

## Citizens Gas & Coke Utility

Founded: 1887 (as Consumers Gas Trust Company)

Location: Bank of Commerce Building on South Pennsylvania Street, southeast corner of Virginia Avenue and Pennsylvania (1887– ); 2020 North Meridian Street (1993)

Since 1887 Citizens Gas & Coke Utility has been a public charitable trust. The origins of the gas company lie in a unique, nineteenth-century public-private partnership. Prior to the 1880s several companies supplied gas to Indianapolis, including the Indianapolis Gas Light & Coke Company, which was first chartered in 1851. By 1886 large natural gas fields, most notably in Kokomo, were discovered in Indiana. Immediately, forces backed by Standard Oil Company attempted to gain a franchise to sell the gas in the city at high rates. Local established gas interests and city leaders worked together to thwart Standard's bid. On 23 May 1887 the city passed an ordinance fixing maximum natural gas rates at one-fifth those proposed by Standard Oil.

At the same time, a popular movement for a consumer-oriented company that would develop and distribute the newly discovered natural gas developed. This movement gained momentum when Indianapolis Gas Light & Coke proposed, through a subsidiary, to sell the gas but at rates higher than those set by the city's ordinance. Published accounts from the late nineteenth century portray local businessman Arthur A. McKain as a moving force behind the creation of a consumer-oriented gas trust company. McKain, born in Ohio, came to Indianapolis in 1881 at the age of twenty-nine and sold marble monuments. "To him more than to all others must the credit be given that Indianapolis now has natural gas at a price less than one-third of the cost of hard fuel," claimed Max R. Hyman in a 1902 guide to Indianapolis.

In October 1887 public meetings were held to discuss the natural gas situation and the possibility of cooperative control of the resource. At a 24 October meeting of the Board of Trade, an organization of many of the leading businessmen of Indianapolis, Alfred M. Potts and John B. Conner proposed the creation of a consumer-oriented private trust. Control of the company would reside with a self-perpetuating board of trustees who would, in turn, appoint the company's directors. The trust would furnish gas at cost, with stockowners earnings set at 8 percent interest and repayment of the face value of the stock. Consumers Gas Trust Company was incorporated on 29 October with Judge Robert N. Lamb as president. The trust proved popular. By mid-November the company had raised its goal of \$500,000 from 4,700 subscribers. In May of the following year the company's new mains were opened. Gravel and small fragments of lead sealant showered over several blocks as gas, at a pressure of three hundred pounds per square inch, rushed into the mains; a roar was heard for a great distance, and the earth shook.

Natural gas suppliers depleted Indiana's fields by the turn of the century. In 1906 a second trust, Citizens Gas Company, was incorporated to assume control of Consumers Gas Trust Company. Citizens Gas constructed a plant, north of Prospect Street between the Belt and Big Four railroads, to produce artificial gas for the city. Low rates would be maintained by subsidizing gas production with the sale of by-products, primarily coke but also tar and ammonia. According to the company's 1905 franchise, shareholders of Citizens Gas would receive repayment in full on their investment in addition to 10 percent annual interest. At the end of twenty-five years, however, the entire operation would revert to the city.

In 1915 Citizens Gas entered into a close partnership with its rival, the Indianapolis Gas Company (a product of an 1890 merger between Indianapolis Gas Light & Coke and its subsidiary and two smaller gas companies). Citizens Gas was selling gas at the lowest rate in the nation. Public opposition to a rate increase by Citizens Gas in 1921, which had been approved by the state's public service commission, prompted the company to surrender its charter. In 1929, however, the city of Indianapolis announced its intention to exercise its ownership option under the 1905 franchise charter. Angry stockholders launched a lawsuit to prevent the takeover. The suit was resolved by a federal judge in the city's favor in 1930, and a subsequent appeal in 1931 upheld the earlier decision. The city faced a second obstacle: in the heart of the Great Depression, it could not raise the money required to accomplish the transfer. The city requested a \$9 million loan from the Public Works Administration (PWA), a creation of Franklin D. Roosevelt's New Deal. Although administrators at the PWA (and, later, the Works Progress Administration) were sympathetic, they doubted their authority to give the loan, and the city's requests languished. The city was not able to find an acceptable bid for its bonds until 1935, when it accepted the offers from Otis & Company of Cleveland and Halsey Stuart & Company of Chicago. That year ownership of the company was transferred to the city, and it was rechristened Citizens Gas & Coke Utility. The gas company remained, however, a charitable trust rather than a municipal department.

Thomas Law Kemp became general manager of the company in 1935. In 1940 Citizens Gas & Coke constructed a massive gas tank at its Langsdale Avenue plant. The massive container, the largest structure in the city at the time, was obsolete by 1967 (on winter days when the temperature dropped to zero the tank would be drained in fifty-one

minutes), and razed in the 1970s. In 1941 Citizens Gas & Coke finally purchased Indianapolis Gas Company for approximately \$9.7 million.

The company was dogged by controversy in the economically uncertain years immediately following World War II. In the face of public pressure to convert the company's surplus profits to the use of the city, Citizens Gas & Coke submitted public reports irregularly. The public agitated for the introduction of natural gas, while the company, led by Kemp, wanted to continue to produce gas artificially. The company relented, beginning to mix natural gas with its product in 1951. Finally, Kemp and Citizens Gas & Coke squashed an attempt by the United Gas, Coke & Chemical Workers of America to organize the utility's workers in the tumultuous postwar period. Gas company workers were not covered by federal labor law provisions, nor because of the unique structure of Citizens Gas & Coke was the company bound by state compulsory arbitration laws for public utilities. The union convinced 325 workers to strike in April 1947. The company, preferring to deal informally with a company-sponsored employee organization, promised a 15 percent pay increase and claimed that life insurance and hospital benefits were generous, that employees received good vacation and pension plans, and that wages had risen 120 percent since 1936. The union saw the conflict as one of worker autonomy, claiming the company had fired five employees who had tried to organize. The union demanded job security and collective bargaining rights. The strike, which had no impact on the services Citizens Gas & Coke provided its customers, collapsed in June, and the company refused to reinstate the striking workers. By the 1990s the utility had more than 230,000 customers and assets valued at more than \$450 million.

