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PG&E to charge more so it can upgrade system

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California energy regulators on Thursday gave Pacific Gas and Electric Co. permission to spend \$366.6 million upgrading its electricity grid to fight blackouts, money that will come from the utility's customers.

While substantial, the amount pales in comparison with the \$2.05 billion that PG&E wanted to spend on its Cornerstone Improvement Project. The California Public Utilities Commission unanimously agreed that the company hadn't justified the larger expense.

Commissioners also openly questioned PG&E's priorities.

The company has filed a separate request to increase the revenue it collects from customers by \$4.2 billion over the next three years. Upgrades to the grid, several commissioners said, could have been handled in that proceeding, called a general rate case. And if PG&E executives felt the improvements were too urgent to wait, they could have found money for the work by giving it a higher priority than some of the company's other activities.

"Certainly in the last six months to a year, its preoccupation does seem to be on things other than the maintenance of its system," said commission President Michael Peevey. "I think all of us share a concern ... that it would be nice if the management of the company focused on delivering product to its customers."

That last comment seemed to reflect some of the lingering anger over PG&E's failed \$46 million campaign to pass Proposition 16, a ballot measure that would have limited the ability of local governments to set up public utilities and compete with PG&E. Although his comments Thursday did not specifically mention Prop. 16, Peevey was one of many public officials critical of the measure, which was rejected by 52.5 percent of California voters in the June 8 election.

"The commissioners asked the same question the consumers have been asking: If you've got \$46 million to flush down the toilet on Prop. 16, why don't you spend that money on reliability instead?" said Mindy Spatt, spokeswoman for The Utility Reform Network consumer watchdog group, which opposed the proposition.

A PG&E spokesman said the Cornerstone program would include additions to the grid more substantial than the kind of maintenance and improvements usually handled in the company's general rate cases. The company wants to strengthen some of its most trouble-prone circuits and - in rural areas - add equipment that can restart electricity service automatically after an outage without the need to send line crews.

"All of it goes to reducing the duration of outages and making outages less frequent," said spokesman David Eisenhauer. "The reason this is separate is it goes above and beyond what we can do in the general rate case."

The utility did not have an immediate estimate for how much Thursday's decision would raise customers' monthly bills.

PG&E, based in San Francisco, usually experiences more blackouts per customer than do California's other big utilities.

In 2009, for example, the typical PG&E customer experienced 1.307 sustained outages, according to data from the utilities commission. The average Southern California Edison customer faced .94 outages, while San Diego Gas & Electric Co. customers experienced .54 outages per person.

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