PERSPECTIVES

by Rinaldo S. Brutoco

Rinaldo S. Brutoco is the Founding President and CEO of the Santa Barbara-based World Business Academy and a Co-Founder of JUST Capital. He's a serial entrepreneur, executive, author, radio host, and futurist who's published on the role of business in relation to pressing moral, environmental, and social concerns for over 35 years.

The Death of an Electric Monopoly

For the first time in memory, there is momentum in California to usher in the clean, decentralized energy future that a growing number of Californians believe is necessary to combat climate change and improve community resiliency. It begins with reimagining how electric utilities conduct business. After the 2019 fire season, Public Safety Power Shutoffs resulted in power losses for 2.5 million customers. Ratepayers are appropriately angry, and politicians in Sacramento are starting to reflect that anger. The CEO of Pacific Gas & Electric (PG&E) made it abundantly clear that shutoffs will continue through the 2020s. That's totally unacceptable. In the midst of PG&E's bankruptcy proceeding and newfound urgency by legislators to prepare the state for the next fire season, the real question becomes: why is the subpar performance of the three Investor Owned Utilities (IOUs) – San Diego Gas & Electric, Southern California Edison, and PG&E – acceptable?

First, consider the currently failed utility business model which evolved during the 1970s and 80s based upon engineering assumptions from the beginning of the 20th century, used as the basis for expanding the electrical grid and the statewide transmission system. Though the development of a centralized power-grid may have made sense in the 1880s, that system developed by Nicola Tesla over the objections of Thomas Edison, institutionalized the power of the major utilities by allowing IOUs to become monopolies by controlling large, distant power plants. Under this mindset, the utilities expanded the distribution grids as well as the long-distance transmission system profiting enormously in the process. Unlike true monopolies that are unregulated and make as much profit as possible, IOUs are regulated by the State and the Public Utilities Commission (CPUC), which means they are theoretically "controlled" in the amount and manner they are allowed to charge ratepayers. This is now the problem! IOUs get an automatic 11 percent return on investment for infrastructure investments, giving them a financial incentive to invest more in plants they own, regardless of whether those investments are counterproductive for society.

If infrastructure investments in electricity prioritized safety, all faulty long-line transmission systems which have repeatedly caused wildfires would have already been replaced. Here in Santa Barbara, as we described in our column last week, there are two high-voltage transmission lines that provide two-thirds of the energy we use every day.

Since both lines run on the same towers, if either were to go down, both would be de-energized, cutting power to the entire region. It doesn't help that the towers are in high risk fire, earthquake, and storm areas. Edison told us in 2012 and again in 2014 that *we would lose one or more towers* in the foreseeable future. Edison made filings at the CPUC notifying the State that *they would not be legally liable for the electricity to be cut off when the towers came down*. Yet since that filing, nothing has changed. Yes, there is a clear and ever-present danger to all of South Santa Barbara County. If the Coronavirus pandemic teaches us anything, it is the value of the government acting *before* there is a crisis. Santa Barbara County needs to learn from that

by Rinaldo S. Brutoco

Rinaldo S. Brutoco is the Founding President and CEO of the Santa Barbara-based World Business Academy and a Co-Founder of JUST Capital. He's a serial entrepreneur, executive, author, radio host, and futurist who's published on the role of business in relation to pressing moral, environmental, and social concerns for over 35 years.

lesson and must immediately address the crisis in our electrical supply system.

IOUs should be focused on providing constant and effective service to customers, generated exclusively from renewable energy at a cost equal to or below current rates. When the focus is pleasing investors, the ratepayers end up shouldering the consequences, which is unacceptable. To reiterate last week's main takeaway, the World Business Academy strongly believes that a decentralized grid, populated with community microgrids that are powered with renewable energy, must be the solution for the State. Each local community should be resilient against disasters and self-reliant to meet its needs, a goal that IOUs could be helping to facilitate rather than constantly blocking.

While there are many options to create this locally resilient energy future, perhaps the proposal being championed by San Jose Mayor Sam Liccardo and 23 other mayors to turn PG&E into a customer cooperative owned utility has the most promise. Backers say restructuring PG&E as a cooperative would give it access to lower-cost financing and allow it to avoid dividend and tax payments, making needed investments to its ancient infrastructure and providing transitional support to the construction of interconnected microgrids.

Whether that plan works, or the CPUC otherwise takes control of the obstructive IOUs, we must start now on building the green, interconnected microgrids which will operate at far less cost than the present system.

California must do its job to regulate the utilities by removing their conflict of interest and turning them into community partners to a green, resilient future.