An article in the San Francisco Chronicle highlights an apparent pattern of delays on the part of the Pacific Gas and Electric Company (PG&E) in providing energy service to new homes. At a time when policy makers on all levels are pushing for the construction of much-needed housing, the Chron reports that many new homes sit empty for months before PG&E can get around to turning on the power.

How can this be? PG&E suggests that its efforts related to wildfire prevention and containment leave the company unable to devote staff time to new connections. But this isn't how it's supposed to work. When the utility receives permission to collect a certain amount of revenue from its customers, it has to justify all of its program costs. Wildfire-related activities don't borrow from other programs – the funds related to reduce wildfires are separately justified and are allowed in addition to money needed for more traditional activities such as connecting new customers. If the company is re-directing staff from processing new connections to work on wildfire prevention, then it needs to back-fill those staff positions so that it can continue to serve all of its customers on a timely basis. And if wildfire-related costs have been greater than anticipated and the company needs to dip into net earnings in order to fulfill its traditional obligations, that is a risk the company must face.

You would think that the company would have all the incentive it needs to add new customers as quickly as possible. In the long run, it does. The more the company can sell, the more it can justify making new infrastructure-related capital investments on which it can earn a return. But in the short-term, it gets complicated. In an effort to gain the utilities' cooperation in encouraging greater energy efficiency, California policy makers have guaranteed the energy utilities that they can collect all of their allowed revenues regardless of how much they actually sell during a given year. And if a utility sells more power than originally forecast, it has to give back any additional revenue. PG&E knows that it is going to take in and retain a certain amount of revenue regardless of how quickly it hooks up those new customers.

The policy that provides PG&E this security is known as decoupling – the amount of money that the utility can keep is not affected by the number of kilowatt hours or therms of gas that it sells. There is a colorable argument that this assurance removes some of the perverse incentive a utility might otherwise have to resist efforts of its customers to become more energy efficient. However, decoupling as it is traditionally deployed is a blunt instrument. The revenue guarantee applies regardless of weather conditions or natural disasters or pandemics or outages resulting from a poorly maintained system. To this extent, the utility is protected against its own bad planning, equipment failure, or delay in connecting new customers.

With all of this in mind, it is fair to shine a light not just on PG&E but on utility regulators, as well. First, as part of its mandate to provide reliable service to everyone in its service territory, PG&E has an obligation to hook up new customers right away and the regulators can force the company to do that or face significant fines. But in addition, regulators can reconsider the clumsy instrument known as decoupling and if it is still essential, add enough nuance to the rules to ensure that PG&E is not protected from the consequences of dragging its feet.