Let's be careful out there

2002-05-11
By Ed Apple

The wise desk sergeant in the TV show "Hill Street Blues" always admonished his officers: "Let's be careful out there." That same advice could just as aptly be given to regulators and legislators when dealing with public utility issues that impact all our lives.

Never has this been so true as when it comes to the efforts to restructure and/or deregulate our electric, natural gas or phone services. Such services, while once luxuries, are now necessities, and therefore are not to be tampered with lightly.

If we are to change the way these services are regulated, we first must know what the trade-offs are. Consumers need to know what they are giving up if they exchange the certainty of their regulated, monopoly provider for the harsh world of the competitive marketplace. Make no mistake, there is a vast difference in cultures between a monopoly, regulated utility run with the ratepayer uppermost in mind, and the unregulated counterpart whose primary concern is the bottom line in the annual report to shareholders.

Of particular concern is the impact of any change on the Local Distribution Company (LDC) side of the equation, which has a direct connection to the ratepayer through the wires, pipelines, meters, etc., that make up the delivery infrastructure. They are directly responsible for making sure the lights come on, the phone rings and the burner lights.

Over the years the LDCs have become integral parts of our communities in ways far beyond their scope of service. Often, the local LDC manager was a leader in economic and civic development in the community. With the trend toward mergers and consolidations, we have seen such things slashed from LDC budgets. Even such services as allowing a customer to pay a bill in cash have fallen by the wayside, contracted to a third party who charges the customer a fee for this service.

Are we doing so much in the name of creating competition that we've lost sight of the wisdom of having certain phases of our utility services remain regulated? Consumers need to be intelligently informed, and understand that "least cost" is not always "best value." The broader scope afforded the regulated LDCs in many cases may have been the key to reliable and affordable services.

How can we bridge the gap between the public and the LDC shareholders? What's needed is creation of stand-alone companies that are separate from the unregulated side of the energy equation. This would require that management and regulators do a better job in formulating policy incentives for the companies to be efficient, affordable, and reliable.

Let's be careful out there. The stakes are high.