PG&E to California: We need higher rates and profits to cope with wildfire risk

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Camp Fire victims Randy Viehmeyer, left, and Lisa Butcher speak with Bryan Houtman, right, after activist Erin Brockovich led a protest against the PG&E bankruptcy at the Capitol in January. PG&E has named a new CEO.

PG&E asked California regulators Monday for a hefty increase in rates and profits, raising average customer bills by more than $20 a month, saying the hike is needed to attract investment capital and deal with wildfire safety as the utility struggles in bankruptcy.

Along with an earlier rate increase proposed in December, PG&E’s new request would increase average household bills by $22.67 a month for electricity and natural gas, beginning in January 2020.

PG&E and California’s other major utilities, Southern California Edison and San Diego Gas & Electric, asked the Public Utilities Commission for fatter profit margins, seeing they need to offer investors a much higher return to compensate for the financial perils of major wildfires. The requests, which must be made every three years, come as Gov. Gavin Newsom and other state officials wrestle with PG&E’s bankruptcy and the financial health of utilities generally.
Utilities rarely get everything they want when they ask regulators for higher rates, and Monday’s request by PG&E in particular is almost certain to provoke a strong backlash from lawmakers in light of PG&E’s unpopularity over the deadly wildfires of 2017 and 2018. As it is, SB 549 by state Sen. Jerry Hill, D-San Mateo, would give the Legislature a say in authorizing rate increases for PG&E.

Mark Toney, of The Utility Reform Network consumer advocacy group, called PG&E’s request “outrageous.”

“It’s like PG&E is looking for bailouts under any rock they can find,” Toney said. “That is just a stunning amount.”

PG&E spokeswoman Lynsey Paulo said Monday’s filing with the Public Utilities Commission reflects the utility’s financial predicament and the need to invest billions in wildfire safety and system reliability. Pacific Gas and Electric Co. is asking the PUC to raise its return on equity — in effect, its maximum profitability — from the current 10.25 percent to 16 percent.

“This is neither the best nor the preferred solution,” she said, adding that PG&E wants to “reduce the ask” and is open to discussing alternatives with state officials that would reduce the size of the increase.

Because of the utility’s financial woes, PG&E is arguing that it needs to give investors a higher return to lure capital. “In order to invest in the affordable, safe, reliable and clean energy future our customers expect and demand, investors must continue to play a vital role in providing the capital necessary to fund essential safety and reliability infrastructure upgrades,” PG&E chief financial officer Jason Wells said in a prepared statement.

But Toney said the request would simply produce “a windfall to Wall Street.” Meanwhile, Southern California Edison asked the PUC to increase its maximum profit margin to 16.6 percent — up from 10.3 percent — “to compensate investors for the higher risks associated with uncertain state policies for utility cost recovery and liability resulting from California’s devastating wildfires.” The proposal would hike customer bills $12.20 a month. SDG&E wants its profit margin increased from 10.03 percent to 14.3 percent. It wasn’t clear what how much higher rates would grow in San Diego.

Earlier this month Newsom proposed changing California’s liability laws to provide PG&E and other utilities with greater protection against the costs of future wildfires. Utilities have been pressing for changes since 2017, saying the state’s legal doctrine of “inverse condemnation” exposes them to major liabilities if their equipment causes a fire — even if the companies haven’t been negligent.

Newsom argued that utilities can’t be expected to bear the full brunt of wildfires in an era defined by climate change and increasing fire risk. At the same time, Newsom said PG&E and its shareholders must be held accountable for November’s Camp Fire — the deadliest and most destructive in California history — as well as earlier disasters. “The state has suffered because of their neglect,” he said.

His office didn’t immediately respond to questions about PG&E’s latest request.