

Pasadena's Fight For Public Power

By Tim Brick

This article first appeared in New Pasadena Magazine in 1978. At that time, power rates in Pasadena had climbed so high that citizens and city officials began to question whether the City of Pasadena should continue to run an independent Water & Power Department. A Blue Ribbon Committee was established to decide whether or not to sell the utility to Southern California Edison. Now new challenges face the Pasadena Water & Power Department and the electric utility industry. While there have been important changes since the late 70s, this article gives important historical perspective to the debate about the future of the electric utility in Pasadena.

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“It is absurd to take the position that a city cannot run its utilities. Men and machinery will perform for a city the same as for any other corporation. The thing that I fear in connection with the operation of these utilities is the meddling of politicians.”

-- C. Wellington Koiner, Father of the Pasadena Water & Power Department

One of the most bold and progressive chapters in Pasadena history was written by the citizens who established the electric utility in the early days of this century. For sixteen years the city of Pasadena and its residents fought a bitter battle with the company now known as Southern California Edison to assert the right of people to control the basic industries of a city. Now, seventy-one years after that struggle began, a Blue Ribbon Committee has been established to determine whether the city ought to surrender that same electric utility to Edison.

But before that decision is made the people of Pasadena should review the early history of our electric utility to find out what it was that sparked such commitment and loyalty that Pasadena residents were willing to pay more to buy their electricity from the city rather than from a private corporation and why it is that

utility service has slipped from the standards of excellence that once characterized it.

THE EARLY DAYS OF UTILITIES

Like today, utilities seventy years ago were the subject of heated debate. In cities and states across the country, politicians and community leaders argued about how to ensure that utilities, in the absence of competition, would provide the highest levels of public service. Some groups felt that only city ownership and operation would guarantee the public interest. Others lusted for the enormous sums of money at stake and argued that private businesses, if left alone, could best provide services like electricity, water and gas.

Soon the privatizers realized that, because of a utility's monopoly power, they could neutralize and defeat the advocates of municipal

ownership only if they submitted to some new form of government regulation. Here in California, for example, Governor Hiram Johnson established the Public Utilities Commission in 1911. At that time he warned: "If we don't control the utilities, we'll soon find that they control us." Although his rhetoric sounded good, the PUC, it soon became clear, was a pro-privatization maneuver designed to hand over, in large part, these basic services to private investors. The regulatory agency, historically, became a rubber stamp for decisions made in corporate boardrooms.

Pasadena, during this period, emerged into the national spotlight as a city where the citizens were determined to own their own utilities. C. Wellington Koiner, the general manager of the Light and Power Department and eventually city manager, became a nationally renowned champion of municipal ownership. For fourteen years he led a unique battle in which there were two competing electrical systems in Pasadena: the city's and Edison's. His dynamic leadership, coupled with broad community support, created a utility that proved to the nation that city-owned facilities can better serve the public.

The battle began in 1904 when the Edison Electric Company supplied electricity to the city for street lighting. That power cost 15¢ per kilowatt-hour (kwh). Today you're paying about 5¢ per kwh, so it's easy to see why the city directors were disappointed with the price as well as the quality of service that Edison provided. They decided Pasadena would be better off providing its own lighting and drafted a bond issue to that effect, which was approved by voters on May 3, 1906.

The small steam plant the city built on Glenarm, near what is now the beginning of the Pasadena Freeway, provided cheaper and better service immediately. The price of electricity dropped to 12-1/2¢ per kwh. The

results were so encouraging that the facilities were expanded to provide electricity also to homes and businesses in Pasadena. This is where C. W. Koiner stepped in to assume leadership of the city agency. Residential users received power for 8¢ per kwh, and the price for street lighting soon fell to 4¢. The city also undercut Edison's basic service charge by 20% and offered to buy out the private utility's equipment and distribution systems.

EDISON RESPONDS

Edison fought back. Its strategy was two-fold: 1) cut rates until the city could no longer compete and 2) lure away the city's customers. The Edison officials tried to establish a flat charge of \$1.25 for all the power a residential consumer could use, but the city outlawed this by requiring meters. When Pasadena dropped its price to 7¢ per kwh, Edison cut theirs to 5¢. Pasadena followed suit and Edison cut theirs to 4¢ with a statement that it would always stay below the city. The privately owned utility, though, was only able to reduce its rates here by jacking up their prices in surrounding communities.

Edison also hired a corps of ten "solicitors" to drum up business in Pasadena. These employees concentrated on convincing residents to disconnect from the city's system and switch to the private utility. And their efforts were often successful -- particularly with newcomers unaware of the bitterness of the power struggle. In some years the city would connect 2,000 meters and lose 1,000 to 1,500 others through the efforts of these solicitors.

The rate war continued for more than a decade. But soon other cities began to complain that, because they had to pay more for their electricity, they were subsidizing the struggle in Pasadena between the public and private utilities. Legislation restricting such

discriminatory pricing was passed by the state legislature. Pasadena then approved an ordinance that specified that electric rates here could be no lower than in Los Angeles (7¢) unless the utility concerned could show that it was making a 4% return on its investment. The city could and reduced its rates to 5¢, but when Edison presented its books to the city they showed a loss of \$46,000.

Throughout the long rate war, Edison resorted to sophisticated public relations thrusts. Literature and letters to the editors of local newspapers appeared frequently. Often one or more of the seventy major Edison stockholders who lived in Pasadena signed them. For several years the *Pasadena News* joined the Edison attack, although the *Pasadena Star* was always a strong supporter of the municipally owned utility.

Edison gradually lost ground. By 1920 they had only 4,000 customers in Pasadena while the city system had 12,000. Faced with staunch community support for the city-owned facility. Edison retreated from the costly rivalry. That year they finally agreed to the city's offer to buy out their local system.

In most other American cities such fierce competition did not take place. The battle for public or private ownership usually did not go as far as competing electric systems within a city, so the success of the Pasadena Power and Light Department was viewed by many across the country as proof of the benefits that municipal ownership of utilities offers. By 1925, C. W. Koiner calculated, Pasadena residents and businesses had been saved \$3 million by their utility.

A RECORD OF SERVICE BETRAYED

For many years the Pasadena Light and Power Department continued its standard of excellence. Harvey House, long-time Pasadena

resident, remembers with pride the opportunity that students at Throop Memorial Institute (now Caltech) had to work for the city to put them through school. During the Great Depression the city utility, in a remarkable display of responsible government, expanded its building programs in order to provide jobs for residents hard-hit by the economic collapse. Unemployed customers were allowed to work for the utility for two-week stretches to earn money for utility bills, food and housing.

The Pasadena experience also helped Los Angeles. General Manager Koiner became a leader in the campaign for the establishment of the city-owned Los Angeles electric utility in 1925 and was a national leader of the Public Power movement. And during the early 1920's, Pasadena generators were able to offer cheap power to surrounding cities in a power crunch.

The very success of the Light and Power Department has led to its corruption. As the utility grew and its revenues increased, city officials in the late twenties began to look to the Light and Power Department to provide financing for projects for which they could not otherwise find funds. Voters turned down several efforts in the mid-twenties to build Brookside Golf Course, for instance, but city officials borrowed \$175,000 from the Department to do so. The Department also lent the city \$310,000 in 1927 to help build City Hall and the central branch of the Public Library. Light & Power Fund revenues financed \$600,000 worth of the Civic Auditorium and helped build the library branch at La Pintoresca Park.

One of the chief benefits of municipal utilities is that surplus revenues or profits can be used for such purposes, but gradually city officials in Pasadena forgot the chief purpose for the establishment of the Light and Power Department: to provide cheap, quality service

to city residents and businesses. Over the years the long arm of the city directors reached deeper and deeper into the utility revenues, necessitating higher rates. Electricity rates today in Pasadena are the highest in Southern California and among the highest in the nation because the city now views our utility as a taxing device. Last year the electric utility contributed more money to the city than even the property tax levy because of these exorbitant rates. \$4. 7 million, or 16% of the utility's gross operating revenues, went to the city general fund. The Los Angeles Department of Water and Power, for comparison, gives 5% of its gross operating revenues. The addition of the utility users tax, the underground surcharge, and the charges for city services bring the total contribution to the city treasury to over \$8 million.

BLUE RIBBON COP-OUT

With recent energy price increases compounding the effects of the drought, city officials say they are not confident that the Pasadena Water and Power Department can continue to provide electrical service at affordable prices. But the critical questions are these:

- How much should the utility contribute to the city treasury?
- Should such essential services be used as a taxing device?

Since these services are necessities, using them to generate vast amounts of revenue places an unfair burden on low- and moderate-income residents, more so than even the property tax.

As C. Wellington Koiner said: "To deny we have the ability as a municipality to own and operate utilities of this character is to acknowledge that we, as a people, are a failure under democratic form of government. "

Tim Brick, the author of this article, was appointed to the Utility Advisory Commission recommended by the Blue Ribbon Committee when it was first established in 1979. He served on that body for fourteen years including four terms as chair. He continues to represent the City of Pasadena on the Board of Directors of the Metropolitan Water District of Southern California.

UTILITIES AND DEMOCRACY-C. W. KOINER

The benefits resulting to the people of Pasadena from owning and operating their sewer system are apparent. Is there anyone who would turn this over to private parties to operate for profit? The answer is most emphatically. "No. " Then why should we turn over any other utility that is just as important as the sewer system -- for instance the water utility or our electric supply -- to private parties to own and operate for profit?

It required faithfulness and loyalty on the part of the citizens during the history of building and putting into operation their electric utility, to pay, month after month, fully twenty-five per cent more than the private corporation charged for electrical energy. The people of small means loyally and faithfully patronized their own plant, expanded their limited custom as their contribution to make municipal

ownership a success. The residential consumer has been the backbone of the city's electric utility ever since the city began furnishing electrical energy to him.

The operating results of the city's electric utility have had to stand the double acid test by way of comparison. In this particular, it has been raked fore and aft, plowed deep, cross-plowed and double-harrowed, x-rayed from above and below and audited by every known method this side of China, with the result that the more it is compared, the better the showing.

ADVANTAGES OF MUNICIPAL OWNERSHIP -- C. W. KOINER

- A high class of service at the lowest price.
- There is no watered stock or inflation upon which interest must be paid.
- Interest ceases as the bonds are paid off, and when all of the bonds are paid off, interest ceases entirely.
- A municipality can borrow money at a very much lower rate of interest than a private corporation.
- The overhead expenses are lower.
- The city is not supposed to play favorites, and it will be found that less discrimination is shown on the part of municipally owned utilities than private corporations.
- Municipal utilities are run for service at what it costs to produce the service, not for profit or excess dividends.
- In operating a municipal utility for service, the customer pays exactly what it costs and delights in doing so.
- A successful municipal owned and operated utility is the proof of democracy.

--1925