

Men with a dream and the vision to deliver that dream in the mainstream of human progression have invariably prevailed over barriers unequal to their vision. In the ebb and flow of civilization, persisting throughout the cycles of history, it has been the current of discovery which has borne human destiny in the light of expanding horizons. Placid and turbulent, tranquil and cascading, in the whisper of a tenuous trickle or in the commanding roar of surging energy, this current of discovery rises in the headwaters of human curiosity, perception and vision.

Inheriting a tradition of discovery, the organizers of Public Utility District No. 1 of Pend Oreille County held their first meeting at 1:30 P.M. January 11, 1937, in the county courthouse in Newport. Pend Oreille county voters had given the go-ahead to the formation of a public utility district in November 5, 1936.

The city of Newport had enjoyed electrical service, of course, long before the 1930's. In fact, Newport's City Council passed its first ordinance granting a franchise to Y.C. Odell for an electric light plant in the city of Newport in October of 1903, and by January of 1904, the franchise had been sold to a Mr. Miller of Pittsburgh, Pennsylvania.

Guiding the fledgling Newport Electric Company, under President Miller and Secretary-Treasurer Winston, Manager Y.F. Reynaud, brought Newport's first power plant into operation in April of 1904. The 45 horsepower Nagel steam engine, supplied with steam from the Fidelity planing mill, drove a 20 kilowatt generator.

Following a two-week shutdown in the same month to repair the furnace under the newly arrived boilers, a man threw a rock which destroyed the large globe of an arc lamp at the corner of Fourth and Washington. The September streetlight bill cost \$26.35, a new transformer was installed in October, and a runaway team of horses collided with an electric pole, tearing down the wires and bringing darkness to the city in November. But in February of 1905, 12 new 16-candle power electric lights shone over the Great Northern depot.

An ordinance granted an electric light, heat, power, and water franchise to Newport Electric Co. in March of 1905. By May of that year, a special committee for the City Council contracted with Newport Electric Co. for one arc light and 16, 32-candle power lights for the streets and jail.

In a \$5,000 expansion of facilities and service which doubled its steam and dynamo capacity in May, Newport Electric met increased power demands at the Great Northern depot, earning a reputation of "the best of its size in Eastern Washington." That was before the volt meter was destroyed by lightning June 1. The company added more lights at the Great Northern depot in September of that year, as well as residence lighting for Ed Kichemaster, Henry Noyes and James Culberson, and commercial lighting in Dr. Ainsworth's office and the new Commercial hotel. At the end of September, Newport Electric's new smoke stack fell down again, reducing Newport to darkness.

In the spring of 1906, recently incorporated Inland Power and Electric Co. was granted water rights at Idaho's Albeni Falls, where it was to complete development of 20,000 h.p. at minimum flow in five years. Newport Electric Co. and Bonners Ferry Electric Co. consolidated to form the Northern Electric Light Co., with a capital stock of \$35,000, and filed articles of incorporation with A.N. Winston and N.A. Folsom as incorporators. Under the management of L.Y. Kimmel, the company enlarged to 140 h.p., driving a 75 kilowatt generator.

The company bought the former office of Harry Sadler and moved it to

Washington Avenue in the Fall of 1907. A new manager, named Beckwith, succeeded Kimmel in 1908. In confrontations with the Pend Oreille River Lumber Co. and the Newport City Council regarding alleged violation of the lumber company's franchise and rates, the company eventually shut off the city lights and left Newport citizens stumbling in the dark.

The differences were no sooner settled than the engine's crank shaft broke on Oct. 3, 1908. With no arrangements made for repair by the financially strained owners, A.N. Winston and N.A. Folsom, Manager Bechwith took his foot in his hand and left town without notice.

Following 10 days of complete utility failure, Newport Mayor Appel and Councilmen Bennett, Caldwell and McDonald authorized W.A., C.H. and J.G. Flynn to take possession and management of the Northern Electric Co. The brothers, who were electrical engineers formerly employed by Northern Electric, used a 1,000/kilowatt dynamo from Bonners Ferry and the Fidelity Lumber Co. power plant to furnish sporadic, temporary lighting arrangements.

Even though City Ordinance No. 84 awarded a 25 year Newport electrical franchise to R.S. Anderson, who had organized a private power company, The Flynn company bought new equipment and forced private competition to withdraw. The Northern Electric Co. of Newport joined Pend Oreille Electric Light Co. of Sandpoint and other power plants in a March, 1909, consolidation by Byllesby & Co. of Chicago, soon known as Northern Idaho and Montana Electric Light Co. Actual transfer of Northern Electric Co. assets to the new company took place on June 1, 1909.

With Newport's electric power needs at last on an even keel, other parts of Pend Oreille County began to develop. In the same year construction work began on two timber dams at Sullivan Creek to provide power for the Inland Portland Cement power plant. With an effective head of 450 feet, standing 70 feet high and 140 feet wide, two and one-half miles from the mouth of Sullivan Creek, the larger of the two dams stood downstream from a second, built at the outlet of Sullivan Lake, 40 feet high and 170 feet wide. Diverted into a 6 X 9 foot wooden flume, Sullivan Creek water was to be carried three miles downstream into the power plant. Dropping 450 feet through a 1500 foot tunnel, bored from the powerhouse near the mouth of Sullivan Creek to a 500 foot bench on a southerly cliff, the water was to plunge from a reserve reservoir supplied from a flume extended three miles upstream to the dam at the outlet of Sullivan Lake. Since not all of the 10,000 horsepower to be developed could be used by the Inland Portland Cement Plant, surplus power was reserved for the mining companies and sawmills in the Metaline district and for the town of Ione.

Inland Portland Cement Co.'s Sullivan Creek power plant was the only source of power in the county from 1910 to 1922, when the Calispell Light & Power Co. constructed its Calispell Creek power plant six miles west of Dalkena. Until Pend Oreille Mines and Metals Co. constructed its Flume Creek and Pend Oreille River plants in 1936, the Sullivan Creek plant continued to supply all the power needs of the Metaline area. Interconnected with Inland Portland Cement, these plants formed a miniature Northwest Power Pool of their own. This generation was supplemented during World War II by Grandview Mine diesel generation, but in 1948, the PUD absorbed both the load supplied by the diesels and part of the loads supplied by the water power plants, including Metaline and Metaline Falls. Although Inland Portland Cement and Pend Oreille Mines

and Metals continued to operate their own plants at full capacity, additional PUD power enabled them to expand operations.

Ione Water & Power Co. incorporated in August of 1909, and in 1910 Ione Water & Light Co. was in existence. The same year Northern Idaho & Montana Power Co. contracted with Washington Water Power Co. for 10 years of power for Newport and Sandpoint, requiring WWP to build a 70 mile transmission line from Post Falls to Newport. Northern Idaho & Montana Power Co. went into receivership in 1917, and Mountain States Power Co. took over operation in February of 1918.

Metaline Electric Light & Power Co. and Metaline Falls Light & Power Co. were incorporated in 1911 and Calispell Valley Light & Power Co. in 1918.

Flume calamities plagued the Lehigh system, as rock slides in 1924 and 1925 carried away 170 feet of Sullivan Creek flume. The mountains spit boulders at the wooden flume at intervals and it was rebuilt along the Sullivan Creek canyon at least once.

Built in 1920-21, with H.A. Sewell as project engineer, Gus Schibsby as project superintendent and the help of Joe, Ted, and Sherman Zigler, the Power Lake Power project was designed primarily to supply electricity to the Cusick and Dalkena lumber mills owned by Calispell Light & Power Co. It provided power for Cusick, Usk, and Dalkena. Calispell Light & Power Co. was transferred to Washington Water Power on Dec. 31, 1928. The PUD bought the Calispell plant in 1952, and it is still in operation, producing some 600 kilowatts of power.

The needs of Pend Oreille County's cities and commercial enterprises were thus pretty well cared for, but the country citizenry, like most of rural America, was still in the dark. If you lived on a farm in those days, you knew well how to operate a hand pump, washboard, wood stoves, sadirons, butter churns, and crank operated cream separators. Smoked meat, windmills, cisterns, root cellars, canned food and gasoline powered electric generating plants were widely used. A gasoline fueled lamp, such as the Aladdin, was the ultimate in home lighting, provided a much brighter and whiter light than kerosene lamps.

Fifty-three years after the first central station electric system went into service in Manhattan, New York, only one out of every ten American farms enjoyed electric service. During that period nearly 100% of farms in the Netherlands had electric power, with 90% in France and Japan, 85% in Denmark and 60% in New Zealand, Sweden and Norway. America, supposed to be the most advanced nation in the world in 1935, had, therefore one of the lowest rural electricity percentages in the world.

With the expansion of city-owned lighting systems from 754 in 1900 to 3,084 in 1924, public power became identified with city power. Limited to a generation of two billion kilowatt hours at the turn of the century, 85% was used for street lighting and residential service, while industry used 12% and railroads used 3%. Although industry generated most of the electric power in 1905, city utilities had taken the lead by 1910. Skyrocketing from two billion by 1917, 60% of the generated energy was used for lighting, with industrial consumption up to 35% and railroads up to 5%.

Private power companies, recognizing the monopolistic nature of the utility business with its profit potential, established electrical service in densely settled urban areas where initial operation costs were lower and demand for service promised higher profits. The monopolistic nature of the utility business in the hands of a profit-oriented

minority was soon to present a crucial issue in the light of public service.

Operating with the philosophy of maximum profits for minimum investments, by 1912 small private utilities had consolidated into larger systems, followed in the 1920's by a pyramid of large holding companies designed by Samuel Insull. In 1932 giant holding company systems in eight holding company groups generated three-fourths of the output of all privately owned electric utility systems. In the early 1930's, 80% of the operating electric companies were controlled by absentee eastern holding company monopoly, with 45% controlled by the largest three holding companies: Stone & Webster, Electric Bond & Share, and American Power & Light of New York. Puget Sound Power & Light, and Washington Water Power, included in the Electric Bond & Share combined, were the three largest private companies in Washington State, all consolidated under holding company monopoly.

National private power monopolies, absentee holding companies, making huge profits through purchase of controlling stock in utility companies, and pushing rates up, invested heavily to kill public power utilities in the courts, legislature and service areas, by purchasing 1,592 of the 3,084 municipal utilities between 1924 and 1934. To maximize returns, private power confined itself to areas of high concentration of consumers, keeping its rates high by paying large dividends on inflated stock and meeting federal corporate profits taxes.

Consistent with its position that there was no profit in rural electric service, private power offered its poor service to rural America at intolerably high rates, requiring that the farmer pay in advance at full cost for his lines, that he build them himself, that he deed them to the power company free of charge upon discontinuance of service and that he agree in advance to a high minimum monthly electric bill.

Monopolistic by nature, free of risk by State regulation and riddled with profit-oriented abuses, private power forced the crucial issue between private power profit and public power. Put simply, the question was "Are profits in a public service business in the best interest of the public?"

The answer came in the formation of cooperatives and public utility districts. Operating practice abuses, political maneuvering, high rates and poor services of private power consolidation decreased competition to the point where government regulation, and, in many cases, government ownership, became necessary to provide better service and lower rates.

Five years prior to the Federal Power Act or Public Utility Act of 1935, the State of Washington enacted its own PUD Law. Unique in its provisions for the establishment of county-wide municipal utility systems, private power corporations and rural electrical cooperatives, it combined the public financing methods of a municipal system. The law also adopted the basic business structure of private power corporations, with a Board of Commissioners serving in the same capacity as a Board of Directors. It incorporated the area coverage utility service promoted and provided by rural electric cooperatives.

The Washington State Grange initiated the earliest rural opposition to private power monopoly in 1927, when it presented public service as an alternative to private profit. With the assistance of Washington State Senator Homer T. Bone, a special committee drafted an initiative to extend the concept of city light service to a county-wide area. The initiative, bearing 61,000 signatures and the first of its kind in Washington State history, was presented to the 1929 State legislature, which refused

enactment. But on Nov. 4, 1930, by a statewide referendum vote of 152,487 to 130,901, the Grange Power bill became law.

Organized as non-profit municipal corporations to combat the high electric rates charged by private utilities, provide electricity to rural areas denied service and to provide water service, public utility districts are owned by the people they serve on a cost-of-service basis.

Washington State PUDs may be organized and established through various procedures on a county-wide or less basis. The board of the county commissioners may elect to submit a proposition for creating a PUD to the voters in any general election. By petition of ten per cent of the qualified electorate the county commissioners are required to submit by resolution the proposition of creating a PUD. Filed with the county auditor, certified as sufficient and returned to the commissioners, who in turn submit it to the county election board, the proposition is then voted on in the next general election. At the request of petitioners, the commissioners may also call a special election to create a PUD.

District classification requires a five or three-member commission, with districts coextensive with county limits divided into three county commissioner districts. Elected by the entire public utility district in the formation of a new PUD Commission, District No. 1 commissioner serves a six year term, District No. 2, a four year term and District No. 3, a two year term of office. With staggered six year terms, one resident commissioner is elected every two years.

ALL PUD commissioner nominees are required to file a nominating petition, signed by 100 qualified district electors, not more than 60 and not less than 46 days prior to the election, and at the time of filing must also execute and file a declaration of candidacy. Commission vacancies are normally filled on interim appointment by the remaining commissioners until the next general election, although the county election board may call a special election if there are more than two vacancies in districts with five commissioners, or more than one vacancy in districts with three commissioners. With a president, vice president and secretary elected from its members and a majority of commissioners constituting the required quorum for passage of district resolutions and other PUD business, all proceedings of the commission must be by motion or resolution. Such proceedings are recorded in the PUD's minutes and are public records.

Public utility districts enjoy the right of eminent domain, but no municipal utilities may be condemned by a PUD and none may be purchased without district approval. In 1933, the Washington State Power Act specifically prohibited any State municipality from exercising the right of condemnation upon another municipality, including a PUD. Unlike outside management of private power companies, PUD's must live by the service they give and the rates they charge, with management completely open to direct voicing of public requests and complaints.

In addition to local control, a public utility district is subject to the same stringent State audits as cities, counties, port districts, school and other local government agencies. A third control over PUDs may be exercised by the Bonneville Power Administration's right of rate review and cancellation of wholesale contracts if rates are unreasonable.

During the late 1930's, private power companies in Washington State intensified their resistance to PUD development through a costly series of court actions in which

they contested the constitutionality of the 1930 State PUD law. With rare exceptions the courts upheld the State PUD law and the right of PUD districts to proceed.

Bitterly competitive during the mid 1930's and early 1940's, private power companies have since become the largest purchasers of wholesale federal and PUD power on the Columbia River.

The biggest impetus to the electrification of rural America came when President Franklin Delano Roosevelt created the Emergency Relief Appropriation Act of 1935. Ed O'Neal, head of the American Farm Bureau Federation, Morris L. Cooke, director of the 1925 Giant Power Survey, Senator George W. Norris of Nebraska and Congressman Sam Rayburn had joined in urging the Rural Electrification Administration as a depression relief objective.

Contrary to private powers position that rural America provided no profitable market for electricity, the largest REA-financed cooperative in the Pacific Northwest, Inland Empire Rural Electrification, Inc., was created in 1937. Renamed the Inland Power and Light Co. in 1954 it expanded through merger with the Pend Oreille Electric Cooperative in August of 1955 and has emerged as one of the largest and most successful of America's 1,000 rural electric cooperatives.

The Pend Oreille County Electric Cooperative was organized in 1939-40 with the late Percy Campbell as its manager. The new coop's goal was to provide electricity to Pend Oreille, northern Spokane and part of Stevens counties in Washington and the Blanchard, Idaho area. In the mid-1950's, the Pend Oreille Electric Cooperative merged with Inland Power.

Beating both Inland Empire Rural Electrification, Inc., and the Pend Oreille County Electric Cooperative into existence, PUD No. 1 of Pend Oreille county was organized Nov. 5, 1936, with V. Percy (Perce) Campbell as president, R.E. Arnold as secretary and Alice Beaubier as auditor. Campbell was commissioner from the first district: John Major Fountain from the second district and R.E. Arnold, third district. Clarence C. Dill was attorney and general counselor.

Public Utility District No. 1 distinguished itself as the first PUD in the nation to construct a major dam to generate its own power when it completed Box Canyon dam in 1956.

It was not the first dam on the Pend Oreille, however, Albeni Falls Dam having been completed by the U.S. Corps of Army Engineers in 1955. Killed as a World War II project by strong local agricultural opposition expressed in many public hearings, Albeni Falls had fallen from favor with consideration of Box Canyon and Z Canyon as possible storage sites. The proposal of a Boundary project stirred up so much opposition from mining, cement and agricultural interests that the Corps of Engineers fell back on and completed the Albeni Falls dam. Interest in the development of the Pend Oreille River as a source of electrical power, irrigation and flood control dated back to the early 1900's when some rather bizarre proposals were propagated.

Way back in 1906, Congress authorized the Pend Oreille Development Co., composed of Spokane residents, to harness the Pend Oreille River at Big Falls below Metaline, and to build a second dam ten miles below Big Falls, investing between one and one and one-half million in the development of 80,000 h.p. This was to make the entire Box Canyon area navigable, allowing steamers to run easily between Newport and Metaline. The dams were never built.

The original Boundary Island Dam proposal of 1912 was designed to kidnap the Pend Oreille River or a lot of it anyway, for the irrigation of Quincy Flats. This called for a \$200 million bond issue and was defeated at the polls. A second Columbia Basin gravity irrigation plan was proposed by the 1919 State legislature and favored a diversion dam at Albeni Falls which would channel Pend Oreille River water through the south of Newport to the Little Spokane River. From thence it would flow through a tunnel beneath the city of Spokane, reversing the flow of Hangman Creek and through a series of creeks and lakes to finally emerge as irrigation water at Ralston in Adams County. This "140 Mile Ditch Plan" was abandoned in favor of the larger and more effective Grand Coulee Project.

A man who seems in retrospect to have been far ahead of his time was Colonel Hugh Lincoln Cooper, an internationally famous hydroelectric engineer, who spent over one-half million dollars investigating potential power development at the Z Canyon site. Cooper, having harnessed Niagara Falls and having built the Keokuk Dam on the Mississippi River, visited the 18 foot wide Z Canyon in 1914, and knew a good thing when he saw it. He purchased all rights to the Z Canyon lands and the Boundary site from the international Power and Manufacturing Co. on March 27, 1915. The State of Washington had deeded all Z Canyon and Boundary site shore lands and property necessary for the construction of a Z Canyon dam to the International Power and Manufacturing Co., which was organized to build a Z Canyon dam about nine months previously on June 14, 1913.

Backed by eastern financing, Cooper & Co. established camps at Metaline Falls and Z Canyon. Cooper explored Z Canyon bedrock from the underside of the river, driving a 200 foot shaft 50 ft below the bed of the river and tunneling 150 foot beneath the river.

Frustrated by the lack of early federal legislation and leadership and unsuccessful in his search for an adequate power market, Cooper finally joined the opposition and placed his international engineering influence and technological expertise behind the Grand Coulee project, while still holding to his idea of developing a high power dam at Z Canyon.

The Federal Power Commission granted a permit in 1928 to develop a 300,000 h.p. dam and Washington State issued two water right permits the same year, one for power development and the other for water storage. But the government gave with one hand and took away with the other, dismissing Cooper's application for a license to build until a market could be developed which would support Z Canyon power.

Even though industrial expansion and growing domestic demands promised electric companies a market which exceeded power development, the proposed big Cooper dam never got started and the development plan was considered by some to be an impediment to the industrial utilization of the vast natural resources of Pend Oreille County.

Following Cooper's death, the titles of both Z Canyon and Boundary power development sites went to his estate where they remained, with no individual nor corporation coming forward to acquire them. In 1952 the State of Washington cancelled the water rights of Hugh L. Cooper Co. at the Boundary and Z Canyon sites. The next year, on March 31, 1953, Pend Oreille County PUD No. 1 purchased all Hugh L. Cooper and Co. lands in the vicinity of both Z Canyon and Boundary dam sites, all water flowage

and water storage rights, and all shore lands along the Pend Oreille River above Z Canyon, to and above Box Canyon, and made them a part of its electric system.

It did not take the PUD, established in the fall of 1936, very long to decide that it did not wish to remain solely dependent on wholesale power purchases from the Bonneville Power Administration. It applied for a preliminary permit to the Federal Power Commission to prepare engineering data for a feasibility study at Box Canyon. It was awarded a six month preliminary permit on Feb. 2, 1951, which was subsequently extended by the FPC, at the suggestion of Harza Engineering Company consultants to Dec. 31, 1951, during which time the filing of a construction license application was required.

With no funds to complete site exploration, preliminary survey and planning requirements, feasibility reports and FPC licensing applications, the PUD applied to the federal Community Facilities Branch of the Housing and Home Finance Agency, General Services Administration, within the Rural Electrification Administration of the Reconstruction Finance Corporation, for initial financing.

An interest-free loan of \$125,000, payable upon demand, was granted in February, 1951 and increased by \$50,000 in October. With RFC approval, the PUD contracted with Harza Engineering Co. of Chicago for a feasibility study and planning report on development of the Box Canyon project. Harza Engineering based its feasibility study on topographic, geologic and hydrologic data provided by PUD Engineer H.A. Sewell and the U.S. Army Corps of Engineers.

As soon as Cusick area farmers learned of the PUD's Jan. 24, 1951, contact with Harza Engineering Co., they began to organize opposition to the proposed Box Canyon Dam. A hearing expressing flood water fears similar to those expressed about the Albeni Falls dam was held before Sherman Green of the Army Corps of Engineers at Cusick on Aug. 28, 1951.

Next year brought the first of litigation which has plagued Public Utility District No. 1 down through the years until the present. The Federal Power Commission awarded a license for the Box Canyon project to the PUD on Feb. 5, 1952, and a suit was filed in Pend Oreille County Superior Court on April 15, 1952, by the Pend Oreille County Citizens Protective Association. The Association, comprised of 45 county land owners who feared flood loss of their land from Box Canyon backwaters, mailed a petition to the FPC asking for a rehearing on the dam license.

The association claimed the PUD had been granted a license for a 69 foot dam instead of the originally proposed 45 foot one. However, the control gates were to be 69 feet high, not the dam, and the Association's groundless fear failed to bring about a FPC license rehearing.

But a "friendly suit" popped up almost immediately after the PUD adopted a resolution on April 7 of 1952, which provided for the refinancing of a \$791,000 existing PUD bond issue held by private bankers and the financing of the Box Canyon project through the issuance of revenue bonds to secure an anticipated REA loan for \$17,541,000.

Fred W. Schwab, a PUD commissioner serving as secretary but also representing the Citizens Protective Association, refused to sign the resolution or to affix the PUD official seal to the document, both of which were essential to its legality. Attorneys C.C. Dill and Lloyd Ek represented the PUD and the Spokane firm of Davis, Trezona, Chastik



and Lorenz represented Schwab. Pend Oreille County Superior Court Judge Lon Johnson disqualified himself in the case and visiting Adams County Superior Court Judge Richard Ott ruled that Schwab would not be ordered to sign and seal the resolution in question.

The Washington State Supreme Court overturned the Pend Oreille County Superior Court ruling on appeal, however, thereby authorizing the construction of Box Canyon Dam, the sale of surplus power outside the district as well as affirming the proposed revenue bond issue. Schwab signed Bond Resolution No. 274 and affixed the official PUD seal by order of a State Supreme Court Writ of Mandate at a special meeting on July 22, 1952.

Three feasibility studies had been completed by the Army Corps of Engineers, PUD Engineers H.A. and J.A. Sewell and Harza Engineering Co. and it looked as if everything for the erection of the dam had the green light. Major features included a diversion tunnel, lower and upper cofferdams to divert the river during construction, spillway, auxiliary spillway, main dam forebay, powerhouse, transformer and substation.

And everything was right at hand to build it. Cofferdam rock fill was to be provided from powerhouse foundation and forebay channel excavation with extensive additional gravel fill available opposite the powerhouse locations. Abundant glacial silt to seal off the cofferdams was available less than a mile away, there was plenty of local construction timber and Lehigh Portland Cement Co. stood ready with all the needed concrete. Box Canyon Dam was designed as a floating vertical arch structure, resting on a natural foundation of sand piled up by stream flow to a depth of 140 feet at the dam site.

Financial complications arose, however, regarding the sale of its revenue bonds. On May 10, 1951, the PUD hired John Nuveen & Co. of Chicago on the strength of its bondsman experience. The Defense Electric Power Administration of the United States defense department said all PUD surplus power from the project should be reserved for government defense industries. Lacking the protection of long term power contracts, PUD revenue bonds simply lacked the capacity to attract major investment firms. The Department of Interior stuck in its oar by insisting the sale of all surplus power should be to the Northwest Power Pool, to be wheeled over the BPA grid system with BPA supplying all meters, instruments and carrier equipment. And the REA refused to finance the Box Canyon project unless the PUD cancelled its contract with Nuveen & Co. So in Dec. of 1951 the PUD cancelled its contract but rehired Nuveen & Co. as financial consultants Oct. 1, 1954.

On April 7, 1952, the Seattle bonding firm of Foster & Marshall contracted for the sale of \$23,925,000 of 50 year PUD revenue bonds bearing 2.5-3.2% interest rates, the REA advanced its loan and the dam construction was on its way at last.

On Aug. 11, 1952, PUD No. 1 contracted on a \$22,732,717 bid for dam construction with Pacific-Bridge-General-Shea, and held a public rock-breaking ceremony at the dam site two and one-half miles north of Ione on Sept. 20, 1952. Over 1,000 people watched the 800 pound blast of dynamite which marked the beginning of construction. A banquet in the Ione Grange Hall featured Washington Congressman C.C. Dill as speaker.

Less than two years later, on June 21, 1954, the PUD filed suit against Pacific-General-Shea in Pend Oreille County Superior Court for recovery of \$4,113,471.51, claiming damages of \$1,295,000 and anticipatory breach of contract of \$2,818,471.51. V.P. Campbell, PUD manager, said the contract was let with a definite understanding that

the spillway section was a one-season job. Almost immediately PGS had asked for contract extensions.

After delays of various kinds, following PGS's employment of 300 men and completion of 60% of the dam, the PUD terminated the PGS contract, and the company countersued the PUD for \$2,687,644, claiming lost profits and PUD structure changes which interfered with the job.

The lawsuit opened April 23, 1956, in a special courtroom in Spokane County courthouse before Superior Court Judge Raymond F. Kelly. The suit dragged on for 15 months and seven days, officially a Pend Oreille County case, and was finally settled out of court on Dec. 31, 1957, when the PUD commissioners accepted a settlement of \$2,150,000.

A new company, Morrison-Knudsen Co., Inc., contracted for the completion of the dam on April 19, 1954. The dam was completed less than two years later on April 1, 1955, a full 60 days ahead of the 1955 high water deadline. The first generator on the BPA grid system went on the line on June 1, 1955, with two more units coming on the line Oct. 1, and a fourth generator in December. The first surplus power was sold over the BPA grid system to Whatcom County PUD in Bellingham.

Dedication of Box Canyon Dam was held in conjunction with Ione's "Downriver Days" on July 21, 1956. It was sponsored by PUD No. 1 and the Ione Chamber of Commerce with full participation by all county chambers and municipalities. PUD Commissioner F. Robert Jordan coordinated the dedication celebration which featured Bonneville Power Administrator Dr. William Pearl and Washington State Grange Master A. Lars Nelson as speakers. The building of the dam had taken from Feb. 6, 1950 to July 21, 1956.

Box Canyon Dam, 42 foot head of water and a 55 mile long backwater extending to Albeni Falls, generates about 450 million kilowatt hours per year, with a peak capability of 77,000 kilowatts and an average of 51,000 kilowatts per hour. Three hundred fifty million kilowatt hours are sold yearly to the City of Seattle.

Through the years PUD No. 1 had acquired various electrical properties throughout the county. In 1946 the PUD signed a formal contract with Bonneville Power Administration; that same year a Mr. Hayes of American Lead and Zinc Co. sold a portion of his line to the PUD. The City of Ione sold its generation plant and distribution system to the PUD for \$12,000 in 1948 and the PUD purchased the Metaline Falls Light & Water Co. in 1948 for a total of \$44,000 for both systems.

On June 11, 1947, the filing of articles of condemnation against Mountain States Power Co. and Washington Water Power were authorized. In November of 1948, the City of Newport, under Mayor C.D. McKern, voted to purchase Mountain States Power & Light Co. plant and distribution system plus the Citizens Utilities Co. water systems, in an effort to gain the necessary revenue to build a city sewer system. Although PUD Manager V.P. Campbell had apprised the City Council of the District's January, 1949, condemnation suit, the City Council voted to buy the power company. On April 15, 1949, three days before the PUD condemnation suit was to begin in the United States District Court in Spokane, PUD No. 1 acquired Mountain States Power & Light Co. for \$325,000. Newport claimed Mountain States Power had failed in a verbal agreement to negotiate with it. PUD thus acquired all Newport and Diamond Lake properties, the Newport office and substation, office equipment, records, Newport storage and shop

buildings, the Newport street lighting system and sewerage damages. All employees of Mountain States were offered positions with the PUD.

But that wasn't the end of troubles between the PUD and Newport. Scarcely had the PUD announced its plans for a new substation in Newport when the city's voters authorized the city to float a \$200,000 bond issue to purchase the Newport properties of the PUD or construct its own municipal power system.

In November of 1949 the PUD filed a restraining order against the city of Newport. Judge Johnson ruled in favor of the District but Judge C.A. Pettijohn of Davenport reversed the decision of Judge Johnson and ruled in favor of Newport. But the city's utility system was never financed.

On June 15, 1949, Newport Superior Court issued a Decree of Public Use and Necessity to PUD for Washington Water Power properties in Pend Oreille County, and in 1953 all Washington Water properties were purchased by the PUD. Financed by a \$320,000 revenue bond issue sold to Woodmen of the World, the purchase included the Calispell Creek generating plant and distribution system and brought low cost dependable power to the Calispell Valley, including Cusick and Usk, thus bringing all Pend Oreille County municipalities into PUD's fold.

The Sullivan Creek power project was purchased by the PUD in December of 1958, following six years of negotiations with Lehigh Portland Cement Co.

The old Mountain States Power office building had become inadequate for the expanding PUD operations, forcing the district in 1957 to rent a small house across the street for a billing office. Consequently the PUD bought Washington Avenue property adjoining the PUD building from Florence McArthur and three lots adjacent to the back of the old Mountain States Power building. The A.W. Dressel and Forrest Miller properties were bought as an additional site for a proposed regulator station, warehouse and garage. The old Brown's slaughter house, then identified as Harrington's Veterinary Clinic, was purchased from the county for \$5,000 in delinquent taxes. In 1976 a modern office building was created by extensive remodeling of the old Mountain States Power Building originally constituted in 1910, with Don Murray of Spokane as architect.

The REA Pend Oreille Electric Cooperative and PUD No. 1 had signed an agreement as early as June 24, 1948, to integrate and interconnect power suppliers in Pend Oreille County. After the Co op experienced financial difficulties, Inland Power & Light and the PUD were to divide and purchase the Pend Oreille Electric Cooperative property, the PUD to acquire that within the county, of course. Through some rather involved "power plays" and "secret deals" involving Washington Water Power, the PUD failed to secure any Pend Oreille County properties and Inland Power & Light got it all.

In an effort to eliminate the costly duplication of services in the county, the PUD Commission authorized Manager V.P. Campbell to negotiate with Inland Power & Light for the purchase and reconstruction of Inland lines in the Tacoma Creek-Ione area.

In spite of many meetings and negotiations, final agreement on a sale was never reached. On May 7, 1962, PUD No. 1 filed a petition of eminent domain with the Pend Oreille County Clerk, asking Pend Oreille County Superior Court to adjudge the value of Inland Power & Light Co. properties in Pend Oreille County and seeking a certificate of public use and necessity, a legal step in the acquisition of Inland property by condemnation.

Inland filed an affidavit of prejudice against Superior Court Judge Thomas Oakshott of Colville, and the condemnation suit was then heard by visiting Judge Felix Rea of Ephrata. Judge Rea in an August, 1962, ruling held that the PUD-Inland suit could not be tried without the United States government as a respondent, that the State courts had no jurisdiction in the matter as the case was incomplete following the withdrawal of the United States, and that unless the PUD could amend its suit to exclude the federal government, the case could not be tried. (The U.S. was involved as mortgagee through the REA).

In a 6 to 3 decision, the State Supreme Court overturned the Superior Court decision in the PUD appeal to that body. The Supreme Court ruled that state courts do have jurisdiction over the condemnation action of a PUD, but that the federal government, having a substantial interest in Inland Power & Light through long term REA loans, cannot be sued except by its own consent.

So the two public power units were at an impasse. Duplicate PUD and Inland lines, both serving the people well, still exist today in Pend Oreille County, and the condemnation suit is still a tender point between the two utilities.

The longest and most hard-fought legal battle of them all, PUD No. 1 vs. Seattle City light, began on Jan. 19, 1959, as federal power hearings began in Washington, D.C. The battle lasted for almost a decade.

Having acquired all the Cooper properties and right on the Pend Oreille River between Box Canyon and the U.S.-Canadian boundary on March 31, 1953, the PUD was bitterly opposed to Seattle's 1954 application for a preliminary permit to construct a power project on the PUD's property.

So were a lot of other people, the county's mining interests, the Spokane Chamber of Commerce and the Pend Oreille County commissioners.

PUD No. 1, sensitive to the claim of the mining interests that a high Boundary dam would flood existing mines and damage ore deposits because of the peculiar limestone and underground cave structure of the area, wished to develop three lower dams at Z Canyon, Slate Creek and Dead Man's Eddy sites.

The case see-sawed through three Washington State courts-Pend Oreille County and King County Superior Courts and the State Supreme Court; three federal courts, the U.S. District Court in Spokane, the U.S. Circuit Court of Appeals, and came up to the United States Supreme Court three times.

But the lengthy and complicated litigation proved one thing-the supremacy of federal law over Washington State law in the determination of condemnation rights. The United States Supreme Court reversed the ruling of the Washington State Supreme Court on March 2, 1964, thereby removing all obstacles to the development of the Boundary dam by Seattle City Light.

Flood control agreements were made with Diking District No. 2 in the Calispell River flood area in the early 1960s, and a new dam site and industrial water supply system for Metaline Falls was completed in 1961.

Possibly the key figure in the development of PUD No. 1 was Victor Percy Campbell, a county commissioner from 1931-1936. He and a Spokane electrical engineer named Henderson looked over the county from Newport to Skookum Creek in January of 1936 with an eye to rural electricification. That same month a committee comprised of V.P. Campbell, F.W. Schwab, Emeral Berry, Valley W. Long and E.E. Hupp, identified

as the Pend Oreille River Power Association, met at the Furport Grange Hall. The committee prepared an application to the REA for the formation of a public utility district; it also applied for REA financing of a Bonneville transmission line which would connect the county with the BPA grid. That first application, designed to bring electricity to the people on the east side of the Pend Oreille River from Newport to Usk, including Marshall Lake, Furport and Skookum Creek, failed to take shape. But in November of the same year, the electorate did approve PUD No. 1.

Campbell was a first district commissioner who served on the first PUD Board and as PUD Manager for 20 years through some of the District's most crucial years.

Hired as a 13 year old water boy for the summer construction crews of Washington Water Power in 1908, Campbell certainly started at the bottom of a power pole.

Following early experience with the Washington Water Power city line department, Campbell, 21 arrived in Newport hoping to help Hugh L. Cooper in the development of the Z Canyon dam site.

He also provided crucial coordination in the 1939 formation of the Pend Oreille County Electric Cooperative, serving as its manager during the formative years of 1939-41. He also served as manager of Spokane's 4,900-member Inland Empire Rural Electrification, Inc. from 1941 to 1947. It was largely through Campbell's vision and imagination that PUD No. 1 became the first PUD in the nation to construct its own major hydroelectric project at Box Canyon Dam.

Three other dedicated District commissioners were First District Commissioner Fred W. Schwab, Second District Commissioner John Major Fountain and Third District Commissioner F. Robert Jordan. They shared the PUD offices of commission president, vice president and secretary on a rotation basis.

First District Commissioner Fred W. Schwab replaced Commissioner V.P. Campbell in the 1939 election, thus beginning a 31 year career as PUD commissioner, a longevity record unequaled by any PUD commissioner for many years.

Second District Commissioner John Major Fountain is the only surviving commissioner of the original PUD commission, which also included Campbell and Third District Commissioner R.E. Arnold. Fountain was awarded a 30 year service pin by Washington State PUD Association President Ed Evans in 1966 at the Pend Oreille County PUD Awards Dinner.

Third District Commissioner F. Robert Jordan began an influential 22 year career in 1944, when he replaced Antone Swoboda of Metaline Falls. Jordan had served as president and vice president of the Washington State PUD Association and president and treasurer of the Eastern Washington PUD Association. Jordan was president of PUD No. 1 when he died at 68 years of age Nov. 26, 1965.

H.A. Sewell began a 20 year career as PUD chief engineer in 1945. Joined by his son, J.A. Sewell, in 1946, the father-son engineering firm provided the essential engineering plans, maps and electrical data required for the PUD Plan of the System. H.A. Sewell retired in 1965 and was replaced by his son as chief engineer. J.A. Sewell started his thirty-fourth year of engineering service for the PUD in 1980.

Spokane Attorney Clarence C. Dill, a former United States senator, proved invaluable to the PUD with his legal expertise and experienced leadership. He served from the PUD's beginning until his retirement in 1967. Lloyd W. Ek, a former partner of

James P. McNally and Fred Trumbull at Ione, served as PUD general counsel with Attorney Dill from 1954 to 1963. Ek died of leukemia at 49. His partner James P. McNally is now counsel to the District. Franklin Billings served the PUD as an industrial analyst from 1958 to 1979, with nearly a year's leave while he worked with a cooperative in Corvallis, Oregon.

Continuing a tradition of dedication is the present PUD manager F. George Kennett, first employed as credit manager and chief accountant in 1956, until his appointment as manager in 1967. He began his twenty-fourth year of service with the PUD in 1980. The son of a Bunker Hill company doctor, Kennett was raised in Kellogg, Idaho, prior to moving to Newport in 1956. Kennett was an accountant for National CPA Firm Haskins & Sells and Ernst & Ernst and office manager of Prudential Distributors, Inc. in Spokane.

Present commissioners are A. Glenn Earl, first district, elected in 1970 to replace Fred W. Schwab, Robert E. Johnson of Newport, appointed Feb. 5, 1980, to replace Lloyd A. Crown, second district, who died in October of 1979, and Charles H. McCain, third district, elected in 1965 to replace F. Robert Jordan.

James A. Sewell is chief engineer, James P. McNally is general counsel and Paul A. Hillestad is treasurer, office manager and auditor.

Public Utility District No. 1 has grown to serve 3,250 customers in Pend Oreille County, providing electricity at the rate of \$7.20 for the first 200 kilowatt hours and 1.7 cents per kwh after that for a total of \$18.90 for 1200 kwh. This is compared to Inland, wholly dependent upon Bonneville Power, whose rates have recently jumped to \$32.50 per 1200 kwh., the increase made necessary by the cost of nuclear power plants. In all fairness, though, Manager Kennett said a 10 percent raise in PUD's rates was expected in March of 1980.

But low power rates are not all that PUD No. 1 does for Pend Oreille County. A revenue of \$121,327 (a privilege tax of 5% on wholesale value of up to four mills per kwh generated power sold to Seattle City Light and 2% on retail sales) was paid in 1979 (for 1978) to the State which deducts four per cent and returns the rest to Pend Oreille County. This amounted to \$116,474.52 and was distributed according to county resolution among the school districts, municipalities and county current expense fund.

And the PUD has more plans to relieve the energy crunch. The Sullivan Creek Power Project, located on Sullivan Lake, Outlet Creek and Sullivan Creek, is being designed at the present time. It will incorporate a new dam one-half mile below Sullivan Lake and a three mile tunnel to deliver water to a new power plant at Metaline Falls.

Public Utility District No. 1 does indeed look to the future with confidence.