

**MAKING RATES FOR PUBLIC UTILITIES**

**SUPPLIES CAPITAL NEEDS**

**Talk by Vice-President of Telegraph Co. Economic Revelation; Production Cost Is Compared**

In considering rate-making in the field of public utilities of America, the cost of financing new plants and equipment — the item of new capital requirements — must be considered, according to Nathaniel T. Guernsey, vice-president of the American Telephone and Telegraph company, who delivered a lecture recently before the Chicago division of the school of commerce of Northwestern university on "Some Rate-making Matters." And this single item in itself is a huge one in America, Mr. Guernsey stated.

"It is estimated," he said, "that at present the annual requirements of the public utilities in the United States, not including railroads, of new capital in order to provide for the necessary additions to their plants is \$1,450,000,000. This money must be obtained in a highly competitive market in competition with other investments seeking capital. It is obvious that the utilities could not obtain this necessary money unless they could offer to the investor as much in the way of profit as would be offered to him by other equally good investments. If they are to secure the capital that is necessary for their business, the law of demand and supply, as applied to money, requires the utilities to make as much in the way of profit as other equally desirable investments."

**Economic Eye-Opener**

Just what the cost of this new money each year amounts to and just how much of the costs the consumers or patrons of public utilities must pay annually would be an economic eye-opener if Mr. Guernsey or some other financial wizard were able to discover it, but these costs were not mentioned in figures by the speaker. He did, however, explain in an interesting fashion why rates for telephones, electric light and power, for gas and related public utilities are what they are at present in the United States. His interpretation of this vexatious problem to Northwestern commerce school students was given in these words: "Fundamentally, the business of the utilities is to produce and sell something. The fundamental economic rules which apply to all business apply to them just as much as they do to the banker, the manufacturer or the retail merchant. The

basis of all business is that, upon the average, sound trades benefit both parties to them. The business must afford a profit to both the producer and the consumer, and to permit this the value to the consumer of what the business produces must exceed what it cost to produce and sell it. And as a necessary element of this cost, there must be included the expense incident to securing the capital necessary to carry on the business, including both the present investment and new money needed for new plant.

"Where this cost of producing and selling something is, say, \$5.00 and its value to the person who buys it is, say \$7.50, or \$10.00, or \$15.00, it is perfectly obvious that its sale at a price in excess of \$5.00 will afford a profit to the person engaged in producing and selling it, which if large enough will furnish a sufficient incentive for its production and sale. It is just as obvious that if its value to the person who buys it is \$7.50, or \$10.00, or \$15.00, and he can buy it for a price appreciably less than this, say, in the first case \$6.00, in the second \$7.00, in the third \$7.50, on his side of the transaction he will have a sufficient incentive to buy because every purchase up to the limit of his requirements will afford him a profit.

**In Public Utilities**

"Applying these principles to public utilities, if they are to exist at all, the cost of producing and selling the service, including the cost of securing the necessary capital, must be less than what the service is worth to the customers who buy it from the utilities. For the business to go on, this profit, represented by the spread between this cost of the service and its value to the customer who buys it must be divided between the utility and the customer. Unless the service is worth more to the customer than what he pays for it, he would rather have his money than the service, and will not buy the service. It is because the service is worth more to him than what he pays for it — because he profits by the transaction — that he pays his money and takes the service. On the other hand, unless the investors, who in the final analysis from this aspect constitute the utility, can receive something in addition to a bare reimbursement of what it costs them to do the business, there is no inducement for them to continue the business or to invest the additional capital which is constantly required by the business."

Growers in Florida are asking the President to increase the tariff on tomatoes and other vegetables. The high tariff men are no longer confined to New England and Pennsylvania.

Boys' week has been well celebrated, but judging by the noise they make in many neighborhoods, every week is Boys' week.

**NOTICE OF LETTING CONTRACT ASSESSMENT NO. 316 BOARD OF LOCAL IMPROVEMENTS OF THE CITY OF HIGHLAND PARK.**

NOTICE IS HEREBY GIVEN that bids will be received for the construction of a connected system of sanitary sewers in Groveland Avenue, Oakland Drive and Lyman Court, all in the City of Highland Park, County of Lake and State of Illinois, as a whole in accordance with the ordinance therefor.

Said bids will be received by the Board of Local Improvements at its office in the City Hall, Highland Park, Illinois, until 5:15 o'clock p.m. on the 27th day of May, 1927, at which time and place they will be publicly opened and read.

The specifications and blank proposals will be furnished at the office of the Board of Local Improvements in the City Hall of said City.

The contractor will be paid in bonds, which bonds will draw interest at the rate of six (6) per cent per annum.

The successful bidder for the construction of said improvement will be required to enter into bond in a sum equal to one-third of the amount of his or their bid with sureties to be approved by the President of the Board of Local Improvements when entering into the contract for the construction of said improvement.

All proposals or bids must be accompanied by a certified check payable to the President of the Board of Local Improvements of the City of Highland Park for the sum of not less than ten (10) per cent of the aggregate of the proposal.

Said proposal must be delivered to the President of the Board of Local Improvements in open session of said Board at the time and place fixed herein for the opening of the same.

No proposal or bid will be considered unless accompanied by check herein provided.

The Board of Local Improvements reserves the right to reject any or all bids if they deem it best for the public good.

BENJAMIN F. LEWIS,  
WM. J. BROWN,  
LYLE GOURLEY,  
WM. M. REAY,  
JULIUS ZIMMER,  
Board of Local Improvements,  
City of Highland Park. 11-12

**NOTICE OF LETTING CONTRACT ASSESSMENT NO. 315 BOARD OF LOCAL IMPROVEMENTS OF THE CITY OF HIGHLAND PARK.**

NOTICE IS HEREBY GIVEN that bids will be received for the construction of a connected system of cast iron water mains in Oakland Drive and the street between Lots 9, 10, 11, and 12, and Lots 8, 7, 6, and 5, all in Ravinia Woodlands, all in the City of Highland Park, County of Lake and State of Illinois, as a whole in accordance with the ordinance therefor.

Said bids will be received by the Board of Local Improvements at its office in the City Hall, Highland Park, Illinois, until 5:15 o'clock p.m. on the 27th day of May, 1927, at which time and place they will be publicly opened and read.

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Teacher of Piano  
Accompanist  
**CLARENCE B. EVANS**  
Residence Studio, 529 Ridge Terrace, Evanston. Tel. Greenleaf 682  
Highland Park Studio, 355 Central Ave., Tel. H. P. 1083

LOUISE M.  
Teacher of Violin  
Viola, Ensemble

**Suppose Our Wives Belong to the Same Bridge Club—**

You buy your wife a \$1,000 car. I buy mine a Ford car and a \$500 diamond. They go to bridge club. Both wives receive congratulations on their cars. Then the girls all spy my wife's fine diamond. Who makes the bigger impression? Whose husband is regarded as the better "sport?"

And after 12 months, the "thrill" of both cars is largely gone. Depreciation has cost you just twice what it costs us. And we have the \$500 diamond. You have a year-old car. Who got the most for their money?



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Patented lock closes the door automatically—merely swing it closed with your elbow.