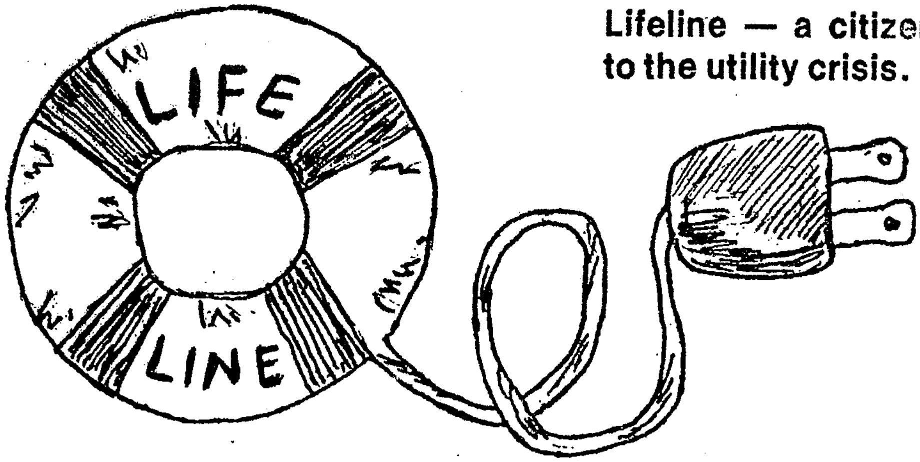
Questions and answers about Lifeline — a citizens' response to the utility crisis.



Q. What is the answer to spiralling utility bills?

A. LIFELINE

Q. What is Lifeline?

A. Lifeline means a low, fixed, fair price for the amount of electricity a family needs for basics like heat, light, and refrigeration. This is about 300 to 500 kilowatthours a month and most lifeline proposals suggest a rate of 2 or 3 cents per kwh.

Q. Why do we need Lifeline?

A. Electric bills are eating away at the average American's budget — to the point that many now pay higher electric bills than mortgage payments! Senior citizens and others on fixed incomes are hardest hit by the spiralling rates. This is the immediate problem that Lifeline would alleviate. But the overall inequities of utility service are also addressed by Lifeline. At the heart of the problem is the descending block rate structure utilities use. With this rate structure, the more you use the less you pay. This structure discriminates against small users and promotes wasteful consumption. Lifeline reverses these trends by providing incentives to conserve. With reduced consumption, the utilities' financial crisis will also be reduced because they will need less capital for expansion.

Q. Who would be helped by Lifeline?

A. Everyone who uses small amounts of electricity would be helped. Those who use more than the Lifeline amount would still benefit from the more progressive rate structure. Everyone would pay the low Lifeline price for the basic amount of electricity they use and somewhat higher rates for extra use. Most people's bills would go down.

Q. But does Lifeline particularly help low income people?

A. Yes, a number of reputable studies have shown that low income people use less electricity than upper income groups. A Rand Corporation study and the Ford Foundation Energy Policy Project both conclude that there is a direct relationship between income and electricity use and that low income people use less.[1] So low income people would be the primary beneficiaries of Lifeline.

Q. Wouldn't energy stamps be a better way of helping low income people?

A. Energy stamps, with all the bureaucracy associated with any federal welfare program, would help less poor people than Lifeline would. Because of means tests and other eligibility requirements, having to put out lump sums of money to purchase the stamps, and having to go to a special office to apply, millions of needy families would not get relief. Lifeline is a direct way of helping all poor people and other small users that does not cost taxpayers any money and that does not arbitrarily exclude those with slightly higher incomes from benefits.[2]

Q. What would Lifeline cost and who would pay for it?

A. The only cost of Lifeline is in reduced revenues to the utilities from small users. What Lifeline does is redistribute the cost of electricity so that large commercial and industrial users pay their fair share. The big users will offset the loss of revenues from the small users. Lifeline simply corrects the now inequitable burden of the nation's electric bill. In the long run, Lifeline could save everybody money because it encourages conservation which in turn diminishes the need to expand expensive generating facilities.

Q. Would Lifeline rates be lower than the actual cost of service?

A. There hasn't been nearly enough work done on this area of utility policy. But some experts say that Lifeline is fully cost justified — that a low Lifeline rate covers the actual cost of servicing and generating power for those who use such small amounts.[3]

Q. Wouldn't Lifeline force industry to move and consequently mean a loss of jobs?

A. Not if Lifeline is instituted everywhere. Besides, most big businesses and factories only spend a very small percentage of their budget on electricity. For example, in Massachusetts, the average industry spends no more than 2 or 3 percent of its budget on electricity.[4] A progressive rate structure would make industry pay more but not so much that it would be a significant factor in considering relocation. Anyway, industry could use electricity at least 30 percent more efficiently according to Federal Energy Administration estimates, and Lifeline would encourage them to do that. As far as jobs are concerned, the use of large doses of electricity has always meant fewer jobs. Since Lifeline encourages conservation, it also encourages the use of more human power instead of electric power — more jobs!

Q. How does Lifeline relate to other rate reform proposals?

A. Peak load pricing, time of day pricing, long range incremental pricing, flattened and inverted rates are all complemented by Lifeline. Lifeline is the first step toward comprehensive rate reform. It sets priorities for rate design that speak to the issues of equity and conservation.

Q. Is Lifeline in effect anywhere?

A. Not yet. Lifeline bills are being considered in a number of state legislatures. In California, a Lifeline bill is expected to pass this summer.

Q. Who supports Lifeline?

A. Citizen organizations all over the country have rallied around Lifeline. Consumer, environmental, church and labor groups have endorsed it. An FEA study calls it "the brightest concept to emerge from the energy crisis."[5]

Q. Who opposes Lifeline?

A. Big businesses and industry don't want to give up their preferential rates. The utilities would rather sell ever increasing amounts of electricity to justify more and more growth and investment because that is how they increase their profits. Others oppose the plan because it is such an effective form of redistribution. But when you add up all those who oppose it, they only represent a small fraction of the American public.

Q. How can Lifeline be instituted?

A. State legislatures can institute Lifeline. State Utility Commissions can institute it. The U.S. Congress can. Municipally owned systems and co-ops can. But it will only happen with your help. To find out what you can do, write: MOVEMENT FOR ECONOMIC JUSTICE, 1609 Connecticut Ave. NW, Washington, DC 20009.

Footnotes

[1] "The Impact of Electricity Prices on Income Groups: Western United States and California", No. R-1050-NSF/CSA, Rand Corporation, Santa Moncia, CA, November, 1972; and *A Time to Choose: America's Energy Future*, by the Energy Policy Project of the Ford Foundation, 1974, Chapter 5, Ballinger Pub. Co., Cambridge, MA.

[2] "Energy Stamps — Wrong way to go", by Bert De Leeuw, JUST ECONOMICS, May, 1975, Movement for Economic Justice, Washington, DC.

[3] "Rate Design Proposal for Pacific Gas and Electric Company", testimony of Dr. Eugene P. Coyle before the California Public Utilities Comission, Case A-54279, November 18, 1974.

[4] Fact sheet on Lifeline and Fair Share Rates, Massachusetts Fair Share, Boston, MA.

[5] "The Lifeline Rate Concept", Federal Energy Administration, Office of Consumer Affairs/Special Impact, January, 1975.

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