

# local power vote alert june 29, 2004

## CA Energy Bill Would Give Back Multi \$ Billion Electric Monopolies

Assembly Speaker Nuñez Bill 2006 With New Schwarzenegger Big Business Loophole  
May Set Up Block Against San Francisco and 11% of CA Cities

by **Paul Fenn**, [local.org](http://local.org) June 22, 2004

State Assembly Speaker Fabio Nuñez is allegedly seeking to strike a deal for legislation to allow California utilities to “re-monopolize” deregulated remnants of their former selves, then build new gas-fired power plants that no bank will currently underwrite, and put their ratepayers on the hook once again for these potentially disastrous investments at the culmination of fossil crisis, through their monthly electric bills. However, the outcome is not fait accompli with 10% of the utility market now seeking to leave them in 2005.

Drafted by Edison International's regulated subsidiary Southern California Edison, Assembly Bill 2006 (**facing the Senate Utilities committee and chair Debra Bowen on June 29**) would allow the deregulated companies to become monopolies again even though ratepayers already paid \$ tens of billions to the companies to dissolve their monopoly under 1996 deregulation law AB1890. These were funds that PG&E and Edison have already invested in their unregulated holding company and unregulated affiliate corporations in Enron-style nationwide and global investment schemes using aggressive “ring-fencing” tactics that are now under litigation by Attorney General Bill Lockyer.

With San Francisco recently approving its historic Energy Independence ordinance to build a (one third of regional peak load) 360 Megawatt green power network in the next few years, and with Chula Vista, Marin County, and over a dozen other jurisdictions

**Call Key Edison Republicans**  
**Committee**  
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### Senate Leadership

**PG&E Democrat Senate President**  
**Pro Tem** John Burton from San Francisco/Marin, Call (916) 445-1412 or Fax 916 445 4722. Tell him AB2006 is designed to block San Francisco and dozens of other communities from implementing its already approved Energy Independence ordinance.

**Edison Democrat Chair** of Committee  
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and 11% of the investor-owned utility market following close behind, the 40% Renewable Portfolio Standard goal adopted by communities of roughly three million residents will usher in a second era of green power leadership in California.

In 2000, the state of California had assumed the Obligation to Serve from Edison, PG&E and SDG&E - the historic supra-legal obligation energy corporations assumed in return for the privilege of their monopoly. The “regulatory compact” behind state regulation of monopolies had been invented by the U.S. power industry in response to a nationwide Public Power movement in the decades after the Great Stock Market Crash of 1929 - attributed to the industry’s manipulation. This had all commenced the Depression and World War II.

The 2004 move to re-monopolize is a new revisionism among California’s “regulated” quasi-monopolies. After receiving \$ multi-billion bailouts approaching their net value from their ratepayers to stop being monopolies, after making ratepayers repay the bonds on the 5% rate cap promised by the utilities, and after then bailing the utilities out of their bankruptcies - now they hold out their hand for their monopoly back - with special concessions for Big Business.

AB2006 in effect would statutorily assert the monopoly that was sold by the utilities to their ratepayers in 1996 in order to give them “Choice.” After a market designed by Edison and PG&E failed and 95% of all customers in California were dropped as unprofitable-to-serve, California spot markets were overwhelmed, like fish in a barrel, and prone to market manipulation - as then-TURN economist

Eugene P. Coyle predicted in the *Wall Street Journal* in that fateful autumn of 1996 followed, with the promised rate caps becoming new “stranded costs” that the utilities ultimately recollect from their customers in the state’s bonds to pay for its

assumption of the Obligation to Serve from the Utilities - followed by statewide ratepayer bailouts of their utilities in an endless litany of “customer surcharges.”

The money received by these deregulated utilities has been lost to California as a result of their use of the funds. Most recently bailed out of bankruptcy by its (technically no longer captive) customers, is PG&E. In the years after deregulation PG&E over-collected \$8 billion in extra bailout charges from its customers, created a new holding company, PG&E Corp., and transferred \$5.3 billion from California customers to a new unregulated PG&E affiliate, the Bethesda, MD-based National Energy Group. Using PG&E money transferred to them through unregulated PGE Corp., this unregulated affiliate undertook the largest utility acquisition in U.S. history, purchasing all the power plants of the New England Electric System in Massachusetts. It went on to purchase 30 power plants in 10 states., a profitable \$1 billion/year company - yet also went bankrupt two years later. With billions disappearing and National Energy Group and PG&E bankrupt - yet its holding company PGE Corp somehow not, one must ask where the money went. Did it all just disappear?

Now Edison International’s regulated Edison, bailed out by its customers under Davis, or PG&E under Schwarzenegger (with a book value of \$21 billion it has received \$18 billion already) with Sempra, hold out their hands for a restoration of their former monopoly. Considering that the estimated loss caused by AB1890, which the utilities virtually wrote, is nearly \$100 billion, the historic single greatest loss of wealth in California’s entire history, the gesture could be called reckless..

Under AB1890 the ratepayers were forced to pay the utilities 117% of their “stranded costs” - a broad construction of compensation for their non-competitive assets - particularly their nuclear power plants, which they are now seeking to retool at \$900 million apiece - just ten years before they are up for decommissioning. What better way to make the state a player than to invest it in San Onofre and Diablo Canyon nukes before the federal relicensing applications are heard?

[Link to local.org/AB2006.pdf](http://local.org/AB2006.pdf)  
[link to local power’s bill analysis](#)

**(next)**

The new Assembly Speaker Fabio Nuñez now presents his Assembly Bill 2006 to the Senate Utilities and Commerce Committee. AB 2006 would require the utilities to file, and for the state Public Utilities Commission (CPUC) to approve a long-term resource plans which are vaguely required to be “sufficient to fulfill the utility’s duty to serve while achieving best value for ratepayers.” AB2006 is clear that it “would provide for the utilities to recovery of costs and investments made pursuant to an approved long-term resource plan” - just as if they were monopolies again, leading some to ask, “do we get the money back then?”

AB 2006 would require that no costs be shifted to the utility’s core customers as a result of the election by noncore customers to purchase electricity through direct transactions. While appearing pro-consumer it is the opposite, as the utilities are being treated as cost-plus monopolies again. Thus the over 10% of California’s investor-owned utility customs in San Francisco, Marin County, Chula Vista and others that are leaving their utilities with a goal of 40% green could be blocked with a new set of Exit Fees that the utilities are aggressively seeking to build. They are in effect planning another future bailout-in-advance.

What is worse, the monopolies would be erected in the context of a permanently diluted state regulatory authority. Under AB2006, monopolies would not be held to the traditional standard of “prudence” under which bad decisions would be punished - but would instead merely have to be merely “reasonable” in order for the monopoly to be paid. Worse still, whereas in the past the CPUC could review utility contracts, AB2006 would not allow the governor-appointed commissioners to look at the contracts, but be limited to authorizing certain amounts of purchasing or investment within benchmarks, and only a “procurement review committee” authorized to look at any documents. In contrast, San Francisco’s “Energy Independence” model (Community Choice, AB117) would solicit energy companies willing to shoulder the risk for the services and prices they promise.

While locking virtually all Californians again into a kind of Third World monopoly captivity, Nuñez has negotiated new changes in the bill that would allow only customers that buy about 250 houses worth of power needs to shop for power. Schwarzenegger calls this “Energy Freedom” which is freedom for Big Business and Banana Republican monopoly for the masses.



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