

# URGES 'A. C.' POWER IN CITY AS CHEAPER

**Expert Tells Utilities Board  
That Edison Company Should  
Abandon Direct Current.**

## PROPOSAL STIRS ATTACK

**Concern's Counsel Calls It Move to  
Scrap Properties—City Pushes  
Fight on Plant Valuations.**

Declaring that alternating current was less expensive to produce than direct current, Otto M. Rau, consulting engineer of Philadelphia, who testified yesterday for the city before the Public Service Commission in the case started five years ago by the city to bring about a reduction in the New York Edison Company's rates, proposed that the company replace its direct current equipment with alternating current plants throughout the city.

Replying to Mr. Rau's proposal, Jacob H. Goetz, counsel for the Edison Company, characterized the Rau plan as "the most far-reaching effort to scrap a system of properties ever heard in a rate case." The whole theory of the substitute plant, he said, had been ruled against by the United States Supreme Court in the Indianapolis water case before Justice Butler.

"To recognize any such testimony on such a flimsy basis would make any decision of the commission vulnerable," Mr. Goetz said. Commissioner William R. Pooley, hearing the case, agreed with Mr. Goetz with the reminder that "we are dealing with a plant as it now exists and not with a hypothetical plant."

The admissibility of testimony of Malcolm F. Orton, accountant, on the valuation of the New York Edison Company from documentary analyses of accounts dating back to 1901 was questioned by Mr. Goetz on the ground that the figures were too remote and therefore not proper elements in determining the present cost of service. He agreed to the admission of the records but reserved the right to contest certain portions later when he has checked the sources of testimony.

### Challenges 1901 Valuation.

The city, according to Assistant Corporation Counsel Joseph P. Morrissey, challenges the company's figure of \$79,000,000 as of May 1, 1901, as representing the actual cost of the property that went into the merger of a group of smaller utility companies at that time. The actual cost of property that went into the figure, Mr. Morrissey said, was \$23,000,000, about \$60,000,000 being "water." The retirement of property in existence prior to 1901, he said, was \$4,000,000, or 5 per cent, while the property retired since that time runs to 40 or 50 per cent.

"The financial history of the company," Mr. Morrissey told Commissioner Pooley, "is peculiarly material in the case because the company is claiming a 'going value.' The courts have said in many cases that the financial history of the company should be taken into consideration in any determination of 'going value.' We contend that the actual cost of the property at present owned by the utility and used in utility service is an element that must be considered in fixing fair value."

Mr. Morrissey declared that the United States Supreme Court had ruled in a large number of cases that testimony concerning the financial history of a company was relevant and proper material for consideration in fixing rates.

### Puts "\$12,000,000 Plant" at \$1,250,000.

Mr. Rau presented figures to show that the capital investment to produce the amount of current now generated at the company's Duane Street plant would not exceed \$1,250,000. According to the company's figures, he said, the plant was valued at \$12,000,000. Mr. Rau's testimony brought out that about 90 per cent of the generating plant had been dismantled. Jacob H. Goetz, counsel for the company, explained that plants of the Brooklyn Edison Company now furnished the power once supplied by the Duane Street plant.

Mr. Morrissey recalled that an antiquated generator used in the Duane Street plant had been sent to the Ford Museum, and asked if the company had included the "museum valuation" of such property in arriving at the valuation of the Duane Street plant.

Mr. Rau's report of the valuation of the Duane Street plant had been ruled out at a previous hearing by Chairman Prendergast because the witness said it was a brief. Mr. Morrissey declared that the witness did not think it was a brief in the legal sense but an engineer's report which should have been allowed to remain as the opinion of an expert. Commissioner Pooley reserved decision but allowed its admission as Mr. Rau's direct testimony.

The hearing was adjourned until Feb. 5 at 10:30 A. M.