

Timely and clear: Editorial Climate CA, June 12 1980

While LGW Energy Will Cost More, Conservation Holds Back Increase

BY WILLIAM STEVERSON

WHEN the Queen spoke to Alice in "Alice Through The Looking Glass," she easily could have been talking about the energy situation in Memphis: "Now here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that."

But it is even more confusing than that. The talk for the past week has been that even by running twice as fast, Memphians are losing the race.

It all started last Thursday when officials of Memphis Light, Gas & Water Division announced that they will seek rate increases for electricity, natural gas and water. Several reasons were given for the need of the increases — the impact of inflation on LG&W's operating costs, higher-than-expected dividends that the city will charge LG&W, the mild weather during the past year that has not produced as much revenues as was expected.

BUT THERE WAS ANOTHER reason — one that has gotten a lot of media attention: conservation.

Because of the increasing cost of electricity and natural gas, Memphians have begun to use less energy. "They tell us to conserve, and then when we do, we get zapped with a rate increase," was the prevailing sentiment, fired by television and radio news reports.

But to dwell on that aspect of the proposed rate increase serves no good at all.

First of all, the money loss that LG&W has experienced because of conservation by its customers is minute. In the ocean of rate increases coming our way because of higher costs of oil, gas and electricity, the money needed to offset the conservation savings is miniscule — only a few pennies a year for the average customer.

Even more important is the fact that if customers did not conserve, the cost of energy would be much higher. Conservation has acted to keep costs down, not to raise them.

A simple example might be in order: When TVA built its Browns Ferry nuclear power plant in the early 1970s, the cost was around \$500 per kilowatt. Estimates now are that with its new nuclear plants coming on line, TVA will pay close to \$1,500 per kilowatt, and in other parts of the country the figure is approaching \$2,000. Those costs are passed on to the consumer.

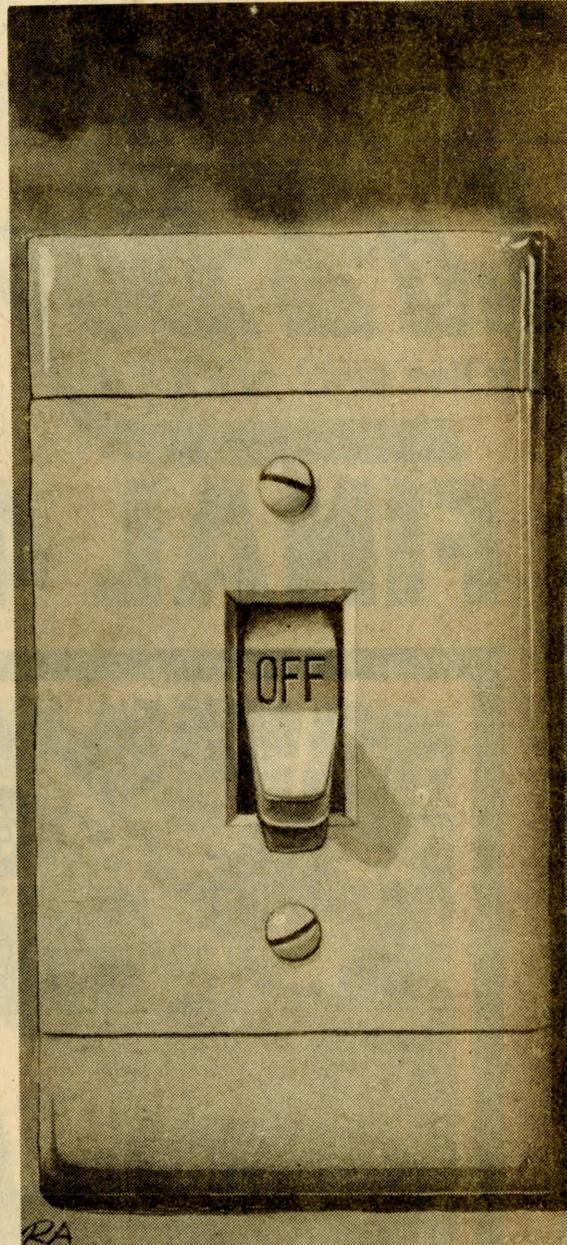
Needless to say, if conservation efforts can reduce the number of new nuclear facilities — or coal-fired plants for that matter — that TVA has to build in the future, electricity will not cost as much as it would if those plants are built. The price will continue to rise, but not as great as it would if new plants were needed to meet a higher power demand.

During the past few years, the city's demand for electricity and natural gas has remained about the same. The reduction in money because of conservation efforts by many customers has been offset by the slow, but steady increase in the number of customers LG&W has. So only in the area of inflation — of staying even with costs — has LG&W really been affected by conservation efforts of its customers.

To even discuss the effects of conservation on a utility customer's pocketbook muddles the real issue. And that simply is that over the next 15 or 20 years at least the cost of energy — all forms of energy — is going to rise sharply.

Until solar energy or fusion or some other renewable source of energy makes it big, the price of energy will increase at a rate much greater than the inflation rate.

By the end of this decade, many experts are predicting that crude oil will cost \$90 a barrel, a 300-per-cent increase over present prices. Natural gas that is being decontrolled will rise in price accordingly, as probably will uranium.



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Coal, which is much more abundant, will not be as expensive as oil or gas, but environmental considerations and tougher mining conditions will make it much more expensive.

THE ONLY WAY TO SLOW down the rise in energy prices is to use energy wisely. In short, conservation.

And in the future when LG&W announces that conservation efforts have caused the need for a small rate increase, people should not complain. They should think about how much higher costs would be if they didn't conserve.

They might be running faster to keep even, but at least they won't be losing the race.