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**New Survey:
Texans Pay Too Much Under Electric Deregulation**

Under the promise of electric deregulation, consumers were supposed to save big by shopping around for their electricity.

But deregulation has been expensive. Many Texans can shop around all they like and still never find better deals than those enjoyed by more than one million Texans lucky enough to live in areas where rates are still regulated, according to a new statewide survey of rates.

Conducted on behalf of the Texas Coalition of Cities For Utility Issues, a non-profit coalition of municipalities, the annual survey finds that even the *very lowest* competitive rate available to millions of Texans is still higher than rates enjoyed by Texans served by fully regulated utilities, cooperatives and municipally-owned utilities.

The survey shows that the average of the best competitive rate deals in North Texas remain higher than the average of rates charged by fully regulated utilities, cooperatives and municipally owned utilities.

Likewise, the average of the best competitive deals in the sample remains higher than the average price of electricity from regulated utilities nationwide, according to the survey.

The bottom line for consumers? According to an analysis accompanying the survey, deregulation has resulted in higher prices than regulation.

“These findings should raise alarm bells for anyone who cares about affordable

electricity,” said Don Knight, TCCFUI chairman. “Using any number of metrics – comparisons to municipally-owned utilities, to cooperatives, or regulated utilities – the survey clearly shows that customers fare worse under deregulation. Deregulation cannot be judged a success unless it results in lower prices.”

The analysis is based upon a review of competitive prices offered by retail electric providers serving north Texas along with a sample of rates charged by the state’s major electric cooperatives, municipal utilities and regulated utilities.

The findings are startling:

*The very best competitive price in the sample still lagged behind prices enjoyed by more than 1 million Texans who live without retail competition. San Antonio CPS, Austin Energy, Southwestern Public Service, SWEPCO North Texas and three other providers operating outside deregulation all offer lower rates than even the most affordable competitive retailer in deregulated North Texas.

*Only two of the ten best rates in the survey were offered by competitive providers under deregulation. The remaining eight best offers were from providers outside deregulation.

*The average residential ratepayer getting power from the lowest-cost competitive retailer in the survey sample still pays 56 percent more than a customer of the lowest-cost non-competitive provider outside deregulation.

The report shows that the average of the *best* rates from competitive retailers in north Texas remains well above the separate rate averages of cooperative providers, municipally-owned utilities, and traditional regulated utilities

For instance, a customer who paid a rate that was the average of best competitive offers in north Texas would end up with a bill of \$141.69 for monthly

usage of 1,000 k/wh. By contrast, a customer paying the average of rates for cooperatives would end up paying \$132.93, or 6.18 percent less; a customer paying the average of rates charged by municipally-owned utilities would pay \$122.85, or 13.3 percent less; and a customer paying the average of rates charged by traditional investor-owned utilities that remain under regulation in Texas would pay \$109.78, or 22.5 percent less.

The best competitive offers in the sample also are more expensive than the average of regulated rates nationwide.

To conduct the study, TCCFUI considered the lowest rates offered by all competitive electric providers serving North Texas. Offerings from competitive retail providers operating in other parts of the state can be expected to be similar. TCCFUI also contacted municipalities and cooperatives by telephone and accessed data from the Texas Public Utility Commission website and from websites of municipalities and cooperatives. The analysis accounts for the customer's total monthly bill, including base energy rates, fixed fees, transmission and distribution charges and fuel factors. All data is from September of 2008.

According to the survey analysis, the stark differences in average prices relates, in part, to how the deregulated market sets the price of energy. It notes that in the deregulated wholesale market, the price of energy from the most expensive category of plants has a disproportionate effect on prices. By contrast, regulated investor-owned utilities, electric cooperatives and municipal utilities charge rates that reflect the actual cost to generate power based on *all* fuel used in their respective generation fleets.

The survey analysis also notes that cooperatives and municipally-owned utilities can obtain financing at lower rates than can private corporations. Cooperatives and municipally-owned utilities also can obtain advantageous tax treatment under federal law, the survey notes.

The survey analysis also cites mounting evidence that industry leaders see high energy prices as an obstacle to economic development.

“Electricity prices can, and do, have a significant impact on economic development in Texas,” the TCCFUI analysis states. “How Texas can continue to attract energy-intensive businesses to the state despite its high energy prices is not clear. Cities in the deregulated portions of the state are right to be concerned that businesses will continue to ‘vote with their feet’ by locating in portions of Texas not affected by deregulation, or outside the state altogether.”

As a nonprofit association of Texas municipalities, TCCFUI has a direct interest in ensuring that city residents and city governments have access to affordable electricity. TCCFUI supports all market reforms that will help bring real competition to Texas and lower prices.

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About the Texas Coalition of Cities For Utility Issues:

TCCFUI is an unincorporated nonprofit association of Texas cities concerned with issues involving telecommunications, electric and gas utilities. For more information, go to www.tccfui.org.