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REGULATION OF PUBLICLY OWNED PUBLIC UTILITIES

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whereas it is a well known law of economics that a tax which will increase the cost of things essential to human existence or happiness is an unjust system.

An unjust system should not be extended and made more unjust; rather should the remedy be to lessen its unjustness. There are 132 municipally-owned waterworks in California. Why were they omitted? Is it planned to first secure an entering wedge before extending it to waterworks?

Our friends, the public service corporations, have mistaken their remedy. If they find that they can not compete with municipally owned plants (which they will not admit in public), they should apply for an exempting provision rather than extend injustice.

The proposed amendment is doubly unjust in this: Many municipalities buy electricity wholesale from private companies, and they are charged a state tax in the price that they pay. The resale of this same electricity to consumers would therefore carry two taxes, one on the wholesale price to the municipality and another on the retail price to the consumer.

It is also unjust because its effect is discriminatory against smaller municipalities. Possibly the city of Los Angeles could afford to pay such tax, but how about the little towns such as Loyaltan, Healdsburg or Tehachapi? In these places the margin of profit is proportionately small and a tax on the gross reve-

nue would be a grievous burden. It is a general rule everywhere that all public property is exempt from taxation, and it is based upon the fact that the public would merely be taxing itself to raise money to pay over to itself, or as stated in an early California case (*People vs. Doe*, Vol. 36, California Reports, page 220) would be merely taking money out of one pocket and putting it into another, so that there would be no gain in revenue, but on the contrary a loss to the extent of the cost of assessing and collecting the tax.

The tax is unscientific. It is illogical. We might just as well say that because buildings used for private schools are taxed, therefore we should tax all public school buildings. It is almost as illogical as a tax imposed by Uncle Sam on the gross income of the post office.

What we want to do is to make electricity, gas, transportation and like services cheaper and not more costly. Extend their benefits to everybody. If public ownership will do this (and the very submission of this amendment admits this), then we should encourage public ownership, and not discourage it, as this amendment proposes.

H. A. MASON,
W. J. LOCKE,

Secretaries of the League of California Municipalities.

REGULATION OF PUBLICLY OWNED PUBLIC UTILITIES. Initiative measure adding Section 23b to Article XII of Constitution. Declares every municipality, county, district and other public agency, created and existing under California laws, owning, operating, managing or controlling any property for supplying light, power, heat, transportation, telegraph or telephone service, to or for the public, shall, as to such property and the business conducted therewith, be a public utility, regulated by the State Railroad Commission in all respects, except issuance of securities, as private corporations and natural persons owning, operating or controlling like property for like purposes.

YES
NO

Sufficient qualified electors of the State of California present to the secretary of state this petition and request that a proposed measure, as hereinafter set forth, be submitted to the people of the State of California for their approval or rejection, at the next ensuing general election. The proposed measure is as follows:

[The proposed section twenty-three b of article twelve reads as follows:]

Every city, city and county, county, district, and other public agency, created and existing under and by virtue of the constitution and laws of this state, which shall at any time own, operate, manage or control any property, works, plant or equipment for supplying light, power, heat, transportation or telegraph or telephone service, either directly or indirectly, to or for the public, shall henceforth, in respect of such property, works, plant and equipment, and the business conducted by means thereof, be a public utility, and be supervised and regulated by the railroad commission of the State of California in the same manner and to the same extent in all respects, except the issuance of securities, as private corporations and natural persons owning, operating, managing or controlling like property, works, plant or equipment for like purposes.

Section nineteen of article eleven of constitution which will be superseded in part by the proposed amendment reads as follows:

Sec. 19. Any municipal corporation may establish and operate public works for supplying its inhabitants with light, water, power, heat, transportation, telephone service or other means of communication. Such works may be acquired by original construction or by the purchase of existing works, including their franchises, or both. Persons or corporations may establish and operate works for supplying the inhabitants with such services upon such conditions and under such

regulations as the municipality may prescribe under its organic law, on condition that the municipal government shall have the right to regulate the charges thereof. A municipal corporation may furnish such services to inhabitants outside its boundaries; provided, that it shall not furnish any service to the inhabitants of any other municipality owning or operating works supplying the same service to such inhabitants, without the consent of such other municipality, expressed by ordinance.

ARGUMENT IN FAVOR OF REGULATION OF PUBLICLY OWNED PUBLIC UTILITIES.

The object sought to be accomplished by the regulation of publicly owned utilities by the Railroad Commission is to insure to the consumers served by them the same benefits which are now secured to the consumers of privately owned utilities through the enforcement of the Public Utilities Act, viz:

- (a) The establishment of uniform classifications of accounts insuring uniform and honest accounting.
 - (b) The establishment of just and reasonable rates.
 - (c) The elimination of preferential rates and discriminating practices; the inhibition of rebates and refunds.
 - (d) The establishment of uniform, just and reasonable rules and regulations governing service and the making of service extensions.
 - (e) The establishment of rules relating to the safe construction and operation of plants and works.
 - (f) The creation of a fair and impartial tribunal to which consumers may appeal under a uniform and simplified procedure for the redress of their complaints and grievances.
- The principles of regulation as applied by the state to public utilities owned by private corporations are fair and just to the utility and to the public. There can be no sound argu-

meat against the application of these principles to publicly owned utilities. In California a publicly owned utility is not subject to any control that can be properly termed "regulation," even though it does business and serves consumers beyond the territorial limits of the political body owning and operating the plant or system. It is fallacious to assume that because a utility is publicly owned that its consumers do not need protection respecting rates and service to the same extent as do those who are served by private utilities. A plant who are served by way of net return and yet the rates to different classes of consumers may be unreasonable and discriminatory. One class of consumers may be charged rates so high that they will be contributing a part of the cost of the service rendered to some other class; again the plant may be extravagantly and inefficiently operated as an analysis of operating costs and a comparison with other plants under state regulation will disclose. All classes of consumers may be paying too much for service and yet the plant may be operated at small profit. A plant or system that is efficiently and wisely operated has nothing to fear from investigation and regulation by the state whether privately or publicly owned. Inefficiency and wastefulness alone shrink from the light of publicity. State regulation of publicly owned utilities is in operation in the State of Wisconsin and other states of the Union. In Wisconsin, where the state regulates publicly owned utilities to the fullest extent, municipal operations of public utilities has attained its highest efficiency.

As regulation by the Railroad Commission of California of privately owned public utilities has resulted in securing for the patrons of those utilities improved service, just and reasonable rates, the elimination of discriminatory practices, the establishment of fair and equitable rules and regulations governing standards of service, and the creation of a tribunal to which they may appeal for the redress of their grievances, it would seem that the people of this state would be acting wisely by extending to the patrons of municipally owned utilities the same rights and safeguards enjoyed by the consumers supplied by privately owned and operating utilities.

W. A. SUTHERLAND,

Vice President Los Angeles Trust and Savings Bank, Managing Director Fidelity of Fresno Branch.

ARGUMENT AGAINST REGULATION OF PUBLICLY OWNED PUBLIC UTILITIES.

This proposes to deprive cities and other political subdivisions of control over their own public utilities, and place it with the Railroad Commission. It does not include 119 municipal water works, all in successful operation, as this would invite too much opposition. It does include light, power, heat, transportation, telegraph and telephone service, when supplied by cities or other public agencies. There are 21 cities successfully supplying light and power.

Few furnish any of the other services. The purpose of this measure is to make it difficult or impossible for cities to embark in or conduct these enterprises. It was put upon the ballot by the power company interests. The League of California Municipalities, consisting of officials of all the cities of the state, is unanimously opposed to it. It would prevent cities from installing their own electric systems without a "certificate of convenience" from the Railroad Commission. Ordinarily these are not granted when a company already occupies the field, and so a city might have difficulty in putting in a plant of its own to reduce rates, as was done by Los Angeles.

One great reason for having the Railroad Commission regulate public utilities was that they often serve several communities and should be regulated by one body and not by several. In a municipally enterprise, however, there is but one community served, and that community manages the project.

Cities can sell electricity more cheaply than private companies, chiefly because this business requires large capital, which can be obtained by the sale of municipal bonds bearing a rate of interest from 3 to 4 per cent lower than the earnings allowed the private companies by the Railroad Commission. For instance, the Southern California Edison Company is allowed to earn \$8,466,000 a year, or 8.3 per cent on its invested capital of \$102,000,000, in addition to taxes, cost of operation, depreciation, etc. The state, or the City of Los Angeles, could borrow the same sum for so much less interest that the users of electricity would save in their rates over three and one-half million dollars yearly.

The cities should be allowed to decide for themselves, as they do now, what to do with these savings. Thus Alameda, owning its electric light plant, has rates averaging 21 per cent less than those charged by the private companies in Oakland for identical services. It charges nothing for street lighting, and still had a surplus last year of \$78,000 which it applied to reducing the tax rate. Redding charges the same rates as were charged by the Pacific Gas and Electric Company before the purchase of the distributing system last January, but is making a profit sufficient to pay off the entire cost of its system in two and one-half years, and is spending that profit on building highways. Los Angeles has applied its savings almost entirely to rate reduction, and has rates approximately two-thirds of those charged in San Francisco by the Pacific Gas and Electric and Great Western Power Companies.

San Francisco has a municipal railway, charging a 5-cent fare, which keeps down the rate on the private system. In Los Angeles, where there is no municipally owned line, the fare has been raised to 6 cents.

Vote "No" on this amendment.

MAYOR LOUIS BARTLETT, Berkeley.
President, League of California Municipalities.

STATE BUDGET. Initiative measure amending Section 34 and repealing Section 29, Article IV of Constitution. Requires Governor to submit to legislature, within first thirty days of each regular session, budget containing itemized statement of all proposed expenditures and estimated revenues for each fiscal year of next biennial period, with comparison, item by item, for each year of existing biennial period. Prescribes procedure for passage of budget bill; permits referendum against items thereof except those for usual current expenses; prohibits other appropriations, with certain exceptions, until such passage. Authorizes Governor to reduce or eliminate any item of appropriation.

YES

NO

Sufficient qualified electors of the State of California present to the secretary of state this petition and request that a proposed measure, as hereinafter set forth, be submitted to the people of the State of California for their approval or rejection, at the next ensuing general

election. The proposed measure is as follows: The people of the State of California do enact as follows:

Section thirty-four of article four of the constitution of the State of California is hereby amended to read as follows: