Attachment E

SF Gate www.sfgate.com Return to regular view

Everyone To Take 40% Hit
PUC approves across-the-board power rate hike, but still eyes tiers

David Lazarus, Chronicle Staff Writer
Tuesday, March 27, 2001

URL: http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2001/03/27/MN162516.DTL

Amid jeers from protesters, state regulators this morning approved an across-the-board 40 percent rate increase as part of a series of measures to remedy California's energy crisis.

The immediate rate increase, approved today by the Public Utilities Commission, includes a new 30 percent increase and makes permanent a temporary 10 percent average increase approved in January.

However, heavier electricity users would end up paying more than lighter users under a so-called tiered system that could be enacted by May, PUC President Loretta Lynch said.

"The PUC has done all it can," Lynch said this morning. "We have fought back hard in every venue possible against these unjust energy prices."

Commissioner Carl Wood said the PUC had no choice, considering the current environment. "If we want to keep electricity flowing, we have to raise rates," he said.

The meeting was disrupted at least five times by screaming protesters. Before the meeting, four women led by former Green Party senatorial candidate Medea Benjamin stood in the PUC chambers with yellow signs saying "We Won't Pay."

Ratepayers have labeled the plan a rip-off that would hit 10 million homes and businesses fighting to stay cool amid rolling blackouts and spiraling energy costs.

The rate hikes will effect about 25 million Californians.

"Our bills have gone from $26 to $70 for a stinking studio apartment and we don't have a heater, we use the oven to heat up the studio," said Belinda Lazzerini, 40, who serves fruit smoothies at Jitters & Shakes in downtown San Francisco. "The laundromat has gone up from $1.50 to $3, so now we will have to clean our clothes by hand and dry them in the basement. It's crazy."

Gov. Gray Davis has repeatedly said he does not favor electricity rate increases. But in a speech yesterday, Davis said he didn't have the power to order the

PUC, an independent body, to maintain current rates.

"It's still my expectation that we can work within the existing rate structure," Davis said. "As governor, I have not decided there should be a rate increase, and as governor, I have not decided that tiered pricing makes sense."

Davis has appointed three of the five PUC commissioners.

Jason Zeller, an analyst for the state Office of Ratepayer Advocates, said the hikes will be by far the largest in state history.

Lynch said yesterday that she does not expect further rate increases this year. But she also said the situation could change depending on current bailout negotiations between the governor and near-bankrupt utilities as well as the state's ability to recoup costs from its multibillion-dollar power purchases.

Harry Snyder, senior advocate for Consumers Union in San Francisco, said there is no way state officials can avoid additional rate increases after confronting sky-high electricity prices this summer.

"It's a disaster," he said. "By the end of summer, rates will go up by 100 percent. They have to because these new increases will barely pay back the state for its power purchases."

Snyder also criticized the governor for having insisted that consumers would not be saddled with paying the tab for the bungled deregulation of California's power market.

"It's the Nixon, trust-me school of government," Snyder said. "How can we take the governor at his word?"

Lynch said consumers probably would not see the change reflected in their bills until a tiered rate system can be introduced within 45 days.

Under that system, according to PUC figures, Pacific Gas and Electric Co. customers who use little power would see no change from current average electricity bills of $60.

Medium users -- those who stay within 200 percent of pre-established limits -- would see average bills rise by 9 percent to about $65. Heavy users would see average bills jump by 36 percent to around $132.

Rate increases for customers of Southern California Edison would range from 8 percent for medium users to 27 percent for heavy users.

These increases would be on top of January's rate increases, which ranged from 9 percent for residential customers to 15 percent for large industrial users.

Investors saw this as manna from heaven for California's cash-strapped utilities. PG&E's stock soared 29 percent yesterday to $13.75, while Edison's shares climbed 30 percent $14.55.

The increase will generate about $2.5 billion a year for PG&E and $2.3 billion for Edison.

Yet many uncertainties remain. For example, the rate increase would not affect about $13 billion in debt racked up by the utilities as a result of runaway wholesale power prices.

That issue will be left for the governor to tackle in his bailout talks. A Davis spokesman said yesterday that the negotiations are making progress, but he could not say whether a deal at last is taking shape.

Another wild card is the matter of alternative-energy providers, which have cut back production in recent days because they no longer can pay their natural gas bills.

The companies -- known as "qualifying facilities" or QFs in industry parlance -- say they are owed millions of dollars by PG&E and Edison.

The PUC will vote today on forcing the utilities to pay the alternative energy providers for all power received, but only on a forward-looking basis. Past debt would not have to be paid right away.

It remains to be seen whether the qualifying facilities, half of which were shut down during last week's blackouts, will be able to resume operations. "We cannot direct the gas suppliers to sell to them," admitted PUC commissioner Wood.

The commission also voted today to require PG&E and Edison to repay about $4 billion paid by the state Department of Water Resources to purchase electricity for the utilities' customers.

However, it is not yet clear how revenue from ratepayers will be divvied up in the future. The utilities and the Department of Water Resources are at odds over which would get first crack at the funds to cover expenses.

Yesterday, Lynch laid blame for California's troubles on profit-hungry power companies that she said have gouged the state's consumers, as well as on a reluctance among federal regulators to limit how much generators can charge for electricity.

"The federal market cops need to get back on the beat because they're nowhere to be found," she said.

A spokeswoman for the Federal Energy Regulatory Commission in Washington, D. C., declined to comment.

Nettie Hoge, executive director of The Utility Reform Network in San Francisco, questioned the wisdom of raising consumers' rates as long as wholesale prices remain unchecked, especially going into a summer of expected shortages.

"Neither the commission nor the governor are willing to say no to the cartel that is gouging us and extracting obscene profits," she said. "Every time we put a burden on ratepayers and ask them to dig deeper in their pockets,

the cartel smells money and moves in for the kill."

Lynch stressed that the burden on ratepayers would be eased under a tiered system that she said would promote conservation.

"Electricity hogs will need to pay more," she said. "If you want to run your pool pump during peak hours this summer, you will pay for that."

Tiered rates have found support virtually across the spectrum, from the governor's office to consumer watchdogs. The PUC is expected to have no difficulty adopting such a system.

But Snyder at Consumers Union took issue with Lynch's characterization of higher rates as a conservation tool.

"That's total bull," he said. "She's just trying to rationalize the increase by saying it's all the consumer's fault.

"The governor said there would be a sharing of pain," Snyder added. "This isn't sharing. This is nothing but pain for consumers."

E-mail David Lazarus at dlazarus@sfchronicle.com.

 Page A - 1