

Commentary

Davis Still Can Ease Power Rates

By HARVEY ROSENFELD

Electricity deregulation and the ensuing energy crisis in 2000 cost Californians more than \$70 billion. Outrage over that fiasco is one explanation for the electorate's angry "recall them all" mood. A desperate Gov. Gray Davis on Tuesday admitted he had been slow to react to the crisis, but he insisted he was not to blame for deregulation. That meager *mea culpa* misses the point: Davis' personal power failure left California defenseless, and we are still suffering from it three years later.

It's true that Davis had no role in the 1996 legislation that freed the energy industry from state supervision. That disastrous mistake was the product of Pete Wilson and then-state Sen. Steve Peace (now Davis' finance director) and was approved by unanimous votes in both houses, greased by more than \$1 million in campaign contributions.

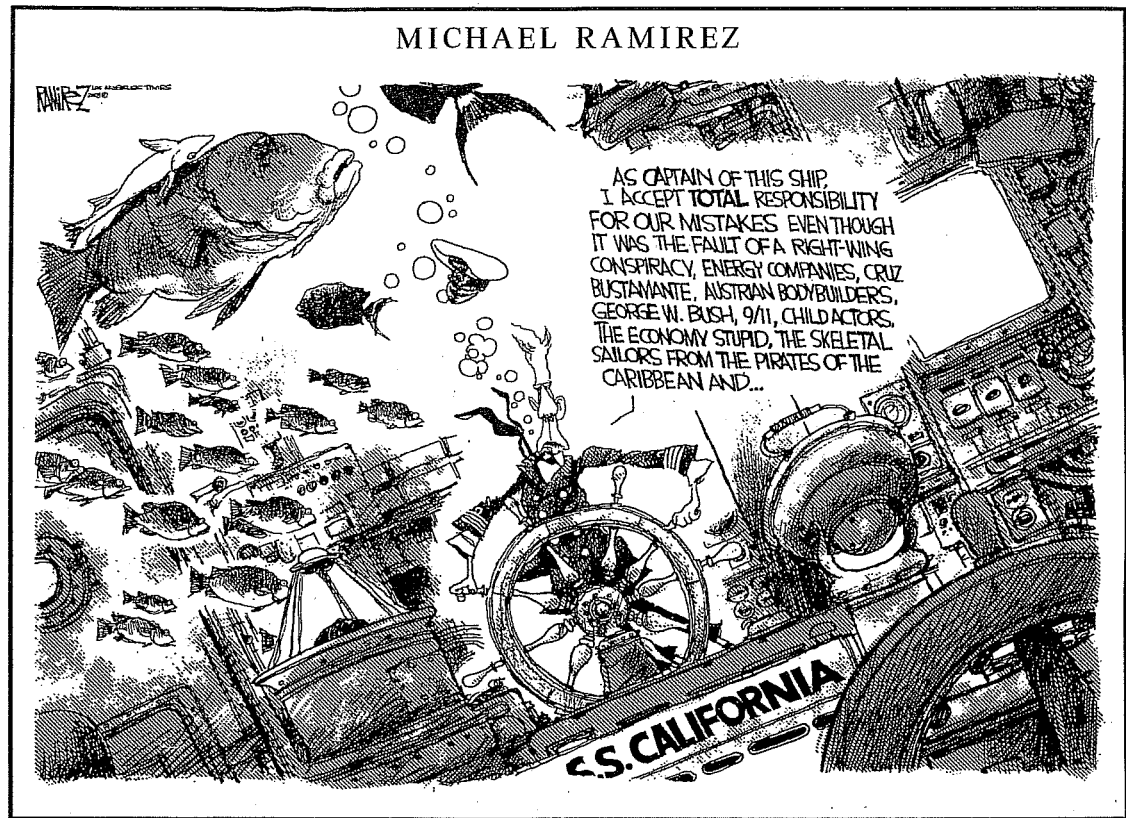
However, two years later, Davis had the opportunity to save California consumers \$28 billion by supporting a ballot initiative to block the transfer of deregulation's costs from utility companies to ratepayers. Instead, Davis, then running for governor, joined with his opponent, Dan Lungren, in support of the utility industry's successful \$40-million

campaign to defeat the measure (utilities donated \$500,000 to each candidate's political party).

In 2000, if you remember, Enron and the other energy companies that backed deregulation began manipulating the supply of electricity, using plant outages to boost wholesale prices. Gov. Davis had only two options: He could seize control of the power plants, using his power of eminent domain to put them back online — a course that would have offended the Wall Street traders, banks and analysts whose blessing and money Davis needed for a possible 2004 presidential run. Or he could capitulate to the blackout blackmail of the energy companies and sign long-term contracts for electricity at ridiculously inflated prices. He chose the latter.

The crisis quickly disappeared, but by that time Pacific Gas & Electric was in bankruptcy and Southern California Edison was close to it. Both companies were begging Davis to increase residential utility rates, even though the 1996 deregulation law they had sponsored prohibited state officials from authorizing retail rate increases for two more years. Davis then joined Edison's campaign for legislation to repeal the rate cap.

Facing a consumer revolt, state lawmakers refused to pass the Edison bailout. So Davis



turned to the Public Utilities Commission, a majority of whose members Davis controls. The PUC agreed to force ratepayers to pay off Edison's debts, a move that the U.S. Court of Appeals has since concluded violated the Constitution and state laws.

Davis' disclaimer of responsibility for all this simply doesn't withstand scrutiny. But voters remain in the dark about where the other candidates on the recall ballot stand. Democratic Lt. Gov. Cruz Bustamante voted in favor of the 1996 deregulation

law. Republican Bill Simon's blind worship of the free market promotes the kind of knee-jerk policymaking that got California into this mess. And what about Arnold Schwarzenegger, the putative outsider whose lack of public policy experience has forced him to surround himself with Pete Wilson and fellow corporate ideologues? Would Schwarzenegger have the courage and independence to terminate deregulation?

Incumbency offers the beleaguered governor a singular ad-

vantage over his challengers. Davis can, today, act to lower electricity rates. By instructing his appointees on the PUC to reverse the billion-dollar bailouts of Edison and a similar proposed rescue for PG&E, Davis could cut our monthly utility bills by 30%. The burden would then fall where it belongs — on the utilities' profits. And Davis can demand that state lawmakers send him legislation to repeal the deregulation experiment once and for all. Such a bill (SB 888) was stalled by energy and utility lob-

bysts earlier this summer, leaving Californians vulnerable to blackouts and further deregulation machinations in the future.

It was a shortage of political courage that allowed the energy companies to plunder the state three years ago. Davis now has one last chance to wield the power of his office on behalf of the people or face a political blackout of his own.

Harvey Rosenfeld is president of the Foundation for Taxpayer and Consumer Rights.