

Tiny water district to seize PG&E power lines, transformers

By David R.
Baker

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Jeff Shields, utility systems director for the South San Joaquin Irrigation District, visits the PG&E power substation in Ripon in 2006. The district plans to take over the property.<252><252>

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For years, San Francisco progressives have dreamed of breaking free from PG&E and setting up their own electric utility.

Now a small irrigation district in the Central Valley might beat them to it.

The South San Joaquin Irrigation District won permission from a key government panel Thursday to jump into the retail electricity business, selling power to 38,000 residents of Escalon, Manteca, Ripon and the surrounding countryside. To do it, the district plans to seize every power line, transformer and pole owned by Pacific Gas and Electric Co. across a swath of San Joaquin County, either through a friendly sale or via eminent domain.

And PG&E, so far, shows no interest in selling.

The district, which along with another irrigation district co-owns three hydroelectric dams in the Sierra foothills, tried this once before. In 2006, the county's [Local Agency Formation Commission](#), which sets the boundaries of towns and districts, rejected the irrigation district's plan, saying there wasn't enough information to prove it would work.

But on Thursday, the panel reversed itself, voting 4-1 to let the district start retail electricity sales — provided it can meet its goal of beating PG&E's electricity rates by 15 percent. The commission's staff doubts the district can hit that target and recommended against approval.

"We believe strongly that we can provide a 15 percent discount, across the board, to PG&E's rates, and since PG&E keeps raising its rates, that's getting easier and easier to do," said [Jeff Shields](#), the irrigation district's general manager.

Shields has pushed for years to supplant PG&E, seeing the move as an economic boon for the rural county. On Friday, he called for the utility, based in San Francisco, to strike a deal, rather than fight eminent domain in court.

"We would hope they'd tell their lawyers to stand down and ask their executives to step in and negotiate," he said.

That isn't likely.

The two sides offer wildly different estimates of how much PG&E's infrastructure is worth. The district claims the price should be \$125 million, while the utility insists it's more than \$600 million.

And PG&E, the state's largest utility, has a long history of resisting efforts to break its monopoly, which stretches across most of Northern and Central California. The company even spent \$46 million on a statewide ballot measure in 2010 that would have made breakaway efforts far more difficult. The measure, Proposition 16, was soundly defeated by voters and angered many California politicians.

"We have maintained that (the irrigation district's) plan poses significant risks to the safety, reliability and affordability of retail electric service for our customers," said company spokeswoman [Nicole Liebelt](#), in an e-mail.

PG&E insists that a hostile takeover by the district would push up electricity rates for San Joaquin County customers by 15 percent, rather than cut them. The staff of the panel that approved the takeover estimated that the switch would cut rates, but only by about 2.5 percent. Achieving deeper cuts, according to the staff, would place a serious strain on the district's finances.

Shields is convinced that PG&E's tarnished reputation had something to do with the commission's change of heart. Since the 2010 San Bruno pipeline explosion, the utility has faced criticism for placing profits before safety. The explosion also damaged public trust in the state panel that regulates PG&E, the [California Public Utilities Commission](#).

“Those issues were instrumental in people deciding, ‘You know, let’s try something different,’” Shields said.

David R. Baker is a *San Francisco Chronicle* staff writer. E-mail: dbaker@sfchronicle.com Twitter: [@DavidBakerSF](https://twitter.com/DavidBakerSF)

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