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The Hysterical Flight from Energy Conservation

“Conservation” used to be as All-American as the flag, motherhood, and apple pie. It was a Republican President, Teddy Roosevelt, who led the first major American commitment to conserving natural resources, including protecting natural landscapes. Many of our contemporary conservation laws were passed during another Republican administration, Richard Nixon’s.

“Efficiency” also used to be seen as a broadly shared, if somewhat “wonkish,” concern that everyone from engineers to economists to business leaders supported as just plain common sense. Who in the world would speak out against it in favor of its opposite, pure waste?

Well, in today’s upside-down world of partisan politics, lots of politicians now opposed both conservation and efficiency as subversive and dangerous concepts proposed by “radical environmentalists” and others who hate progress and prosperity and seek to pour sand into the gears of our economy and bring it to a stop.

As a result, the very people who support huge government subsidies for energy development and nuclear power plants *oppose* tax credits for conservation and renewable energy. While throwing almost all public lands open to energy development, they reject the very conservation purposes that Teddy Roosevelt espoused when those lands were added to or kept in the public domain.

One good example of this strange topsy-turvy political world is a bill that has pass the Montana Senate and been sent on to the House. Senate Bill 104 makes it

illegal for the Montana Public Service Commission to establish ***inclining*** block rates. Under such a rate design the more electricity you consume, the higher the rate you have to pay for the additional consumption. The more you use, the more you pay. The proposed law asserts that such rates discriminate among customers, making some pay more per kilowatt-hour than others. Senate Bill 104 expresses the fear that such rates could cause large bill increases for some customers while lowering bills for other customers. Opponents of such a rate design see it as nasty social engineering by cranky environmentalists who want to punish people who live in large homes and have electric air conditioning and heating, and, possibly, hot tubs and saunas.

Such claims are startling since conservative states such as Idaho, Arizona, and New Mexico have such electric rate designs in place. Of course, the green-tinged states of Washington, Oregon, and California do too.

What is interesting about Senate Bill 104 is that although it bans **inclining** block rates, it does not ban **declining** block rates under which the more you use the less you pay per unit. Those types of rates were standard fare for electric utilities for over a century and are still widely used. Utilities called them “promotional rates” because they encouraged customers to buy and use more electric appliances, which utilities themselves used to market and sell to their customers.

Such **declining** block rates have all the problems Senate Bill 104 faults **inclining** block rates for: they discriminate among customers on the basis of the amount of electricity customers use and cause some customers’ rates to go down while other customers’ rates go up. The big difference is, of course, that declining block rates favor the largest electricity users while burdening smaller customers. Since households on

low and fixed incomes buy less of almost everything, those declining block rates favored the more well-to-do households and businesses. Apparently, for the supporters of Senate Bill 104, that sort of discrimination is acceptable and All-American and should not be banned.

The fact that electric rate design has become a heatedly debated partisan issue is simply a sign of the madness that has descended on our political system. Blocked rate designs were not invented by environmentalists or other secret socialists. They were invented by engineers, economists, utility executives and regulators to better reflect economic reality, namely the character of electric costs at the time. From the late nineteenth century until past the middle of the twentieth century, engineers found that the larger the electric generators they built and the higher the capacity of the electricity delivery systems, the lower were the per unit costs of electricity. In the jargon of the economist and engineer, there were significant economies of scale. In that setting, the more electricity customers collectively used, the lower the cost per unit. As a result declining block electric rates were adopted along with other special promotional rates to encourage households to move beyond using electricity just to light their homes and use it also to cook, heat water, and even heat their homes. Very low rates for very large electric users encouraged this expanded use.

Beginning in the 1960s, those economies of scale in electric generation began to disappear. The costs associated with new large coal-fired and nuclear plants skyrocketed as did the costs of the high-voltage transmission systems needed to deliver the electricity to load centers. That shock hit Montana with the building of Colstrip 3 in the first half of the 1980s. Some of those additional costs were tied to the recognition of

the environmental costs associated with burning fossil fuels and the need to manage the emissions from the plants. Later oil, natural gas, and coal fuel costs rose and the environmental costs associated with the production and combustion of those fuels was also recognized and partially embodied in the cost of electricity.

The same engineers, economists, utility executives and regulators who a half-century earlier had advocated **de**clining block rates to reflect economic reality now recommended **in**clining block rates to reflect the fact that incremental electric supply was getting more and more expensive.

To turn these changes in the very real costs of supplementing our electric supply into an hysterical partisan issue complete with dangerous villains and swaggering All-American heroes who have stepped up to save us is a depressing sign of the ongoing degeneration of our political system into a theater of the absurd.