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Sacramento Business Journal

PG&E penalty could hurt us all

By Bill Dombrowski, President and CEO of the California Retailers Association

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When companies are responsible for deadly tragedies such as Pacific Gas and Electric Co.'s San Bruno gas pipeline explosion, there's no question that they should be held responsible.

But when regulators levy fines and penalties that threaten jobs, raise costs and worsen California's business climate, it's worth pausing to consider the law of unintended consequences.

Regulators recently moved to withdraw and revise their proposal to levy a $2.25 billion penalty against PG&E in reaction to criticism from some groups saying the amount was too low.

The reaction from Moody's, the big credit-rating agency, may have a chilling effect on business and our economy far beyond PG&E. The credit agency warned that what's happening "does not bode well for the regulatory environment in California, which is being adversely affected by political considerations."

Translation: this could be a sign that doing business in California is about to get even harder — and riskier — for all companies that are subject to state regulations.

Moody's warning is a timely reminder that this issue is about more than PG&E. It's another red flag to businesses that might be thinking about locating here or leaving for better opportunities elsewhere.

Hundreds of companies have already fled California in recent years for places with better business climates. Out-of-state governors openly campaign to lure employers and jobs away from our communities. And for the eighth consecutive year, leading CEOs recently ranked our state the nation's worst for business. These are trends we should think twice about reinforcing at a time when California should be focused on spurring job creation and investment, not less.

As for PG&E, Moody may cut the company's credit score, which could result in higher borrowing costs for the utility when it goes to the banks to raise money. That's important because it needlessly raises the cost of investing in California's energy infrastructure — which also impacts our business climate and our economy. Furthermore, more money used for penalties and higher interest costs will squeeze out spending somewhere else such as upgrades to the utility systems or to invest in new technologies needed to keep our state competitive.

The bottom line is the fallout harms our state. The net result could easily mean fewer jobs as construction projects and other investments get put on the back burner or scrapped altogether.

Mitigating this problem is one reason why regulators originally recommended that PG&E's penalty should be spent paying for work to make its system better, instead of going into the state's general fund. We hope that regulators have the wisdom to stick with this approach when they come back with a revised recommendation.

None of this is to say that PG&E shouldn't pay a hefty price for what happened. Public officials have a duty to see that they do. But there is a tipping point where the collateral damage to other priorities becomes too costly for everyone. We're all for serving justice, especially in a tragedy like this one. But justice shouldn't be blind to the bigger picture.

Bill Dombrowski is president and CEO of the California Retailers Association.