

Public Power: The Rand Study

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Advocates of public ownership of power companies can take comfort in a report from The Rand Corporation, an unlikely source. In a little publicized 68-page document analyzing Los Angeles' forceful response to the energy crisis of the winter of 1973-74, Rand repeatedly emphasizes one point: municipal ownership of utilities is an invaluable tool for effecting meaningful conservation.

Los Angeles is the largest American city that operates a municipally owned utility, the Los Angeles Department of Water and Power (LADWP). In November 1973, when scheduled shipments of Middle Eastern fuel oil, from which 60 per cent of the city's electricity is generated, were embargoed in North Africa, the city council adopted recommendations put forth by a blue-ribbon panel appointed by Mayor Thomas Bradley, and passed an ordinance establishing a no-nonsense plan. It called for a two-phase cutback of electricity. In Phase I, residential and industrial customers would reduce their usage 10 per cent, compared to the identical period a year earlier, and commercial customers would reduce 20 per cent. Phase II, planned for when the program was running smoothly, called for savings of 12 per cent by residential customers, 16 per cent by industrial users and 33 per cent by commercial customers. Failure to comply would result in a 50 per cent surcharge on the entire bill for the period of violation; repeated violations would cause a suspension of service.

Within five weeks of the December 21st starting date, the Rand study shows, citywide electrical usage was down 17 per cent, greater by 5 per cent than the target set by the LADWP. Some commercial businesses achieved reductions of 50 per cent, and most customers were able

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to make or exceed their expected conservation goals without great inconvenience. Phase II was never implemented, and the entire ordinance was suspended—not repealed—in May 1974. Subsequent studies show that, even with the quotas lifted, Los Angeles residents continued their new, conserving practices. Electrical consumption continued to be down 5 per cent to 10 per cent into the hot summer months, and there was little backsliding into formerly wasteful patterns of power usage.

After recording the successes of the Los Angeles program, Rand cites the importance of the speed with which the city responded to the emergency (only fifteen days elapsed between the date the city's oil failed to arrive in Italy from North Africa and the city council's unanimous passage of the curtailment ordinance), stating that "because LADWP is regulated by the city council, the council could respond rapidly with actions tailored to DWP's specific situation. Similar success elsewhere would depend on the speed and scope of action available to other regulating bodies."

The exact nature of future energy problems cannot be predicted, but most American communities and their utilities—whether publicly or privately owned—could easily face one or more kinds of emergency. More oil embargoes, generating or transmission equipment failures, capital shortages, plant siting hassles—any one or combination of these situations could place a utility in a crisis situation.

The Rand study was prepared at the request of the Federal Energy Administration. Was it only an academic exercise, an example of think-tank games playing, or is the report being studied in earnest by the FEA? Private utilities do not, of course, have the legislative power to impose severe quotas on their customers, nor in fact do the government agencies that oversee their operations. Furthermore, it goes against the instincts of a private

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utility to teach real conservation, and the only way it likes to enforce a reduction of use is by imposing an equivalent increase of unit cost, with the predictable result that the poor customer suffers and the rich one is either oblivious or passes the cost along.

Private utility managers view suggestions of municipal ownership as a kind of blasphemy and fight back with pious ruthlessness. In Madison, Wis. two city council attempts since 1973 to establish a commission to study alternative forms of utility ownership were defeated by

well-organized company lobbying. Other cities have seen attempts at public ownership defeated at the polls by massive utility-managed campaigns.

But the Rand report could be an entirely new factor in the public power movement, for it details the successful operation of a crucial conservation plan, and gives primary credit to the municipal structure of the utility running it. Now the question is, can the government, and some of our largest and most politicized private corporations, ignore the major implications of the study?

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