

## **The History of Lubbock Power & Light [with Notes on Revisions Added]**

*[The LP&L website includes a statement on its history which also explains how the city came to have service from two separate, but wholly overlapping electric utilities. The version of this history that was presented up until November of 2009 claimed that the community saw low rates and high customer service in part because of its competing electric utility companies.*

*By early 2010, however, LP&L's version of its history changed slightly. Gone is the emphasis on the benefits of retail electric competition (along with various details about the LP&L power system) and added are a few claims about the growth and strength of the company. Also new is a development that may explain the revisions: in November the city announced that LP&L would buy the Xcel distribution system and accounts, making the city utility into a monopoly.*

*Apparently all that praise for competition became inconvenient.*

*Text highlighted with yellow was in the old version but now is removed. Blue text has been added to the new version. -MG]*

by Don Cullon

In the electric utility industry, retail competition for electric customers is a relatively new concept. Not so in Lubbock, Texas. The good people of Lubbock have benefited from retail competition for electricity since 1916.

Lubbock was a relatively new town at the time having been created in 1891 when two smaller settlements both moved their towns from several miles away to our present location. The first county court house was built at this time with the county itself having been created in 1876 by the Texas State Legislature. Construction of the Panhandle & Santa Fe Railroad was completed in 1909. This led the citizens to incorporate their town and Lubbock was officially born. The population of Lubbock the following year had grown to 1,938.

1909 was also the year that Lubbock first acquired electricity. The initial attempt to create a power company came early in the year and by June, Lubbock Electric Light & Power had been created and had been granted a 25 year franchise by the county. The company apparently could not meet the deadline set down by the county commissioners and the business failed before construction could begin on a power plant.

The next venture to come along was Lubbock Light & Ice, also formed in 1909. This company received a charter from the city council on August 3rd and began supplying a limited amount of electricity later that year. The council allowed them to charge a maximum of twenty cents a kilowatt-hour with a one dollar per month minimum charge. The franchise was to run for 25 years and the council reserved for the citizens the right to buy out the private company with six months notice.

The problems with Lubbock Light & Ice began soon thereafter. The manager of the company was charged with misappropriation of funds and was removed sometime in 1910. Citizens thought the electric rates were too high and felt the company was not expanding quickly enough. Electric service was not available during the day and for part of the night. The company claimed it would provide daytime service when the demand for it increased.

By 1913 the owners of Lubbock Light & Ice wanted out and in March of that year sold the business to two brothers. The city council then granted a 50 year franchise to the Malone brothers but required them to lower rates to seventeen cents a kilowatt hour and to provide service at all times during the night. The Malone brothers renamed the company Malone Light & Ice. This company also failed to prosper and on November 7, 1915 the Malone brothers sold their operations in Lubbock, Lockney, and Plainview to Texas Utilities. Records indicate that at some point during 1915 electric rates had been reduced to fifteen cents a kilowatt-hour. It is unclear whether the rate reduction was during the tenure of Malone Light & Ice or came after Texas Utilities took over.

Soon after Texas Utilities took over, the Lubbock plant was broken and out of service. Electricity began being delivered from Plainview. This was an extreme distance for the technology available at the time. The quality of power was poor at best and the service was unreliable. Disapproval of the high rates and poor service was now at an all time high and citizens were becoming increasingly vocal. Electric rates were cheaper in Plainview and this greatly displeased Lubbock officials. Beginning in March of 1916, a man was hired by the city for three months to read Texas Utilities' meters to verify electric consumption. Evidently the people no longer trusted them.

Improvements were slow in coming and by October city and county officials had met with representatives of Texas Utilities to discuss giving the city and county better service and better rates. Negotiations failed at this time and a second meeting was scheduled on December 21st. Records indicate the citizens of Lubbock had a vote on the establishment of a municipal power company. Most likely this vote was a bond election held sometime after the October meeting and before December 15th, when the city requested bids to build and equip a municipal power plant. This was an apparent attempt to strengthen their bargaining position during the upcoming December 21st meeting. The meeting took place as scheduled on December 21st with members of the council asking for a rate reduction to levels enjoyed by customers in Plainview. The only concession made by Texas Utilities was a willingness to reduce rates slightly but they refused all other requests including the one to provide Lubbock with rates as low as Plainview. They apparently thought the city was bluffing with their threat to build their own plant. It was no bluff. The Texas Utilities representatives were asked to leave the meeting. Within a few minutes the council voted to accept a proposal for a new municipal power plant and the home-owned advantage became a reality for 4,700 Lubbock citizens. As part of the proposal the Fairbanks-Morse Company agreed to accept revenue bonds of the city in payment for the equipment it supplied.

The private power company representatives had underestimated the leadership in Lubbock at that time. During the nine months that it took to get the new plant built, Texas Utilities tried without success to sell its Lubbock facilities to the city. The effort by those early Lubbock leaders was realized a success on September 28, 1917 as the municipal power plant began producing electricity priced at only ten cents a kilowatt-hour. The other utility cut its rates accordingly soon after. Imagine that!

Electricity costs for citizens would continue to fall with rates at seven cents a kilowatt-hour in the 1930's and at two and a half cents a kilowatt-hour by the 1960's. To understand why early citizens thought the electric rates were too high, consider that the initial twenty cents per kilowatt-hour rate would equate to more than four dollars a kilowatt-hour in today's dollars.

Over the years, Lubbock Power & Light has grown into a modern innovative power company. There are three generating plants with 6 steam turbine generators, 5 gas turbine generators and 2 diesel engine generators. The combined generating capacity is 285.5 MW while peak demand is now at 334 MW. Three 230 kV, 100 MW tie lines with Southwestern Public Service provide alternative sources of power. There are over 79 miles of 69 kV and higher voltage transmission lines. The transmission system is looped around Lubbock such that each of 13 major substations has redundant feeds. Over 1000 miles of distribution lines feed more than 18,000 distribution transformers with a combined capacity of 1244 MW. More than 62,000 electric customers enjoy service provided by LP&L. A fourth tie line and 14th substation are scheduled for completion in Summer 2004.

Today, the vast majority of Lubbock remains dual-certified and customers still have a choice of electric utility providers. Customers whose account balances are current are allowed to switch from one company to the other at their discretion. The competition for the electric dollar in Lubbock has resulted in some of the lowest electricity costs in the state of Texas and in the nation. Another major benefit of competition is that customers enjoy increased levels of customer service than would be found in cities this size with only one electric provider.

Lubbock Power & Light's mission is to provide low cost, reliable electric service. We feel we've been successful in that mission. All electric customers in Lubbock have benefited from the decision of those early pioneers to begin retail competition. We're grateful that over 67% of those customers choose Lubbock Power & Light as their electricity provider. LP&L has competed with many private companies, but in the end the majority of the customers have chosen LP&L, leaving the private companies looking for other options.

### **The Brief Version of the History of LP&L's Competition.**

The history of Lubbock Power & Light's competition in Lubbock is one of buyouts and corporate mergers. In 1909, Lubbock Electric Light & Power Company was the first

attempt at forming a private power company in Lubbock but failed to get off the ground. Lubbock Light & Ice Company was formed in 1909 shortly after the demise of the first company and was somewhat more successful. But the expected profits couldn't be realized and the company was sold in 1913 to two brothers who renamed the company Malone Light & Ice Company. That company also failed to prosper and on November 7, 1915 the Malone brothers sold their operations in Lubbock, Lockney, and Plainview to Texas Utilities Company. In 1936, Texas Utilities merged with New Mexico Utilities to form Texas New Mexico Utilities. They, in turn, allowed Southwestern Public Service to acquire their assets in this area in 1942. SPS completed their merger with Public Service of Colorado in 1997 and formed New Century Energies. The new company merged with Northern States Power in August of 2000 and Xcel Energy, Inc. became the newest version of LP&L's competition.

It was announced in November 2009 that LP&L and Xcel Energy reached a mutually beneficial agreement that will allow LP&L to purchase Xcel Energy's electricity distribution system within the city and to serve all of Xcel Energy's Lubbock retail electric customers.

So is competition over? Not necessarily. From an economic development and a city growth viewpoint, Lubbock competes with other cities on the South Plains and throughout Texas, so it is important for LP&L to maintain competitive rates.