

in the industrial situation would result in a higher percentage increase of such earnings for Commonwealth and Southern than for the others. Earnings per share on the \$6. preferred stock of Commonwealth and Southern amounted to \$19. in 1930 but dropped to \$15. in 1931 and to less than \$9. in 1932. This decline continued up until July 1933 when the bottom was reached at \$6.17 per share. In August a slight increase to \$6.20 was experienced. Weekly Kilowatt hour output since April 1933 has ranged between 10% to 25% more than the corresponding weeks in 1932 and although it will take some time before this improvement is reflected in net earnings there seem to be grounds for optimism in this respect. Comparative income statements and a balance sheet of the company are attached to this report and give more detailed information than is offered here.

Apart from the fact that the earnings of Commonwealth and Southern have declined as much as any other utility during the depression there is another phase of the situation which accounts for the extremely low prices of the company's securities. Investors are anxious as to the effects of the Tennessee Valley Authority Act on the earnings of those subsidiaries which operate in or adjacent to the Tennessee River Valley.

The Tennessee Valley Authority was created during the last session of Congress and was granted \$50,000,000. cash and \$50,000,000. credit to start operations. These operations will include the completion of Muscle Shoals and the construction of the Norris Dam. Ultimately it is expected that 3,000,000 horsepower can be developed on the Tennessee River and the complete programme of the T.V.A. is to transform the whole territory, whose population is now 2,000,000 into a prosperous decentralized agrarian-industrial commonwealth. Fulfilment of this project will take years and we are only concerned here with the much more modest beginnings which will not be completed until 1938 at the earliest.

At present Muscle Shoals produces 120,000 horsepower and this is taken by Alabama Power, a Commonwealth and Southern subsidiary. This arrangement can be terminated upon short notice and the only immediate effect would be 120,000 horsepower for sale to a limited number of customers of Alabama Power. No additional power will be available until the Norris Dam is built in 1938 when 220,000 horsepower will be produced at Knoxville.

Although the rates at which the T.V.A. will sell power are very low it should be