

Jeff Gorman: Monopoly on power not the answer

By Jeff Gorman, Guest commentary Posted: 03/11/17, 2:39 PM PST |

Monterey County electricity consumers are facing a major change and most of us are completely in the dark. Of course, those who pay electric bills know that we pay Pacific Gas & Electric Co. Far fewer know much about the Public Utilities Commission, though many have heard of it. Yet right now, your city and county governments are voting on replacing PG&E electricity procurement with a brand-new government body. Think DMV.

The Herald's recent suggestion that government take over energy purchasing and production in Monterey County is based on a highly flawed scenario, decades in the making. There is no rush, contrary to the pushy salesmanship coming at our council members and county supervisors. County supervisors and the city councils ought to back away from the Santa Cruz-based proposals, educate the public much more and then choose an honest solution.

For background, recall that 16 years ago partial deregulation and new regulations on California's electricity market failed, causing PG&E and So-Cal Edison to file for bankruptcy protection. Shortly thereafter, the California Assembly passed a law allowing local governments to form power agencies. Basically, none did and this law had no effect. That changed in 2011, when Senate Bill 790 was signed into law. This early Jerry Brown law allows these new government entities to convert PG&E customers into government customers without customer approval. That is a lot of control; government control equals political power. SB 790 also bars regulated utilities from spending money to explain their point of view to the public. So much for freedom of speech! That is a recipe for a one-sided story.

Now, green advocates in Santa Cruz have organized one of these bureaucracies. They are making lots of promises and citing two very limited and relatively small trials as a track record of their approach. One of these promises is "lower prices."

There is a reason PG&E customers pay up to four times the national average for electricity. In addition to laws from the Gray Davis and Bill Clinton-Federal Energy Regulation Commission era, cap-and-trade legislation went into effect in 2012, forcing expensive and intermittent "green power" onto unwilling energy consumers in California.

Most people I have spoken to over the past few weeks aren't aware of their unit energy expense. The national average retail cost of electricity is 10.3 cents, while here it is about 24 cents, and sometimes much higher.

Therefore they are unaware of the consequences of this proposal. If city and county leaders take the plunge on this government bureaucracy to take over the electricity business, the huge premium (double the national average) cost of our electricity will be locked in. If you ever hoped for lower electricity prices, fuhgeddaboutit.

Here's an analogy: An apple costs people in the rest of the country 10 cents, but here the government charges 20 cents. To take the analogy further, if the government then promises to save you 5 percent, you are still paying 19 cents. That is, your cost is still 90 percent higher than that of the rest of the country. Any analysis that doesn't include this basic information is suspect.

History books are full of political promises that don't work out. This CCE may succeed in originating more green energy, but to do so, they are talking about signing long term contracts. That would lock in these inflated prices.

We also we know that every few years there are significant improvements in technology. If we are locked in, how can we benefit?

Remember, energy markets are cyclical. This is a key reason why government solutions fail and pragmatists keep an eye on private markets. Will this government bureaucracy be able to handle the ups and downs? Who will be liable when the purchasing desk gets into a pickle like the one we experienced under Gray Davis?

Meanwhile, these new government workers will get CalPERS benefits, already one of California's largest fiscal problems. This new bureaucracy adds to our pension and entitlement mess.

Please let your city and county representatives know that you want cheaper power, not a government monopoly that gives you no choice. Educate yourself about the true cost of green power — and government power.

Your opinions

Community power JPA will be local governing body

In the Sunday Herald Opinion section Mr. Gorman has misstated the situation. We currently have a monopoly on power sales — PG&E is our only choice unless you produce your own. With the Monterey Bay Community Power Joint Powers Authority (JPA) we have choice; you can stay with PG&E or purchase your power through the JPA. The JPA will be a local governing body that will be easier to talk with than the California Public Utilities Commission that has a vast territory to regulate.

Finally, his analogy to the DMV is puzzling — a locally appointed and governed JPA is a totally different organization than a bureaucratic arm of the state government. The JPA is an opportunity for local power development and not a monopoly. There will be price competition and if you own home energy producing system (such as solar) and produce more than you need you can sell it to the JPA at competitive market rates. I am for that choice.

— Dennis Allion, Del Rey Oaks

Community Power will be better deal than PG&E

There have been fears expressed lately about potential rate increases with the Monterey Bay Community Power proposal, most notably by Supervisor John Phillips. I would like to offer a different perspective.

As a stockholder in PG&E, I have been able to attend stockholders' meetings. At those meetings, there are typically three groups:

1. Retirees, who are there to

ensure their money continues;
2. PG&E employees (with some retirees) who are there to ensure their money continues; and

3. A few dissidents, some who don't think they are getting enough money from their PG&E stock.

Last year, PG&E was convicted of criminal violations for negligence leading to blowing up part of San Bruno, and fined over \$1 million. They cut corners on necessary maintenance. They want the ratepayers to pay that fine.

There are also several billion dollars in civil penalties relating to many other violations of safety requirements. PG&E has asked that ratepayers pay those penalties also. I'm waiting for PG&E to ask that ratepayers perform the community service required as part of the criminal conviction. That hasn't happened — yet.

PG&E customers should expect that their rates to soar soon, to cover all the requests to pay fines and penalties, while continuing to be very profitable for stockholders.

Monterey Bay Community Power has no civil penalties for errant behavior, and certainly has no criminal fines or requirements for community service. Expect Community Power to be the better deal — by far!

— Eric Petersen, Salinas

Cleaning the swamp becomes a federal case

Fire the lawyer who is trying to clean up the swamp. After all, he did not lie (as in perjury) to Congress to get his job. Make America great again.

— Jon Siegel, Carmel

The truth about public power: Real savings

Mark Twain probably said it best: It's not what you don't know that'll get you into trouble. It's what you're sure of and just ain't so. Jeff Gorman and Lawrence Samuel wrote a matching pair of opinion pieces against public power that fall into this category.

In them, we read that "Government monopolies are always less efficient!" And "Public power is always more expensive!" And "Every first-year economics student knows this!" But is that all true?

When PG&E rates started to skyrocket, the city of Santa Clara decided to go with public, non-profit power. So how do their rates compare with PG&E's today? Residential customers pay an average of 11.9 cents per kilowatt hour. Compare that to PG&E's average for Silicon Valley residential customers: 22.7 cents. What about small commercial customers? Santa Clara averages 17.9 cents per kWh. PG&E's for-profit rate comes to 22.6 cents a kWh.

No doubt a badly-run public power authority could be less efficient and more expensive. However, local California examples show pretty conclusively that the doom and gloom assertions made on Sunday are, as Mark Twain would say, just ain't so.

There are real and substantial savings to be had — by all rate payers — by going with locally-run, non-profit municipal power. We probably should leave the shrill politics out of the equation and stick to the facts. We can all save a ton of money if we do.

— Robin White, Pacific Grove