

INTERVIEW I

DATE: March 11, 1988

INTERVIEWEE: JOSEPH SWIDLER

INTERVIEWER: Michael L. Gillette

PLACE: Mr. Swidler's office, Washington, D.C.

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G: Chairman Swidler, I wanted to begin by asking you to simply recall what you can of your knowledge of, and association with, Lyndon Johnson before you were appointed to the Federal Power Commission by President Kennedy. Did you know him when he was in the Senate or even before that?

S: Not before he was in the Senate. I knew him slightly as vice president as a result of some White House receptions, and somewhat better because my daughter, Ann, and Lynda Bird were classmates at the Cathedral School, became good friends and did a little dating together. When the people in their class at school had parties, the parents were invited to the Johnson home, where we talked and ate some of his good venison sausage. The Johnsons were warm hosts.

I probably felt I knew him fairly well as, what shall I say, a celebrity. But my personal involvement with him was pretty limited.

G: How would you assess his attitude toward regulation issues as they pertained to oil and gas while he was in the Senate?

S: While he was in the Senate?

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G: Yes, the whole range of issues, the depletion allowance, the tidelands, the deregulation of natural gas.

S: Well, he was regarded as favoring the interests of his state as long as he represented Texas, and those included the protection of the petroleum industry. As his responsibilities broadened, when he became the majority leader and president of the Senate, he had the broader view that was necessary in order to hold his party together. And as president, I imagine he was pretty torn sometimes. I know that industry people had access to him but a lot of other people did, too. So that isn't strange. And I must say at the start that he did not seek in any way, directly or indirectly, to influence the work that I was doing or the decisions that I had to make.

G: Did he at all undermine the philosophy of the commission by appointing commissioners who would not vote as you might vote?

S: I don't recall that he had an opportunity to make any appointments to the commission. I believe in the balance of the term that he served out and the balance of the period that I worked for him that the personnel of the commission was stable. As my successor he appointed Lee White, who had been counsel to the Kennedy White House. He was a good friend of mine, going back to TVA [Tennessee Valley Authority] days--he had worked for me when I was general counsel in Knoxville--had about the same general view of public policy in the energy field that I did. If President Johnson had wanted an industry-oriented man, he would not have picked Lee White.

G: Any other associations with Lyndon Johnson during the Senate period or vice-presidential period?

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S: Well, one incident perhaps is worth mentioning, going back to his service as vice president. There is a provision in the Securities and Exchange laws, going back to 1935, which authorizes the SEC to work on the simplification and rationalization of the area boundaries of the electric operating companies. They are now quite irrational. They just grew. The SEC has never done anything to exercise that authority. And the FPC [Federal Power Commission] had the expertise to do something with that authority. I asked to have that authority transferred to the FPC and the SEC was willing, and the initial White House reaction was favorable, but in the end it was turned down. I was told, not by Lee White, that it was done on the basis of a recommendation from Don Cook, responding to an appeal from the president of a utility company, who was a good friend of Johnson. I don't remember his role in the Johnson Administration. I do remember that when Johnson was president he was offered the job of secretary of the treasury, and after a long public flirtation with the job he turned it down.

G: Do you think that the FPC was more suited to do this, in terms of economic efficiencies? What was the rationale behind your proposal?

S: Yes, I don't think the SEC has any power-system people on its staff at all. These are securities people, and they look at the extent that the economics of the industry or the efficiency of the industry enters into their consideration of stock transactions that come before them. Their review was in a kind of a global way. But they don't have anyone, so far as I know, who could be called an expert on the problems of the power industry or the technology or the operating conditions.

G: Did Lyndon Johnson prior to the time he became president ever seek your advice or ask your opinion on power issues?

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S: Prior to the time he became president?

G: While he was senator.

S: No, he did not.

G: Did he have any role in the Tennessee Valley Authority while you were working with that?

S: I don't recall that he did except that I understood he was sympathetic. I didn't handle congressional relationships for TVA, except to the extent that I provided testimony in connection with budget appropriation and legislative hearings. But insofar as, what shall I say, persuasion was concerned, lobbying, I had no role.

G: I wanted to ask you why you feel President Kennedy appointed you to the commission.

S: Well, I've never fully understood it. I received a call in which I was offered the job from two people close to Kennedy, who were acting as his headhunters. One of them was Ralph Dungan, who later became his top honcho in his White House group, and the other Adam Yarmolinsky. I was offered a choice of two jobs, neither of which existed as it turned out, as chairman of the FPC and as chairman of TVA. But I felt that I'd squeezed out about all the benefit from my TVA experience that I could and TVA was settling down to an operating phase. I did ask whether it was possible for me instead to get the chairmanship of either the FCC, [Federal] Communications Commission or the [Federal] Trade Commission. But those had already been promised.

I took the FPC job, and I found it very rewarding. I was probably better fitted for this job than any other. I've had a chance to ask Adam Yarmolinsky how the invitation to me came about. He had forgotten the exact circumstances, but he said that he thought it was because I was on several lists and that immediately attracts attention, lists from

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different interested groups. I had good credentials for the job, more than anyone else who has ever served on the commission. I was familiar with the technology of the power industry, with its history, with the way it functions and, for that matter, the personnel at the top, because I'd been negotiating with them, and I'd gotten to know quite a few of these people. I understood on a first-hand basis the relationships of the three sectors of the industry: the co-op sector, the muni [municipal] sector or public sector, and the investor-owned companies.

Now, anybody on the private side could not have been approved as chairman of the Federal Power Commission, whatever his credentials, because the Federal Power Act, in effect, is designed for the protection of the wholesale customers, the munis and co-ops in large part. The act exempts them from its jurisdiction but gives them the benefits of being able to purchase their power at wholesale under regulated terms. I knew a good deal about the regulatory problem that confronted the utilities. I also knew the extent to which the Federal Power Commission was sleeping on its authority. I'd had some experience in that in private practice. After I left TVA, I practiced law in Nashville, and I represented a couple of cities that wanted to buy the distribution systems from Kentucky Utilities Company, and ultimately we succeeded. But in writing those contracts, I refused to include a provision making the transaction contingent on FPC approval, although the Federal Power Act required it, because I knew it was treated by the whole industry and the FPC as a dead letter. So when I got this invitation, I said to myself, that's one thing that won't be a dead letter when I get on board.

I had no recommendation from any senator. In fact, I broke the news to both my senators, [Estes] Kefauver and [Albert] Gore, both of whom I knew well because they

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were heavily involved in TVA matters and I'd known them for a long time. They were very supportive. Kennedy, as you know, was a young man and I think he hired people for some of these responsibilities who had not served a term in congressional relations. So he skipped a couple of steps, perhaps at the beginning, that I'm sure he wouldn't have done later on. Securing the prior approval of the senators [involved] might normally be an important thing to be sure of before you begin offering them jobs. But I think probably the combination of recommendations, all of which were unknown to me, and checking me out with a number of industry people, are what resulted in my being offered the job.

G: President Kennedy was quoted as saying that the FPC was a prime example of a regulatory agency that had become captured by the people that it was supposed to regulate. Do you think he had this in mind when he named you as a way to reverse this?

S: Yes, I think that he knew that the Federal Power Commission badly needed reorganization, and he was looking for somebody on a merit basis for that job. Now, the two other jobs that I've mentioned that I was interested in, the Federal Trade Commission and the [Federal] Communications Commission jobs, were in a way political appointments. One went to Kefauver's A.A. [administrative assistant], that was the trade commission job, and the other went to Newton Minow, Adlai Stevenson's friend and partner.

But in my case, as I say, I had not sought the job, had no political support, and was totally unaware of what was going on until it was offered to me.

G: You have provided an example from your own experience in private practice where the agency was perhaps not as vigilant before you got there as it should have been.

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S: Yes, I knew--

G: Were there other examples, perhaps even more significant, where the agency had been either captive or simply not vigilant in terms of exercising its responsibility?

S: Well, on the gas side, the FPC was in a terrible mess. When they first had to decide the question in the Phillips [Petroleum] case of whether they had jurisdiction at all under the Natural Gas Act of 1938, they said no. And the Supreme Court sent it back and said, "You do have jurisdiction, and you've got to do something about it in the consumers' interest." Well, that's not the kind of thing you ordinarily find in a bureaucratic agency. You ordinarily see a grasping of authority. But the FPC wanted none of it. Then, when they knew that they had to do something, they couldn't decide what to do and didn't have the drive to do anything. So it was in a big mess and as a result of the fact that no rates were set for gas at the well head--I'm talking now about jurisdiction over the price at which the producer sells the gas to the pipelines. Of course the jurisdiction over the pipeline sales at wholesale was always clear. A major part of regulating the pipelines, which in turn sell to the distribution systems, rested upon the prices that they paid to the producers. And until that was settled, these cases just kept piling up. Jerry Kuykendall, my predecessor, testified shortly before I was named to the job that at the pace that the Federal Power Commission was deciding these gas pipeline cases, it would be something like the year 2026 before they finished deciding these cases, assuming that no new cases were filed. That's for the gas side.

On the power side, as I say, the act had become a dead letter. The reason there was no great backlog is that they didn't do anything about anything except the original function of the commission in the 1920 Act of licensing development of hydropower

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sites. This they did, albeit not in a way that I thought appropriate. A good deal of it was done without open hearings. It was the 1935 amendments that they did little or nothing about. I think they did something about clearing up the accounting problems, specifying a system of accounts. And there were one or two cases that were decided that said that they had the jurisdiction to do this. But they didn't get around, by any means, to all the industry. And that was about it. No rate regulation, virtually.

G: Would you attribute this to simply a more laissez-faire attitude on behalf of the Eisenhower Administration? Or did it go back even before that?

S: Well, it goes back, I think, to before that. Of course rate regulation was hard work, and the early commissioners were not people with a lot of intellectual vigor. I think it goes back to a mistake that FDR made, or part of it goes back, in making the initial appointments. He appointed public power people to the job. They were more interested in advancing the cause of public ownership than in exercising their authority for regulation. Leland Olds, who was an early chairman of the Federal Power Commission, was an icon for the public power people. I think that was wrong, and it was a result of the fact that prior to the 1935 act, some of the holding companies which were dissolved by the Securities and Exchange Commission and some of their operating companies had been guilty of gross abuses. So there was a natural feeling that anything you could do to embarrass them or hurt them was fair enough, considering that they were a bunch of bad actors.

Now, when I took the job, I didn't feel that way. I was asked during my Senate confirmation hearing whether I would be willing, whether I was capable of being fair in contests between private and public power interests. And I assured the Senate Committee

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that my only standard would be the requirements of the Federal Power Act, that I would no longer be an executive of TVA; I would be chairman of the Federal Power Commission and I would be evenhanded. I lived up to that promise. I think some of the letters that Lyndon Johnson got urging my reappointment were due to the fact that the private power interests as well as the public power people considered that I had been evenhanded. The private power people weren't used to being treated that way.

G: You were either all one way or all the other? Is that traditionally the--

S: That's right. That's right. They didn't think anybody who had lived his life as a public power man, as I had for many years, could possibly be fair to the private power company people. I didn't see things that way at all.

G: Let me ask you in general what standard you applied in exercising a judicial temperament here or a balance between the public and the private companies?

S: Well, in rate cases, let me say, my standard was that rates should be as low as possible, consistent with allowing enough money to the utilities to do a good job. Working for TVA, I knew you couldn't do a good job unless you had a deep pocket. You had to be able to take advantage of new technology; you had to be able to afford large investments in generating plant and transmission plant; you had to be able to do research. So that I didn't believe in starving the utilities. And that was the standard in general that I used, and it was consistent with the judicial standards. There ought to be enough money there to provide incentive to management to do a good job, an ever-improving job. And when you went that far, then everything, all the earnings beyond that, ought to be used to reduce rates. That was more or less the standard that we used at TVA, where we had contracts that I'd devised when I came to TVA, which provided that the city fathers would get a tax

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equivalent, and they would get a return on any investment that had been made from general funds. And they could use the money, all the money that came in, for plant improvement or to buy up their bonds before maturity and reduce their interest costs. But beyond that, all the profits had to be used for rate reductions. I just translated that formula to the circumstances of the private power companies. I was jealous of my reputation for fairness. And I tried very hard to deserve it.

G: Did the balance on the commission change with your appointment, or was it something that took--

S: Yes, indeed. There were one or two vacancies when I was put on and within a few days after I joined, a term expired; then the Chairman, [Jerome] Kuykendall, resigned after a few months in accordance with an agreement between the White House and Republican senators who supported him. Well, the agreement didn't require him to resign. You remember I said that the chairman's job didn't really exist. It was unclear whether the President had the power to remove him as chairman. Now it's been made clear that he does. But at that time it was kind of an open question, and Chairman Kuykendall was quite surprised that the President was appointing somebody else to a job that he thought he had a right to hold. After I took over as chairman, he resigned as a commissioner. So that there were five new people, very soon, all appointed by Kennedy.

G: Is there a pattern in his selection of commissioners? Did he tend to select people who had a similar philosophy to yours or--

S: Well, you understand that a president's got a lot of irons in the fire, and appointments are one of the chips he used in playing the game. The FPC chairmanship was a pretty small

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chip, except in relation to some voting groups. One of the appointments, I think, was a result of recommendation by Speaker [Sam] Rayburn.

G: That was Larry O'Connor?

S: That's Larry O'Connor. And Larry O'Connor has prepared a history of how his appointment came about, and it seems that he didn't know Rayburn originally when he first became interested in the job. But he had some help in getting an introduction, and then Rayburn took up the task of securing the appointment for him. Senator [George] Aiken of Vermont got a protégé on the commission. That was Charlie Ross.

G: How about [Everett] Dirksen?

S: Dirksen managed to get one of his political operatives appointed.

G: Harold Woodward?

S: Yes. He looked at his job as a kind of semi-retirement and he didn't want to get involved in disputes, other than those involving his senator. I found him likeable and easy to get along with. He volunteered that he would always vote with me unless on an issue where his senator had a different view. I think [he was] a man you could really enjoy. Ross was a liberal and a public power man. So was [David] Black, who was a protégé of the senator from Washington, [Henry] Jackson, Scoop, as he was known. Now, Black, too, was a liberal and a public power man, even though he is now head of a big private utility company in Kansas. But it took a while before he made that transition.

The message I got, not directly from the President but from his people, was that he would be careful to see that I had a liberal majority. But beyond that, he would have to consider his own political needs. Well, you can imagine what Dirksen's help meant to him, especially on international issues. I know he approved what I was doing and thought

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well of it, this came back to me, and I think he said so in one talk. As it turned out, I got along well with the President's appointments. You couldn't want a better commissioner than Larry O'Connor.

G: And yet you still had a majority that would--

S: Well, the majority thing turned out to work this way, that there were two conservatives and two liberals and I was free to go either way, depending on the facts and the law of a particular case. I was the swing man on a good many votes, and I didn't always go with my liberal brothers.

G: Let me ask you to distinguish between a chairman of a commission, in this case the FPC, and a regular commissioner, the difference in terms of power, influence. What advantage did you have over your colleagues on the commission?

S: Well, in the first place, I have to say that there are two kinds of administrative arrangements so far as the chairman and the other commissioners are concerned. There's a strong chairman system and a weak chairman system. Partly as a result of a reorganization plan approved by Congress, we had the strong chairman system in which the chairman has charge of the agenda, of hiring people and firing them, and serves as the spokesman for the commission. Now, this gives him a strong position not only because he can use the chairman's position as a pulpit--it isn't the "bully pulpit," but it's a pulpit all the same, [I'm] thinking now of Teddy Roosevelt's term for the White House--but he is the man who testifies in the Congress on budgets and legislation, and he is the spokesman. This was before the present practice when the staff lines up with the whole commission, and everybody that they were regulating, and the congressional committees

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have eight or ten people in front of them when they testify. In my day, if you testified they'd listen to you, and they didn't scatter their attention among half dozen others.

I had direct dealings with the White House. One of the initial appointees by the way, who was succeeded, I think, by Dave Black, was Howard Morgan of Oregon. The President did do me the kindness of letting me comment on his prospective appointees. But he didn't necessarily follow my recommendations.

G: Was there a question of really being the one who mobilized and orchestrated the commission's staff?

S: Oh, yes. I really hadn't finished. You hired the staff and you set the agenda. When I came to the commission, I had in mind several improvements I hoped, before I left office, to put into effect in the regulation and the operations of the two industries. One of them was to get a handle on producer rates for natural gas. This was something the whole country was looking for, consumers, the pipelines, even the producers. They wanted different answers than I did, but above all, they needed firm answers. And that was a high priority. A second priority was to reactivate--or to activate in the first place; I don't think it ever had been activated--the regulatory provisions relating to the electric companies of the Federal Power Act as amended in 1935. A third thing that I wanted to do was to help improve the efficiency of the electric power industry. There was a provision in the statute that authorized working with the industry on interconnections and coordination and integration, on a voluntary basis. I thought that was all I needed. I knew these people. If you had their trust, they would work with you. And that objective took the shape of the preparation and publication of the National Power Survey.

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Going back now to another side of the question of the difference between the chairman and the commissioners, somebody once put it to me this way, that when the commission takes a vote on a case or a policy, that's the end of the responsibility for the commissioner; he can relax. It may be just the beginning for the chairman. It's the chairman who is really responsible for seeing that the commission carries out its role, that it acts in a consistent way and an effective way. And sometimes he has to fight and persuade in order to have an influence on what comes out. He can't just vote. He has to be sure that on the things that count, he has a majority at least and preferably unanimity. One innovation was to have oral arguments, as in the courts, in important cases. I don't think the commission before or since has relied to any extent on oral argument, and it was useful. It contributed to the cohesiveness of the members of the commission.

G: Were they influential in swaying decisions, do you think?

S: It's hard to say. We never took a vote before the argument, so I don't know what the vote would have been if we had not had oral argument. I know I found it very helpful to me in making up my mind. But I'm not sure because I didn't attempt to make up my mind before argument. I had certainly understood better and had a better basis for making up my mind. And the industry people had a better understanding of the commissioners. Oral argument also has this advantage, that the questions give the industry people an inkling as to what the commission is looking for. It's a way of communicating with the industry as well as with the lawyers. From a company's viewpoint, it lets the officials appraise how well their counsel is doing. Of course, it takes some time, and when you're busy, you don't want to take off a half day or sometimes a whole day, in the case of the

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Permian case, two days, for oral argument. But we did. And of course to get the most out of it, you'd have to read at least some of the briefs beforehand. So there's work to it.

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S: I'd say, on the whole, the quality of advocacy was average or a little better. For so many years, there had been no oral argument, so they didn't have experience at it, some of them. Also, I believe and was informed that before I came on board, a great deal depended upon influence, on who you knew, so that some of these people were better at glad-handing than they were at formal argument. And I was kind of surprised to find out how many of them read their arguments. I'd say it did not rise to the level of the Supreme Court bar. One of the best, as it happens, was John Connally, then governor of Texas, who argued the Permian Basin case for Texas. He made a good argument. But he did not read it.

G: Is that right?

S: Yes. (Laughter)

G: Did President Kennedy's assassination and subsequent ascent to the presidency of LBJ change the commission at all?

S: No, I think there was basic continuity. As I mentioned to you, I don't think the composition changed at all. In two cases, the terms ran out. One of them was Charlie Ross. The statute provides that a commissioner serves until his successor is appointed. Well, there were quite a few months after Ross' term ran out before a successor was appointed. Johnson just let him swing in the wind. I think he was hoping Ross would resign. But he didn't. And ultimately the President reappointed him. The same thing happened with [Carl] Bagge. Bagge voted against the wishes of Dirksen in an important

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case. I think that's a kind of tribute to the cohesiveness of the commission. It wasn't easy for any man of conscience to take a different view, a view that was not consistent with his other votes without its being apparent. And he was in bad with Dirksen, but ultimately Dirksen recommended him, and he was reappointed.

G: Was this an Illinois case?

S: No.

G: It was not?

S: No. Dirksen had a law office in a little town in Illinois, I think it was Pekin. And that little office had a lot of big gas companies as clients, including Tennessee Gas. Tennessee Gas was the principal thing that he seemed to be interested in, as far as I know.

G: Any person-to-person dealings with LBJ after he became president, before that Northeast power blackout in November 1965?

S: No, I'd say that our meetings were few and formal; [we] ran into each other at a few receptions is all that I can recall. Now, [I'd dealt] through White House staff, and I continued to do that. And I found Joe--

G: Califano?

S: Yes, Joe Califano. I found him very easy to live with. We became good friends. The relationships really didn't change very much at all. I had good White House connections from the beginning and they continued.

G: Okay. Let me ask you to describe in detail your role in the government's response to the Northeast power blackout in November of 1965.

S: Well, I may be simply repeating what has appeared in the various reports, but let me try to give it as I recall it: On the evening of November 9 of 1965, I went home, I guess at

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about the usual time and got home around six-thirty or a quarter to seven. I didn't turn on the radio in my car, and I had no suspicion of what was happening in the Northeast.

When I got home, there was an urgent message to call the White House. And when I called, President Johnson was on the phone, but he took the call right away. He asked me if I'd heard that a blackout had cut off the power supply throughout the Northeast, including New York City, and I said, "No." It was a surprise to me. He said he had asked Governor Ellington, that's Governor Ellington of Tennessee--

G: Yes, Buford Ellington.

S: --who was head of the emergency planning agency [U.S. Office of Emergency Planning] to find out exactly what had happened and why, and Ellington couldn't tell him anything, and he didn't know how to go about doing anything about it. He [Johnson] said, did I think the FPC was the right agency to handle it, could I tackle it, or words to that effect. I said I thought that we had the best-qualified staff to handle it, and that of course we would take on that assignment if the President wanted us to do it. And I thought we could do a good job. He said that within the hour I would get at the office a written directive to take over.

Well, that evening, as soon as I got that message, I began rallying the troops. I turned around and I went back to the office. I called in secretaries; I called in the other commissioners; I called in Stu [Stewart] Brown, the head of the power division, and he in turn called in some of his people. There were a goodly number of us down there.

G: Let me just ask you at this point, was there any thought that it might have been sabotage?

S: Yes, there was.

G: How about the President? Did he consider this a possibility?

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S: It was the President's primary concern. He said he was much concerned because of the national defense implications. He didn't know what information the defense people were getting, or what had happened to their communications, or what the chances were for any enemy attack. I don't remember whether he said the defense people were worried, but he was. I assume that if they had said that they were not worried he would have passed that along.

So we began to decide on how we would probe the mystery, not only of what happened, but also why. The President was much interested in that. Before we went home, we got his letter confiding the investigation to me, not to the commission, incidentally, but to me. But I involved the commission.

G: Why did you do that?

S: Well, I have to live with them, is one reason, and also I thought they could be of help. And they were. I'm sure it was the right thing to do. I had worked with them a lot, and I was perfectly content to spread the honors. But I was aware that I had more authority here than I did in respect to other matters. And when a couple of them said, "Don't issue this report now. Let's wait and do a better and more comprehensive job. Let's take a couple of months more and do it right." I said, "Well, you don't have to sign it. If necessary, I'm going to send it on my own just as soon as it's ready." Then they all signed it. They did issue a more comprehensive report a year or so later.

G: But you, in effect, made it a commission project rather than simply a Joe Swidler project? Is that right?

S: That's right. The fact that I was due to leave soon was a factor for one or two of the commissioners, who preferred to issue the report when I was gone. Now, of course you

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have to set up a team to do these things. They don't just happen. And you call up all the usual suspects. You have friends outside the agency that you know are knowledgeable. These were people that I had worked with in connection with the National Power Survey, some of them I had met in that connection, some I had known back in TVA days. And I knew not only the principal executives, but I knew some of the principal power planners, the people who worked on the transmission studies, the people who were at the core of the thinking of how you put the pieces together so that everybody gets electric service and good electric service all the time. That doesn't come out of the chief executive's office. So we started looking for technical people and the first team that we appointed, the advisory panel, these were mostly a blue ribbon panel. There were two people from TVA, the Manager of Power [G. O.] Wessenauer and Charlie Almon, who was in charge of transmission line work. There was a fellow named Charlie Concordia of General Electric, who was a legend even in that day for his knowledge of system dynamics. There was [W. S.] Kleinbach, who had done a good deal of the planning for the PJM system [Pennsylvania, New Jersey, Maryland Interconnection]; Lud [Ludwig] Fischer of Commonwealth Edison Company and [G. H.] McDaniel and [T. G.] Nagel of AEP, American Power Electric Power Company, the largest investor-owned power system in terms of the kilowatt hours produced. I think one or two other systems may have higher gross revenues because their rates are higher. But AEP has done a terrific job on system integration. And one of Nagel's people was also put on the Special Consultants panel. That included Arthur Hauspurg and as I've told you, he is now the chairman of the Con Edison board. I was much impressed by Hauspurg. Later, when Chuck [Charles] Luce as chairman of Consolidated Edison was looking desperately for a good man to head up

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their system planning, I suggested he call Hauspurg. And that's how, in time, he became the chairman of Consolidated Edison.

There was an international complication there because the Ontario Hydro system was strongly interconnected with the New York and Michigan power systems. They were very much concerned about their possible role. I think all of their members came down and a number of their technicians. They turned out to be deeply involved. Well, the next step--

G: Let me ask you here before you go on: Where did you get your earliest data? Where was it coming from, with regard to the extent of the blackout, the earliest attempts to isolate what the problem was exactly and the potential causes of it? Was it coming from--

S: Once we began to get our own power people in, they began phoning around for information and they had a pretty good idea, even that night. Then you remember that the letter from President Johnson--he had put something in there that turned out to be very useful. He said, "You can call upon the FBI." Well, I called upon the head man at Consolidated Edison--this was long before Chuck Luce's day--and said I wanted all their relevant records. He said, "Well, we need them. We've got to work on this ourselves." I said, "Well, I'll just send some FBI people there to take them over." His own records weren't very meaningful in isolation. He decided he would cooperate. Once the company officials saw that we were not going to do a job of utility bashing, cooperation was terrific.

During the next day, we brought in our technical advisory people. They arrived the next morning. And there we planned on how to get all the information we needed: how to get in touch with all the people; how to get the records; and to begin to do a little

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tracing; exclude this possibility and that possibility and begin to narrow the investigation.

And we decided we would hold a hearing the next day and get the story from the chief executives and told them to bring all their records with them. By this time, we had people coming from all over the country. We had all the system planning experts from the major utilities in the country in our offices, working on this thing. And by the end of the second day, they had pretty well identified, but not to the last bit of certainty, the general area of where it happened. But they didn't know why. So we had something, some pointed questions to ask the next day. That day was a Friday, if I'm not mistaken. My memory fails me. I don't know whether we continued for two days or just one day. But at any rate, we had a hearing the following Monday.

All the experts said that the power flows indicated that the fault was on the Ontario System, but they couldn't pinpoint the place or the cause. At the Monday meeting the Ontario people identified for us exactly what had happened on their system. What had happened was that they had set the relays on the transmission line from the [Sir] Adam Beck Plant at Niagara Falls to Toronto, so as to take the lines out of service at too conservative a level, in order to protect the lines from failure. There were five lines going to Toronto from the Adam Beck Hydro Plant there. The relays protect the transmission lines from burning up from overloading. At the time that the relays were set for a maximum loading of 375 kilowatts, I believe. That loading was well within the capacity; it was a conservative loading. They could have set it quite a bit higher. But they were playing it safe, they thought.

Well, there was, apparently for a brief period, a loading in excess of 375. It was consistently between 360 and 365. Then there must have been a little surge and the relay

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worked and it cut off the power on one of the lines. Well, then all this power--this all happened in parts of seconds--all the power that was on that line was transferred to the other four. And they started popping, one, two, three, four, in a matter of seconds. And all that power no longer had an outlet to the north. Most, if not all, the power was coming from the United States. So there was a reversal of the flow to the south, and it overloaded the facilities. Then there began to be these wild swings within the system as one facility on the U.S. side collapsed and then another, until finally, as you know, thirty million people were out of power.

Incidentally, we did no speculation for the press. This was one time when the press was really on our backs and we had lots of TV cameras lined up in the corridors, and I would keep saying, the was not admitted to our meetings. I would just say that it was still inconclusive. We were still searching. But as soon as we knew the whole story, I told them.

Now, we had another problem, not only to find out what happened, but also to find out how the resulting swings were handled, company by company. Why did it result in such a widespread disaster? Why, in particular, was New York City shut down for between seven and twenty-six hours, depending on the neighborhood, something like that? And that took a lot more time than finding out that this shoe-box sized relay, which had not been adjusted in quite a while, incidentally, was the critter. So, of course, one of the recommendations we made is, "Test your relays frequently in the light of changing conditions."

It was up to us, in accordance with the President's request, to find out how the companies had handled it and to make recommendations to avoid a repetition. I think we

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managed to do all that in this report, which was prepared within two weeks after we found out what happened and which was presented to the President. The White House took a few days to find the right occasion, at the Ranch on December 6. That's this report, which I assume you've seen.

G: Yes. Let me ask you one thing here. Did the lack of power itself, the blackout, make it more difficult for you to find out what had happened simply because of the logistical problems of getting in touch with the right people or, in effect, having to work in the dark?

S: No, I don't think that happened. I think once I made clear that they had no choice but to cooperate, they cooperated very fully. Of course they realized that this was the kind of thing that no one company could do alone, that the right place to handle it was the way it was being handled; somebody who could call in all the people involved and get them all to testify and get all the records together. It would have taken a long, long time for the industry to do this.

G: But I'm just wondering about the physical difficulty of trying to work through all of this when you don't have electric power, when the cities have been shut down.

S: Well, the telephone system was still working.

G: The telephones were working--

S: Mostly.

G: --and presumably the airports--

S: The airports, after a couple of hours, they were working.

G: Did your study indicate too much interdependence within the systems so that when you had a failure in one place, it tended to--

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S: Well, it indicated several things needed to be done. The National Power Survey had come out about a year before, and its whole emphasis was on the importance of strong interconnections so that you would have, in effect, integrated systems and a whole regional system would respond if there was trouble at any point. In order to do that, you need transmission lines of adequate capacity. We didn't have them. The CANUSE system [Canadian-United States Eastern Interconnection], so called, Canada-U.S., was interconnected, but not integrated. And some of the lines were of small capacity. Others were of high capacity. I don't know whether that was good or bad. It was bad, of course, that they weren't all of adequate capacity. The weak links, to some extent, may have served some systems as a fuse. That may account for why some of them were spared. But that was one basic thing that was wrong. Then the lack of adequate maintenance so that you check the relay settings frequently in the light of changing conditions, that needed correction.

One of the bad things was that a number of the operators, and especially the Con Ed operators, could not make the decision to cut loose from their neighbors. It was in their bones as a part of, what shall I say, the pledge of honor of the people who work on intersystem matters, that you held on and helped your neighbor. And they couldn't see cutting them off. Well, that proved to be the wrong thing to do because if they had cut off just enough load of their own, or enough exports so that their system would not bog down, they would have survived and they could have helped the others to survive. And they wouldn't have taken a day to get service back. But they couldn't cut anything off and they had more load than their system could handle. And one after another, their safety equipment on the generating plants cut them off.

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A great tragedy was they had no facilities to enable their big unit--I think they called it "Big Alice," an Allis-Chalmers unit, a thousand megawatts--to go out of service. And it just ground to a halt, and it tore up a lot of the machines, and it took a year or more to get it back into service and many millions of dollars.

G: It just burned it up. Is that right?

S: They just burned it up, yes. So that I think what we learned was that we had to re-educate the people in the control rooms on how to behave in the event of an emergency, to push the button on letting energy drop off in a part of their system in order to carry the rest. They could have done this. If they'd cut off one borough for an hour, that might have saved them all.

It also involved the question of the adequacy of the people in the control rooms, who are the important people in an emergency like this. It's not Chuck Luce. It's this guy working for twenty thousand dollars a year upon whom you have to depend. I say twenty thousand because they had different pay scales in those days. Maybe it was twenty-five or thirty, I don't know. Did he really get all the information he needed? Did he get too much? Did he get it in a convenient way? Were the alarms such that he could determine exactly what was happening? The planners didn't factor the human reactions into the planning of the controls. They wanted to be sure that somewhere the information was coming in. But who was going to use it? How could they use it if it came to them in a bewildering kind of a way; if they had to look on both sides and in back of them in order to get even a partial picture? So I think re-examination of control rooms--and Con Edison did theirs all over again--was another one of the recommendations.

(Interruption)

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G: Was there a need for more coordination by the federal government?

S: Well, the FPC recommended it, but it didn't go through. By then I was out of office. My successors recommended it. But nothing happened on it.

I'm not sure. I don't think you need it if you use the statutory provision for encouraging voluntary planning. You can go very far on a voluntary basis with that industry. And I think we did. There's no need to make it adversarial. If you get these guys together, facing each other, it becomes apparent who is not doing his job. And for the respect of their peers, you see an improvement. I think we did a great deal of good with the Power Survey in that way. Of course, some of those recommendations took a long while to take effect. It just came out a year or so before the blackout. It strongly recommended that the ties between systems be strengthened so that you could get a complete integration. But it takes a while to go through all the steps required to bring a heavy-duty line to completion.

You want me to go on with what the report said?

G: Yes.

S: Nobody can guarantee that there won't be another blackout. Less than ten years later, or maybe it was exactly ten years later, Con Ed had another one. Didn't last as long. It didn't take the whole city out. But from time to time, blackouts do occur. There's been nothing in New York City since the early seventies, mid-seventies. The percentage of time when service fails is on the average less than one-tenth of 1 per cent. But one-tenth of 1 per cent is several hours. And there are some situations where you just can't tolerate it. So we made recommendations about, in the event of a blackout, those facilities which could not stand any interruption, for which 99.9 per cent service was not good

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enough--the airports, hospitals, gasoline pumps (most of them then wouldn't work in a blackout) we recommended that there be some way of activating the pumps. I don't know whether anything has been done on that because if we really had a bad blackout, you know, people are always riding on those last few gallons in their cars. I mentioned elevators, didn't I?

G: Yes.

S: Of course, the utilities were reminded to have redundant ways of getting their machines started. The problem in New York was that in order to get a machine started, you needed electricity. And all of their equipment was out. So first you had to get a source of power, where they finally made a sort of an emergency connection with the New Jersey Company, one generator came alive. And then one by one, they brought the machines on line. But they had never envisioned that a time would come when everything was down. There'd been no provisions for that. Now, some systems had hydro power, and that comes on much more quickly. So they got back on line. But Con Ed had no hydro power. Well, we told them all for the future in their planning to use stricter, more conservative assumptions as to what the emergency conditions might be, including a total blackout on their systems. I think that all of that has been followed. As far as I know, those recommendations have all been taken to heart with the possible exception of the gasoline one.

G: Any recollections of presenting the report to the President at the Ranch?

S: Oh yes, I do; and there's a picture on the wall of that occasion, that third one from the top. The President was having a meeting at the Ranch with his economic advisers. There were three of them. There was Joe Fowler, who was secretary of the treasury and whom I

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had known in TVA days and in the War Production Board. Then this fellow, Charlie Schultze, was another. He was the director of the budget, I think, at that time. And the fellow from the Council of Economic Advisors was there, too. I forget his name [Walter Heller]. I listened to them for a while. We had lunch at the Ranch. The President asked me to present my report, which I did, and I used this copy on which I had notes which would enable me to hit the high spots. I knew he didn't want to take several hours while I went into the whole thing. But there was enough there for a fifteen minute or so summary and I presented it. And then I went on TV and said about the same thing. That's when the picture was taken. He had the facilities there for broadcasting.

G: Was he pleased with the way that--

S: I gathered that he was very satisfied, yes. He got a prompt report. It got a lot of attention. It was reproduced almost in full in the *New York Times*. It was the subject of favorable editorials. I don't think many reports get out in this kind of a time frame, while the subject is fresh. It was a good report because there was a lot of technical material here. You could get out of it whatever you wanted within the limits of your technical understanding, or even without technical understanding.

G: Did the initial specter of sabotage--

S: That disappeared.

G: It disappeared, but did it reinforce the need to make sure that these facilities were secure from possible sabotage?

S: That is a problem that changes all the time. I did not try to investigate the military aspects. But we did have a quick report from one of the groups at the Triangle in North Carolina, which was not released. I think with the advent of nuclear capability in so

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many countries and of any other ways of putting your enemy's economy out of service, that that's a very, very difficult problem, and I don't know how to appraise it except that the overall conclusion of this Triangle group was that the customers would be hit harder than the power suppliers, so that power supply would not be, was not likely to be the controlling consideration, that the loads would drop faster than the supply sources is what they concluded. I don't know whether that's--I would have to be better informed on the technologies of the effort to destroy the economic base of a country than I am now to be entitled to express an opinion.

End of Tape 1 of 1 and Interview 1

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