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Electric monopolies a dying breed

Legislature to tackle competition in power industry

By Larry Henry
LAS VEGAS SUN

If anything could sweeten the bitter taste of an electric bill, it might be a pint of Ben & Jerry's Cherry Garcia.

Gourmet ice cream is one of the treats companies are using to sugarcoat stomach-churning changes in the utility industry.

Old-time monopolies, including

Nevada Power Co. in Southern Nevada and Sierra Pacific Corp. in Northern Nevada, are under pressure to allow competitors to vie for customers.

The Nevada Legislature, which convenes next month, is expected to approve a plan to phase in competition over two years.

The monopolies, which have

enjoyed a captive market for more than 70 years, will still be around, but they'll have to learn how to entice customers.

Competing utilities in New Hampshire are offering free birdhouses, tree seedlings and coupons for Ben & Jerry's ice cream.

"One lady took something from all of the companies," said Mike Holmes, New Hampshire's consumer advocate.

In Nevada, sugary enticements

aren't enough to keep some people from feeling queasy.

The reason is that no one can say for sure whether competition will cause electric costs to go up for families in Las Vegas.

"Nobody has considered what will happen to small consumers," said Public Service Commissioner Galen Denio.

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One certainty is that rates will go down for big customers such as mines and casinos.

Some of those, like Mirage Resorts Inc., have been threatening for years to pull out of the monopolies and create their own power sources.

Competition will allow them to cut deals with private utilities from Texas, California, Utah and elsewhere.

That doesn't sit well with Nevada officials who fear that the most vulnerable customers, like senior citizens on limited incomes, will be left out in the cold when utility conglomerates begin to cherry pick the most desirable ratepayers — casinos and mines.

"If you allow the big companies to pull out, individual rates will go up," said Senate Minority Leader

Dina Titus, D-Las Vegas.



Titus

Those who support competition say that's not so.

They insist that deregulation will drive down rates across the board, as it did in the telephone and airline industries.

As an example of the benefits of competition, those who support it point to a New Hampshire pilot program in which 3 percent of the state's utility customers are participating.

Rates there have gone down 15 percent. If that happened in Las Vegas, residential electric bills would drop from an average of \$70.84 a month to \$60.21.

Public Service Commissioner Judy Sheldrew said competition will be a fact of life in a few years anyway because federal regulatory agencies and Congress will mandate it even if states don't.

Smaller consumers will be in bad shape if guidelines aren't established now to protect them, Sheldrew said.

"Yes, it's risky, but to do nothing is riskier," she said.

Sheldrew also said competition is necessary because California will deregulate utilities in 1998. Most residential users there are expected to receive a 10 percent rate cut.

If competition is not approved in Nevada, businesses, and even some families, will pack up and move to California, where they'll be able to shop around for low rates, Sheldrew said.

She said that could devastate Nevada's economy.

"You can't stick your head in the sand," Sheldrew said.

Critics are worried more about their own pocketbooks than big-picture economic trends.

"I don't know much about competition, but I know we'll have to pick up the

tab," said Thelma Clark, lobbyist for the Nevada Seniors Coalition.

Investors who bought stock in the monopoly companies also feel threatened. Many are seniors who wanted a sure bet on the stock market.

Sixty-four percent of the stockholders in Nevada Power are 60 or older. The median age for Sierra Pacific stockholders is over 64.

The companies those investors bought into won't be guaranteed a profit anymore, and that has some stockholders wondering whether their nest eggs are secure.

"I suspect the average retiree who bought stocks would rather this not happen," said Joyce Newman, spokeswoman for the Utility Shareholders Association of Nevada.

Many environmentalists are also opposed to competition.

They're concerned that companies trying to cut corners to provide cheap power will rely heavily on inexpensive but hazardous sources such as coal. When most Southern Nevadans turn on their lights now, the power is provided by a mixture of coal and natural gas.

Environmentalists also are worried that competing companies will shun solar energy programs and other initiatives that are costly but beneficial.

"That's one of the potential big losers," said Nevada Consumer Advocate Fred Schmidt.

Assemblyman Pete Ernaut, R-Reno, who is chairing the subcommittee looking into utility competition, said concerns about deregulation are valid, but in the end most customers won't notice anything different one way or another.

"Most people don't understand it, don't want to be bothered, or are happy with their current provider," he said.

"They're like I am with competition in the telephone business. If I get a dial tone, I don't want to shop around for a 10-cent break in the

overall cost of my bill.”

Schmidt agreed that competition will be more of a hassle than some consumers will want to sort through.

“When AT&T broke up 12 years ago, more than 200 companies began to compete, but 60 percent of the long-distance market is still with AT&T,” he said.

Those customers who choose to shop around need guarantees they'll receive good rates and reliable service, said Jon Wellinghoff, a former state consumer advocate.

The main concern for most residents is that the lights will come on when they hit the switch, he said.

Wellinghoff is setting up a co-op to give residential customers group buying power.

To further assure companies don't overlook small customers, state officials are working to fend off moves by some pro-business legislators to allow utility companies to operate free from state regulation.

Titus and others in the Legislature oppose opening the market to free-wheeling competition unless regulatory protection is in place for customers who have trouble paying bills.

“We have to take care of people who might freeze in the winter,” she said.

SUN POLITICAL EDITOR

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Electric rates

The cost of electricity per kilowatt-hour is lower in Las Vegas than in many other Western cities, but monthly bills are higher because usage goes through the roof during summer months.

National Average
8.6 cents/kilowatt-hour
\$72.28/month

San Francisco
12.07 cents/kilowatt-hour
\$64.59.55/month

Reno
8.94 cents/kilowatt-hour
\$57.93/month

Salt Lake City
7 cents/kilowatt-hour
\$46.51/month

Las Vegas
6.44 cents/kilowatt-hour
\$70.84/month

Los Angeles
9.95 cents/kilowatt-hour
\$42.76/month

Phoenix
9.79 cents/kilowatt-hour
\$95.55/month