one of the fake power bills we had to urge the friends of public ownership to remember the number on the ballot of our measure. As you may imagine, we were extremely fearful that the voters of the state would not be able to distinguish between our bill and the fake bills, which, of course, was the whole idea of the private power companies in sponsoring these two bastard bills similar to our measure but with certain jokers which would make them meaningless if adopted.

Nevertheless the two fake bills were defeated and our measure carried by a vote of 204,579 to 89,205, a majority of 115,374.*

During the six years following the adoption of Initiative Measure No. 324, electric lines were constructed by municipalities and private power companies to serve approximately 5,000 additional farm premises. Among the cities which built rural power lines under the authority granted by Initiative Measure No. 324 were Gering, Grand Island, Hastings, Morrill, Fairbury, Madison, Schuyler, and Fremont.

But that did not solve the problem of serving the rural areas. Comparatively few cities owned generating plants and most of those who did were either unable or unwilling to finance rural electrification on any large scale. In most cases additional generating capacity and much new equipment would be necessary. The state was in the throes of a depression. It was not a job that the municipalities could do except on a very limited scale. As for the private power companies, they would only construct lines of any length where the farmers to be served would pay for the construction. And many a farmer did pay from \$500 to \$1500 for the construction of a stub line to his premises under a contract providing that the line after construction would belong to the private power company. The private power companies then, as always, were only willing to serve farm territory where substantial profits were reasonably certain and of course were never willing to build lines into what is known in the industry as "thin territory." Their rates to farmers generally were so high that the small farmer could not afford their service.

* *Nebraska Blue Book*, 1932, 176

Thus ten years ago the farmers needing electric light and power were faced with three obstacles:

1. Lack of proper law under which the farmers could organize.
2. Lack of supply of wholesale electric energy at low cost.
3. Lack of money at low rate of interest to finance construction of transmission lines.

At the request of those interested in the proposed public power and irrigation projects, my associates and I in January, 1933, drafted what came to be known as Senate File No. 310. This measure provides the manner and method of organizing and operating a public power district or a public power and irrigation district. The bill as introduced provided that any number of voting precincts, or counties, or a combination of both, could constitute such a district. It was further provided that such a district should be managed by a board of directors nominated and elected on a non-partisan ballot by the qualified electors of the district. We specifically provided that such a district should not have authority to levy taxes nor to issue general obligation bonds and that in order to secure funds for construction it could only pledge its earnings and mortgage its physical property. It was further provided that the Board of Directors should have the power to fix, establish and collect adequate rates for electric energy and for the furnishing of water, which rates should be "fair, reasonable, non-discriminatory, and so adjusted as, in a fair and equitable manner, to confer upon and distribute among the users and consumers of commodities and services furnished or sold by the District, the benefits of a successful and profitable operation and conduct of the business of the district." It was further provided that the "governing body of the district should be without authority to lease or alienate the franchises, plant or physical equipment of the district to any private person, firm, association or corporation for operating or for any other purpose." This was done in order to prevent the proposed public power and irrigation projects from ever getting into the hands of private power companies.

I need not tell you that the opposition to the bill was vicious. Every form of bugaboo was raised. The battle lasted two months

but Roosevelt had been elected the fall before, the progressives were on the march, and finally the bill passed with only a margin of one vote to spare in the House.

The passage of Senate File No. 310, by providing a form of organization for public power projects, removed the first obstacle to the development of rural electrification in Nebraska.

Under this same measure the Loup River Public Power District, the Platte Valley Public Power and Irrigation District, and the Central Nebraska Public Power and Irrigation District, were organized. These three hydro electric districts generate over a half billion kilowatt hours annually, a part of which the rural public power districts may buy at wholesale at a cost of from 12.5 to 7.5 mills per kilowatt hour. Thus the second obstacle to rural electrification, lack of supply of electric energy at low cost, was removed.

In December, 1934, a year and a half after the passage of the TVA Act of Congress, the National Grange unanimously adopted a resolution declaring that whereas the Federal Government had adopted a policy of developing electric power plants the Grange favored the maximum development and completion of all proposed federal power projects and the construction of transmission lines in order to make it possible for "thousands of farmers to enjoy the benefits of cheap light and power." In December of the same year the American Farm Bureau Federation adopted a similar resolution which read in part as follows:

"We recommend that electrification of agriculture should be extended into every possible section of the country . . . that ways and means be provided . . . for financing at low interest rates cooperative electric light and power associations",

On May 11, 1935, President Roosevelt by an executive order created the Rural Electrification Administration. A year later under the persistent and practical leadership of Senator George W. Norris, Congress passed the Norris-Rayburn Bill extending the Rural Electrification Administration for ten years. These two measures furnished the administrative and financial foundation for the movement. Congress appropriated funds for loaning to cooperatives and rural public power districts for the con-

struction of rural electric lines, and the rural electrification program on a national scale was under way. The third obstacle to rural electrification in Nebraska was thereby removed.

There are twenty-one rural public power districts now organized and furnishing electric service. These districts as at present constituted are as follows:

NAME OF DISTRICT	LOCATION OF OFFICE	TERRITORY SERVED
Roosevelt Rural Public Power District	Mitchell	Scotts Bluff and Sioux Counties
Norris Rural Public Power District	Lincoln	Rural areas in Lancaster, Gage, Saline, Jefferson, and Thayer Counties.
Eastern Nebraska Public Power District	Syracuse	Southeast Nebraska
McCook Public Power District	McCook	Parts of Red Willow and Frontier Counties
Polk County Rural Public Power District	Stromsburg	Polk County
Cornhusker Rural Public Power District	Columbus	Rural areas in Colfax, Platte, Nance and Boone Counties.
Burt County Rural Public Power District	Tekamah	Rural areas in Burt, and part of Washington, Dodge and Thurston Counties.
Northeast Nebraska Rural Public Power District	Emerson	Rural areas in Thurston, Dakota and Dixon Counties.
Cedar-Knox Rural Public Power District	Hartington	Cedar and Knox Counties.
Wayne County Rural Public Power District	Wayne	Wayne County

Cuming County Rural Public Power District	West Point	Cuming County
Stanton County Rural Public Power District	Stanton	Stanton County
Madison County Rural Public Power District	Battle Creek	Madison County
Southern Nebraska Rural Public Power District	Grand Island	Rural areas in Merrick, Hamilton, Hall, Adams, Kearney and Phelps Counties.
Dawson County Rural Public Power District	Lexington	Rural areas in Buffalo, Dawson and part of Lincoln Counties.
Howard County Rural Power District	St. Paul	Howard County
Chimney Rock Public Power District	Bayard	Morrill County and part of Scotts Bluff County.
Gering Valley Rural Public Power District	Gering	Rural territory adja- cent to City of Gering
Seward County Rural Public Power District	Seward	Seward County
Butler County Rural Public Power District	David City	Butler County
York County Rural Public Power District	York	York County

There also has been organized at Cambridge the Twin Valleys Electric Membership Association, a non-profit corporation. It has obtained an allotment of funds from the REA with which to build rural lines in Southwest Nebraska.

Each of these districts has a board of directors ranging from

six to seventeen. One-third of the directors are elected every two years on a non-partisan ballot. The officers are a president, vice-president, secretary and a treasurer. Ordinarily the board meets once a month. Each district has a general manager or superintendent who works under the direction of the board of directors. Depending on the size of the district each district has one or more linemen and one or more stenographer-bookkeepers. Many of the districts have only three employees, a manager who helps the lineman, a lineman and a stenographer-bookkeeper. Each district also has an attorney who prepares all legal papers, helps to get easements for right-of-way, represents the district before the Nebraska State Railway Commission and other governmental agencies and gives the manager and board of directors advice from time to time on various legal matters that come up. The various districts also usually contract for engineering services as needed. The directors and all employees who handle money are bonded. The bonds of the directors and the treasurer are filed with the Secretary of State.

The Government of the United States, as mortgagee, acting through the Rural Electrification Administration, keeps a sharp eye on the affairs of the districts. Monthly detailed reports are required and auditors appointed by the Rural Electrification Administration make a detailed annual audit. A copy of this audit is filed with the State Auditor. A district cannot enter into a contract of any consequence involving the expenditure of money without the contract being made subject to the approval of the Rural Electrification Administration. Through field men the Rural Electrification Administration gives assistance to the managers in technical matters. Before a loan to a district for the construction of lines is approved, representatives of the Rural Electrification Administration check the engineering report and frequently make a field survey to determine whether or not the proposed project will be feasible. In short, while the Rural Electrification Administration promotes rural electrification it also uses every precaution to see to it that money is not wasted.

Not only has the Government, acting through the Rural Electrification Administration, loaned money for the construction of rural electric lines but money has been loaned to the districts

for reloaning to farmers for the wiring of farm premises and for purchase of irrigation pumps and certain types of electrical appliances. This was necessary because a large percentage of the farmers were unable to finance the wiring of their farm premises. Although nearly a half million dollars have been loaned to farmers in Nebraska for wiring of farm premises, purchase of appliances and for installation of irrigation pumps, there will be no loss in the end to the districts. The farmers have proved to be an unusually good financial risk. Districts charge 6% interest and since they are able to borrow the money for a little less than 3% the margin has been sufficient to take care of all losses and the costs of servicing the loans to the farmers. The notes given by the farmers for wiring run for five years but provide for monthly payments of principal and interest.

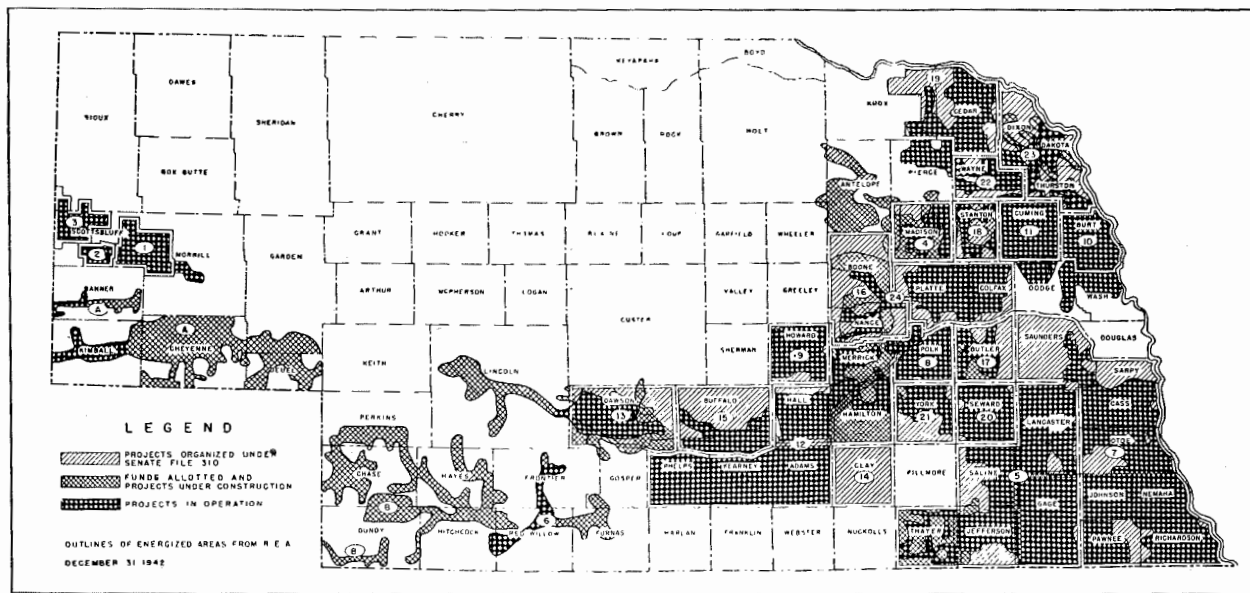
Up to this time, most of the money borrowed by the districts from the Government bears interest at the rate of approximately 2.6%, with the principal payable in installments covering a period of 25 years. New federal legislation is now assured which will reduce the interest to 2% per annum and allow the borrowing district 35 years in which to complete payment of principal.

The progress of rural electrification has been an uphill pull. The districts have had many difficulties to overcome. For one thing, they were not welcomed on the scene by the private power companies. For instance, after the Lancaster County Rural Public Power District was organized, the Iowa-Nebraska Light and Power Company filed an application with the Nebraska State Railway Commission for a permit to use certain highways in Lancaster County for the construction and operation of 175 miles of electric transmission and distribution lines to serve farmers. To their application was attached a map showing that the company intended to build these lines in different parts of the county, each segment being from five to twenty-five miles in length. By a strange coincidence these proposed lines were so laid out that seven out of the district's twelve directors could be served. But the farm directors stood by their organization. The board of directors of the district divided themselves into committees to call on the farmers along the proposed farm lines of the private power company. Only three farmers were found who had actually

signed up for service with the Iowa-Nebraska Light and Power Company; all the other farmers declared that they would take service from the public power district.

In some parts of the State private companies, particularly the Nebraska Power Company, appealed to the Nebraska State Railway Commission to disapprove applications for construction of lines on the ground that the territory which the districts proposed to serve was territory belonging to the private power companies. To illustrate, the Nebraska Power Company had a number of transmission lines in the northern part of Washington County but were only serving a few farmers. The farmers did not take service from the Nebraska Power Company for two reasons, first, the rates were prohibitive, and second, the Nebraska Power Company ordinarily would not construct a stub line to serve a farmer unless the farmer paid the cost of building the line. Since the Burt County Rural Public Power District proposed to serve these same farmers at about half the rate charged by the Nebraska Power Company and to charge nothing for building the extensions to the farms, the farmers all signed for electric light and power from the rural public power district. The attorneys for the Nebraska Power Company contended strenuously before the State Railway Commission that it had public necessity and convenience jurisdiction and therefore the Commission should refuse to allow the rural public power district to build lines in territory that could be served by the Nebraska Power Company. After a long legal battle, the Railway Commission by a vote of two to one finally decided that it did not have public necessity and convenience jurisdiction over the building of electric lines and that its jurisdiction was confined solely to the matter of type of construction and conformance with statutory provisions as to clearance and physical interference with other lines.

Nor can it be truthfully said that all farmers endorsed the program. When a group of farmers start something there are of course always other farmers who can not see how any good could come out of Nazareth. Then there was the stand-pat Republican farmers who didn't want anything to do with a Norris New Deal proposition. There was also, believe it or not, the farmers who had been persuaded that electricity generated by water



Courtesy Department of Roads and Irrigation

NEBRASKA RURAL ELECTRIFICATION DISTRICTS

- | | | |
|---|--|---|
| 1. Chimney Rock Pub. Pow. Dist. | 10. Burt County Rural Pub. Pow. Dist. | 19. Cedar-Knox Rural Pub. Pow. Dist. |
| 2. Gering Valley Rural Pub. Pow. Dist. | 11. Cuming County Rural Pub. Pow. Dist. | 20. Seward County Rural Pub. Pow. Dist. |
| 3. Roosevelt Rural Pub. Pow. Dist. | 12. Southern Nebr. Rural Pub. Pow. Dist. | 21. York County Rural Pub. Pow. Dist. |
| 4. Madison County Rural Pub. Pow. Dist. | 13. Dawson County Pub. Pow. Dist. | 22. Wayne County Rural Pub. Pow. Dist. |
| 5. Norris Rural Pub. Pow. Dist. | 14. Clay County Rural Pub. Pow. Dist. | 23. Northeast Nebr. Rural Pub. Pow. Dist. |
| 6. McCook Pub. Pow. Dist. | 15. Buffalo County Pub. Pow. Dist. | 24. Cornhusker Rural Pub. Pow. Dist. |
| 7. Eastern Nebr. Pub. Pow. Dist. | 16. Boone-Nance County Rural Pub. Pow. Dist. | A. Area Served by a Wyo. R.E.A. Dist. |
| 8. Polk County Rural Pub. Pow. Dist. | 17. Butler County Rural Pub. Pow. Dist. | B. Area Served by a Colo. R.E.A. Dist. |
| 9. Howard County Rural Pub. Pow. Dist. | 18. Stanton County Rural Pub. Pow. Dist. | |

The following abbreviations are arbitrarily used in the above titles:—Pub., Public; Pow., Power; Dist., District; R.E.A., Rural Electrification Administration.

power was inferior to electric energy generated by steam.

The matter of rates is a vital consideration in the successful operation of the rural electrification districts. Not only must power be made available to farmers it must be sold at reasonable rates. This, the Nebraska districts are prepared to do. In most cases the rates are approximately as follows:

A minimum charge of \$3.50 for the first 50 kilowatt-hours.

Four or five cents per kilowatt-hour for the next 50 kilowatt-hours.

Three cents per kilowatt-hour for the next 100 kilowatt-hours.

One and one-half cents to two cents for all additional kilowatt-hours purchased.

The minimum charge of \$3.50, permits lighting of a farm home and buildings and the operation of an electric washing machine, churn, radio, toaster, fans, vacuum cleaner, iron and sewing machine. An additional amount of \$1.75 a month will operate an electric refrigerator, as much needed on the farm as in the city. In many parts of the state pump irrigation will now be feasible. When the debt to the government is finally paid off, the rates can be reduced substantially.

We believe that to the electric industry can be applied the "ten cents store" theory of merchandising, that is, sell electric energy at low cost and thereby greatly increase the amount sold. The experience of the Tennessee Valley Authority and other public corporations selling electric energy is that cutting rates in half frequently results in almost doubling the use of electric energy.

The influence exerted upon rural life by the coming of electric power to the farm home is almost incalculable. No one who has not lived and worked on a farm can have a really full conception of what electric power means to the farmer and even more to the farmer's wife. Farm women in unelectrified homes face every day the drudgery and discomfort due to lack of running water, proper sanitary facilities, adequate light and refrigeration; power to run washer, iron, sweeper, churn, sewing machine, fan and radio. For the farmer it means power to pump water for stock

and for irrigation; to operate milking machine and separator; to grind and mix feed, cut ensilage and grind tools. It means the time and expense saving device of electrified fences; the convenience of adequate light to work by in the dairy barn, the hog and poultry house, the machine shed and garage.

There is no virtue in doing necessary work the hard way. The removal of the worst drudgery and inconvenience from farm life means a saving of time and energy which can be employed for recreation, for educational or community service. Release from routine hard work leaves to the farm women the time and strength for better child care and training. Home life is made more pleasant for the children, and young people are satisfied to remain in rural areas. There can be no good reason to deny to so large and deserving a part of America's population the right and opportunity to enjoy the benefits of cheap electric service which can so readily be furnished them through establishment of rural electrification districts.

Only about one-fourth of Nebraska's farms have been supplied with electric power. Despite the rapid organization and development of the past dozen years the movement is only well begun. The war period has stifled the expansion for the time being because materials, labor and electrical equipment have been available in only very restricted amounts. The post-war period undoubtedly will see a vast expansion of rural electrification. The great problems of legalizing the organizational set-up are in considerable part solved. The means of financing the development have been provided chiefly by the Federal government. The knowledge of the usage to which electricity can be put will spread rapidly among rural people. Electrified farms will all have the power for domestic industries. The situation is ripe for a great spurt of electrical inventions and adaptations of equipment for farm usage. Electrical power even as much as gas engines is enabling rural people to change their way of life.

Nebraska can be proud that it has been one of the pioneer states in rural electrification.