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A VICTIM OF MONOPOLY: SAMUEL T. HAUSER AND
HYDROELECTRIC DEVELOPMENT ON THE MISSOURI RIVER, 1898-1912

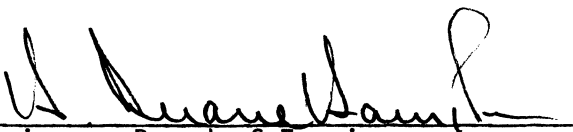
By

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B.A., University of Montana, 1970

Presented in partial fulfillment of the requirements for the degree of
Master of Arts
UNIVERSITY OF MONTANA
1979

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ABSTRACT

Newell, Alan S., December 14, 1979

History

A Victim of Monopoly: Samuel T. Hauser and Hydroelectric Development on the Missouri River, 1898-1912 (143 pp.)

Director: H. D. Hampton *HD*

In 1898, ex-Montana Territory Governor Samuel T. Hauser completed construction of a hydroelectric generating plant on the Missouri River near Helena, Montana. An aging Hauser, having suffered serious financial reverses in his other economic concerns, entered the new Montana electrical industry with plans for three generating facilities. Between 1898 and 1908, S. T. Hauser completed the construction of two dams and power plants (Canyon Ferry and Hauser) and planned the erection of a third dam (Holter). In addition, Hauser's companies financed the construction of a transmission line from Helena to Butte and Anaconda, Montana.

S. T. Hauser did not build his hydroelectric plants without competition. Acceptance of electrical power by various elements of Montana society, including the rapidly consolidating mining industry, produced a favorable climate for competing hydroelectric interests in the state. Hauser's two challengers were John D. Ryan, representing the electric power interest of Great Falls, and Charles W. Wetmore, representing power interests in Butte. Of the two individuals, John Ryan proved to be the greater threat to Hauser. Ryan's corporate ties to the Anaconda Copper Mining Company (Amalgamated Copper Company) allowed him to combine his interests with those of Wetmore and to drive S. T. Hauser from the power industry.

Hauser failed in his efforts to protect his Missouri River power plants from being purchased by the Ryan/Wetmore syndicate. Although he had been in the forefront of promoting and developing the new source of power, an elderly S. T. Hauser was not able to retain the support of Amalgamated and had to relinquish control of his property in 1911. Formation of the Ryan/Wetmore syndicate and Hauser's failure prefaced establishment of the Montana Power Company in December, 1912. The creation of that corporation and the surrender of S. T. Hauser's power companies to the new firm evidenced the strong tendency in Montana towards monopolization of hydroelectric facilities.

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This manuscript has been in preparation for a long time. Its focus has shifted often, although it has always centered on the figure of Samuel T. Hauser. Indeed, completion of this work owes much to the gentle, yet firm, prodding of its director, H.D. Hampton. Without his encouragement and helpful review of the drafts, years of research might never have been synthesized.

I also would like to thank Mr. Brian Cockhill, archivist at the Montana Historical Society. His careful cataloguing of the Samuel T. Hauser Papers and recognition of the wealth of information on hydro-electric development are largely responsible for this story being told. My thanks also should go to the staff of the Montana Historical Society for the generous use of their facilities.

Finally, I wish to thank the members of my committee for their valuable critiques and suggestions. Errors of fact and omissions, naturally, reflect on the manuscript's authorship and not on their review.

INTRODUCTION

THE RIVER AND INDUSTRY

When American explorers first entered the present state of Montana, they did so via a primary regional waterway. Those preeminent adventurers, Meriwether Lewis and William Clark, entered the Missouri River in the spring of 1804 in anticipation of following that great river to the Pacific Ocean. It was a notion buttressed by years of experience on rivers east of the Mississippi, but it was an idea that quickly died when confronted with the unpredictable character of western watercourses. While Lewis and Clark may have been disappointed with the navigability of Montana's most prominent river, the prescience of their focus on the Missouri was uncanny.

Less than a year after the return of the Lewis and Clark Expedition, fur trading entrepreneurs were venturing onto Montana rivers. By the 1840s, posts along the upper Missouri carried on a brisk trade with native populations--receiving trade goods transported by riverboat and shipping furs by the same means to the downstream port of St. Louis. In 1860, the first steamboat ascended the often treacherous Missouri River to the American Fur Company outpost at Fort Benton.

The history of steamboat travel on the upper Missouri River is one of precarious spring ascents, which often ended with a floundered sternwheeler perched atop a hidden sandbar. The river was tolerated at best, and quickly abandoned in the 1880s when a more assured means of travel was available on railroads. Despite this seeming rejection,

the Missouri continued to support a variety of local enterprises. It served as a vehicle for delivering logs from the forest north of Helena to the great falls beginning in the 1880s. The river also supported a small cargo trade south of the community of Great Falls in the eighties and, during the nineties, offered a source of recreation to boating enthusiasts. The very substance of the river, its water, was employed by local agriculturalists as it was diverted into irrigation ditches and returned downstream to continue its course to the Mississippi. Through all of these uses, the significance of the Missouri River to the economic development of Montana is evident.

Still, the river aided yet another industry during the last decade of the nineteenth century. That industry was mining, and its importance to Montana was enormous.

Although the state's natural resources supported a variety of exploitative enterprises from fur trading to open range cattle ranching to lumbering, it was the mining industry that had the greatest impact on its land and its people.

The prominence of the mining industry in Montana can be attributed to a variety of factors. Certainly, the most important element was the abundance of mineral wealth in the state. The discovery and development of gold and silver lodes in the 1860s and 1870s were but precursors to the great wealth of copper that was extracted from the hills around Butte beginning in the 1880s. The capital required to tap the state's mineral deposits necessarily attracted huge sums of investment monies from national and foreign financiers. The influx of these funds into the state brought with them attendant influence in many aspects of

Montana's economic, social and political life. Significantly, the mining industry is important to Montana for its urbanizing effect. The communities of Butte, Anaconda, Helena, and Great Falls owe their existence to the presence of mining. In many respects, their history can be charted with the expansion and contraction of that industry.

The link between the Missouri River and Montana's mining industry is energy--more specifically electricity. At the same time that mining entrepreneurs made their initial investments in the copper lodes around Butte, other capitalists laid the foundation for electrical generation and consumption in Montana. It is not a coincidence that the first applications of electricity in Montana were in the communities of Helena, Butte and Great Falls, or that some of the first industrial uses of the new energy were in lighting the region's mines. Neither is it coincidental that some of the first developers of electricity in the state were men who were tied to the mining industry.

Samuel T. Hauser was such an individual. Having been involved in mining from his earliest days in Montana Territory, he clearly saw the practical application of electricity to industrialization. His development of hydroelectric power plants at three sites on the Missouri River evidenced a commitment to the new energy source. By following S. T. Hauser's course from 1898, the year he completed his first hydroelectric facility, to 1912, the year he resigned as president of his electric power company, one can trace the interrelationship between the river, electricity, and the mining industry.

S. T. Hauser is the medium through which one understands the genesis of hydroelectric development in Montana. By viewing his successes

and his failures, we can see the corporate entanglements that welded the mining industry to electrical generation in the state. Such a perspective may help to illuminate not only the circumstances of industrial development in Montana, but may explain the special relationship between the state's mining industry and power suppliers.

Samuel T. Hauser came to Montana via steamboat on the Missouri River in 1862. After a thirty-five year career that included activities in banking, ranching, land speculation and mining, he spent his last years harnessing the river that carried him west.

CHAPTER I

A NEW POWER FOR MONTANA

Electricity was not a new phenomenon in late nineteenth-century America. Its value as a source of power was apparent to experimenters and inventors as early as 1808. Improvements in electrical producing equipment and rapid advances in the promotion of the new energy source caught the imagination of Americans in the late 1870s and characterized the last two decades of the nineteenth century. It was these same achievements that attracted capital investment to the electrical industry and encouraged the formation of new corporations. In Montana, farmers continued to break new sod and the American Indian held tenaciously to the last vestiges of his nomadic culture. In the midst of these transitions, frontier communities quickly followed the lead of their eastern neighbors in establishing electrical plants. Pioneer capitalists turned their attentions from mining, lumbering and agriculture to the new industry of electricity.

Electricity's first commercial developers in the United States promoted its use in lighting. Sir Humphrey Davy, in 1808, had discovered that by passing an electric current through two pieces of carbon, he could produce light. But not until 1876 did the American inventor Charles F. Brush perfect this system of "arc-lighting" with the introduction of a simplified arc lamp. To supply power to this lamp, Brush constructed a small "dynamo" which converted mechanical

energy into electrical energy. Brush marketed his generating machine and arc light system in metropolitan areas of the United States during the late 1870s, and, by the early 1880s, he had clearly demonstrated its technical value.¹

While Brush continued his experiments in arc-lighting, another American inventor, Thomas A. Edison, toyed with the idea of an incandescent lighting system. Edison realized that high voltage arc lights were suitable for municipal lighting needs, but he believed that they were ill-adapted to wider distribution in the American residential lighting market.² Production of a low voltage, incandescent lamp, operated on a parallel rather than a series circuit, appeared to Edison to have greater economic value than the arc lamp.³

Edison and a team of engineers worked on the incandescent lighting plan from 1879 to 1881. In the fall of the later year, they were ready to install their first unit in a New York City building. The electric lighting venture proved economically feasible and, by 1881, the newly-

1. Harold C. Passer, The Electrical Manufacturers, 1875-1900: A Study in Competition, Entrepreneurship, Technical Change and Economic Growth (New York: Arno Press, 1972), pp. 11-21, discusses the origins and development of the electrical industry in America. This work is particularly valuable for its insights into early corporate consolidation. Also see John Garraty, The New Commonwealth: 1877-1890, New American Nation Series (New York: Harper and Row, 1968), p. 94.

2. Passer, The Electrical Manufacturers, pp. 79-80. U.S. Department of Commerce and Labor, Bureau of the Census, Central Electric Light and Power Stations, Special Reports, 1902 (Washington: 1905), p. 86.

3. In a series circuit, a negative pole is connected to a positive and vice versa. In parallel circuitry, positive poles are connected together and negative poles are connected together. In practical terms, parallel circuitry delivers a greater current from a lower voltage source than does series circuitry.

created Edison Electric Light Company served eighty-five commercial customers in metropolitan New York.⁴

The success of incandescent lighting soon was apparent to the American public, and the demand for Edison's product increased dramatically during the 1880s. An expanding market created a need for capital investment. Many inventors, including Edison, Brush, and Elihu Thomson, secured financing from interested businessmen and established various firms during this early phase of electrical development. The lighting industry captured the imagination of Americans during the 1880s, but high development costs forced inventors to find more speculative forms of monetary support.

While noted investors J. P. Morgan and Henry Villard were instrumental in funding the nation's first electrical companies, other, less moneyed, individuals, also entered the business. Charles A. Coffin, a Lynn, Massachusetts businessman, was typical of the entrepreneurs who entered the new industry during its infancy. Coffin and a small group of Lynn speculators purchased the American Light Company (holders of Elihu Thomson's patent for an arc-lighting system) in 1882. Reincorporating the company under the name Thomson-Houston Electric Company, Coffin and his associates established a manufacturing plant in Lynn in 1883.⁵

Coffin originally functioned as the firm's salesman and corporate manager, while Thomson concentrated on perfecting new designs.

4. Passer, The Electrical Manufacturers, pp. 86, 90; Garraty, The New Commonwealth, p. 94.

5. Ibid., p. 26.

Throughout the 1880s, Coffin focused his attention on consolidating the proliferating electrical industry. As one twentieth-century historian explains, "Charles Coffin was the entrepreneur in the arc-lighting equipment industry who understood the importance of acquiring other firms and who had the necessary financial resources."⁶ Between 1883 and 1890, the Thomson-Houston Company acquired the assets of a number of small metropolitan lighting companies. Most of these transactions were accomplished through mergers that were beneficial to both parties. By 1890, the Thomson-Houston Electric Company was a leader in the electrical industry, and, when the company reorganized as the General Electric Company in 1892, Charles Coffin was selected to head the new firm.⁷

Westinghouse Electric Company shared the leadership of the electrical industry with the General Electric Company in 1892. George Westinghouse, a man with little formal education, rose to prominence as an inventor when he produced the first railroad air brake in 1869. His interest and success in developing mechanical devices for the railroad industry introduced Westinghouse to the rapid advances in the field of electric power production. Westinghouse avoided duplication in the area of electrical lighting by concentrating on applying electricity to industrial use. The adaptation required an efficient method for transmitting the power, and the new use for electricity forced Westinghouse to focus on alternating rather than direct current.⁸ Success in this

6. Ibid., p. 52. 7. Ibid., pp. 52-57, passim.

8. Direct current is current that flows in only one direction, from negative to positive. It can be reversed only by changing the

endeavor rested on the inventor's ability to develop a method to "transform" high voltage alternating current into lower, consumptive voltages.

The Westinghouse Electric Company was formed in January, 1886, to finance experiments in alternating current. By March of that year, William Stanley of that company was ready to demonstrate an alternating current transmission system. Tests proved successful and Westinghouse proceeded, in 1886, to install the country's first commercial alternating current lighting system. By 1891, he had not only perfected the transmission system but had constructed an alternating current electric motor for use in a mine at Telluride, Colorado.⁹ The work of George Westinghouse and his associates markedly advanced the course of the electrical industry by providing a method of transmitting electricity from a power source to distant markets and by demonstrating the applicability of electrical power to industrial use.¹⁰

The promotional and technical efforts of the Westinghouse and the General Electric Company (successor to the Thomson-Houston Company)

polarity at the source. Alternating current, which is produced by generators, changes direction regularly without physically reversing the polarity at the source. By using alternating rather than direct current, Westinghouse could employ a generator to create high-voltage electricity which could then be transmitted to distant power stations. See Arthur A. Bright, Jr., The Electric-Lamp Industry: Technological Change and Economic Development From 1800 To 1947 (New York: Arno Press, 1972), pp. 98-99.

9. Passer, The Electrical Manufacturers, pp. 136-68, 279-80.

10. Garraty, The New Commonwealth, p. 96.

transformed America's commercial power system. Development of alternating and direct current lighting facilities forced the nation's coal, coke and gas companies to accept the superiority of electric light over that supplied by gas. Increasingly in the 1880s, local city gas companies purchased the rights to distribute electric light and power, while they relegated gas consumption to home and office heating.¹¹ Similarly, the adaptation of electricity to industrial motors forced manufacturers to recognize the benefits of converting to the new source of power.

The emergence of electric power for lighting and manufacturing on America's eastern shore was followed quickly by the same phenomena in Montana. Though still a frontier with much of its land uncharted in 1880, Montana Territory received the benefits of electric arc and incandescent lights in step with much of the nation. Such early receptivity to electricity in Montana was one factor that encouraged local businessmen to enter this field of enterprise.

The mining community of Butte was one of the earliest Montana communities to receive electric light. C. C. Ruthrauff of the Brush Electric Light Company installed a small steam-driven dynamo and fourteen lights at the Alice Mine in 1880. The successful operation of this new source of illumination encouraged the incorporation of Butte's Brush Electric Light and Power Company in 1882.¹² Eight years later,

11. Passer, The Electrical Manufacturers, pp. 195-203, passim. Also see Bureau of the Census, Central Electric Light and Power Stations, p. 15.

12. The Montana Power Company, "The Story of Montana Power" (n.p., n.d.), pp. 8-9. Also see Douglas F. Leighton's "The Corporate History of the Montana Power Company: 1882-1913," unpublished M.A. Thesis, Montana State University (Missoula: 1950), p. 8.

the electrical industry in Butte expanded when investors formed the Butte General Electric Company. This new firm consolidated the electrical plants and interests of the Silver Bow Electric Light and Power Company, the Brush Electric Light and Power Company, and William A. Clark's recently organized Butte Electric Light and Power Company.¹³

Despite a separation of more than 2,000 miles, Montana mimicked its eastern neighbors, by applying electricity to street and commercial lighting. The town of Helena soon challenged Butte's lead in this field. In 1883, E. W. Knight, H. M. Parchen, and T. H. Kleinschmidt formed the Helena Light and Power Company and introduced arc lighting to that community. This firm operated a steam-powered Brush dynamo to fulfill a contract to the city of Helena for street lighting.¹⁴ In 1889, the Citizens Electric Light Company, which sported the competing Thomson-Houston lighting system, joined the Helena Light and Power Company in supplying electric service to the community.¹⁵

During the late 1880s and the early 1890s, the citizens of Helena received further benefits from electricity when the City Council approved a plan to electrify the community's street railway.¹⁶ Encouraged by the

13. Leighton, "The Corporate History of the Montana Power Company," p. 10.

14. Michael Leeson, History of Montana (Chicago: 1885), p. 734. Also see Helena Illustrated: A History of the Early Settlement and the Helena of Today (Helena: Frank L. Thresher, Publisher, 1890), pp. 12-13.

15. Helena Illustrated, pp. 12-13.

16. For a thorough history of the Street railway system in Helena, see Rex Myers, "A History of the Street Railways in Helena, Montana (1883-1927)," unpublished M.A. Thesis, University of Montana (Missoula: 1970), pp. 33-37.

production of improved electric motors, noted Montana and ardent Helena promoter C. A. Broadwater organized the Helena Electric Railway Company in March, 1890. In May of that year, Broadwater's street railway line began operation of the first electric railway in the city.¹⁷

The success of pioneer electric lighting and power companies and the trend towards consolidation of those same firms were as evident in Helena as they were in Butte. By 1894, the newly-formed Helena Power and Light Company had assumed the interests of the Helena Gas Light and Coke Company, the Helena Electric Company, and two street railway lines.¹⁸

Production of the new power source did not remain solely with Helena or Butte. Great Falls was a third Montana city to enjoy the benefits of supporting the new electric industry. A relatively new community, Great Falls was founded in 1888 by Paris Gibson, who saw the town as a terminal for the Great Northern Railway Company's trans-continental railroad. Gibson located the townsite astride the Missouri River at a site blessed with water power. Gibson recognized the potential for power generation that existed in the Missouri's cascades at Great Falls.

In magnitude the Falls of the Missouri are unsurpassed in the United States except by the falls of the Niagara. The power available here at the medium flow is ten times greater than that of the Mississippi river at Minneapolis, and thirty times that of either Lowell, Lawrence, Holyoke or Lewiston. . . . It is estimated if all the power at Niagara could be harnessed, it would yield power at 1,000,000 horse power, while the available

17. Ibid., p. 42.

18. T. H. Kleinschmidt, H. M. Parchen and Anton Holter were the incorporators of this company. Myers, "A History of the Street Railways in Helena," p. 54.

power at the Falls of the Missouri is placed at 350,000 horse power at a medium low stage of water.¹⁹

Gibson's claim of the power available from the great falls of the Missouri River was not unwarranted and soon was justified by one of the first attempts in Montana to harness water power for electrical use.

In 1887, Paris Gibson formed the Great Falls Water Power and Town-site Company and purchased all of the available water power sites at the great falls of the Missouri from railroad magnate James J. Hill.²⁰

Two years later, the company entered into an agreement with the Boston-Montana Consolidated Copper and Silver Mining Company (later the Boston-Montana Copper Smelting and Refining Company) to supply power to that company's new smelter and electric plant at Great Falls. In 1891, Gibson's firm completed construction of Black Eagle Dam and began delivering energy to the smelter's plant by means of a rope transmission. Two 1,000 foot long hemp ropes supplied mechanical power to direct current Thomson-Houston generators that ran the Boston-Montana Company's smelters, concentrator, and electric lights.²¹ The city of Great Falls maintained the lead in exploring the possibilities of water power when, in 1891, it replaced a steam electric generating plant with one powered by water. ²²

19. Paris Gibson, "The Falls of the Missouri--Their Past, Present, and Future," Rocky Mountain Magazine: An Illustrated Monthly, Vol. 1 (September 1900), p. 25.

20. The Montana Power Company, "The Story of Montana Power," p. 15.

21. Ibid., p. 16.

22. Ibid., p. 17.

Establishment of light and power facilities at Great Falls, Helena, and Butte fostered investment in the electrical industry. The reception accorded electricity, first in commercial lighting and later in industrial plants at Great Falls, encouraged Montana businessmen to keep abreast of further developments in the field. As their collective interest was aroused, Montana capitalists began investigating the suitability of numerous water power sites. They were aided in this search by the national approach to utilizing this natural resource.

During the mid-1880s, Congress began assuming its jurisdiction over dams in navigable rivers. Provisions of the first legislation on the subject, the Rivers and Harbors Act of 1884, required the Secretary of War to report the location of navigation obstructions, including dams, to Congress. The Rivers and Harbors Acts of 1890 and 1899 extended congressional authority in this area by requiring each new dam to receive specific approval from the federal legislative body. Both of these laws were restricted, however, in that they only applied to dams that were situated in navigable waterways. Dams that were located on the public domain, but not on navigable rivers, and those that lay wholly within the boundaries of state or private lands, were not subject to federal supervision.²³

As a result of this liberal federal policy, it was not difficult for Montana water power promoters to secure approval for dams on the

23. For a good discussion of early water-power legislation, see Jerome G. Kerwin's Federal Water-Power Legislation, Studies in History, Economics, and Public Law No. 274 (New York: Columbia University Press, 1926), passim. For a view of early federal water legislation and other conservation issues, see Samuel P. Hays, Conservation and the Gospel of Efficiency: The Progressive Conservation Movement, 1890-1920 (New York: Atheneum, 1972), passim.

Missouri River above the great falls. While there had been repeated attempts during the 1870s and 1880s to develop navigation on this upper stretch of the river, the U.S. Army Corps of Engineers considered the truly navigable section of the Missouri to be downstream from Fort Benton.²⁴ A Montana dam developer simply needed to acquire the appropriate water rights and land, and to make his application to Congress. There was no time limit for either beginning or for completing construction of the dam, and there was no charge for the privilege of occupying a navigable waterway. A perceptive speculator could easily secure the river's available power sites in expectation of future development.

After 1900, an increased number of requests to construct dams forced Congress to address the water power question directly. In June, 1906, Congressional members passed the General Dam Act in an attempt to establish uniform rules and procedures for future dam applications. The salient provisions of the 1906 legislation were the requirements that 1) dam plans and specifications be approved by the Chief of Engineers and the Secretary of War, 2) the grantee provide locks and navigational

24. Between 1876 and 1899, the U.S. Army Corps of Engineers conducted a number of improvement projects on the Missouri River above Fort Benton, Montana. Most of the projects involved the construction of wing dams, the removal of snags, and bank improvements. The construction of railroads along the Missouri during the later 1880s dampened the federal government's enthusiasm for developing the upper reaches of the river for navigation. Competition from dam promoters added to the Corps' reluctance to improve the river. After 1899, the federal government took no further measures to improve the Missouri above Fort Benton. For more information on this development, see Alan Newell and Gary Williams, "Missouri River Navigation Study: Loma, Montana, to Three Forks, Montana," unpublished manuscript prepared for the U.S. Army Corps of Engineers, Omaha District, August 12, 1974.

aids, 3) construction start within one year and be finished within three years. As in previous water-related statutes, the General Dam Act did not apply to non-navigable waters in the public domain. Furthermore, the 1906 act stipulated no time limit for the grant's duration and it authorized no federal charge for use of a federally controlled river. Despite these limitations, Congressional leaders hoped that the General Dam Act of 1906 would allow them to exert control over the nation's increasing hydroelectric development, while reducing the amount of time they had to expend on individual dam requests.²⁵

The issue of dam construction on navigable rivers was but one of the many resource conservation issues that faced policy makers at the turn of the century. Still, it was an issue that involved the nation's leading advocates of federal control of natural resources (Gifford Pinchot, James Garfield, Frederick Newell), and it was a matter that became entangled in the political machinations of the period.²⁶ National conflicts over conservation problems delayed initiation of a clear federal water power policy until 1920. The Water Power Act of that year placed time restrictions on grants for dam construction and

25. Kerwin, Federal Water-Power Legislation, p. 112; Hays, Conservation and the Gospel of Efficiency, p. 115.

26. The question of water-power development of the nation's rivers involved various views of the nature of the public domain. Under the leadership of Gifford Pinchot, federal policy makers developed a permit system whereby power companies were regulated in their construction of dams on National Forest lands. The attempt to shift this policy to all public lands was thwarted when Richard A. Ballinger replaced James Garfield as Secretary of the Interior in 1908. Not until the Water Power Act of 1920 did the Pinchot principle of permitting hydroelectric companies extend to all public lands. Hays, Conservation and the Gospel of Efficiency, pp. 73-81.

authorized the federal government to charge a rent for the use of navigable rivers. This new legislation emphasized that Congress viewed the act of operating a privately owned dam, affecting public resources, as a privilege and not a right.²⁷

Federal inability to anticipate the rapidity with which the hydro-electric industry developed offered Montana promoters an opportunity to secure valuable water power sites for nominal costs. Combined with the Montana public's receptivity to electricity, this lack of an adequate public policy invited investors to enter the electrical power business in Montana.

A third factor that prompted Montanans to invest in electrical generation was the adaptability of electricity to the mining industry. The mining and smelting of various ores represented Montana's major form of industrialization during the last two decades of the nineteenth century. While silver, lead, and gold were important state resources, it was the rapid expansion of the copper industry that thrust Montana into a leading position in the mineral producing community.

The cities of Butte and Anaconda were the sites for most of the state's important copper smelters. The Butte and Boston Company, William A. Clark's Butte Reduction Works, the Colorado Smelting and Mining Company, and the Parrot Silver and Copper Company owned mines and smelters in the city of Butte during the 1880s. Marcus Daly, driven by a shortage of water on the Butte Hill, located his famous Anaconda

27. Ibid., p. 80, and Kerwin, Federal Water-Power Legislation, p. 239.

smelters in the city of the same name in 1884 and 1887.²⁸

Operation of the mining and smelting facilities in the mining center of Butte/Anaconda required vast amounts of energy. Steam, produced by burning coal, coke, or charcoal, was the primary source of power during the 1880s and 1890s. While charcoal was readily available from the forests of western Montana, the availability of coal and coke was more restricted. High quality coal was a scarce commodity in Montana during these years, most of the resource being secured from mines at Sand Coulee and Belt in Cascade County, and from the Bozeman, Livingston and Red Lodge areas.²⁹ Acquisition and the cost of coal for steam plants was a constant problem for smelting plants, and it may have been a major reason for the Boston-Montana Copper and Smelting Company's locating a smelter in Great Falls in 1889 near the Sand Coulee and Belt mines.

Development of both alternating and direct electric current motors in the 1880s offered a potential solution to the industry's difficulties. Installation of the electric motors at a Telluride, Colorado, mine in 1891 demonstrated that electricity could be used successfully for

28. For a discussion of the mine and smelter development at Butte and Anaconda, see Historical Research Associates, "Preliminary Investigations, Historical Emissions Inventory, Montana Air Pollution Study," Montana Department of Health and Environmental Sciences, Air Quality Bureau (Helena: June 1, 1978), passim.

29. Commercial development of coal mines in Montana began as early as 1867, when Colonel James D. Chestnut located a small mine on the divide separating Bozeman from Livingston. During the 1890s, the Northern Pacific Railway Company mined coal from a large formation near Red Lodge. For a history of early coal mining in Montana, see Rita McDonald's and Merrill G. Burlingame's "Montana's First Commercial Coal Mine," Pacific Northwest Quarterly, Vol. 47, No. 1 (1956). Also see William Evans and Robert Peterson's "Decision at Colstrip," Pacific Northwest Quarterly, Vol. 61, No. 3 (1970).

powering hoisting, pump and haulage equipment. In 1894, one mining journal reported that electricity also was suited to "mine lighting and to the explosion of blasting charges, while electrolytic treatment of ores is a most important branch of metallurgical science."³⁰ Marcus Daly exploited this latter use of electricity in his Anaconda Company "Lower Works" smelter in 1894. By 1896, the smelter was electrically refining more than one-fourth of the monthly ore volume from the upper and lower works.³¹ Other mining journals also commented on the uses of electricity in the mining industry. By the mid-1890s, it was apparent to most knowledgeable observers that electricity would soon replace steam as the direct source of power in this important economic area.³²

While electricity's versatility gained increased recognition during the 1890s, steam plants were still required to drive the dynamos that produced the new-found energy. Greater efficiency in a smelter or mine dictated full utilization of electricity and less dependence on fossil fuels. George Westinghouse's experiments with the transmission of alternating current helped lessen the reliance on coal and coke. The ability to transmit high voltage electricity great distances and to reduce its strength through transformers revolutionized the power supply

30. Montana Mining and Marketing Reporter, Vol. I, No. 3 (October 6, 1894), p. 20. Also see Western Mining World, Vol. III, No. 49, p. 88.

31. Historical Research Associates, "Preliminary Investigations," p. 53; Western Mining World, Vol. IV, No. 68, January 4, 1896, p. 1; Ralph I. Smith, "History of the Early Reduction Plants of Butte, Montana," State of Montana, Bureau of Mines and Geology (reprinted from De Re Metallica, Vol. 18, No. 2 and 3 [May, 1953], p. 13).

32. For example, see Western Mining World, Vol. III, No. 59 (November 2, 1895), p. 210.

business. Electrical energy could now be generated from a central source and transmitted to a number of distribution centers. The most significant ramification of this discovery for Montana was the public recognition of the increased potential for hydroelectric generation.

As early as 1890, engineers speculated on the importance of water power and the transmission of electricity. One analyst anticipated locating a "steam plant by the water side, where compound condensing engines can be used and where by concentration of stations, we can use large engines with the greatest economy in coal consumption."³³ This writer suggested that the location of a steam plant outside of the city would remove an objectionable source of both noise and air pollution. He also added that "these advantages, great as they are, are nothing compared with the possibilities in the way of utilizing our water powers."³⁴

Montanans also recognized the future importance of the state's water resource. An enthusiastic engineer reported to a local meeting of the Society of Engineers in 1895 that:

The electrical transmission for power is fast bringing all the hitherto obscure water powers of the world into commercial importance. The day is not far distant when all the available water power of the United States, in fact, the world, will be utilized to its fullest capacity. . . . Montana has extensive opportunities for the development of water power within her borders, and the next decade should show vast

33. Eugene Friggin, "The Electrical Transmission of Power," Association of Engineering Societies, Vol. 9, No. 9 (September, 1890), pp. 430-31.

34. Ibid.

strides along the lines of its development.³⁵

The cost of steam power versus water generated electricity was particularly important to early promoters of electrical expansion. Noted civil engineer Max Hebgren claimed that steam power cost mining companies approximately \$125 to \$200 per horsepower per year. Electricity, on the other hand, could be purchased consistently at \$50 per horsepower per annum, and it was available for as little as \$35.³⁶

The susceptibility of Montana mining facilities to electrical usage, especially in the Butte/Anaconda area, encouraged development of electric generation. The search for an abundant and cheap source of energy focused the mining industry's attention on the transmission of electricity from central hydroelectric stations. The example of the Boston-Montana Company's electrically operated smelter in Great Falls was not wasted on that firm's competitors. It also was likely that Montana's copper magnates recognized the increased demand for copper wire that the nation's rapid electric development would require. All of these factors heightened Montana businessmen's awareness of the eminent full electrification of the mining industry and the monetary reward of such a technical renovation.

Historian Henry Adams commented on the new age of electricity after venturing to the Paris Exposition in 1900. Amid all the mechanical

35. M. S. Parker, "Cost of Steam and Water Power in Montana," Association of Engineering Societies, Vol. 15 (June 18, 1895), p. 26.

36. Max Hebgren, "Hydroelectric Development in Montana," Transactions of the American Institute of Mining Engineers, Vol. 46 (August, 1913) (New York: 1914), p. 804.

inventions that were exhibited in the great hall, Adams was lured to the display of dynamos. Increasingly concerned with his own anachronism, the Boston scholar pondered the significance of the colossal machines.

As he grew accustomed to the great gallery of machines, he began to feel the forty-foot dynamos as a moral force, much as the early Christians felt the Cross. The planet itself seemed less impressive, in its old-fashioned, deliberate, annual or daily revolution, than this huge wheel, revolving within arm's length at some vertiginous speed, and barely murmuring--scarcely humming an audible warning to stand a hair's-breadth further for respect of power--while it would not wake the baby lying close against its frame. Before the end, one began to pray to it; inherited instinct taught the natural expression of man before silent and infinite force. Among the thousand symbols of ultimate energy, the dynamo was not so human as some, but it was the most impressive.³⁷

To Henry Adams, the dynamo and its ability to convert mechanical energy into electrical energy graphically illustrated the public's fascination with science and its head-long rush into the twentieth century.

Other Americans were equally impressed with this new form of energy. Men such as J. P. Morgan, Henry Villard, and Henry H. Rogers saw in electricity the same economic potential that had propelled the country to positions of leadership in other industries. These individuals thought electricity efficient and recognized that its generation would result in a more productive and wealthy America. Historian Howard Mumford Jones explains that during this "age of energy, one can say

37. Henry Adams, The Education of Henry Adams (New York: The Modern Library, 1931), p. 380.

without being paradoxical that the vision of John D. Rockefeller, Sr., paralleled the vision of Walt Whitman--a picture of a happy, wasteless, and plentiful society."³⁸

Montana's industrial society had its own Rockefellers during the 1890s and early 1900s. At the turn of the century, local capitalists such as Anton Holter, William A. Clark, and Samuel T. Hauser held positions of economic power and political influence. These were men who had arrived in the state during territorial days and had risen to prominence largely through expansion in the mining industry. They were at their entrepreneurial zenith in the 1890s and they sought to retain that standing.

Samuel T. Hauser is representative of this group of elderly capitalists. Having arrived in Montana before the land achieved territorial status, Hauser quickly attained distinction on the western frontier. A fervent promoter of Helena, Hauser shared his friends' interest in bringing electricity to that community. This prominent Montanan also capitalized on federal indecision over water power development by taking advantage of accessible Missouri River power sites near Helena. Most importantly, Hauser possessed the practical mining skills and necessary experience to realize the inevitability of electrical application to the mining industry. He was one of the first Montana mining entrepreneurs to utilize the new energy source in an industrial capacity. The rapid development of Hauser's facilities at three locations on the Missouri

38. Howard Mumford Jones, *The Age of Energy: Varieties of American Experience*, 1865-1915 (New York: Viking Press, 1970).

was predicated on his belief that mining and smelting operators would soon turn to electric power.

In 1893, at the age of 60, S. T. Hauser began his efforts to develop the hydroelectric potential of the Missouri River. By the early 1900s, he came into conflict with two other entrepreneurs, John D. Ryan and Charles W. Wetmore, representing power interest in Great Falls and Butte, respectively. These men also understood the economics of selling electricity to industrial clients and they turned their attentions to challenging Hauser's plans for the Missouri.

Inevitably, S. T. Hauser was forced to do economic battle with these two adversaries. In the ensuing fight, Hauser suffered various defeats--some of his own doing and some directed by fate. In the end, Hauser's inability to retain the support of Montana's largest industrial consumer of electricity forced him to sell his Missouri River properties.

Events surrounding Samuel Hauser's involvement in electrical generation offer a valuable perspective on the beginnings of the electric industry in Montana. While some Americans such as Henry Adams warily eyed the coming years, an elderly S. T. Hauser plunged enthusiastically into the new century. The pioneer Montanan realized too late that he did not command the financial resources to keep pace with the rapidly consolidating electric industry.

CHAPTER II

S. T. HAUSER AND THE CONSTRUCTION OF THE MISSOURI RIVER DAMS, 1896-1908

"The Goose Hangs High"

Samuel Thomas Hauser arrived at Fort Benton (Montana) from St. Louis, Missouri, in the spring of 1862. Born in Falmouth, Kentucky on January 10, 1833, Hauser had received his early education in civil engineering. He was working for a railroad company in Missouri when the Civil War erupted in 1861. At twenty-nine years of age, a strongly pro-southern S. T. Hauser decided to abandon the strife-ridden border state of Missouri and to seek his fortune in the West.¹

Hauser came to the Rocky Mountains destined for the gold mines of the Salmon River. After receiving favorable reports of the mineral wealth of that region (Idaho), the young pioneer retreated from the Bitterroot Mountains of western Montana and joined other prospectors

1. The two major sources of information on Samuel T. Hauser's early years are John W. Hakola's "Samuel T. Hauser and the Economic Development of Montana: A Case Study in Nineteenth-Century Capitalism" (unpublished Ph.D. dissertation, Indiana University, 1961), and the Herbert Peet Collection, Montana State Historical Society (Helena), Archives, MSS #89. Hakola's dissertation is far more useful than the miscellaneous notes and typescripts of Peet. Nevertheless, Peet's material is very good for information on Hauser's first two decades in Montana, and Hakola relies heavily on this collection of documents. Both Peet and Hakola end their respective examinations of Samuel Hauser's career before 1893.

at Gold Creek.² Later in 1862, Hauser journeyed from these diggings to new riches located at Bannack, Montana. In April of the following year (1863), he accompanied a group of young miners led by James Stuart on an ill-fated exploration of the Yellowstone Valley.

By the autumn of 1863, Samuel Hauser had been in Montana for little over a year. He was thirty years old and, even though he had barely carved an economic niche for himself, the young miner had discovered two important things. He recognized that the immediate future of Montana lay in the territory's mineral wealth, located primarily in quartz lodes. Hauser also realized that in order to erect facilities and to buy machinery to exploit this natural resource, Montana entrepreneurs would have to look outside the state for investment capital.

For more than a year, 1863-1864, Hauser sojourned on the East Coast in an attempt to promote economic and political interest in the West.³ He returned to the East once again in 1865, this time to gather capital for developing a quartz lode of silver in the Beaverhead Valley. This search fostered the organization of the Missouri Petroleum and Mining Company in 1866. The company, which featured numerous Missouri investors, was soon renamed the St. Louis and Montana Mining Company. As historian John Hakola remarks, this firm was one

. . . which, with changes in name and structure, lasted until the First World War, and in its long

2. Gold Creek is located approximately fifteen miles southeast of Drummond, Montana. It was the site of the first reported gold discovery in Montana in 1858. Hakola, "Samuel T. Hauser," pp. 14-20.

3. Hauser made his first bid for political appointment during this trip to the East Coast. As a staunch Democrat in a circle of Republicans, his efforts were unsuccessful. Ibid., pp. 25-29.

history presents in a microcosm the experiences of silver mining in Montana from the initial discovery and experimental stages to a final reworking of the tailings and dumps and the extraction of a temporarily more valuable mineral than silver.⁴

While Samuel Hauser was not influential in the St. Louis and Montana Mining Company for all those years, his early involvement in the corporation demonstrated promotional abilities and undaunted optimism in the future of the Montana territory.⁵ It was his skill at garnering outside money and foreseeing future economic trends in the region that made S. T. Hauser such a powerful and successful man. He exhibited his business acumen in a number of financial ventures during the 1870s and 1880s.

Hauser was a strong supporter of railroad expansion into Montana during the 1870s. In 1873, he lobbied strongly for a territorial subsidy for the Utah and Northern Railway Company's planned extension from Utah to Montana.⁶ When that company decided to make Butte, and

4. Ibid., p. 37.

5. Hakola argues, pp. 72-73, that Hauser was always more the promoter of business than the shrewd manager. However, the evidence of Hauser's participation in the hydroelectric business suggests that the Montana capitalist's managerial abilities can be debated. Certainly, Hauser's earlier economic ventures suffered from his mistakes. Nonetheless, his successes and failures in managing the hydroelectric business must be qualified by the nature of his opposition. As will be shown later, S. T. Hauser competed with a tremendous financial and political power in his attempt to control hydroelectric development in Montana. A man without S. T. Hauser's full range of business abilities could not have succeeded to the degree that he did.

6. Clark C. Spence, Territorial Politics and Government in Montana: 1864-1889 (Urbana, Ill.: University of Illinois Press, 1975), pp. 122-23.

not Helena, its Montana terminus in 1880, Hauser quickly switched his efforts toward promoting an east-west line for the Northern Pacific Railway Company. Hauser's ties to the Northern Pacific Company remained strong throughout the 1880s and 1890s, and it was through this bond that he was able to construct numerous branch lines to his various mining facilities.⁷

S. T. Hauser's financial strength was based upon more than interest or investments in railroads and silver mining. For thirty years (1866-1896), Hauser grounded all of his economic activities on his First National Bank of Helena. Hauser's bank, incorporated in 1866, was indeed the first national bank established in Montana Territory. Once again, Hauser turned to St. Louis capital to fund this institution. He also enlisted the support of a number of Montanans in the venture--establishing a pattern of combining local and outside money that he used repeatedly in future enterprises.⁸

The banking industry in Montana during the later decades of the nineteenth century was linked intricately to mining. Banks often received silver and gold ores from local mining operators, and shipped the raw product to smelters in the eastern United States and Europe.⁹ Mining ventures were speculative and a bank's lending policies had to be

7. Hakola, "Samuel T. Hauser," pp. 151-54. Hauser's ties to the Northern Pacific Railway Company management remained strong through the 1890s.

8. Ibid., pp. 84-85. At various times in his career, S. T. Hauser also was interested in irrigation and cattle ranching. He was one of the partners in the famous DHS ranch.

9. Ibid.

liberal. As the mining industry expanded and contracted during times of economic crisis, so too did Hauser's First National Bank. Indeed, it was Hauser's use of bank finances that allowed him to engage in mining activities. It was this same reliance on the First National's credit that contributed to that institution's failure in the economic depression of 1893-1896.

Hauser's early career in engineering is perhaps partly responsible for his fascination with mining. In addition, his contacts through the First National Bank undoubtedly introduced him to the enormous profit available in this fledgling enterprise. During his first years in Montana, Hauser promoted the silver mining industry in Montana when he sponsored construction of a smelter near Argenta in Beaverhead County (1866). This premature effort failed in 1867. Undaunted, Hauser led his St. Louis and Montana Mining Company directors into investments in mines near Philipsburg. It took more than ten years of production to realize large gains from the Philipsburg properties, and Hauser received few of the profits. Nevertheless, the Montanan's faith in the silver mining industry never waned.¹⁰

Ownership of the First National Bank of Helena introduced Hauser to other mining properties in the 1870s and 1880s. The more profitable real estate was the Alta and Comet mines at Alta, Montana (in the Boulder River Valley south of Helena) and the Montana Company smelting

10. Hauser decided to sell his stock in the mining company in the 1870s, at the very time that it was beginning to increase in value. His other investments may have necessitated his making this financial move.

plant at Wickes. Hauser assumed control of this property in 1879 when the Montana Company's president, William Wickes, defaulted on loans to the First National Bank of Helena.¹¹ Hauser reorganized the company, but the mines and smelters continued to lose money. In 1882, Wickes resigned as president and Hauser and Daniel C. Corbin assumed full control. The men formed the Helena Mining and Reduction Company, and added an old friend, Anton Holter, and his bank's cashier, T. H. Kleinschmidt, as directors.¹²

Despite the reorganization efforts and the construction of a branch line of the Northern Pacific Railway Company to Wickes in 1883, the Helena Mining and Reduction Company failed to return substantial profits. In an attempt to raise profits and to meet growing competition from a competing silver smelting company, Hauser once again reorganized the Helena Mining Company in 1888. The new corporation, the Helena and Livingston Smelting and Reduction Company, became a holding company for Hauser's Livingston Coke and Coal Company, the Gregory Consolidated Mining Company and the Helena Mining and Reduction Company. That same year, Hauser's Helena and Livingston Company opened a new smelter in East Helena.¹³ Fierce competition in the silver smelting industry forced the Helena and Livingston Company to sell its new plant to the recently

11. Hakola, "Samuel T. Hauser," p. 258. Western Mining World, September 21, 1895, Vol. 3, No. 53, p. 138.

12. T. H. Klenschmidt also was the cashier for Hauser's First National Bank of Helena.

13. Hakola, "Samuel T. Hauser," pp. 293-94. See also Western Mining World, September 21, 1895, Vol. 3, No. 53, p. 138.

formed United Smelting and Refining Company in 1890. From that date to 1899, Hauser's Helena and Livingston Company retained forty percent interest in the United States Smelting and Refining Company.¹⁴

Samuel T. Hauser's involvement in a wide variety of economic enterprises brought him renown as one of the state's ablest business promoters. Similarly, his economic life was tied to political aspirations. Hauser, a lifelong Democrat, had been instrumental in gaining territorial status for Montana in 1864. As a friend of the influential Missouri Senator George Vest, Hauser had standing in the national Democratic Party.¹⁵ His ability to wield political influence in Montana resulted in President Cleveland's appointing him Territorial Governor in 1885.

S. T. Hauser was at his political and economic peak in 1890. With an active interest in Montana's railroads, mines and smelters, he entered the last decade of the nineteenth century with confidence. The first few years of that decade, however, presented the country, Montana, and an optimistic Samuel Hauser with serious economic reversals. Economic panic and depression visited the nation in 1893. As confidence in the country's financial well-being deteriorated, lending institutions began to retrench and to demand their outstanding loans.

14. In 1899, the East Helena smelter became the property of the American Smelting and Refining Company, the newly formed successor to the United Smelting and Refining Company. Letter, S. T. Hauser to I. Eilers, August 30, 1894, Montana State Historical Society (Helena), Archives, MSS #37, Samuel T. Hauser Papers, Box 32, folder 31. Hereafter cited as HP. See also Western Mining World, September 7, 1895, Vol. 3, No. 51, and Letters, S. T. Hauser to A. D. Lynch, April 20 and December 9, 1899, HP, Box 33, folder 2. The money gained from the sale of the smelter was used to repay the debts of the First National Bank of Helena.

15. Spence, Territorial Politics, pp. 159-60.

Hauser's First National Bank of Helena was one of the many western banks that was summoned to repay its heavy indebtedness. The Helena Bank was unable to secure the necessary cash to send east and, amidst bank failures throughout the country, closed its doors in July, 1893.¹⁶ A federal examiner, charged with overseeing Hauser's operation of the bank, required the Helena businessman to find a majority of the bank's customers who would agree not to demand payment for at least twelve months. Hauser solicited aid from one of the bank's largest stockholders, E. L. Bonner of Missoula, claiming that, "It does not seem possible that my own friends are going to refuse to do what over four thousand people have already given their agreement to do."¹⁷ To another friend, James A. Talbot of Butte, Hauser invoked memories of past support in Judge A. J. Davis' political battles. Hauser argued that if Talbot and Davis could back him in his efforts to reopen the First National, ". . . it would enable us to save ourselves from very serious losses; and, once opened, I have no doubt that I could get someone to purchase the estate stock, or at least assume the responsibility of owning it on some terms."¹⁸

These efforts, combined with Hauser's ability to secure personal loans from corporate executives, allowed the First National Bank of

16. Letter, S. T. Hauser to George A. Baker, December 25, 1893, HP, Box 32, folder 30.

17. Letter, S. T. Hauser to E. L. Bonner, December 2, 1893, HP, Box 32, folder 30.

18. Letter, S. T. Hauser to James A. Talbot, September 6, 1893, HP, Box 32, folder 30.

Helena to reopen between 1894 and 1896. The bank floundered once again in 1896 and it was forced to close its doors permanently.¹⁹

Samuel Hauser's financial difficulties in the 1890s were aggravated in another way by the national depression. The federal government's large purchases of silver, required by the Silver Purchase Act of 1890, merely reinforced a failing industry. In the wake of the Panic of 1893, newly-elected Democratic President Grover Cleveland initiated action to have Congress repeal the Act of 1890. Hauser commenced a letter writing campaign in the late summer of 1893 in a futile effort to win support for bimetallism. Writing to Maryland Senator A. P. Gorman, Hauser claimed that:

Our state produces from forty to fifty million dollars in value of metals, copper, silver, lead and gold; and our population is only about one hundred and fifty thousand; this you see would be from three to four hundred dollars per capita for our entire population. Destroying the money function of silver would absolutely destroy four-fifths of this entire product. Being a practical man you can readily see what a large percentage of our people depend upon this industry for a living, certainly nine-tenths of them. Consequently we not only have financial distress, and men who are worth hundreds of thousands of

19. Hauser solicited a number of personal loans to cover bank and mining debts. In one case, he asked for a re-discount of a personal note in order not to report the prohibited transaction to the bank's examiner. By 1899, Hauser was endorser for more than \$300,000 of the First National's debts. Letters, S. T. Hauser to George A. Baker, December 25, 1893, HP, Box 32, folder 30; S. T. Hauser to President, Shoe and Leather National Bank, September 1, 1894, HP, Box 32, folder 31; S. T. Hauser to A. D. Lynch, December 9, 1899, HP, Box 33, folder 2; S. T. Hauser to Messrs. Lynch, Willson and Brown, May 31, 1893, HP, Box 32, folder 34; A. M. Holter to S. T. Hauser, February 13, 1899, HP, Box 26, folder 26; Hauser to Sen. George G. Vest, August 12, 1893, HP, Box 32, folder 30.

dollars are today paupers, but there will be very considerable amount of actual starvation.²⁰

Hauser clearly exaggerated his claim of impoverishment for nine-tenths of the state's population. Nevertheless, the damage to his own financial assets from repeal of the Sherman Silver Purchase Act was dramatic.

In August, 1893, Hauser wrote to Pennsylvania Senator J. D. Cameron explaining that the summer's financial panic and the threat of repeal of the Sherman Act had already forced many individuals (including Anton Holter) to assign much of their property.²¹ Writing to Anaconda copper magnate Marcus Daly a day later, Hauser argued that:

Of course the success of silver is not so important to you as it is to me. Destroying silver would certainly be fatal to all of my interests, hence I am very anxious to do all that is possible, and believe that you will.²²

Despite these entreaties to Daly and to old political allies in Washington, Hauser was unable to prevent unconditional repeal of the Sherman Silver Purchase Act. The nation's adoption of a single gold standard for currency in 1894 exacerbated Hauser's financial disaster.²³

20. Letter, S. T. Hauser to Sen. A. P. Gorman, September 6, 1893, HP, Box 32, folder 30.

21. Letter, S. T. Hauser to Sen. J. D. Cameron, August 23, 1893, HP, Box 32, folder 20.

22. Letter, S. T. Hauser to Marcus Daly, August 24, 1893, HP, Box 32, folder 30.

23. In a letter to old Missouri friend Senator George G. Vest, Hauser explained that three ". . . mining companies alone were paying into the bank about one hundred thousand dollars per month." Letter, S. T. Hauser to Sen. George G. Vest, August 12, 1893, HP, Box 32, folder 30.

The economic reversals that Samuel Hauser faced in 1893 would have caused many men to abandon hope of recouping their losses. Instead Hauser, as Montana's premiere promoter, sought new challenges in the wake of past failures. With a bank under examination and heavy investment in a depressed silver market, the indomitable entrepreneur prepared to enter the new field of electrical production.

Hauser first became interested in electricity during the late 1880s. Always concerned about the scant supply and high cost of coal, he signed a contract with the Thomson-Houston Company to erect an electric generating plant at his Alta mine in 1889. The mine and concentrator at Corbin were two of the first such Montana operations to sport not only electric lights, but an electric tram and mine hoist.²⁴ Hauser also considered using water power to generate electricity to other mining operations. Between 1890 and 1892, his Spokane Farm Company considered producing electricity from a dam on McClellan Creek, southeast of Helena. Hauser planned to transmit this hydroelectricity to the United Smelting and Refining Company's plant at East Helena,²⁵ but the Panic of 1893 curtailed development in this area. Nevertheless, Hauser optimistically remarked to Henry Seligman, a director of his Helena and Livingston Smelting and Reduction Company:

We will undoubtedly put the water power in if it becomes evident that the works [US&R Co.

24. Hauser's concern for a reliable fuel supply caused him to organize the Livingston Coke and Coal Company. Hakola, "Samuel T. Hauser," pp. 283-85, 300.

25. Ibid., pp. 211-12.

smelter] will continue to run, which I am sure they will do.²⁶

Little more than two years after the disastrous summer of 1893, Samuel Hauser rekindled his plans to apply electricity to the mining industry around Helena.

Hauser's initial plans for electrification were two-fold. He first intended to establish an electrical plant at the Peck-Montana Company concentrating mill at Corbin, Montana. Hauser estimated that this project would require a small electric plant, primarily used to drive the Peck concentrator. Another more ambitious scheme was to organize a water power company, which, after constructing a large hydroelectric facility on the Missouri River, would sell power to the smelting and refining plant at East Helena.

The Peck-Montana Company erected an experimental concentrating plant at Corbin in the early 1890s. Investors hoped that the facility would demonstrate the feasibility of using the Peck machine on silver ore tailings.²⁷ Both Hauser and hardware salesman Anton Holter invested in the Peck-Montana Company. Initial attempts at working the old Alta mine tailings proved costly, but Hauser estimated that adding another machine to the company's experimental facility would eventually make

26. Letter, S. T. Hauser to Henry Seligman, August 31, 1893, HP, Box 32, folder 30.

27. The Peck Concentrator, designed by O. B. Peck, was cone shaped and operated on the principle of centrifugal force. Crushed ore pulp was fed into the smaller end of the machine and rotated at 600 to 800 r.p.m. This action forced cleaned concentrates from the larger end. Hauser believed that the efficiency of this machine made it particularly suitable for working a profit from old tailings. See The Engineering and Mining Journal, March 31, 1900, pp. 375-76.

the venture profitable. He expected the monetary return to be substantial if the new plant were equipped with electric motors. Hauser reasoned that if electricity were applied to four machines at the Peck-Montana works, the power would cost only \$139 per day as opposed to \$227 per day with direct steam power cost.²⁸

Hauser implemented his plan to provide water-power generated electricity to the new Peck Company plant in March, 1896. Having secured the necessary water rights on Prickly Pear Creek near the Corbin mill for \$3,000, he contracted with W. J. Chalmers of Chicago for the necessary water power machinery and pipe for the hydroelectric facility.²⁹ Contracts stipulated that construction of the new plant was to be completed by July, 1896. Inexplicable delays in the delivery of equipment prevented the plant from starting operation until November of that year. Once in production, however, the new electrically driven Peck concentrator proved satisfactory to Hauser and to his associates.³⁰

S. T. Hauser initiated his second venture during that spring of 1896. He proposed to United Smelting and Refining Company executives that they enter into a joint venture with the Peck-Montana Company and the Helena Electric Railway and Light Company to construct a dam across

28. Letter, S. T. Hauser to Henry Seligman, March 4, 1896, HP, Box 32, folder 33, and Agreement, Peck-Montana Co. and S. T. Hauser, March 30, 1896, HP, Box 25, folder 4.

29. Letter, S. T. Hauser to Henry Seligman, March 4, 1896, HP, Box 32, folder 33.

30. Letters, S. T. Hauser to W. J. Chalmers, August 5, 1896, and S. T. Hauser to Henry Seligman, November 18, 1896, HP Letterpress Books, Box 36, December 13, 1898-January 20, 1901.

the Missouri River at Canyon Ferry, approximately twelve miles northeast of Helena. New York financier Abram S. Hewitt's United Smelting and Refining Company would be required to advance the majority capital in return for a guaranteed cheap source of power and a substantial interest in the power company. In addition, Hauser proposed that the Peck-Montana Company erect a new concentrating plant adjacent to United Smelting Company's smelter in East Helena. Hauser reasoned that the Peck machine's demonstrated ability to work tailings at the Corbin plant would allow him to contract for silver tailings from the Rimini District. He anticipated that the application of cheap electric hydroelectric power to the smelter and concentrator would insure a substantial profit from both companies.³¹

In April, 1896, Hauser and representatives of the Hewitt interests formulated plans for the hydro-powered installation. The parties agreed that the new dam would produce 4,000 horsepower upon completion; its eventual capacity was anticipated to be 6,000 horsepower. Most of the available current was destined for the United Smelting and Refining Company's smelter in East Helena, but sufficient quantities were to be reserved for the operation of the Peck-Montana's new concentrator. The remainder of the electric power was scheduled for transmission to the city of Helena for use in the city's electric works, and to the

31. Hauser's initial experiments with electricity proved expensive. Nevertheless, he believed that the suitability of that power source to the Peck Concentrator would be demonstrated eventually. Letter, S. T. Hauser to Henry Seligman, November 18, 1896, HP Letterpress Books, Box 36, December 13, 1898-January 20, 1901.

Peck-Montana Company plant at Corbin.³²

The Helena Water and Electric Power Company, incorporated in May, 1896, reflected the interests of the respective mining firms. S. T. Hauser and Henry Seligman, of the Peck-Montana and Helena and Livingston Companies, and Abram Hewitt, W. S. Gurnee and Barton Sewell, of the United Smelting and Refining Company, formed the new power company's directorate.³³ During the summer of that year, the Helena Water and Electric Power Company applied to the Secretary of War for a permit to construct a dam at Black Rock Canyon (Canyon Ferry) on the Missouri River. The Secretary replied that, "It is understood by the Department that the river at the point is not navigable in fact," and authorized the Montana company to erect its obstruction in the river.³⁴

By the end of 1896, S. T. Hauser had not only the Secretary of War's approval for a dam on the Missouri River, but enough funds to construct the dam and to erect the concentrator in East Helena.³⁵ The

32. "Prospectus for Company," April 29, 1896, HP, Box 62, folder 42; "Agreement," 1896, HP, Box 63, folder 1; letter, S. T. Hauser to James H. Eckels, December 30, 1896, HP, Box 32, folder 33. The Peck-Montana Company was to give a rebate on ores to the United Smelting and Refining Company. Letter, O. B. Peck to S. T. Hauser, June 13, 1896.

33. "Prospectus," April 29, 1896, and Carl M. Westby, Jr., "Canyon Ferry: Placer Gold to Power Dam" (unpublished M.A. thesis, Missoula, Montana: Montana State University, 1954), p. 146.

34. Letter, Secretary of War Abram S. Hewitt, September 18, 1896, Montana State Historical Society (Helena), Archives, MSS #13, Federal Power Commission Records, Box 4, folder 6. Hereafter cited as FPC.

35. Letter, S. T. Hauser to James H. Eckels, December 30, 1896, HP, Box 32, folder 33.

financial failure of 1893 seemed remote and the future appeared full of promise.

In February of the following year, however, Hauser encountered difficulties with the United Smelting and Refining Company's executives at the Helena smelter. Plant manager W. H. Aldridge disputed Hauser's estimate of the profitability of a Peck machine at East Helena, claiming that the Corbin Plant was not nearly as successful as the ex-Governor represented it to be. Since Hauser needed money from the United Smelting Company to finance this new plant, Aldridge urged his corporate bosses to consider seriously the benefits of the Peck machine.

There are any number of good men whose report may be relied on, and who can examine and determine once and for all, whether this machine is a success or not. If it is not, and the plant at East Helena is likely to be a failure, Mr. Gurnee should certainly be made aware of this, and the United Company withdraw its support and encouragement. It is wrong for the Company or for Mr. Gurnee to advance money for any enterprise which it starts in by believing it to be a fake. There are enough monuments of Gov. Hauser's folly in this country now, without putting up another one at East Helena.³⁶

Aldridge explained that Hauser was always enthusiastic in promoting ventures similar to the one then under consideration. He cautioned that none of the Hauser people should be relied upon to give a true representation of the successes and failures of the Peck machine.³⁷

S. T. Hauser received copies of Manager Aldridge's lengthy letter to the United Smelting and Refining Company executive board. Since the

36. Letter, W. H. Aldridge to Barton Sewell, February 9, 1897, HP, Box 32, folder 33.

37. Ibid. See also W. H. Aldridge to Barton Sewell, February 19, 1897, HP, Box 25, folder 39.

company's support of the Missouri River dam was tied intricately to the new Peck mill at East Helena, Hauser feared that skepticism of one venture would hurt the other.³⁸ In a detailed letter to Director Abram Hewitt, Hauser restated to the Board his faith in the benefit of using the Peck machine to work the Rimini ores. He claimed that he had received a further endorsement from the Peck investors in Chicago as to the reliability of this device. Hauser also explained that the Peck-Montana Company stood to make no direct monetary return from the reworking of the Rimini tailings, but expected to profit from the royalties it would receive on each ton of ore that was concentrated. Hauser reminded Hewitt that it had been the United Company that had urged the construction of a new complex that would utilize more of the power produced by the Helena Water and Electric Power Company generating plant. Hauser now claimed that he had been leery of it all the time. Nevertheless, the Helenan repeated his assertion that ". . . we have made tests of the Rimini ore; that I have these reports with me, and that I can duplicate them indefinitely; . . . and that we can work them successfully as proposed."³⁹

38. In 1896, Hauser expressed his concern to W. J. Chalmers that the electrical plant at Corbin not be delayed. The reason for this concern was that Hauser wanted to demonstrate the benefits of using electricity on the Peck machine. He hoped that this effort would support his enterprises on the Missouri River. Letter, S. T. Hauser to W. J. Chalmers, August 5, 1896, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901.

39. Hauser's activities during 1896 indicate that he was equally enthusiastic about the Peck plant at East Helena. Letter, S. T. Hauser to Abram Hewitt, April 11, 1897, HP, Box 32, folder 34.

Abram Hewitt, W. S. Gurnee and other executives of the United Smelting and Refining Company may have been suspect of the Peck machine, especially when the Corbin plant had to close temporarily in April, 1897. Nonetheless, the United Company had a tremendous investment in the Missouri River power development; it was unlikely that the firm would abandon S. T. Hauser even if the Peck-Montana Company proved to be a failure. In July, 1897, Hauser reported to O. R. Allen, manager of the Helena and Livingston Smelter and Reduction Company plant at Corbin, that the United Company had voted unanimously to complete the dam and to fund the Peck concentrator in East Helena.⁴⁰

Construction began on the Peck plant in November, 1897. Ten months later, it was complete and awaiting the extension of a power line from Canyon Ferry. The twenty-nine foot high timber crib dam at Canyon Ferry was scheduled for completion before the Peck concentrator. High water in the late spring of 1898 caused some minor damage to the structure, however, and the dam's engineer, N. L. Cooper, could not finish it until October, 1898.⁴¹

Completion of the Canyon Ferry Dam on the Missouri River and the Peck-Montana Company plant at East Helena temporarily satisfied S. T. Hauser. He remarked that:

40. Letter, S. T. Hauser to O. R. Allen, July 16, 1897, HP, Box 32, folder 34.

41. Letters, S. T. Hauser to A. J. Davis, March 26, 1898, HP Letterpress Books, HP, Box 36, Dec. 13, 1898-Jan. 20, 1901; S. T. Hauser to W. J. Chalmers, Sept. 26, 1898, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901; W. A. Clark to S. T. Hauser, June 25, 1898, HP, Box 25, folder 38; S. T. Hauser to W. A. Clark, June 24, 1898, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901.

I can only add that it verifies what I so long contended, that by working large quantities the Peck machine can and will make good interest on large capital, provided they can have cheap power, which I have succeeded in securing.⁴²

Two years later, a reporter for a national engineering and mining journal commented that credit was certainly due Hauser for maintaining his faith in the Peck concentrator despite repeated, costly failures.⁴³

Hauser's momentary triumph did not allay the criticism of numerous skeptics. Writing to Northern Pacific Railway Company President C. S. Mellen in 1899, Hauser tried to dismiss rumors of the machine's failures that had come to Mellen via "some of your subordinates who were prejudiced or misinformed."⁴⁴ Hauser stated that the concentrator had successfully worked more than 70,000 tons of ore that could not have been smelted otherwise. He added that the Peck machine had just begun to work the Rimini ore and that this would prove an even greater profit. Striking for the economic heart of Mellen, Hauser claimed that the Peck mill provided twenty-five percent of the ores smelted at the United plant and that this supply undoubtedly raised the freight revenue of the railway company. Hauser optimistically predicted that "there is

42. Letter, S. T. Hauser to Thomas A. Banning, November 20, 1898, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901.

43. The Engineering and Mining Journal, March 31, 1900, p. 375. Other Montana mining magazines praised the important events at East Helena. For example, see Western Mining World, January 2, 1897, Vol. 6, No. 120, p. 17, and January 16, 1897, Vol. 6, No. 122, p. 51. See also John Herron, "Address Before the Montana Society of Civil Engineers," Association of Engineering Societies, March, 1897, Vol. 18, No. 3, p. 146.

44. Letter, S. T. Hauser to C. S. Mellen, December 2, 1899, HP, Box 33, folder 2.

every reasonable probability that we will have to double or treble the plant to be able to handle the ore that will be mined in this vicinity."⁴⁵

By 1898, S. T. Hauser had attained his goal of constructing the Peck concentrator in East Helena and the first hydroelectric facility on the Missouri River at Canyon Ferry. He also had successfully linked the United Smelting and Refining Company's economic interest to the new application of electric power. Soon after these facilities were operating (1900), the United Company reorganized into the American Smelting and Refining Company, and S. T. Hauser ended his active interest in the former business. At the same time, he encountered difficulties in securing enough profit to keep the Peck concentrator open, and turned his attention from that operation and devoted himself fully to promoting the electric power industry.

In October, 1900, Hauser reorganized the Helena Water and Electric Power Company and formed the Missouri River Power Company. While the American Smelting and Refining Company, as successor to the United Company, retained a financial interest in the Missouri River Power Company, it was Hauser's old Helena Livingston Smelting and Reduction Company that controlled the largest block of the new power company's stock. Consequently, Samuel Hauser became president of the Missouri River Power Company, appointing M. H. Gerry as his chief engineer and general manager.⁴⁶ As the head of the new enterprise, Hauser emphasized

45. Ibid.

46. Letters, S. T. Hauser to T. A. Marlow, March 15, 1901, and S. T. Hauser to W. A. Clark, October 26, 1901, HP, Box 33, folder 2.

his commitment to expanding electric service by negotiating with the Northern Pacific Railway Company for a transmission line right-of-way to the mining center of Butte. He completed the 66,000 volt transmission line in 1901.⁴⁷ During the same period, Hauser projected an expansion of Canyon Ferry Dam.

The Missouri River Power Company's objective in this expansion was to supply electric power to the rapidly developing mining industry in the Butte/Anaconda area. One independent report to a New York banking institution that had financial interest in Hauser's economic affairs commented on the marketing goals of the Missouri River Company.

The business of the Missouri River Power Company is to generate and sell electric power in large units only. The Company does not have to seek a market. It accepts only business of the kind it prefers. For example, while the Butte Railway & Electric Light Co. has been writing to ask for power, the Missouri River Power Company, having the opportunity of contracting with a score of companies that use power, wisely reserves its contracts for those customers that use the current most uniformly, such as the smelters and the mines that use current for their blowers or air condensers and their pumps.⁴⁸

This investigator added that the Missouri River Power Company's future was impressive and that previously published reports on its prospects

47. Letters, S. T. Hauser to J. N. Hannaford, May 21, 1900, HP, Box 33, folder 2; S. T. Hauser to Henry Blakely, October 30, 1900, HP Letterpress Books, HP, Box 36, Dec. 13, 1898-Jan. 20, 1901; Hauser also planned to expand facilities at the Canyon Ferry power plant. Letter, M. H. Gerry to S. T. Hauser, July 27, 1901, HP, Box 27, folder 7. See also Max Hebgren, "Hydroelectric Development in Montana," p. 793.

48. Letter, Rufus Waples to J. W. Seligman and Co., April 10, 1901, HP, Box 27, folder 14.

were "unusually conservative."⁴⁹

Samuel Hauser's foresight and ambition had driven him, in less than five years, to the leadership of an industry with enormous economic potential. He had rebounded from financial ruin and had made plans to expand his electrical interests throughout central Montana.

A number of out-of-state investors assisted S. T. Hauser in promotion of his water power properties. Barton Sewell, general manager of the United Smelting and Refining Company, had been associated with Hauser and the Helena and Livingston Company's mining properties for many years. In February, 1896, when Hauser was searching for financial support for his dam, Sewell wrote the ex-Governor offering to "do everything I can in reference to the proposed water power."⁵⁰ Henry Villard, at that time president of the Northern Pacific Railway Company, joined Sewell in sponsoring the project by loaning Samuel Hauser \$25,000 with which to purchase stock in the Helena Water and Electric Power Company. Leading all interests in encouraging Hauser was the firm of Albert J. Seligman, former Montana mine promoter and territorial legislator. Seligman's New York City banking house had considerable interest in the Helena and Livingston Smelting and Reduction Company. Since this company owned the largest share of stock in the water power company, Seligman had

49. Ibid.

50. Letter, Barton Sewell to S. T. Hauser, February 17, 1896, HP, Box 25, folder 7.

an understandable concern for the progress of the dam project.⁵¹

Montanans also backed S. T. Hauser in the new power enterprises. Anton M. Holter was an old supporter of Hauser who had joined the ex-Governor in various investment schemes. Holter was part owner in the Helena Electric Railway Company and had a keen interest in the application of electricity to commercial businesses. Anton Holter was one of the earliest investors in Hauser's Missouri River Power Company and continued his interest in that firm through the first decade of the twentieth century.⁵²

Samuel Hauser's most important ally in the power project, and one that he spent a good deal of time courting, was William A. Clark. The Clark/Hauser relationship began during Montana's early territorial days. Both men had come to the region during the 1860s and had turned from speculative mining ventures in Bannack to more assured commercial endeavors. Clark and Hauser joined each other briefly in a banking firm in Deer Lodge in 1872. Clark, however, abandoned the cause of national banking when he became interested in mining properties in Butte and opened a private bank in that community in 1878. Politically, Hauser

51. Letter, S. T. Hauser to H. Villard, May 2, 1896, HP, Box 32, folder 33. Hauser wrote repeatedly to Henry Seligman in New York advising him on the progress of the project.

52. Anton Holter had been chiefly responsible for developing the silver mines at Elkhorn, Montana. He also sold mining machinery at his hardware store in Helena. Holter owned 15,000 shares of the Missouri River Power Company. See Letter, S. T. Hauser to Charles Clark, August 29, 1900, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901; and Michael Malone and Richard Roeder, Montana: A History of Two Centuries (Seattle: University of Washington Press, 1976), p. 144.

and Clark were strong Democrats who spent time and money promoting the town of Helena during the capital fight of 1894. During William A. Clark's unsuccessful attempt to retain his ill-gotten United States Senate seat in 1899, S. T. Hauser journeyed to Washington, D.C. to testify in defense of his friend.⁵³

Hauser secured W. A. Clark's support in the dam-building enterprise in two ways. The transmission of power from Canyon Ferry Dam required a considerable amount of copper wire, and Hauser went to one of Clark's Butte copper companies to purchase the necessary material. His interest peaked, Clark contributed \$50,000 to the formation of the Helena Water and Electric Power Company. When Hauser proposed expanding his power facilities to serve the Butte/Anaconda market, he again turned to then Senator William Clark for additional copper wire. Hauser also facilitated the flow of Clark's money into the power company's coffers by negotiating favorable contracts for the delivery of electricity to the senator's mines and smelter in Butte. In 1900, Hauser concluded an agreement with Clark to furnish power to the Butte Reduction Works, the Butte Electric Railway, and the Original, Stewart, and Colusa mines.⁵⁴

53. Michael Leeson, History of Montana (Chicago, 1886), pp. 1326-1327; C. B. Glasscock, The War of the Copper Kings: Builders of Butte and Wolves of Wall Street (New York: Grosset and Dunlap, 1935), p. 190; Hakola, "Samuel T. Hauser," p. 105.

54. Letters: S. T. Hauser to W. A. Clark, June 24, 1898, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901; W. A. Clark to S. T. Hauser, June 25, 1898, HP, Box 25, folder 38; S. T. Hauser to Harvey Barbour, March 10, 1898, HP, Box 32, folder 33; "Agreement," August 4, 1900, HP, Box 63, folder 4; S. T. Hauser to H. H. Rogers, August 31, 1901, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901; S. T. Hauser to Charles W. Clark, August 29, 1900, Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901.

Missouri River Power Company President Hauser continued to press W. A. Clark for financial support during the years immediately following 1900. Unfortunately, Clark's election to the United States Senate in 1901 and his subsequent settlement of difficulties with the Amalgamated Copper Company directed his attention elsewhere.⁵⁵ In the senator's absences, Hauser's general manager, M. H. Gerry, had to negotiate with Clark's agent, A. H. Wethey.

Gerry and Wethey did not agree on the suitability of hydroelectric power for mine equipment. Wethey advised Clark that the senator could not rely on water power produced electricity, since there would be a power deficiency at times of low water. Gerry retorted that Clark's plants were receiving power from a small hydroelectric facility on the Big Hole River on a day-to-day basis without a seeming concern for whether or not the service would be interrupted. Neither Gerry nor Hauser saw any reason why Clark and Wethey could not patronize the Missouri River Power Company. Clark responded to the Missouri River men that his contract with the Big Hole firm (the first Montana Power Company) ran for a number of months. When that obligation ended, he would give preference to the Missouri River Power Company. Clark added that, "It would be well for Mr. Gerry to get a little better acquainted with the facts in the case before criticizing Mr. Wethey."⁵⁶

55. A seeming ally of F. Augustus Heinze and opponent of the copper trust during the state elections of 1900, Clark broke with the Butte renegade soon after the election tally. After his election to the U.S. Senate, Clark spent less and less time in Montana.

56. Letter, W. A. Clark to S. T. Hauser, March 26, 1902, HP, Box 27, folder 26. See also Letters, W. A. Clark to S. T. Hauser, April 15, 1902, July 13, 1902, July 15, 1902, HP, Box 27, folder 26.

Despite these minor personality and business conflicts, Hauser and Clark remained on the best of terms. W. A. Clark's financial interest in the Missouri River Power Company, and subsequent Hauser-operated power companies, remained substantial. While Clark represented Montana in the United States Senate (1901-1907), Hauser frequently requested his friend to intercede on the company's behalf with the Department of the Interior.⁵⁷

Samuel Hauser required the encouragement and the financial support of his various associates to promote his electric generating companies. Without their money and the exercise of their respective influences, he would not have been able to proceed with either the construction and enlargement of Canyon Ferry Dam or the extension of a high voltage transmission line to Butte. By demonstrating a continued faith in the strength of the state's economy, Hauser welded his and other capitalists' perceptions of the possibilities of electric generation into an effective power enterprise.

Hauser understood that that strength depended upon the continued economic growth of Montana's mining industry. In addition to the support of his numerous associates, the Helena power promoter needed to capture the interest and financial backing of the state's newest mining conglomerate, the Amalgamated Copper Company.

57. Letters, S. T. Hauser to C. S. Mellen, September 25, 1901, HP, Box 33, folder 4; S. T. Hauser to Charles W. Clark, August 20, 1900, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901; W. A. Clark to S. T. Hauser, March 22, 1906, HP, Box 28, folder 3; W. A. Clark to Hauser, February 9, 1906, HP, Box 28, folder 33.

Amalgamated's Montana roots were in the first efforts of Marcus Daly to develop copper mines in the territory. Daly's initial forays into the Butte mining center in the 1870s convinced him that the future of that area was in copper, not silver. He convinced fellow investors George Hearst, James Ben Ali Haggin, and Lloyd Tevis of the accuracy of these findings and, with their help, formed the Anaconda Copper Mining Company in the early 1880s. The Anaconda Company's copper reduction works and giant Washoe Smelter, constructed in 1884 at Anaconda, Montana, symbolized the primacy of the company in the nation's copper mining industry.

Marcus Daly and his investors from California were not the only persons who were interested in the copper lodes of Butte. Boston capitalists, having reaped large profits from the Michigan copper mining regions, turned their collective attentions to the mineral areas of Montana in the 1890s.⁵⁸ Henry H. Rogers, Thomas Lawson and other officials of one of the nation's largest corporations, the Standard Oil Company, also cast a speculative eye towards the Butte/Anaconda area.

Rogers, who may have become interested in copper from his associations with Back Bay mining tycoons, began negotiating with Marcus Daly for the Anaconda properties in 1898.⁵⁹ According to contemporary accounts, Rogers was a kind and engaging fellow to both his friends and

58. The Butte and Boston Consolidated Mining Company and the Boston and Montana Mining Company are the best examples of investment in Montana by Boston capitalists. Malone and Roeder, Montana, pp. 157-58.

59. Glasscock, War of the Copper Kings, pp. 205-06.

to those he sought to influence. But he was also one of the nation's leading businessmen and had succeeded John D. Rockefeller to the presidency of Standard Oil because of an ability to squeeze the last ounce of profit from a dollar's investment.⁶⁰

Rogers and Standard Oil Company concluded their negotiations with Daly, Haggin, and Tevis in 1899. The Amalgamated Copper Company was formed soon after the sale to act as a holding company for the Anaconda properties. Marcus Daly was the copper trust's first president and, on his death in 1900, Henry Rogers rose to the Amalgamated's presidency. At that point, Rogers was engaged in his famous copper war with F. Augustus Heinze. His immediate objective was to wrest control of the Butte mines from the flamboyant Heinze and in so doing to consolidate all copper production in Montana under the leadership of Amalgamated.

S. T. Hauser considered the Amalgamated Copper Company to be one of the largest potential customers for electricity in the state. The copper trust, having purchased fifteen percent of the Missouri River Power Company in 1900, also was a likely source of capital for the Butte transmission line and the enlargement of Canyon Ferry Dam.⁶¹ Hauser pursued both goals in his 1901 campaign to enlist the support of Henry H. Rogers and his copper company.

Hauser initially directed his efforts towards securing the necessary funds from Rogers to complete the transmission line and dam project. He

60. Ibid., pp. 202-03.

61. Letter, S. T. Hauser to William Scallon, March 2, 1901, HP, Box 33, folder 4.

argued that raising the height of Canyon Ferry would increase the Missouri River Power Company's power transmission from 3,000 h.p. to 9,000 h.p. Claiming support in these estimates from Amalgamated and American Smelting and Refining Company engineers, Hauser explained that these men were contemplating electrifying their companies' plants. H. H. Rogers, acting upon the strength of these reports and the value of Amalgamated's interest in the Missouri River company, agreed to loan Hauser \$75,000 to complete the power company's expansion.⁶²

Rogers' support of the two projects was critical to Hauser's ability to continue construction in 1901. The Helena power promoter failed, however, to convince H. H. Rogers to commit himself immediately to Hauser's other proposal--construction of a second Missouri River dam.

Hauser planned to erect his second dam eighteen miles below the Canyon Ferry plant. Early in March, 1901, he attempted to interest Rogers and Amalgamated in the project. In a letter to Amalgamated's top official in Butte, William Scallon, Hauser proposed constructing the new facility if the copper company would take additional power and would double its investment in the Missouri River Power Company. Scallon was leery of the Missouri River's ability to furnish enough water for two hydroelectric facilities so close together and he recommended to Rogers that he withhold approval of any agreement until an independent investigation of the project could be made. An investigation of the Canyon Ferry plant and the new dam site, conducted during the spring of

62. Letter, S. T. Hauser to H. H. Rogers, March 21, 1905, HP, Box 33, folder 8. Also see letter, S.T. Hauser, February 4, 1901, HP, Box 33, folder 4.

1901, confirmed Scallon's suspicions. Consequently, Rogers informed Hauser that the necessary funds for construction of the new power plant would have to await proof of the Missouri River company's ability to transmit constant power from its present facility.⁶³

Despite this rebuff, S. T. Hauser continued his efforts to commit Rogers and Amalgamated to the new dam project. Hauser argued that hydro-electric power was decidedly more economical to the mining company than steam power, the former costing only \$88 to \$90 per horsepower per annum and the latter \$150. Countering the argument that making the necessary equipment conversion to electricity would be overly expensive, Hauser explained that, ". . . you will also find that we can furnish you the power at a rate that will save you, each and every year, the entire cost of installing the power and making the change."⁶⁴ Taking up the electrical cudgel, General Manager M. H. Gerry informed Hauser that one mining engineer at the Amalgamated Company wanted electricity instead of steam power in order to reduce the temperatures in mine shafts.⁶⁵

63. Letters, S. T. Hauser to Board of Directors, H. & L. S. & R. Co., July 12, 1901, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901; S. T. Hauser to Clark, Dodge and Co., April 16, 1901, HP, Box 33, folder 4; S. T. Hauser to Barton Sewell, July 24, 1901, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901; S. T. Hauser to Barton Sewell, July 19, 1901, HP Letterpress Books, Box 36, Dec. 13, 1898-Jan. 20, 1901; S. T. Hauser to William Scallon, March 2, 1901, HP, Box 33, folder 4.

64. Letter, S. T. Hauser to B. B. Thayer, May 10, 1904, HP, Box 33, folder 7. See also S. T. Hauser to H. H. Rogers, June 24, 1903, HP, Box 33, folder 6.

65. Letter, M. H. Gerry to S. T. Hauser, February 27, 1905, HP, Box 28, folder 4.

Gerry discovered one reason for the Amalgamated Company's reluctance to jump wholeheartedly into Hauser's venture, when he suggested that the copper trust's ownership of coal mines prevented the company from converting immediately to hydroelectricity. He warned Hauser that Amalgamated would eventually realize the savings in electricity, but that their commitment to coal properties would delay their decision to convert.

In view of these conditions the maintaining of certain coal properties on a narrow margin of profit will not ultimately prevent the application of electricity power, but it may, of course, tend to delay it, and that is what confronts us at the present.⁶⁶

S. T. Hauser's sale of Helena and Livingston Smelting and Reduction Company stock to H. H. Rogers in 1903 partially contributed to Amalgamated's refusal to back fully the electrical ventures. That sale included an interest in coal properties from which the copper company intended to supply its smelters. When the coal from these properties proved less desirable than expected, Amalgamated officials decided in 1905 to liquidate the coal company for what was owed the copper firm in undelivered fuel. Hauser, ironically, was caught in the middle of this decision. On the one hand, the failure to provide adequate coking coal underscored his claims of the value of electricity; yet, Amalgamated's change to that power source deflated the value of his coal properties.⁶⁷

66. Ibid.

67. Letter, S. T. Hauser to H. H. Rogers, June 24, 1903, HP, Box 33, folder 6. Hauser wrote to Rogers in November stating that, "You will probably know of this program in a general way [closing out the coal company] which on its face seems fair, but in fact would not be, and in my opinion would be unjust to my associates, and ultimately work injury to your Company." Letter, S. T. Hauser to H. H. Rogers, November 15, 1905, HP, Box 33, folder 8.

Samuel Hauser's promotion of competing power sources may have caused him temporary embarrassment, but his commitment to the construction of the second Missouri River dam did not wane. During the winter of 1905, Hauser developed a plan to finance the plant through a newly-formed company, the Helena Power Transmission Company. This firm was owned and controlled by the stockholders of the Missouri River Power Company. Hauser estimated that the Helena Power Transmission Company could finance the new dam for approximately \$700,000. Extension of a transmission line from the Missouri River company's Butte substation to Amalgamated's new Washoe Works at Anaconda would require an additional \$100,000. Hauser proposed to H. H. Rogers and to Amalgamated that they provide the financing for this construction program and in return, the copper company would receive a contract for electric power that was substantially lower than the price it paid for steam power. Rogers would benefit doubly through his interest in the Helena and Livingston Company which still owned forty percent of the Missouri River Power Company.⁶⁸

By 1905, H. H. Rogers and other Amalgamated officials were convinced that the application of electricity to the Butte and Anaconda plants was both feasible and profitable. Dispelling their cautious behavior of four years previous, they eagerly agreed to finance Hauser's companies. In May, 1905, Rogers concluded an agreement with Hauser for a personal loan of \$750,000. Hauser raised the ante a few days later, and Rogers amended the agreement to provide an additional \$150,000. This increased funding

68. Letters, S. T. Hauser to H. H. Rogers, March 21, 1905, and March 27, 1905, HP, Box 33, folder 8.

allowed the Helena Power Transmission Company to construct a coal-fired, steam-powered auxiliary plant in Butte.⁶⁹

Agents of Amalgamated evidenced an equally tough bargaining stance when they exacted a power contract from M. H. Gerry, reducing the annual charge from \$50 to \$40 per horsepower. In addition, the new contract had a provision holding the power company liable for non-performance. It was this clause in the contract that would cause S. T. Hauser difficulties three years later.⁷⁰

During the spring and early summer of 1905, S. T. Hauser and M. H. Gerry exchanged correspondence concerning the selection of a site for the new dam. The original location required construction of a forty-one foot high dam with a capacity to generate 8,000 horsepower. Gerry convinced Hauser that this amount of electricity was not sufficient to meet the increased requests for power. With 17,000 horsepower contracted for sale in July, 1905, Gerry reasoned that the electrical production of the old dam (Canyon Ferry), the new dam (Hauser), and double the size of the steam plant in Butte would be necessary to meet the demand.⁷¹ The general manager proposed a new site for the second dam that was four miles

69. Letters, M. H. Gerry to S. T. Hauser, April 21, 1905, and S. T. Hauser to H. H. Rogers, May 17, 1905, HP, Box 33, folder 8; H. H. Rogers to S. T. Hauser, May 24, 1905, HP, Box 28, folder 7; "Agreement Between H. H. Rogers and S. T. Hauser," May 12, 1905, HP, Box 63, folder 5.

70. M. H. Gerry admitted to Hauser that, "I would have preferred leaving out this clause, but it is really of very little moment." Letter, M. H. Gerry to S. T. Hauser, May 3, 1905, HP, Box 28, folder 24.

71. "Extract From Letter to Hon. W. A. Clark," April 10, 1905, HP, Box 33, folder 8, and Letter, M. H. Gerry to S. T. Hauser, May 27, 1905, HP, Box 28, folder 24.

downstream from the original location. Hauser accepted this recommendation and, by October, 1905, had received authorization from the Secretary of War to construct Hauser Dam.⁷²

The power company president reported to H. H. Rogers in late October, 1905, that the Helena Power Transmission Company's sixty-five foot high dam would have a generating capacity of 18,000 horsepower. Completion of the new plant, and the increased power available from Canyon Ferry, and the steam-powered auxiliary plant at Butte, would give the power companies a total supply of 24,000 intermittent and constant horsepower. Hauser explained to Rogers that the second dam would be constructed of concrete and steel as opposed to the previous timber and crib dam. The larger size of the new dam and plant, its steel construction, and the increased cost of the new site had driven the cost of the facility from \$800,000 to nearly \$1,000,000. Gerry admitted to Hauser that the cost of a steel dam increased the price by \$30,000, but he claimed that it would ". . . have nearly twice the factor of safety, and can be completed within at least four months less time."⁷³ The time consideration was of particular importance to a financially strapped Samuel Hauser.

Hauser Dam required little more than one year to construct. It was operational by January, 1907. Hauser wrote to W. A. Clark explaining

72. "Authorization," October 29, 1905, FPC, Box 9, folder 14. Letter, S. T. Hauser to Board of Directors, July 10, 1905, HP, Box 33, folder 8.

73. Letter, M. H. Gerry to S. T. Hauser, October 9, 1905, HP, Box 28, folder 21.

that there had been a six-month delay in completing the plant, but that he believed that it was ". . . beyond question [that] we have the most durable and substantial dam in the entire country (rock, steel, and cement)."74

S. T. Hauser did not plan to end his hydroelectric expansion with completion of his second dam. While that facility was under construction during the spring of 1906, the power promoter advocated formation of yet another electric generating firm. This new company, entitled the United Missouri River Power Company, was incorporated under the laws of the state of New Jersey in the spring of 1906. Hauser explained to W. A. Clark that this new company was ". . . the virtual consolidation of the two companies."⁷⁵ Hauser and his associates, through the Helena and Livingston Smelting and Reduction Company, retained the largest block of stock in the new business; H. H. Rogers and William A. Clark were the second and third largest shareholders of the United company.⁷⁶

Hauser's foremost reason for urging creation of the United Missouri River Power Company was to increase the capital stock of the two old firms and to supply himself with enough cash to repay outstanding debts. As he explained to his wife, Ellen, in March, 1906, ". . . at last I can say, we can, within six months, pay our debts--and have three or four

74. Letter, S. T. Hauser to W. A. Clark, November 5, 1906, HP, Box 33, folder 9.

75. Letter, S. T. Hauser to W. A. Clark, March 21, 1906, HP, Box 33, folder 9.

76. Letter, S. T. Hauser to W. A. Clark, March 9, 1908, HP, Box 33, folder 11.

hundred thousand left for our children." Ellen Hauser died that same year without realizing benefits from her husband's expectations.⁷⁷

In addition to the desire to liquidate his indebtedness, S. T. Hauser had other motives in forming the United company. In a letter to old friend Henry Seligman, the entrepreneur revealed his design.

If, under the proposed plan, we can or could materially increase our bond issue, and use the bonds, or the proceeds thereof, in adding to the two present plants or construct a third dam or plant, if you please, it would weigh greatly in deciding and enabling me to bring about the proposed merger.⁷⁸

Hauser controlled what he believed was the last suitable site for a dam on the Missouri River between Three Forks and Great Falls. He believed that construction of a dam at the new location would place him in a position to control any attempt to consolidate power facilities on the river. With this inducement, he turned once again to Henry H. Rogers for support.

In 1906, Rogers and the Amalgamated Company had completed their intimidation of the Montana legislature and were preparing to issue the coup de grace to their pernicious enemy, F. Augustus Heinze. Heinze's sale of his United Copper Company to the copper trust in 1906 capped the Amalgamated Copper Company's drive to consolidate the copper mining

77. "Extracts from Letters S. T. Hauser to Ellen F. Hauser," January 23, 1906 to March 20, 1906, HP, Box 33, folder 9. See also S. T. Hauser to Board of Directors, Helena Power Transmission Company, July 6, 1906, HP, Box 33, folder 9.

78. Letter, S. T. Hauser to Henry Seligman, August 6, 1906, HP, Box 33, folder 9.

industry in Montana. With this accomplished, H. H. Rogers and other Amalgamated officials turned their attention to expanding mining facilities in Butte, Anaconda and Great Falls.

Hauser immediately offered to supply Rogers with the additional power that his plants required, anticipating that the copper tycoon's investments in all three power companies would compel him to support an expansion of the firms' facilities. Confiding to Henry Seligman in the late summer of 1906, Hauser wrote that he was ". . . dealing with one of the ablest men in this or any country [Rogers], [but] . . . as you know, so far, I have presented no proposition that he did not accept, without scarcely any changes."⁷⁹

Hauser's plan to refinance the old companies by organizing the United Missouri River Power Company was successful. It did not, however, allow him to proceed with location of the third dam. Passage of the General Dam Act in April, 1906 (34 Stat. 11) may have forced Hauser to form yet another company that would be free to solicit a construction permit without the encumbrance of two earlier permits. In 1906, he organized the Capital City Improvement Company and received federal approval to construct a new hydroelectric plant on the Missouri River.⁸⁰ During the next five years, Hauser and his associates proceeded with plans

79. Ibid. See also Letter, S. T. Hauser to H. H. Rogers, February 17, 1906, HP, Box 33, folder 9.

80. - "Investigation to Determine Whether Hydroelectric Developments Should Be Licensed by the Federal Power Commission," IT-5840, U. S. Federal Power Commission Reports, Vol. 8 (1948), p. 183. The United Missouri River Power Company and the Capital City Improvement Company maintained their respective identities until 1910. The distinction between the two companies was a matter of legal convenience. Most

to erect what eventually became Holter Dam. [See Appendix "A" for a diagram of Montana electric power companies.]

S. T. Hauser was 73 years old in 1906. In thirteen years, he had overcome financial ruin and had organized four power companies. His accomplishments included the enlistment of many of Montana's wealthiest residents and the backing of one of the nation's largest mining corporations and richest capitalists. This aging pioneer had financed construction of the state's two largest hydroelectric plants and the longest single transmission line.

More important than all of these successes was Hauser's proof of the applicability of electricity to industrial usage. By 1906, he had demonstrated clearly that electricity, generated from a single water-powered plant, could be transmitted to that state's rapidly expanding industrial centers. This one accomplishment did more to promote electrical development in Montana than did any previous endeavor.

On April 14, 1908, W. A. Clark received a note from Hauser stating that the Secretary of War had approved plans for the third dam on the Missouri River. In response, Clark characterized Hauser's successes by writing that ". . . everything was lovely, and I shall take for granted that 'the goose hangs high'."⁸¹ Hauser's triumph was evident and Clark's comment ironic. At four p.m. on April 14, 1908, the Helena

supporters and competitors of Hauser referred to his power firm as the United Missouri River Company. In January, 1910, Hauser and his associates hoped to raise additional capital for the third dam by merging the two firms and reissuing bonds.

81. Letter, W. A. Clark to S. T. Hauser, April 14, 1908, HP, Box 29, folder 18.

Power Transmission Company's Hauser Dam collapsed in a spring flood.
That event triggered the decline of Hauser's hydroelectric empire and his eventual loss of the United Missouri River Power Company.

CHAPTER III

HAUSER'S OPPOSITION AND THE FAILURE OF THE SECOND DAM

The months of January and February, 1908, were warmer than normal across much of Montana. The mean temperature for most of the state in January was between 25 and 35 degrees, cooling only a bit to the mid-twenties in February. The maximum temperature during January reached as high as 50 degrees in most areas of Montana. Precipitation during the first two months of the new year also was slightly abnormal, with the greatest deficiency showing in the mountain snowpack.¹ Balmy weather in the northwest contributed to a feeling of optimism for an early spring and a return to out-of-doors activities.

While the weather was temperate during mid-winter, 1908, its promise of a mild and short spring was deceptive. March proved to be windy, with excessive precipitation reported in many localities. April and the first weeks of May showed signs of a return to spring conditions, but, in late May and early June, more than twice the average rain and snow fell in the western portions of Montana.² Heavy rainfall and the late appearance of a heavy snowpack in the western mountains caused

1. U.S. Weather Bureau, Climatological Data--Montana Section, Vols. 8-11 (Washington, 1905-1908), p. 99.

2. Ibid., pp. 99-100.

rivers to rise to record heights. The result was some of the most serious and dramatic floods in Montana's climatological history.

The high spring "run-off" of 1908 challenged the stability of many small dams on rivers and creeks throughout Montana. The dam at Black Eagle Falls faced the possibility of eminent destruction on June 5, as more than 6.5 feet of water poured over the top of the flashboards for twenty-four hours.³ One facility that was not threatened by the record rise of early June, 1908, was Hauser Dam. The dam, reportedly "one of the finest structures of this kind in the world," had succumbed to one of the first spring freshets on April 14, 1908. Seepage of water through the base of the dam, at the juncture of the steel plates and the bedrock, undermined the structure and forced its collapse. Hauser Dam required more than a year's labor to construct and demanded less than ten minutes to wash away.⁴

Collapse of the dam caused a wall of water to be sent rushing down the channel of the Missouri River, sweeping five company houses, an office building and a stable before the flood. Miraculously, though the powerhouse was filled with water, none of the more than thirty workers at the plant was killed. Damage to the dam and power plant was of less immediate concern to local residents than was the impending disaster to the downstream inhabitants of Craig, Cascade and Great Falls.

3. "Floods of 1892 and 1908 Are Recalled by Old Timers," University of Montana Library and Archives, Missoula, Montana, Clipping Files, File: "Floods and Flood Control."

4. The Helena Independent, April 15, 1908, p. 1.

Forewarned of the flood by telegraph, occupants of the small river community of Craig abandoned their homes for higher ground. In Great Falls, workmen hurriedly constructed a wing dam in front of the Rainbow Dam powerhouse and labored through the night of the 14th to protect the city's low-lying areas.⁵ Through quick response and ardent preparation, the disastrous potential of the flood was not visited upon downstream Missouri River communities.

Damage to Hauser Dam was substantial. United Missouri River Power Company General Manager M. H. Gerry assured local reporters that the dam would be rebuilt and that, during the interim, power would be transmitted to Helena, Butte, and Anaconda from the plants at Canyon Ferry and Butte. Samuel Hauser, in New York at the time of the flood, received word of the disaster from manager Gerry. The ex-governor moved quickly to reduce alarm by wiring his friend and publisher of the Helena Independent, John S. M. Neil, that the dam would be repaired and that work on the third power facility (Holter) would continue. Neil responded to Hauser's assurances by praising the power promoter's optimism. In an editorial two days after the collapse, Neil wrote that Hauser's courage made him the ". . . dominant and indomitable spirit of the biggest, best and most engaging enterprises ever successfully launched in Montana."⁶

Hauser's public optimism was not mirrored by a similar private confidence in the power company's position. The flood had not only

5. Ibid., p. 1, and The Story of Montana Power, p. 19.

6. The Helena Independent, April 16, 1908, p. 4.

wrecked the dam but had also destroyed the governor's faith in steel construction. A concrete structure was planned as a replacement, and would undoubtedly prove expensive. There was the additional concern that during construction revenues would not be available to repay the debt on the original dam. Finally, Hauser feared that downstream residents who had been affected by the flood would demand reparations. While this threat never materialized to any consequence, it worried Hauser during the months immediately following the dam's collapse.⁷

Following the April 14 disaster, Hauser faced his greatest difficulties in satisfying contractual obligations to supply power to the Amalgamated Copper Company plants at Butte and Anaconda. Although M. H. Gerry claimed that the Canyon Ferry and Butte facilities could supply this need, it was obvious to Hauser that there would be a substantial power deficiency. In 1908, his power companies were not the only businesses capable of supplying electricity to industry in Butte and Anaconda. Two other concerns, one serving Butte under the leadership of C. W. Wetmore and the other in Great Falls, headed by John D. Ryan, had been vying with S. T. Hauser for a share of the electricity market since 1904. The disaster of April, 1908, could only encourage these corporate challengers in their efforts to undermine the former Montana governor's dominant position.

7. Anton Holter, a director of the company and resident of Helena, faced the immediate onslaught from these irate Montanans. He repeatedly wrote Hauser that some form of restitution would have to be provided them. Letters, A. M. Holter to S. T. Hauser, June 17, 1908, and July 10, 1908, HP, Box 29, folder 21.

As noted in an earlier chapter, commercial electricity first came to Butte in 1883 with the organization of the Brush Electric Light and Power Company. Nine years later, the Butte General Electric Company organized in that community to assume the interests of the Brush Company and two of its competitors (the Silver Box Electric Light and Power Company and W. A. Clark's Butte Electric Light and Power Company). A subsequent sale and reorganization effort formed the Butte Electric and Power Company in 1901. After this date, the New Jersey-incorporated firm controlled the residential electrical power supply for the communities of Butte and Anaconda.⁸

Creation of the Butte Electric and Power Company was a significant event for the mining city. With the establishment of this organization, the General Electric Company, a corporate giant, dominated residential power distribution in Butte. Control was exercised through a directorship which included C. A. Coffin, president of General Electric, and C. W. Wetmore, a director of the Electric Bond and Share Company (a utility holding company). Of the two men, Wetmore was by far the most active individual in the Butte Electric and Power Company.⁹

The new Butte Electric Company was predominantly an electricity distributor. As such, it held contracts with the city of Butte to supply power to the community's street lighting and electric railway systems.

8. See Leighton, "The Corporate History of the Montana Power Company," pp. 7-15, for a fuller detailing of the formation of these power distribution companies.

9. Department of Commerce, Bureau of Corporations, "Report of the Commissioner of Corporations on Water-Power Development in the United States," March 14, 1912, p. 151.

The company also negotiated easements with the city fathers for pole lines throughout the town, which were used to carry electricity to city residents. The Butte Electric and Power Company first relied on power generation from a number of steam plants in the Butte area. After 1901, the electrical supply was augmented by a hydroelectric facility on the Big Hole River southwest of Butte. This water-powered plant on the Big Hole was owned by the Montana Power Transmission Company which, after 1903, was a subsidiary of the Butte Electric and Power Company.¹⁰

C. W. Wetmore's Butte Electric and Power Company served primarily residential interests in the Butte area at the turn of the century. Wetmore's successful attempts to acquire hydroelectric facilities to supplement steam generation plants interested the utility magnate in expanding both the market for and the supply of electricity in Montana.¹¹ Electrification of the Amalgamated Copper Company's Butte and Anaconda mines and smelters at the turn of the century offered Wetmore an opportunity to enter the industrial market. To do this, he necessarily had to compete with the rapidly developing hydroelectric power complex of S. T. Hauser.

Wetmore's first approach to Hauser's empire was not competition, but agreement. Wetmore hoped to interest the Helena promoter in a combination of electric facilities which would include the recently

10. Leighton, "The Corporate History of the Montana Power Company," p. 14.

11. The Butte company also received power from the Norris generating facility on the Madison River, operated by the Madison River Power Company.

completed Helena Power Transmission Company pole line to Butte (1901). W. A. Clark reported to Samuel Hauser as early as February, 1903, that the Butte concern had approached him about a consolidation of electrical companies.¹² More than a year and a half later, the two Montana interests compiled a list of "suggestions" for combining the interests in Butte. The first proposition required the Butte Electric and Power Company to purchase a third company, the Madison River Power Company, and then to "consolidate with the Missouri River Company on an equitable basis."¹³ The second scenario would have allowed the Missouri River Power Company to join with the Butte Company in joint purchase of the Madison River properties. The final suggestion did not constitute a financial consolidation at all. Rather, it was a marketing and supply agreement to allow the Butte Company to purchase businesses in its area and to garner surplus hydroelectric power from the Missouri River Company's stations near Helena.¹⁴ None of these suggestions proved immediately satisfactory to the parties involved in the negotiations, although in January, 1905, the idea of consolidation was still being discussed.¹⁵

A merger of the Hauser and Wetmore power interests was not eminent in early 1905; yet, both parties realized that some accommodation would

12. Letter, W. A. Clark to S. T. Hauser, February 25, 1903, HP, Box 27, folder 44.

13. "Suggestions Concerning Combination of Water Power and Electric Companies of Butte, Montana," HP, Box 63, folder 14.

14. Ibid.

15. See Letter, W. A. Clark to S. T. Hauser, January 11, 1905, HP, Box 28, folder 19.

have to be made in order to avoid economically damaging competition. The situation reached crisis proportions in May, 1905, when both the Wetmore/Coffin firm and the Hauser companies bid on a contract to supply power to F. Augustus Heinze's smelter in Butte. Heinze had previously been a Hauser customer, and the Helenan saw the Butte Company's bid as a challenge to the Missouri River Power Company's territory. Hauser wired Wetmore, informing him that if the Butte Electric Company proceeded with the Heinze negotiations, he (Hauser) would order his people to begin looking at Wetmore's customers. Both parties wanted to avoid the eminent confrontation and, in mid-May, 1905, concluded an agreement to prevent interfering with one another's customers and to "work in harmony."¹⁶

The Hauser-Wetmore agreement to restrain trade in the Butte market was probably illegal. No matter; it was observed more in the breach than in fact. Neither party really intended to honor the accord. With large capital expenditures required for a successful power production industry, it was understandable that both Wetmore and Hauser had to secure valuable mining company contracts--mostly in the Butte-Anaconda area. F. Augustus Heinze's surrender to Amalgamated in 1906 dictated that either the two power companies combine or that one eliminate the other from the marketplace.

C. W. Wetmore revealed his option first in a letter to his Butte general manager, H. W. Turner, in June, 1906. Instructing Turner on

16. Letter, S. T. Hauser to Messrs. Thayer and Addicks, May 19, 1905, HP, Box 33, folder 8, and Telegrams, S. T. Hauser to M. H. Gerry, May 18, 1905, and C. W. Wetmore to H. W. Turner, May 18, 1905, HP, Box 33, folder 8.

choosing to electrify an Amalgamated mine or one of an independent company, Wetmore advised that both were attractive, but:

I am not willing . . . to defer the installation of the Amalgamated mines in favor of the Lexington mine, because one main purpose of selecting one of the Amalgamated mines was to further cement our relations with Mr. Ryan, which I hope will lead, within a few months, to a permanent alliance of great and lasting importance to our interest.¹⁷

The Mr. Ryan of whom Wetmore spoke was John D. Ryan, president of the Anaconda Copper Mining Company and an investor in hydroelectric properties in Great Falls. Wetmore's stated intention, by 1906, was to combine with Ryan and to acquire control of Hauser's Missouri River Power Company.¹⁸

Born in Michigan, John D. Ryan spent his early adult years learning the mercantile and sales business in that state. As a young man in the 1890s, he journeyed west to Denver, Colorado, where he entered the oil business as a salesman. A man of considerable business acumen and ambition, Ryan came to Montana in 1901 and assumed management of the Marcus Daly Bank and Trust Company. The young entrepreneur was directing that financial establishment in 1903 when the Daly estate auditor, John Morony, interested him in water power sites in Great Falls.¹⁹

17. Letter, C. W. Wetmore to H. W. Turner, June 28, 1906, Public Service Commission Records, RS 107, Public Service Commission (Helena), Box 37, exhibit 37. (Hereafter cited as PSR.)

18. Ibid.

19. "Depositions of C. F. Kelley and W. D. Thornton In The Matter Of The Investigation By The Entitled Commission Of The Montana Power Company's Reclassification of Electric Plant," PSR, Box 37, pp. 10-13.

Ryan and Morony maneuvered Marcus Daly's widow into advancing capital to purchase the deteriorating facilities of the Boston Electric Company and the Great Falls Electric and Power Company. These companies purchased water power from the Great Falls Water Power and Townsite Company and generated electricity to the city of Great Falls. Soon after his purchase of the Boston Electric Company, Ryan was elected to the firm's presidency and, two years later in 1906, he incorporated this business and the recently-purchased Great Falls Street Railway Company into the Great Falls Electric Properties.²⁰

By 1906, John D. Ryan was one of the most prominent industrialists in Montana. He not only controlled the consolidated electric facilities in Great Falls, but held the joint post of managing director for Amalgamated Copper Company, and president of Anaconda Copper Mining Company. The latter positions tied Ryan to the Standard Oil Trust of Henry Rogers and introduced the young Michiganite to the financial resources of one of the world's largest financial trusts. His unique position as a participant in two rapidly expanding enterprises (hydroelectric production and copper mining) was not lost on Ryan as he proceeded to direct the course of Montana's industrial future during the next five years.

As early as February, 1906, Samuel Hauser learned that Ryan was interested in developing hydroelectric power from the Missouri River at Great Falls and transmitting it to Butte and Anaconda. Hauser was overextended from the rapid expansion of the previous five years and, with

20. Ibid., pp. 13-14, and Leighton, "Corporate History of the Montana Power Company," pp. 32, 33.

construction started on his second dam, he could ill-afford a new competitor.

In an attempt to stymie interest in the Great Falls properties, Hauser wrote to H. H. Rogers explaining in detail the progress of the United Missouri River Company ventures. Hauser informed the Standard Oil executives that the formation of the new United Missouri River Power Company was complete and that the company's second dam at Hauser Lake would be finished by mid-summer. Hauser claimed that the Amalgamated Company held more than \$2.5 million in securities of the power companies, thus hoping to appeal to Rogers' sense of financial commitment to the United Missouri Company. Recognizing the link between John Ryan and the copper trust, Hauser confronted H. H. Rogers with rumors of the formation a competing power company.

If you or your companies, or anyone backed by you, should develop the power at Great Falls, it would cost our company in the consequent depreciation of its stocks and securities at least 25%; therefore would depreciate your holdings from \$500,000 to \$700,000, and I think even more than that.

Remember, that it is your backing and cooperation that has made the above results possible, and it was upon this theory that I have in the past based my negotiations in figuring the consideration and fixing the price for power to your companies.²¹

Hauser urged Rogers that, if power was needed at Amalgamated's smelter at Great Falls, the United Missouri River Power Company would supply the electricity from the Hauser Lake facility.²²

21. Emphasis mine. Letter, S. T. Hauser to H. H. Rogers, February 17, 1906, HP, Box 33, folder 9.

22. Ibid.

The degree of collusion between H. H. Rogers and John D. Ryan in developing the Great Falls properties is difficult to determine.²³ Circumstantial evidence indicates that there was at least tacit agreement between the two parties on building facilities at Great Falls as early as 1906. By that date, S. T. Hauser had proven the benefits of electrical operation to the Amalgamated Company. Indeed, as emphasized in the previous chapter, Rogers' personal loan to Hauser in 1905 allowed the elderly Montanan to garner financial support for the second dam and power plant near Helena. It is conceivable that, if electricity was to become the major source of power for the smelters and mines at Butte, Great Falls and Anaconda, the state's largest mining company would want to guarantee the power's availability at the lowest price possible.

As president of the Anaconda Copper Mining Company in 1906, John D. Ryan sought to lower the price paid by the company to Hauser's power firms. In early December, 1906, Hauser's General Manager, M. H. Gerry, wrote to the Missouri Power Company president informing him that Ryan was demanding a price reduction of \$10 per horsepower per year, from \$50 per horsepower per annum to \$40 per horsepower. This was a change in agreement with the earlier contract of May, 1905. At the Anaconda works, however, Ryan wanted to pay only \$36 per horsepower per year for electricity. Gerry anticipated that the lost revenue would

23. Records of the Anaconda Copper Mining Company and the Montana Power Company, generally, are not available to the researcher. Some records of the ACM company have recently been deposited at the Montana Historical Society in Helena, but the documents have not been processed and have restrictions placed on them. Records of early transactions of the Montana Power Company are available only at the Montana Public Service Commission.

total \$66,000 annually and he recommended to Hauser that the terms not be accepted. But, Gerry also informed Hauser that John Ryan threatened to develop the Great Falls properties if the new terms were not accepted within one or two months.

Mr. Ryan stated that he contemplated the development of the power at Great Falls, that he had already purchased the site there, that Mr. James J. Hill would cooperate with him in installing a new plant and transmit power to Butte and Anaconda, and that he contemplated doing this if the terms, as stated above, were not agreed to.²⁴

Ryan's entrance into the power business worried not only Hauser and Gerry, but also C. W. Wetmore. Wetmore may not have believed that he could block Ryan's plan for developing Great Falls power, but the Butte Company president obviously tried to lessen the impact from the new competition. In 1906, the Butte Electric Company purchased a five-sixths interest in Ryan's newly-incorporated Great Falls Electric Properties.²⁵ At the same time, Wetmore initiated a study of Ryan's potential business in Great Falls. The result of the study convinced power-company financier Wetmore to begin negotiating with the Anaconda Company president for an industry merger.²⁶

In a competitive choice between S. T. Hauser and John D. Ryan,

24. Letter, M. H. Gerry to S. T. Hauser, December 1, 1906, HP, Box 28, folder 39.

25. Leighton, p. 33, and U.S. Federal Power Commission, Reports, Vol. 4 (1945), p. 230. Not until 1908 did the Butte company complete the purchase of the remaining one-sixth share of Ryan's business.

26. See Leighton for a discussion of these early negotiations, pp. 42-43.

C. W. Wetmore clearly saw that Ryan was the greater threat. Hauser had the larger power plants and had invested more money in the actual production and delivery of electricity. Yet, John Ryan's position with Amalgamated convinced Wetmore that he must align his interests with the owner of the Great Falls properties. In May, 1906, Wetmore wrote to H. W. Turner, general manager of the Butte Electric and Power Company, informing him that he was sending someone to investigate the feasibility of applying electricity to Amalgamated's hoist works in Butte. Wetmore realized that the immediate benefits of such an expansion in the market would "accrue to the Missouri River Power Company," but that, eventually the Butte Company's interest would be advanced.

It is certainly for our interest to promote the application of electricity to hoisting and to exhaust the Missouri River Company's power as soon as possible, so as to definitely and finally dispose of the possibility of their competing with us.²⁷

Wetmore made these arrangements with John Ryan with the obvious intention of preparing the way for a more formal merger.²⁸

Wetmore's initial efforts in 1906 produced five-sixths ownership in the Great Falls Electric Properties. Since that company did not control any water power sites (instead buying its water from the Great Falls Water Power and Townsite Company), Wetmore was not in control of

27. Letter, C. W. Wetmore to H. W. Turner, May 15, 1906, PSR, Box 29(1), exhibit 364.

28. Ibid. Note that this was in violation of the agreement with Hauser dated in 1905, although Wetmore did tell Turner that he expected the relationship to be maintained in good faith and he did have the investigator notify Gerry that he was coming.

future hydroelectric development in Great Falls. John Ryan's purchase of the entire stock of Great Northern Railway magnate James J. Hill in the Great Falls Water Power and Townsite Company in 1908 awakened a new interest in the merger by Wetmore. With control of the Great Falls power sites, Ryan was in a superior position to negotiate with the Butte Company.

This unequal situation was immediately evident during the initial discussions between the two parties in July, 1908. Ryan stated that he would consider a sale of part of his interest in the Great Falls properties if he could secure low-priced electricity for the copper companies. Ryan repeated the threat to Wetmore that he had made to Hauser two years earlier. He proposed that if a deal could not be struck that "he and his associates would develop the Great Falls power, transmit it to Butte, do their own business, and in this connection he very strongly intimated that they would take on lighting business also."²⁹ Wetmore's general manager, H. W. Turner, took the threat seriously and informed his boss that "Mr. Ryan and the Amalgamated Company . . . are supreme in this vicinity and they are fully able to carry out any program they attempt."³⁰

Turner's observation of John D. Ryan's strength in the Montana power business was supported by the Cooper and Powelson engineering firm. Wetmore hired these consultants in 1908 to make an appraisal of the relative solvency of the three major power interests in the state:

29. Letter, H. W. Turner to Sidney Z. Mitchell, July 18, 1908, quoted in U.S. Federal Power Commission, Reports, Vol. 4 (1945), p. 231.

30. Ibid.

John D. Ryan at Great Falls, S. T. Hauser at Helena, and the Butte Electric and Power Company owned by Wetmore. The lengthy report is enlightening, not only in its assessment of the three significant power concerns in Montana in 1908, but in its analysis of the future of hydroelectric production in the state.

Cooper and Powelson's engineers analyzed data submitted by Turner and determined that the position of S. T. Hauser's United Missouri River Power Company was tenuous. Hauser's company had two facilities, one at Canyon Ferry with a generating capacity of 4,150 horsepower, and one at Hauser Lake, with a capacity of 7,820. The latter plant was inoperable in late 1908, having been damaged by the spring floods of that year. In addition to these operations, the investigators learned that Hauser planned to construct a third dam at Wolf Creek with a planned capacity of 11,170 horsepower. The engineers also took note of the steam generating ability of the Missouri River Company interests, but dismissed its importance as being too costly to operate and productive only of "fractional power."³¹ The facility could not, therefore, be relied upon to be an asset to the Missouri River Company.

"Fractional" power of this kind is of doubtful value. By this we do not mean to convey the idea that it is of no value. It is undoubtedly advantageous to install powerhouse machinery and transmission lines for the purpose of developing some power in excess of that produced by the minimum flow of the stream, but

31. Cooper and Powelson's engineers claimed that the steam plant's profitability depended upon the cost of fuel, i.e., coal.

how much can profitably be developed depends upon the cost of coal-produced power in the district . . .³²

The engineering analysis of Hauser's firms revealed that the companies were heavily in debt. With the reconstruction of Hauser Dam, the Missouri River Power Company would have to return at least \$32.50 per horsepower per annum, just to meet expenses.³³ Without this charge, a stockholder in the United Missouri Company could not even sustain his investment, let alone return a profit.

When put in this form, the weakness of a purchaser of stock of the United Missouri River Power Company in attempting to compete with the Ryan interests is completely exposed. Who, understanding the conditions, would for one moment seriously consider purchasing the stock of the United Missouri River Power Company unless he first acquired the Ryan interests or became a substantial partner therein.³⁴

S. T. Hauser never had the personal capital to justify the rapid growth of his hydroelectric facilities at Helena. Because of his insolvency, and the experimental nature of the electrical industry in Montana, he had to support his power plants by charging relatively high prices for electricity (approximately \$50 per annum per horsepower). Hauser was not in a position to meet competition from any interest that could drastically reduce this price for water-power generated electricity.

John D. Ryan's water power sites placed him in a unique position

32. "Report of Cooper and Powelson, Consulting Engineers and Managers," December 31, 1908, PSR, Box 20, exhibit 78, p. 13.

33. Ibid., p. 17.

34. Ibid., pp. 18-19.

to attack Hauser's artificially high price structure. Cooper and Powelson established that Ryan had four possible sites available at Great Falls; power facilities at these locations would have a combined generating capacity of 49,320 horsepower. The attractive feature of Ryan's position was his ability to market electricity in the Great Falls area for approximately \$16.50 per horsepower and to deliver it to the Butte/Anaconda region for \$22.50.³⁵ Moreover, the engineers understood that in 1908, Ryan had secured a contract with the Amalgamated Copper Company to deliver 10,000 horsepower to Butte and Anaconda at a cost of \$30.00 per horsepower.

From all that has been said above, it must be apparent that the Ryan interests dominate the electric power situation in Montana. If the Great Falls Properties are developed and if they offer for sale wholesale power in Butte at from \$30.00 to \$35.00 per horsepower, the Missouri River Power Company could not compete and that Company would be forced to seek the retail field where the return is greater
³⁶

The threat of the Missouri River Company's entrance into the retail power business, especially in Butte, was of immediate concern to Wetmore's Butte Electric and Power Company.

The engineers' report affirmed in 1908 that the "Butte Company is essentially the retailer of electricity in the State of Montana."³⁷ Wetmore's firm was rapidly developing a surplus of power from steam generating plants in Butte, from hydroelectric facilities on the Madison

35. Ibid., pp. 10, 19. 36. Ibid., pp. 24-25.

37. Ibid., p. 19.

River near Norris and from a plant on the Big Hole at Divide.³⁸ In addition, Wetmore planned to erect a third plant, dam and reservoir on the Madison with an expected production capability of 8,400 horsepower. Despite these advantages, Cooper and Powelson suggested that the Butte Company was in a vulnerable position. The company's dominance of the retail electrical market returned a remarkable profit, one which would inevitably become attractive to both the Hauser and Ryan interests. Entrance of either one or both of these concerns, with their inexpensive water-power generated electricity, would force the Butte Company from the competitive field.

It would appear therefore that while the stockholders of both the Missouri River Company and the Butte Company are weak and could be crushed by the Ryan interests, the Butte Company from one point of view is in a weaker position than the Missouri River Company in the sense that if the Ryan interests were removed from the field, the Missouri River Company would have more power to injure the Butte Company than has the Butte Company to injure the Missouri River Company.³⁹

Fear of both Montana businesses prompted Wetmore to renew negotiations towards a consolidation of electrical supply in Montana.

Cooper and Powelson's report urged Wetmore to align his firm with that of Ryan. From that point of strength, the two interests could negotiate for the sale of the Hauser companies. The consulting engineers suggested that Ryan be solicited as an equal partner, holding

38. Ibid., p. 7. See also "Power Development of the Butte Electric and Power Company, Madison River Power Company, and Montana Power Transmission Company," Montana Power Company (n.p.: 1906).

39. Cooper and Powelson Report, p. 25.

common stock. Such a combination of financial and industrial power would aid immeasurably in influencing state and community leaders and in advancing the interests of the "monopoly."⁴⁰ Less than one month after submission of the report, Wetmore concluded preliminary negotiations with John Ryan for the merger of their respective power interests. In May, 1909, the parties arranged a final agreement by which Ryan sold half interest in the Great Falls Water Power and Townsite Company to Wetmore in exchange for an equivalent value of Butte Electric and Power Company stock. Ryan also became a director and member of the executive committee of the Butte Company.⁴¹

The Ryan-Wetmore agreement of 1909 fulfilled the Butte Company president's longstanding desire to consolidate power production and distribution in Montana. Wetmore first envisioned the scenario unfolding as an alliance between himself and Hauser in 1904. The rapid rise of John D. Ryan, and that individual's tacit support from Amalgamated, quickly altered Wetmore's design. The failure of S. T. Hauser's Hauser Dam in April, 1908, also influenced Wetmore's projections in that it acted as a catalyst for the subsequent negotiations with Ryan.⁴²

40. Ibid., p. 48.

41. 4 FPC, p. 223, and Leighton, pp. 45-48.

42. Douglas Leighton in his "The Corporate History of The Montana Power Company," passim, accepts a version of the electric power producers' consolidation story that first appeared in Federal Power Commission documents in the 1940s. That account was derived selectively from the writings of John D. Ryan, C. W. Wetmore, and Cornelius Kelley. These men claimed that both Ryan and Wetmore had first considered an arrangement for consolidation in 1906. Subsequent negotiations and agreements between the two men were prompted by depreciated securities following the failure of Hauser Dam in 1908 and by a belief that

Seeming not only to upset Wetmore's original plan for consolidation, the failure of the dam also foretold other changes for the three power interests on the Missouri River in Montana.

One day after the April 14 tragedy, S. T. Hauser received an offer from C. W. Wetmore for supplemental electricity. Wetmore agreed to provide Hauser's companies with 6,000 horsepower for one year at a cost of \$40 per horsepower. The Butte Company president even suggested that he would be willing to pay half the cost of stringing lines between the rival systems.⁴³ Wetmore's motivation in making this offer is difficult to determine. No doubt he desired to sell a ready surplus of power that had increased dramatically with construction of the Madison No. 2 plant.

monopolization of the Missouri's water power was essential to the survival of both individual's companies. Leighton concludes that the failure of Hauser Dam forced the United Missouri River Power Company to default on its contracts and forced the Amalgamated Copper Company to cancel its contracts. [P. 18.]

The scenario that is presented by Leighton is basically correct. But the situation of S. T. Hauser, who was virtually excluded from the Leighton account, sheds additional light on the process of consolidation. Indeed, Hauser's records indicate that he and Wetmore considered a power consortium as early as 1904. The entrance of John D. Ryan and that individual's position with Amalgamated explains the defection of Wetmore from Hauser to Ryan. As will be shown later, the cancellation of Amalgamated's power contracts with Hauser was not predicated solely on the former governor's unfortunate accident in 1908.

Failure of Hauser Dam in 1908 may have raised the anxiety of all parties involved in hydroelectric development on the Missouri. But its greatest affect was on S. T. Hauser's ability to participate in the planned power monopoly. Failure of the dam was both a catalyst for the Ryan-Wetmore negotiations and for the withdrawal of S. T. Hauser from the electric power industry.

43. Letter, S. T. Hauser to M. H. Gerry, May 15, 1908, HP, Box 33, folder 11.

Hauser's predicament also provided Wetmore with a legitimate opportunity to secure a portion of the wholesale electrical supply market in the Butte/Anaconda area.

C. W. Wetmore's motives in aiding Hauser were not strictly opportunistic. Butte Electric and Power Company officials expressed genuine concern for the plight of the Missouri River Company, knowing that a similar calamity could visit any firm that tampered with the Missouri River. Writing to Max Hebgen the day after the failure of Hauser Dam, Butte Electric General Manager H. W. Turner admitted that:

I really feel sorry for them, and hope that it is not so bad as reported down here, and I feel that we should refrain from exulting in the misfortune of our competitor. No one knows where lightning may strike next.⁴⁴

Turner feared that the failure of one power company's dam could shake the confidence of consumers in the safety of all water power developments.

Whatever the motives of the Butte Company in offering Hauser assistance, the aging Helenan had little choice but to accept. The 1905 power contract between Hauser's companies and Amalgamated held the power companies liable for not delivering electric power. The applicability of this clause to the loss of Hauser Dam, an event which Hauser considered an "act of God," was a legality that would require years of negotiation to settle. Meanwhile, Hauser had to satisfy the needs of his primary customer or risk losing Amalgamated to a willing competitor.

44. Letter, H. W. Turner to Max Hebgen, April 15, 1908, PSR, Box 29(2), exhibit 72.

The failure of the dam in 1908 left Hauser with only the Canyon Ferry hydroelectric unit and the auxiliary steam plant in Butte. While the first facility could supply some of the necessary power to Amalgamated, the cost of burning coal in the steam plant was prohibitive. In such a situation, the availability of Wetmore's water-power generation was an attractive option. Although Hauser worried that lower water would prevent the Butte company's plants from generating the anticipated 6,000 horsepower, he claimed that, "it is very important to make the connection and be able to shut down the steam plant."⁴⁵

Hauser thanked C. W. Wetmore for his "kind offer" which arrived so soon after the failure of the Missouri River dam.⁴⁶ He delayed the decision to accept his competitor's power until the end of August of that year. By that time, pressure from business associates such as Henry Seligman forced Hauser to join his United Missouri River Power Company transmission lines with those of the Butte Electric and Power Company.⁴⁷ During the next two years, the Butte Company augmented Hauser's electrical supply at a cost of nearly \$400,000.⁴⁸

45. Letter, S. T. Hauser to M. H. Gerry, May 15, 1908, HP, Box 33, folder 11.

46. Telegram, S. T. Hauser to C. W. Wetmore, April 15, 1908, HP, Box 33, folder 11.

47. Writing to Hauser in late August, 1908, Seligman urged the Missouri Company president to accept Wetmore's offer. "This will enable you to do away with using steam at a loss, and you would be in a position to take care of your customers while the old dam is being reconstructed. I wish you would give this your very serious consideration." Letter, Henry Seligman to S. T. Hauser, August 27, 1908, HP, Box 29, folder 6.

48. Letter, R. S. Condit to S. T. Hauser, June 9, 1910, HP, Box 30, folder 18.

The price S. T. Hauser paid to Wetmore's Butte Electric and Power Company was more than monetary. A distraught Hauser knew that he was offering Wetmore the opportunity to consolidate power development in Montana independent of the Helena-based firms. In a revealing letter to D. P. Robinson of the Boston-based Stone and Webster Engineering Corporation [the firm responsible for the construction of Hauser and Holter Dams], Hauser noted his true thoughts on the situation in Montana. The Helenan claimed that, "Immediately after our accident, these parties commenced taking advantage of our situation and attempted by manipulation to make it impossible for me to rebuild Hauser-Lake Dam."⁴⁹ Since the Butte interests could not accomplish this alone, Hauser claimed that Wetmore then turned to an alliance with Ryan as the vehicle in the consolidation drive.⁵⁰ Hauser continued the analysis by explaining his acceptance of the Wetmore offer to supply power to the United Missouri River Power Company:

Upon his (Jaretski's) [lawyer for Wetmore] representations, and notwithstanding the bad faith and the constant effort that had been made from time to time (at least by their subordinates and managers) to take our business away from us, I finally agreed to take what they then represented to be 6000 of their surplus horsepower, and use it in supplying our own customers. This 6000 when referred to their manager, dwindled down to less than 3000.⁵¹

In subsequent correspondence, Hauser suggested that a conspiracy had

49. Letter, S. T. Hauser to D. P. Robinson, April 13, 1909, HP, Box 33, folder 12.

50. A reference to the 1909 agreement between Ryan and Wetmore.

51. Ibid.

occurred at the time of the Wetmore offer. Not only had the attorney for the Butte Company made overtures to Hauser, but a representative of Amalgamated had interviewed Seligman in New York and urged "that the Amalgamated Company be allowed to contract with the Butte Electric Light Company [Butte Electric and Power Company]." ⁵²

Events following the failure of Hauser Dam convinced S. T. Hauser that C. W. Wetmore's utility company would continue its efforts to exclude the United Missouri River Company's major stockholders from a consolidation of power companies. Despite repeated denials by Wetmore and Turner, Hauser remained firm in his belief that the Butte Electric and Power Company intended to "swallow us up." ⁵³

S. T. Hauser's fears for the future of his hydroelectric business did not lie only with C. W. Wetmore's Butte Electric and Power Company. Hauser also anticipated the defection of financial and political supporters of the United Missouri River Power Company following the failure of the Hauser Dam. William A. Clark, one of the earliest and strongest contributors to the Missouri River ventures, presented some reservations

52. Letter, S. T. Hauser to W. A. Clark, July 5, 1910, HP, Box 33, folder 13.

53. Letter, S. T. Hauser to D. P. Robinson, April 9, 1909, HP, Box 33, folder 12. Even while attempting to ally with John D. Ryan in 1909, C. W. Wetmore tried to allay any fears that Hauser might have over the consolidation. Referring to the Butte Company's proposed contract for power with, by that time, the relatively small Heinze operation, Wetmore stated that, "We, Hauser and ourselves, have agreed that neither will interfere with any customers." He instructed H. W. Turner to defer negotiations with Heinze and to "observe this agreement strictly." Wetmore sent a copy of this telegram to Hauser. Telegram, C. W. Wetmore to H. W. Turner, April 17, 1909, HP, Box 29, folder 33.

to Hauser after the collapse of the dam. Failure of the United Missouri Company's dam caused Clark to worry about his own small structure on the Clark's Fork River near Missoula. Clark requested and received from Hauser the use of General Manager Gerry for an inspection trip to the Missoula damsite. Having been reassured that this plant would not fail, Clark turned his attention to the problems near Helena.

The Montana senator was particularly concerned that the potential Ryan/Wetmore alliance might cause the Missouri River Company serious problems. Raising the issue of more natural disasters, Clark suggested that:

If we could make some arrangements and get out of the Missouri River business on an equitable basis, . . . it might be well to do so, as we have had a very unfortunate accident there already, and possibly others might follow.⁵⁴

Hauser urged his associate not to succumb to the pressures of a "force[d] consolidation" without first hearing from his "friends."⁵⁵ But Clark clearly had doubts about the financial legitimacy of the hydroelectric power business and feared a battle with Ryan and Amalgamated Copper Company. He suggested to Hauser that the copper trust may have been behind the moves for electrical consolidation.⁵⁶ Having faced the company during the 1900 election, Clark was not anxious to do so again.

54. Letter, W. A. Clark to S. T. Hauser, June 13, 1908, HP, Box 29, folder 18.

55. Telegram, S. T. Hauser to W. A. Clark, June 12, 1908, HP, Box 33, folder 11.

56. Letter, W. A. Clark to S. T. Hauser, June 13, 1908, HP, Box 29, folder 18.

W. A. Clark was not the only Hauser supporter to express concern over the failure of the Missouri River dam in 1908. At the time that the Hauser Dam collapsed, the Amalgamated Copper Company owned twenty-one percent share in the Hauser organized power companies. These shares had been negotiated directly through the offices of H. H. Rogers, Amalgamated's chief officer. The failure of the dam during the spring floods caused the company to look more seriously at the nature of this investment. Of more importance in Amalgamated's decision to reassess its position was the obvious intention of John D. Ryan to develop the Great Falls property.⁵⁷ Recognizing both influences, S. T. Hauser made overtures to H. H. Rogers in an effort to commit the copper trust to the reconstruction of the Missouri River dam.

In June, 1908, Hauser addressed a letter to Rogers imploring the New York financier to respond to a director's call for \$100,000. As a lever for this request, Hauser agreed to supply the copper companies at Butte with 17,000 horsepower at \$35 per horsepower. This generation would begin within ten months when the Hauser Dam would be reconstructed. Hauser claimed that within another year the United Missouri River Company's third dam at Wolf Creek would be operating, augmenting the power system.⁵⁸

Hauser received no direct response from Rogers on this matter. One month later, in July, 1908, Hauser again wrote to Rogers to voice

57. Leighton, "The Corporate History of Montana Power Company," p. 47.

58. Letter, S. T. Hauser to H. H. Rogers, June 9, 1908, HP, Box 33, folder 11.

suspicious about the activities of Amalgamated's general manager, John D. Ryan. Hauser repeated the threat that Ryan had made to M. H. Gerry concerning the need for a reduction in the price of power and the possibility of a competing company pushing hydroelectric facilities at Great Falls. Obviously unsure of Rogers' role in this affair, Hauser hoped to discern the New Yorker's true feelings.

Now, Mr. Rogers, I have been unable to see you for four months; therefore I do not believe that you endorsed, or even encouraged the efforts of the representatives of the Amalgamated Company to destroy our property and carry out the threat of the managing director.⁵⁹

Hauser reminded Rogers that the "Montana stockholders" were the "staunchest friends" of Amalgamated and that they had often aided the industrial giant.⁶⁰ Hauser urged Rogers to exert the influence necessary to retain the support of Amalgamated for the Missouri River Company's interests. Hauser added that he was "proud to say that you have always promptly stopped any unreasonable and unfair treatment in the past."⁶¹

H. H. Rogers had befriended Hauser in the past, but was not in a position to do so again in 1908. After suffering a physical breakdown in 1907, Rogers' ability to manage the multitudinous affairs of the Standard Oil Company was limited. By June, 1908, he was in semi-

59. Letter, S. T. Hauser to H. H. Rogers, July 4, 1908, HP, Box 33, folder 11.

60. Ibid. 61. Ibid.

retirement and, as events developed, had less than ten months to live.⁶²

Answers to Hauser's inquiries of the copper trust came in late July, 1908. They were less than satisfactory. In a letter to Hauser's financial supporter Henry Seligman, Amalgamated Vice-President F. P. Addicks stated that a more "valid assurance" was necessary before the company could commit additional funds to the Missouri River Company's ventures. This guarantee could be shown by either subscribing enough funds for the reconstruction of Hauser Dam, or by having the completed dam once more in operation. In a terse postscript, Addicks informed Seligman that, "I have sent a copy of this letter to Governor Hauser."⁶³

S. T. Hauser may have suspected the defection of the Amalgamated Copper Company from his hydroelectric enterprises. He did not, however, know that in October, 1908, Amalgamated representatives had signed a contract with John D. Ryan for the delivery of electric power from the Great Falls Water Power and Townsite Company's new dam at Rainbow Falls. The Ryan agreement with Amalgamated also allowed the Anaconda Company president to purchase the copper trust's shares in the United Missouri River Power Company.⁶⁴ As if to anticipate the assumption of control of Hauser's properties by the Ryan interests, this new contract required

62. Harpers Weekly, "Henry H. Rogers: Captain of Industry," May 29, 1909, Vol. 53, No. 2736, p. 9.

63. Letter, F. P. Addicks to Henry Seligman, July 29, 1908, HP, Box 29, folder 31.

64. Ryan probably exercised this option. However, the United Missouri River Power Company's listing of stockholders showed F. P. Addicks, Amalgamated's vice-president, holding these securities. See "Listing of Stockholders," December 6, 1909, HP, Box 63, folder 19.

Amalgamated to renew its contracts with the Missouri River Power Company and the Helena Power-Transmission Company, or its successors, at the contract's expiration.⁶⁵

John D. Ryan's actions in 1908 and 1909 indicated his intention to control the production and distribution of hydroelectric power in Montana. While not in possession of a majority stock in Hauser's companies, Ryan's replacement of H. H. Rogers in the United Companies did allow the younger capitalist to control one of Hauser's principal sources of funds. Ryan's position as president of Anaconda Copper Company added to his ability to direct the course of consolidation after 1908.⁶⁶

65. Contract between Great Falls Water Power and Townsite Company and Amalgamated, October 15, 1908, PSR, Box 43, exhibit 7.

66. John D. Ryan later explained his involvement in the hydroelectric industry as beginning in 1908 with the failure of Hauser Lake Dam. Ryan claimed that his responsibilities to Amalgamated forced him to locate a reliable source of cheap electric power. When Hauser's dam collapsed in 1908, Ryan asserted that H. H. Rogers became disenchanted with hydroelectric power generation in Montana. He offered to sell Ryan Amalgamated's interests in the United Missouri company and Ryan accepted. In addition, Amalgamated agreed to contract with Ryan for power from the prospective Rainbow Dam.

While this scenario is partly true, it is clear that John Ryan anticipated the development of water power in Great Falls as early as 1906. He had challenged both Hauser and Wetmore with the possibility of competition, and his alliance with Wetmore in 1909 confirmed these earlier intentions. Evidencing Ryan's plan to assume control of hydroelectric production in Montana is the contract modification signed by his Great Falls Water Power Company and Amalgamated's Washoe Copper Company in July, 1909. At that time, the October, 1908 contract was altered to require the consent of both parties to a renewal of a power contract with either the Missouri River Power Company or the Helena Power Transmission Company. See "Contract Between Great Falls Water Power and Townsite Company and Washoe Copper Company," July 30, 1909, PSR, Box 43, exhibit 9. See also Letter, John D. Ryan to H. M. Cole, May 1, 1923, PSR, Box 43, exhibit 3.

The collapse of Hauser Dam on April 14, 1908, marked the start of S. T. Hauser's economic ruin. Heavily in debt for construction of two dams, a transmission line and a steam auxiliary plant in Butte, Hauser was taxed to garner sufficient funds to reconstruct the wrecked facility or to complete the building of his third hydroelectric plant. Even had Hauser Dam not been destroyed in 1908, it would have been questionable whether S. T. Hauser could have succeeded in his power ventures. In 1908, Hauser owned the largest single block of stock in the United Missouri River companies.⁶⁷ His heavy indebtedness suggests that the old capitalist was extended financially. It would have been difficult for him to have continued with construction of Holter Dam without continued support from his major investors.

The appearance of John D. Ryan removed one of those prominent financial backers. In the coming months, it was critical that S. T. Hauser retain the support of other important investors. The failure of Hauser Dam made this task extremely difficult. In effect, the dam's collapse acted as a catalyst to propel the merger of Hauser's two opponents. The spring waters that washed his "durable and substantial dam" down the channel of the Missouri River drowned hopes that he might align himself with the financial forces of John D. Ryan, C. W. Wetmore, or the Amalgamated Copper Company. The future of S. T. Hauser's hydroelectric enterprise lay with the wreckage of Hauser Dam and it would be the Amalgamated Copper Company, under the leadership of John D. Ryan, that would direct the succeeding course of events.

67. Letter, William P. Gower to S. T. Hauser, April 27, 1908, HP, Box 29, folder 29.

CHAPTER IV

A COMBINATION OF FORCES: THE BUTTE SYNDICATE

C. W. Wetmore's purchase of half interest in John D. Ryan's Great Falls properties formed an alliance that threatened Samuel T. Hauser's electric power interests. Consolidation of the Wetmore and Ryan concerns presaged an assault on the valuable water-power facilities and sites near the city of Helena. Of particular concern to Hauser were Ryan's plan to construct the large hydroelectric facility at Rainbow Falls (Great Falls, Montana) and the possibility that the aging Helenan might lose his lucrative contracts with the Amalgamated Copper Company. S. T. Hauser was unable to prevent either event.

On May 19, 1909, Henry H. Rogers died at his New York home. His death forced a shift in leadership in the Standard Oil Company and resulted in the appointment of new management for the conglomerate's subsidiary companies. John D. Ryan was selected to head the Amalgamated Copper Company. With control of the major industrial consumer of electricity in Montana, Ryan's Great Falls power sites inevitably increased in value.

John Ryan quickly capitalized on his attractive position. In 1909, his Great Falls Electric Company began construction of the dam and electrical generating facility on the Missouri River at Rainbow Falls. The project proceeded to conclusion in record time and was ready for power production in late summer of 1910. As reported in 1913 by Max Hebgren

(then the general manager of the new Montana Power Company), the Rainbow Dam facility was "the first large development . . . made at this point."¹ The plant consisted of a low diversion dam, which was located above the falls. Water was funneled through a fifteen-foot penstock to generators situated below the falls. The electric generating capacity of the plant exceeded 25,000 horsepower.²

While preparing the Rainbow hydroelectric plant for operation, John Ryan also considered the requirements for transmitting electricity from Great Falls to Amalgamated's mines and smelters at Butte and Anaconda. Obviously, a transmission line would have to be erected from Great Falls to the existing power line at Helena. One option for Ryan and Wetmore was to lease both the Helena/Butte line and the line from Butte to Anaconda, from S. T. Hauser's United Missouri River Power Company. Max Hebgen, representing the Wetmore interests, expressed the need to either lease the Hauser line or to construct a duplicate line. Hebgen feared that if Hauser lost the Amalgamated contracts for power and if the Butte Company assumed them, then the latter firm would need the availability of a pole line from Helena to Butte, with another line tying in from Great Falls.³

John D. Ryan's representatives worried about these same transmission problems. The Ryan half of the power combination was particularly

1. Max Hebgen, "Hydroelectric Development in Montana," p. 797.

2. Ibid.

3. Letter, Max Hebgen to H. W. Turner, October 14, 1909, PSR, Box 37, exhibit 403.

concerned that Hauser's people not be served notice that the Amalgamated Company intended to terminate the United Missouri River Power Company's contracts. They feared that if Hauser knew that he would lose Amalgamated's business, he might attempt to channel his electrical power into the retail market in Butte.⁴ As one Ryan official noted, "The situation is a little delicate. S. T. Hauser probably knows he will lose Anaconda business but doubtless thinks he can hold Butte contracts."⁵ Either erecting a duplicate line to Butte and Anaconda, or leasing part of the Hauser system would invariably confirm the fact that Hauser would lose business. As a possible alternative, Ryan's spokesman suggested that, "We might buy the Butte-Anaconda line and Anaconda sub-station and in February and March quietly build our own line."⁶ Reportedly, both H. W. Turner and Hebgen favored this approach to the problem.

The arrangement was not satisfactory to S. T. Hauser, however, and John Ryan was never able to effect an acquisition of the United Missouri River Company's transmission lines. Ryan's failure retarded the initiation of power development from the Rainbow Falls plant, but did not prevent its eventual transmission of electricity over a new pole line to Butte and Anaconda--completed in 1910.⁷

4. This was a course that had been rejected in the Hauser-Turner agreement of 1905.

5. Telegram, R. S. Alley to John D. Ryan, October 19, 1909, PSR, Box 43, exhibit 188.

6. Ibid.

7. Letter, John D. Ryan to C. W. Wetmore, July 19, 1910, PSR, Box 43, exhibit 116.

While Ryan constructed Rainbow Dam and plotted with Wetmore on ways to deliver power to Butte and Anaconda, Samuel Hauser became increasingly concerned over the fate of his power interests. Hauser was not ignorant of the designs of the Ryan/Wetmore combination. Writing to M. H. Gerry in January, 1909, Hauser explained that "these same people [Butte Electric and Power Company] are in with Ryan and are figuring to secure as much [sic] of our customers as possible." Hauser added that "Addicks and Ryan have succeeded in making as Toole said 'the young old man' a heap of trouble."⁸ The possibility of a cancellation of his contracts with the Amalgamated Copper Company and the consequent loss of business to the Ryan/Wetmore combination threatened the financial structure of Hauser's power companies. Aggravating the difficulties for the Helena water-power magnate were construction and financial problems in rebuilding Hauser Dam and in completing plans for a third power facility at Wolf Creek (Holter Dam).

A myriad of difficulties faced S. T. Hauser between 1908 and 1910. Chief among these was a problem that confronted Hauser after the collapse of the second dam. Rising costs for construction of Holter Dam forced the former governor's continual attention to the project's development. Inherent sluggishness in the project at Wolf Creek, coupled with structural and financial problems at both that facility and the reconstruction site of Hauser Dam, caused a serious drain on the monetary and personal resources of Hauser in the months following April, 1908.

8. Letter, S. T. Hauser to M. H. Gerry, January 24, 1909, HP, Box 33, folder 12.

The principal difficulty in proceeding with the Holter Dam project was acquisition of the requisite capital. In July, 1908, Hauser's Capital City Improvement Company (the subsidiary firm that received the federal permit for the dam) engaged the services of the Stone and Webster Engineering Corporation for the Holter development.⁹ Stone and Webster's engineering experts estimated that the cost of construction of the dam and power plant would be \$1.9 million. This figure was challenged by Hauser's general manager, M. H. Gerry, and by the Missouri River Company's consulting engineer, William de la Barre. Both men estimated that the cost of constructing the 110-foot high concrete dam and 20,000 horsepower generating plant would reach only \$1.4 million. The half-million dollar difference was sufficient to cause a financially-plagued S. T. Hauser uncertainty about the outcome of the projects.¹⁰

Of greater concern to Hauser was his inability to continue construction of the dam once the work had begun in the spring of 1909. Stone

9. Letter, William R. Barbour to S. T. Hauser, July 11, 1908, HP, Box 29, folder 32. The Stone and Webster Engineering Corporation was involved in numerous electric power development projects at the turn of the century. For a list of the company's holdings see Electric Power Development in the United States, U.S. Congress, Senate Doc. No. 316, part 3, 64th Cong., 1st sess. (1916), p. 465.

10. Hauser was particularly concerned with the cost of the Wolf Creek project in light of the financial strain caused by the Hauser Dam failure. In a letter to D. P. Robinson, Stone and Webster Company president, in October, 1908, Hauser claimed that while he realized "that the unfortunate loss of one dam will almost compel the expenditure of money on the side of extra precaution, . . . I want something specific and definite as to your reasons for changing the plans and making the extra expenditures." Apparently, the higher figures were reluctantly accepted by Hauser, since Stone and Webster began work on the Wolf Creek project early in 1909. See Letter, Hauser to D. P. Robinson, October 27, 1908, HP, Box 33, folder 11.

and Webster Company President D. P. Robinson explained to Hauser in May, 1909, that, if only he (Hauser) could commit \$200,000 immediately, the dam could be completed and operating by October, 1910.¹¹ As work on the Holter Dam continued during the summer of 1909, new demands taxed the financial resources of S. T. Hauser. In a series of letters to S. T. Hauser in November, 1909, President Robinson anticipated that the funds then available to him for construction of the dam would not permit its completion.¹² Consequently, Hauser faced a possible shutdown and was forced to request the Stone and Webster Company to use only the money then available in an effort to prepare the dam for abandonment.¹³ In late December, Robinson prepared to cease operations at the Wolf Creek site, but, in early January, Hauser reversed his decision to slow the work effort. He requested that Robinson "proceed with the Capital City work on the basis that funds will be available as required to carry the work on continuously until its final completion."¹⁴

S. T. Hauser's ability to proceed with the construction of Holter Dam was founded on the anticipated merger of the United Missouri River Power Company with the Capital City Improvement Company. Hauser and his associates anticipated floating a new bond issue soon after the

11. Letter, D. P. Robinson to S. T. Hauser, May 25, 1909, HP, Box 30, folder 3.

12. See Letters, D. P. Robinson to S. T. Hauser, November 22, 29, December 20, 1909, HP, Box 30, folder 3.

13. Letter, D. P. Robinson to S. T. Hauser, November 13, 1909, HP, Box 30, folder 3.

14. Letter, D. P. Robinson to S. T. Hauser, January 6, 1910, HP, Box 30, folder 17.

merger was effected. In addition, the power companies began new efforts to control construction costs. Hauser and General Manager M. H. Gerry scrutinized more carefully various authorizations for purchase of materials and payment of expenses.¹⁵ Hauser and Gerry tried to restrict the engineers at the construction site to expenses of no more than \$50,000 monthly during the spring of 1910. Yet, Stone and Webster's cost estimates consistently exceeded that amount during the period.¹⁶ In July, 1910, D. P. Robinson acknowledged Hauser's request to keep expenditures within the \$50,000 a month ceiling for the last quarter of 1910, but estimated that his company would have to exceed the figure in order to complete construction at the Wolf Creek site.¹⁷

S. T. Hauser's difficulties with financing the Holter Dam project were serious and threatening to the former governor's economic stability. Coupled with additional monetary and structural problems at the Hauser Dam reconstruction site, Hauser's business problems were acute.

Rehabilitation of the Hauser Dam facility encountered serious delays from its start. The Stone and Webster engineering firm received the contract for the dam reconstruction project in January, 1909. As

15. M. H. Gerry wrote to Hauser in March, 1910, charging that "owing to the excessive expenditures now being made by the Stone and Webster Engineering Corporation for the account of this Company [Capital City Improvement Company], . . . it becomes impossible for this office to make any approval of expenditures for the account of construction at Camp Holter." Letter, M. H. Gerry to S. T. Hauser, March 24, 1910, HP, Box 30, folder 9.

16. The cost figures were May, \$86,900; June, \$82,000; July, \$69,000. Letter, D. P. Robinson to S. T. Hauser, May 12, 1910, HP, Box 30, folder 17.

17. Letter, D. P. Robinson to Hauser, July 12, 1910, HP, Box 30, folder 17.

early as March of that year, M. H. Gerry wrote to Hauser informing the United Missouri Company president that very little work had been accomplished at the site.

No work of any permanent nature had been started and the entire results thus far were in the nature of camp, equipment and preliminary construction. As I have never received any plans nor engineering information regarding this work, I have been unable to form any opinion as to what was contemplated or how the work could be carried to a successful conclusion.¹⁸

What bothered Gerry more than the fact that he could see no progress on the project was that it appeared to him that much of the work force was being laid off until after the high-water season had passed. The United Missouri Company general manager drew no conclusions from these observations, but he was obviously disturbed by the events.¹⁹

While M. H. Gerry entertained doubts as to the efficiency of the Stone and Webster managers, he was more skeptical of the quality of the Missouri River facility's engineering design. Throughout the 1909 construction season at the Hauser Lake site, Gerry expressed particular concern that the new concrete dam was not designed to withstand high water similar to that of 1908. Gerry evidenced most concern about the capacity of the spillway at the new facility. He calculated that the design of the spillway did not allow sufficient water to be withdrawn from the lake during a period of high spring run-off. Such a deficiency would place added pressure on the dam and might cause the structure to

18. Letter, M. H. Gerry to S. T. Hauser, March 16, 1910, HP, Box 30, folder 5.

19. Ibid.

collapse. Stone and Webster President D. P. Robinson replied to this criticism by emphasizing to Hauser that such a circumstance could only happen if the flashboards on top of the dam were not removed (allowing water to overflow the dam) or if Canyon Ferry Dam failed. Robinson claimed that even the failure of the upriver dam would not insure the rise of Hauser Lake to the level necessary to place inordinate stress on the new dam.²⁰

At the basis of M. H. Gerry's distrust of Stone and Webster company's work at Holter Dam and Hauser Dam was his doubt of the engineering firm's commitment to the projects. In January, 1910, D. P. Robinson informed Hauser that the bedrock under the proposed Holter Dam might be unstable. Gerry immediately responded to the claim by charging the engineering firm president with attempting to delay the project and to raise costs.²¹ Hauser also expressed amazement to Robinson since he "presumed [that] this question had been settled by you and your engineers some six months ago--after spending three months in testing and boring the foundation."²² Hauser suggested that an inspection team of engineers be sent to the Wolf Creek site for an examination of the situation.

20. Letter, D. P. Robinson to S. T. Hauser, January 10, 1910, HP, Box 30, folder 17. M. H. Gerry inherently distrusted the Stone and Webster engineers. His criticisms of the Hauser Dam design dated from June, 1909. See letters, D. P. Robinson to S. T. Hauser, June 29, 1909, D. P. Robinson to J. & W. Seligman and Company, October 6, 1909, D. P. Robinson to S. T. Hauser, November 11, 1909, all in HP, Box 30, folder 3.

21. Letter, D. P. Robinson to S. T. Hauser, January 26, 1910, HP, Box 30, folder 17.

22. Letter, S. T. Hauser to D. P. Robinson, January 29, 1910, HP, Box 33, folder 13.

An inspection team composed of Gerry and engineers representing Stone and Webster and A. B. Leach and Company, a major investor in the project, inspected the Holter Dam facility in February, 1910. After lengthy discussions and negotiations, a general consensus as to the stability of the site's bedrock was reached. M. H. Gerry reluctantly agreed to changes in design that would add additional reinforcement to the concrete dam.²³

Gerry's skepticism of the Stone and Webster Company's design changes at Holter Dam was not predicated on his lack of concern for the structure's stability. Indeed, as has been shown, he questioned the engineering firm's failure to provide for possible record high water at the Hauser Dam facility. Instead, Gerry's lack of faith was predicated on Stone and Webster's motivation for proposing the design changes. Even after the February agreement had been concluded, Gerry reported to Hauser that the consulting engineers continued in their efforts to "discredit the foundation rock" at the Holter Dam site.²⁴ The United Missouri Company general manager was particularly concerned that Stone and Webster's workers were blasting the bedrock with excessive charges of dynamite and causing large cracks in the foundation. He added, "I find that they are also making up lists of the little cracks and leakage

23. Letters, Charles T. Main, Henry Herrick and M. S. Parker to M. H. Gerry, February 9, 1910, HP, Box 30, folder 17; M. H. Gerry to S. T. Hauser, February 11, 1910 and February 12, 1910, HP, Box 30, folder 9.

24. Letter, M. H. Gerry to S. T. Hauser, April 9, 1910, HP, Box 30, folder 9.

seams near the surface and evidently endeavoring to carry on the fight."²⁵

Other problems with the Stone and Webster company plagued M. H. Gerry. A year earlier, in February, 1909, he reported to Hauser that the labor practices of the Boston-based engineering firm had been declared "unfair" by the Montana Federation of Labor.²⁶ Referring to a written notice that had been published by the union, Gerry reported that the low wage scale (\$1.75 per day for a laborer) and the company's policy of hiring foreign labor formed the basis for the charges. Gerry was particularly concerned that this situation not cause a problem for the United Missouri Company's Butte and Anaconda customers. Strong unionism in both industrial communities could prevent the sale of electricity from the Hauser-owned plants to mines and smelters. Gerry reminded Hauser that, "We have gotten along here ever since our plants were started without strikes in the midst of all kinds of bitter labor controversies and disputes; at the same time we have succeeded in keeping the wage scale at a moderate figure and all of our men out of the union excepting those in Butte."²⁷

Supporting Gerry's complaints about the Stone and Webster company's labor controversy were suspicions that workers at the two dam sites were

25. Ibid.

26. The Montana State Federation of Labor was organized in 1894, and labeled the Montana Trades and Labor Council. A few years later, the name was changed to the Montana State Federation of Labor.

The Federation was an independent union that chartered other unions, primarily those involving lumber, sawmill, and brick-making workers. The Federation was affiliated with the American Federation of Labor in 1907. Montana State Federation of Labor, Yearbook: Golden Jubilee: 1894-1944 (n.p. 1944), p. 53.

27. Letter, M.H. Gerry to S.T. Hauser, February 2, 1909, HP, Box 29, folder 44.

sabotaging the plants. In March, 1910, Gerry wrote to Hauser and enclosed a confidential report from a private detective firm located in Helena. N. P. Walters, of the firm of the same name, reported to the general manager that one of his (Walters) "operatives" had overheard a barroom conversation between two employees of Stone and Webster. Both men detailed situations in which their foremen had halted work at Hauser Dam which was subsequently damaged by high water. Before withdrawing from the area, the foremen ordered their men to retrieve any materials that belonged to the construction company. The Walters' "operative" related that both Stone and Webster employees believed that, with a bit more effort, the high water would not have caused any damage to the dam.

These men all talked as if there was something crooked in connection with the Stone and Webster contract, and they had an idea that the Stone and Webster concern allow these accidents purposely in order to eventually discourage those who are putting up the money for the work and to cause them to discontinue putting up money, and the Stone and Webster Company would then bring it about so that they will get control of the dam.²⁸

The two employees of the engineering firm had information that Stone and Webster had attempted to overrun costs at a dam near Seattle in an effort to gain control of that venture.²⁹

Without orders from Gerry, Detective Walters instructed his Operative #7 to obtain employment at the Hauser Dam site, under the

28. Letter, M. H. Gerry to S. T. Hauser, March 18, 1910, HP, Box 30, folder 18.

29. Ibid.

guise of a carpenter. In a detailed report to his employer a few weeks later, the agent related numerous instances of waste and inefficiency at the construction site. The pseudo-carpenter detailed how good lumber, nails and spikes were often discarded as scrap, and how tools were often dispensed from the company shop without any attempt to account for them. Operative #7 explained that there was little planning of work at the site and that much time was lost in the lack of coordinated tasks.³⁰ General Manager Gerry claimed no solicitation or prior knowledge of these reports, but wasted little time in forwarding them to S. T. Hauser for the power company president's review.

As construction delays and design problems continued and costs rose, M. H. Gerry became more certain that the Stone and Webster Company's loyalty to S. T. Hauser's project was suspect. Gerry clearly believed that the company's president, D. P. Robinson, was surreptitiously promoting the interests of the Ryan/Wetmore combination. As early as November 6, 1908, Gerry informed Hauser that Robinson had met with John D. Ryan in Great Falls and had taken a copy of the Holter Dam plans with him.³¹ Further evidencing the duplicity of the arrangement between Robinson and Ryan was the hiring of Henry M. Herrick in February, 1910, as a consulting engineer to Stone and Webster at the Hauser projects. Supposedly Herrick also was employed by the Great Falls Power Company.³²

30. Ibid.; Special Report of Operative #7, March 16, 1910.

31. Letter, M. H. Gerry to S. T. Hauser, November 6, 1908, HP, Box 29, folder 23.

32. Letter, S. T. Hauser to the Board of Directors, February 23, 1910, HP, Box 33, folder 13.

As Gerry remarked in a confidential letter to Hauser in April, 1910, Herrick seemed to be involved in the most sensitive discussions with Robinson and other Stone and Webster officials.³³

By mid-April, 1910, M. H. Gerry had concluded that the actions of the Stone and Webster Company were cause for concern. Repeated changes in design by the firm threatened to bankrupt the United Missouri River Power Company. Gerry claimed that Robinson's changes in design had not "been suggested in good faith but rather for an ulterior purpose."³⁴

As Gerry conceded to Hauser, the general manager had very little control over the costs or the production rate at either the Holter Dam or Hauser Dam sites. Gerry issued an ultimatum to Hauser that he (Gerry) be given more control over the project, or "I must ask that I be entirely relieved of all responsibility."³⁵

M. H. Gerry did not quit S. T. Hauser's employ in April, 1910. He continued to serve as Hauser's representative in Helena in part because of the decision to restrict the Stone and Webster Company's expenses to \$50,000 per month. Nevertheless, the inability of the power company to cap the mounting expenditures of its contractors continued to distress Gerry.

S. T. Hauser shared some of his manager's reservations about the Stone and Webster Company and their progress on the two dams. In a

33. Letter, M. H. Gerry to S. T. Hauser, April 12, 1910, HP, Box 30, folder 9.

34. Ibid.

35. Letter, M. H. Gerry to Hauser, April 13, 1910, HP, Box 30, folder 9.

letter to D. P. Robinson in January, 1910, Hauser noted that he (Robinson) had "selected an engineer that is now in charge of, and is an employee of the Great Falls Power Co."³⁶ While acknowledging Robinson's prerogative to hire whomever he chose, Hauser requested the Stone and Webster president to try to keep "within the family."³⁷

Hauser may have been concerned about the activities and inactivity of the engineering firm's representatives, but he recognized the need to placate the interest of all parties in his power development ventures. A concurrent attempt to reconstruct Hauser Dam and to erect a third hydroelectric facility on the Missouri River at Wolf Creek required more than \$5 million worth of investment capital.³⁸ To secure this money, Hauser necessarily had to woo various financial interest.

During the late winter of 1909, Hauser counseled M. H. Gerry to exercise moderation in his remarks about the Stone and Webster

36. Letter, S. T. Hauser to D. P. Robinson, January 29, 1910, HP, Box 33, folder 17.

37. Ibid.

38. It is extremely difficult to determine Hauser's estimated costs for either reconstructing the Hauser Dam or rebuilding Holter Dam. At one point, Hauser believed that Hauser Dam would cost approximately \$500,000 to reconstruct. In June, 1910, D. P. Robinson of Stone and Webster Engineering Corporation informed Hauser that the price tag had soared to more than \$2.5 million. Similarly, the cost of Holter Dam varied from \$1.7 million to more than \$3 million. The best estimate of Hauser's financial predicament is revealed in a letter that he wrote to his son in May, 1910. In that lengthy missive, the elder Hauser confessed that both Stone and Webster and the financial house of A. B. Leach and Company had invested more than \$5 million in the "Helena Enterprises." See letter, S. T. Hauser to S. T. Hauser, Jr., May 14, 1910, HP, Box 33, folder 13. See also letter, S. T. Hauser to Isaac Seligman, May 18, 1909, HP, Box 33, folder 13; and letter, D. P. Robinson to S. T. Hauser, June 3, 1910, HP, Box 30, folder 17.

Engineering Corporation. That firm's monetary connections on Wall Street had helped Hauser secure much of the New York City capital that he needed for the dams. Hauser acknowledged the engineering firm's "shortcomings" but stated that it had supported him "in the face of powerful, if not actual enemies."³⁹ In the midst of the controversy over the design of the dams and their increasing cost in the spring of 1910, Hauser again rose to the defense of the Stone and Webster Company.

In a letter to his son, Samuel T. Hauser, Jr., the former governor evidenced sheer expediency. He admitted that "Stone and Webster's representatives had made some fearful mistakes."⁴⁰ Despite these errors, the elder Hauser believed that the firm's commitment to the projects was solid. In a complicated series of negotiations, Henry Seligman, A. B. Leach and Charles A. Stone (representing Stone and Webster) had pledged \$1.75 million to the completion of Hauser Dam. In addition, Stone and Webster had offered an additional \$1.3 million to Hauser. Hauser explained to his son that finishing the reconstruction project was vital to the successful prosecution of the Holter Dam facility since Leach would offer \$12 million worth of bonds for sale on the London market once the old dam had been reconstructed.⁴¹

Hauser expressed concern to his son that General Manager Gerry's dislike for Stone and Webster's representatives contributed to an

39. Letter, S. T. Hauser to M. H. Gerry, March 22, 1909, HP, Box 33, folder 12.

40. Letter, S. T. Hauser to S. T. Hauser, Jr., May 14, 1910, HP, Box 33, folder 13.

41. Ibid.

attitude that the dams could not be built. He asked that all concerned recognize the "desperate situation that we are now in."⁴² Hauser implied that if professional and personal differences between the engineers could not be resolved then at least an appearance of consensus must be fostered.

In conclusion, my boy, I will say that you may read this letter to my friend John S. M. Neal, Gerry's partner, and tell him that he should at least buy the ice to keep Gerry's head cool and make him cooperate and realize that the firm of Stone and Webster have no personal feeling in the matter whatever, and that business is business and demands the suppression of personal feeling to the end of success.⁴³

Hauser anticipated that by drawing on the financial resources of Stone and Webster, he would inevitably tie their fortunes and prospects for success to his own.

S. T. Hauser's approach to securing the backing of Stone and Webster and other financial concerns was consistent with his earlier alliances with H. H. Rogers and Amalgamated Copper Company. Characteristically, the aging Montanan would not acknowledge the possibility that the successful completion of Hauser or Holter hydroelectric plants would not necessarily benefit him. The threat of losing the lucrative Amalgamated contracts once John D. Ryan's Rainbow Dam was complete did not deter the formidable gentleman. Hauser continued to press for cooperation, financial control, and increased investment in the United Missouri River Power Company projects during late spring and early

42. Ibid. 43. Ibid.

summer of 1910.⁴⁴ At the same time, Ryan and Charles Wetmore pursued their plans to complete the Rainbow project at Great Falls and to transmit electrical power to the Amalgamated mines and smelters at Butte and Anaconda.⁴⁵

The likelihood that the completion of Rainbow Dam would mean a termination of United Missouri River Power Company contracts with Amalgamated did not escape S. T. Hauser. In April, 1909, he requested M. H. Gerry to visit the site of the Great Falls hydroelectric plant and to report on that project.⁴⁶ In September of that year, William A. Clark informed Hauser that John D. Ryan had assured him (Clark) that the Rainbow plant would replace the Hauser-owned facilities as a supplier of power to Amalgamated. Ryan claimed that the new dam and generators would produce 28,000 horsepower of electricity, 8,000 horsepower of which would be furnished to the city of Great Falls and the balance

44. One of the reasons for consolidating the subsidiary power companies under the United Missouri Company in 1910 was to expedite the funding of the two hydroelectric plants.

45. Hauser also was pressured by the congressional authorization to proceed with completion of the Holter Dam project. Federal attempts to force time limits on dam projects threatened Hauser's permit for the Wolf Creek facility. After consultation with Montana's Senator Thomas H. Carter, Hauser was assured that he would have at least three more years to complete Holter Dam. See letters, S. T. Hauser to Thomas A. Carter, January 27, 1909, HP, Box 33, folder 2; and letter, Thomas H. Carter to S. T. Hauser, January 30, 1909, HP, Box 29, folder 36.

46. Gerry estimated that the Rainbow plant would produce approximately 17,500 horsepower of electricity. Letter, M. H. Gerry to S. T. Hauser, April 12, 1909, HP, Box 33, folder 12.

transmitted to Butte and Anaconda.⁴⁷ Clark implied that he was resigned to the inevitability of losing the Amalgamated business and suggested to Hauser that the United Missouri Company sell its Helena-to-Butte transmission line to Ryan.⁴⁸

Although facing considerable financial pressure from the Holter Dam project and the reconstruction effort at Hauser Dam, S. T. Hauser would not accept defeat and agree to sell or lease his transmission lines. In March, 1910, M. H. Gerry informed Hauser that John Gillie, superintendent of the Amalgamated mines in Butte, stated that the power would be disconnected "as soon as the Great Falls plant was completed and in readiness to deliver power."⁴⁹ Even at this critical point in the future of his hydroelectric facilities, Hauser would not capitulate to the Ryan/Wetmore combination and sell the power lines. The delay cost John D. Ryan dearly. While the Rainbow plant was ready to furnish power to Butte and Anaconda in early July, 1910, Ryan had to await construction of a new power line and substation on the Butte/Anaconda system.⁵⁰

In late July, 1910, the transmission facilities in Butte were complete and everything was ready for the delivery of power between that

47. Letter, William A. Clark to S. T. Hauser, September 10, 1909, HP, Box 29, folder 38.

48. Ibid.

49. Letter, M. H. Gerry to S. T. Hauser, March 16, 1910, HP, Box 30, folder 18.

50. Letter, John D. Ryan to C. W. Wetmore, July 19, 1910, PSR, Box 43, exhibit 116. Ryan laid direct responsibility for this delay to Hauser's intransigence on the lease or sale of the United Missouri Company's transmission lines.

community and the Great Falls plant. On July 28, 1910, Ryan informed C. W. Wetmore that, "I believe it is now safe to have the Amalgamated Company give notice to the Missouri River Power Company, cancelling all their contracts . . ." ⁵¹ Knowing that the transmission system would be completed soon, Ryan also suggested that Amalgamated keep the Missouri River Power Company contract that served the Anaconda smelters until the Butte-to-Anaconda line could be finished. Ryan estimated that notice would be given to the United Missouri Company in time for a termination of service on September 1, 1910.

Nineteen days after the July 28 letter, the Amalgamated Copper Company gave formal notice to the United Missouri River Power Company that three of the power firm's contracts would be terminated in thirty days. ⁵² On September 17, the United Missouri lines were disconnected from Amalgamated plants and the power was shifted to the Butte Electric and Power Company. The following month, the Butte Water Company and the Butte Electric Company also terminated their contracts with Hauser. ⁵³ By mid-November, 1910, Gerry unhappily announced to Hauser that "Amalgamated have today transferred all their remaining power to the other system." ⁵⁴

51. Letter, John D. Ryan to C. W. Wetmore, July 28, 1910, PSR, Box 43, exhibit 95.

52. The cancelled contracts included (1) a 1905 agreement for 4250 horsepower, (2) a 1904 agreement for 7,000 horsepower, (3) a 1901 agreement for 2,000 horsepower. See letter, John G. Brown to S. T. Hauser, October 7, 1910, HP, Box 30, folder 19.

53. Letters, M. H. Gerry to S. T. Hauser, October 10 and 22, 1910, HP, Box 30, folder 18.

54. Telegram, M. H. Gerry to S. T. Hauser, November 16, 1910, HP, Box 30, folder 18.

Notwithstanding the events that unfolded in mid-August, 1910, S. T. Hauser believed that he could ultimately retain control of his hydroelectric facilities. Hauser claimed that Amalgamated had illegally cancelled the power contracts. Specifically, Amalgamated had terminated the 1905 agreement on the grounds that the period of contract had expired. Hauser and his attorney, William Wallace, Jr., on the other hand, contended that the contract was still in force. A clause in the contract stipulated that if power from the plants was disrupted by an "act of God," then "the terms of this contract shall be extended and continued for a period equal to such suspension."⁵⁵ Although Amalgamated's lawyers asserted that the failure of Hauser Dam could be attributed to the negligence of the power company, Wallace and Hauser believed otherwise.

Governor Hauser and his attorney argued the legal validity of their cause, but the ability to withstand a protracted court battle over the issues was clearly not theirs. Amalgamated withheld payment for any power that had been contracted after the termination date of September 17, and Hauser had little recourse to collect the overdue account.⁵⁶

55. Letter, William Wallace, Jr., to S. T. Hauser, November 8, 1910, HP, Box 30, folder 19.

56. Letters, S. T. Hauser to W. B. Gower, August 23, 1910, HP, Box 33, folder 13, and M. H. Gerry to S. T. Hauser, November 23, 1910, HP, Box 30, folder 18. Attorney Wallace notified Amalgamated officials in October, 1910, that the company would be held liable for the contracted power. This ultimatum had little affect on the copper trust's attitude. See letter, John G. Brown to S. T. Hauser, October 7, 1910, HP, Box 30, folder 19.

S. T. Hauser had no success convincing the Amalgamated Copper Company to honor its five-year-old agreement with the United Missouri River Power Company. The persistent capitalist did not despair, however, in his belief that the copper company would eventually need power from his hydroelectric holdings. In a letter to New York financier Henry Seligman in March, 1910, Hauser stated that the United Missouri Company had a "connected load" from its customers of 26,000 horsepower, although the failure of the dam prevented the firm from delivering that much power. Hauser claimed an additional 30,000 horsepower that was being negotiated with present and prospective customers. Hauser posed the question to Seligman, "How much of this 56,000 horsepower can Ryan, together with the Wetmore Company, furnish."⁵⁷ He argued that, at best, Ryan's Rainbow Dam plant could generate only 14,000 horsepower, and that little of this would be available to customers outside the Great Falls area.

Hauser's estimation of the demand for electric power and his assessment of the capacity of the Great Falls facility were clearly inaccurate. Indeed, while the Ryan plant proved to offer more than 20,000 horsepower once it was fully operational, Hauser restated his belief that the plant could produce no more than 12,000 to 15,000 horsepower.⁵⁸ Unwaning optimism in the face of the Ryan/Wetmore combination could not protect Hauser from the affects of the loss of

57. Letter, S. T. Hauser to Henry Seligman, March 25, 1910, HP, Box 33, folder 13.

58. Letters, S. T. Hauser to Henry Seligman, September 27, 1910, HP, Box 33, folder 13, and S. T. Hauser to Henry Seligman, January 24, 1911, HP, Box 33, folder 14.

Amalgamated's power business. Hauser undoubtedly feared for the financial future of his power companies in the late summer and early fall of 1910. But he had little time to ponder the veracity of electrical supply and demand predictions as he was forced to contend with the disaffection of his most trusted financial supporters.

Difficulties with completing work on the Hauser and Holter Dams prompted S. T. Hauser's concern over losing his financial backing. An inspection of the Montana hydroelectric plants, conducted by a key Hauser financier, Henry Seligman, in June, 1910, helped allay some fears over the future of the power companies. But Hauser was anxious nevertheless over "the recent effort of our opponents to break us financially."⁵⁹

Efforts by Hauser to retain this principal financier were futile in the face of Amalgamated's notice to terminate electric power contracts with the United Missouri River Power Company. Although Hauser received official notice of the termination in mid-August, 1910, he did not inform Henry Seligman of the situation. When Seligman learned of

59. Hauser was referring to the construction of Rainbow Dam and the rumors of new contracts between Amalgamated and the Great Falls firm. Letter, S. T. Hauser to John S. M. Neil, July 2, 1910, HP, Box 33, folder 13. Seligman was not totally reassured of the United Missouri Company's ability to withstand Ryan's economic pressure as an August 1, 1910, letter from Hauser evidences. Seligman was assured by Hauser that the company would do whatever was necessary to reach an accommodation with Ryan and Wetmore--even if this meant consolidation of power holdings. Hauser sought to impress Seligman, however, with the enormous potential of the United Missouri Company's hydroelectric power sites. Hauser reverted once again to hyperbolic statements regarding the company's ability to meet a growing demand for electric power. Letter, S. T. Hauser to Henry Seligman, August 1, 1910, HP, Box 33, folder 13.

the disconnection of Amalgamated power in mid-September, he was justifiably angry with Hauser.

Gerry wires that the Amalgamated Company have cut off over 8,000 HP, and, judging from the notices which were sent out recently, in another month all the power will be cut off. I understand that the Amalgamated gave notice in the early part of August to this effect, and I consider it very wrong of whoever is responsible for withholding this from me, as had I been aware of this fact, it would have been barely possible to have averted what has been done.⁶⁰

Seligman blamed the high cost of the third dam (Holter) on the power company's problems and suggested that construction at the Wolf Creek site be halted. Even with this action, the New York banker anticipated great difficulties in solving the company's problems. Referring to negotiations with Amalgamated, he stated, "We cannot afford to dictate terms."⁶¹

While Seligman was displeased that he had not been consulted about the contract cancellations, he was furious that William A. Clark had not been officially told of the terminations. Seligman believed that Clark was the man who could save the power company from ruin and that Hauser had to be completely honest in conversations with the ex-senator.

I am dumbfounded at your behavior, for on Sunday you had a four hours' interview with the Senator and evidently failed to post him as to the true condition of affairs. If you are not thoroughly candid with the Senator who, in my opinion, is

60. Letter, Henry Seligman to S. T. Hauser, September 20, 1910, HP, Box 30, folder 15.

61. Ibid.

the only man that can bring about a settlement,
I can see serious trouble staring you in the face.⁶²

Issuing a note of resignation, Seligman added that "I am getting thoroughly disgusted with the whole business and am almost prepared to quit."⁶³

W. A. Clark was probably not as unaware of the Amalgamated action as Seligman implied. Nonetheless, when he obtained the same telegram from M. H. Gerry that Seligman had received, the ex-senator expressed complete shock at the disconnections. Of more surprise to Clark was Hauser's lack of candor.

Mr. Gerry stated that no doubt you had advised me of this at the meeting I had with you on Saturday. If you had this information, I cannot understand why you did not give it to me, as you in no wise referred to it.⁶⁴

Clark stated that the situation was now "quite critical" and that the contract cancellations could stop negotiations on the future bond sale and cause more financial difficulties.⁶⁵

Despite Hauser's promotion of the potential need for electric power from the United Missouri Company's facilities, Seligman and Clark were convinced that the Rainbow Dam plant would destroy their firm. Of particular concern to Seligman was Hauser's unwillingness to admit the

62. Letter, Henry Seligman to S. T. Hauser, September 22, 1910, HP, Box 30, folder 15.

63. Ibid.

64. Letter, W. A. Clark to S. T. Hauser, September 21, 1910, HP, Box 30, folder 10.

65. Ibid.

threat posed by Ryan, Wetmore and Amalgamated. They claimed that Hauser's failure to inform either supporter of the United Missouri Company's recent setbacks or to manage the company effectively prompted them to abandon the threatened power business. By late September, 1910, two of the first supporters of Hauser's Helena Water and Electric Power Company has rejected their old friend's unflagging optimism and urged a consolidation with Ryan and Wetmore.

On September 28, 1910, Seligman informed Hauser that the Board of Directors at the United Missouri River Power Company had created a new Executive Committee. In the future, General Manager M. H. Gerry would report directly to the Board and not to Hauser. Although Hauser was appointed to the committee, Seligman was "most anxious to have one of the Amalgamated on that Committee." Amalgamated, of course, still owned stock in the United Missouri River Power Company.⁶⁶

Formation of this Executive Committee marked the end of Hauser's control over the direction of the power companies. His investors had acknowledged the increasing demand for industrial electricity in Montana and had tolerated the long months of delay and rising costs of the two Hauser-sponsored Missouri River dams. Yet, the persistent efforts of the Ryan/Wetmore combination broke the personal and financial bond between Hauser and his eastern source of capital. The former governor's insistence that his facilities would eventually share in the state's electrical future had little influence with men who had already

66. Letter, Henry Seligman to S. T. Hauser, September 28, 1910, HP, Box 30, folder 15.

bowed to Amalgamated.⁶⁷

In the months that followed the September defection of his financial support, S. T. Hauser attempted to re-establish his leadership of the United Missouri River Power Company. He reaffirmed his previous statements that the Ryan/Wetmore combination could not supply all of the electrical power demand in Montana. Hauser optimistically predicted that the Helena-based power companies would eventually garner a fair share of the industrial power market in the state.⁶⁸ Termination of the Amalgamated contracts and the disconnection of the United Missouri Company's transmission lines did not encourage Hauser's investors to wait for the inevitable increased demand.

In March, 1910, Hauser's companies were supplying approximately 19,000 horsepower of electricity to their customers. Of this load, between 6,000 and 10,000 horsepower was supplied by Wetmore under the 1908 agreement with Hauser. As much as 4,000 horsepower was being generated by the expensive Butte steam auxiliary plant owned by the United Missouri Company.⁶⁹ Following cancellation of the copper

67. Hauser was correct, of course, in assuming that his plants were needed in the total development of hydroelectric power in Montana. As noted in the 1908 Cooper and Powelson Report, Hauser's plants were an important part of the Missouri River Basin power system. The alliance between Wetmore and Ryan was one of expediency and one that anticipated the eventual assumption of the Hauser-controlled interests.

68. See various letters, S. T. Hauser to W. A. Clark, October 3, 1910, HP, Box 33, folder 13; S. T. Hauser to W. A. Clark, October 12, 1910, HP, Box 30, folder 18; S. T. Hauser to Henry Seligman, January 17, 1911, HP, Box 33, folder 14.

69. Hauser continually altered figures for the amount of power that Wetmore's firm supplied to United Missouri River customers. In one estimate to Henry Seligman in March, 1910, Hauser suggested that

trust's contracts with Hauser, the aging capitalist's power contracts were reduced to a minimal 4,000 horsepower. In early 1911, Hauser tried to show his disaffected supporters that projected power sales would soon raise the company's distribution to 20,000 constant and intermittent horsepower. But the old promoter's principal backers, Clark and Seligman, were not encouraged by these extravagant estimates.⁷⁰ During the late fall and early winter of 1910-1911, Henry Seligman led the efforts of the newly-formed Executive Committee to reach an agreement between the Ryan/Wetmore combination and the United Missouri River Power Company.⁷¹ At Seligman's urging, the Executive Committee halted work at Holter Dam near Wolf Creek.⁷²

The defection of old friend William A. Clark was a special blow to the aging S. T. Hauser. During the succeeding months, Clark sought the counsel of Hauser and kept his co-investor informed of negotiations between Seligman, Ryan and the Amalgamated people. Notwithstanding these courtesies, Clark had long since abandoned hopes for the survival

the figure was between 3,000 and 5,000 horsepower. Later that year, he indicated that a more accurate figure was between 6,000 and 10,000 horsepower. It is more likely that the figure for constant horsepower was closer to the 6,000 than 10,000 horsepower estimate. See letters, S. T. Hauser to Henry Seligman, March 25, 1910, and September 27, 1910, HP, Box 33, folder 13.

70. Letters, S. T. Hauser to Henry Seligman, January 24, 1911, and S. T. Hauser to W. A. Clark, March 3, 1911, HP, Box 33, folder 14, S. T. Hauser to W. A. Clark, March 10, 1911, HP, Box 33, folder 14.

71. Letters, W. A. Clark to S. T. Hauser, October 15, 1910, October 25, 1910, HP, Box 33, folder 10, and S. T. Hauser to W. A. Clark, January 16, 1911, HP, Box 33, folder 14.

72. Letter, D. P. Robinson to S. T. Hauser, November 29, 1910, HP, Box 30, folder 17.

of the United Missouri River Power Company under the leadership of S. T. Hauser. After September, 1910, the ex-senator openly supported attempts by the United Missouri Company's directorate to reach an accommodation with Ryan and Wetmore.⁷³

During the spring and summer of 1911, Henry Seligman negotiated with Ryan and Wetmore for the sale of the United Missouri River Power Company. Hauser, meanwhile, futilely worked with Helena newspaperman J. S. Neil to effect a reorganization of the company. When that effort failed in March, 1911, Hauser could no longer prevent sale of his power business.⁷⁴ In April, 1911, Hauser finally capitulated to the Butte Electric and Power Company.⁷⁵

73. Clark's exasperation with Hauser is particularly noted in the politician's skepticism of Hauser's low power production figures for the Great Falls plant. Noting the discrepancies between M. H. Gerry's estimates for the facility (11,000 - 14,000 horsepower) and engineer Max Hebgen's projections (20,000 horsepower), Clark warned Hauser to beware of being misled.

Somebody is off about this business, and are wrong and they have misled you to feel that the United Missouri River Power Company was independent of the Amalgamated Copper Company and that they would be obliged to take our power, then of course they will have led you and the rest of us into a hole from which it will be difficult for us to extricate ourselves. [Letter, W. A. Clark to S. T. Hauser, January 18, 1911, HP, Box 30, folder 22.]

74. After repeated correspondence with Hauser in March, 1910, J. S. Neil reported to the United Missouri Company president that his "party declines to make investment because my proposition does not give him ownership of a majority of the stock." Telegram, J. S. Neil to S. T. Hauser, March 25, 1911, HP, Box 30, folder 26.

75. Telegram, John S. Neil to S. T. Hauser, April 10, 1911, HP, Box 30, folder 26.

There were changes in personnel at the reorganized United Missouri River Power Company in the summer of 1911. William Gower, secretary for the company during its long fight with Ryan and Wetmore, was replaced in July by R. S. Condit.⁷⁶ The following month, M. H. Gerry was demoted from general manager to consulting engineer. Max Hebgen, formerly of the Butte Electric and Power Company, joined the United Missouri River Company as its new general manager. This latter change was instigated by John D. Ryan.⁷⁷

S. T. Hauser retained a financial and official interest in the United Missouri River Power Company after its sale to the Butte firm. At the United Missouri Company's November meeting, Hauser was re-elected to the presidency of the reorganized business. Despite Hauser's title, Albert Strauss, of J. W. Seligman and Company, directed the new organization as Chairman of the Reorganization Committee. After so long a battle, the seventy-nine-year-old Hauser was in no position to challenge Strauss' leadership. Hauser's resignation as a director and president of the United Missouri River Power Company on June 19, 1912, undoubtedly surprised nobody.⁷⁸

New personnel and leadership at the United Missouri Company were precursors to greater changes. Two weeks prior to Hauser's resignation from

76. Letter, R. S. Condit to M. H. Gerry, July 24, 1911, HP, Box 30, folder 31.

77. Letter, J. D. Ryan to Max Hebgen, August 14, 1911, PSR, exhibit 199.

78. Letter, S. T. Hauser to Board of Directors, United Missouri River Power Company, June 19, 1912, HP, Box 33, folder 15.

from the Board of Directors of his old company, holders of notes of the United Missouri Company formed the Butte Syndicate.⁷⁹ It was this group of investors led by C. W. Wetmore and the Butte Electric and Power Company that joined with John D. Ryan to form the Montana Power Company on December 12, 1912.⁸⁰ John D. Ryan and C. W. Wetmore had indeed made "the young old man a heap of trouble."

A number of forces and events combined to trouble S. T. Hauser following the collapse of Hauser Dam in April, 1908. Overwhelming financial requirements caused by the simultaneous construction of two hydroelectric facilities created a severe cash problem for the electric power promoter. Constantly rising costs of both major projects forced the former Montana governor to make repeated overtures to his supporters for additional funds.

Construction and design problems faced by the Stone and Webster Engineering Corporation contributed to the delays and to the resultant cost increases. Although Hauser never shared General Manager Gerry's distrust of the nationally-known construction firm, he did believe that Stone and Webster had poor leadership at the Montana construction sites.

79. Butte Syndicate, April 24, 1913, HP, Box 62, folder 52.

80. The Montana Power Company included the Butte Electric and Power Company and its three principal subsidiaries: the United Missouri River Power Company, the Billings and Eastern Montana Power Company and the Madison River Power Company. For a more detailed description of the merger, see Douglas Leighton's "The Montana Power Company," passim. (Hauser retained some stock in the Montana Power Company through his Helena and Livingston Smelting and Refining Company.) Letter, J. & W. Seligman and Company to S. T. Hauser, March 4, 1913, HP, Box 31, folder 11.

In a letter to W. A. Clark following the cancellation of the Amalgamated contracts, Hauser stated that:

Stone and Webster are honorable men, but I believe their manager has made a terrible failure (costing us hundreds of thousands of dollars), that he has become demoralized and is doing what he can to hedge out.⁸¹

Hauser claimed that the demise of the United Missouri River Power Company could be laid directly at the feet of the Stone and Webster Company's local management.⁸²

S. T. Hauser's character and personal dynamism could have assisted him in solving the difficult problems with Hauser and Holter dams. His past career in banking, in mining, and in hydroelectric development evidenced the promoter's ability to align supporters and to surmount perplexing financial hurdles. Hauser may have accomplished these entrepreneurial feats had he not encountered the opposition of John D. Ryan. The junior capitalist had such strong corporate support for his hydroelectric ventures that attempts by the senior Hauser to counter Ryan's plans were fruitless. Once John Ryan succeeded to the presidency of the Amalgamated Copper Company and had allied with C. W. Wetmore's Butte Electric and Power Company, S. T. Hauser's fate was sealed. The Amalgamated Company was the major consumer of industrial electricity in Montana. The copper trust's conversion to electrical power and its assumption of other mining properties in 1906 insured that the power

81. Letter, S. T. Hauser to W. A. Clark, November 1, 1910, HP, Box 33, folder 13.

82. Ibid.

company who served Butte and Anaconda would dominate electrical power production in the state.

Hauser was correct in assuming that his Missouri River properties were valuable, if not crucial, to the success of the Ryan/Wetmore power combination. Without the control of Canyon Ferry, Hauser, and the future Holter Dam, the Butte Syndicate would have been threatened periodically by insufficient water for its generators.⁸³ Hauser's oldest and staunchest supporters, Henry Seligman and W. A. Clark, recognized this fact. They also acknowledged the strength of John D. Ryan and Amalgamated. Cancellation of power contracts in September, 1910, emphasized to Seligman and Clark that S. T. Hauser's United Missouri River Power Company was vulnerable and could easily be forced into bankruptcy. Their subsequent defection from Hauser caused his financial collapse. In the end, S. T. Hauser's promotions had been directed at the wrong people.

83. In October, 1910, the Butte Company's general manager, Max Hebgen, wrote to John D. Ryan, warning that if the Hauser Dam flood-gates were closed "when the Great Falls company is using practically the whole flow of the river, they could, for a period of three or four days, cut off the flow at Rainbow very materially." Letter, Max Hebgen to John D. Ryan, October 17, 1910, PSR, Box 43, exhibit 186.

EPILOGUE

THE OPPORTUNITY OF ELECTRIC POWER

The possibility of making electricity a commercial power source offered nineteenth century capitalists a new economic frontier to exploit. Steam-generated electricity was the first form of the new power to be applied to industrial America, since these plants could be erected adjacent to manufacturing centers. But George Westinghouse's experiments with high-voltage electric transmission in the late 1880s convinced most electrical entrepreneurs that a large, central station power source was both practical and economically efficient. It was the ability to transmit electric current that spurred development of hydroelectric power plants in the United States.

Montana, along with her western state neighbors, was particularly blessed with water-power sites. And, of all the high mountain rivers and streams susceptible to hydroelectric generation, it was the Missouri River that offered the greatest prospects for the development of a central station power plant. Very early in the twentieth century, Montana investors recognized the value of the river and pursued its control and harnessing for industrialization. The Missouri presented an opportunity that local capitalists could not ignore. Their exploitation of that opportunity during the period 1898-1912 left a legacy of combination of public utilities and a pattern of development that reflected the strength

of the state's mining industry.

Samuel T. Hauser was but one individual who recognized the potential for applying electric power to Montana's mines and smelters. He was one of the first individuals to take advantage of long distance electrical transmission. The scale of his hydroelectric development was unparalleled at the time. Yet, while Hauser was responsible for demonstrating the economic possibilities of the new power source, he did not share in the long-term benefits of his pioneer efforts.

The entrance of John D. Ryan and Charles Wetmore, both of whom had strong financial support from national industrial firms, interrupted Hauser's plans for controlling the hydroelectric potential of the Missouri. Nature's hand, in the form of a spring freshet in April, 1908, aided Wetmore and Ryan in their attempt to destroy Hauser. But, the former Montana governor's own financial instability and inability to prosecute construction of Holter Dam and Hauser Dam prompted abandonment by his closest financial friends and his eventual loss of control of the United Missouri River Power Company. A consummate promoter, an aging S. T. Hauser had, perhaps, proceeded too quickly in attempting to establish his hydroelectric empire on the upper Missouri River.

The failure of Hauser Dam in 1908 may have encourage Ryan and Wetmore to seize that opportunity to combine forces, to rush completion of the new Rainbow Dam, and to tighten the competitive squeeze on Hauser. Notwithstanding the timing of events, it seems clear that the various interests planned a power combination as early as 1904. The exact scenario for effecting the formation of the syndicate was not

apparent until 1908, but few influential electric power entrepreneurs disputed the inevitability of such a monopoly.

The Amalgamated Copper Company also did not argue with the combination of power producers. By 1905, the company's chief executive, H. H. Rogers, had become convinced of the applicability of electricity to Amalgamated's operations--much of this conviction due to the efforts of S. T. Hauser. The network of high-voltage transmission lines that extended towards Butte and Anaconda beginning in 1901 evidenced the copper trust's acceptance of the new power.

There is no conclusive evidence of collusion between John D. Ryan and the Amalgamated Copper Company in financing what ultimately became the Montana Power Company. Ryan always maintained that he had found independent financial support. These protestations, however, do not dismiss the questionable nature of Ryan's business connections.

A federal investigator queried John Ryan in 1921 about the power developer's corporate associations during the 1909-1912 period. The lawyer wondered if Ryan's presidency of Anaconda Copper Mining Company, his later leadership in Amalgamated, and his directorship in the Chicago, Milwaukee, St. Paul Railway Company (a company that electrified part of its railroad in 1918) did not influence various decisions regarding the power business. In response, Ryan explained that his actions benefited all of the companies involved in the transactions and that "an honest individual can make this determination [of benefit]."¹ Despite Ryan's

1. "Testimony of John D. Ryan Before the Interstate Commerce Commission in the Investigation of the Chicago, Milwaukee, St. Paul Railway Company," ICC Doc. No. 17021, November 17, 1921, PSR, Box 43, exhibit 145.

assertions of objectivity, every event in the process that began to unfold in 1908 augmented his (Ryan's) personal wealth and influence.

H. H. Rogers may have agreed to accept electric power from Ryan's company for the good of Amalgamated following the failure of Hauser Dam in 1908. Nonetheless, when John Ryan assumed leadership of Amalgamated in 1909, there could be little doubt that future power development on the Missouri would revolve around the interests of the new copper trust president. Hauser had always acknowledged the importance of aligning with the Amalgamated Company. But he was unable to continue the alliance once H. H. Rogers died and John Ryan moved to New York.

The combination of John Ryan's and Charles Wetmore's power companies, the bankruptcy of S. T. Hauser's United Missouri River Power Company and the formation of the Montana Power Company secured the bond between the mining industry and hydroelectric producers in Montana. Those events also enabled electric production and distribution in the state to be monopolized. Early efforts at electrification in Montana had concentrated on supplying power for residential lighting to the state's communities. Formation of the Montana Power Company in 1912, however, was intended to produce electric power for large industry, not small consumers. While the thrust of Montana Power Company's capital effort has no doubt allowed numerous small Montana towns to receive the benefits of electricity (a point that the Company has never neglected to make), the Company was not created on that premise.

Fears of the effects of monopolization of electric producers in Montana and other states surfaced on the national level at an early date.

In 1912, the U. S. Bureau of Corporations reported on the trend towards combination in the industry and the possibility that only a few large utility security companies would eventually control all of the electric production in the country.² This concern prompted Congress to authorize a study of electric power development in 1915. A three-part report, published in January, 1916, suggests that a monopoly in electric power producers was already apparent. In the area of water power development, the expansion in western states increased four hundred and fifty-one percent between 1902 and 1912 compared to ninety-eight percent for the East during the same period. Consolidation of power interests was particularly evident in this development.³ The report concludes that interlocking directorships among power companies was impossible to determine. Yet, the report adds, "these data show potential control, a marked tendency toward association or community of interests, particularly between the principal holding companies, that cannot be viewed without concern."⁴ It was this trend in hydroelectric power development that raised congressional interest in regulating the industry and aided efforts to pass the Federal Water Power Act of 1920.

The enactment of this national scenario in Montana did not occur without casualties. C. W. Wetmore, who considered himself the architect

2. Bureau of Corporation, "Report of the Commissioner of Corporations on Water-Power Development," passim.

3. U.S. Senate, Electric Power Development in the United States, 64th Cong., 1st Sess., Senate Doc. No. 316 (1916), pp. 13-15.

4. Ibid., p. 15.

of the Butte Syndicate and the Montana Power Company, suffered a nervous breakdown in December, 1912. While recuperating in England during the winter of 1913, Wetmore learned that the first presidency of the new company had been given to John D. Ryan. Angry and distraught, Wetmore wrote to Ryan in May, 1913, expressing his outrage at the turn of events.

I think you will not be surprised when I say that I feel I have been grossly betrayed, humiliated and outraged by the men of my own group. I created the Montana Power Company, and I did it alone.⁵

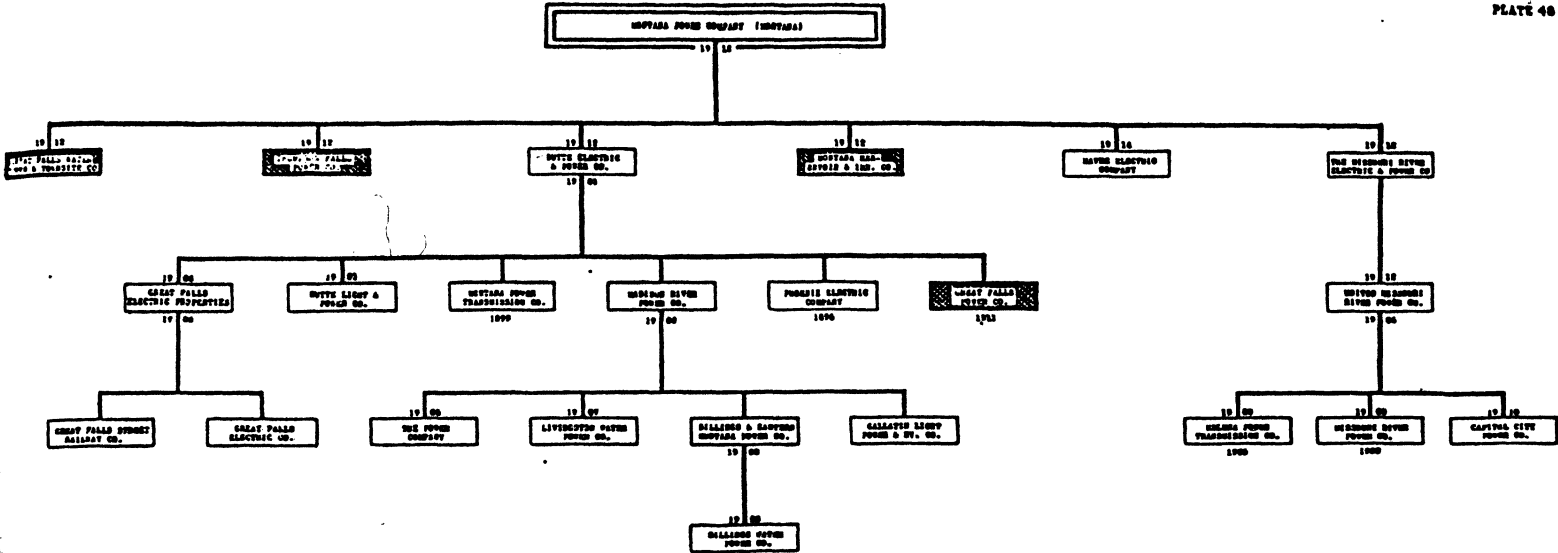
Wetmore recognized that Ryan was in a "difficult position" but urged him to accept the contributions that the former Butte Electric and Power Company president had made and to restore him (Wetmore) to his proper position.⁶ Wetmore must have been sorely grieved when John Ryan continued as president of the Montana Power Company.

Samuel T. Hauser was a second victim of the formation of the Montana Power Company. Hauser was one of the first Montanans to attempt electric production from water power facilities. Through his promotion, the value of that new power source was demonstrated. Always in the forefront of activity on Montana's economic frontier, Hauser erected the first large hydroelectric power plant in Montana. He also pointed the way towards the creation of an industrial market for the new product. In his declining years, Hauser could look to these accomplishments of his participation in hydroelectric development. At his death in November, 1914, however, he could not look with equal pride to his

5. Letter, C. W. Wetmore to John D. Ryan, May 19, 1913, PSR, Box 29(1), exhibit 305.

6. Ibid.

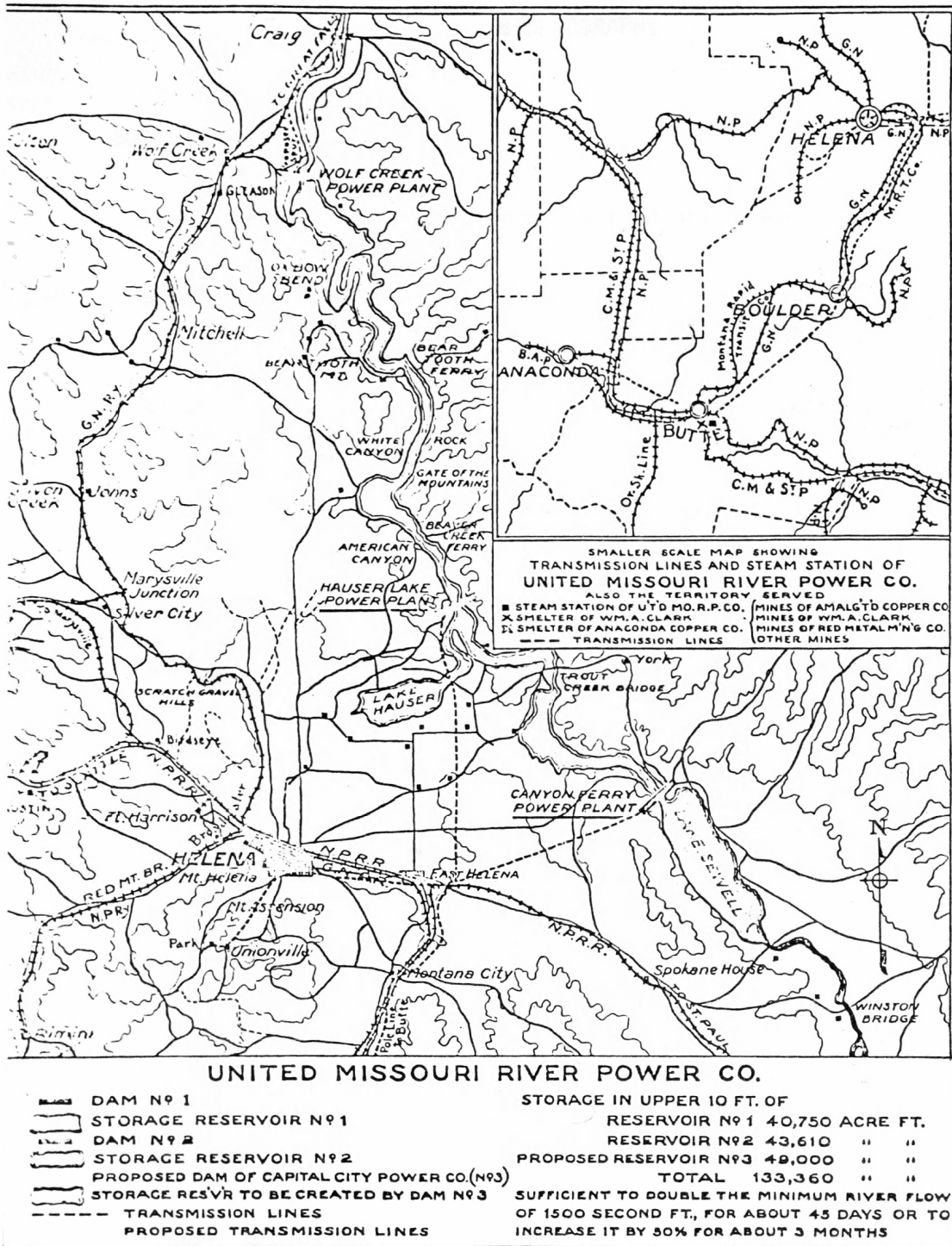
continued involvement in the electric industry. Throughout his long career on the Montana frontier, S. T. Hauser had often been the first to see the potential of new industry. His economic prescience continued into the twentieth century with an endeavor that was destined to be controlled by others.



APPENDIX A

from: Electric Power Development in the United States, U.S. Congress, Senate Document No. 316, 64th Cong., 1st Sess. (1916).

APPENDIX B



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