California to hike electricity rates by 40 percent

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By a 5-0 vote March 26, California's Public Utilities Commission (PUC) approved an electricity rate increase that will hike rates by as much as 42 percent for some Southern California Edison customers and 46 percent for certain customers of Pacific Gas & Electric Co. PUC officials calculate that the overall rate hike will average around 40 percent.

Loretta Lynch, the president of the PUC, claimed that such an increase should encourage customers to cut back on usage and conserve enough power so that the utility companies can get through the hot summer months. The rate increase is the largest in state history.

The PUC meeting at which the vote took place, at its headquarters in San Francisco, was punctuated by noisy protests. All five commissioners defended the action, while protesters condemned the commission and the utility companies. Doug Heller, of the Foundation for Taxpayer and Consumer Rights in Santa Monica, told the commission, "Go to these power pirates and tell them the state treasury is not their money orchard." Barbara George, of Women's Energy Matters, commented, "We should give the generators 24 hours to sign their plants over to the state and leave." Numerous arrests were made during the meeting.

The commission includes three members appointed by Democratic Governor Gray Davis and two named by former Republican Governor Pete Wilson. One of the Davis's appointees, Carl Wood, is an official of the Utility Workers Union.

The new rates, effective immediately but which will not appear on bills until May, will add 3 cents a kilowatt (Kw) hour to a 7.5 cent "average" rate, according to press reports.

Residential rates are in fact already much higher than that. The base rate for customers using less than 300Kw a month is 12.09 cents for Southern California Edison customers, 11.58 cents for Pacific Gas & Electric customers and 6.33 cents for San Diego Gas and Electric Customers. Usage above 300Kw a month adds another 2 cents a kilowatt. Those customers who choose to pay "time of day" rates can pay as much as 48 cents a kilowatt for peak usage.

To obtain rate information from the utility companies requires extraordinary patience. The utilities make their web sites unnecessarily complicated for those who want to investigate the rate structure. The California PUC allows utilities to divide the market into many schedules. In general, the power companies charge more to those customers who have few options. Only those industrial users buying large amounts of electricity see rates in the seven-cent range. Industrial users that consume electricity in voltages greater than 50,000 volts (households get their electricity delivered at 220 volts) pay between 7.4 cents (during peak hours) and 3.7 cents. For smaller industrial users, Edison rates range between 9.5 cents and 3.8 cents for equivalent service.

For most residential customers, the 40 percent or greater increase amounts to an increase of about 6 cents a Kw. This is in addition to the 9 to 15 percent increase already in effect, plus another 10 percent due next year. Residential rates will be about nine cents per Kw higher than last year. For a modest family electric usage of between 800 and 1000 Kw, the monthly bill will jump from about $130 to $230. There is no doubt that many families will face stark choices: to pay the rent, buy food or pay the utility bill.

Low-income residential customers and small businesses are already struggling to adapt to the recent 9 to 15 percent increase. A *Los Angeles Times* article this week reports that small businesses in Los Angeles County are installing dimmer lights and that they are not operating air conditioners and high energy-consuming machinery.

One user, Chris Consalvo, is seriously considering candles and firewood for her one-bedroom Culver City house, where electricity bills were so high this winter the 31-year-old social worker paid them on installments.

The *Times* quotes Consalvo: "'What's going through my mind is going back to the basic elements. I'll get a wind-up clock and a wood-burning stove and call it a day, seriously.' There is little room for adjustment elsewhere. Consalvo, for example, hasn't used her dishwasher in six months. When she received an astronomical bill several months ago—the result of heating her home with a space heater—she nearly fainted.

"'It was just crazy the amount they were asking,' she said. 'I don't use my dishwasher. I use minimal resources. I'm a bare-minimum person anyway.'" Even more seriously affected are elderly Social Security recipients forced to turn off lights and appliances as well.

Under such conditions, the appeal by PUC President Loretta Lynch for conservation and the media effort to place the blame on consumer overuse of electricity is entirely cynical. The crisis has been caused by deregulation, price-gouging and corporate malfeasance on a massive scale, which will now be paid for, in money and health and probably lives, by the residents of California. Lynch, oblivious to the human cost of the increase, brazenly noted the real purpose of the higher rates: "to keep utilities solvent and ensure that the treasurer of the state can issue bonds."

The PUC's decision allows Governor Davis to wash his hands of the issue. He is on record as opposing any large rate changes, but at the same time has made it clear that he will not overrule the PUC.

In reality, officials of the Davis administration had already begun talking about the necessity of rate hikes last week. Top Democratic Party legislators have also declared that rate hikes are inevitable. It remains to be seen whether the latest hike is enough to solve the utility companies' crisis. Bruce Foster, a Southern California Edison vice president, commented, "Only time will tell if it is sufficient to meet the need." The state strategy seems to be to gradually de-control residential rates, which may require rate increases of more than 100 percent by next March.

A state tax surplus is being quickly eroded. Already many believe that the $10 billion bond authorized by the legislature will not be enough. The state is now spending $50 million a day to acquire electricity for the near-bankrupt utilities; it has spent $4.2 billion so far. There is now concern among legislators that the state's financial standing with Wall Street bond raters will suffer if the situation continues.

On March 23 the California Independent System Operator (ISO), the agency established to manage the state's power grid, filed a preliminary report with the Federal Energy Regulatory Commission (FERC) reporting widespread price gouging by the large providers of electricity. The ISO believes that the electricity cartel has overcharged the state by about $6.2 billion. Its report charges that wholesalers had shown the "exercise of market power" by pushing up prices above the level supported by a competitive market. But officials at the ISO indicated that they needed more information about how much the cartel should refund the state, including the energy companies' confidential cost figures.

The electricity providers immediately denounced the ISO report. Gary Ackerman, executive director of the Western Power Trading Forum, which represents the power marketers' cartel, said he was glad to leave the matter to the FERC, underscoring the close links that energy companies such as Enron have with the pro-business Bush administration.

The ISO's $6.2 billion estimate is based on information it had on the cost of natural gas. It purposely gave plants plenty of leeway on other costs, according to Anjali Sheffrin, the agency's director of market analysis. The report also did not use data from times when supplies were tight and scarcity would naturally inflate prices. All this suggests that the amount of overcharging exceeds the ISO's estimate.

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