Higher rates approved for California utilities

Adam Mclean
8 August 2015

On July 3, the California Public Utilities Commission (CPUC) approved changes to restructure statewide electricity rates. The new structure includes reducing the number of payment tiers for residential electric bills from four to two and raises effective rates for all residents except those currently paying in the highest tier. It will be phased in by 2019.

This is an essentially regressive measure that will force nearly all Californians into higher paying plans. Only those customers currently using more than 216 percent of the baseline quantity, that is, those currently in the fourth tier, will pay less than or the same amount as what they currently pay. Statistically those in the fourth payment tier are wealthier, but it is a tier that also includes larger working-class families.

In addition, the new structure includes the introduction of a “minimum bill,” a minimum monthly charge to the consumer, regardless of actual power usage. For those who use little to no electricity, or for those who rely primarily on solar panels, a minimum of $10 will be added to the monthly bill.

The period leading up to the California energy crisis of the early 2000s, characterized by the deregulation of energy markets, saw skyrocketing utility rates, in spite of promises that the unfettered activity of the “free market” would lead to lower prices. Enron’s financial parasitism, price gouging and effective looting of public funds played a particularly destructive role. The blackouts and brownouts that occurred during the crisis prompted regulation to stabilize utility rates and prevent the wild fluctuations that fed into the crisis. However, in recent years, much of the regulatory framework that resulted from the energy crisis has been undermined.

The major California energy companies and CPUC presented the new measures as a “fairer” way of paying for energy, and are downplaying the rate increases. Russ Garwacki, a director at Southern California Edison, said, “We’re trying to make things more affordable for those upper-use customers because they are paying far more than their share.”

Not only is this a cynical attempt to hide the fact that rates are going up for nearly everyone, but it also attempts to pit workers against each other and distracts from the vast profits these companies are piling up.

Pacific Gas and Electric (PG&E) raked in over $1.4 billion in 2014, even in spite of the fines imposed in April by the CPUC. These fines related to the San Bruno explosion in 2010, which killed eight and leveled part of a neighborhood.

Southern California Edison Company (SCE) could likewise claim $1.6 billion in profits during the same period, a figure that was buttressed by a conspiracy to shift the burden of shutting down the San Onofre nuclear power plant onto ratepayers. San Diego Gas and Electric took in $507 million.

The CPUC, in spite of its ostensibly regulatory role, maintains cozy relations with the utility monopolies that dominate California’s energy infrastructure. Indeed, these profits would not be possible if the CPUC had not rubber-stamped the utilities’ efforts to appeal for rate increases via the state-mandated process of investigating distribution and generation costs, known as a general rate case. The CPUC’s recent unanimous decision further underscores its role as the defender of the profit motives of the energy monopolies. These rate increases are not necessary in the first place, and are tantamount to theft.

Similarly, the major water utilities are also proposing higher payments, citing California’s ongoing drought.

The California Water Service Company, by far the largest water utility in the state, has proposed an increase of $8.16 per month for 2017 to 2019 to the CPUC. The Los Angeles Department of Water and Power (LADWP) is looking to increase water rates on the top tenth of users by 34 percent.

This latter increase is being supported by Governor Brown and Mayor Garcetti as a measure to combat California's drought, now in its fourth year.

The impact of the drought has been vastly exacerbated by two centuries of irrational exploitation of water resources. Agribusiness currently accounts for 80 percent of the state's water usage. Emergency measures to combat the drought largely leave agribusiness untouched.

The argument that rate increases are necessary to fund upgrades to decaying infrastructure is specious. Infrastructure across the country, and in California, is in a dire state. However, it was the neglect of the infrastructure in favor of the profits of the utility companies that led to the present situation. The profit motive consistently acts as a barrier to the fulfillment of social need.

California already has one of the highest costs of living in the country. The rate increases will hike those costs even higher, forcing the working class to pay even more to keep the profits of the utility companies intact.