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# California's energy nightmare shows us why Texas must trust the free market

Here is the difference between California and Texas.



A sign at the entrance of the drive-thru at Starbucks warns customers the store is closed due to a power outage in Paradise, Calif., Thursday, Oct. 24, 2019. (Rich Pedroncelli)

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By [Dallas Morning News Editorial](#)

3:06 AM on Oct 29, 2019

When a bankrupt utility handles the risk of wildfire by organizing weeks of rolling blackouts, you have some fundamental problems with your electricity system.

But when a major utility files for bankruptcy and no one's electricity goes out, and when an electricity market weathers major storms with only a few days of customer outages, you have a fundamentally sound system.

Here is the difference between California and Texas: In California, even the public utility, funded by customer fees set by a government agency, can't do its job. And in Texas, our trust in a free market system has served us well. Multiple emergencies, financial and weather, bear this out.

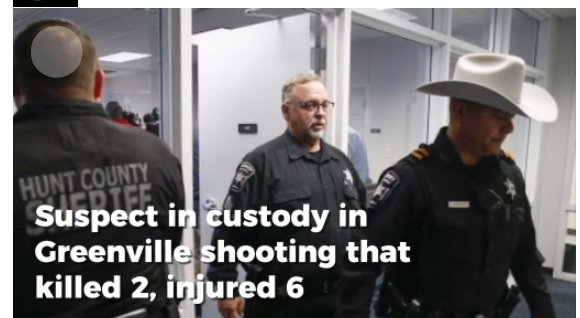
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California's governor declared a state of emergency over the weekend because of wildfires north of San Francisco. The utility, PG&E, responded by cutting off power to millions of people to try to prevent fires spreading because of power lines. This must be terrifying for the people in the region, who are trying to avoid the natural disaster and also find shelter with electricity.

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**With hundreds of kids** 

But the electric utility's problems go deeper, to a core problem with what ratepayers expect and what they are willing to pay for. A utility isn't like a normal company, which aims to keep costs as low as possible and to set prices as high as possible in order to earn a profit. A utility spends what is necessary to meet the directives of regulators, who allow the utility to charge customers a rate that will cover those costs plus a predetermined profit rate.



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The wildfires have revealed that California does not have the utility equipment necessary to keep the lights on when fires rage, nor does PG&E have the financial resources or government support to pay the legal claims of those who lost loved ones and property to fires potentially sparked by utility equipment. Those claims prompted PG&E to file for bankruptcy.

The cost of all of this will eventually be borne by ratepayers, no matter who operates the utility in the future.

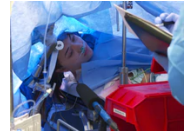
California ratepayers will not have much say in these decisions, just as they have little say in how much of their power is generated by renewable resources vs. fossil fuels. That's how it goes with regulated utilities.

In Texas, that's how it goes with the utilities that operate our power lines, such as Oncor. And while our utilities have handled multiple mass floods, they have not faced such large wildfires. It's possible that Texas has simply been fortunate to avoid the blackouts of California.

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But the situation is so different with the companies that generate power and sell it to us, that it's worth considering that our good fortune has something to do with good foresight. Texas deregulated those functions, letting free markets determine the price of electricity and where and how power companies will generate it.

When the Texas electricity industry has experienced bankruptcies, including the massive failure of Energy Future Holdings, formerly known as TXU, it was investors, not ratepayers, who were left holding the bag. And when electricity regulators conducted rolling blackouts because of a critical power plant failure amid a snowstorm a few years ago, the plant owner had strong financial incentive to get back online as quickly as possible. The rolling outages lasted about a day.

We urge Texans to continue to hold fast to their trust in our free market system, and don't go monkeying with a good thing, adding socialized or highly regulated functions to ensure more generating capacity, as some power generators are constantly urging. We need only look to California for an example of what not to do.

**This editorial was written by the editorial board and serves as the voice and opinion of The Dallas Morning News.**

