

## Power struggle

*How the best-laid plans of John Edward Raker and the U.S. Congress were scuttled by PG&E: A chronology, 1848–1988*

EDITORS NOTE: For almost 25 years, the Bay Guardian has been investigating and reporting on the Raker Act scandal. It has never been an easy job: The mayor, the supervisors, and the city attorney have consistently refused to release key documents on the history of the city's relationship with PG&E, and PG&E has consistently refused to release anything.

This summer, political editor Tim Redmond, who wrote his first PG&E story back in 1982, was assigned to take a different approach. He flew to Washington, D.C., and spent two weeks poring over records in the Library of Congress, the U.S. Supreme Court, the National Archives, and the Interior Department library. He came back with more than 1,000 pages of documents, some of which shed important new light on the issue. The original memos and notes of former Interior secretary Harold Ickes, for example, show that the federal government very nearly moved in 1941 to revoke the city's grant and take over the Hetch Hetchy dam.

What follows is a chronology of some major events in the history of the Raker Act scandal. In most cases, the information comes directly from primary-source material that Redmond compiled in Washington. Copies of all the major documents are available for inspection at the Bay Guardian office.

**May 1848:** Sam Brannan returns from a secret visit to John Sutter's sawmill in Coloma and, having carefully cornered the local market on picks, shovels, and pans, marches through the streets of San Francisco shouting "Gold!" and waving a quinine bottle half full of the precious dust, scooped from the banks of the American River. Within a year, San Francisco has become a boomtown; gold-crazy miners arrive from all over the world. They quickly discover that the city has plenty of bars, brothels, and fly-by-night banking establishments, but very little freshwater. In fact, some find it's cheaper to send their soiled clothes by boat to Hawaii than to get them laundered in town.

**1898:** The private Spring Valley Water Co. has gained monopoly control of water service in San Francisco, but the limited rainfall runoff that feeds its tiny reservoir system can't possibly keep pace with the needs of a growing city. After crossing off 15 alternative sites, Mayor Phelan files for water rights on the Tuolumne River with money from his own pocket. City engineer Grunsky devises a plan to dam Hetch Hetchy Valley in Yosemite National Park and pump the water 200 miles to San Francisco. Although

there were better sites for water, Hetch Hetchy Valley, a granite-walled canyon formed like a mammoth water tank, rising 2,500 feet above a flat meadow floor, was chosen because of its enormous potential to produce cheap electrical power.

**April 18, 1906:** A massive earthquake sets off a series of devastating fires that burn out of control. Firefighters are paralyzed when Spring Valley's cheaply built private water mains prove inadequate and critical hydrants go dry. Pressure mounts for a publicly owned water-distribution system.

**1912:** With Spring Valley's private water rates continuing to rise, and service as poor as ever, city officials ask Congress to give San Francisco a radical and unprecedented federal grant: the right to construct a municipal water dam inside a national park. John Muir is furious. He rages: "Dam Hetch Hetchy? As well dam for water tanks the people's cathedrals and churches; for no holier temple has ever been consecrated to the heart of man." He founds the Sierra Club to fight the proposal, and congressional conservationists line up against it.

**1913:** Rep. John Edward Raker from the state's third district, which includes Yosemite, breaks the impasse with a historic compromise. The Raker Act would allow San Francisco to build its dam — but only on one condition: The dam must be used not only to store water but also to generate electric power, which must be sold directly to the citizens through a municipal power agency at the cheapest possible rates. The bottom line: Like public water, public power would free San Francisco from what Rep. Bailey called "the thralldom ... of a remorseless private monopoly."

The Raker Act includes language requiring formally that San Francisco accept the grant, with all its conditions, before breaking ground on the dam. It states that if the city fails to live up to those conditions, the grant reverts to the federal government. The Board of Supervisors passes a resolution agreeing to abide by the terms of the law.

**1923:** Under the leadership of the brilliant engineer M.M. O'Shaughnessy, San Francisco builds a tremendous dam on the Tuolumne and an innovative, gravity-fed system of underground pipes that can carry the fresh mountain water under the Central Valley, the East Bay hills, and the Bay, and into the city's reservoirs. The Spring Valley franchise is revoked. City workers begin repairing old mains, laying new ones, and creating a municipal water department.

The city also builds a hydroelectric powerhouse at Moccasin Creek, where Hetch Hetchy water is diverted through giant turbine generators, and buys

enough copper transmission wire to stretch from the Sierra to San Francisco. While the transmission lines are being built, the city agrees to sell the electricity from Moccasin to PG&E.

In May 1923, the National Park Service gets wind of the deal and begins to investigate. The investigation concludes that the deal is illegal under the Raker Act, but the solicitor general of the Interior Department declines to take action, saying that the arrangement is only a temporary measure to avoid letting all that power go to waste while the city finishes building its own transmission lines and local distribution system.

**1925:** Transmission lines are strung all the way to the South Bay, when suddenly the city announces that it has run out of money and can't do any more construction. The city's power line ends just a few hundred yards from a PG&E substation in Newark — which conveniently connects to a new high-voltage cable PG&E has just completed from Newark to San Francisco.

On July 1, 1925, since the city lacks not only a final transmission line but the local facilities to distribute its own power, city officials agree, as another temporary measure, to sell the Hetch Hetchy electricity at wholesale rates to PG&E, which then sells it to local customers at retail. The city makes a few million dollars off the deal; PG&E makes a fortune.

The remaining copper wire is stashed in a warehouse and eventually sold for scrap. Every supervisor who votes to approve the contract is thrown out of office in the next election.

**1927:** The supervisors place a general-obligation bond act on the city ballot to raise the money to buy the utility poles, wires, meters, and other equipment the city needs to set up a municipal power system.

PG&E campaigns vigorously against the bond measure, claiming it will raise taxes. The Chamber of Commerce and most of the local newspapers follow the PG&E line. City officials make only a halfhearted effort to support the bonds. In the end, 52,215 vote in favor of the measure, and 50,727 against — but since the city charter requires a two-thirds majority for general-obligation bonds, the proposal fails.

**1930:** In September, Interior Secretary Wilbur writes to Mayor Rossi and asks what the city is doing to comply with the Raker Act. Rossi agrees to meet with Wilbur in December, and the two work out a three-year plan that will lead to San Francisco's creating its own public-power agency.

The supervisors place another bond act on the ballot. PG&E spends the unprecedented sum of \$21,153.71 on a successful campaign to defeat it. Rossi's three-year plan gathers dust.

Ultimately, nine bond proposals will go before the San Francisco voters. PG&E will mount a high-priced campaign against every one, and with no effective leadership from city officials to promote the benefits of public power, every proposal will be defeated.

**1933:** President Roosevelt appoints Harold Ickes secretary of the interior. Ickes learns of the 1923 Park Service investigation into San Francisco's power sales to PG&E, and asks his solicitor general to look into the situation and see whether anything has changed.

**Aug. 24, 1935:** Ickes issues a detailed opinion concluding that the city's contract with PG&E is a clear violation of the Raker Act. He urges the city to revoke the contract and move with all dispatch to establish a municipal power system. Mayor Rossi acknowledges receipt of the ruling and tells Ickes he's referring the matter to the city's Public Utilities Commission.

**March 9, 1937:** After repeated warnings from Ickes, Rossi and the supervisors place a charter amendment on the ballot authorizing the city to sell \$50 million in revenue bonds to establish a municipal power system. Unlike previous general-obligation bond measures, the revenue bonds will have no impact on local taxes and will be repaid entirely from public-power revenues. The measure once again fails — largely, Interior Solicitor General Frederic Kirgis concludes, "due ... to lack of support by the Mayor and his failure to campaign for it."

On March 11, Ickes sends Rossi a cable giving the city 15 days to convince him it is serious about complying with the Raker Act. When no such assurance arrives, he instructs the U.S. attorney general to file suit. Rossi immediately sends a cable to Washington begging Ickes to delay legal action and asking for another conference. Ickes wires back that for two years he has "patiently tried to persuade San Francisco to obey the mandate in a law which it originally concurred in, but without success," and tells Rossi he sees no point in further discussion.

"Apparently," Kirgis notes in a memo to Ickes, "the Mayor was completely bewildered and disconcerted by the knowledge of the fact that conferences and delays would no longer be the regular order of things."

**April 11, 1938:** Federal judge Michael J. Roche rules in favor of Ickes, concluding that San Francisco's contracts with PG&E violate the Raker Act's ban on sales of Hetch Hetchy power to a private corporation. The law states that in the case of any attempt by the city to "sell, assign, transfer or convey" Hetch Hetchy power to a private corporation, the grant "shall revert to the Government of the United States." Ickes, however, decides not to ask for a

forfeiture ruling in the hope that San Francisco will accept the court's mandate and comply with the act. Roche issues an injunction forbidding the city to continue selling power to PG&E, but suspends enforcement for six months to give city officials time to come up with an alternative plan that the Interior secretary will find acceptable. Ickes announces that he's "ready to consider any proposals officials of San Francisco might have to offer."

Instead, the city appeals. Rossi vows to fight all the way to the Supreme Court if necessary and says that "if worst comes to worst ... the city should move for amendment by Congress of the Raker Act."

**Sept. 13, 1939:** The 9th Circuit Court of Appeals overturns Roche's decision, concluding, as the city's attorneys have argued, that as long as the San Francisco voters refuse to approve a bond act for municipal distribution facilities, the city has no choice but to let PG&E act as its "agent" for the sale of electric power. Ickes instructs the Attorney General's Office to file an appeal with the U.S. Supreme Court.

**April 22, 1940:** The Supreme Court rules 8-1 in favor of Ickes and directs Judge Roche to reinstate his injunction. Justice Hugo Black, writing for the majority, unequivocally rejects the city's position. "Congress," he notes, "clearly intended to require — as a condition of its grant — sale and distribution of Hetch Hetchy power exclusively by San Francisco and municipal agencies directly to consumers in the belief that consumers would thus be afforded power at cheap rates in competition with private power companies, particularly Pacific Gas and Electric." Black dismisses the city's technical arguments in support of the 1925 contracts with a terse phrase: "Mere words and ingenuity of contractual expression, whatever their effect between the parties, cannot by description make possible a course of conduct forbidden by law."

Black's opinion acknowledges that city voters have refused to put up the money for a municipal distribution system and admits that the courts have no right or authority to tell the citizens of San Francisco how to spend their money. However, he explains, Congress has every right to attach conditions to a grant of federal land — and if the city, for whatever reason, fails to live up to those conditions, the federal government has the right to revoke that grant. He quotes the comments of Sen. Walsh of Montana during the Raker Act debate: "We are making a grant of rights in the public lands to the city of San Francisco, and we may impose just exactly such conditions as we see fit, and San Francisco can take the grant with those conditions or it can let it alone."

The ruling concludes that "the city accepted the grant by formal ordinance, assented to all the conditions ... and up to date has utilized the rights,

privileges and benefits granted by Congress. Now the City seeks to retain the benefits of the Act while attacking the constitutionality of one of its important conditions."

The Chronicle and Examiner both blast the decision, lampooning Ickes and congressman Frank Havenner, who supports public power, as tyrants determined to force their will on the people of San Francisco. Both papers run editorials asserting that the city is best served by continuing to sell its power to PG&E and that Ickes' position amounts to an attempt to take away the millions of dollars in annual revenue the city receives from the PG&E contracts. Only the San Francisco News reports the truth: Every other city that runs a municipal utility finds public power very lucrative, and the potential gains to San Francisco from complying with the Raker Act make the annual payments from PG&E look like bird seed.

**May 6, 1940:** A group of San Francisco businessmen, led by Chamber of Commerce president Walter Haas, announces plans to push Congress to amend the Raker Act and eliminate the city's public-power mandate. Rep. Richard Welch agrees to introduce the amendment, and Sen. Hiram Johnson agrees to support it. The Welch bill never even makes it out of committee.

**May 21, 1940:** Ickes meets with Mayor Rossi, City Attorney John O'Toole, Board of Supervisors president Warren Shannon, and Utilities Manager E.G. Cahill in Washington and warns that if they don't quickly come up with a plan to comply with the Raker Act, he'll move to revoke the grant and take over the dam. "You would be here on a much better footing," he tells them, "if the record of delay, evasion and double-crossing hadn't been what it has been on the part of officials of San Francisco."

Cahill insists that PG&E "has seen the handwriting on the wall" and that something could be worked out, given time. "Yes," Ickes replies, "all you want is time until I'm out of office.... I have always believed that a man can be fooled once, but a man is a damn fool who allows himself to be fooled a second time, and this isn't only the second time."

**July 23, 1940:** Rossi, O'Toole, Shannon, and Cahill travel to Washington again for a second conference with Ickes. Cahill presents a new plan: The city, he suggests, can lease all of PG&E's local distribution facilities and hire the company's local sales, repair, and service staff for a flat annual fee. Then the city can use those facilities to sell Hetch Hetchy power. In the wake of the Supreme Court decision, Cahill says, PG&E has accepted the deal. He presents a copy of a draft lease contract signed by the company's president, J.V. Black.

Ickes asks Cahill if the contract includes an option to purchase the facilities. Cahill says the company offered that option, but only at a cost that made the entire lease deal far too expensive to be feasible.

Ickes studies the contract, and on July 25, he tells the city that he's willing to go along with a lease, but that the language of this deal still gives PG&E too much control over Hetch Hetchy power. The San Francisco officials promise to go back and renegotiate. If PG&E won't offer a better deal, Rossi promises, a new bond issue will go before the voters on the next possible ballot. Ickes agrees to ask Judge Roche to suspend his injunction again, to give the city a few more months.

**April 1941:** The city sends Ickes a new lease contract proposal. Ickes asks Leland Olds, chair of the Federal Power Commission, to review it; Olds concludes that it's a terrible deal. "It is clear that the proposed arrangement not only does not offer the city the advantages of public distribution of Hetch Hetchy power," he writes, "but may even have the effect of freezing high rates."

**May 22, 1941:** Ickes holds another conference with city officials and points out the problems with the lease contract. Rossi and O'Toole freely admit that it's not a good deal for the city and that it includes excessive charges and fees. They tell Ickes they submitted it anyway, because it was the best deal they could get from PG&E. When Ickes rejects the contract and threatens to enforce the injunction and begin steps to take back the dam, Rossi begs for another delay. He says that he's finally prepared to make the case to the voters in favor of a municipal buyout, and will try another bond act in November.

Ickes agrees to ask Judge Roche to hold off another year, until the summer of 1942 — but only if Rossi and San Francisco's civic leaders promise to vocally support the bond act and campaign strongly for its passage. The Chronicle and Examiner immediately accuse Ickes of extortion and claim he's trying to "gag" civic organizations like the Chamber of Commerce and the Downtown Association. Both groups announce they'll oppose the bond act and organize a high-powered campaign committee to work for its defeat. Organized labor, on the other hand, comes out strongly in favor of the buyout plan. Nearly every union in town endorses it, and prominent labor lawyer George T. Davis signs on to chair the pro-public power campaign.

Ickes travels to San Francisco to campaign for the bond act. When chamber officials try to meet with him, he reminds them how much money they've received from PG&E and tells them to take a hike.

**November 1941:** Just a few weeks before the bond election, PG&E announces a sweeping reduction in local electric rates. The Chronicle carries the story on the front page. The bond act goes down to defeat, under another avalanche of adverse publicity and PG&E money.

Ickes informs Mayor Rossi that he has no choice but to begin moving to revoke San Francisco's Raker Act grant and take over the Hetch Hetchy dam.

**Dec. 7, 1941:** Japanese airplanes attack Pearl Harbor in a stunning, predawn strike, thrusting the United States into World War II. The War Department quickly looks for ways to redirect the nation's electric power supplies to essential wartime industries.

**March 1942:** The War Production Board orders San Francisco to sell to the Defense Plant Corp. the entire output of the Hetch Hetchy power project for an aluminum-smelting factory that is under construction at Riverbank, near Modesto. Ickes approves the plan, citing the strategic importance of aluminum to the war effort. He also notes that the factory site will be close to the city's existing transmission lines, allowing the power to be carried directly from Hetch Hetchy to the factory without PG&E acting as middleman. Judge Roche suspends his injunction again, this time for the length of the contract between the city and the Defense Plant Corp.

All further talk of enforcing the Raker Act is temporarily drowned out by the roar of the cannons and the hum of giant factories turning plowshares into swords.

**June 1944:** Financial problems and mismanagement bring production at the Riverbank aluminum plant to a virtual halt, and the War Department prepares to shut it down. Judge Roche prepares to reinstate his injunction, but San Francisco files a motion to once again suspend it while the city finds a new way to dispose of its public power. On June 26, Roche holds a hearing on the petition and chides city officials for their constant attempts to use delaying tactics to evade the law. He then agrees to continue the matter until August, when the city promises to come forward with another new plan.

Arthur Goldschmidt, director of Interior's Power Division, warns Ickes that the "Hetch Hetchy problem [is] again rising in San Francisco."

**August 1944:** Mayor Roger Lapham sends Ickes an entirely new proposal. It calls for PG&E to deliver over its lines from Newark enough Hetch Hetchy electricity to supply all of San Francisco's municipal services — the Muni railway, the street lights, General Hospital, etc. That would amount to about 200 million kilowatt hours a year. In exchange, the city would allow the company to keep all the remaining output of the Hetch Hetchy project — about another 300 million kilowatt-hours a year — and sell that power to its

own customers as it saw fit. Undersecretary Abe Fortas, filling in for the vacationing Ickes, rejects the proposal. An increasingly angry Judge Roche gives the city one more chance to come up with a better plan.

**December 1944:** Mayor Lapham writes to Ickes with the rough outlines of yet another proposed solution to the Hetch Hetchy "problem." This time, the city proposes to pay PG&E an annual "wheeling fee" for transmitting enough Hetch Hetchy power from Newark to San Francisco to supply the municipal service needs. The Turlock and Modesto irrigation districts, a pair of rapidly growing public-power agencies, would buy as much of the remaining power as it could handle, and resell it to their own customers. Ultimately, Lapham insisted, Modesto and Turlock would be able to purchase everything the city couldn't use. In the meantime, PG&E would buy any surplus, or "dump," power to avoid letting it go to waste.

Ickes thanks Lapham for his letter, reminds him that a final, detailed plan is due by the end of the year, and warns that the Interior Department "will not participate in any evasion of the law, however complex or ingenious. I hope that your leadership will not, this time, have to waste time, energy and newsprint in the fruitless pastime of beating the devil around the PG&E bush."

**January 1945:** Ickes writes Mayor Lapham to inform him that the proposed Turlock-Modesto-PG&E contracts are not acceptable. "The proposed agreements," he notes, "do not carry out the intent of the Congress in the Raker Act, which was designed to bring City-owned power, over the City's transmission and distribution system, directly to the citizens of San Francisco." He agrees that selling the city's power to Turlock and Modesto, which are public agencies, might comply with the "letter" of the law. The big problem, as always, was the role of PG&E. He reminds Lapham that Judge Roche's final extension will expire on March 1.

On Jan. 24, Lapham arrives in Washington and spends four days meeting with Undersecretary Fortas. With Ickes' approval, Fortas suggests an alternative plan: If Lapham would place a policy declaration on the next local ballot binding the city to acquiring its own power distribution system — and agree to campaign actively for the passage of that measure and a bond issue to carry it out — Ickes would support a congressional amendment suspending the prohibition on sales to PG&E for a period of five years.

Lapham tells Fortas that he'd consider placing the policy measure on the ballot, but says he "could not at this time commit myself to an active campaign on behalf of the bond issue."

**June 11, 1945:** San Francisco modifies its power contracts again, slightly. This time, the city agrees to pay PG&E a wheeling fee for transmitting

municipal power and agrees to provide Turlock and Modesto with as much additional power as they can buy. The surplus would be carried on PG&E's lines — again, at a fee — to a handful of major PG&E customers, including Permanente Metals and Permanente Cement, who would pay the city directly for the service. But only when Hetch Hetchy power generation was particularly high, and the needs of Turlock, Modesto, and Permanente were low, would any "dump" power be sold directly to PG&E, and even then, the amounts would be insignificant. The contracts would run until 1949.

A frustrated Ickes concedes that, as a practical matter, he has limited options. The nation is in the midst of a severe postwar energy shortage, and if he were to take over the dam, no other federal agency would be in a position to use its power. He acknowledges that, under the circumstances, he can't find solid grounds to oppose the latest arrangement in court. But he notes that "the plan, while technically feasible, does not carry out full intent of the Raker Act" and warns that it "does not appear to assure substantial compliance with the Raker Act beyond 1949." He urges Judge Roche to maintain jurisdiction over the matter and says his department "would oppose present approval of the plan with respect to the years following 1949."

He also insists that Modesto and Turlock sign agreements never to resell their Hetch Hetchy power to PG&E.

**July 9, 1945:** City Attorney Dion Holm appears before Roche to argue that the 1938 injunction — which is still in effect — is too strict, since it bans the city from ever selling any power to PG&E. Roche denies San Francisco's petition for suspension or amendment and orders that the injunction become final and permanent.

**1946:** President Truman fires Ickes, who has become increasingly bitter and unhappy with his job, and replaces him with Oscar Chapman.

**November 1946:** The General Accounting Office investigates the new Hetch Hetchy contracts, concludes that the sale of "dump power" to PG&E is probably illegal, and suggests that the federal government demand an accounting of all past sales to PG&E and take legal action to make the city repay its ill-gotten gains. The comptroller general forwards the GAO report to Chapman, who sits on it for two years.

**January 1948:** San Francisco files its annual report with the Interior Department, which reveals that more than 5.6 million kilowatt-hours of Hetch Hetchy electricity were sold to PG&E in 1947. Walter Seymour, director of Interior's Power Division, writes a memo to Chapman noting that "certainly, the sale of this amount of power to the Pacific Gas and Electric Company is a violation of the Raker Act." The memo goes on to state that

the federal government could enforce the court injunction and block further PG&E sales, but "under the existing conditions of the shortage of power and the scarcity of fuel, it seems to me that an action which would result in the wastage of water power would be unwise."

Soon, Seymour advises, the federal Central Valley Project will have completed a transmission line to Tracy and will be in a position to take over the Hetch Hetchy power output. Meanwhile, he concludes, "the distribution of energy beyond Newark ... will have to be made by the Pacific Gas and Electric Company, until the City builds a distribution system."

**Dec. 22, 1948:** After repeated memos from the Comptroller General's Office, Chapman directs Assistant Secretary Krug to respond to the 1946 General Accounting Office report. Krug concedes that the contracts appear to violate the Raker Act but says that, under the circumstances, "it would be inappropriate at this time to recommend to the Attorney General that he institute suit."

**Feb. 9, 1950:** The comptroller general writes to the Justice Department anyway, informing the attorney general that he disagrees with Interior's position. He suggests that "action should be instituted either (1) to enjoin further performance under the existing arrangement ... (2) to declare forfeit the rights of San Francisco under the Raker Act ... and (3) to recover ... the amount received by San Francisco under the illegal 1925 contract." The attorney general does nothing.

**Aug. 28, 1950:** San Francisco begins negotiating an extension of the 1945 contracts. Michael H. Strawn, commissioner of the Bureau of Reclamation, reviews the proposal and writes to Chapman to complain that Interior, in tacitly approving the city's actions, "in effect confesses and condones operations both outside the law and in contradiction to the strong public power policy that the Secretary of the Interior has followed in the same area in Reclamation matters." He suggests that, if the city won't provide its own distribution system, Chapman move to take control of Hetch Hetchy and transfer the power to the Central Valley Project, which has facilities that are "virtually complete" to handle the electricity.

**Sept. 1, 1950:** Ickes, still concerned about the issue, writes to Chapman with charges that San Francisco is continuing to violate the Raker Act and urges him to take action. Chapman responds that he is "fully cognizant of the fact that there has not been a strict compliance with the [law]." However, he notes: "Thus far, as you well know, the City and County of San Francisco has not been able, through the vote of the people of that political subdivision, to acquire the distribution system necessary to distribute all of the Hetch

Hetchy power. Nor is there any agency of the federal government which is able to distribute this power."

**1954:** San Francisco approves a new set of contracts with PG&E and Turlock and Modesto, which will run for 33 years, until 1987.

**1955:** Rep. Clair Engle presents evidence to a congressional committee proving that Turlock and Modesto have been reselling Hetch Hetchy power to PG&E, violating the express agreement Ickes insisted on in 1945. Federal Power Commission figures compiled by Engle show that, between 1945 and 1953, more than 10 percent of the Hetch Hetchy power bought by Turlock and Modesto has been resold to PG&E. The Interior Department, which seems to have abandoned all interest in enforcing the Raker Act, pays no attention whatsoever.

**1964:** Joe Neilands, a biochemistry professor at UC Berkeley, joins a campaign against PG&E's plan to build a nuclear power plant at Bodega Bay. He runs into Frank Havenner, who tells him that the nuclear project is awful but that nothing compares to the PG&E Raker Act scandal. Neilands, who has never heard of the Raker Act, is intrigued. He calls James Carr, the new general manager of the San Francisco Public Utilities Commission, and asks when the city plans to enforce the 51-year-old law. Carr tells him that "it is premature to discuss municipal distribution of power in San Francisco."

**1965:** Neilands writes to Frank Barry, the Interior Department's solicitor general, who tells him that "we know of no means by which the U.S. can require the city to acquire the municipal distribution system."

**1969:** Neilands compiles his research and submits it to the Bay Guardian, which publishes his story under the headline "How PG&E Robs S.F. of Cheap Power." When the Bay Guardian confronts Oral Moore, general manager of the PUC, he says the city has no plans to enforce the Raker Act.

**1972:** At the request of the San Francisco Neighborhood Legal Assistance Foundation, a group of pro bono CPAs called Accountants for the Public Interest conducts a study of the financial potential of public power in San Francisco. The accountants conclude that the city could clear \$22 million a year, after all costs, by buying out PG&E's distribution system and running a municipal utility. The group urges the PUC and the Board of Supervisors to commission a full-scale, independent feasibility study. Not one supervisor is even willing to request a hearing on the matter.

**1973:** The San Francisco civil grand jury investigates the Raker Act scandal, concludes that the city is required to operate its own public-power system, and asserts that the contracts with Modesto, Turlock, and PG&E are "of questionable legality." The daily newspapers ignore the report, and it winds up gathering dust on a City Hall shelf.

**1974:** Attorney Richard Kaplan and neighborhood activist Charlie Starbuck file suit in federal court, charging that San Francisco is in violation of the Raker Act. A district judge throws it out of court, concluding that Starbuck, as plaintiff, has no standing to sue for enforcement of the Raker Act. By law, only the secretary of the interior and the San Francisco city attorney have the right to pursue that action. Kaplan and Starbuck appeal.

**1977:** The 9th Circuit Court of Appeals rejects the Starbuck and Kaplan case, confirming the lower court ruling that a San Francisco citizen lacks standing to sue. The appellate judges, however, make a point of stating that they don't find fault with Starbuck's factual claims. If anything, the ruling seems to continue the federal courts' record of agreeing that San Francisco is breaking the law.

**1982:** A citizen group called San Franciscans for Public Power puts an initiative on the ballot that would force the city to conduct a feasibility study on municipalizing PG&E. PG&E spends \$680,000 — a local record — funding a misleading campaign to defeat the measure. Among the few prominent supporters of the public-power initiative is Assemblymember Art Agnos, who holds a press conference outside PG&E's headquarters to denounce the company's blatant attempt to "buy San Francisco's vote."

**1983:** Just weeks after the public-power initiative goes down to defeat, PG&E officials contact the City Attorney's Office to start renegotiating the power-sale contracts, which are due to expire in 1985. Talks begin in secret at PG&E headquarters, with lawyers from the company and the City Attorney's Office trying to hash out a new long-term agreement. PG&E wants to raise the rate it charges San Francisco for "wheeling" power along company lines and for "firming" service, which backs up the city's power supply when rainfall is low and the generators at the dam aren't producing at their optimal levels. Since the recent public-power measure has gone down to defeat, the city has no real leverage to use as a bargaining chip against PG&E. Facing the prospect of millions of extra dollars in PG&E fees, the city's negotiating team decides to raise the rate that San Francisco charges the Turlock and Modesto irrigation districts for Hetch Hetchy power.

**September 1984:** The general manager of the Turlock Irrigation District, Ernest Geddes, finds out what San Francisco and PG&E are up to, and asks

Rep. Tony Coelho for help. Coelho, who has become one of the most powerful Californians in Congress, invokes the Raker Act: The city, he says, is supposed to sell power directly to the citizens at the lowest possible cost. Since San Francisco doesn't have a municipal utility of its own, he argues, that provision ought to apply to sales to Modesto and Turlock, which are public-power agencies. Just to be sure, he introduces a bill that would force San Francisco to sell Hetch Hetchy power to the irrigation districts at cost — in other words, for almost nothing.

Mayor Dianne Feinstein realizes that the bill will probably pass and that the city will be in a bind. Unless the sales to the districts bring in fairly substantial revenues, it will be hard to defend the whole concept of "disposing" of Hetch Hetchy power outside the city, and new pressure for a municipal utility could emerge. A longtime ally of PG&E and a foe of public power, Feinstein quickly contacts Coelho and cuts a deal: Coelho agrees to withdraw the bill, but Feinstein has to promise to sell almost two-thirds of the Hetch Hetchy output to the districts, at favorable rates, every year until 2015. The city negotiators go back to the table to continue their talks with PG&E, with less leverage than ever.

**May 1985:** The City Attorney's Office briefs the Board of Supervisors in secret session on the outlines of the emerging power-sale deals and asks the board to approve "the basic principles" of a new set of 30-year contracts. The board votes 6-0, on roll call, to approve the deal, with no public discussion or debate, and to accept "interim" two-and-a-half-year contracts while final talks continue. The negotiators go back to work out the fine print.

**June 1987:** Staffers at the city's Public Utilities Commission and the City Attorney's Office argue in internal memos that PG&E is asking for completely unreasonable terms in the final contracts, fee hikes that would cost the city millions. The company refuses to compromise, and talks break down. Finally, Feinstein personally intervenes, meeting privately with PG&E chair Richard Clarke and hashing out a contract that nobody outside PG&E thinks is a good deal for the city. In essence, it requires the city to keep paying PG&E millions of dollars a year for "wheeling fees," guarantees Turlock and Modesto access to more than half the city's Hetch Hetchy power, and effectively sabotages any new attempt to create a municipal power system.

**Fall 1987:** Interior Secretary Donald Hodel becomes the latest federal official to threaten San Francisco with the loss of its Raker Act grant. He proposes to study tearing down the dam and restoring Hetch Hetchy Valley. The Sierra Club, among other environmental groups, strongly endorses the concept — after all, club members say, the city never kept its end of the 1913 deal. But Hodel never pursues the matter seriously, and it quickly dies.

**1988:** On New Year's Eve, the newly elected mayor, Art Agnos, is summoned to PG&E headquarters to meet with Dick Clarke, who tells him the facts of life: PG&E controls enough votes on the Board of Supervisors to block any effort at promoting public power. The contracts can't be changed and will never be stopped. And if Agnos doesn't want to play ball, PG&E will crush his political career.

The city's budget analyst reports that the contracts are a bad deal and a violation of standard city procedures and takes the unusual step of recommending that the supervisors not approve the deal. A Guardian analysis shows that San Francisco is losing more than \$150 million a year to PG&E by failing to comply with the Raker Act and establish a municipal utility.

But the board votes 8-3 to go along with PG&E for another 37-1/2 years, and Agnos, the onetime public-power advocate who campaigned as an alternative to the pro-downtown politics of the Feinstein era, signs the contracts into law (see Guardian stories, November 1987–March 1988).

Just a few weeks later, Agnos announces that the city's budget is facing a shortfall that could approach \$100 million. He warns that services may be cut dramatically, that small businesses, Muni patrons, and kids who go to the zoo will have to pay higher prices to keep the city in the black.

Not once does he mention PG&E.

**Oct. 8, 1997:** The Bay Guardian publishes "Pulling Strings," an anniversary package of stories explaining how private foundations with money from dirty industry have seized the agenda of grassroots activists. It includes "The Private Energy Elite" -- a story exposing how the Energy Foundation has abandoned environmentalists and used big money to greenwash the private utility industry -- and that that policy helped pave the way to deregulation. The piece explains how the Natural Resources Defense Council's energy policy director, Ralph Cavanagh, funded with money from Energy, provided the key sign off from the environmental community on the state's disastrous deregulation bill in August 1996. Years of promoting the idea that "collaboration" with the private utility industry would lead to better environmental programs positioned Cavanagh to provide the greenwashing the utilities needed to get the bill passed. Cavanagh has still not backed away from the idea that the private electricity industry can be coaxed by environmentalists into supporting conservation and other efforts.

**Dec. 31, 1997:** The Bay Guardian publishes "Dam Sellout," which describes a Vermont group's fight to stop the sale of some 15 hydroelectric dams in New England to PG&E for \$1.6 billion. The group argues that under the

Federal Power Act of 1920 that granted the right to private companies to dam invaluable resources, the dams should belong to the public. PG&E snaps up the dams to become a player in the northeast market.

**January 28, 1998:** The Bay Guardian publishes "Power to the People," a package of stories explaining that the best way to deal with the state's highly flawed deregulation scenario is for the public to take greater control of its electricity service. The package includes "Poison Power," a piece describing PG&E's two San Francisco plants -- Hunters Point and Potrero power plants -- as the two largest sources of single point sources of pollution in the city and outlining the facilities' environmental problems. It also breaks the news that a Bayview-Hunters Point-based movement, led by the Southeast Alliance for Environmental Justice (SAEJ), had started to get the city to purchase the two plants when PG&E puts them on the market as part of its decision to sell its natural gas plants in California. The idea was to shut down the Hunters Point plant, which residents had long felt contributed to the high rates of asthma and other illness in the community. The daughter of community activist Enola Maxwell, Sophie, whose family, she says, suffered respiratory and illnesses from living for years near the Hunters Point plant, joins the cause. She later becomes the district's supervisor in November, 2000.

**February 4, 1998:** A group of environmentalists, consumer activists and public power advocates meet at the San Francisco Bay Guardian and votes to start a campaign to form a municipal utility district in the city. The meeting is organized by San Franciscans for Public Power and includes members of recently formed Alliance for Municipal Power, a part of the San Francisco Green Party. (see "San Francisco MUD?" 2/11/98)

**February 18, 1998:** The Bay Guardian publishes "Blocking the Bailout," which announces that a group of consumer advocates including Ralph Nader, Harvey Rosenfield, TURN and the Consumers Union have started a grassroots-based campaign to overturn the worst parts of AB1890 at the ballot. The measure, called Prop. 9, would have given customers a 20 percent reduction in their bills and would have prohibited the utilities from forcing residential, industrial and commercial customers from having to foot the bill for the \$16 billion worth of stranded costs associated with the state's nuclear power plants. The utilities start pouring hundreds of thousands of dollars into a campaign to stop the measure.

**February 24, 1998:** Former Public Utilities Commission president Victor Makras ignores the advice of Hetch Hetchy staff and persuades fellow commissioners Ann Moller Caen and Robert Werbe to vote against the city's moving to purchase the Hunters Point and Potrero power plants. Commissioners Dennis Normandy and Frank Cook vote in favor. Bayview activists decry the commission's decision. (See "Dim Bulbs" 3/4/98)

**March 23, 1998:** The Board of Supervisors, which is controlled by Mayor Willie Brown, unanimously passes a resolution urging the PUC "to investigate the feasibility" of purchasing the plants. (see "Neighborhood Power" 3/25/98)

**April 2, 1998:** Despite Makras and the commission's lack of support, Hetch Hetchy's Laurie Park hosts a meeting seeking input from community members on whether they would be interested in seeing the city's public power agency "aggregate" (bring together in a buying pool) San Francisco customers to get a better deal on their rates. Park soon realizes, though, that the requirement that all ratepayers pay down the billions for the nukes makes it impossible to get residents a better deal. (see "Hetch Hetchy Looking into Aggregation" 4/15/98) She's right: In 1999, Texas-based Enron pulls out of the market after a months-long big publicity blitz aimed at recruiting California customers.

**April 7, 1998:** At a PUC meeting packed with residents, environmentalists and some labor activists, Makras changes his mind, and the commission votes to pursue plans to purchase Hunter Point and Potrero power plants. (see "Green Light" 4/15/98)

**April 15, 1998:** At its annual shareholders' meeting, PG&E directors hear from an operator at the Diablo Canyon nuclear power plant that corners are being cut to save time and money while jeopardizing the public's health and safety. The long time employee, Neil Aiken, spoke at the meeting about how his loyalty to the company made coming forward difficult, but that he felt, after several years of unsuccessfully trying to press managers at the plant to address the situation, that he had no choice but to come forward. On the steps of the Masonic Auditorium after the meeting, Aiken passes out a report he authored called "Going Critical," which describes the shortcuts to which he objected. (see "Nuclear Leak" 4/22/98)

**May 22, 1998:** The NRDC's Ralph Cavanagh continues his practice of helping out the utilities in their political causes when he pens a letter saying he believes passage of Prop 9 would cause utilities to sink energy conservation provisions of the deregulation law. (see "Green Gone Yellow" 6/10/98)

**June 8, 1998:** The PUC staff succeeds in convincing a judge for the state public utilities commission, Brian T. Cragg, to prevent PG&E from selling the Hunters Point and Potrero Power plants. (see "Sale Slowed" 6/10/98)

**June 10, 1998:** The city takes on PG&E in a hearing before the CPUC during which Hetch Hetchy argues that San Francisco has a special stake in the sale of the two San Francisco plants; that there are environmental and

health concerns that should be taken into account and should given reason for the city to get a chance to get together a bid to buy the two plants before PG&E sold the two for the highest price on the market. (see "S.F. v. PG&E: The Fight We've Been Waiting For" 6/17/98)

**July 13, 1998:** Mayor Willie Brown destroys the city's first efforts to expand public power by buying PG&E's two San Francisco power plants when he announces at a press conference that the city and PG&E have cut a deal in which the utility agreed not to sell the Hunters Point plant and run it only when the city needs the back-up juice in exchange for the city dropping its campaign at the CPUC to buy both that plant and Potrero. The deal means PG&E can go forward with plans to sell Potrero. As for shutting down the Hunters Point plant, the deal does not require PG&E to close the facility, until replacement generation is built elsewhere (most likely at Potrero, PG&E officials say at the time.) The agreement, a two-page document with no accompanying material, basically nixes the immediate closure of the Hunters Point plant. Brown cuts the deal without even meeting with key members of SAEJ on the issue beforehand. (see "Dirty Deal" 7/15/98)

**Oct. 14, 1998:** The Bay Guardian publishes "Buying the Bailout," describing how PG&E and the state's two other monopoly utilities, Southern California Edison and San Diego Gas & Electric, had successfully bought off scores of supposedly grass-roots based environmental and consumer organizations by contributing millions to the groups' coffers and then calling on the outfits to oppose Prop 9.

**Nov. 3, 1998:** Nader, Rosenfield, TURN, CALPIRG and the Consumers Union lose a high-stakes, grassroots-based campaign to overturn the worst parts of California's deregulation law at the ballot. Prop 9 would have prevented the state's three monopoly utilities, PG&E, Edison and San Diego Gas & Electric, from sticking customers with the \$16 billion tab covering the utilities' financial losses from investing in nuclear power plants. The provision making ALL customers, whether they chose a different service provider than PG&E, Edison or San Diego, pay that bill is cited for the reason that any potential for competition among providers was eliminated. That's because customers of newcomer utilities would have had to pay that cost as well. The upshot: companies that wanted to break into the market by offering consumers a lower deal than PG&E couldn't do it. Neither could companies that wanted to sell green power. After trying unsuccessfully to stop the measure in court from even getting to the ball ot, the three utilities spent nearly \$30 million in campaign contributions to beat back the initiative, and poured some \$21.8 million into the coffers of a slew of organizations over the year before the vote to buy the groups' key silence or support. (see "Buying the Bailout" 10/14/98).Some key state officials worked the utilities' line as well. The Los Angeles Times reveals about two weeks after the election that the California Energy Commission squashed a

report by staff supporting the claims of Prop 9's proponents and debunking those of the utilities. (see "Withholding Evidence" 12/9/98)

**Nov. 4, 1998:** The Bay Guardian publishes "The Hall of Shame," a list of local and state officials and organizations and media that hawked the utilities' line on Prop 9. PG&E's influence went deep into SF -- including most of the Board of Supervisors, with the notable exceptions of Tom Ammiano, Sue Bierman and Leslie Katz. Three of the "for shame" supervisors, Mark Leno, Gavin Newsom and Leland Yee, still serve on the board.

**November 18, 1998:** The Bay Guardian publishes "Plugging the Leak"-- in which the Diablo Canyon nuclear power plant whistleblower, Neil Aiken, goes public with the news that PG&E fired him on June 11 in what he says was retaliation for his decision to go public with his concerns about safety at the plant. The Union of Concerned Scientists and the Project on Liberty in the Workplace, a group of lawyers that represents industry whistleblowers when their corporate employers retaliate against them, rally to his cause. (see "Plugging the Leak" 11/18/98) A report released one year later by Nader's Washington, D.C.-based Public Citizen finds that Diablo Canyon and Edison's San Onofre plants repeatedly violated government safety regulations over a 3-year period. (see "Diablo Debacle" 9/8/99)

**Dec. 8, 1998:** PG&E Blackout of 1998. A screw-up due to a failure in the safety-checking process at PG&E's San Mateo substation causes a blast to the grid that leaves more than 400,000 San Francisco customers in the dark. Some 1 million people in the Bay Area are without lights. (see "Still in the Dark" 12/16/98), The city sues to recover money lost because of the blackout, and the incident marks the first clear signs since the Nevada County conviction related to wildfires that PG&E's image as a reliable and safe provider was crumbling.

**Early Dec., 1998:** Supervisor Leland Yee proposes creation of a citizens' task force to monitor the expansion, which a report by staff at the CPUC says will increase toxic emissions-- see "Contamination Continues" 8/26/98), of the Potrero Point power plant by Atlanta-based Southern Energy (the company that bought the plant for \$1 billion as part of a four-plant package from PG&E in November 1998 and later changed its name to Mirant). Thanks to Willie's deal with PG&E, the group has no real legal authority over what happens at the plant. (see "Watching Plants Grow" 12/9/98) The task force is not officially established until the board signs off on the Yee's proposal on June 1, 1999.

**January 11, 1999:** Newly elected President of the Board of Supervisors Tom Ammiano re-establishes public power as a concern of the board when he creates the Public Utilities and Regulation Committee. After former Board President Angela Alioto left due to term limits in Jan. 1997, and

Barbara Kaufman became board president, no committee focused on public power existed at the board. (see "Disappointments" 1/13/99)

**June 1, 1999:** The Board of Supervisors, still under control of the mayor, finally approves Yee's proposal to create a citizen task force to monitor the expansion of the Potrero power plant.

**June 23, 1999:** The Bay Guardian publishes "The New Public Power Agenda," a piece laying out what the Board of Supervisors should do to move public power forward in San Francisco given the deregulation fiasco and increasingly frequent blackouts.

**July, 1999:** PG&E tries to convince Sacramento legislators to let it sell its valuable network of more than 170 hydroelectric dams to a subsidiary of itself. (see "Hydroelectric Power Grab" 7/7/99)

**July 12, 1999:** The Bayview Hunters Point community is outraged and freaked when a boiler at the PG&E plant ruptures and causes a loud explosion. Activists later question PG&E's failure to notify key members of the community in a timely fashion. (see "Bayview Resident Up in Arms Over PG&E Explosion" 10/13/99)

**July 20, 1999:** Newly elected Board President Tom Ammiano revives the city's efforts to expand public power when the Public Utilities and Deregulation Committee, which he chaired and established, follows up on the suggestions of green energy activists and decides to get Hetch Hetchy to explore aggregating San Francisco residential customers. (see "Buying Power" 7/28/99)

**August 16, 1999:** The Board of Supervisors, despite a plea from Kaufman, votes 7 to 3 to urge Sacramento legislators to make it easier for local governments to aggregate residential customers by passing a bill that would make cities and counties -- and not the local private utilities -- the automatic electricity providers for residents. (The bill, sponsored by Carole Migden, was ultimately vetoed by Davis in Oct. 2001) Supervisors Amos Brown and Michael Yaki joined with Kaufman in favor of PG&E. (see "Local Governments May Aggregate" 8/25/99)

**Sept 1, 1999:** Southern Energy (later becomes Mirant Corporation) applies to the state to expand the Potrero Hill power plant.

**Nov. 11, 1999:** The city's growing concern about the reliability of PG&E service becomes public when local PUC officials acknowledge that maintenance problems at the Hunters Point power plant could cause outages at any time. Hetch Hetchy's Larry Klein tells PUC commissioners that "the worst possible outcome is that the system will collapse" and that Hetch

Hetchy has had to ask departments to cut down on usage to stave off disruptions in power service. In addition, the existence of only one power line to the city is cited as a major, and decades-old concern. State officials, including the Independent System Operator, start to study the matter with local officials. (see "PG&E Risks S.F. Energy Shortage" 11/17/99)

**Late November, 1999:** PG&E fires Neil Aiken, the long-time PG&E engineer who blew the whistle on shoddy safety procedures at Diablo Canyon nuclear power plant. (see "PG&E Fires Diablo Whistle-blower" 4/5/00)

**January 2000:** Using the successful example of the 80-year-old Sacramento Municipal Utility District, the Coalition for Lower Utility Bills begins organizing their campaign to form a Municipal Utility District (MUD), in accordance with sections 11501 et seq. of the state Public Utilities Code (see "Public power campaign kicks off," 3/15/00).

**January, 2000:** The Board of Supervisors refuses to sign letters of support for PG&E's rate increase request at the CPUC. This marks a turning point: PG&E's blackouts and rate hikes are starting to sour even the CPUC, a normally pro-PG&E commission. (see "City Officials Won't Back PG&E" 1/19/00)

**February, 2000:** Supervisor Tom Ammiano asks the City Attorney for answers to several questions on MUD law on behalf of the coalition. In mid-March, the coalition notifies the city clerk and the Department of Elections of their intentions, and by the end of the month, the petitions are in circulation. Still no word from Renne's office.

**April 13, 2000:** Renne's response says the petition is flawed, because it does not include two cities or agencies, as required by law. In response, the coalition withdraws its petition and begins circulating a new one, which includes Brisbane in the proposed district (see "Public Power Advocates Expand MUD Petition" 5/17/00).

**Mid-April 2000:** Around the same time the city's Legislative Analyst produces a report - at the request of the Clerk of the Board of Supervisors - stating that the role of a Local Agency Formation Commission (LAFCO) in MUD formation is unclear. The MUD Act states that such an agency must weigh in on the issue. San Francisco, however, is unique among all California counties in that it has never had a LAFCO - because there is no unincorporated territory. The clerk then asks for further advice from the City Attorney, who does not respond for three more months.

**May 3, 2000:** At least two Deputy City Attorneys meet with two high level PG&E attorneys, who deliver a document outlining reasons the MUD

initiative does not need to be on the November ballot. (In June Deputy City Attorney Marc Slavin tells the Bay Guardian that nobody in the City Attorney's office had communicated with PG&E or its representatives. Later that month, in response to a formal public record request, Slavin admits that the May 3 meeting took place.)

**July, 2000:** After CLUB submits petitions containing 23,494 signatures, Renne releases another opinion. This one says that the formation of a MUD must be approved by a LAFCO. When the petition was presented to the board of supervisors, Renne's advice to them was to vote against putting the MUD on the ballot so that a LAFCO could form and evaluate the proposal. But CLUB attorneys argued that state law mandated the board to call the election "without delay." The board voted against the proposal 9-2 (See "Public power play," 7/26/00). The upshot: PG&E didn't have to face the ballot during the presidential election of Nov. 2000.

**August, 2000:** CLUB sues the city in Superior Court to put the initiative on the ballot. The suit argues that by keeping the MUD initiative off the November ballot, the city thwarted the First Amendment, free speech and petition rights of the petitioners. Meanwhile, Sup. Tom Ammiano starts appointing members to the new San Francisco LAFCO. Also -- rates shoot sky high in San Diego after the stranded cost money is collected and the rate freeze imposed by the legislature is lifted. Interest in public power is renewed state-wide. Back in San Francisco, the City Attorney files her brief in the case. She declines to point out the conflict of interest that she has, because her husband's law firm - Cooley Goddard LLP - earned more than \$3 million representing PG&E between 1995 and 1999. Renne has also accepted more than \$22,000 in campaign contributions from law firms that work for PG&E between 1993 and 1997, the Bay Guardian reveals (see "Public power play," 7/26/00). Judge Carlos Bea rules against CLUB Aug 9, keeping the initiative off the November ballot.

**Dec, 2000:** Hetch Hetchy water and power head Laurie Park warns the public that the city is losing millions (\$17 million so far) because of its contracts with the Turlock and Modesto Irrigation Districts. The contracts guarantee the two districts power even when the Hetchy system cannot produce it. This year, because of out-of-control energy prices, the department is facing a huge deficit.

**Jan 24, 2001:** As the state energy market spins out of control, the mainstream press continues to ignore public power - a possible solution to the high rates and blackouts of deregulation. In "The Real Blackout" the Bay Guardian argues that in the midst of the state crisis, San Francisco should be leading the way toward forming an independent public power agency with low rates and clean energy. On the afternoon that the story is published, protestors march on PG&E headquarters with the cover of the Bay Guardian

pinned to their signs, demanding "Public power now."

**Jan. 30, 2001:** The CPUC releases a review of PG&E's financial condition. The report reveals that PG&E transferred \$4 billion from the electricity-service (utility) subsidiary between 1997-1999. This means that PG&E is not crediting the bankrupt utility for revenues it has taken in.

**January 31, 2001:** The consumer group TURN releases a report called "The \$12 Billion Deception," which says that Edison and PG&E are overestimating their debts by a combined seven billion dollars.

**Feb. 1, 2001:** With the utilities screaming poverty, the state of California goes into the business of purchasing power on behalf of the utilities for sale to customers.

**Feb. 5, 2001:** The Foundation for Taxpayer and Consumer Rights, Harvey Rosenfield's San Diego-based organization that backed Prop 9, starts "Bailout Watch," frequent reports on the efforts of state officials to fix the utilities' finances at the expense of ratepayers. The group threatens to turn deregulation back at the ballot if legislators sell out. (see [www.consumerwatchdog.org](http://www.consumerwatchdog.org))

**February 12, 2001:** Nine members of the new reform board of Supervisors -- many of whom were elected largely based on a platform of reining in Mayor Willie Brown and his corporate friends and other moneyed special interests' undue influence on local government -- vote to give San Francisco voters the chance to decide if they want to take control of their energy service by forming a municipal utility district. Newcomer supes Chris Daly, Matt Gonzalez, Sophie Maxwell, Jake McGoldrick, Gerardo Sandoval and Aaron Peskin vote in favor. So do three of the board's four returning supervisors, Tom Ammiano, Mark Leno and Leland Yee. Newly elected supervisor Tony Hall goes back on a campaign promise as well as pledge to the Bay Guardian prior to winning the paper's endorsement and votes against along with veteran supe Gavin Newsom. (See "MUD on the ballot," 2/14/01).

**Feb 14, 2001:** The Guardian's "Power Struggle" package documents how the environmental groups sold out and helped create the deregulation mess of 2001, and argues that the state of California is at an "Energy Crossroads" - poised to take the state either down a path of more natural gas dependency or dramatically increased spending on renewable energy. Later Gov. Davis signs contracts that depend 90% on natural gas.

**Feb. 16, 2001:** Gov. Gray Davis announces his plan to save Edison from bankruptcy. Consumer advocates label it a "bailout," since it calls for paying Edison nearly \$3 billion for the corporation's electric lines, more than twice

the book value. (see “Another Bailout Looms” 2/21/01)

**Feb. 20, 2001:** Just a week after voting against putting the MUD proposal before voters, Sup. Tony Hall introduces his own public power plan. The proposal, brought out to compete with the MUD idea, would create an agency under close watch of the mayor, in stark contrast to the highly independent MUD structure. Advocates call Hall's proposal a wolf in sheep's clothing, and say his ultimate aim is to scuttle public power. (see “PG&E's counterattack begins, 2/28/01).

**Feb. 25, 2001:** City Attorney Louise Renne issues an opinion, without being asked by the Board of Supervisors, declaring that San Francisco is in compliance with the Raker Act. Public power advocates say she's trying to undermine the campaign. (see “Renne Attacks Public Power” 3/7/01)

**Feb 2001:** The Labor task force for public power is formed by a group of union activists, many of whom work for private utilities, including PG&E. The task force's goal is to educate union members about the benefits of public power and to convince local union chapters to endorse the MUD. (See “MUD battle takes shape,” 3/14/01)

**March 18, 2001:** The Foundation for Taxpayer and Consumer Rights publishes releases a report “The Manufactured Energy Crisis” showing that demand for electricity is actually lower than previous years, and suggests that generators deliberately held back on power in order to drive costs up. The study also notes a correlation between blackouts, threats of bankruptcy, and efforts by legislators and regulators to capitulate. (see “Blackout Blackmail” 3/28/01)

**April 4, 2001:** Sup. Gavin Newsom introduces a second competing public power measure. His is eventually merged with Hall's, and the measure then goes through no less than nine revisions as public power advocates, including the Bay Guardian, offer point by point critiques. (See “Prop K déjà vu?” 4/4/01)

**April 6, 2001:** PG&E files for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code saying that the part of the corporation that actually serves residents is losing more than \$300 million a month purchasing power on the marketplace. The company complains that while the state has started purchasing power that it will get back from ratepayer, PG&E has no such safety net. Critics of the company see this as more of a political bankruptcy than actual one, since the parent company showed more than \$34 billion in assets. But on February 12, PG&E got permission from federal regulators to protect the parent company from having to pay off the debts of its electricity-sales subsidiary. The company also pays out \$50 million in bonuses to employees, including high-level managers. And in court, it seeks to get rid of

regulation entirely. (see "Busted" 4/18/01)

**April 26, 2001:** City Attorney Louise Renne announces she will not seek another term. Public power advocates rejoice. (see "Renne on Empty" 5/2/01)

**May 14, 2001:** Reversing decades of opposition to public power, the San Francisco Labor Council, a coalition of the city's unions, votes to endorse public power, effectively putting its political weight behind the MUD measure. (see "Labor endorses public power," 5/16/01)

**May 21, 2001:** Another public power proposal is introduced. This one, suggested by Sup. Tom Ammiano, is greeted with skepticism. Ammiano says a second measure is needed as an insurance policy - in case the MUD is tied up in court. Some speculate that Ammiano's measure is intended to head off the Newsom/Hall proposal. Both proposals are proposed amendments to the city charter that would replace the San Francisco Public Utilities Commission with a new agency to provide both water and power. Ammiano's proposal creates an elected board of directors, and includes a laundry list of progressive requirements, including strict conservation and renewable energy goals. Newsom's board is part elected, and has somewhat different goals and structure. MUD supporters say they are inclined to listen to Ammiano over Newsom because he historically has been on their side. But many express concerns that any second measure, no matter how well intentioned, will confuse voters and will hurt the cause. (see "Another public power plan," 5/23/01)

**May, 2001:** The mayor hires Ed Smeloff, former president of the board of directors of the Sacramento Municipal Utility District, to lead the public utilities commission in power policy. Smeloff is an outspoken advocate of public control of energy. Smeloff's hiring is cheered by public power advocates, but they express caution, noting that mayor Willie Brown, who has never supported public power in the past, will be Smeloff's boss. (see "Wheeling, dealing," 6/20/01)

**June 6, 2001:** On the heels of the Labor council endorsement, State Sen. John Burton endorses the MUD. Burton's endorsement eventually is used to leverage the endorsement of the entire San Francisco legislative delegation. The announcement represents a political shift in the state, where, in the wake of the energy crisis, officials begin to believe that public control of energy is the answer. By mid-summer, it becomes a political trend - politicians all over the state (including mayor Willie Brown) claim to be "public power advocates," though few follow through with specific policy. (see "Burton endorses MUD," 6/6/01)

**June 13, 2001:** The state energy commission releases a report on the

proposal to expand the Potrero hill power plant. The report, according to critics, is missing essential information required to make an educated decision on the proposal. (see "Potrero Showdown," 6/13/01)

**July 23, 2001:** The Board of supervisors votes on Ammiano's and Newsom's public power proposals. First, both measures - which have been amended to look virtually identical - are defeated. Then, in a dramatic twist, some 40 members of organized labor descend on City Hall and surround the supervisors, demanding a re-vote. An hour later, the board rescinded its votes. In the second round Ammiano's measure is placed on the ballot, but Newsom's is not. The city will now face an election with two "companion" public power measures. (see "Hard Knuckle Win," 7/25/01)

**Aug. 13, 2001:** San Francisco, under the direction and urging of Ed Smeloff, moves to terminate the costly power contract the city has held with the Turlock irrigation district. The move signals a new policy shift among San Francisco officials willing to take public power seriously, and to act on behalf of the public interest. One week later the city moves to cancel a nearly identical contract with the Modesto Irrigation District. (See "Finally, contract cancelled," 9/15/01)

**Late August, 2001:** SF LAFCO hires EJ Simpson to complete a study on public power for the city. Simpson is a longtime public power advocate who has advised MUD proponents in SF.

**Sept. 15, 2001:** Davis' Edison bail-out proposal dies in the state senate, thanks to efforts of State Sen. John Burton. (see [www.consumerwatchdog.org](http://www.consumerwatchdog.org), Bailout Watch # 79)

**Sept. 20, 2001:** PG&E proposes a sweeping restructuring plan that is immediately decried by consumer activists. PG&E and its parent company would become separate entities, allowing crucial assets to go unregulated.

**Sept. 26, 2001:** Bay Guardian publishes "Green City," a proposal for a green public utility. With the two public power measures, two solar energy initiatives on the ballot could make San Francisco a world leader in green locally controlled power, the Guardian argues.

**Sept. 28, 2001:** Simpson loses his contract with LAFCO after PG&E pressures the agency because of Simpson's public power bias. LAFCO executive officer Gloria Young tells the commission that the study is inadequate for the city. (see "PG&E and allies spend big bucks to fight public power," 10/3/01)

**Oct. 2, 2001:** After losing at the legislature, Davis goes behind closed doors and cuts a deal between Edison and the PUC that will force consumers to

bail out Edison to the tune of \$3 billion over the next four years. (see [www.consumerwatchdog.org](http://www.consumerwatchdog.org). Bailout Watch #82)

**Oct. 3, 2001:** By this time, nearly \$600,000 is spent by the utilities - including PG&E, AT&T and Pacific Bell, all fearing a MUD could take over their business - to kill the public power proposals. More than double that is expected to be filed on in the final campaign weeks.

**Oct 10, 2001:** "The case for the MUD," the Guardians 35th anniversary special is published, and includes a study that shows that public power would be a financial success in San Francisco. More on this. The package includes a piece called "Money and Power" explaining that the major environmental foundations that provide key financial backing to activists are still walking the pro-utility line.

**Oct. 21, 2001:** San Francisco Chronicle urges "no" on both public power measures.

**Nov. 6, 2001:** MUD vote at ballot. With the polls closed, public power is ahead by several hundred votes. Then Department of Elections Director Tammy Haygood abruptly announces that she fears there may be anthrax in some of the ballot boxes and has the boxes removed from City Hall and stored – with no guard and nobody tracking their whereabouts – in an empty space across the street.

Over the next few days, as the final ballots are counted, the voting pattern mysteriously changes and public-power loses by 500 votes. Later, the Coast Guard finds parts of ballot boxes floating in the Bay.