Chapter 13

Power – The Decision of a Century

Everyone is for it NOW – distribution of Don Pedro power.

In this single statement *Modesto Morning Herald* summed up a bitter two-year battle over whether to distribute or wholesale the energy generated at Don Pedro Dam Powerhouse. The occasion was the November 11,1923, arrival of the first "juice" to light homes, businesses and public buildings in Modesto.

The ultimate decision to generate and distribute its own power has been properly labeled by Mathew Fiscalini, who served nearly 29 years as a Modesto Irrigation District director, as "the most important thing that the people of Modesto and Turlock have ever done."

But it wasn't easy. It took strong-minded, courageous – at the time some said foolhardy – people to accomplish the feat in the face of powerful opposition from a well-established private utility.

From the outset, it had been assumed electrical generation would be an integral part of the Don Pedro Project. The use of electricity was not new to Stanislaus County. It had been around in a limited way since 1891, although many of the older generation looked upon it as an unnecessary luxury.

In 1893 when La Grange Dam was built, the huge Niagara Falls power project of New York still was in its design stages, yet the *Stanislaus County News* forecast that the man-made La Grange Dam could be "the Niagara Falls of the West" by offering similar energy potentials.

The first formal step for the development of electrical energy came in the spring of 1912 when the Turlock Irrigation District filed for an additional 325,000 acre feet of water specifically for generation purposes. Subsequent agreement between the two districts conveyed 31.54 percent of this right to the MID.

Throughout the preliminary discussions of the Don Pedro Project there was no question but that a powerhouse would be included. On July 18, 1919, six days before a formal decision was made to include generating facilities in the project, consulting engineer A. J. Wiley submitted to the two districts a detailed design, including penstocks buried deep in the concrete dam, for a 15,000 kilowatt power plant. A budget of $609,000 for the plant's construction was adopted.

It was to be two years before construction began, however.

During that interim there began a conflict between the Modesto district and the Pacific Gas Electric Company which was to develop into a full scale war lasting 20 years. Although the two utilities now are working together, only a score of years ago “PG&E” was considered a bad word by many old-timers in the region.

The battle was over who was going to distribute the power generated at Don Pedro.

It all started early in 1920 when the irrigation districts sought to acquire from the Sierra & San Francisco Power Company, a subsidiary of PG&E, the old La Grange Ditch and Mining Company property which would be inundated by Don Pedro Reservoir. The private utility replied that it would relinquish the property only if the two districts agreed not to compete in retail distribution of electricity and also sold to PG&E all of the power generated at Don Pedro.

The districts immediately initiated court action to condemn the property. The case was settled in mid-1921, but that lawsuit launched a series of legal battles between the private utility and the Modesto district which were to go on until 1940.

In exchange for the lands flooded, ditches destroyed and all of Sierra & San Francisco Power Company’s rights on the Tuolumne River, the districts agreed to provide PG&E with 10 million kilowatt hours of energy in each of the next 25 years. Additionally, water would be furnished the gold dredge at La Grange. At the same time, a contract was signed providing that PG&E would supply the power needed during construction of Don Pedro Dam and Powerhouse.

Work on the powerhouse began in November 1921 when contracts were awarded for the purchase of the turbines, generators, transformers, switchboards and a traveling crane. All of these items, plus the lining for the penstocks, cost $291,478. Excavation for the powerhouse began that month.

As construction progressed, the Modesto district faced two choices: Retail the power within the district, building its own distribution system at a cost of more than $1 million, or wholesale the energy to PG&E.

At the time the agreements were reached on the La Grange Ditch and Mining Company property, PG&E undoubtedly believed the MID was inclined to wholesale its share of the electricity to the private utility. The belief was justified, for that, indeed was the thinking of the board. In fact, none of the MID directors questioned that the plans showed only two transmission outlets from the powerhouse: one for

Turlock, which always had insisted it would distribute its own power, and one for PG&E. When the MID subsequently decided to distribute its own electricity, a third outlet had to be added.

As 1922 opened the Modesto district hired San Francisco consulting engineer Louis F. Leurey to survey the comparative costs of wholesaling or retailing the energy. Leurey advocated wholesaling.

In designing the dam and powerhouse, Wiley had estimated that water stored behind Don Pedro Dam would generate 16,000 horsepower of energy during the months of January through September. This would drop to about 5,000 horsepower during the remaining dry months.

Based on this, Leurey estimated that the Don Pedro Project had a potential of 90 million kilowatt hours of energy each year. Of these, 10 million would go to PG&E through the Sierra & San Francisco Power Company , 53 million to the TID and 27 million to the MID. Leurey estimated that consumption for the entire district would vary from 700 to 2,000 kilowatt hours per year. By comparison, the average home today consumes about 750 kilowatt hours per month.

Although the state Legislature in 1919 had allowed irrigation districts to enter into the power business, the MID legal counsel had decided that it could not retail energy outside of its district boundaries without approval of the State Railroad Commission, predecessor of the Calfornia Public Utilities Commission.

Since the authority for irrigation districts to enter the power business in competition with private utilities was so new, it was not known how the state regulatory agency would react to an application to go beyond district boundaries. With this uncertainty facing them, MID directors wondered what to do with what appeared to be a tremendous surplus.

Furthermore, Leurey argued that the cost of building a distribution system would be substantial and the district would not be guaranteed any preferential treatment from the City of Modesto or County of Stanislaus in seeking right-of-way for its distribution lines. Leurey maintained that PG&E was serving the area well at the time and to compete with the private utility would result in a devastating price war.

At the time, PG&E had nearly 4,000 meters installed, serving primarily the City of Modesto and nearby residential areas. Rural areas were without electricity, however, as the private utility had neither the inclination nor the energy to serve regions where customers were far apart. It would require at least 100 more miles of distribution lines to reach these people.

An inventory made by the MID in March 1922 placed the value of PG&E's system, including six substations and 130 miles of distribution lines at $606,400, without considering depreciation. Leurey estimated that if the MID were to take over the system it would cost at least an additional $135,000 in severance damages and the district would lose a substantial taxpayer.

The cost to build a new system, including transmission lines from Don Pedro, was estimated at more than $1.4 million. Operating the system with a skeleton staff would cost $50,000 a year, plus another $25,000 for standby steam generation for use during the water-short months of October, November and December.

With these facts in mind, the Modesto board invited PG&E to make an offer to purchase the district's share of Don Pedro power. The response was that the private utility would not deal with one district alone, but would purchase for 10 years all the power from both districts, exclusive of that already committed under the Sierra & San Francisco Power Company agreement.

The proposal provided that the two irrigation districts would control water releases to meet PG&E power demands, "subject to irrigation and domestic needs." The company would furnish at cost the electricity required for district-owned drainage and pumping plants.

A month after the proposal was submitted, the Modesto board accepted it, but cut the term of the contract to five years. The board reasoned that the district's drainage and pumping requirements would not exceed a third of the power available and there was no guaranteed retail market, especially since many of the larger energy consumers already had long-term contracts with PG&E.

Furthermore, the board concluded that if the district wholesaled its power, revenue would start coming in immediately while it would be a year or more before it could build and start operating its own retail system.

The only argument in favor of a retail distribution venture fraught with uncertainties was that it would provide jobs and keep the money at home.

On June 14, 1922, the MID Board of Directors voted 4-1 to wholesale the power to the private utility. Directors J. R. Broughton, H. J. Coffee, H. W. Guyler and C. A. Hilton favored wholesaling. Only Director E. L. Routh opposed the proposal.

In making the decision, the board forgot one important thing. Earlier it had set June 21st as the date of a straw vote on the issue of wholesaling vs. retailing. One week after the board's action, the people of the district voted 1,468 to 625 in favor of retailing and supported the issuance of bonds for this purpose by a 1,400-574 majority.

The board still was not convinced.

The Modesto district's engineer, Percy Jones, placed the cost of a new distribution system at $1,163,000; only $300,000 in unsold bonds remained. With the district already bonded for $4 million, the board was reluctant to incur an additional $1 million indebtedness even though the district for the first time ever had received above-par prices in the sale of Don Pedro construction bonds in January 1922.

Six months after the straw vote, the people took direct action. Guyler, Coffee and Hilton were recalled from office on December 20th. Broughton, however, survived a recall election held one week later.

Even with three advocates of wholesaling Don Pedro power to PG&E replaced by MID distribution supporters, some hesitation to undertake such a monumental task must have remained in the minds of board members. Late in January 1923 a coupon questionnaire was placed in the two daily newspapers asking opinions of whether the district should retail or wholesale the power. Once again the results were overwhelmingly in favor of the district's marketing its own power.

Two straw votes and the recall of three directors finally convinced the MID board. The district then approached PG&E, offering to buy that portion of its distribution system within the boundaries of the MID. The response was negative in a roundabout way. The company claimed in only leased the system from Sierra & San Francisco Power Company and it understood the latter was not willing to dispose of any property.

In a College of the Pacific master's degree thesis submitted in 1946, Robert M. Graham stated that company officials involved had admitted to him that PG&E was willing to sell at the time, but the undisclosed price offered by the Modesto district was too low. Thus, the decision was made to freeze out the MID rather than sell out. A fight which was to last 17 years was on.

Without hesitation, Turlock had proceeded with its own system and on February 20, 1923, agreed to carry Modesto's power to its substation in Empire, from which the MID could serve much of its own area.

April was a turning point for electrical distribution in both districts. Energy first flowed over Turlock's transmission lines April 3rd, the same day Modesto called for bids for distribution system material and moved to build its own transmission lines to its PG&E-served pumping plants to avoid long-term contracts with the company.

The district charged the private utilities had joined to impose an exorbitant price for the Tuolumne River rights needed by the districts for the construction of Don Pedro Dam and Reservoir. Modesto consulting electrical engineer H. A. Storrs contended that the districts had given PG&E 10-million kilowatt hours a year – a $1 million value over the 25-year term of the agreement – for a dilapidated plant which could generate only 4-million kilowatt hours per year. Furthermore, Storrs argued, the Waterford Irrigation District already had purchased from Sierra & San Francisco Power Company the rights to the water for the months of May through October.

Not only did Turlock flatly refuse to join the rebellion but issued a stinging rebuke of the Modesto district for adopting the resolution and going public with it before consulting the TID. The effort came to naught. The districts began delivering the power to PG&E May 20, 1923.

Meanwhile the retail vs. wholesale debate went on.

Modesto Morning Herald editor Leslie A. Ferris, one of the first to fight for the MID's distribution of its energy, injected the issue into 1923 city council and school board elections. He called for the election of those candidates who had openly supported the public distribution of Don Pedro power.

Editorializing on the morning of the April 10th election, Ferris declared: "To vote for anti-distributionists for the city council at this time is dangerous to this movement."

Even after the recall of a majority of its members on charges that they opposed local distribution, the MID Board of Directors seemed divided on the issue. Director Routh, who 10-months earlier had been the only one to vote against the original move to sell out to PG&E, was accused of vacillating and being dilatory in proceeding with retail distribution. He was recalled April 25th.

In February, Routh and anti-distributionist Broughton had been instrumental in unseating as president of the board Empire Director J. C. Garrison, a strong advocate of retail distribution. This truly was behind Routh's recall, after which Garrison was re-elected president. This, the Modesto Morning Herald, said, "undoes the damage done previously by Routh and anti-distributionists."

The new board immediately voted to fire any employee who opposed retail distribution, declaring: “Any unloyalty on the part of any employee to the cause of distribution is a serious menace to the welfare of all taxpayers.”

This time the board meant business.

The installation of transmission lines to 26 MID drainage pumps was started in April. These now would use Don Pedro “juice” to pump groundwater into canals, lowering crop-threatening high water tables in several areas.

In mid-May the Modesto School Board opted for Don Pedro power to heat as well as light the new Modesto Junior College and two grammar schools in California to be heated by electricity and the school trustees’ decision was seen as strong support of the MID’s entry into the power distribution business. Future additions to existing schools also would be heated and lighted by MID power, the school board ruled.

Things were moving too fast for PG&E, which began to fight back by soliciting its customers with long-term contracts at favorable rates. This caused sufficient concern to the district that the MID board issued a statement stating, “Any citizen or concern entering into such obligations would be detrimental to the Modesto Irrigation District and its taxpayers.”

The first MID meter was installed on October 23rd. Six days later MID Electrical Superintendent Webster Johnson threw the switch which fed the power into the district’s pipe yard. There were no ceremonies or crowds, but as the lights in the yard began to glow, Johnson cried out: “We’ve done it! Watch us go!”

Mammer’s Bakery and the Community Market Building received electricity the same day. The next morning MID crews were in the field promising to make from 25 to 50 residential service connections a day.

The City of Modesto contract to provide power for lighting streets and public buildings and for pumping domestic water was signed November 2nd by Mayor Sol Elias, long an MID activist who had a significant role in getting the district going again after the 1901 ouster of anti-irrigationists. The PG&E contract had expired in 1922. Mayor Elias and the city council kept negotiations on a month-to-month basis, meanwhile meeting quietly with irrigation district officials to assist in developing the distribution system. In response to the city's support, the district gave Modesto a most favorable .015 per kilowatt hour rate for pumping domestic water and for street lighting.

By November 10th, 23 businesses and 61 residences were on the line along with the new junior college and two grammar schools. The Salida Lighting District was being served. Other contracts were being processed.

Formal dedication of the electrical distribution system came as part of the city's November 12th Armistice Day celebration; November 11th fell on a Sunday. Following a Friday night test of lights strung through the streets for celebration, the *Modesto Morning Herald* commented:

> It really did seem as if Modesto took on new life – the sense of ownership of power seemed to transmit itself into the very veins of the Modestans who congregated about the streets and rode about in automobiles, apparently anxious to absorb every bit of the first light from Don Pedro Power.

That this sense of "new life" was felt by the individual homeowner was confirmed recently by long-time resident Russell Briggs. Briggs grew up on a McHenry Avenue farm a little over a mile beyond Modesto's city limits which then were at Morris Avenue. Recalling how difficult it was to study his high school lessons by the light form kerosene lamps, he exclaimed:

> That was the most memorable event in my life – getting electricity in our home. We didn't have electricity until the MID put a power line in front of our house.

Briggs noted that most people who had not received electricity from the private utility – even though in some cases its power lines were just across the street from their homes – felt that way and that was the reason for the strong vote for the distribution of MID power.

As the distribution system came alive, MID engineers recommended a rate schedule which undercut PG&E by 10 to 25 percent. This proposal was rejected by the directors, who instead gave special consideration to residential service for cooking and heating and to farm and commercial users for pumping or drainage. PG&E rates were matched in other areas.

The board also specified that rates for in-town service would be lower because consumers were closer together and easier to serve. Farmers were expected to consume larger amounts of power than city dwellers because of pumping and farm equipment use and therefore would benefit from a rate scale which decreased as consumption increased. This had been proved by PG&E experience.

With the system working, the time had come for the Modesto board to make good on its earlier commitment to provide electricity for everyone in the district, city and rural alike.

Additional substations and distribution lines needed to cover all rural areas would cost $357,800. Serving the communities of Empire and Salida would add another $12,500, with an additional $275,000 needed to complete the work in Modesto. The MID had invoked the provisions of the Raker Act to require the City of San Francisco to provide standby service from its Hetch Hetchy system. Connecting to the bay city's transmission lines would cost an additional $50,000. All this would require a new bond issue in the amount of $500,000.

For a fledgling power agency, this was a lot to ask.

Directors were most receptive, however, when the petitions calling for these additional bonds were filed November 19, 1923, just three weeks after the first service had begun. At the December 14th bond election the affirmative vote was 1,282 to 121.

Construction bids received February 5, 1924, were rejected as too high and the district proceeded to build the substations, transmission and distribution lines with its own crews.

As new lines were installed, business boomed. By the spring of 1924 there were more than 2,500 meters on the line; 12 months later, this had more than doubled to 5,400.

In spite of the David and Goliath situation in opposing PG&E, the Modesto Irrigation District had successfully embarked upon what USDA expert Elwood Mead called "the best cash crop of an irrigation project."

The Modesto district sold its "cash crop" in every way possible, including establishing its own retail store for the sale of electrical home appliances. Additionally, it wholesaled these items at cut rates to furniture and hardware store operators who agreed to promote electrical goods. The MID retail store's profit margin was minimal since the whole purpose was to increase electrical consumption. In 1933 the retail store was closed, however, at the request of depression-hit local merchants suffering from the competition.

Within a year of the start of electrical operations, the district was approaching the maximum dry-season capacity of its share of Don Pedro-generated power, although on an annual basis the district had power to spare. Thus began a search for additional energy sources, a quest which continues to this day. The acquisition of a 1,250-watt standby steam plant was the first step.

The need was especially critical in 1924, for that was an extremely dry year. That fall, after its own irrigating season had ended, the Waterford Irrigation District gave water to the MID for power generation purposes.

These were interim measures that did not solve a lasting problem.

The Modesto district's energy consumption far exceeded early expectations and by 1927 the demand exceeded its supply of Don Pedro power. There was no alternative but to look to outside sources for additional energy.

The TID could not, however, help its energy-hungry partner in Modesto. Entitled to more than two-thirds of the energy generated at Don Pedro, Turlock had been faced with a different problem: a substantial surplus. In 1924 the Turlock district had solved its surplus problem through long-term contracts selling to San Joaquin Light and Power of Fresno all of its surplus Don Pedro power. This agreement was reached even though the irrigation district was competing with the private utility at the retail level in the southern portion of the TID.

The Modesto district, therefore, in 1928 faced two unpleasant alternatives: 1. Expand its diesel generating capacity, involving a major capital outplay. 2. Go, hat in hand, and ask PG&E for wholesale supplies of energy.

It was a bitter pill to swallow, but the most practical solution was to seek assistance from PG&E. The company refused to help its competitor. The district then turned to the San Joaquin Light and Power Company in Fresno. Again it was rejected.

Directors then covered both bases, advertising for bids on the diesel-powered generating plant and bringing a State Railroad Commission action against both private utility companies, seeking to force them to provide MID's needed additional energy. On the day before a scheduled June 26, 1929, hearing on the matter, San Joaquin Light and Power capitulated and the diesel plant bid opening was canceled.

The contract between the private utility and the MID provided that during the winter months the Fresno-based company would supply needed power, which would be transmitted over TID lines, and purchase MID's surplus power during the summer. If the Modesto district were to expand to the point where it had no surplus, San Joaquin Light and Power would provide standby service.

The agreement was approved initially by a 3-2 vote of the MID Board of Directors. Opponents were disturbed that the agreement let a private utility get its foot in the door. The arrangement proved most satisfactory, though, and continued in effect until March 1944. Time proved that the Modesto district was able to maintain its independence.

In 1925 a review of the first 16 months of electrical operations revealed that the MID had made an 8.26 percent profit on its power sales, substantially more than anticipated. A rate study found that the district's rates were higher than other publicly-owned utilities, including the neighboring TID.

Faced with a choice of cutting power rates or reducing irrigation taxes, MID directors chose the former course, anticipating the lower rates would lure more customers from PG&E and encourage existing customers to use more energy. Lower power rates would be appreciated most by city dwellers and businesses, whose irrigation taxes were relatively low. Two-thirds of Modesto's commercial firms already were using Don Pedro electricity.

Two predictions made by the MID board at that time were to prove most accurate: The day would come when energy revenues would eliminate the need for irrigation taxes, and low power rates would attract business and industry to the community. This was expected even though the officers and citizens of the district still considered energy a "by-product" and every preference was given to delivering water for irrigation.

In March 1925 a reduced rate schedule was put in force, but it was so favorable that consumption expanded rapidly and the district's electrical distribution net profits soared to 10 percent the following year.

As success continued in both the Modesto and Turlock districts, Don Pedro's generating capacity had to be doubled by adding two 7,500-kilowatt generators. A 1926 election on a $236,000 bond issue to finance Modesto's share was approved by a 15-to-1 margin. However, the bonds were not sold because the district was able to finance its share of the project from electrical revenues.

Work was started on February 1, 1927. It was not an easy job for work could not interfere with the operation of the existing three generators. Other problems faced by structural contractor T. E. Connolly included the opening of penstocks installed initially in the dam in anticipation of the additional generators.

The tricky part was the removal of penstock plugs from the dam's upper face 170 feet below the surface of the reservoir. The turbines and generators, broken down into 25- and 30-ton pieces, were hauled by 1927 model trucks – not trains this time – 35 miles from Hickman to the powerhouse in only two days by the Los Angeles trucking firm of Allen Brothers, whose trucks also hauled all the cement at 18 tons per load.

The two new generators were placed in operation in July of the following year. Direct transmission lines from Don Pedro to Modesto, also financed from MID electrical profits, were placed in operation the following month. The capacity of these lines was doubled in 1935.

As a result of early expansion of the distribution system and this addition to Don Pedro, all farms within the Modesto district had energy available to them by July 1928, long before the Federal Rural Electrification Administration delivered power to most agricultural areas throughout the nation. The independent-minded Modesto Irrigation District had accomplished this on its own without seeking outside help.

After completing such a major system expansion using only operating revenues, the board again reduced electrical rates and thereby touched off a rate war.

PG&E responded with a rate cut, which the MID sought to have reversed. The district charged the new rates were lower than rates the company charged in other areas. The California Railroad Commission found that to force the company to cancel the reduction would be "a serious and unjustifiable departure from the long and unbroken trend of statutory, judicial and commission precedent both in this state and elsewhere which overwhelmingly sustains the right of a utility to meet in good faith a competitive rate without rendering itself subject to a charge of unlawful local discrimination. To do otherwise would be to deny the right of the utility company to maintain its own existence by meeting the rates of its competitors."

The 1930 purchase of the Modesto Gas Company by PG&E introduced low-cost natural gas for heating, bringing a new element of direct competition with MID's offering of low-cost electricity for heating. It also increased the company's incentive to carry on the public vs. private utility battle and stay in Modesto.

The struggle between the two utilities drew statewide attention, with newspapers taking sides. The *San Francisco Examiner*, published in PG&E's headquarters city, editorialized in December 1930 that the private utility had "weepingly" explained it had been forced to cut Modesto rates below those in other communities "because the district aggressively and unfairly reduced its own rates." Then the *Examiner* editorial writer asked:

> What do you make of this, Watson? How does it all fit in with the privately owned utilities' claim that public ownership is inefficient and feeble and what not? Favorable testimony for an enemy is to be taken seriously. The PG&E, enemy of public ownership, certainly gives testimony favorable to public ownership as it works in Modesto.

In that depression year the Modesto district had built a surplus of $100,000 from power revenues.

Here at home, the newspapers were feuding. *The Modesto Evening News* had supported wholesaling the power, a position which caused the *Morning Herald* to label its competitor as the "power company propaganda volcano…belching a willfully and maliciously falsifying wreath of smoke."

The following year, PG&E adopted another tactic. The *Modesto Tribune* revealed that three major MID customers, General Petroleum, Firestone Tire and Rubber and the Borden Company, had switched to the private utility. Basically, it was the result of a company "tit for tat" move which in effect said, "Use our power or we won't buy your products." The company referred to this policy, according to the *Tribune,* as "reciprocity of trade."

Modesto was not alone in its battles with a private utility.

On April 23, 1931, the now merged *Modesto News-Herald* under McClatchy Newspapers ownership reported that the Federal Power Commission was launching a nationwide investigation of the "power trust." The paper commented that the probe would be "extremely distasteful" to power companies as it would reveal how federal licensees are operating in intrastate business without state licenses. And that, argued the *News-Herald*, may "strike-dangerously close" to a system by which the rates of the interstate operations are "clouded and veiled in a maze of figures and cross figures."

PG&E had friends, too.

Legislative efforts were made in Sacramento during the early 1930s to force public utilities to pay property taxes. The private utility was one of the Modesto district's largest taxpayers, while the MID paid neither state nor county taxes because of its public nature.

The attempt failed, however, as farmers argued before a farmer-dominated Legislature that if they and the utility that provided their water both were taxed, it would be double taxation. The rebuttal that tax-paying farmers with power already experienced the same "double taxation" was passed off with the claim that private companies were in business to make a profit, while irrigation districts were there to serve the farmers with water at the lowest possible price without a profit.

Locally, at least on PG&E friend took things in his own hands. Former MID Director Laud C. Gates, during a 1954 interview on the occasion of his 80th birthday, recalled one large landowner dug up the MID's new power poles when they were placed in the road right of way near his home.

"He got fined $250," noted Gates, who was a combative advocate of public power. "We should have sent him to San Quentin."

Pressure continued to mount for Modesto to acquire the PG&E distribution system and as 1932 neared an end Director John B. Fiscalini, whose son Mathew later followed his footsteps on the MID board, declared such an action "essential to safeguard the investment the Modesto Irrigation District has made in its own electrical project. Duplication of the two systems as they exist at present and duplication of the overhead charges are a great added expense. Consolidation of the two systems would mean a very real savings."

The elder Fiscalini, talking to farmers, predicted that consolidation would result in a reduction in irrigation taxes of 90 cents on each $100 assessed valuation of property. Fiscalini's predictions proved far too conservative as ultimately irrigation taxes were eliminated.

The News-Herald constantly attacked the power company and private utilities in general for "overcharging" consumers. In 1933 the News-Herald compared the average PG&E rate of 5.32 cents per kilowatt hour to public utilities' rates in Seattle, 1.5 cents; Tacoma, 2.3 cents, and Ontario, Canada, 1.5 cents. Some Canadian communities paid less than 1 cent per kilowatt hour.

The low costs also resulted in higher consumption, it was noted. The average private utility consumer used 600 kilowatt hours per year, whereas in Seattle the figure was 1,600, in Ontario 1,800 and in Winnipeg, Canada, a tremendous 4,000 kilowatt hours per year, according to the paper.

On the local front, the newspaper argued the public distribution of power gave stability to the district's bonds. It pointed out that, while the MID and TID were sound fiscally, irrigation districts throughout the state were defaulting. Earlier, holders of bonds in the Merced Irrigation District, which wholesaled its power to PG&E, had stormed that district's offices demanding payment of the interest due, but there was no money.

In the meantime, the Modesto district continued to cut power rates, forcing PG&E to do likewise. Across-the-board reductions were made in October 1932, March 1933, December 1935, February 1937 and April 1938. In July 1939 and November 1940 further commercial rate reductions were ordered.

Still the district was able to turn a profit.

In the first decade of operating the distribution system, electric rates were reduced five times and the charges for electric service to MID customers were among the lowest in the United States. By 1933, electrical sales returned $530,000. With operating costs of $311,400, the net revenue was 41 per cent of the gross.

In mid-1934 the MID once again made a formal offer to buy out PG&E. Although the district and the company were close on the value of the physical plant, they were far apart on severance costs. The Railroad Commission was called in to arbitrate and set the total purchase price, including severance, at $222,000, which the Modesto district promptly offered the company. The offer was rejected and the MID continued to prosper.

In spite of the obvious success of the Modesto district's electrical system, it was to be six more years before PG&E gave in. During those years, the number of MID customers climbed steadily, topping the 10,000 mark in 1938. Capitulation came only after the district initiated formal condemnation proceedings to acquire the private company's distribution system. Before the suit went to trial, PG&E accepted the fact that the struggle was making its own electrical distribution grossly unprofitable. The company was serving only 1,000 customers with annual receipts totaling $69,000.

PG&E finally agreed to sell. On June 10, 1940, the MID Board of Directors approved a purchase agreement by which the district would withdraw its condemnation suit and pay $325,000 for the company's system. PG&E agreed to wholesale power to the local district when additional energy was needed, which soon was to be the case.

On August 14,1940, the same day as the Railroad Commission approved the sale, the Modesto Irrigation District made a down payment of $50,000 to PG&E. The balance was paid off at the rate of $3,100 a month plus interest. The final payment as made in June 1944.

The fight was over. By the end of 1940 the MID had 11,974 meters on line. The vision of the early advocates of distributing Don Pedro power had been realized.

Retired Director Mathew Fiscalini's father, John, had served as an MID director during the height of the PG&E battle and was the object of an unsuccessful recall attempt launched by power-distribution foes. The younger Fiscalini recently put the matter into perspective:

> Really, the most important thing (during the MID's first century) was that the people voted in Modesto and Turlock to generate our own electrical energy and distribute it ourselves. In Merced to the south and South San Joaquin and Oakdale to the north, their people said, "Let PG&E pay off the bonds." Today they're still paying high taxes and still buying power from PG&E. So, our people living in that era made the most important decision ever made.
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> Our people living in the Modesto and Turlock Irrigation Districts have had the advantage of the low-cost power all during those years and for all the future.
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> We always have said that's the main reason why industry has come to Modesto and Turlock. But I think the individual home owners themselves are the ones who get the big benefit. A food processing plant or any plant passes the costs on, whereas the individual cannot pass it on. So, our people are certainly getting the advantage of the thinking of the people in the early 20s.