CARE Supports S.60 National Electricity and Environmental Technology (NEET) Act

February 22, 2001
The Coalition for Affordable and Reliable Energy (CARE) seeks support for S. 60, an important bill that would significantly advance our nation's energy and environmental objectives.

CARE is a broad-based coalition — representing nearly 40 business organizations and associations, labor unions, agricultural, transportation and healthcare groups, and other interests — that was formed last Spring to build support for an energy policy that strikes a sensible balance among social, economic, national security, environmental and energy goals.

With the news filled with stories about rising gasoline prices, high heating oil bills, and rolling electricity outages, the United States needs a comprehensive and balanced energy policy now more than ever.

A bipartisan group of senators, led by Senator Robert Byrd, have just introduced S. 60, the "National Electricity and Environmental Technology (NEET) Act." This bill recognizes the vital role domestic energy sources, such as coal, must have to enable the United States to meet its energy needs, especially with electricity consumption expected to grow by 35 percent over the next 20 years.

Coal is an abundant domestic fuel resource. The United States is a coal-rich nation, with a supply of coal that could last 250 years. Coal reserves in this country are 34 times more than the total known domestic reserves of natural gas and 45 times the known reserves of oil. In addition, electricity from coal is increasingly clean, as emissions from coal-fired plants have been reduced by nearly a third since 1970, even as the use of coal for generating electricity has nearly tripled.

S. 60 seeks to stimulate research and deployment of advanced technologies to further reduce emissions and improve efficiency in coal-based power generating systems. It provides incentives for retrofitting, repowering and replacement of coal-based electricity generating plants with state-of-the-art emission control technologies. The bill also offers incentives for the initial deployment of advanced technologies that will meet more stringent efficiency and environmental standards.

This bill can serve as a roadmap for research and development of the new coal technologies of the future. It will allow use of coal to help meet the growing need in
the U.S. for generation of reliable and affordable electricity.

The NEET Act is exactly the kind of legislation we need to provide a more secure energy future for our country. Please write your Senator and express your support for its passage.

Sincerely,

Paul Oakley
Executive Director
Coalition for Affordable and Reliable Energy

More Critical Issues...

http://www.carenergy.com/issues/neet.htm

Copyright, © 2001 CARE Coalition for Affordable Reliable Energy
Electricity
from
Coal
Essential
Affordable
Increasingly Clean
AMERICANS FOR BALANCED ENERGY CHOICES

1579

Obtained and made public by the Natural Resources Defense Council, March/April 2002
Why electricity from coal?

Over 50 percent of the electricity that powers our homes and businesses comes from coal, more than all other energy sources combined.

Coal is an American resource found in 38 states. Coal is domestically abundant — U.S. reserves are plentiful enough to last the next 250 years.

The use of coal for generating electricity has nearly tripled over the last 30 years, allowing America's electric utilities to provide the added electricity needed to sustain our daily lives while still protecting the environment.

Whether it's by cooking, reading by lamp-light or surfing the Internet ... most of the time we are using electricity from coal. In fact, the average American uses about 20 pounds of coal per day, all in the form of reliable electricity.

The innovative use of technology will allow electricity from coal to be an important part of our lives for years to come. The U.S. Energy Information Administration predicts that coal will continue to be the leading energy source used for generating electricity at least through the year 2020.
Whether you support a family, are a senior living on a fixed income, or run a small business, low-cost electricity matters.

Because coal is a domestically abundant fuel source, using it to generate electricity helps keep utility rates low.

Advanced technology also makes electricity from coal affordable. From the mine to the power plant, and to the switch plate in your home, the coal-based electricity industry is a showcase of technology.

Using state-of-the-art equipment, today’s workers produce an average of 48 tons of coal in an 8-hour shift, a three-fold increase from nearly 30 years ago.

Once mined, coal is shipped to power plants, in many cases by rail. Since 1980, the freight railroad industry in America has invested $230 billion in its infrastructure, creating a national transportation system that is the envy of the world. Along with barges and trucks, this vast transportation infrastructure travels thousands of miles to bring power, in the form of coal that will be converted into electricity, to the American people.

America’s electric utilities have also invested in advanced technologies that not only reduce emissions, but increase efficiency, meaning more power from a quality fuel source.

What does this mean to consumers?
It's there to brighten the day.  It's there when we need it most, and it improves the quality of our lives.  It makes us more productive... ... and it lights the way for future generations.

It's electricity, and in America more than half of it comes from coal.

Electricity from coal...

*Essential, Affordable, Increasingly Clean*
Electricity...it powers our daily lives. It's in our homes; it's where we work; and it's with us just about everywhere we go. Electricity fuels our economy and improves the quality of life in America.

America has a growing demand for electricity. According to the U.S. Energy Information Administration, between 1970 and 1998, electricity consumption in the United States grew by 133 percent, and is projected to be 34 percent higher in 2020 than it was in 1998.

Electricity and food are the two largest commodities bought and sold in America, with electricity sales amounting to more than $200 billion annually. Like food, electricity has become a basic necessity in sustaining the quality of life that Americans have come to enjoy.

Think about it...

how have you used electricity today?

- Your alarm clock woke you up; you perked a pot of coffee. When you got to work, you powered up your computer and ran some copies. After work, you helped your children with their homework, and then flipped on the television to watch the evening news. These are just a few things, powered by reliable electricity, that empower our lives.

- The bottom line is that America runs on electricity...and more than half of it comes from coal.
Because of its commitment to using high technology, the coal-based electricity industry has not only been able to comply with strict federal clean air laws, but in some cases it has exceeded compliance.

But the industry's commitment goes beyond merely complying with the law.

America's electric utilities are participating in voluntary programs that protect the environment in cost-effective ways without the added burden of increased government regulation. America's electric utility industry agreed to voluntarily reduce greenhouse gas emissions (either through emissions reductions, avoidance or sequestration) by over 170 million metric tons in the year 2000. That is more than four times the goal set by the federal government when this program was launched in 1993.

Improving the quality of the air we breathe is just part of the equation. The coal-based electricity industry has also demonstrated a profound respect for the land.

In accordance with strict federal laws, once coal is mined, the land must be restored. Employing hundreds of scientists and biologists, the coal-based electricity industry has worked with federal and state officials over the last 20 years to restore over two million acres of land once used for mining. In many cases, the land is restored to be more useful than it was originally, creating wildlife refuges and wetlands in areas where they previously did not exist.

This is just the beginning. The federal government predicts that these environmental improvements will continue well into the future, leaving a lasting legacy for generations to come.
Looking to the Future

The coal-based electricity industry has changed a lot since most people last thought about it. Through investments in technology, the coal-based electricity industry provides you with the affordable power that is essential to your daily life, and it's doing so while protecting the environment.

Today's coal industry is looking to the future. With enough coal in the United States to last the next 250 years, the coal-based electricity industry is building upon its past record of success, and demonstrating that it is able to provide the essential electricity needed to meet America's growing demands while still protecting the environment.

Despite this remarkable record of achievement in protecting the environment while still enabling our economy to grow, electricity from coal continues to have its critics.

Some want to use government regulation to remove coal-based electricity from America's energy mix, a move that would definitely come at great cost to American consumers and the U.S. economy.

In this debate, those who advocate against electricity from coal do so with too little regard for how we will meet our increased electricity demand without the energy source that is currently providing over half of our electricity. They lose sight of the fact that restricting the use of coal for generating electricity will mean increased reliance on more expensive or imported energy sources.

Electricity from coal represents the right balance between meeting America's demand for affordable electricity and protecting the environment.
On average, electricity from coal costs much less than power generated from other energy sources.

Using a quality fuel at a fair price makes electricity from coal a bargain.

For businesses, affordable electricity is a key to success. Energy costs rank very high in determining whether a business will be profitable. Profitable businesses can expand, creating new jobs in the community. If electricity prices are too high, businesses will seek locations that have cheaper electricity, taking with them the jobs that provide a living wage for American working families.

For working families, affordable electricity is even more important. Less money spent on electricity means more for housing, food, health insurance and a quality education for their children.

Senior citizens and those living on low or fixed-incomes are among the most vulnerable to higher energy costs. Affordable electricity means more money for medicines and other things that improve the quality of life for American Seniors.
Passing along a cleaner world to the next generation is an obligation . . . not a option. The people who produce America’s electricity with coal share this commitment.

America’s coal-based electricity industry has invested over $50 billion in new cutting-edge technologies that clean the air we breathe and protect our environment.

And that investment has paid off. Between 1970 and 1998, the U.S. population increased by 32 percent, and the use of coal for generating electricity has nearly tripled. During this same time period, America made dramatic improvements in air quality. Emissions of Clean Air Act criteria air pollutants (those related to human health) decreased by 31 percent.

Using advanced technologies, the coal-based electricity industry has improved its environmental efficiency by nearly 70 percent. The U.S. Environmental Protection Agency projects that emissions of criteria air pollutants from coal-based generation will be one-third less in 2000 than they were in 1970, despite a three-fold increase in the use of coal.

In fact, sulfur dioxide (SO₂) emissions, the only criteria air pollutant of which coal-based generation is the primary source, have been cut by 21 percent since 1970 to their lowest level since the 1920’s.
AMERICANS FOR BALANCED ENERGY CHOICES (ABEC) is a national, nonprofit organization designed to promote a dialogue with community leaders across the United States on issues involving America's growing demand for electricity. ABEC will advocate in support of a national energy strategy that strikes the proper balance between protecting the environment and providing for continued economic growth and prosperity for America's working families.

Because they recognize the essential role that electricity from coal plays in protecting the environment while providing over half of the electricity used each day in the United States, America's coal-based electricity industry (producers, transporters, and electricity generators) has provided the primary initial funding for this worthwhile project.

All Americans have a part to play in charting a balanced energy policy for the 21st century. Through ABEC, you can lend your voice and support toward achieving this important goal.
THE CHALLENGES AND
CHANGING MISSION OF UTILITY
CONSUMER ADVOCATES

AARP

1590

Obtained and made public by the Natural Resources Defense Council, March/April 2002
The Challenges and Changing Mission of Utility Consumer Advocates

by

Scott Rubin,
Public Utility Consulting

for

AARP

AARP is the nation's leading organization for people age 50 and older. It serves their needs and interests through information and education, advocacy, and community services which are provided by a network of local chapters and experienced volunteers throughout the country. The organization also offers members a wide range of special benefits and services, including Modern Maturity magazine and the monthly Bulletin.

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1591

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- Stephen Ward, Public Advocate, Maine

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Abbreviations used in this report

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<thead>
<tr>
<th>Abbreviation</th>
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<tr>
<td>CAB</td>
<td>Civil Aeronautics Board</td>
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<td>CFA</td>
<td>Consumer Federation of America</td>
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<td>CLEC</td>
<td>Competitive Local Exchange Carrier</td>
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<td>CUB</td>
<td>Citizens Utility Board</td>
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<td>DOT</td>
<td>Department of Transportation</td>
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<td>FCC</td>
<td>Federal Communications Commission</td>
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<td>Federal Energy Regulatory Commission</td>
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<td>FTC</td>
<td>Federal Trade Commission</td>
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<td>GAO</td>
<td>General Accounting Office</td>
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<td>ICC</td>
<td>Interstate Commerce Commission</td>
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<td>LTL</td>
<td>Less-than-truckload</td>
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<td>NAAG</td>
<td>National Association of Attorneys General</td>
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<td>NACAA</td>
<td>National Association of Consumer Agency Administrators</td>
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<td>National Association of State Utility Consumer Advocates</td>
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<td>National Regulatory Research Institute</td>
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<td>OCA</td>
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<td>Office of People’s Counsel</td>
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<td>Public Utility Law Project</td>
</tr>
<tr>
<td>TURN</td>
<td>The Utility Reform Network</td>
</tr>
</tbody>
</table>
# Table of Contents

Acknowledgments................................................................. 1  
Abbreviations Used in this Report ......................................... 2  
Executive Summary .............................................................. 5  
Chapter 1: Introduction....................................................... 11  
  Background and Purpose ................................................... 11  
  Organization and Methodology ........................................... 13  
Chapter 2: Deregulation of Previously Regulated Industries ...... 15  
  Airline Industry ............................................................ 15  
  Trucking Industry ......................................................... 18  
  Savings and Loan Industry .............................................. 19  
  Lessons Learned .......................................................... 21  
Chapter 3: Deregulation of the Utility Industries ................... 23  
  Telecommunications ..................................................... 23  
  Electricity ................................................................... 26  
  Natural Gas ................................................................. 28  
Chapter 4: Effect of Deregulation on Utility Consumer Advocates 31  
  New and Increased Responsibilities ................................... 32  
  Issues Associated with New Responsibilities ...................... 35  
  Strategies for Changing and Adapting ............................... 42  
Chapter 5: Conclusions/Implications .................................... 47  
Bibliography........................................................................... 49
Executive Summary

Many organizations that represent the interests of utility consumers were created during the 1970s. These consumer advocacy organizations include agencies within state government, independent consumer groups (ranging from local groups to nationwide alliances representing millions of consumers), and legal services organizations representing low-income consumers. For the past 20 years, participating in state and federal cases involving all aspects of regulating electric, gas, and telecommunications utilities has been a major focus for these consumer advocates.

Now, there is an increasing trend toward the partial deregulation of, and the introduction of competition in, these utility industries, and numerous questions arise from these massive structural changes in the industry: What is the role of consumer advocacy organizations in this new utility market? How do they need to change to respond to these forces in the utility industry? What types of expertise do they need? What should be the source of their funding?

This report is based on in-depth interviews with representatives of ten consumer advocacy organizations from throughout the United States and on research into the effects of deregulation on other industries. In addition, the report has been guided by a project advisory committee, consisting of researchers and utility consumer advocates from across the country.

Deregulation in the airline, trucking, and savings and loan industries gives some indication of what may lie ahead for utility consumers. Deregulation in these industries has led to increased choices and lower prices for large consumers and large communities, but in some cases, it has led to decreased choices and higher prices—or even the complete elimination of service—for some smaller communities and consumers.

Deregulation also has produced confusion over who protects consumers. The federal and state governments have not always seen eye to eye on who has the responsibility to protect consumers from fraud, unfair trade practices, or other improper practices. This confusion has raised concerns about public safety and the quality of service that consumers receive.

Thus far, none of the efforts at deregulation have been able to ensure the availability and quality of service to all consumers. Some communities and consumers have lost service as a result of deregulation; others continue...
to receive service but at higher prices or lower levels of quality. At the same time, some consumers benefit from new services and lower prices. The challenge is to find a balance between price deregulation and the continued regulation of safety and service.

Telecommunications

On paper, the market for long-distance telecommunications services is highly competitive. Hundreds of companies sell long-distance service to consumers. A closer look at the industry, however, reveals that just three companies—AT&T, MCI, and Sprint—provide most of the service within the industry.

The transition from a monopoly (AT&T) in 1984 to an oligopoly in the late 1990s has had some advantages for consumers. Long-distance prices have fallen, and pricing options have increased. At the same time, though, the average cost of residential local telephone service nationwide has increased by about 64 percent. The net effect has been a sustained price reduction for consumers who make a large number of long-distance calls and a net price increase for consumers who make relatively few long-distance calls. Overall, the average total residential phone bill increased by about 60 percent from 1983 to 1994.

Meanwhile, local phone service for residential consumers and for most business consumers remains a virtual monopoly everywhere in the United States. In fact, the local phone monopolies are getting larger through mergers.

Electricity

Several states with high electricity costs are embarking on efforts to open their electricity markets to competition. In the electric industry, restructuring refers to the process of making the generation and/or the supply of electricity competitive.

The biggest single issue pertaining to electricity restructuring is the recovery of "stranded costs" (or above-market costs) by electric utilities. Stranded costs are the difference between the market value of the utility's assets and the amount that the utility has been including in its regulated rates (typically, the actual cost of the assets). In the case of some very expensive assets, like nuclear power plants, the actual cost of the asset is much higher than its market value. It appears that until these stranded costs are recovered, substantial reductions in electric rates will be difficult to achieve.
**Natural gas**

A few states are beginning the process of restructuring the natural gas market. In the mid-1980s, the wholesale market for natural gas was deregulated on the federal level. Since that time, large gas consumers have had the ability to buy gas directly from gas producers and have it transported directly to their place of business. Current efforts to restructure the gas industry are aimed at giving smaller consumers, including individual residential consumers, that same right. Large-scale test programs are underway or will begin shortly in several states to give consumers the right to buy gas from their supplier of choice.

**Effects of restructuring on utility consumer advocates**

The movement toward deregulation is changing the traditional role of consumer advocacy organizations. Where utility industry restructuring is occurring, consumer organizations are dealing with new challenges, particularly in the areas of consumer education, consumer complaint handling and consumer protection, market oversight and merger review, and coalition building. The changing focus of consumer advocates is a function of changes in the utility industry and the need for consumers and policy makers to ensure that this transition does not adversely affect consumers. These roles are in addition to continuing regulatory responsibilities for the distribution of electric and gas service, ensuring the provision of universal telephone service, and other ongoing regulatory issues.

The complexity of utility industry restructuring should not be underestimated. It is not simply a matter of enacting legislation or changing commission policy and watching a free market develop. The process is extremely complicated and time-consuming, and it can seriously strain the resources of a consumer organization.

Utility consumer advocacy organizations tend to rely on their own expertise, coupled with outside consultants who regularly work for consumer advocates. Most of these consultants have experience on the more traditional issues involved in utility regulation. While many are developing the expertise needed to help consumer advocates deal with restructured utility industries, many gaps still remain in the available expertise. The lack of readily available expertise makes it more difficult for them to participate in negotiations or litigation involving these highly complex issues.

Consumer advocacy organizations will need to develop new ways to explain the benefits that they provide and encourage the continued funding of the organization. Historically, these organizations relied on their success in saving money for consumers to justify their budget requests or to encourage consumers to join their organizations. During the 1970s and
1980s when utilities were filing for unprecedented, multi-million dollar rate increases, the need to fund a consumer advocate was clear. However, the issues involved in utility industry restructuring are much more amorphous than the dollars and cents involved in a rate case.

Most state agencies that perform a utility consumer advocacy function are funded through an assessment on each utility that operates in the state, though some receive funding from the state’s general fund. Legal services organizations receive funding from several sources, including the federal government, state governments, the United Way, or Interest on Lawyer Trust Accounts (IOLTA) programs. Nonprofit consumer organizations receive most of their funding from the contributions of individual consumers, sometimes supplemented by grants from foundations and other private charities. The restructuring of the utility industry could have a major impact on the funding of all types of consumer advocacy organizations.

As the structure of the utility industry changes, traditional relationships among consumer advocacy organizations will need to change as well. It will be increasingly important to recognize shared interests, keep open the lines of communication, and develop coalitions and working groups to ensure that scarce resources are being used in the most effective way possible.

Consumer advocacy organizations can increase their effectiveness by better coordinating their efforts on a national level. There are several organizations that work on a national level to represent the interests of utility consumers, but they do not always coordinate their efforts or pool their resources.

Many consumer advocates are not just waiting to see how utility industry restructuring will affect their organizations. Instead, they are actively transforming their organizations to deal with the new structure of the utility industry. Throughout the country, advocacy organizations are finding ways to do more with their existing resources. Organizations are redefining their mission, putting more emphasis on consumer education, working with other organizations that have different expertise, and finding ways to assist consumers that do not involve litigation before the utility commission.
The transition from the current, regulated utility industry to a less-regulated industry structure will be complex and difficult. Consumer advocates are needed to ensure that the new industry structure contains protections for consumers and that educational programs allow consumers to become smart shoppers in the new market. The workload will be enormous, the issues will be complex, funding sources will change, and coalitions will shift. There can be little doubt, however, that strong consumer advocates will be needed to make sure that the new utility industry continues to provide safe and reliable service to all consumers at affordable prices.

Conclusions
Chapter 1: Introduction

Throughout most of the history of the public utility industry, utilities were declining-cost companies. Each generation of equipment—whether telephone switching equipment, natural gas production equipment, or electric utility power plants—was more efficient than the earlier generation. The cost per unit of production declined, and as a result, prices fell. For example, from 1940 through 1970, the average price of electricity in the United States declined steadily from 3.84 cents per kilowatt-hour to 2.10 cents per kilowatt-hour.\(^1\)

Starting in the late 1960s and continuing through the late 1980s, this trend has reversed. Electric utilities invested in the next generation of power plants—nuclear power plants and fossil-fuel plants—with the expectation that prices would continue to decline and that demand would grow by several percentage points each year. The oil crisis and double-digit inflation of the 1970s, together with massive cost overruns at nuclear power plants, the accident at Three Mile Island, and more stringent air pollution control requirements, caused these predictions to dramatically miss the mark. During the 1970s and early 1980s, telecommunications utilities continued to improve their efficiency as the next generation of equipment—microwave transmission—became available. Neither the telecommunications industry or regulators apparently realized that this new, lower-cost technology, would enable competitors to enter the market for long distance telecommunications service at much less than the average embedded cost of the existing service. It was easy to think of AT&T as “the phone company,” but large telecommunications consumers were looking for alternatives, and new market entrants, like Microwave Communications, Inc. (now known as MCI), were looking for opportunities to compete against AT&T. Presumably, if AT&T had realized the very real threat that was posed by this new technology, it could have taken action to better serve its large customers and possibly avert the threat from new entrants. Its failure to do so led to the eventual development of a competitive market for long distance communication services. Natural gas utilities improved their efficiency as well and were forecasting rapid increases in the demand for gas. This industry, too, was deeply affected by the oil crisis and massive inflation of the 1970s, coupled with federal price controls which made new drilling uneconomical.

In general, the 1970s were a time of turmoil in the utility industry. For example, during the last five years of the 1960s the total amount of rate increases awarded to electric utilities nationwide was just $200 million. In the first five years of the 1970s, electric rate increases totaled more than

\(^1\) These figures, taken from Moody's Public Utility Manual, are expressed in nominal dollars. After accounting for the effects of inflation, the result would be an even more dramatic decline in utility prices during this period.
$5.5 billion. The second half of the 1970s saw total electric rate increases of about $15 billion throughout the United States. That level of rate increases was then equaled in just the next two years: 1980 and 1981 combined saw nationwide electric utility rate increases of another $15 billion.2 (20) The same type of trend is apparent in the natural gas industry, where total nationwide rate increases totaled less than $200 million from 1965 through 1969, while in 1979 alone rate increases exceeded $2 billion. (20)

By the late 1960s and early 1970s, utility rates were increasing, large consumers were asking for special rates to alleviate the impact of the overall increases, and utility commissions were coming under increased scrutiny. Utilities' construction plans and rates were becoming front-page news, open and accountable government was being advocated, and state legislatures were coming under increased pressure to do something about the rising cost of utility services. Open meeting laws were passed, which required government to make decisions in public, many utility commissions were required to hold formal hearings on rate increase requests; and utility commissioners were made full-time employees and their professional staff grew by several orders of magnitude. For example, between 1967 and 1983, many state utility commissions saw their budgets increase by anywhere from 400 percent to 1000 percent or more. (25)

In order to deal with these massive changes in the utility industry and in order to respond to the needs of consumers, many states created an agency within state government to represent the interests of consumers before the utility commission. These agencies, typically known as a public counsel, public advocate, or consumer advocate, became widespread. By the mid-1970s, more than 40 states had appointed state-authorized consumer advocates, and the District of Columbia had established a similar office. Most of the public advocates are funded, either directly or indirectly, by utility consumers, often through an annual assessment on each utility that is then passed on to consumers through the utility bill. (19)

These public advocates hired or contracted with attorneys, accountants, economists, and other analysts to participate in utility rate cases and other matters. Public advocates and their consultants became an integral part of the regulatory process and helped to give consumers a voice during the turbulent period when all of the major utility industries were undergoing tremendous pressure.

At the same time, independent consumer groups also became much more involved in utility issues. Ranging from local consumer groups with a few members to nationwide alliances representing millions of consumers, numerous organizations arose to represent specific segments of the population in utility cases — environmental activists, advocates for low-income

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2 These figures are expressed in nominal dollars. If they were adjusted for inflation, the difference would become smaller but still would show dramatically higher levels of rate increases during the later 1970's and early 1980's than had ever existed in the history of the utility industry. Further, these figures exclude rate increases that were caused by automatic fuel adjustment clauses, where much of the impact of inflation was reflected in utility rates.