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## THE ENERGY CRISIS

### **\$5.7-Billion Energy Rate Hike Is OKd**

■**Power:** PUC shifts some of the increase away from businesses and farms to residential users. The rates, designed to reward those who conserve, are retroactive to March 27.

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**SAN FRANCISCO --** Voicing fears for the health of California's economy, the state's chief utility regulator Tuesday shifted some of a \$5.7-billion rate increase away from agricultural and industrial customers and placed it on millions of residential customers, whose bills will rise \$4 to \$85 a month.

A sharply divided California Public Utilities Commission voted 3 to 2 to approve a plan that will fundamentally change how customers of the state's biggest utilities will pay for power. The rates are designed to reward those who conserve and to punish those who don't.

The rate increase will begin appearing in June bills and is retroactive to March 27, when the commission approved an average hike of 3 cents a kilowatt-hour.

"Every consumer in California is justified in feeling outrage at the rates we approve today and the bills they will have to pay tomorrow," said the commission decision. "We share the sense of outrage."

Consumer groups accused the PUC of bowing to political pressure from business interests. And business groups, which lobbied hard in recent days to soften the hit to industry, said the PUC did not go far enough to protect the state's economy.

The plan by PUC President Loretta Lynch was revised after the governor openly criticized it and industry leaders mounted a fierce public relations attack.

The final version covering 9 million Southern California Edison and Pacific Gas & Electric Co. customers called for the following:

\* Average residential rates will rise by 47% for Edison customers who use more than 130% of their baseline, the amount deemed necessary to meet the needs of a

typical household. PG&E customers will experience a 55% increase. The top rate for the heaviest users will rise 71% for Edison customers and 80% for those of PG&E. The two companies together have nearly 751,000 such customers.

\* A new five-tier system will be instituted for residential customers, with rates rising as usage rises. The average bills rise less than the average rates because the new rates affect only a portion of the bill.

\* Industrial customers will see an average rate increase of 49%, which is only slightly lower than Lynch's original proposal. But the PUC capped the average rates at 12.9 cents per kilowatt-hour for industrial customers of Edison and 12.3 cents for PG&E. The cap would limit increases for some industrial customers, but it was unclear Tuesday how it would be applied.

\* In response to Democratic Gov. Gray Davis' urgings, rate increases for agricultural interests were capped at 15% to 20%, the smallest overall increase among the customer groups.

\* Small-business customers will see their rates rise by about 35%.

\* Customers who use less than 130% of baseline, low-income customers and people with special medical needs will have no increase.

The commission acted to help the state pay for the soaring price of wholesale electricity. Under the deregulation of California's electricity industry, the utilities were barred from passing along high electricity costs charged by independent generators. In the process, PG&E and Edison were pounded by debt, and the state was forced in mid-January to buy electricity on their behalf.

The commission acknowledged that more rate increases may be necessary unless federal regulators find a way to control the wholesale electricity market.

In the six weeks after the rate increase was approved, the panel held hearings and designed the rate structure--a process that normally takes at least six months. A vote on the rate design was scheduled for Monday, but it was postponed for a day to allow commissioners to review revisions that Lynch made to her proposal over the weekend.

By approving Lynch's plan, the commission rejected one proposed by a PUC administrative law judge who conducted the hearings. That proposal would have resulted in lower rates for residential customers and higher rates for all classes of business than the Lynch version.

The two dissenting votes were cast by Commissioners Edward Bilas and Henry Duque, both appointees of former Republican Gov. Pete Wilson.

Duque criticized the plan for "favoring some customers while punishing others. . . . Today's decision asks small businesses and some residential customers to subsidize others. Subsidized consumption leads to more consumption, not conservation."

Bilas said: "This crippling rate increase would have a ripple effect" through California's economy and could drive out business.

"What we have here is an economic recipe for disaster," said Bilas.

Commissioner Geoffrey F. Brown, a Davis appointee, tried to negotiate more favorable treatment of industry after recently speaking with Bilas and the governor's office. Lynch made some changes that reduced the rate increase for industry slightly, to about 49% on average. Brown had hoped to lower the increase to about 43%.

At the meeting Brown said he had "great hesitancy" about some of the rates in Lynch's proposal but would back it.

"At the end of the day we need to raise the money to meet the electrical needs of California," he said. "We cannot walk away from it. We cannot put our heads in the sand.

"California now has the opportunity in this time of crisis to conserve, to break the fever, to beat back the looters."

Protesters interrupted Brown and Commissioner Carl Wood, crying, "Seize the plants! The governor has the power." One demonstrator was ejected by California Highway Patrol officers.

The Utility Reform Network accused the commission of caving in to business interests and said the revisions in Lynch's plan added more than \$100 million to the amount to be paid by residential customers.

"They put too much of the increase on the residential customers," said Mike Florio, senior attorney for the group.

After the hearing, Brown went face-to-face with Florio in the building courtyard. He said the amount shifted from industry to residential customers was closer to \$40 million and he angrily denied that industry influenced his vote.

Edison is still assessing how the rates would affect customer bills, said Akbar Jazayeri, director of revenue and tariffs. He noted that the new rates will apply only to the usage in each tier, not to the entire bill.

"It doesn't mean because your usage is 1,000 kilowatt-hours that your entire bill will be charged at the highest rate," Jazayeri said.

The PUC estimated that the average monthly Edison residential bill will rise between \$4, or 6%, and \$71, or 37%, depending on usage. The average monthly PG&E residential bill will increase between \$5 and \$85, the PUC said.

The Foundation for Taxpayer and Consumer Rights estimated that the average monthly household electricity bill will increase by \$36 in Edison territory and \$39 in PG&E territory.

"Once again, residential and small-business ratepayers, the innocent victims of deregulation, are being forced to pay the price for the deregulation debacle, while the special interests that foisted deregulation upon us get off easy," said Doug Heller, consumer advocate for the Santa Monica-based group.

But business interests also were unhappy with the PUC rate decision.

"We're still up in the 50% range for industrial users," said Jack Stewart, head of the California Manufacturers and Technology Assn. "It is going to make it very difficult for many companies to stay in business in California. Many companies who are large energy users will not be able to sell products profitably."

The manufacturers along with such influential organizations as the California Chamber of Commerce and California Business Roundtable led an intense lobbying and public relations effort aimed at reducing rate hikes for commercial and industrial users.

"There is no issue that I have hit on harder with the governor's office over the past year," Stewart said, contending that rate increases should be spread evenly among residential, commercial, agricultural and industrial users. "It is critical for California business."

Stewart met with Commissioner Brown last Thursday. But although he thought he had made headway, the increase approved Tuesday, though modified somewhat, falls heaviest on big industrial and commercial users.

Agricultural interests fared better than commercial and industrial users, receiving a maximum 20% increase, pared down from the original proposal of about 25%.

"We're clearly happy," said Michael Boccadoro, a lobbyist for the Dolphin Group, which represents major farming interests such as Gallo, Boswell Land and Paramount Farms.

With a lighter than normal snowpack, farmers will receive less water from reservoirs this summer. As a result, farmers will be forced to use more electricity as they run pumps to draw on ground water for irrigation.

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Reiterman reported from San Francisco; Rivera Brooks from Los Angeles. Times staff writers Dan Morain in Sacramento and Marla Dickerson in Los Angeles contributed to this story.

(BEGIN TEXT OF INFOBOX / INFOGRAPHIC) Rate Hike

New rates for Southern California Edison residential customers:

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Usage - % of baseline	Cost per kilowatt-hour	% increase
Up to 100%	\$0.13	0%
100% to 130%	\$0.15	0%
130% to 200%	\$0.20	30%
200% to 300%	\$0.24	56%

\* \* \*

The distribution of residential electricity customers, by usage, for Southern California Edison and Pacific Gas & Electric:

\*

% of baseline	Customers	% of customers
Up to 130%	4.06 million	51%
130.1%-200%	1.96 million	24%
200.1%-300%	1.25 million	16%
More than 300%	750,700	9%

\* \* \*

Source: California Public Utilities Commission Your New Electric Bill

Under an increase approved Tuesday by the Public Utilities Commission, residential customers of the state's major private electric utilities will pay rates that increase with usage. Southern California Edison residential customers will pay for usage based on their baseline, a minimum level that varies by season and location. To estimate your rate under the new structure, use baseline and usage figures for kilowatt-hours from your most recent bill (or a previous bill for this time of year) in the worksheet below. The estimate does not include taxes and surcharges.

\* \* \*

## USAGE

A Enter baseline

B Enter actual usage

C Enter A or B, whichever is smaller

\* \* \*

If B exceeds A, continue. Otherwise enter zero on lines G, K,

O and P and skip to Q.

\* \* \*

D Enter 1.3 x A