

Plugging in a monopoly

PG & E is the sole contributor to -- and the main beneficiary of -- Prop. 16.

George Skelton, Capitol Journal

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The most important thing to know about Proposition 16 on California's June ballot is that it was written and bankrolled by Pacific Gas & Electric Co. for the benefit of PG&E.

There'd be nothing wrong with that, necessarily, if its customers also benefited. But Prop. 16 seeks to lock them into the private utility's grasp without any realistic opportunity of ever escaping to an electricity provider with cheaper rates.

And it would apply to the customers of any private -- or "investor-owned" -- utility, such as Southern California Edison or San Diego Gas & Electric.

San Francisco-based PG&E is attempting to assure itself a monopoly of current Northern and Central California customers by erecting a practically impenetrable barrier to other electricity providers.

It intends to spend at least \$35 million pitching Prop. 16. And there's no opposition campaign advertising.

There are plenty of opponents -- public utilities, cities, counties, irrigation districts, manufacturers, farmers, green energy entrepreneurs -- but very little opposition money. Public entities, such as the Los Angeles Department of Water and Power, aren't allowed to spend money advocating for or against ballot measures.

As of March 1, the Prop. 16 campaign had raised \$28.5 million, every cent from PG&E. The coalition of opponents had raised less than \$32,000.

One outspoken opponent, former state energy Commissioner John Geesman, says that private utilities should focus on modernizing themselves "rather than manipulating the electorate to kneecap their few competitors."

It's really just PG&E.

And the whole exercise is an affront to the original intent of California's century-old ballot initiative system, which was created to protect consumers against powerful special interests. This does the opposite. It protects an interest against unhappy consumers.

This is what Prop. 16 would do, according to the neutral legislative analyst:

* Before a local government entity could start up electricity service, it would need approval of two-thirds of the voters in the area to be served.

* Before an existing public utility could expand electric service into new territory, it would need a two-thirds vote in both the currently served area and the new territory.

* Two-thirds voter approval would be needed for a local government to contract with an electricity provider other than a private utility through a relatively new arrangement called "community choice aggregation." Several communities are looking seriously at creating such arrangements, and PG&E is scared.

Exempted would be new service solely from renewable sources or electricity used only by local government facilities.

Currently, 68% of California's retail electricity is supplied by private utilities and 24% by local public entities. Some customers also purchase directly from electricity providers, using a utility's transmission system.

PG&E's poison pill for the public is the two-thirds vote requirement.

The company is cynically promoting Prop. 16 as a "taxpayers right to vote act."

It has nothing to do with taxes. And people already have the right to vote, at least in a new territory proposed to be served by a public utility.

There's no legal requirement now that customers currently served also give their permission for expansion. And there should be. But it should be by majority rule.

Under Prop. 16, a one-third minority of voters could thwart the vast majority of disgruntled consumers who want to switch electricity providers and get a rate cut.

And because public entities are barred from spending money to advocate their side but a private utility can fork out unlimited millions, the two-thirds hurdle would be nearly insurmountable.

"The more competition in the electricity industry the better," says Jack Stewart, president of the California Manufacturers and Technology Assn., which opposes Prop. 16. "There's no reason to make it harder for local utility districts to get started if they can provide electricity at a lower cost than investor-run utilities."

PG&E's two allies in its brazen move are the California Chamber of Commerce and the California Taxpayers' Assn. The utility sits on the board of each group.

The two-thirds vote, they note, is what's required for local special tax increases

and bond issues. (School bonds need only 55%.) But that's irrelevant. Taxes aren't an issue in electricity service.

And city or school bonds generally are repaid by all residents through sales or property taxes. Utility borrowing is financed by revenue bonds tied to electricity rates.

PG&E's clever campaign consultants are trying to exploit the public's current mistrust of government and anger about budget deficits.

"It is everyone's problem if a government-run electricity business fails," reads the backers' argument in the state's official voter guide. Actually, it was PG&E that failed and went bankrupt in the energy crisis.

Its hypocritical argument also reminds voters that "the last time government thought they knew more about the electricity business" than the private utilities, "we had the 2001 energy crisis." What the supporters don't 'fess up to is that PG&E and other private utilities strongly supported the deregulation legislation that led to the crisis.

Prop. 16 is about PG&E being frightened by changing energy forces that are fueled by technology and moves toward renewable sources. So it is trying to lock in its customer base.

It's wary of fighting off -- successfully so far -- breakaway efforts by customers in such disparate service areas as San Francisco and Yolo County.

It's trying to quash the competition with a two-thirds vote sledge.

For voters, this should be simple. Ignore the TV ads and all the slate mailers and follow the money. There they'll find who stands to benefit.

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