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Sent: 9/4/2011 8:52:17 AM
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Bcc:
Subject: Editorial - PG&E Should Pay - NOT Rate Payers

Mercury News editorial: Ratepayers shouldn't foot bill for PG&E's incompetence

Mercury News Editorial

Posted: 09/03/2011 08:00:00 PM PDT

PG&E has no shame.

An organization with an ounce of character would own up to its failures in the wake of the San Bruno tragedy and look for other ways to pay for safety improvements before slamming ratepayers. But when PG&E announced plans for upgrading its gas pipeline system -- a need ever more apparent in light of last week's Cupertino gas explosion -- it proposed that customers pay 90 percent of the $2 billion bill.

Of course PG&E expects a negotiation. But even so, the suggestion is supreme arrogance -- especially for a utility with a guarantee of about 11.3 percent return on equity.

That's right. 11.3 percent. Guaranteed. That's about a percentage point above the industry standard, while customers pay some of the highest rates in the nation. PG&E profits have exceeded $1 billion for each of the past three years on revenues of more than $10 billion.

The generous rate of return was granted to help the utility escape its bankruptcy filing in 2001. It is negotiable, and it should be, since PG&E's performance in public safety has been far below standard: negligence, incompetence or both have come to light through investigations into the San Bruno blast that killed eight people and leveled 38 homes one year ago this week.

The California Public Utilities Commission should be more engaged on this issue than it has to date. Under board president Michael Peevey, it has failed to hold PG&E

accountable. It now must require the company's shareholders and its executives, who enjoyed $5

million in bonuses in 2009 alone, to bear a significant portion of the burden. If somebody's paying 90 percent of the cost, it should be them, not ratepayers, who had a right to expect that safety was being ensured all along. Let's negotiate from there.

San Mateo Assemblyman Jerry Hill, whose district includes San Bruno, says PG&E should consider forgoing its entire profit margin for one year and put it all toward upgrading its gas pipelines and improving its record keeping. That would mean PG&E would pay about half of the expected $2 billion cost, which is more like it. However, it may make more sense to take a portion of profits for the next 20 years and put it toward pipeline improvements. Even a 50-50 split between ratepayers and the company will need detailed justification to be accepted.

Unfortunately, the PUC's Peevey is not likely to grow a backbone after all this time and drive a hard bargain with the utility. If he doesn't move swiftly in this direction, we again urge Gov. Jerry Brown to replace him as president.

PG&E itself has a new CEO, hiring public utility veteran Anthony Earley to replace Peter Darbee, who had a background in finance. But the suggestion to pile onto ratepayers nearly all the cost burden of PG&E's incompetence sounds like same old same old to us. So much for culture change. No wonder consumer confidence in the utility remains at an all-time low.

Utilities ordinarily can charge customers for the cost

of system upgrades, but there is nothing ordinary about PG&E's situation. The PUC needs to stand up for ratepayers and for public safety -- which it has not done adequately in the past.

Riechel

http://www.sanmateocourt.org/documents/grand_jury/2009/prop39.pdf