



Senator Scott Wiener, 11th Senate District

Senate Bill 917 – PG&E Public Power

SUMMARY

Senate Bill 917 will turn Pacific Gas & Electric Company (PG&E) into a publicly owned utility (POU). PG&E customers have endured catastrophic wildfires and mass blackouts caused by utility mismanagement, all while paying some of the highest electric rates in the country. Meanwhile, California's existing POUs typically charge much lower rates while maintaining higher levels of safety and accountability. PG&E's successor POU, the Northern California Energy Utility District (the District), will provide that same quality of service to its customers and improve the standard of living for all northern Californians.

BACKGROUND/PROBLEM

Under existing law, investor-owned utilities such as PG&E make money not by selling electricity but by building power lines. As a result, they have a strong incentive to keep building power lines out into the fire zone, despite the potential risk, and very little incentive to prioritize safety and reliability. The result has been a culture that prioritizes profit over safety. POUs, on the other hand, do not seek to turn a profit for investors (they have none) and build power lines only where needed. Their primary aim is to keep costs low for customers while maintaining a safe and reliable grid.

Over the past several decades, PG&E diverted significant amounts of money intended for system upgrades and repairs toward profits for Wall Street shareholders. As a result, PG&E's network of power lines and other equipment began to degrade and become less safe. Concurrently, climate change and poor vegetation management practices increased the potential for wildfires on an unprecedented scale. When dangerously dry, windy conditions caused many of PG&E's power lines to collapse and spark, the result was an explosion of wildfires that left hundreds dead and thousands more homeless. Multiple disasters were declared, and entire towns were left as hollow shells of their former selves.

Recognizing the need to avoid future wildfires, PG&E has begun blacking out large sections of the state to ensure that power lines don't spark if toppled or otherwise impacted, resulting in immense disruption. CalFresh recipients going hungry as refrigerated food spoils. Small businesses operating on razor-thin margins tipped into insolvency as they are forced to close without power. People whose medical devices need to be plugged in faced with life-and-death situations on a regular basis. And all the while, PG&E customers have continued to pay exorbitantly high bills for some of the worst service in the country.

At the same time, and faced with the same vegetation and climate conditions, POUs have not caused wildfires or resorted to blackouts on nearly the same scale. As public entities, they are subject to the transparency and accountability requirements of the Brown Act, meaning that any mismanagement is immediately detected. They also do not profit off of building endless amounts of infrastructure, meaning that they build fewer power lines in high-risk areas. And tax-exempt status means that projects can be financed at much lower cost to ratepayers. The result is that California's POUs have been consistently safer, cheaper, and more accountable than PG&E.

SOLUTION

SB 917 will turn PG&E into the publicly owned Northern California Energy Utility District, in order to increase safety of operations, lessen the risk of future wildfires and mass blackouts, lower customer costs, and improve transparency and accountability. The structure of the District will be based on the Long Island Power Authority in New York, which features a traditional POU that contracts with a public benefit corporation employing the vast majority of workers (tree trimmers, line workers, truck drivers, etc.). In the case of the District, they will contract with a public benefit corporation known as Northern California Energy Utility Services.

SB 917 will also help local jurisdictions as well as federally recognized Native American tribes that want to form their own, local POU's to do so at the time of acquisition. (Many are already authorized and planning to do so, and this bill would not prevent them from doing so before it is implemented. Rather, SB 917 would simply provide another option for them to buy their share of the assets at the time the State Power Authority acquires PG&E.) Community Choice Aggregators (also known as CCAs) will maintain and expand their role providing power procurement services to most customers. Finally, PG&E's existing gas system will also be acquired during the transition.

Once the transition is complete, the residents of Northern California will enjoy lower energy bills, more reliable power, and the assurance that their electric grid is in good hands.

FOR MORE INFORMATION

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