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(Continued from Page 1)

listing deductions and too skimpy in reporting his earnings.

The company officials presented a far different picture: a hard-pressed taxpayer who had done his best to report the correct amounts and no more.

Mr. Lake challenged earlier testimony that the company had trouble selling stock and obtaining capital at reasonable interest. He brought out that was able to attract about \$28,000,000 in new capital at no more than six per cent interest.

The general counsel for the state and the public also brought out that the company is able to pay all expenses, taxes and fixed charges and still pay its regular \$8 dividend and set aside a surplus. The company had claimed that it could not realize a reasonable profit under present rate schedules.

He also brought out:

1. That \$22,200 more was available for CT&T stockholders last October than last June.
2. That the company's net operating income increased \$14,000 between June and October which, he claimed, meant that the company is gaining headway over its expenses faster than it had indicated.
3. That increases in the cost of materials and equipment used by the company are tapering off and now are running at less than the company's records show.
4. That each new telephone added since last October is bringing in more revenue with the result that the company's earnings are rising.
5. That the rate base used by the company in figuring its rate of return apparently is larger than it should be.
6. That at least a part of the rate base reflects sizeable investments in materials, supplies, land and other property which was not actually used at the time the company prepared its case for the utilities commission.
7. That the company will be able to clear enough on the basis of its net income last December to pay all its expenses, fixed charges and interest and add to its surplus.
8. That CT&T stockholders are able to buy at \$100 per share stock which can be sold on the open market for around \$145 per share and that approximately one-third of CT&T's common stock is held by Southern Bell Telephone company.
9. That if the company would adjust its books in accordance with sound accounting practices the company's earnings would appear substantially greater.

The company contended, however, that the figures cited by Mr. Lake were not typical of its overall operations. Mr. Havens contended Lake was putting too much emphasis on last October. In eastern North Carolina, October is a harvest month, and a month in which all business, including the telephone business, does well.

Moreover, he claimed, the company had deferred some maintenance work between June and October with the result that October figures did not present an accurate picture.

Mr. Lake was not impressed. "Then let's make another month," he suggested. "Let's take December."

And taking December, he set down, point by point, at least to his satisfaction, that CT&T still could not show why it should be allowed to raise its bills.

"We have shown three errors in your records," he said at one stage of the cross-examination.

He ticked them off as follows:

1. By improper accounting practices you have understated your income by \$89,000.
2. In the same manner, you have credited \$761,000 to your rate base as plant in service when it really should have been set out as telephone plant under construction on which interest had been capitalized.

"3. You added to the rate base \$753,000 for materials knowing that not one dime of it had been spent by your company for any purpose whatsoever."

And, he added, the company was carrying in its rate base an allowance for cash working capital "when as a matter of fact not a cent of it is contributed by the stockholders."

The item, a controversial point in several recent rate cases, represents an amount equal to approximately one-twelfth of the sum a utility spends in a year for operations. Mr. Lake consistently has argued that the allowance is unreasonable. As grounds for his objections, he claims that utilities are able to use tax accruals for working funds and that tax accruals—funds held for future payment of income taxes—are both tax and interest free.

Oliver G. Rand, Wilson city attorney, was scheduled to take over the battle at yesterday's session of the hearing. Mr. Rand is serving as counsel for a rate committee formed by CT&T subscribers in 46 eastern North Carolina communities.

The battle against the rate increase is being led by the Wilson chamber of commerce whose executive secretary, J. B. Parramore, organized the opposition to the increase.

Among the witnesses expected to testify yesterday was Laurence B. Maddison, Scotland Neck accountant, who has been hired by the committee to study the company's rate structure and financial operations.

Two company lawyers, Chauncey Leggett of Tarboro and W. T. Joyner of Raleigh, were to handle the cross-examination of the witnesses for the protesting group.

County Agents to Discuss Junior Dairy Show Plans

J. D. George, extension dairy specialist from State college, will discuss plans for next fall's junior dairy calf shows at today's meeting of the five-county agents group in Jacksonville.

The group is made up of county farm agents from Carteret, Craven, Onslow, Jones and Pamlico counties. Carteret county will be represented by R. M. Williams, county farm agent, and Al Newsome, assistant county agent.

License Revoked

The driver's license of Roland Grant Miller of Morehead City has been revoked, according to an announcement by the North Carolina state highway patrol. Miller was convicted of drunken driving Feb. 18 in Morehead City recorder's court.

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Miss Ann Garner Is in Festival

Miss Ann Garner, a junior in the Morehead City high school, has been selected to be an attendant to the teen-age princess during the annual Azalea festival in Wilmington beginning Friday afternoon, March 27.

The daughter of Mr. and Mrs. A. M. Garner of 1808 Evans street, Miss Garner will represent the teen-agers of Carteret county in the pageant.

After a tea Friday afternoon, the princess will be crowned at a ball Friday night. Miss Garner will be a member of the princess' court during the ball. She will also ride a float during the parade Saturday morning.

The festival will be climaxed Saturday night with the crowning of the queen of the festival. Saturday afternoon, Miss Garner and the other members of the princess' court will be taken on a tour of the Wilmington gardens.

Also participating in the Azalea festival parade will be the bands of the Morehead City school and the Beaufort school.

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Wilmington in Bloom

At this season of the year Wilmington is in bloom —literally. North Carolina's port city on the Cape Fear has become nationally famous for its azaleas. Its festival there each spring attracts hundreds of thousands of visitors from far and near. The festival begins this year on March 26 and reaches its climax with a parade of floats and the crowning of the Azalea Queen on the twenty-eighth. Plan now to see Wilmington at its beautiful best.

Blossoming

A few miles from Wilmington another plant is blossoming on the Cape Fear — a steam electric generating plant which when completed will have a capacity of 300,000 horsepower for a growing Eastern North Carolina.



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