IBEW 1245
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A MESSAGE FROM IBEW WORKERS

STATE TAKEOVER OF PG&E IS EXPENSIVE AND DANGEROUS

SB 917 (WIENER) TAKEOVER FACT SHEET

- **All California taxpayers would be on the hook for billions of dollars in wildfire liabilities when the successor State Municipal Utility starts another fire. Taxpayers would also be forced to pay back up to $100 billion in bonds that were used to acquire PG&E assets.**
- **Victims of wildfires would lose access to wildfire insurance even though ratepayers have already paid the premiums. This means we are right back where we started with thousands of victims suing the successor State Municipal Utility for their wildfire losses.**
- **PG&E workers would lose their existing pension and retirement benefits as well as bargaining power critical to maintaining fair wages and safe working conditions. Some would lose their job and others would choose NOT to work for the successor State Municipal Utility or the newly formed city Publicly Owned Utilities (POUs), because of the loss of retirement.**
- **Cities, counties and the state would lose over $1.1 billion dollars in taxes and fees PG&E currently pays. (In 2019, PG&E paid $388M to cities/counties and $742M to the State).**

DETAILS

1. Bad for Future Wildfire Victims

- Victims would lose access to the wildfire insurance fund created under AB 1054, even though they have already paid the premiums.

2. Bad for California Taxpayers

- Under inverse condemnation, **California taxpayers, not PG&E, would be obligated to pay all damages from wildfires caused by a state-owned utility.** For smaller, newly formed POUs, customers would pay the total amount of wildfire damages, or the city/county could face bankruptcy.
- California taxpayers would also be on the hook for bonds issued by the state to pay for PG&E assets and property. This amount could easily reach $100 BILLION, including financing costs.

3. Bad for Workers

- The takeover would destroy the retirement plans of 25,000 California families. Today, PG&E workers have a secure pension in a private, ERISA qualified plan, as well as retiree medical coverage and other benefits. During the ongoing bankruptcy process, PG&E has been very responsible in ensuring these benefits remain intact, post bankruptcy.

- There is no mechanism in CA law to permit ERISA pension funds to be transferred/converted into a multi-employer, publicly held pension fund, as needed when California takes over PG&E.
- Worse, just the proposal of a California takeover will disrupt the bankruptcy process and remove PG&E from the AB 1054 Wildfire Fund, forcing the utility to reduce/liquidate the existing PG&E pension funds for operating capital.
- Once the state-owned utility/small POUs are established, the only way to replace PG&E pension funds is for voters to VOTE to assume additional pension liability for these workers, on top of all the other costs. **That won't happen.**
- Almost all PG&E workers who lose their jobs in the takeover will lose their pension because it has yet to fully vest.
- PG&E workers will lose bargaining power by being in smaller units.

4. Bad for Cities/Counties

- Cities will lose hundreds of millions of dollars in property tax and franchise fees currently paid by PG&E (*$388M in 2019*).
- Takeover will be really expensive. The city/county has to pay fair market value for distribution/transmission assets—not market capitalization, which is a lot less.
- Those assets are currently pledged collateral for PG&E's debtor in possession financing that the Commission approved.
- Those assets would be further encumbered by all of the other liabilities, including liabilities to fire victims in the bankruptcy process.

5. Bad for the Environment

- PG&E and all utilities are already required to transition to 100% carbon-free electric power by 2045—and the utilities are on track to meet that goal. **Spending over $100 billion to take over PG&E won't help the environment—it just makes Californians poorer.**

6. Bad for the California Economy, Energy Reliability and Supply, Clean Energy Goals, etc.

- Today PG&E can mass mobilize a huge workforce in emergencies (*e.g. a thousand workers to respond after an earthquake, wildfire or other disaster.*)
- A large IOU is necessary to implement critical state policies to ensure reliable energy supplies, continually increase the use of renewable energy, grid hardening and maintainance.
- **Municipalization is effectively another kind of deregulation**—the POU would not be regulated by the CPUC, allowing these new POUs to choose not to invest in grid safety, reliability, etc. With $100 billion in debt from acquisition cost, there is a strong incentive NOT to invest in infrastructure maintenance as occurred at Long Island Power Authority.
- The state will lose hundreds of millions currently paid by PG&E (*In 2019, PG&E paid $492M in property taxes and $250M in sales/use taxes*).

7. Bad for the Customers PG&E Serves

- **The cost of energy service will increase, not decrease as promised.** The bill adopts the Long Island Power Authority model, an entity whose mismanagement and debt load resulted in much higher rates and ultimately a state bailout and takeover of operations by an IOU.
- The cities that will municipalize will be richer, urban places that have lower fire risk, leaving the less affluent, rural, riskier places as part of PG&E which will raise the average cost (*Costs to maintain an urban system are lower than a rural system*).
- The takeover will raise overall costs because it will require many duplicate functions which are now centralized (*e.g. 20 billing departments instead of 1*).
- The successor State Municipal Utility and newly created POUs will have less purchasing power and therefore higher costs and be forced to pass those costs onto their customers.

8. Bad for Everyone

- Smaller utilities will not be able to absorb costs from catastrophic events, or even modest-sized events. Not only will Californians be without power for weeks after an earthquake, major storm, etc, they'll also be left paying for the repairs.

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