

Springfield Gas and Elec. Co. Vs. Springfield

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Court : US Supreme Court

Decided On : Nov-07-1921

Appeal No. : 257 U.S. 66

Appellant : Springfield Gas and Elec. Co.

Respondent : Springfield

Judgement :

Springfield Gas & Elec. Co. v. Springfield - 257 U.S. 66 (1921)

U.S. Supreme Court Springfield Gas & Elec. Co. v. Springfield, 257 U.S. 66 (1921)

Springfield Gas & Electric Company v. Springfield

No. 46

Argued October 19, 1921

Decided November 7, 1921

257 U.S. 66

ERROR O THE SUPREME COURT

OF THE STATE OF ILLINOIS

SYLLABUS

State legislation permitting a city owning an electric plant to sell electricity to private consumers and fix the rates by ordinance or resolution of the city council while subjecting a competing private corporation to regulation of its rates by a public commission *held* not to deny the corporation the equal protection of the laws. Illinois Public Utilities Act, June 30, 1913, 33, 34. P. [257 U. S. 69](#) .

292 Ill. 236 affirmed.

The plaintiff in error brought this suit in a circuit court of Illinois to enjoin the City of Springfield from operating its plant for the production and sale of electricity to private consumers without having first filed rates, etc., as required by the Public Utilities Act of the state (Laws 1913, p 459), A decree dismissing the bill was ultimately

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affirmed by the state supreme court, whose decision is brought here by the present writ of error.

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MR. JUSTICE HOLMES delivered the opinion of the Court.

This is a bill in equity brought by the plaintiff in error, a private gas and electric company, to restrain the defendant City from producing and selling electricity to private consumers without first filing schedules of rates and printing and posting the same as required by 33, 34 of the Public Utilities Act of June 30, 1913 [Laws 1913, p. 459]. The bill was dismissed on demurrer by the court of first instance. An appeal was taken to the

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supreme court, where the decree was affirmed on rehearing after a previous decision the other way. The Public Utilities Act and the Municipal Ownership Act were enacted by the State of Illinois within a few days of each other, and, according to the supreme court of the state, as parts of a single plan. The former excepts municipal corporations from its requirements, and the latter allows cities to go into this business, among others, and to fix the rates, which in the plaintiff's case are subject to the approval of the State Public Utilities Commission. The plaintiff contends that the exception of municipal corporations from the Public Utilities Act is void under the Fourteenth Amendment, and that the act should be enforced as if the exception were not there.

It might perhaps be a sufficient answer to the plaintiff's case that the supreme court has intimated after careful consideration that the Utilities Act must stand or fall as a whole, so that, if the plaintiff's attack upon the exception were sustained, the whole statute would be inoperative, and the only ground of the suit would fail. The plaintiff attempts to reargue the question, but upon this point the decision of the state court would be final, and would control. However, as the supreme court did not stop at that point, but, assuming that, under the law of Illinois, the plaintiff had a standing to demand the relief sought if its case was otherwise good, went on to decide the validity of the exception, we think it proper to follow the same course, and to deal with the constitutional question raised.

The plaintiff's argument, shortly stated, is that, in selling electricity, the city stands like any other party engaged in a commercial enterprise, and that to leave it free in the matter of charges while the plaintiff is subject to the Public Utilities Board is to deny to the plaintiff the equal protection of the laws. But we agree with the supreme court of the state that the difference between the two types of corporation warrants the different treatment that they have received.

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The private corporation, whatever its public duties, is organized for private ends, and may be presumed to intend to make whatever profit the business will allow.

The municipal corporation is allowed to go into the business only on the theory that thereby the public welfare will be subserved. So far as gain is an object, it is a gain to a public body, and must be used for public ends. Those who manage the work cannot lawfully make private profit their aim, as the plaintiff's directors not only may, but must. The supreme court seems to interpret the Municipal Ownership Act as limiting the charges allowed to what will be sufficient to meet outlays and expenses of every kind, thus emphasizing the purely public nature of the interests concerned and excluding the latitude for wrong that the plaintiff fears. The Court further says that the municipalities can exercise their power to make all needful rules and regulations only by ordinances and resolutions, as in other public action. It calls attention to the fact that the accounts are regulated by law and open to the public eye, and that the consumers in this as in the other case may have a resort to the courts.

The plaintiff did not venture to contend that the submission of similar duties of different bodies to different tribunals was of itself unconstitutional, or that the fixing of rates might not be entrusted to city councils. But the fact that the municipality owned the plant for which its council fixed the rate was supposed to disqualify its officers, at least when other plants were submitted to the judgment of strangers. But a city council has no such interest in the city's electric plant as to make it incompetent to fix the rates. Whatever the value of the distinction between the private and public functions of the municipality, the duty of its governing board in this respect, as we have said, is public, and narrowly fixed by the act. The conduct of which the plaintiff complains is not extortion, but, on the contrary, charging rates that

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draw the plaintiff's customers away. The standard for these rates, however, according to the supreme court, is fixed by the legislature. If the rates had been fixed by law at the present amounts, it would be vain to deny their validity. The trouble with the plaintiff's argument is that it attempts to go behind the interpretation that the supreme court has given to the acts concerned and to overwork the delicate distinction between the private and public capacities of

municipal corporations. It is unnecessary to refer to the numerous cases upon classification by state laws in order to show that the distinction in question here is very far from being so arbitrary that we can pronounce it bad.

Decree affirmed.

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