

I remember very well, Councilmen ... even back when we were over in the 2nd Street building, we moved to the new, so-called new or general office building in 1965, which was pretty well along by then. But I knew that the Council would kowtow particularly to the Power System, the Councilmen, if they wanted to talk to water and power commissioners or executives of the Department would come over to the Department, ask for an appointment, sit down and discuss their case, and the leaders of the Department of Water and Power would decide whether to give this Councilman what he wanted. You view that situation ... and it was a true situation ... but you view it with consternation now, knowing what the situation is. So, there was that about it.

The Power System has never quite gotten over that. And I recognized that even when I became General Manager.

Erie: Bob, was it also that they had been such a force in politics in this town under Scattergood in the 20s and 30s? Fighting the private power trust, as they called it?

Phillips: Indeed they had, that's right. And they were successful in that. Scattergood was a powerful man. He knew how to use power. More so than Mulholland, and even Van Norman. Though Van Norman was more a Scattergood type man, by far than Mulholland was. Mulholland was a ... basically ... a rather simple, honest, straight-forward man who had a vision, that knew what he wanted to do and he got it done. But he was not, to my knowledge and what I've known about him, was not a shrewd politician. Didn't seek power really, he just wanted to get his job done and that was all the satisfaction he needed.

Erie: But that wasn't the case with Scattergood?

Phillips: Oh, no. Scattergood was after power. And I don't mean electric power. ..

Erie: We mean "power" ... both senses.

Phillips: Yeah, and he knew how to use his power ... he knew how to use the strength of the Department and particularly the Power System and the role it was playing at that time. There was a lot of that. I said someplace once that I thought that this was ... there was not ... well, there probably was some animosity between Mulholland and Van Norman on the one hand and Scattergood and his people in the Power System on the other hand. Both of them, though, were seeking the best for the Department of Water and Power in mind, but they just had slightly different goals and ways of approaching those goals.

I don't think we've mentioned here before, though I've discussed with you, when I became General Manager, the man who was head of the Power System, who had every right to expect to be General Manager ... the only reason not, was that there had been a long tradition in the Department of alternating General Managers, one from the power system, one from the Water System, one from the Power System ...

Erie: Was that to provide more balance?

Phillips: It was, I think. And it worked ... it had a good effect, I think. And Floyd Goss, well ... my predecessor's General Manager was Eddie Kanouse ... Dr. Kanouse ... a very Stanford educated, very sophisticated, very academic type person, if you'll excuse the ...

Erie: Fine with me ...

Phillips: He was a small man, very short. A very nice man. Pipe-smoker. But I recall particularly that the chair that was in the General Manager's office ... Ed Kanouse sat in that chair and used to sit there puffing his pipe and swinging his feet. .. they missed the floor by about three inches. I came in, sat down in the same chair, raised it as high as I could, and planted my feet squarely on the floor. That was the difference. Eddie Kanouse was probably about 5'7", if that. Anyway, he was a mild-mannered person.

But Floyd Goss, who had moved in as head of the Power System, was much more of a Scattergood type person. He was very smart, a very good engineer ... electrical engineer, a good politician, good organizer, a good speaker, and a forceful person in just about any way you can think of. And I know that he wanted to be the General Manager very badly. He was not appointed General Manager and I learned later that the reason was not the alternating tradition, there were other reasons why Floyd was not considered suitable and I understand those reasons. But shortly after I assumed the office of General Manager, Floyd, who was a very good friend of mine, I liked him and we got along fine. But he came up one day to talk to me and he said that he wanted to help me, you know, he thought that this was a good choice ... this was fine ... he was going to be able to work with me and he knew it would work out just fine. And he wanted to help me all he could. He did remind me, however, rather pointedly that he did not need anyone to tell him how to run the Power System. And that remark didn't come as a surprise. My return remark to him was, "Boy, Floyd, don't worry," I said. "I know you know how to run the Power System, and I'm not in any way going to tell you how to run the Power System because I'm going to be too busy running this Department." And he did not miss the point. He didn't stay long, but we got along fine while he was there.

On a much smaller scale, to give you an idea ... to capsule on a smaller scale the position between the Water System and the Power System ... and it was engraved, I don't know that it will ever change ... In 1960 ... Jan 2, 1960 ... I assumed the job of Northern District Engineer of the Los Angeles Aqueduct Division. This meant that I went up to the Independence office and was in charge of everything north of Haiwee reservoir, the whole northern district. land administration, power administration in the local power system up there, not in the maintenance of the transmission lines of the department that came through by that time, but the local distribution and the billing and all that was under my jurisdiction. This was kind of in a transitional period when we were going from all-electric medallion homes to the environmental requirements of "Gee wiz, we gotta save energy," you know. It was kind of in that transition.

But certainly, some of the people in that Department were very much, "We gotta go out and sell power." They sent a man up there as a ... I've forgotten his exact title, but they

were used throughout the system ... and they were the people that set up new services, encouraged new services and did the preliminary planning as to what the load was going to be for new services, and what kind of service it should be, and what the billing would be, and all that stuff .. get the service set up. And, when they weren't working on a service that somebody had already asked for, then they were out drumming up service.

Well, a man by the name of Ed Rife was sent up there by the Power System, and he arrived just about the same time I did. He was a very zealous person, he was an old time Power System man. Another pipe-smoker... I have nothing against them, I enjoyed smoking a pipe for many years myself

He immediately went out and, "By gosh, we gotta get some power started, we got sell some power up here."

And pretty soon, he was ... you know, he wanted to bring in light industry, and employees and start building up load here. And I got him into my office and I said, "Look kid, the whole goal of this operation up here is to maintain and protect the water supply for the city."

I said, "Power work is incidental."

I said, "One of the philosophies that we have in administering all this area up here is that 'growth' is not an attractive word. We're not after growth. We want to be sure that the people that are here have a good livelihood, we want to bolster recreation for people who are coming through, we want to do all that. But we want this to remain cattle-country up here. We want to see cattle all over the country, and nothing else."

I said, "We just don't drum up any service. We don't seek service. If somebody wants a power service, fine, we work with them. But we don't go out and encourage industry to come in ... because that means more people and a bigger political base which might fight the Department."

I said, "Actually, that's what we do."

Well, it turned out to be very hard for him to give that up. Eventually, we had to go through some offices downtown to get this enthusiasm stopped, but we did. But that shows you that the Power System had very little concern or care about the concerns or the needs of the Water System. And that little item demonstrates that very well.

Erie: What about this alternating pattern, this tradition, right, of going to first to the Water and then to the Power System for the recruitment of the General Manager. Which side do you think, Bob, produced the better general managers and why?

Phillips: Well, I'm too modest to tell you that, but I'm not modest enough to quote somebody. We had a brilliant Chief Assistant City Attorney for Water and Power for many

years back in the 50's, 60's and early 70's, his name was Gilmore Tillman, an absolutely brilliant man. He was virtually, during the Kanouse regime, particularly, he was virtually the General Manager. He kind of guided Eddie Kanouse on things. He was not that during ... Kanouse's predecessor, which was Sam Nelson and nobody told Sam ...

Erie: Nobody told Sam anything ...

Phillips: Sam handled everything just fine. But Sam worked very well with Tillman, they were both brilliant, they both knew the Department well and had common ideas about its goals. And when I moved in, I worked well with Tillman. And there was a great deal of mutual respect. And Tillman told me one time, he said, "Phillips, you should have been an attorney, you think like one." Well, coming from Tillman, I considered that a high compliment. The other thing he told me one time after we'd worked together a while, was, or he asked me ... "Phillips, why is it all the good General Managers come out of the Water System?" Now that's my answer to your question. That was as near as an independent observation that I can give you. Why, I don't know. But it may be because of this more ... this less aggressive posture in the management people in the Water System, their not having any cause or reason to show arrogance the way, in my view, a lot of the Power System executives did. And whether that's the reason, I don't know. But there have been others who have observed the same thing. There have been one or two exceptions on both sides, but I don't know just why, but it's a fact, I think.

Erie: You know, the fact that the city has had to go to the City Council innumerable times on the power side as well as the water side, has that done something to tame the arrogance of the Power System people the last ten or fifteen years?

Phillips: It should have, but I'm afraid it hasn't. I think that's one of the problems right now, frankly.

Erie: Bob, let's shift gears, if we can, and talk about the Department's relationship with two key utilities in Southern California, the first the Metropolitan Water District and the second Southern California Edison. Bob, let me ask you first about the origins of the Metropolitan Water District. I've been reading historian Kevin Starr recently, who at least leads the reader to believe that this was largely an exercise of the downtown business elite and particularly the Chamber of Commerce, that the Metropolitan Water District, right, was orchestrated by the committees of the Chamber. Is that your take on the development, the creation of the Metropolitan Water District?

Phillips: Not exactly. The Colorado River Aqueduct, which was the reason for the Metropolitan Water District, was really initially conceived as early as 1923, 22 or 3, I think, when Mulholland realized that the first Los Angeles Aqueduct wasn't going to be enough and that they had to go look someplace else. And the place he had in mind was the Colorado River. And he got permission from the Board of Water and Power Commissioners to go explore the possibilities of getting Colorado River water here.

Erie: Wasn't there a filing of like 1,500 ...

Phillips: Yeah, he went over there and determined that it would be possible. It would be a big, big project. But that there was water there and it could be brought over here. And he notified the Board of this and asked permission again from the Board to file on water, and the Board said, "Yeah." So he filed on 1,500 cubic feet per second of water. A million acre feet a year, plus or minus. And that filing was in the name of the City of Los Angeles, nobody else.

Erie: And the Chamber was not involved in this, at all?

Phillips: To my knowledge, not at all, yeah. Then, Mulholland started sending some survey crews out in the desert there to map mountains which had never been mapped to an adequate scale so that some line and grade surveys could be made ...

Erie: And this was all paid for by the Department of Water and Power?

Phillips: Yeah, right. And, in fact, Sam Nelson was one of the ones that went out there on a survey party to do that.

Erie: That's how Sam cut his teeth ...

Phillips: Yeah. So that went on for some time. Surveys were made, and I have to review the history a little bit here ... but they established several possible routes ... I've got a copy of a great big map in here, a topographical map that was the result of those surveys and shows the routes ...

[to dog] Now listen, lie down, lie down, I'm not going to pet you ...

And I believe they did some initial construction over there. One of the things they did, I know, was cut a deep trench along side and back from the west bank of the Colorado River, where it was not in deep gorge ... to test the infiltration properties. Of course, the Colorado River was very muddy, the dams hadn't been built to settle the silt out. And they built a long, deep trench to see ... they felt if they could get filtration through the natural soils into this long trench, they could pump that out and it would be filtered water. .. pumped to Los Angeles. There was a lot of construction work done on that by the Department of Water and Power. And at some point in there, then, when the surveys began to gel and they began to find out that there were big pump lifts involved, lots of tunnel, that it was a really big project...

Erie: Yeah, you're talking about lifting that water how many feet? A thousand-seven hundred, something like that? It's up ...

Phillips: Yeah, there are several pump lifts ...

Erie: This isn't gravity flow, right?

Phillips: No, and there's no ... virtually no recovering generation from it either.

Erie: You're talking about an electric power bill too, a pumping charge.

Phillips: Yeah, they used the head all up in friction, through the conduits. So anyway, I think they began to realize that this was not a one agency matter. And it may have been at this point that they went to the Chamber of Commerce. What they did was they sent out some letters to other cities and said, "Here's a possibility for water for everyone, are you interested?" And they got the famous thirteen replies ...

Erie: And this was after they realized that they didn't. .. either, they didn't have the money to go alone because they originally intended to go alone ...

Phillips: They originally intended to go alone.

Erie: Or that it was too ...

Phillips: It was too big a project. Money-wise, and really probably more water than they needed. And to this day it would be if they had gone along with 1,500 second feet [they] still wouldn't be using it. So it was a wise choice. But I don't think the Chamber of Commerce came into it until it became apparent that it would be more than one outfit. And they tried to get others to come in and they did get eleven cities, enough, apparently they felt it would be worthwhile.

Erie: Evidently, Pasadena and a lawyer there, the City Attorney, a man by the name of Howard, right? Played a major role ...

Phillips: Yeah ...

Erie: Along with Matthews ...

Phillips: Howard and Matthews, and the City of Los Angeles and the City Attorney of the City of Pasadena really put together the Metropolitan Water District Act of California ...

Erie: The enabling legislation.

Phillips: Yeah, and got it passed. Not knowing at that time, just how many would be in on the project. But at least they got the enabling legislation through. And then, immediately, when they began to get the answers back from these people. They organized the Metropolitan Water District of Southern California.

Erie: Now wasn't it originally organized out of the Department of Water and Power? In fact, that was its headquarters until they got the funding several years later.

Phillips: Yes it was, that's right. They didn't have a building or anything, they operated ...

Erie: Many of the engineers, the commissioners, right? Really came out of ..

Phillips: Matthews moved over to the Metropolitan Water District ultimately. A man by the name of Deemer moved over there.

Erie: I've read his oral history, Bob.

Phillips: Yeah. A man by the name of Clay Elder had been the hydrographer and hydrologist with the Department, he moved over there as the Chief Hydrologist for the Metropolitan Water District, and there were quite a number of others.

Erie: And the commissioners. John Randolph Haynes, Whitsett.... In fact, they ultimately had to chose their allegiance, whether they were going to be Metropolitan Board members or D.W.P. people.

Phillips: So it occurred over a period of time. And I don't have the exact history, but my thinking would be that when they realized that they had to branch out, that's when the Chamber of Commerce came in and helped canvas members and that sort of thing ...

Erie: And that, actually, was a long-standing practice of the Department, wasn't it, on bond issues? Was to utilize the Chamber in terms of building political support.

Phillips: Yep. So the Metropolitan Water District, then was a little like the Power System, then. The tail started wagging the dog. It outgrew its parent. Truly. And fortunately, the way the Metropolitan Water District of Southern California was structured, the City of Los Angeles for years had most of the votes on the Board, most of the power on the Board. So there was no great problem, the City of Los Angeles says "Do this," and they did, you know ... that's what happened.

Erie: You had Joe Jensen on top there, Bob.

Phillips: Yeah. However, when they began taking in people who would pay their back taxes, all the back taxes that they would have paid had they been in since the beginning and since San Diego with its ... a hundred and twelve thousand acre feet a year on the Colorado River decided to join Metropolitan Water District in ... when in '47

Erie: '46, '47.

Phillips: '46,'47 ... and give their hundred and twelve thousand acre feet to some kind of park, I don't know what the arrangement was but anyway, that was part of their. .. [end of tape 3, side A]

Erie: OK. .. Kay Egis and others came in ...

Phillips: All the others. Santa Monica, Long Beach ... well, they were among the first. ..

Erie: Did the growth of the Metropolitan Water District and the fact that it called the tune, in terms of water coming from the Colorado, and then after the 1960's from the State water project ... did that change the relationship, create conflict with the Department of Water and Power, the relationship between the Metropolitan and the Department of Water and Power? Has it generally been a friendly relationship ... a cooperative relationship, or has there been tension and conflict?

Phillips: As time has gone on it's become ... there's become more attention. There was a battle over rates versus taxes, you know. And I got in on that fight for a while, where the City of Los Angeles had to pay a whole lot of taxes ...

Erie: and they got very little water, or needed to draw very little water ...

Phillips: Yeah, and they got very little water, and what they wanted to do was make the water rates pay for more of the costs, certainly the operating costs. But, somebody like the City of San Diego is getting a free ride, they pay very little taxes and as long as the water rates are low they were riding on Los Angeles's water, really.

Erie: As they ride on their airport and harbor, too, Bob. They're infrastructure free-riders.

Phillips: And where it became bitter was between San Diego and Los Angeles. Another...

Erie: But really on the Metropolitan Board, not really the D.W.P. versus the San Diego County Water Authority.

Phillips: Yes, it was a fight between the Board members.

Phillips: Jane! [INTERRUPTION; takes dog outside.]

Erie: Back on ...

Phillips: Another thing that aggravated this problem between San Diego and Los Angeles was the fact that it was the practice that the more senior Board members

get the committee heads and the more important committees. And San Diego has been very smart, they've assigned people and then left them there for a long time. The City of Los Angeles has been dumb, but you know it's been politics.

For instance, when Mayor Bradley came in, he reassigned ... he dismissed all the Board members, virtually all of them from the City of Los Angeles on the M.W.D. Board and put all new people in. Well, they had no clout at all. Even though they had numbers, they had no clout. .. and San Diego rode roughshod over them.

Erie: It was like the South in Congress ...

Phillips: Yeah, right. Then Riordan comes in ...

Erie: Gage goes ...

Phillips: Yeah ... and you get the same thing ... so... the City of Los Angeles has had some very good people on that Board but they don't stay long enough to where they have authoritative positions ... powerful positions.

Erie: Now will the tail be wagging the dog even more now that the City has to turn to the Metropolitan for a greater amount of water because of the Mono Basin decision?

Phillips: I don't know that... the City should become much more aggressive, now, because they're much more impacted by M.W.D. costs and that sort of thing, but I can't see the situation getting any better, I'll put it that way.

Erie: What about the Department's relation with Southern California Edison. How do you characterize that over the years?

Phillips: Well, of course early on it was bitter. The fact that my father worked for the Department really had a lot of input to my younger days. My mother had a half-sister and she was married to an Englishman, by the name of Chegwidden ... Schwiden, he'd pronounce it, Schwiden, but it was spelled Chegwidden ... he worked for the Edison Company ... he was in their securities operations, stocks and bonds, and that sort of thing. And I remember them when I was a kid they'd always come over ... because they had no children ... they would always come over to our places at Christmas time and bring us bats and balls and stuff, you know ... and then there was a period in there which I didn't quite understand, during the twenties, I guess ...

Erie: They didn't come over?

Phillips: They didn't come over. "So where's Aunt Sue and Uncle Wes?" "Well we're not seeing them, we haven't seen them for a while, we may not see them for a while." All because of the tension between my father, who by that time was becoming an executive at the D.W.P., and Uncle Wes who was becoming pretty well up in the Edison Company,

you know, he was on speaking terms with the president and that sort of thing ... So, you know, it was bitter, there was a bitter period there. It may have been, as I've discussed with you before, that when the Metropolitan Water District was formed, the Colorado River aqueduct built, Edison may have realized just what was happening to them, I don't know ... but I don't see how they could have missed what was happening to them, building a fence around the City of Los Angeles, literally.

Erie: Well, according to Mike Ely, Edison was bitterly opposed, right, to the Met getting thirty-six percent of the power allocation. They feared that the Metropolitan would go the way of the Department of Water and Power and not only use it for pumping purposes, right, but for distribution as well. So they initially fought their best ally.

Phillips: Well ... I'm not sure they could have done that, under the Metropolitan Water District act. I don't know what the act says, but I'll bet that it doesn't say anything about retail distribution of power. But anyway, in more recent years, and by that I mean even ... well, the Edison Company took over the southern share of the power company, or its successor, the ... Anyway, the power systems ... the privately-owned, the investor-owned power systems in the Owens Valley, the Bishop Creek plants, the Pine Creek plants, other plants up there that supplied ... originally supplied river-side loads with a little 138,000 volt transmission line that... of course, 138,000 volts over a 200 plus mile line was pathetic. Their losses were extreme.

But the Edison Company served part of the City of Bishop; they served the municipal part of the City of Bishop ... inside the City of Bishop. And the Department of Water and Power through its local plants up there served outside. Then there was a change in there. Anyway, the question came up about Edison serving outside. And I remember, I participated ... I was Northern District Engineer at that time, so this would have been in the early 60's. We had a meeting up there ... Bill Gould of the Edison Company and Jack Horton of the Edison Company, who was president of it then, and Sam Nelson, one or two people from the department, and I ..

Erie: Bob, this was about when? About 19 ...

Phillips: Probably '62 or '63, something like that. They came up there on a tour of the facilities ... a very nice visit. ... it was very cordial. And we, you know, had dinner together in the evenings and shared some drinks and we'd drive around, visit the plants and take a lunch with us ... or the plant people would have nice lunch picnic spread for us ... very nice. And a lot of things were discussed, among them the fact that within the Owens Valley, the City of Los Angeles' goal was to protect the water supply.

And this meant, as I had told my friend, Mr. Rife, minimizing growth ... minimizing development. And we hoped that they understood this and would not *try* to expand too much in the Owens Valley ... now, a lot of people don't know this, I don't think. And they were very understanding, "Yeah, that makes sense, we understand what you're saying. Don't worry about it. Don't worry about it." And we never had to. They never pressed

us at all about. ..

Erie: Did things regularize by the 60's? I know that D.W.P. and Edison started to engage in a series of joint ventures. The cost of power facilities became so prohibitive that you really had to have ...

Phillips: And we were involved with them, I think, in the Bolsa Chica project, you know.

Erie: So it became ... Once Edison realized that with the Metropolitan, right, there would be no further, kind of, growth, right, in the service area ...

Phillips: When I was General Manager, Jack Horton was the ... Do you want some chips or something?

Erie: No this is fine, this is just. .. I don't have a sweet tooth, but today I do have a sweet tooth ...

Phillips: Jack Horton was head of the Edison Company then, you know, CEO and President... and I was General Manager. They invited me over to lunch one time with my division, my system heads. We had a very nice lunch. Howard Allen was there ... [laughs] Howard Allen was the only one that I ever had a problem with ...

Erie: Well, can we just do a brief sidebar. I know we've talked about this previously, about Howard Allen and the creation of the Greater Los Angeles Chamber of Commerce. And what that might mean, what the significance of that was ...

Phillips: Oh, I think: it was very significant ... It meant that Howard Allen, who had been chairman or president of the Chamber of Commerce immediately prior to that, was very upset with it being the Los Angeles Chamber of Commerce. Why was he in it, and others ...

Erie: Well, its headquarters was there, before they moved to Rosemead, correct?

Phillips: And their headquarters was in Los Angeles. That's about the time that the plans started for the Rosemead office. And Howard Allen never really came around. But this lunch we had when I became General Manager was out at the new Rosemead headquarters, brand new. I was impressed. But it was very cordial.

And there was another case ... I've forgotten what the issue was ... but the power interests in the state wanted to get together and discuss this ... it was a legislative thing, it may have had to do with environmental things ... I've forgotten what. But they wanted to have a meeting in the PG&E offices in San Francisco. And they wanted me there. They wanted the major utilities, SDG&E, the Department of Water and Power, Edison, PG&E ...

Erie: That's the big list. ..

Phillips: And Horton called up and said, "You gotta go to this meeting ... " He said, "We sure want you up there ... " And I said, "Yeah, I'll go ... " And he said, "Well, could you be out at the Ontario airport at a certain time ...

Erie: What? Take their corporate jet up ...

Phillips: Well, it wasn't a jet ... but "We'll take a plane up and I'll have Stewart pack a lunch for us, just sandwiches, maybe some beer. And we'll have lunch on the way up and talk about it." There it was. Jack Horton was very cordial to me. So was Bill Gould, his successor. Very cordial and friendly. So by that time, I didn't see any problem at all. But I always told people that while the Edison Company was cordial to me and fair ... honest, don't ever sell them short about looking out for number one. They looked after the Edison Company and they did it well. But, you know, what else can you expect. Naturally they should do that.

But I felt the relationship, while I was in there, was very good. After I retired, the Navajo Tribe Utility Board asked me if I would fill a vacancy that they had on the Board. One of their board members was Jack Talley. Jack Talley had lived in Bishop for many years, working for the Southern Sierra's power company and then ultimately the successor down at Riverside. He became president of.. I can't think of the name. Anyway, when Edison Company took over that old system. Jack Talley became Senior Vice President and controller of the Edison Company ... worked there for quite a while. He knew all those people real well. Then he retired and became a member of this Navaho Tribal Utility Authority Board.

And so, they were looking for this member on that board and his wife happened to read in the Times that Bob Phillips, the General Manager of D.W.P. was retiring. And his, Talley's wife, was raised in the Owens Valley and knew my wife, my then-wife.

And she told Jack, "Why don't you call him and see if he'd be interested in the job?"

Jack said, "Aw, he probably wouldn't be interested in that. He's got too much else to do probably,"

So Jack called me one night, and said, "Would you be interested in being ... "

He says, "Are you familiar with what the Navajo tribe utility authority is?"

I said, "Yeah, somewhat, because we had some dealings with them on the Navajo project."

He said, "We have a vacancy on the management board ... Would you be interested a position on that Board."

And I thought a minute and I said, "You're damn right I would. "

Just like that ... And I said that sounds like something that I would like to do, you know. It doesn't pay anything but expenses, but I said yeah ... But, prior to asking me, though, Jack had called Bill Gould, who by that time was president of the Edison Company, whom he knew very well.

And he asked him, "Bill, you know Bob Phillips, do you think he would make a good member of our Navajo Tribal Utility Authority Board."

He didn't call anyone ... because he told me later, he said, "Jack leaned back in his chair and looked at the ceiling, and then he leaned forward in his chair and he said, 'I don't think you could find anybody better.'" [laughs] So you know ...

Erie: Things have been repaired.

Phillips: Things have been repaired. Now, I don't know what it is now. John Bryson was a shock when he was appointed there ...

Erie: Why was he a shock, Bob?

Phillips: Well, his background was not what you'd expect for a major, old-line corporate structure, you know. He'd been in the environmental movement. .. a powerhouse in the environmental movement and Common Cause, or not Common Cause but whatever it was he was with.

And he brought along with him Mike Peevey, whose background was really labor, but who had been president of the California Council of Environmental and Economic Balance, and as such had become a very great friend of Howard Allen's. So that all kind of added up and then came the San Diego Gas and Electric effort to grab them by the Edison Company, and it failed, which I knew it would. And that's when Allen went out and Bryson came in.

But Bryson did have his man Peevey in there, who later failed to make the ... well, no, he brought Peevey in earlier, he brought in Peevey before Bryson. Because Peevey was in charge of getting the deal with San Diego Gas and Electric done. So, he didn't do that so he left Edison.

Erie: Now he just writes Op-Ed pieces.

Phillips: And I don't know ... Edison is having problems now. Their stock has been down around 16-17 for a long time. They're laying off people right and left, as vigorously as the Department is ... and hopefully more carefully. All the utilities now are confronted with deregulation and I think they're all looking at each other for comfort and support. I think that has changed the whole relationship.

Erie: The old combatants look very differently at one another, don't they. They want commiseration.

Phillips: And I think that's changed the whole picture. And I don't know what's going to happen.

Erie: They're all in the same boat and it's leaking.

Phillips: Yeah, and I don't know what the future's going to be.

Erie: Well, a lot of difference if you're talking about a pooling system, right, a wholesaling system versus what we've talked about.

Phillips: That's part of the problem. Here, all of a sudden they come along and what's going to be a pooling system now, instead of deregulated wholesaling. You know, well, they decide, "Well, this isn't going to work, we'll turn the page and do this." That's scary.

Erie: Never put an academic in charge of the California Public Utilities Commission. William ... Daniel William Festler, right, the law professor from Davis. Well, Bob, we brought you up to the present, certainly when we talk about deregulation. Bob, can you share with us your observations of the Riordan administration and its dealings with the Department.

Phillips: Well, this is not a happy subject. [laughs] The Riordan administration has come in with some methods and actions which, to me, thoroughly demonstrate their total lack of comprehension of municipal operation. They're trying to re-tailor the whole cloth of good municipal operation to investor-owned corporate activity and it isn't working. I know it isn't going to work.

One of the things that illustrates this best to me is the letter that was written to the Times, March 19th by Tito, Dennis Tito, the Chairman of the Board of Water and Power Commissioners, who was a hand-picked stooge of Riordan ... and Micheal Keeley, the Deputy Mayor, who was an even more carefully hand-picked stooge of Riordan's, and I mean this ... saying in this letter, these two, that the mayor's goal is to bring about in the Department an operation that would be akin to other investor-owned corporations and the citizens of Los Angeles as owners become shareholders and they have a right to get a revenue, a return on their investment. "And therefore we have every right... this is what we're trying to do ... get money from the Department, just the way an investor-owned utility would get money from its ratepayers to pay its stockholders, its shareholders." Well that, to me, exhibits total ignorance of the situation.

My first question would be, if I were a ratepayer in Los Angeles, "Oh boy, where do I pick up my dividend check If we're just like the stockholders in a corporation who get dividends, where do I pick up my dividend check and how much is it going to be?"

And the second question I would have is, "Well, of course, the IRS is going to know that we're shareholders and we're getting dividends for this because your letter says so ... do I have to pay taxes on this? Do you withhold taxes, or how is this done? Do I have to worry about IRS and the money I'm going to get as a shareholder here, just like in a regular corporation that you say we're going to be, "

You know, that right there illustrates the stupidity of it. Of course, Riordan then, when I ask those questions, is going to turn around and say, "Look, you don't really get the money, we're going to use that money on your behalf. We're going to hire some policemen with it, we're going to fill some potholes, we're going to open some libraries longer, we're going to do things for you with this money, which is due you as a shareholder."

Well, then I would say, "That sounds to me like a tax, rather than a dividend." And Riordan is saying, "Oh no, this is being used on your behalf"

You know, it falls apart, totally. And yet those two men wrote that letter obviously totally believing, you know, what they were writing. And it's sheer stupidity, in my view. Now if someone can point out where I'm wrong with that analysis ...

Erie: Bob, as I understand it, neither of them has spent one second managing a public agency in their lives.

Phillips: No, I don't think they've spent one second managing anything, really managing ...

Erie: One was a private pension fund manager, Tito, and the other was a venture capitalist, right, who specialized in hostile takeovers.

Phillips: Then the other thing they don't grasp is that the citizens who they say earn this money from the Department because they own it are citizens because they are residents of Los Angeles. Then I would say that every resident of Los Angeles is a customer of the Department of Water and Power and is paying a water and a power bill. Now they may be paying it through their landlord, but every citizen of Los Angeles, everybody who lives in Los Angeles, by Charter requirement is getting water and power from the Department of Water and Power.

Erie: Why has the City Council been so silent on these issues?

Phillips: Well, they don't understand them and they're afraid of them, because it's true, you know. So, and also ... every citizen, everybody living in the City of Los Angeles is a taxpayer also ... same reason, they're either paying taxes because they own a home or own property, or they live in an apartment and through their rent they're paying their share of the tax on that building and other taxes.

So every citizen is a water and power user and a taxpayer and all you're doing is taking money from the water and power ratepayers to pay for cops and stuff for the taxpayers, and they're the same people virtually ... so Q.E.D. you are levying a hidden tax. And they refuse to understand that.

Erie: The Riordan administration also charges that the Department is inefficient and bloated and had commissioned with the City Council an audit that proposed ... in fact it's now being implemented, right, that the Department be cut by something on the order of 20-25 ... Your comments and reactions, right, to this retrenchment driven audit. .. **[End of Tape 3, Side B)**

Erie: We're back on ...

Phillips: The employees have a right. .. the fruits of their labor are a reduction in water and power rates, if they are reducing the cost. Because of that reduction in rates, then they the employees can expect to be complimented and thanked by the ratepayers ... or at least complimented and thanked by the ratepayers. Or at least viewed favorably by the ratepayers.

Now when the fruits of their labor are not given back to the ratepayers, but are skimmed off for other purposes entirely unrelated to water and power, they see this happening and they think, "Well hell, why should we do a good job? Why should we work our tail off in order to lower costs here when all that happens is they're diverted over there? And we get no benefit. We take a lot of criticism from the ratepayers because the rates aren't lower."

And that's a very, in my view, a very legitimate position for them to take. It's a source of destruction of morale, among other things.

I think that ... and then another thing that frightens me about what Riordan is doing is this sale of surplus property ... so-called surplus property. He sold a million and a half barrels of fuel oil on storage down at San Pedro. The decision to have that fuel oil in storage was made during the Arab oil embargo in the mid-70s when I was General Manager. The tank storage space was built on a crash program and filled ... and the position of the Department then was that we would never, never find ourselves short of fuel at all for our generators, in case something happened ... either gas lines or oil embargoes or what.

And now he blithely sells off that million and a half barrels of oil. He's talking about selling off surplus lands in the Owens Valley, lands that the Department owns in the Owens Valley. Those lands ... everybody should know that history by now ... are key to the acquisition of our water supply ... to the security of our water supply up there. You never sell those lands off, you don't do anything with them.

You can't by any stretch of the imagination say that selling those lands is worth more than keeping the water supply that they represent, because it doesn't figure ... with the price of the substitute source, the Metropolitan Water District water now, which is over \$300 more than L.A. Aqueduct water and rising. That just doesn't make sense at all.

So his ... all his thinking seems to be ... to terminate with the next quarter report. And you can't do that with a water and power utility that requires capital expenditures which are expected to last seventy-five or a hundred years ... you can't do it, in my view. So that's why I say he has no understanding at all of what he's doing, and he's doing irreparable harm.

Erie: What does this augur for the future of the Department, Bob?

Phillips: Well, if it goes on, the only rational thing you can think is he'll bleed the Department for all he can and then he'll sell the Power System at least. And the Water System will become a very dependent utility operation which will struggle to get funds to keep itself operable, probably won't get the funds ...

Erie: Just like Eastern water utilities.

Phillips: And there'll be serious breakdowns in the system and catastrophic things happen. In the San Diego Union Tribune, yesterday, I think ... No, this was in the L.A. Times I picked up Friday up there. I happened to notice an article ... "Gas Emissions Close Sierra Campground." Well, that's the Mammoth Lakes, the Long Valley caldera there and the Mammoth Lakes volcanic action, and there are trees being destroyed up at Horseshoe Lake now because of carbon monoxide gas coming out.

And the seismologists and geologists figure that there's still lava moving at fairly shallow depths underneath the Long Valley caldera and underneath Mammoth ... and that there's a high likelihood of volcanic activity there, sometime in the future. They say not immediately, but nobody knew that Mount St. Helens was going to blow its top off either, but it did. If there was any significant volcanic activity ... a spewing forth of deep volcanic ... or deep waters in the earth ... gases contaminating the waters ... there's already an arsenic problem in the hot creek, which is Mammoth Creek.

The City of Los Angeles water supply from the Owens Valley could be destroyed overnight if something happened there. Now, I don't know if anybody appreciates that or not. I don't think Riordan does. But there'd be a tremendous cost... a tremendous emergency in the City of Los Angeles if there was large volcanic activity in the Mammoth area, because Crowley Lake is right downstream from that. .. Crowley Lake sits in the caldera.

That water would be contaminated. The only place that water can go is down the Owens River. If you tried to hold it in Long Valley Reservoir, the reservoir would fill up and spill and then you'd still get all this highly-contaminated, poisonous water going down

the Owens River ... put it in Owens Lake.

That means that the only water you'd get into the Aqueduct that was not contaminated by this would be what flows in the stream south of the intake and that would be a fraction of what you get now. So that interested me for that reason. You know, who's to say that that isn't going to happen tomorrow?

Erie: And there's no diversion north of the intake? That's the only place where you can diverge ... where it can get out.

Phillips: Yeah ... so, that would worry me to death. I'd be planning right now what to do in case that happened. Now maybe Wickser's doing that, I don't know. But it's not my business anymore, but I can't help thinking about what this could do. It would be catastrophic ... worse than anything that's happened. Worse than the Russian earthquake. So this is why I have no faith in the Riordan administration ... They have no concept of what they're dealing with, or how to deal with it, or the consequences of mis-dealing with it. They have no concept. And I can't say that strongly enough.

Erie: O.K. Bob, thank you very much.

INTERVIEW ENDS

Transcription Time:

TAPE ONE: 5.25 hours

TAPE TWO: 6.25 hours (including checks/spelling)

TAPE THREE: 5 hours

TAPE FOUR: 2.5 hours (including checks/spelling/review of problem words)