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Oral History Number: 002-001

Interviewee: Victor O. Reinemer

Interviewers: K. Ross Toole and students in his history seminar

Date of Interview: March 11, 1979

K. Ross Toole: This is Mr. Reinemer. You all know who Mr. Reinemer is. He is Senator Metcalf's left- and right-hand man. As I told him when he came in, I wish to God I'd had him last Wednesday night when George O'Connor was letting blood from the bloody headed professors, but, in any event, we've got him now. I don't have any plan for this except that I would like, just momentarily, because it involves all of you in my seminar directly or indirectly and probably Bill, if Mr. Reinemer would talk, very informally, about strip coal mining, the energy crisis, his great love for public utilities, especially the Montana Power Company, and then please feel free to ask questions and if you don't ask questions you'll get an "F" for the whole day. That's about it. Vic, just brief us, from your point of view about what you think's happening to us.

Vic Reinemer: Yes, maybe, for beginners, you'll—I think find that I don't know as much as you think I should know and would like to know about some things, and I probably know more than you would want to know about others. So, I want you to completely direct this so I'm responding to what your particular interests are, and to go into the whole energy bit, very briefly, I think it's a combination of a real crisis and a manufactured crisis. It results from several things, the lack of planning for load growth, the way we have continued to over promote and over sell our scarce resources. An oil import quota policy that was pushed through in the latter days of the Eisenhower administration, the vote agreement in the congressional leadership at that time, which cut off a logical supply, or reduced a logical supply of oil from the Mid-East. Plus, of course, a lot of the companies figured that the coal was here for the picking whenever they chose to use it and now in especially the last two years, the environmental movement has spread to Middle America so that now delegations from the Powder River County who, these are the descendants of the ranch families that came in there from the south after the Civil War. People who were very conservative in their political outlook, who might take a shotgun to the state government as well as the federal government in the history sort of like in the Missouri River Breaks where I—adjacent to where I grew up, these people are really turned against what is happening to their land. Then we have coming in with this, of course, the situation that has developed in the state. One of the—there was an amendment to the state eminent domain law not too long ago, I think this was the early '60s that bulldozed this big hole into the eminent domain law to make way for the Berkley Pit. But in making way for the Berkley Pit, it also made way for Westmoreland Coal Company and all these other groups to come in and condemn the surface rights after they obtain subsurface rights. I'll just make one other general comment and then I think we should go into the questions and that's so I can go off in the direction you would like me to go. This is really something that is perhaps, from our viewpoint, an extension from what has been pictured as sort of a battle with utilities and particular power companies. It goes beyond that to the whole decision-making process, most of which is outside the hands of both federal and state officials.

Now, let's just think about this a little bit and give a few examples. It is major oil companies and far eastern nations, not the federal government and far eastern nations that split the pie over in the Middle East oil reserves. It is a few milling companies, not the federal government, that deals for wheat with the Soviet Union. It is a few energy companies and not the federal government that is trying to make a huge gas swap with the Soviet Union. My point here is that when we try to get to an answer to some of these problems, we have to go to the decision makers and in many cases the decision makers are outside of government. There are few major companies. Now, you have to even get it back and beyond that. Who really calls the shots on the energy companies, transportation companies, utilities and that? And here is an area that we have just gotten into which will be a subject of probably hearings before too long—a study under way with the Library of Congress that we initiated now to get into the real decision-making power as to who has voting rights to your major companies. How do the interlocking directorates work? Who controls the line of credit? And what this boils down to is what, in my opinion, is the central economic fact of the 70s and the big story of the 70s if it ever becomes fully reported and realized. What it boils down to is this, that less than a dozen banks, most of them in New York—Chase Manhattan, Citibank, Bankers Trust, Bank of America, and a few others—control virtually the whole list of Fortune's Five Hundred. And this control is hidden by a variety of deceptive techniques such as using phony names, street names, in their reports to government agencies. I didn't bring any of this along. I do have it for tomorrow when I meet with MontPIRG just some examples involving Montana.

Last year the Senator and I went down to the Securities and Exchange Commission just to get a look at some of the reports of various companies to the SEC. I'd previously been to a number of the different commissions to see such reports and he wanted to take a look at them, too. Well, we looked at the report of the Burlington Northern. Now, you can find all sorts of data about the number of cabooses they have, and tracks, and that. But you turn to this page on who owns the Burlington Northern and you see a bunch of names like Haine and Company, and Cud and Company and that. Well, these are nominees and you get behind these—these are street names, they aren't actual companies, and one of these or three or four of those names may actually be all the same bank, and what it boils down to in a nutshell in the case of the Burlington Northern which has leases on more coal than any other company in the country—more than 11 billion tons. Three banks—Chase Manhattan, Banker's Trust, and the Bank of New York—have voting rights to approximately 20% of the company stock. Now, that's enough to control and especially when you figure that the line of credit, that is the company is dependent on this bank for its money supply when you analyze the interlocks—Chase has 298 vice-presidents. Well, why do you need 298 vice-presidents? Because you've got to interlock with all the companies with which you're dealing and where you want to have a Chase policy follow through. Well, so, and I won't belabor that, you know there's a whole talk in this whole matter of corporate government and in its three branches, but, I just wanted to mention that in connection with the—this part of the energy, the energy problem, this matter of getting, before you get any sort of remedial action there has to be general knowledge and studies of corporate government.

We have, thanks to Ralph Nader and his associates, Congressional profiles. These have had a salutary effect, I think, on the elections and members of Congress. In Virginia, where I'm living now, a Virginia Citizens Consumers Council is following up with the profiles of many of the state legislators. That is good. But, what we need, if corporate profiles so we can begin to counteract on the basis of hard information the information that is put before regulatory commissions by whatever is—whether it's the Burlington Northern, the Montana Power, or whatever. Now, that's openers and perhaps at this point I ought to see where—

KRT: Let me ask you a question, Vic.

VR: Yeah?

KRT: Given that fact, given the fact that there's a poor little old legislature sitting over here trying to control a conglomerate—Peabody Coal, Western Energy, Puget Sound Power and Light Company, so forth and so on, you would hazard the guess, I presume, that our success—that it's a very, very small power against a very, very large power, and that our chances of coming to rational regulation with just one power company, because of its interlocking nature with, well, say, Puget Sound Power and Light is very, very difficult?

VR: Unless it's approached in something other than traditional terms—and let me give you a concrete example of something that I suggest is other than a traditional approach. Corny Theissen called last week. Corny is a state senator from Lambert and this was his annual call about the boxcar shortage in Lambert—they'd had only nine cars in there since the first of the year and wheat was rotting. Okay, now, I went through the traditional route on this, like you do.

You call the ICC which calls the BN and says we've got a Congressional—you know, "what are you doing?"—a Congressional request, and, of course, the BN, despite all its riches, making more than a billion dollars a year, with all its fantastic wealth, has been the sole firm in its desire to downgrade freight as well as passenger service that they simply haven't built the cars they need. So, what I suggested to Corny, I said, "Why don't you subpoena Lou Menk?" Lou Menk is the Chairman of the Burlington Northern. Now, you're not going to get any effective change in public policy as long as you simply go to the ICC, which is a revolving door—they've got 11 members on that commission—you know, the more members per regulatory commission, the worse it is. That's why I think the one-member commission, such as they have in Oregon, is the best. Because, the more there are the more chances there are for them to be retained and kept by the industries affected. And I think it was Business Week had this beautiful little chart last fall on the ICC showing 11 most recent members, where they came from and where did they go. Well, it's just a stop between two industry payrolls. Now, that's what the regulatory commission is. You don't get regulation out of the ICC. You've got to go to the executive-top leadership of the company that has the wealth to provide this service which Montanans need and so this is part of it, getting people such as Lou Menk of Burlington

Northern, or your adversary, George O'Connor, if it's a power matter, on the line before the legislature.

Now, a second point that I would suggest is simply legislation based upon Lee's [Metcalf] bill of last year which he's going to reintroduce shortly and this is a very simple bill called the "Corporate Ownership Reporting Act." C.O.R.A. we call it CORA. All this bill does is ask for a straight voter list from your major companies. That there be annually reported to Library of Congress a list of each person or company that has voting rights to one percent or more of the company's stock. And when you get that—see, people have to have that information in front of them so they begin to understand that corporate government is not a term, that it is our way of life in this country now. They have to understand that before they can begin to consider what the real remedies are if they want any remedies. This whole idea of bank control applies, and I was surprised to find this when I went down to the FCC checking the records myself two weeks ago. It applies to both the Columbia Broadcasting System and ABC. Chase Manhattan votes 14% of the stock in CBS, Banker's Trust [owns] 10% in ABC and in any widely held corporation, as you all know, it takes a relatively small percentage of the vote to actually determine the policy when you have combined with it your interlocking directorates and your control of the credit. And, I think it's useful. Can any of you recall anything that you've ever seen on any of the TV programs about concentration of economic power? Maybe you have.

Student: CBS is doing the energy crisis now.

KRT: But not on the concentration of corporate power. Not on corporate government.

Student: They haven't mentioned that.

KRT: Well, you're a living example—your work's been a living example of why the traditional method has not worked. (Don is the one who is working on air pollution 1872-1972 in Montana.) Constant frustrations. Here's the federal government, here's Theodore Roosevelt, here is the most powerful Department of Justice I suppose we've ever had for many years—totally defeated. Perhaps because, even then, we really didn't understand who was pulling the strings. Federal government was not pulling the strings.

[Students inaudible]

VR: Well, I've seen one TV program that dealt with this and did it in an interesting fashion. They had separate interviews of David Rockefeller of Chase Manhattan and Wright Patman Chairman of House Banking and Currency, and they put them together there so it became a long-distance debate. And the finale of this, I thought, was beautiful. Without any voice, they just ran a list of all members of Congress who, to their knowledge—to the producer's knowledge—were retained by various banks and savings and loan associations while the music played "Glory, Glory Hallelujah." [laughs] But, okay, that was on ETV and you know what's happening now to public broadcast. Nixon is, through Loomis and these others, the Corporation for Public

Broadcasting, they are putting the lid on these local TV producers who were trying to get something meaningful on the boob-tube. So, this is part of the problem of, because of the fact that your major networks, at least these two—NBC is a different story. It's a part of RCA in which Chase Manhattan has 4 1/2% voting interest which isn't bad, but this is part of the problem in just getting out the story. So, about the only places that this story is showing up is either underground press or the old liberal publications that haven't folded yet.

KRT: Vic, I don't want to get too parochial, but—yes, I do—is there any merit, would there be any merit in trying to get the UD's, for instance, in Montana, it's not impossible, I presume, to get them?

VR: No, I think it's one of the most worthwhile approaches because what a public utility district means is competition. A monopoly abhors competition. Montana is the only state in the union, except for Hawaii that does not have any public utility districts. I live in Fairfax County near the town of Falls Church which is about 12 miles for downtown Washington. Right now, we are considering seriously going municipal in Falls Church in Fairfax County and, to begin with, a technical study was made incidentally by R. W. Beck and associates made the study. This is the kind of study that they make, to prove the feasibility of city or county ownership of the distribution system. Now, county and city officials get interested in this because a municipal system, particularity in a city where you have density, you know this is a golden goose. You keep that revenue there so you don't have to raise taxes, instead of having the money shipped off as profits to the stockholders. Well, Virginia Electric and Power, which is a Citibank utility, although it doesn't show in the report, but the Citibank controls it. Govco is fit to be tied and they have to crank up all their public relations programs now to say why they should continue to serve Falls Church and all that. But, I think that the PUD concept makes sense. It's really an extension of local government, it's also an important means of revenue production and it's something as we have 2,000 or so examples which prove that city-local people can manage power systems just as efficiently or more efficiently than IOU's can.

KRT: Is there any state in the union that has a state ownership of a power system?

VR: Well, there's a state power authority in New York. I think they sell power only at wholesale. They aren't in the retail business. They would sell, for example, to municipals, perhaps to industrial and utilities, too. There's a state power authority in South Carolina and I think there it's a similar situation where they market the power from some state constructed dams.

KRT: It's not unheard of in other words.

VR: Oh, no. And here's an area where there is a good trade association, the American Public Power Association that can provide help. I think the key thing is probably to get this PUD bill through the legislature and then for an appropriate community, and I couldn't think of a better one than Missoula, to decide to lead off—to be the first.

Student: Have there ever been any suggestions of extending the PUD concept to perhaps the—well, do they produce their own? No, well, see, obviously does, but I mean in this way you could perhaps regulate indirectly the exploitation of coal?

VR: Right. Now, that has to do with the state public utility district concept and this makes a great amount of sense. This is one of the things that Lee threw out for discussion at the Western States Water and Power Conference in Billings last September. The idea of having the state-wide utility district authority with power beyond that of a traditional little PUD, but one which could actually engage in the generation and production of electricity. Now, such legislation was introduced currently in the previous legislature here—Bill Christiansen, Corny Theissen and some others. It was introduced also in the North Dakota and Wyoming Legislatures. Utilities brought out their big guns because...They really moved fast on this one because this is the idea of competition. Peoples' power and peoples' resource development—something to be killed at all costs. Well, they stopped it then. Now, I think there's been a lot more awareness and interest in these intervening two years, but I don't know what's going on in the several legislatures on this point at this time. I think it's a good idea to have it broader than just a PUD.

KRT: I don't think anything has gone on here, yet, in that respect.

Student: Well, a local UD has been—

KRT: Yeah, but not the state-wide business and probably won't be. I would hope somebody would do it; maybe Thiessen will do it again. I think they're getting—they're very discouraged over there right now. Their strip coal mining thing is pretty sad, because out comes a bill and it's immediately amended, amended, amended—same old story—and most of them haven't even hit the Senate yet, where we anticipate they'll be killed. One of the regrettable things is that the environmental people over there are mostly kids and their hopes are very, very high and expectations very high, and I suspect that it's going to be a kind of a sad result because I think they'll get one-sixteenth of a loaf whereas they kind of anticipated under the new constitution they'd get a whole loaf. It just doesn't work that way in Montana. I suspect, again, because we're using very traditional methods and they don't work consistently.

Student: I was wondering, in these corporate profiles, is there an organized movement or organization doing this?

VR: There are several and I made up a little list last week. I got one copy over in my room and, Dale, Sally was sending you some extra copies of it that might be in your mail today. There are several that are doing this and I'll leave this list of names and addresses and when I can go over them—some of them—with you. Of course, in the Nader operation this is one of them, but there are several going in different states. I was talking not long ago with the Minneapolis group. This is a coalition of environmental and anti-war and utility consumer interests that have been getting into Northern States Power, into Honeywell, because of its war production of the

anti-personnel bombs and several others. And I asked them if they're doing anything on the Burlington Northern. They said, "No, but maybe we should." And I just mentioned this as something—here you might have a common bond of interest and find quite a bit of how-to-do-it information from the Minneapolis group-Caphur (?) they call it and I have some of their literature along. It's I think a pretty good outfit.

Student: Another question on traditional means [unintelligible] formation of associations, citizens' associations, land holders' associations and bringing suit against the company itself? Do you see this as a—

VR: I think maybe that's in the traditional, but certainly that's the kind that should be used is the suits. I think some of these things simply have to be stopped in the courts on the basis of whatever laws—you know you have to get some—all lawyers I divide either into the "yes" lawyers or the "no" lawyers. Get a "yes" lawyer by saying, "By golly, I think we can do this and go to court." Here's another area of court action, though, that I think is perhaps in the new approach category and that is simply getting the stockholder lists. Now, this is basic, to find out who casts the votes. Now, you'll find varying corporate policies on making that list available. I've had secretaries of companies tell me that if you come down, even though you're not a stockholder you can look at our voting list. On the other hand, at a meeting a couple weeks ago, we on the delegation staff spent a couple of hours with Joe MacIlwain—a good overview of Montana Power—a good overview of the whole power situation there. At the conclusion, Joe said, he made the traditional closing remarks, "If there's anything we can do for you let us know."

I said, "Joe, how about a copy of your stockholders list?"

He said, "No." [laughs] Well, this means that you are going to have to go after it and you are going to be—in your best case if it's somebody who is a stockholder, go down prior to the next annual meeting at the Fox Theater in Helena—they always have them usually in June—get a look at that stockholder's list. Find out who the principal voters are. And if you are denied it, then start the legal action to get access.

Student: Do they provide this list to a stockholder at the request of—

VR: Well, they probably won't in view of Joe's comment there. I think they're going to be forced to. Now, a friend of mine who is working in the Virginia Electric and Power case got the Vepco list and he got it in connection with the rate case. The Burlington Northern is a fascinating situation to the extent to which I've changed it. In a recent campaign—not ours—one of the candidates had reason to suspect that his opponent was still retained, either he or his family still had some financial connection with the Burlington Northern and asked me if I could check on that. And I was here. So, I called a friend of mine in Minneapolis who is a lawyer familiar with transportation cases and I asked him if he would get that information if possible. I gave him the three names to check to see what stock they held. So, this lawyer went to the

headquarters of the BN and was told, "Sorry, you're not a stockholder. You can't get it." He then went to a friend of his, also a lawyer, who was a stockholder, told him the story, and said, "Will you get it?"

This lawyer-stockholder of the BN went to corporate headquarters and said, "I'd like to look at the stockholders' list."

The girl went back and had a little conference and came back and said, "Well, I'm sorry, you see the reports of the stockholder, but, you know, we have to get all those computers warmed up and there is a \$200 fee." This lawyer, bless his heart, just got out his checkbook, wrote a \$200 check to the Burlington Northern and handed it to her. Well, this time the girl went back and she had a longer conference and [laughs] and she came back and said, "You, of course, can see our stockholders list, but in order to save money for our stockholders we make runs just at certain times and we aren't going to make another one until next Tuesday," which happened to be Election Day. This was on a Thursday that this went on. Well, at that point my friend called and said, what to do?

I said, "Well, thank you and thank your friend who did get his \$200 back." But now this illustrates the kind of hanky-panky that goes on in companies—or, let's call them corporate governments—whose actions affect our destiny as Montanans. We finally, in the political government, reached the point where we do have access to voter lists, anybody does, and there is no reason at all why the public should not be able to know who has the principal vote in large companies—we're not suggesting that small companies—in our proposed legislation this is anything, a company of 10 million or over in revenues. That is, it isn't important to know who the little—where the ownership resides. That control resides in these small companies. But, it is important to know that in connection with the huge companies that operate very much like government itself and in many respects are more powerful than government.

KRT: Vic, what chances have your bill got?

VR: Well, that depends on what happens in 1976. You see, we have to take—and you historians will appreciate this—we have to take the historical view of this legislation, too. When we started on a very simple utility consumer council and information bill, after overcharge came out, at that point it was my guess, and this was in 1967, that we would have legislation in six years. I was figuring at that point that someone such as Ed Muskie would sign such a bill into law in '73. Now, actually, we got part of our legislation as far as the Senate floor last year where it was stopped by the filibuster. Half of our bill providing for consumer council to get into rate cases at the state as well as federal level. This was in the Consumer Protection Agency bill that was stopped late in the last session on the Senate floor. Most legislation that is worth a damn as far as real basic information and consumer interest, and I'm thinking of things such as truth in lending, to have a straight statement on the amount of interest you pay. Things like that, usually take a minimum of six years. Now, we're probably going to get a Consumer Protection

Agency bill this session. It might not be a very strong one, but remember that the Consumer Protection Agency concept started with Estes Kefauver in the '50s.

That, basically, is the history of this kind of legislation because you don't have much public understanding or awareness of it and you have so many of the logical students of the subject at universities are part of the problem rather than the solution. I'm speaking now of the places such as Harvard and that where—Harvard has probably the biggest investment portfolio of any university in the country and they go down the line for whatever the companies want. The man, George—this man Bennett who is in charge of Harvard's investment portfolio is on the board of a dozen companies. He came down to Washington to get the Securities and Exchange Commission to overrule its staff and grant stock options to Middle South Utilities, he served with the board of directors there, in other words, many important university groups are really part of the problem. Take Peter Drucker. Here's a man who has quite a reputation as a university, as an academic writer on the environment, but read his material closely and it's—the whole idea is that "we're going to have to have a lot more money that's going to have to all come from the consumer. The utilities are doing all they can. American Electric Power is the most visioned utility in the country." That statement in his Readers' Digest...his Harper's piece on that was coming out at the same time that the Council on Economic Priorities published its report, you know, documenting how American Electric Power, which is the largest utility holding company in the country had probably the worst environmental record. Well, now Drucker is retained by various utilities, which he admitted to us, but this never shows in any of his writings. No, he's always billed as Professor Drucker of—from Clairmont College plus NYU one of the others. Well, it becomes very difficult for people who don't follow these things closely to sort these things out. I know that I do—following it very closely as I do and so when I do run into a new name or a rather puzzling piece I have fortunately the facilities of the Library of Congress to—so convenient, what a great resource that is—be a block and a phone call away from the Library. It's easy for us to check these things out.

This being said, I really think that the answer to this whole problem of regaining control of government rests pretty much—and is going to come from the universities. Galbraith said that in his book—I guess it was the one on the industrial state, but I think he was thinking about the universities as institutions. I don't see it that way. I think it's groups such as yours. I think it's the student, the public interest groups that simply decide there is a much better way to do things than the way that it's been done in the past.

Student: Going back a few years to your bill that...if the bill fails is there any kind of action that stockholders could take legally to look at that—is there any sort of precedent for that? Has it ever been introduced—

VR: I don't know all the precedents. Lee has been asked to do a piece for the Indiana Law Review on this particular point and some of you know Roger Barber who's our intern there. He's a graduate from here, and Roger and Win Turner—who's our counsel and a great anti-trust lawyer who used to be with Kefauver—they are checking out now some of the cases. This is the

sort of material that there just haven't been much writing on even in the law journals and what I'm sure we'll find is some situations in one state or—it's going to be easier in one state than it is in another, and that sort of thing. But, it's a great field to try to get some young lawyers in on this too, and as soon as we have all the cases pulled together on this, why they would certainly be available to anybody here.

Student: Just sort of an aside—on the bill, or in relation to the bill, it seems to me—didn't the Clayton Anti-Trust Act of 1913 or 1914 supposedly prohibit interlocking directorates? What happened?

VR: It's pretty weak and it hasn't been very well enforced. About a month ago there was an excellent article in New Republic on this. I have a copy of it over in my room. The Clayton Act was ambiguous and it has not been vigorously enforced. Now, this was in the news recently when the Federal Trade Commission told two men that they would have to get off one of Copper Company's board of directors or the other and this was under the old Clayton Act and the situation there was that up until that time the Federal Trade Commission in administering the Clayton Act had said there had to be direct competition for specific products like both of them were selling #10 wire in the same market in order for this conflict of interest provision to be applied, but what they did now in this copper case just last month was to say, well, if two companies are just in general competition.

[Break in audio]

VR: The FTC was the one commission that bucked the administration on this matter on testimony on the Hill. Now, there aren't many commissioners or officials who will do that and, in fact, with McIntyre leaving the FTC, I can't think off-hand who else will do that. You've still got, of course, one great commissioner on the Federal Communications Commission, Nick Johnson. I sometimes think there's a good book to be done. It'd make nice reading in history and political science—a compilation of dissents by commissioners such as Nick Johnson, some of the former federal power commissioners, occasionally one on one of the other commissions. Because usually you have a great statement of an issue and the reasons for it in especially the Nick Johnson dissents—they're literature, too—they're beauties. But his term expires June 30 and if there is anything certain in government, it's that Nick Johnson will not be reappointed.

Student: How long has he been there?

VR: Lyndon B. Johnson appointed Nickolas Johnson first to the Maritime Commission in probably about the mid-'60s and then moved him over to the FCC and so he's completing, I believe, one full term on the FCC.

KRT: Dick Mumford will probably ask this question, and it's a mechanical question. In terms of this Montana Power Company advertising, what kind of procedure do you have to go through in order to get equal time? In other words, must you tape these programs? Must you send

evidence—I presume you must—to the FCC saying, “We want...here's their advertising. Now, we want equal time.” Is it a difficult procedure at all?

VR: No, it isn't. And this is one that's all laid out in these fairness doctrine procedures which we can send to anybody who is interested. You make the request to the local station, then, for equal time. Then if it is denied, then you go to the FCC. Ross and I were talking about this before we started here. The matter of getting equal time in response to the utility ads is probably one of the most possible things to do quickly. The current issue of *Electrical World*, an industry publication, has a good summary of how this is going on all over the country. People are getting on the air, answering utility ads under the fairness doctrine and the utilities are very concerned. So especially, I know I saw one of these "strip mining is good for you" ads that I'm sure is actionable and you probably are familiar with others. There's one that you can move in on and, I think, very constructively help raise the level of debate on this whole issue.

KRT: You don't wait around for months and months and months to get your permission, in other words?

VR: No, this works fairly quickly. There's another somewhat related matter and this has to do with utility advertising. Whether you're going to prohibit it or get it disallowed from the operating expenses. Now, as I understand—I've not seen the bill that's before the legislature—as I understand it, it would prohibit all advertising. You can't do that. You run into the First Amendment. But, what you can do is to require that advertising—if the company wants to advertise, fine, but it ought to be at the stockholders' expense. In other words, it should not be allowed as an operating expense cost borne by the customer. Now, that's—

KRT: Yes, Dorothy Bradley's bill was only that long and it was a flat prohibition and, of course, very quickly killed. So, the proper approach to that is obviously stockholder expense plus the fact that you can answer it if you don't like it. Maybe that's the tact we should take—in other words, two-pronged.

VR: And Friday, Lee put in the Congressional Record, which, I'm sure, will be in the library here by mid-week. [laughs] It'll be the fault of the U. S. Postal Corporation rather than the library [if it is delayed], I'm sure. Anyway, in there is a little table, which would be useful if you do get into this matter. Every year we publish in the Congressional Record a comparison of expenditures by your 200 and some major utilities on the advertising and sales promotion and research and development. Now, we do this mostly to try to goad the industry into spending more on research and development on things such as wind power, MHD, and all these other non-nuclear means. Both government and industry are putting peanuts into non-nuclear research. But we have found that this comparison is very useful before state commissions then, because it shows that on the average utilities spend more than three times as much on advertising and sales promotion as they do on R and D. Now, in Montana Power's case, I think it's five to one. Perhaps I should not comment on the kind of R and D that that finances. I think maybe you're more familiar with it than I am. I don't want to be unfair to what's going on under the aegis of

Western Energy MSU, but I'm not sure that the research that's being done by Montana State University at Colstrip and that's where most of the R and D money that Montana Power is spending. I'm not sure that that's the kind that's going to really help solve the energy crisis. I think it might help produce some of these slides and pictures we see, but I'm just not sure and if anybody has any evaluation of this research down there, I'd like to know about it.

KRT: We can get it for you. [laughs] We did pry out of Mr. O'Conner the discrepancy between research and advertising, and he was very candid about it. Just shrugged his shoulders. That's all there was to it. But he admitted it. They're just not doing it.

VR: Well, up until when we first started publishing these figures, Montana Power was only spending from \$27,000 to \$30,000 a year on R and D, and I think this probably funded down at MSU. I think that's all they had. MDU [Montana Dakota Utilities] was not and I believe still is not putting in a dime. Now, those two companies together and their territory together covers about one-fourth of the nation's coal reserves. If anybody ought to have a self interest in MB and things like that, it ought to be those two companies. Now, we are using the carrot along with the stick on this—Lee was applauding. There was, I think it was either six or seven utilities now have finally reached the break-even point. They're spending more on R and D than they are on advertising and sales promotion. In fact, New England's power system is spending 12 times as much. There are still some that aren't spending anything on R and D.

Student: This is due in part, or related to, or relatable to the existence of PUDs in those areas—is that pushing them to do more?

VR: I'm not sure. I've never compared those two things to see if there is any correlation or not.

KRT: Vic, are the power companies getting nervous? Aren't they getting a little nervous? Although it's inchoate and though it's frequently naive, there still is a—Republicans are getting mad now. It's almost, in a sense, non-partisan. We want this thing stopped. We want the advertising stopped. We bitterly resent these rates. We don't like stripping. Is there any evidence that these people are reconsidering their image? Any evidence they're coming around at all?

VR: It's mostly imagery that they're working on. I don't see any really—

KRT: Not substance?

VR: I don't see any real substantive changes. I really don't. This might improve. Now, for example—I think it was in the Tribune this morning—a story indicates that the Northern Cheyennes have decided not to go along with the gasification plans for their reservation. Well, this is important as far as keeping together a coalition of people who say "so far and no farther." Really, if we can believe what is in the Forest Service, BLM, Decker-Birney Report—that there is in this one relatively small area of southeastern Montana under development now

or about, ought to be enough coal to take care of the demand until the mid-'80s. There would be just no reason to move into this other development at this point. I know that people—the industry is putting on all these pressures in every way. We've got to meet the energy crisis. Well, the way you meet the energy crisis is by reducing demand. We ought to cut off all advertising and sales promotion completely. The way we all waste electricity, the Office of Emergency Preparedness, which is being abolished this month, came out with a very good study on how we can conserve energy and it is an appreciable amount, you know, on the order of 15% or so. There is absolutely no reason why we have to double the energy consumption every ten years. There are real ways to reduce energy consumption, and I think one of the other areas that I'd like to throw out on that is—on this matter of rate structure—here, for example or typically in any utility system, the poor person in the ghetto, for example, or any densely-dense urban area would probably be paying three cents per kilowatt hour. Somebody in suburbia with his split-level home and asking for underground lines would be paying about between a cent and a half and two cents. Your industrial company, which is creating both more demand and which is your principal creator of both more demand and pollution, would be getting his electricity for less than a cent a kilowatt hour. But what we are suggesting is that we start off all rate making with the cent and a half average cost or whatever it amounts to in a particular system. Let's figure out what the average cost per kilowatt hour is and if somebody can justify a deviation from that, let them. But, basically, the poor have been subsidizing industrial users through the rate structure that has been used in most companies. You have had the water factor in there, too. Aluminum is very—creates a lot of pollution as well as B-52s, and, of course, we've really been subsidizing B-52 production and pollution through the rate structure.

KRT: I don't quite understand, now the Bitterroot power line—I'm sorry, I'm obsessed with this—is going to be built starting June first unless we can stop them in court and we go into court very shortly. It is of no use to them—161 kilovolts—unless they go over the Sapphires, Georgetown Lake, to Anaconda. Now, that's Forest Service Land or BLM land. It's all Forest Service, isn't it, Tom? I find it very difficult to believe that they're going to spend—what—\$280,000 or whatever it is to build this line—it's more than that—unless there's some kind of agreement that they'll go on to Anaconda, because otherwise the grid won't make any sense. Yet I find it difficult to believe, Tom—the Forest Service fella down there—that the Forest Service would pre-agree without an impact statement to let them do this. My suspicions are high. Because otherwise it's absurd to build that line down there for a power shortage in the Bitterroot Valley. That power shortage doesn't exist. There is a power shortage there. But, would you spend that much money if you were a wise, smart corporation and sly as hell unless you had some kind of an agreement—some kind of clearance—to get over to Anaconda and hence to Colstrip? Now, no, I'm sure you wouldn't. [laughs] I know the answer to this. There isn't any way to find out what kind of conversations or agreements might exist with the Forest Service vis-a-vis the Sapphire-Georgetown Lake area. Whom would you probe? Whom would you go to to say "look, have you fellows been in the back room"?

VR: I'm not sure that those prior conversations would even be necessary. I think they would just continue to go ahead, build the line up to Hamilton, okay, and let it sit up there and—without having any conversations now about the next step. But then, as the energy crisis grows and as the need for another interconnection grows and perhaps it is an alternative to going through the Magruder corridor, okay, that's when they figure they'll have enough muscle to put it on through. That would be my estimate of the way they're working it.

KRT: There's some gamble in that, though. The Forest Service might say no. Mightn't they, Tom? [laughs] Tom?

Tom: Yes, you get enough public pressure to put on them. Public pressure seems to be emanating from the area here which was going to another pessimistic. How effective has the state legislature been in the United States in that corporate?

VR: All right, but they haven't been effective at all. I know I went through school and spent 40 years before I—I didn't really understand how government worked 'til I was about 40 years old. And I realized that to make it work requires a much greater effort by hundreds of thousands of people than any of us were ever led to believe in school. [laughs] This is the thing. You've got to give people in the legislature or the Congress or in the governor's office or wherever the action is or the regulatory commission something to hang their hat on. That is, they are not equipped in many cases to keep up on things and do all the things that they are supposed to do and this is especially true, of course, in a short session of a state legislature. Congress, at long last, is recognizing its deficiency in information gathering and I think it's finally starting to take some actions in that field, but still there are so many things where you simply have to look to somebody who is not in government, who's the expert on—who is kind of keeping book on a particular situation, a particular company or whatever it is. This has been the secret of the success of many members of Congress in what limited success they've had in this field. That is—the willingness of the people who are just working on a voluntary basis—sometimes they're within government and sometimes they're not—to provide information that'll be useful to them and to do what has to be done by somebody outside of government. We're frequently asked to go before one of the regulatory commissions as expert witnesses to be involved. There just is not the time to do that. The administrative procedures are rather cumbersome, but so tremendously important.

Right now some of the proposals for the changes in the regulations at the federal power commission are tremendous and we have gotten into some of these, but this is an area where the Center for Law and Social Policy, and some of the other public interest groups are moving into in the Washington area and doing—providing an excellent service there—just minding the regulations and making the presentations and shooting down some proposals that are slipped through on Christmas Eve—that sort of thing. You wouldn't believe, unless you look at all these little quiet notices, of the amount of activity down there since the period from December 14th to the 2nd of January. That's the busiest time in the life of corporate government. That's when you slip these things through. [laughs] But now there's the need for some kind of a group like

that and I see the beginnings of one here in Montana. Just make the move whether it's in one of the district or state courts or whether it's in a—before the commission—or in testimony to the legislature.

KRT: Just beginning—just beginning here. But that's a good thing. Incidentally, Gary Sahl just said, “Did you know that Bradley utilities advertising bill has been reintroduced in different language in House bill 179 by Polly Holmes and nine others and it does now contain the stipulation that stockholders pay.” Maybe we'll make it.

VR: Good. But it doesn't run into the First Amendment problem, does it?

KRT: No, that's what my understanding is that—your knowledge, Gary is that...Students, I've read the rough draft of the bill. I haven't read the final draft so I don't know what emerged in the final draft. But it would have to be substantially different otherwise the rules committee would rule it—rule it if it had already been introduced and classified.

VR: Well, that's good.

Student: But it does have a tenth of the house as sponsors.

KRT: Nine others, yeah.

VR: Well, that's good.

KRT: Any other questions?

Student: Is this the class action bill?

KRT: No, this is advertising. The original bill by Mrs. Bradley just forbid all advertising by Montana Power Company which is unconstitutional. It's now been reintroduced with different language sponsored by Polly Holmes and nine others and I would presume avoids the First Amendment. I would hope. Mrs. Bradley was undoubtedly told that it had no chance the other way.

Student: Vic, do many states have class action statutes? Have they ever been utilized against power?

VR: Not to my knowledge. Class action bills are very good and you know this—at the federal level, this also falls into the category one of those things that takes years to accomplish. We're going to try again this year, but if that's the state class action bill should go through this would be very good.

KRT: Of course, as you know, it's proposed, but that doesn't mean it's going to make it this time.

VR Let me mention just one other thing in the event that any of you do decide to get involved in, for example, like the annual meeting of Montana Power or any of the other companies. It's important to get in early in order to get around the SEC's 80-day rule and we have some material which explains all these procedures. In other words, if you want to try to get something on the agenda, or propose somebody for the board of directors or propose some change of policy at the June meeting of the board of directors you have to initiate this and have it okayed by the SEC 80 days prior to the meeting. So, it's a rather simple procedure, but you do have the time between now—in other words, you could make a timely filing in a month or two and still present Montana Power with something that, I'm sure, would get a great deal of attention. And here's where this Minneapolis group comes in. They got, I think, something like 9% of the votes at Northern States Power's annual meeting. Well, now, believe me, when you can get that percentage of the votes, this means that you've got enough muscle there that Joe MacIlwane and George O'Connor are going to have a very serious conversation "well, geez, we've gotta do something to fight those kids." [laughs] I might go beyond that, but it might not. One other point on that. Montana Power reports to the FPC that it doesn't know who its stockholders are and then it lists them some phony names. Well, if you get into it and get to that point, let me know and I'll help you help the company find out who they are.

KRT Well, Vic, thanks very, very much.

[End of Lecture]