

APPENDIX 1

Let there be light: the story of

BY LINDA DOBBS

"In this charming little community, the fine graveled roads are lighted at night by patent gas lamps when the moon doesn't shine." (From an 1872 traveler's guide in 1956-7 Madison League of Women Voters "Know Your Town".)

"'Let there be light' says the Light Committee and there will be light!" reported the May 1, 1903 edition of the Madison Eagle when electric current was turned on for the first time during daylight hours in Madison. Editor Edgar G. Markham wrote, "This is another chapter in the progress of the Borough; first the water and light plants, then street lighting, then all night lighting, and now all night and day lighting."

Madisonians have always taken pride in their town, displaying an independent and innovative spirit. Perhaps nothing better illustrates this spirit than the story of the Madison Electric Company, (today one of the five municipally-owned electric companies in New Jersey) from its beginnings in 1890 to the present.

FROM DARKNESS TO INSTANT LIGHT

The scene is Christmas Day, 1891, a few minutes before 5 p.m. The darkness of evening is emphasized by a dense fog settling over Madison. The oil street lamps remain unlit as men, women and children gather on Waverly Place. Madison's first mayor, James P. Albright, stands with his hand raised, waiting for the clock hands to reach exactly 5 o'clock. As the minute hand reaches the twelve, he pulls the switch. Simultaneously, the new street lamps light up downtown Madison — the miracle of electricity!

The lights were turned off at 1 a.m. All night lighting was to come later. But in June, 1890, those innovative Madisonians voted to bond \$75,000 to construct a water and light plant in a special election (not without speculation over whether this new venture would be more costly to maintain than oil lamps) and they came out to celebrate progress on a cold, foggy Christmas night.

By January 15, 1892, the Eagle reported that Councilman S.H. Reed, who was also chairman of the Electric Light Committee, "wires his house from cellar to garret and he illuminates every evening to give our people an opportunity of seeing the light." Councilman Reed was apparently the only residential user. The other 52 consumers in Madison at that time were commercial users. Today, Madison has 5,501 residential customers.

Reed was also no doubt looking for more customers to justify the expense of the new plant. One group, however, felt there was too much light. The Women's Christian Temperance Union (Eagle, May 1891) protested the lighting of bar entrances, saying, "They (the bars) are now made too attractive - 'for broad is the way that leads to destruction and many go thereat!'" Prohibiting lighting of bar entrances was not one of the WCTU's successes; in later years, they were successful in prohibiting bars altogether.

It has not been all "sweetness and light" with the Madison Electric Co. Over the years citizens, Councils, mayors, Eagle editors were involved in the issues of rates, delinquent accounts, surplus money, municipal ownership, and the purchase of wholesale electricity versus "home-made" electricity.

EARLY RATES

In the early years, before usage was metered, rates were determined by the number of lamps used. Commercial fees were \$7 per year for the first five lights and \$6 for the second set of five. Domestic fees were \$30 per year for the first five; \$18 for the second set; \$9 for the third set; and \$6 for the fourth. All other lights were 10 cents per month or by the meter rate of ¼ cent per hour for each 16 candle power lamp. Commercial users clearly had an advantage. \$30 was a significant charge for a household in those days. Did Councilman Reed, who "illuminated from cellar to garret" have a special deal?

that would accomplish all of these goals.

NEW DYNAMOS CAUSE CONFLICTS

Residential meters were first installed in February, 1911, after three new dynamos were purchased, changing voltage from 1,100 to 2,200.irate customers, including Eagle Editor J.E. Clarey, had purchased electric motors no longer compatible with the new plant machine. They demanded the town finance the cost of altering their motors. But the Council refused to recognize any responsibility, even after Council was chastised in an editorial.

To add insult to injury, in July, 1912, the Eagle reported a "Big jump in light bills" compared to the corresponding 3 month period the previous year. Because of the great variations in increases and some decreases, the meters were recalibrated. But consumers were not happy, concluding that "... improvements at the plant would reduce the cost and give more satisfactory light."

Another flurry of protest arose in January, 1913 when Council passed an ordinance that house wiring must be approved by a wiring inspector. This time the Council responded, and agreed to pay for the inspections. They also recommended a 20 percent reduction in the cost of electricity. Three years later, rates were reduced and a sliding scale (to stimulate greater demand) was recommended.

Madison's first request from a large consumer for special electricity rates was received in January, 1916 from Clifford Werper, proprietor of the Savoy Theatre. He asked for a reduced rate because concessions were made in other towns where "moving picture theatres" used large amounts of current. Council did not make a decision at that time and it was not reported later if they ever granted his request.

When rates went up in 1921 (see chart), the Eagle editor noted, "The Borough gains free electric current and water use for municipal use and the rates are still cheaper than neigh-

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would be more costly to maintain than oil lamps) and they came out to celebrate progress on a cold, foggy Christmas night.

The new lights "illuminate so well it justifies the cost", wrote the Eagle editor Fred B. Bardon on Jan. 1, 1892, marking the move to an "enlightened" era and, perhaps knowingly, the end of a "fixture" of the past era — the lamplighter. The paper reported, "Faithful lamplighter Charles Weir ends his service tonight. He was offered the same job in hatham."

Weir was very cheerful about losing his job, joking that he should light the lamps so the Mayor could see to turn on the electricity. When the Eagle reported that "Charles Weir, who for many years was the lamplighter of Madison when the streets were lighted with oil lamps, died in the poor house Wednesday (June 15, 1898)," the significance of the passing of an era, with both good and bad effects, was made most apparent.

So Madison had electric lights in 1891, but what kind and where and how many? Remember that Thomas Edison's first successful incandescent lamp (invented in 1879) was not commercially available until 1881. In 1882, New York City was building the first electric-power station for street lighting. Only ten years later, Madison boasted over 400 street lights in the commercial district and two dynamos (machines for converting mechanical energy into electrical energy) of 600 light capacity with 32 candle power each, extending over an area of 12 miles!

illuminated from cellar to garret" have a special deal!

The first church to use electric lights was Webb Memorial Chapel for the Presbyterian's Christmas celebration in 1892. By 1894, Drew University and the Methodist Church had electric lights. By then, the rates had been reduced to 10 cents per kilowatt hour with a minimum of \$24 annually to users within the city limits.

Users outside the city limits were at a disadvantage. Originally, service was only offered within city limits. In 1899, E.M. Noe of Chatham Township told Council the Summit Company offered him a rate of 17 cents for 1000 watts of electric current (with the pole line furnished). After much deliberation, Council agreed to furnish current for 17 cents outside borough limits provided the consumers built their own line! The previous month, the Council had resolved to furnish current to non-residents for 20 cents per watt hour with the consumer bearing all construction expenses. Council was able to extend its service because plant improvements increased the supply of current.

It wasn't reported which company E.M. Noe chose to supply his electricity, nor who got the business of H. McK. Twombly who had also sent applications to Council for service. The practice of furnishing current to non-residents would become a significant controversy several years later. For the time being, Madison was concerned with improving the plant and service, paying for the company and its improvements; and setting rates.

2 Borough gains free electric current and water use for municipal use and the rates are still cheaper than neighboring towns!

By 1934, the two meter system — one for power, one for lights — had appeared.

When the new sliding scale was first tried in 1935, Eagle Editor Clarey reported many complaints. It was still an issue in 1938 and he editorialized on "The Cost of Electric Power," complaining that the sliding rate was higher than that charged in other communities. He felt more people could "enjoy the use of numerous electric appliances (vacuums, ranges, refrigerators)" if the rates were lower. He added, "Besides, high users of electricity do not receive any great reduction in taxes, just an additional form of taxation." Those sentiments were to be echoed many times in later years.

In this year, Madison had another "light ceremony" — this time in July when the Mayor turned on the "improved highway lighting" which was "sodium vapor lumenaries". The Eagle reported, "Madison is believed to be the first community in New Jersey to install modern highway safety lights through its main artery." Madison would also be a model to others; it would stand out to tourists and be safe, Clarey continued.

Over the early years it was front page news that consumption of electricity continually climbed higher. Thus it was big news when, for the first time, the light department did not set a consumption record in 1941. Lower consumption continued during

ELECTRIC CO. HISTORY

C=commercial R=residential		KWH=kilowatt hour KW=kilowatt inc.=increase												
rates	1892 C=\$7/yr for 1st 5 lights \$6/yr for 2nd five R=\$30/yr for 1st five \$18/yr for 2nd five	1894 R=10c/kwh minimum \$24/yr	1911 meters installed	1912 inc. 50-60% per quarter	1916 rates reduced 20% sliding scale	1921 12/2c/kwh 50 cents per quarter service charge	1923 10c/kwh 5c/power usage	1931 rates inc. 20 times since beginning average U.S. elec bill \$30/yr	1934 new sliding scale tried	1937 C=7.5c/kwh (1st 200 kw) R=6.5c/kwh (1st 50 kw)	1941 consumptn inc. 60 times since beginning	2,100 R&C	increase	consumptn did not increase
usage	C=52 R=1	increase	increase	increase	increase	increase	increase	consumptn inc. 60 times since beginning	1977 R=1.6% C=2.2%	1979 JCP&L inc. 26%	1984 R=monthly charge \$2.50 9 cents/kwh (first 300kw) June-Oct. 9 cents/kwh (first 1,000) Nov.-May	5.501		
rates	1949 1st JCP&L inc.	1952 inc.	1953-54	1958 decrease	1969 JCP&L inc. 13%	1973 JCP&L inc. 60%	1974 JCP&L inc. 15%	1976 JCP&L inc. 20% Mad. inc. 15%	1977 inc. R=1.6% C=2.2%	1979 JCP&L inc. 26%	1984 R=monthly charge \$2.50 9 cents/kwh (first 300kw) June-Oct. 9 cents/kwh (first 1,000) Nov.-May			
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the war years. After the war, usage continued to rise as more electric products were developed. With growth in consumption came the need for additional power sub-stations, one on Kings Rd. built in 1953-54 and one built at James Park in 1969-70.

Not only was consumption rising, but rates were too. In 1952, civic groups and a Chamber of Commerce representative planned a campaign to secure reductions. The group asked, "Why do we pay more than other cities?" (A study done by the Federal Power Commission in 1950 showed that the citizens of Madison paid more for electricity than citizens of com-

as long as the rates were shared equally by all. However, back in 1913 when the news that Light Department employees were getting "electrical current free" was reported on the front page of the Eagle, Council had some explaining to do!

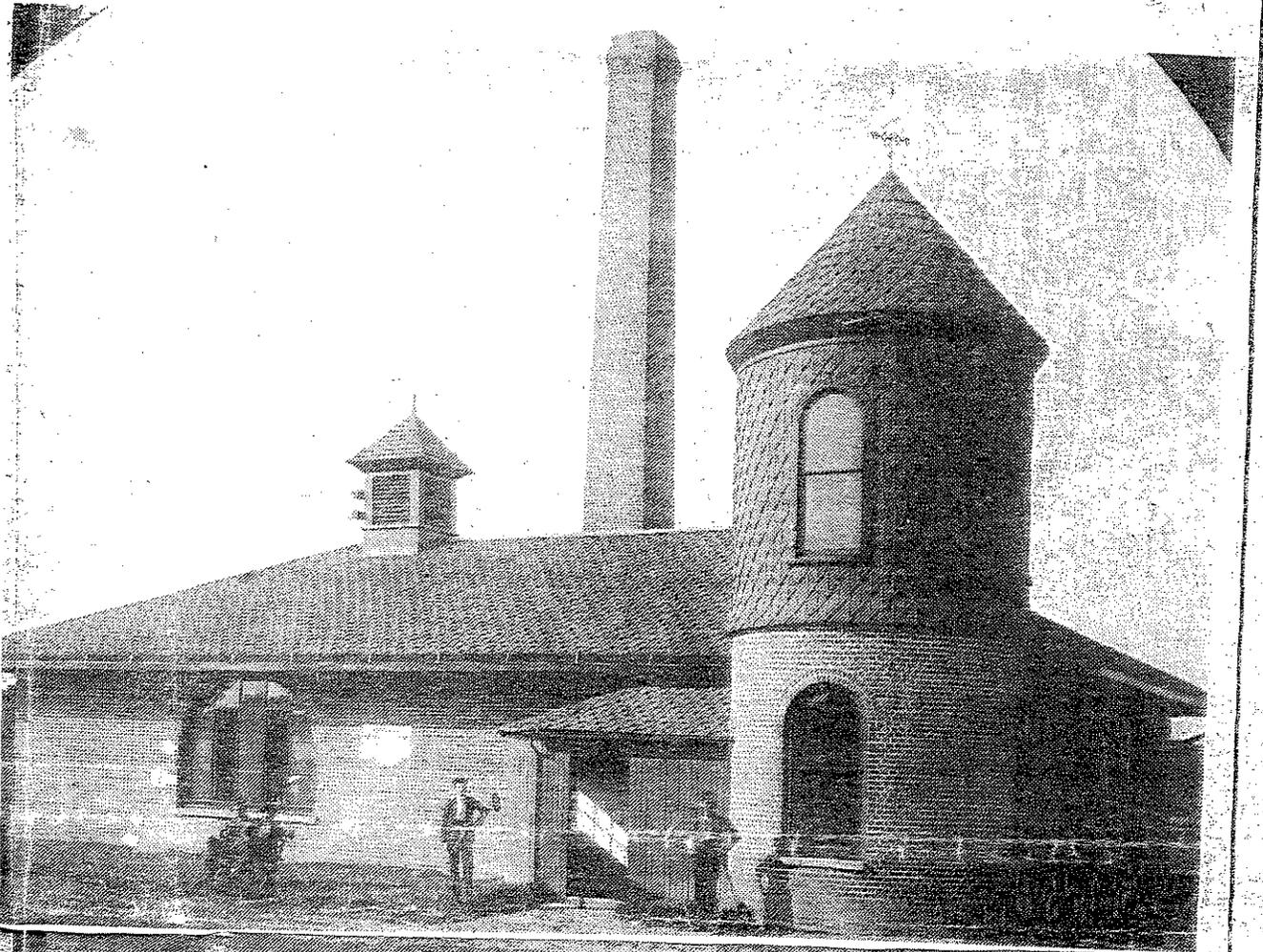
The practice was immediately stopped. Many Council members expressed ignorance of the practice, but former Mayor Albright said he knew of it, and it was not abused. It was looked on as part of the salary, although it was never formally authorized by the Council.

LATER RATES

The significant leaps in rates from

Benedict added that larger users would be paying more than the rates JCP&L charges. Also the borough would not receive added money from tax exempt organizations (such as Drew) if the borough cut the surplus and increased taxes. Residents' fear that the "little guys" were subsidizing the "big guys" was not laid to rest and would crop up many times over the next years.

Council did not pass the rate increase ordinance then, but when JCP&L asked for a 20 percent increase in 1976, Madison joined with the four other communities still operating municipal utilities (Butler,



LET THERE BE LIGHT! The Madison water and Light Plant, circa 1890, soon after construction (note absence of shrubbery). The photo was loaned to the EAGLE by Frank Tromonda, present supervisor of the Electric utility who began his career with the company in 1951 as a foreman. The people in the photo could not be identified. Perhaps they include early employees and the first Chairman of the Electric Light Committee. S. H. B...

LET THERE BE LIGHT! The Madison water and Light Plant, circa 1890, soon after construction (note absence of shrubbery). The photo was loaned to the EAGLE by Frank Tromonda, present supervisor of the Electric utility who began his career with the company in 1951 as a foreman. The people in the photo could not be identified. Perhaps they include early employees and the first Chairman of the Electric Light Committee, S.H. Reed.

parably sized towns throughout the nation.)

Dominick Mottola, representing the Forum Club, said he was told Madison had higher rates because 20 percent of the property in town is tax free. Council members told him a higher electric rate secures some return from these properties. Council did lower the rate and Editor Ken Haynes wrote, "Lower rates are good for the housewives who want electric servants."

One reason for the increase in rates was the impact of a rate increase sought by Jersey Central in 1949, which was the first rate increase in its history. Mayor Donald Morrison attributed the rise in 1950 to faulty meters which were slow, sometimes by 60 percent. By 1957 Mayor Thomas Taber suggested an experimental off-peak electric rate to "encourage increased use of electrical appliances." Madison does not have off peak rates, but JCP&L does.

Oscar Van Auken was appointed General Manager of the Electric Utility in November, 1956. (He was not the first. Frank Waters held the position from 1929 until his retirement in 1948.)

The rates were lowered to the same level as JCP&L in 1958. Eagle Editor Haynes noted, "Power by the gross (as represented by commercial consumer) costs more than power by the dozen." He called for "business courage" and lower rates to produce higher consumption and higher profits. Indeed, by 1960 he wrote, "It Pays to be Brave" and reported the surplus increased by several thousand dollars.

Besides rates, damage to electric equipment by lightning, hurricanes, high winds, ice storms resulting in power failures, and the 1966 and 1967 black-outs in New York and several states were the news-making events during that period. Underground wiring on Main St. in 1966 also made the headlines.

Whatever the rates were in those early years, Madisonians complained but eventually accepted the increases

the late sixties on dominated the utility company news and brought to the forefront the related subjects of municipal ownership and surplus.

How significant were the rate hikes and what caused them?

JCP&L requested a 13 percent increase in 1969, a 60 percent increase in 1973 and another 15 percent increase in 1974, the last two due to rising cost of fuel, according to Council. Madison and four other municipal wholesale customers challenged the hike before the PUC, but the increase was upheld.

At this time, Madison formed an ad hoc committee to study the rate structure and investigate the pros and cons of ownership. The Mayor and Council also studied rate increases and the profit and loss picture. They attributed more than inflation to the rising rates, saying, "The energy crisis changed profit at bargain prices." Frank Benedict (head of the Council Utilities Committee), gave two reasons for Madison's higher rates, the JCP&L rate increase and the increased cost of fuel.

The borough also decided to try to get a portion of the franchise tax JCP&L paid the state (which is returned to municipalities for their use) because Madison was not being "reimbursed." Success! The tax exemption ruling, credited to Mayor Glenn Head, Borough Administrator Arnold Matthies, and Borough Attorney Herbert Vogel, would save the Borough \$180,000 for the year!

But the rates go up! Rates were expected to increase from four to 12 percent in 1975 (to bring them in line with those charged retail customers of JCP&L according to Council). Benedict said residents had a choice of paying higher taxes or higher rates. Resident John Lundin took exception to that thinking saying, "The little guy is actually subsidizing the bigger guy" with property tax benefits because larger property owners get larger tax breaks.

Mayor Head said the large property owners also use more electricity and

Pemberton, Seaside Heights, Lavallette), to fight the increase. At the same time Council passed an ordinance raising rates 15 percent and continued its battle to prove JCP&L's request for a hike was unwarranted. The increase was granted, appeals were eventually settled and the borough received a \$200,000 rebate from JCP&L.

During this same period, Madison felt it was no longer a "model town" in appearance, and undertook a three-phase underground wiring project and formed a Downtown Madison Committee. "Other northeastern towns are unable or unwilling to keep up with the changing times," noted Mayor Roger Vernon who felt underground wiring was a "wise and prudent investment."

"Economics and weather" caused rates to climb again in 1977 and fuel adjustment costs (based on average cost of fuel during three months preceding bill) were added to bills. (See chart.)

Madison and the other four wholesale customers joined again to fight a 26 percent increase by JCP&L in 1979. They claimed JCP&L was practicing unfair competition by its high tab to wholesale customers. The increase was granted, however, and Council found it necessary to increase rates despite community opposition. Council began to study the electric needs of Prudential (who was moving its headquarters to the Giralda Estate) and recommended the formation of an electric study committee. The rates for Drew and N.J. Bell were increased to 38 percent more for demand charges and 3.5 percent more for power charges.

These steps led Madison into a different arena, one of corporate electric needs, law suits, legislative appeals, and a change in the rate setting process. This new arena also dredged up old concerns of municipal ownership and surplus.

(This story will be continued next

Let there be light - Part II: Madison Electric Co. then &

BY LINDA DOBBS

WAGES

The old lamplighter was paid \$26 a month. In 1893, there were four men including a chief engineer (whose salary does not appear in print), an assistant engineer who made \$70 a month, a first fireman, \$50, and second fireman, \$45. Twenty-three years later, in 1916, the salary of the fireman was increased to \$55 - \$60 per month!

Today's pay schedules are more complex. There are more employees, most of whom are union members, so it is difficult to compare salaries. The salaries of union employees range from a starting lineman 2nd class at \$16,713 a year to a foreman at \$28,122 (base).

NON-RESIDENT RATES

In addition to wrangling over rates, Madison's early electric light committee was faced with the dilemma of supplying current to non-residents. This debate became enmeshed with the equally sticky debate over municipal ownership of the electric company which was a concept of independence held dear to the hearts of Madisonians.

In 1899, when other communities were experiencing problems over water rights, Eagle Editor Edgar Markham stated, "Madison has reason to congratulate itself, that it . . . adopted from the first the public ownership of its water and light plant."

The fear of losing local control was responsible for Madison's decision to end service to non-residents in 1918. A legislative act in 1916 prohibited one municipality from furnishing power to another without being classed as a public utility. Until that time Madison was busily recruiting customers because the plant was not near capacity and the town could use the revenue. Chairman of the Water and Light Committee, Frank Waters bemoaned the Borough's loss of all but two of its non-resident customers. He

law which works evil." So Council held firm, denying even a request from a non-resident who couldn't get current from another company because he was one mile from the nearest line, fearing the utility would come under the authority of the Public Utilities Commission.

Municipal ownership was also a prime factor in the most hotly debated controversy of — the wholesale purchase of electricity in September, 1923. That innovative and independent spirit that Madisonians have always displayed was never more apparent than during this controversy when Council voted (without public comment) to buy power from Jersey Central Power and Light Co.

"Million dollar asset given away" read the front page headlines of the Sept. 7, 1923 Eagle. Editor Clarey devoted the entire front page and much of the inside news to this topic. In fact, he became so indignant with Council's decision that he announced his candidacy for mayor (Independent Republican) on the platform that he would end Frank Waters' control (of the light plant) and secure a court injunction to prevent the contract from becoming operative.

Clarey based his "million dollar asset" on a letter he received from former Mayor E.D. Merikle in 1921 in which the Mayor stated the plant's value. Clarey reprinted the letter on the front page along with reprints of past statements by Mayor W.A. Starrett and Frank Waters. On other pages Clarey wrote an editorial, printed a statement from the Mayor and Council and added his answering statement.

The controversy began when Mayor Starrett requested a survey of the plants condition in 1921. He felt there was a need for updating the plant and improving water pressure. Councilman Waters said the plant was not obsolete and instead said it should last for years. He continued on that track until 1923 when he voted with Mayor

other companies). Their statement read, "We have not voted away any revenue, rather we will have increased revenues because we will purchase at a lower rate than we can generate ourselves. So we will reduce rates from 12 and ½ cents per KWH to 10 cents and still have a great margin of profit. There is also a clause safeguarding our becoming a public utility and therefore under the PUC." They also noted that two boilers had been condemned.

One letter to the editor was in favor of the contract because it could save money. The writer asked, "Is the plant an asset or an expensive toy?"

When the profitability of the plant was questioned in a letter to the editor with phrases such as, "Is it really an indirect tax to support a non-profitable electric light plant?" Clarey pointed out that Madison was getting "free" street lights while making an operating profit of \$25,796.88 minus improvements of \$13,338.41, the difference being the net profit. He then valued the free current at \$18,516 and \$14,564 for street lights, the latter which would have had to be paid by taxpayers if Madison had an outside supplier.

Clarey felt strongly about keeping the status quo and used his newspaper space to that end. He even printed the names and years of service of the current employees suggesting they would become unemployed if the contract was allowed. Readers saw their friends' and neighbors' names in the Eagle — Harry Torrey, Superintendent, 30 years; William Yost, Engineer, 13 years; Frank Sliker, Engineer, 15 years; Joseph Cole, Engineer, 20 years; etc. Numerous small ads appeared on almost every page, urging "Vote for Clarey," "Clarey for Mayor," and "Clarey will win"! And win he did. He was elected mayor "by the largest majority in the history of the Borough" (so he reports in the Nov. 9, 1923 issue). The power of the press!

...based the Borough...
 two of its non-resident customers. He
 promptly reported to Council in August
 1916 that he had recruited the Howard
 S. Cole estate (Brooklake Farm,
 Florham Park) which was previously
 using the Morris and Somerset Elec-
 tric Co. and Joseph L. Hope of
 Florham Farms. Morris and
 Somerset complained to the State
 Public Utilities Commission who then
 notified Council to stop selling to non-
 residents. Chairman Waters asked the
 Assembly and Senate to fight to ap-
 peal the law.

Eagle Editor John Clarey, Jr. joined
 in the battle, writing, "... the
 legislature won't object to repeal of a

until 1923 when he voted with Mayor
 and Council to discontinue electric
 current at the Madison plant. (The
 survey in 1921 was inclusive so the
 plant's true condition was not known).

Clarey felt that discontinuing pro-
 ducing current would mean "gradual
 scrapping of most of an asset worth at
 least one million dollars." He even
 suggested selling the plant and apply-
 ing the balance toward a new high
 school!

Mayor and Council charged the
 editor with misrepresenting the facts
 about awarding the contract to Cen-
 tral Jersey Power and Light Co. (Mor-
 ris and Somerset had merged with

the press

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 As mayor, he
 void the contract with Central Jersey
 although he kept his campaign pro-
 mises and became the first to take the
 Council to court. He was most incens-
 ed with the Council's signing of a con-
 tract without first printing its inten-
 tions in the Eagle. He accused Coun-
 cil of "... usurping the high principle
 of government for the people and by
 the people." Council had the contract
 printed in two daily papers before
 Clarey's paper came out on Friday too
 late for "... The Eagle to inform
 citizens." He vowed "the Eagle would
 lead the way to secure a court injunc-
 tion to prevent the contract from
 becoming operative until the real
 facts are resolved." He then printed
 the entire contract in the Eagle to no
 avail. In a hearing Dec. 3, 1923 Vice
 Chancellor Bently dismissed the suit
 saying that a governing body may
 make contracts.

COURT BATTLE

Since then citizens have found their
 Council can legally do a great number
 of things with the municipal utility. In
 February, 1983, the Appellate Division
 of the Superior Court decided in favor
 of the Borough's rate structure and
 billing practices. According to Coun-
 cilman Timothy Ulrich, Chairman of
 Utilities and Engineering, "... the
 court concluded that the Borough's
 practices of (1) charging the electric
 utility an amount of money in lieu of
 franchise and gross receipts taxes and
 (2) generating a surplus, both of
 which are transferred to the Borough
 for general municipal purposes, were
 legal and proper." Ulrich adds,
 "These charges and surplus have
 been and will continue to be used to
 reduce our local real estate taxes."

Also in 1983, all remaining legal
 challenges concerning the rates and
 operations were settled by mutual
 agreement of the Borough and
 litigants. Large consumers (such as
 the School Board, the Library, the
 YMCA) have had their electric costs
 reduced as a result of the settlement
 according to Ulrich.

What events and controversies pav-
 ed the way for this court action? When
 Madison and four other municipal
 utilities challenged JCP&L's rate in-
 crease in 1979 and lost, a subsequent
 large rate increase was initiated.
 Councilman Jack Reid argued the in-
 crease was necessary or the tax rate
 would increase by 3 percent. He



POWER TOWER — The sun illuminates upper window of turret of the Madison
 Electric Company in a 1984 photograph. (Mike Grant photo)

and now.

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stated, "Higher electric bills aid the poor... they have fewer luxury items and can control their use. Higher taxes benefit the more affluent because it is deductible on income tax."

With this increase and another raising commercial rates to \$7.06 per KW, Council received protests from Drew University in 1979 and from H.P. Higgs Co. in 1980. Drew said they should have lower rates because they provide their own distribution system. Councilman Reid said the cost of wholesale power increased the cost of operation to the point where the Borough would lose money if it didn't increase its commercial rates. Harold Higgs threatened court action, claiming the increase to commercial users was prejudicial.

Higgs also said the Borough underbilled N.J. Bell and Drew which resulted in losses of \$20,000 - \$30,000. Council did later verify several mistakes. Higgs sued the Borough January, 1981, charging that rates were not based on the Borough's operation costs, interest and debt retirement, deferred charges and statutory expenditures, only on JCP&L rates.

The issues of generating a surplus and municipal ownership again came into play. Higgs criticized the Borough for supporting municipal government with the utility charges rather than through the "legally approved method of taxation." He also charged the utility dedicated 24 percent of its total revenue to the budget, at the same time maintaining an operating surplus. (Regulating agencies allow a ten percent return). According to Higgs' lawyer rates should be based on cost of service rather than rates of other privately owned utilities.

While Higgs was indignant over one type of alleged subsidy, other Madisonians worried about another kind of alleged subsidy, the small guy subsidizing the big guy was



THE MADISON LIGHT BRIGADE — Employees of Madison Electric Company as of this May are (l. to r.) Ralph Serillo, Robert Stefanek, Mike Piano, Henry Melvin, Bob Mason and Joe Doherty. Missing: Frank Tromonda, Supervisor. (Mike Grant-photo)

Rate scales are more complex now than they were in early years. Now there are two classes, demand and non-demand users. The significant difference is that in earlier days, customers were charged less for using more electricity to encourage more widespread use to achieve greater profits. Now, the reverse is true. People are encouraged to use less electricity but are charged more.

In 1984, residential customers pay \$2.50 a month plus 9 cents per KWh for the first 300 KWh and 10.85 cents per KWh over 300 during June through October.

The demand class of users (com-

Editor Haynes thought the price should be \$1,750,000 (ten years income plus bonus to compensate for foreseeable growth).

"The real plum is the franchise not the plant," Haynes concluded.

Council again studied the question of municipal ownership in 1974 when surplus dropped. However, Councilman Frank Benedict said, "It is unlikely it will go down to a point where it would be unprofitable to remain a municipal business." A sampling of profits shows, \$43,000 in 1930, \$60,000 in 1934, \$98,000 in 1937, and in 1944 \$132,000 was appropriated from surplus for taxes. By 1951, \$173,000

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brought up in 1975 and still a complaint in 1979. Councilman Reid refuted this complaint saying, "... it costs more to service residential homeowners than large users." In fact, at that time, Reid noted that Drew and Western Electric were paying 13 percent more in rates than residential users. No wonder Drew protested. However, in 1981, the rate expert hired by the Borough, concluded the rates were not discriminatory but "... reasonably track the utility's cost of service." He further said the utility received only 3.29 percent return on its \$9.8 million rate base and actually lost money on commercial demand users including H.P. Higgs Co.

As recently as April, 1984, when Higgs suggested raising rates to Drew and N.J. Bell (to lower Madison taxes), Ulrich explained that those users' rates would then be 15 percent higher than JCP&L. He restated that the court ordered (after Higgs' suit) rates must reflect costs.

Higgs won his suit in February, 1982 when a Superior Court judge ruled the Borough illegally transferred about one million dollars from the utility account and violated state statute which permits utilities to make only enough to cover operating costs, debt payment, and set aside a reserve for emergencies. The Council said the utility was worth about \$12.2 million. The Borough audit report valued the facility at \$4.2 million and based on utility figures of \$9.3 million the Borough only saw a 3.2 percent profit.

Higgs did not win. The Borough's practice of transferring surplus and charging money to the utility in lieu of franchise and gross receipts taxes was found to be legal in the Appellate Court in 1983. And in answer to all charges of subsidizing, Madison was ordered by the court to base rates on operating costs and not solely on JCP&L rates. The Borough continues to challenge JCP&L increase requests. The latest challenge resulted in a refund of over \$90,000 which was refunded in all electric bills during the summer of 1983.

Madison's residential rates are still lower than rates charged by Jersey Central Power and Light (JCP&L) to neighboring towns today, according to Borough Finance Director Abe Anton. However, the commercial rates in Madison are now higher than residential rates.

commercial and large users) have a higher customer charge (\$5 and \$15 respectively) and a demand charge of \$7.40 per KW over 10 (June - Oct.).

SELL THE PLANT?

The question of municipal ownership (first passed in a special bond election in 1890), debated many times over the years, was brought up again as recently as 1982 by resident John Fox who suggested selling the utility. He was told no discussions with JCP&L on that subject have been held for ten years. Councilman Ralph Maione agreed (the outcome of the appeal was not known then) it would be a serious consideration if the Borough lost the appeal. But, if the Borough won it would be better to keep the utility because of the income from developing the Dodge Estate.

The projected surplus for the utility for 1984 is \$1.1 million (down from \$1.8 million last year). Council figured the utility was worth about \$12.2 million in 1982. The audit report that year set the value at \$4.2 million. Whatever the value, will the surplus go back up and continue to lower taxes, or should Council (as Editor Louise Easton asked in April 26, 1984 Eagle) "take a hard look at trying to sell the utility?" Would there be a buyer?

The utility certainly had buyers in the past. An offer of \$750,000 by JCP&L in 1930 was turned down because Council wanted \$1,500,000. As was noted at the time the Madison utility was one of few operating at a profit in the entire U.S. After that news, Council decided not to sell at any price. It was reported in 1953 that JCP&L would still like to buy the plant. Some residents were in favor of selling saying they would rather pay \$5 a month more on the tax bill. Council explained that a survey of electric bills and all classes of tax bills demonstrated a definite savings to all; though larger taxpayers had larger savings. Council again discussed selling in 1958 and noted that JCP&L would be the only buyer. Council instead opted to conduct an inventory to determine the rate of return. By the next year it was reported that an "unidentified group of citizens" protested the "excessive profits" and "Madison residents' loss of normal income tax deductions."

"One million dollar offer on power utility rejected" read the headline in the April 16, 1959 Eagle. The Eagle editor agreed this was not the time to sell and said the price was not enough.

was credited against the budget in 1952 Mayor Donald Morrison bragged that Madison's utility saw a profit of \$200,000 yearly! However, in 1966 the surplus was only \$194,000. In 1980 when the utility handed over almost \$1,000,000 to the municipal budget, it was noted that the utility dedicated 24 percent of its total revenue to the budget and still maintained an operating surplus.

In a letter to the editor in 1982, Frank Creegan of the Electric Utility Study Committee, wrote that selling was evaluated in 1970 but the price tag was twice what any privately owned utility could afford. He stated, "It would be surprising if we could find anyone who would be willing to pay what the system is worth to the people of the Borough."

Obviously, Council still feels it is profitable to maintain a municipal utility at this time and they are certainly relieved to be able to continue to use the profit to lighten the load on the real estate owner. Municipal ownership was one of the basic premises on which the utility was started in 1890 when every resident would pay a pro-rata portion of the cost of lighting public streets (through municipal bonds). The other premise, that the utility would make money (suggested in 1897), would make it possible for the utility to pay its own way and wipe out the debt that was incurred in building it. Generating a surplus to transfer to the municipal budget, which first occurred in 1927, made Madison "almost independent of banks for borrowing because the Borough borrows free of charge from the wealthy utility plant" (according to Editor Clarey in 1934). It was also noted in 1951 by Editor Charles McDermott that Madison has a high percentage of tax-free property and this charging of electric rates to lower the tax rate is a "mechanism to extract some share of costs of government from renters and tax-free property holders."

THE FUTURE

The independent and innovative spirit of the Madisonians who created their own light plant is alive and well today. Pride in independence is interwoven with a concern for a healthy profit. The franchise "plum" is still worth something to Madisonians, at least until it can be demonstrated that it is no longer profitable.