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PG&E's household customers facing big electricity increase

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SAN FRANCISCO Pacific Gas and Electric Co. said Thursday that it plans to raise electricity rates by \$599 million next year with the heaviest burden falling on Northern California households already girding for higher natural gas bills this winter.

Under PG&E's complicated pricing formula, the rate increases for residential customers will be much higher than those facing businesses and farmers. Households will pay an average of 14.28 cents per kilowatt hour, up 10.8 percent from the current average price of 12.89 cents.

The projected electricity price for next year will push household rates even higher than they were four years ago at the height of a statewide power crisis that triggered rolling blackouts through Northern California and drove Pacific Gas and Electric into bankruptcy. In June 2001, PG&E's residential customers paid an average of 14.03 cents per kilowatt hour. PG&E's business and agricultural customers aren't facing as severe a price shock, leaving their electricity rates slightly below the peaks reached in mid-2001.

A medium-sized business will pay an average of 14.14 cents per kilowatt hour under PG&E's proposal for next year, a 3.5 percent increase from the current 13.66 cents per kilowatt hour. The average agricultural rate is expected to rise 3.8 percent to 12.15 cents per kilowatt hour next year. "It looks like residential customers are really going to get hammered," said Robert Finkelstein, executive director for The Utility Reform Network, a consumer watchdog group in San Francisco.

About 700,000 low-income households will be exempt from the increase, PG&E said. The rate increase shapes up as particularly bad news for inland neighborhoods that tend to turn up their air conditioners to cope with the stifling heat.

For example, PG&E said a Central Valley customer that consumes an average of 750 kilowatt hours per month can expect to pay about \$79 more for electricity annually. The utility said its average household customer, who uses about 540 kilowatt hours per month, will end up paying about \$18 more annually. "While no one likes to announce a rate increase, we owe it to our customers to provide them with the best information available about where rates are headed," said Tom Bottorff, PG&E's senior vice president of customer services. The projected rate increases loom as another financial headache for households already pinching pennies to offset soaring gasoline prices.

PG&E and other utilities across the nation already are warning customers to expect to pay more to heat their homes this winter because natural gas costs have been steadily rising - a trend that might accelerate because of shortages created by the devastation wrought by Hurricane Katrina. Although the wholesale prices for electricity have plunged from the record levels reached in 2001, PG&E's customers have continued to pay some of the higher rates in the country. A substantial portion of the added costs stem from a hotly debated agreement reached last year that enabled PG&E to emerge from bankruptcy. The bailout requires PG&E's customers to pay above-market prices for electricity through 2012. That bailout has helped enrich the shareholders of PG&E's holding company.

PG&E Corp. earned \$485 million during the first half of this year and its stock has climbed by 15 percent so far this year. The company's shares rose 78 cents Thursday to close at \$38.30 on the New York Stock Exchange. The shares traded as low as \$6.50 in April 2001 when the utility went bankrupt.

Next year's price increase also is an offshoot of California's power problems in 2000 and 2001. To help bring down costs and keep the lights on in California, the administration of former Gov. Gray Davis negotiated a series of long-term power costs that requires the state to pay wholesale rates far above the current prices on the spot market. PG&E said the long-term contracts account for \$435 million of next year's planned increase. "Californians continue to suffer the ongoing effects of the 2000-2001 energy crisis, and these rate changes show that in stark detail," Bottorff said.