

extent of \$10,000,000 with the refunding mortgage 5s due 1934 by the deposit of like amount of these bonds. They also constitute a second mortgage on all properties. They are convertible par for par into common stock but are redeemable at any time upon thirty days' notice at 101.

The Leclde Gas Light Co. is one of our old-line public utility companies and furnishes gas chiefly, together with a small output of electricity, to the city of St. Louis. While it did not entirely earn its interest charges on funded debt in 1921, showing a deficit for the year after preferred dividends of more than \$300,000, earnings this year have shown remarkable improvement under better operating con-

ditions. Earnings statement for the first quarter of this year showed earnings were running at the rate of more than \$4 a share annually on the common stock against the deficit of last year.

The company has a good record and up until the time of high operating costs, which became acute in 1919, had an unbroken dividend record for both the common and preferred stocks.

American Power & Light 6s

American Power & Light 6s dated March 1916 are due 2016 and afford an unusually long-term investment. There are \$6,271,000 of these gold debenture bonds outstanding. They are callable at

110 and interest on any interest date. Selling around 95 there is a return on the investment well in excess of 6% even ignoring the maturity date.

Company is well managed and is affiliated with Electric Bond & Share Co., which in turn is affiliated with General Electric Co. It is a holding company, controlling through stock ownership Kansas Gas & Electric Co., Portland Gas & Coke Co., Pacific Power & Light, Nebraska Power Co., and Southwestern Power & Light Co. The 6s are a direct obligation of American Power & Light Co., and together with \$3,500,000 8% bonds due in 1941 constitute its sole funded debt.

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Montana Power Company

A Public Utility with a Brilliant Future

Operating in a Vast Domain, Company's Business Will Keep Pace With Growth of the State—Has Large Capacity for Expansion in Coming Years

By O. P. DOBIE

THERE are, perhaps, few of us who realize the vast territory supplied with electrical energy by Montana Power or its potentialities for future growth. With ample reserves of undeveloped water-power sites for future use, the company's growth is only limited by the expansion of the state's population and activities. Even with its present output, the company ranks as one of the largest hydro-electrical enterprises in the country.

Montana Power, it has been said, supplies electrical energy to an empire in itself. The company operates over the greater part of a state which itself is larger than the British Isles and as large as the combined territory of the New England states, New York, New Jersey, Delaware and Maryland. This large territory in 1921 had a population of slightly in excess of 500,000.

The company has this to distinguish it from the large majority of other public utility properties: Many of our large properties are operating in territory already thickly populated and future growth must necessarily be slow except where there are special circumstances. With Montana Power Co., it is operating in a territory the resources of which have only been scratched on the surface. With ample water power sites available, its fu-



The Great Falls Plant of the Montana Power Co.
Capacity 60,000 K.W.

ture development will be along lines of power generation by inexpensive hydro-electric plants.

Aside from the potentialities for future growth, there are two factors in the company's affairs which will perhaps prove more interesting to the holder or prospective purchaser of its securities. These are the improvement in earnings during the current quarter of this year due to better business conditions throughout the state, brought about largely by resumption of mining operations on a large scale, and probable increase in dividend payments on the common stock when the

board meets for discussion of the question next August.

By far the greatest activity of the state is in its mining operations. Electricity has practically superseded steam power in the operation of mines, and Anaconda Copper Mining Co. is one of Montana Power Co.'s largest customers. Practically all the mines are supplied in the western two-thirds of the state. When markets for metals became depressed in the early part of 1921, almost all the mines shut down and remained closed. Decision to reopen was announced by leading companies last February, but it was not until March that resumption of operations became general. This

factor is, of course, reflected in current earnings. Discussion of current earnings in detail will be given later on.

Dividend Increase Likely

During the latter part of 1919, when earnings began to fall off, the board promptly reduced the rate on the common stock from \$5 annually to \$3. It was stated at that time that as soon as earnings picked up to any extent, the board would be quick to restore the rate. Last month directors met for dividend discussion and, as was expected, the regular quarterly payment of 75 cents was

declared on the common. Board meets again next August and it is expected that an increase in the rate on the common stock will be announced.

Output

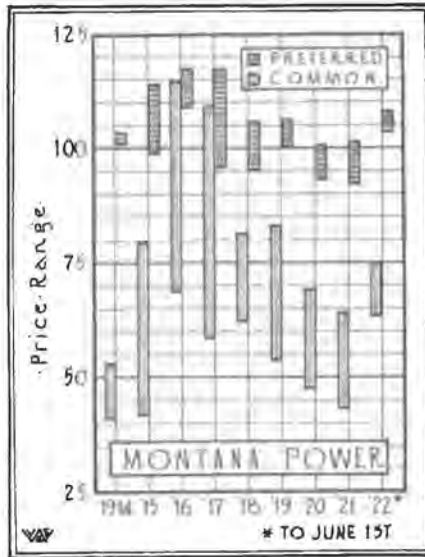
Practically all of the company's output is that of its hydro-electric plants. Two small steam plants have been discarded, and out of its 212,340 kilowatt capacity, only 810 k. w. capacity is that generated by costly steam apparatus. These are the Billings (reserve) plant, 560 k. w. capacity, and the Phenix plant, at Butte, 250 k. w. Following table shows capacity of plants at present:

Hydro-electric	211,530 kilowatt
Steam	810 kilowatt
	212,340 kilowatt
Water powers undeveloped	121,500 kilowatt
Total	333,840 kilowatt

The largest plant in operation is that at Great Falls, on the Missouri River. Plant has a capacity of 60,000 k. w. and is thoroughly up-to-date, having been completed in 1916. It supplies power for the Chicago, Milwaukee & St. Paul Railway, at Morel and Gold Creek, the Anaconda Smelting plant at Anaconda and the Anaconda copper and zinc refining plant and copper smelting works, near Great Falls, in addition to smaller activities. The Holter plant, which now has a capacity of 54,000 k. w., was completed four years ago and is the second largest plant. Ten other smaller plants are also operated in addition to the two steam plants.

As illustrating the falling off in demand in 1921 on account of business depression and closing down of the mines which was reflected in poor earnings, total kilowatt hours generated last year was 572,277,989 compared with 1,103,620,644 in 1920, a falling off of 48%. The 1921 annual report showed net earnings available for dividends of \$1,563,994, equal to \$2 a share on the \$49,633,300 common stock, par value \$100, compared with net of \$3,057,723 the previous year, equal to \$5.27 a share. The table shows earnings over a five-year period, 1921-1917, inclusive.

From the accompanying table it will be seen that the company had just about gotten into its stride and was reaping the benefits of the construction of its large Great Falls plant when abnormal conditions incident to the war interfered with earnings. Still later, after the war, high operating costs followed by the business depression, have served to keep the company from showing what it can do under normal conditions. It can be



truthfully said that the current year is the first since 1917 when conditions were not adverse for one reason or another.

Current Earnings

Owing to the fact that while mining companies began to resume in February, it was not until late in March of this year that they really operated on a fair scale. Deprived of the mining companies as consumers during the early months of the year, first quarter earnings showed but little improvement. Company publishes quarterly statements, the last of which was for three months ended March 31, last. This showed that for the first quarter the dividend on the common was just about earned or at an annual rate of around \$3 a share. Statement for six months to June 30 will be published about the latter part of July, and based on present figures should show considerable improvement. It is estimated for the second three-month period of this year, Montana Power should show at an annual rate of better than \$6 a share on the common.

Railroad Electrification

There are three large transcontinental railroads which cross the state of Montana, Northern Pacific, Great Northern and Chicago, Milwaukee & St. Paul. The latter is now electrified for about 440 miles of its system over the mountains from Harlowton, Montana to Avery, Idaho. In addition, the Butte, Anaconda & Pacific, running between Butte and Anaconda, has about ninety miles of track electrified. Both of these companies are

taking power from Montana Power Co. on long term contracts and consume together approximately one-fifth of the present total generating capacity.

Owing to the difficulty of operating large trains over the mountains, particularly in the winter months, it has been recognized that it is only a question of time when Great Northern and Northern Pacific will electrify this portion of their lines. Prior to our entry into the war, it was stated that these lines had plans under way. The war, of course, stopped this, but it was only recently announced officially that Great Northern was contemplating electrifying part of its lines but this event had to await solving of questions as to raising of capital, etc.

Electrification by either of these roads would be of far-reaching importance to Montana Power Co. and would be reflected by increased earnings.

Conclusion

Total funded debt of Montana Power Co. proper consists of \$22,277,600 first and refunding 5s, due July 1, 1943. There are also approximately \$10,000,000 bonds of subsidiary companies which are a lien on its properties. The 5s are callable at 105 and are a lien on the entire properties owned in addition to being secured by some \$21,000,000 of securities of subsidiary companies.

The bonds have always been considered a high-grade investment proposition and are now selling around 97, at which price the yield is slightly in excess of 5%.

There is \$9,671,800 preferred stock outstanding. This issue is 7% cumulative and has paid dividends without interruption. There is an exceptionally small amount of this issue outstanding in comparison with bonds and common stock though total authorized preferred is \$25,000,000, and it has always been considered a high-grade investment preferred stock. Selling around 108 the stock shows an annual yield of 6.5% and appears attractive at present prices. Stock is redeemable at 120 and in view of the comparatively small amount outstanding, there is the possibility that it might be retired in future years if earnings show good improvement. However, this is a long range view and there is nothing to indicate this at the present time.

There is \$49,633,300 of the common stock outstanding, par value \$100. This issue is selling in the lower seventies with yield of approximately 4% annually. While the stock appears to be selling rather high on the basis of the yield, it should be remembered that it is discounting increased earnings and possibly dividends. The stock has always sold high on the basis of the yield. In 1916, when the dividend was raised to \$5 annually from \$3, the common sold as high as 114. The stock moves rather rapidly when it gets under way. Low price for 1922 was 63 and it has not kept pace with other utility issues in the advance of the market. Up to June 1, high price for this year was 75. At current levels, it offers one of the best remaining opportunities in the public utility list.

MONTANA POWER COMPANY EARNINGS

	1917	1918	1919	1920	1921
Gross	\$6,905,268	\$7,558,741	\$6,769,013	\$7,866,124	\$6,009,226
Bond interest times earned	3.22	2.94	2.33	2.86	1.96
Net for dividends	3,142,427	3,050,196	2,296,831	3,057,793	1,563,994
Per share on common	7.45	6.19	3.87	5.27	1.99
Dividends paid on common	5.00	5.00	4.50*	3.00	3.00

* Rate on common reduced from 1¼% quarterly to 75 cents the latter part of this year.