

## Natural Monopolies and PG&E's Deferred Maintenance, the Cause of the Deadly Paradise, California Fire

By Pete Douglas, Special to *Riptide*

Defective rural equipment of Pacific Gas & Electric (PG&E), Northern California's dominant power company, played a key role in the 2018 Paradise fire disaster. A crumbling PG&E backcountry power tower and resulting sparking of the electrical line caused a small fire that grew out of control and became the deadly Camp Fire AKA the Paradise Fire.

That wasn't the first time faulty PG&E equipment caused a disaster. The 12 Northern California wildfires in the October 2017 "fire siege" were caused by faulty PG&E power poles, distribution lines, and failing conductors on towers.

Always under pressure from Wall Street investors, this publicly traded company's failure to spend enough money on *preventive maintenance of its lines and equipment* led directly to the electrical sparks that set off those monster fires.

Even 35 years ago, during backcountry hikes in the Santa Cruz Mountains, I frequently found outdated, rotting, wooden PG&E poles and sagging wires about to collapse. I always noted the pole number and, back home via an "inside" local company line—a real phone, not a 1-800 info number—I reached the supervisor in the local maintenance department.

(As a rule, I try to get direct inside numbers for agencies I may have to contact, avoiding 1-800 numbers. Calling the *local* PG&E maintenance department directly means avoiding the company's clueless 1-800 operators who wouldn't understand instructions like "Pole #15487, about 200 yards above the fire-cut 50 feet off the dirt section on Old La Honda Road about a mile west of Skyline....")

The local PG&E linemen always appreciated my calls with such specific information they could quickly act on, saying budget restrictions meant they were rarely allowed to spend time cruising back there to inspect all their lines, much less *preventively* repairing or replacing them. In fact, *no money* meant they usually had to wait for a complete line failure, or worse. A third

of a century later, that same "PG&E deferred maintenance" killed 86 Paradise residents and cost more than a billion dollars.

**To avoid the sorry state of maintenance at PG&E and other power companies, along with the rest of America's crumbling infrastructure, we need more government involvement in [natural monopolies](#).**

Power generation and distribution—in addition to water, sewage, garbage collection, and other essential public services—are natural monopolies. Increasingly huge operational and maintenance costs cannot be properly financed only with customer fees and stock market investment.

If operated correctly and responsibly with top-notch maintenance, all such “common” services *inevitably* must operate at a loss, meaning they require state ownership and finance supplemented by the general fund—the only source of money outside the private sector to maintain our infrastructure.

Investors never tolerate losses for long, even expenditures necessary for the health and safety of their customers. After the Paradise fire, when investors dumped bankrupt PG&E's stock, the rest of Wall Street was long gone.

Investors in natural-monopoly companies continue to pressure management to puff up the bottom line, a practice directly leading to the “deferred maintenance” that has, for years, disastrously characterized the operations of many U.S. service companies.

For PG&E, the music stopped in Paradise, with decades of sloppy maintenance practices necessarily coming to an end. But who will now pay those ongoing repair costs? The only source of money to keep the lights on reliably and safely remains "the taxpayers."

The American phobia of *any* "tax increase," along with the madness of "privatizing" natural-monopoly public services, has been with us for decades, in PG&E's case all the way back to its [founding 170 years ago](#).

The tradition of private ownership of utilities may have made sense in the 19th century, but in the face of skyrocketing maintenance and operational costs in the 21st, the idea has lost all logic. Yet the American political "right wing" continues to call for privatization of everything, even super-highways.

The regular financial and operational failure of those services never seems to silence the "privatize everything" noise.

With PG&E facing billions in lawsuits and claims that could possibly permanently bankrupt the company, a state-controlled receivership supported by the general fund offers the most logical way to properly continue powering northern and central California. That solution may also eventually apply to Southern California Edison and the smaller local power companies around the state with similar "deferred maintenance" practices, even as they "kite" their finances to issue 2019 dividends to their investors.

In many areas of life, capitalism is a fine system, but at some point, we must stop fearing "the state" running our natural monopolies. To keep the lights on reliably and safely—along with solid highways and bridges, clean water, and other public services—we're going to have to accept the *inevitable* budget deficits of natural monopolies and the need for taxpayers to finance them.

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