

## Special Report The Politics of DSM

*Utility Lobbyist:* Hey, Commissioner. We have an idea that will increase the Commission's power and justify its continued existence, while making us a profit.

*Public Service Commissioner:* Well that's what we are all about. Tell me more.

*Lobbyist:* Let's start some Demand-side Management programs.

*Comish:* Are you crazy! We tried that DSM conservation stuff fifteen years ago. It was a complete disaster. You guys wasted \$170 million of ratepayer's money with terrible results. You said there were \$50 million in savings, but that claim was hardly creditable.

*Lobbyist:* Hey! We made a tidy profit on the whole thing. That's no failure in our view.

*Comish:* Then why did you guys lobby so hard to abolish the whole program?

*Lobbyist:* In the mid-1990's we thought we were facing retail competition and that's why we started cutting needless cost and reduced our rates. DSM was just part of trash we had to take off our books.

*Comish:* So what's changed? Why put needless costs back on your books now?

*Lobbyist:* After the failure of California's politically orchestrated attempt at retail competition plus the mess regulators made in other states, we don't have to worry about competition anymore. We have started raising rates again and we can get away with the extra cost of wasteful conservation programs.

*Comish:* I see. This just might work. But what about the industrial customers? They were never taken for a minute by the claim that conservation give-aways could replace power plants. They made the Commission DSM witnesses look like fools during the early 1990's hearings. Now that the evidence is in all over the country that DSM does not work they will be ferocious.

*Lobbyist:* No sweat, we just leave the industrials out this time around.

*Comish:* Huh? Where are we going to get the money to fund all these sound-good programs for the voting residential?

*Lobbyist:* We get the money from the commercial customers.

*Comish:* Wait a minute! We are already sacking those guys to subsidize the residential rates.

*Lobbyist:* Exactly. They have shown they can't defend themselves. They are the perfect patsies to pay for a new round of DSM. They're too busy fighting among themselves to put up coherent and meaningful opposition.

*Comish:* What if the commercials and the environmentalists team up and point out how your lousy rates discourage voluntary conservation?

*Lobbyist:* No way. The enviros are advocating cross subsidies to increase conservation, which is low because of existing cross-subsidies artificially lowering residential rates. They cite the existing cross-subsidies as precedent for their programs. Anyway if the Commission and the Company just act neutral, the commercials and the enviros will fight among themselves.

*Comish:* That has certainly worked in the past.

*Lobbyist:* These DSM programs will bring you and our company all kind of rewards. 1- It makes your agency look like a leader in a popular cause, thereby, keeping regulatory power on the state level. Further, the press loves big spending programs with laudable goals. They will keep on hiding the fact that DSM fails 2- It increases the scope of the PSC's power to meddle in the customers' household budgets. 3- It slows any moves toward deregulation, because cross subsidies can't exist under real competition.

*Comish:* You're right and all this sounds good for both of us. But I still feel a little bad about sticking the commercial customers with this needless cost.

*Lobbyist:* Never bothered you in the past.