

# Why Power Costs Are Rising

By Will Lutgen

The consumer-owned electric utility industry prides itself on providing reliable, affordable, safe and environmentally-acceptable electricity to your homes and businesses.

As a consumer, why should you care about things such as reliability, safety and environmentally-acceptable electricity? Because each of these components drive the cost of electricity, and the cost of electricity is going up!

From the 50,000-foot level, here are some of the reasons your electric bill is likely to rise:

- **Power plants.** People continue to use more electricity for a variety of things, so new plants are being planned to meet the need.

Many existing power plants have reached the end of their mechanical and economic life. They need to be replaced or refurbished. In addition to being expensive to replace in today's dollars, new regulations—most of them environmental—are being imposed on utilities with respect to the type of power plants that can be built or, in some cases, refurbished.

In the past, electric utilities selected power plant technology with the goal of bringing you affordable electricity, based on traditional, economic cost-benefit analysis. Today, cost-benefit analysis is driven by many other factors.

For example, for environmental and energy independence reasons, our federal government is subsidizing renewable (wind, solar, geothermal) power plant developers with your tax dollars. Many states have adopted renewable energy standards, which require utilities to make sure a certain percentage of their energy supply comes from renewable resources such as wind and solar.

The electricity renewable plants produce is inconsistent. Since the wind does not always blow and the sun does not always shine, renewable plants are “intermittent” resources, which need back-up generation or storage capability to produce a constant stream of electricity. On a levelized cost basis, renewable energy plants are still far more expensive than conventional resources, such as hydropower, natural gas or coal, per unit of electricity.

- **Transmission lines.** The industry needs to build more transmission lines to deliver power from existing and new power plants. New transmission lines also may be needed to “level out” the intermittent nature of renewable resources.

Historically, electric utilities have built transmission based on the idea that the users of the transmission lines would pay the costs because they received the benefits of the lines. Today, there is a push by some state governments and some federal legislators/regulators to more broadly “socialize” the cost of new transmission, particularly transmission lines serving renewable energy.

If the costs of new transmission are socialized, or spread among all taxpayers in the country, you also may pay for transmission lines from which you receive no direct benefit, but are deemed by our elected representatives to benefit society as a whole.

The cost to build transmission lines is expensive. In the Pacific Northwest, the Bonneville Power Administration is building the McNary-John Day transmission line. The 79-mile project is estimated to cost \$246 million, or about \$3.1 million per mile.

- **Distribution systems.** The equipment that delivers power directly to your homes and businesses is commonly called a distribution system. Although your local utility has maintained its electric distribution system to provide you with reliable power, after 30 to 50 years of operation, utility poles, wires, transformers, substations and meters simply get old and need to be replaced.

Again, depending on your local utility, you are seeing or may begin to see the effect of replacing your utility's distribution system on your electric bill.

With the above things increasing the cost of electricity, what can you do to reduce your electric bill?

The best thing is to contact your local utility and ask about participating in its energy-efficiency programs.

Second, take the time to learn more about state and federal energy policies. Pick a topic you are interested in and investigate all sides of the subject. Visit with your local utility. You will find your local utility knowledgeable on these subjects. Once you have formed your own opinion, contact your state and federal legislators and let them know what you think. ■



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