The Public Utility Scam

by

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Recently, Duke Energy customers received a notice, touting a new program (Power Hours) that Duke claims will save electricity and, its customers, money. It sounds like a great win-win idea until a close look at this and other similar programs is taken.

Now understand, I am all for saving money, but when it comes to public utility companies (electricity, water, gas, and telecommunications), they are essentially monopolies in the areas they serve. This means that consumers are at a utility's mercy (especially if it provides both electricity and gas – they have even greater control over you).

So here is what the utilities say, "Do this (whatever the promotion) and you will save (money, the environment, etc.)."

Now that sounds nice and you may see an initial savings on your bill. However, if you are saving money, the **utility is losing money**. Losing money is mot good for the shareholders or the company.

To make up for lost revenue (money), utility companies go to the state utility commission (every state has one) and request a rate hike, cost update, and/or rider adjustments. When these requests are made, most commissions approve cost hikes with few questions and little discussion. This is probably because the utilities do a lot of ground work in order to ensure that their requests are granted, something that consumers don't have the time nor money to do.

According to several sources, Duke Energy and its subsidiaries have filed for significant rate increases and regulatory processes with the North Carolina Utilities Commission. The fillings request a two-year Multi-Year Rate Plan (MYRP) and rate increases approximating $1.73 billion in **increased retail revenues** over the next two years.

As a stock holder, this is great news. However, from the consumer perspective, the utility is a monopoly. An AI search for describing a utility yields the following descriptions:

Natural Monopoly

- The most common and correct term for utilities

- Happens when it's most efficient for **one provider** to serve an area due to high infrastructure costs
- Example: electric grids, water systems, gas pipelines

Regulated Monopoly

- A monopoly that is **allowed by law** but **regulated** by government agencies
- Rates, service quality, and expansion are controlled to protect consumers

Utility Monopoly

- Plain-language term commonly used
- Refers to exclusive service territories

Franchise Monopoly

- The utility is granted exclusive rights to serve a geographic area
- Often through a government franchise or charter

Captive Consumers

- Describes customers who have **no alternative providers**
- Common in utility economics

Rate-Regulated Entity

- Emphasizes control through pricing oversight rather than competition

State utility commissions are supposed to balance the interests of the consumers, utility companies and public policy goals. Typically, the members of these commissions are appointed by whatever political party is in power at the time. There may or may not be term limits on how long a member may serve on the commission.

For power companies, such as Duke Energy, various programs are touted to save consumers money. However, if this is the actual result, the power utility is losing revenue and, in the long haul, rate hikes will follow with a variety of excuses as to why the increased rates are needed. But one excuse is rarely, if ever, voiced and that is "our customers are using less energy and thus we are losing profit."

In a weird way, these so-called cost savings programs are akin to bait and switch scams. The consumer adopts whatever action is suggested in the savings program, thinking that this will also reduce their monthly bills (the bait), and then the utility raises their rates (the switch).

When creating these so-called cost saving programs, the utility companies need to be more transparent, and in many cases not try to ride on consumer emotions. They need to say exactly why the increases are needed and provide detailed information supporting them. Lost revenue is not an excuse for rate hikes!

While consumers can understand adjustments for inflation, adjustments for loss or profit are unacceptable for any public utility. Loss should be covered by insurance, especially when related to disasters. Profit should be set, by law, at a fixed rate that is tied to cost-of-living adjustments/inflation.

It should be hard for utility companies to justify rate hikes when various operations lack quality management oversight. For example, people often see utility workers along roadsides working power/telephone/cable poles. It is very common to see some workers just standing around while others are engaged in some work.

In one such event, a powerline repair was being made. One person was up in the air working on the powerline and pole. Two people were directing traffic, and four other people were standing around on the ground. Having one on the ground to support the one on the pole, and perhaps even a supervisor can be justified, but what was the purpose of the other two?

While there may be a justifiable reason for the other two people, the public perception is that there are utility workers just standing around doing nothing. Don`t try to justify this. It is the perception that matters, not if there is a justifiable reason.

In most cases, there are too many levels between corporate management and the utility workers on the front line. Upper management needs to be more hands-on overseeing its operations. If nothing else they need someone like the government's inspector general and/or a DOGE type leader to oversee waste and efficiency.

We have talked about perception but let's look at one example of waste and a possible increase in efficiency and cost savings.

For power utilities, repairs and maintenance often take place along roadways. Generally, there will be two flaggers at these work zones to control traffic and keep utility workers safe from drivers. Typically, the labor costs for these flaggers runs about $70 – $150 per hour, or $560 to $1,200 for an 8-hour day. That does not include insurance, benefits or other costs related to the flaggers. On the other hand, the flaggers can be replaced with a set of 2 portable traffic light control systems for an average cost of $900 to $2,000.

On the surface, when comparing the cost of these control systems to the labor costs for flaggers, the cost savings is obvious. However, there are even more savings for the utility since they do not have to pay employee benefits for the flaggers. There is also another benefit for the utility that is overlooked.

When drivers come upon a work zone using flaggers, there is often an underlaying current of resentment, especially if the driver does not see any vehicles coming toward them. Subconsciously though, if a traffic light system is used, the driver is less resentful because they know that the lights will change based on time and not on the actions of the flaggers who may wait for that car that is coming up to the work zone but not there yet. Again, it is a matter of perception. ScienceDirect