

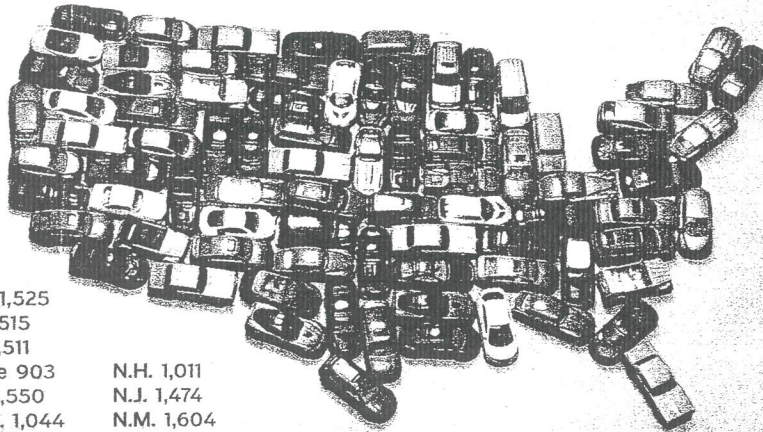
No end in sight for high electricity bills since deregulation

DatabankUSA

Are You Covered?

The average auto insurance premium in 2010.\*

Ala. \$1,380				
Alaska 1,572				
Ariz. 1,153				
Ark. 1,649				
Calif. 1,774	Kan. 1,525			
Colo. 1,481	Ky. 1,515			
Conn. 1,679	La. 2,511			
Del. 1,406	Maine 903	N.H. 1,011		
D.C. 1,753	Md. 1,550	N.J. 1,474		
Fla. 1,453	Mass. 1,044	N.M. 1,604		
Ga. 1,751	Mich. 2,098	N.Y. 1,463		
Hawaii 1,307	Minn. 1,381	N.C. 1,130	R.I. 1,596	Vt. 969
Idaho 1,183	Miss. 1,475	N.D. 1,365	S.C. 1,182	Va. 1,233
Ill. 1,679	Mo. 1,391	Ohio 1,000	S.D. 1,773	Wash. 1,280
Ind. 1,303	Mont. 1,858	Okl. 1,869	Tenn. 1,170	W.Va. 1,590
Iowa 1,039	Neb. 1,211	Ore. 1,195	Texas 1,463	Wis. 1,011
	Nev. 1,283	Pa. 1,421	Utah 1,234	Wyo. 1,553



SOURCE: INSURE.COM  
 QUADRANT INFORMATION SERVICES  
 \* RATES WERE CALCULATED FOR MORE THAN 2,400 VEHICLES FOR MODEL YEAR 2010; BASED ON A 40-YEAR-OLD SINGLE MALE; INCLUDES \$500 DEDUCTIBLE ON COLLISION AND COMPREHENSIVE COVERAGE

# Sky-High Electricity

**The electric utility that powers John T. Johnson III's home in Arlington had not heard "a squeak" from him in decades.**

The 62-year-old self-employed food broker said that changed in early 2006 with the arrival of a \$369 monthly electric bill—about \$100 more than a year earlier.

"We hadn't even reached the height of the summer yet," Johnson said, marveling at how far and fast the price of electricity had risen for his 3,100-square-foot home.

Johnson began studying whether consumers were benefiting, after deregulation came to Texas' electric market in 2002.

"We have it much worse on what we pay for a kilowatt of

electricity," said Johnson, who has expressed his views in newspaper opinion pieces and in letters and conversations with elected and appointed officials in Austin.

According to the U.S. Department of Energy, Texas ranks 17th among the states for the highest average price of electricity—11.6 cents per kilowatt hour. In 1999, prior to deregulation, Texas tied with Louisiana for 30th, at 7.1 cents per kilowatt hour.

Texas and Louisiana produce energy by roughly the same mix of natural gas, coal and nuclear power. But today, as Louisiana continues to regulate prices, customers there pay about 8.4 cents per kilowatt hour, 28 percent less than Texans.

A Texan's average monthly resi-

dential bill is \$150; in Louisiana, a customer with comparable usage would pay \$42 less, or \$108.

John Fainter Jr., president and CEO of the Association of Electric Companies of Texas, an industry group, took issue with claims that prices have climbed under deregulation. Citing federal data, he said Texas' rank among the states has not changed since the end of 2001 and the last fully regulated price. "A person who elects to shop can find electricity at a price lower than the last regulated rate," he said.

Fainter also said it is not accurate to compare Texas' prices to Louisiana's because Texas' population and economy are growing faster. He said the new power plants to keep pace are typically

more expensive to construct and operate and are environmentally cleaner than older facilities.

Johnson said he has helped members of his church and family find lower-priced power providers in a system that gives customers some choices. To lower his bill, he shut down a backyard pond and an extra refrigerator. But he said it's impossible to conserve your way out of high bills because of Texas' higher rates.

"Under deregulation we've gone from being a lower-cost state to a higher-cost state," said Tim Morstad, associate state director of advocacy for AARP Texas.

The problem with Texas' deregulated market is how prices are set at the wholesale level, Morstad said.

"What if all gas stations had to buy gasoline from the same wholesaler and that wholesaler is padding their prices?" he said. In Texas' deregulated electricity system, 40 or so retailers buy power from a wholesale market that can price electricity four times higher than the cost to generate it.

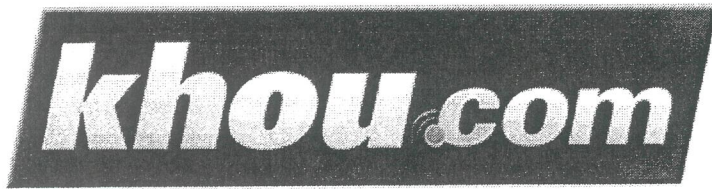
The legislature, which approved deregulation, has repeatedly declined to reform the market, said Texas Rep. Sylvester Turner, D-Houston. Last year the industry successfully lobbied against a bill that would have lowered residential rates, he said.

Turner said consumers should contact their state legislators and let them know that deregulation is not working. "You don't want to miss providing your input because in this upcoming session this issue will be front and center," he said. "I can assure you the industry and their consultants and lobbyists are already gearing up for it."

—By Thomas Korosec

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## Electricity prices drop, but how many Houston customers pay less?

by By Dave Fehling / 11 News

khou.com

Posted on May 4, 2010 at 11:36 PM

Updated Tuesday, May 4 at 11:36 PM

HOUSTON—Two years ago, the companies that sell electricity in Houston said bills were going to get cheaper as the price of natural gas—used to make electricity—dropped.

"And as we begin to see those prices moderate, we're going to pass those savings on to customers as well," said Pat Hammond, Reliant Energy spokesperson, in August 2008.

That year, natural gas prices were at record highs, and power companies in Houston were passing those costs on to customers.

Reliant was charging average 16 cents for a kilowatt hour, making it some of the most expensive electricity in the nation.

But then, natural gas prices began a decline that continues to this day.

And over the past year, electricity prices in Houston began dropping, too.

Reliant, the biggest provider in Houston with half of all customers, is now offering electricity for an average 12 cents per kilowatt hour, a drop of 25 percent since 2008. Other smaller electricity marketers have even lower prices.

But here's where what seems like a "good news" story takes a turn:



Rita Gibson is a ratepayer in Houston who tries to shop around for the best deals on electricity, but when asked if she had any idea how much she was paying she responded with a laugh, "The kilowatt stuff? No clue!"

Gibson and some her coworkers were on their lunch break downtown and took a few minutes to talk with 11 News. They were clearly savvy customers, studying offers from the dozens of companies trying to compete with Reliant and signing contracts with the cheaper ones.

They said it's frustrating as prices drop but their rates are locked in.

"You have to stay with them 'til the contract's over," said ratepayer Debra Hill.

That raised a big question. We asked the power companies, including Reliant, exactly how many customers are paying the lower rates. The companies refused, saying that information is kept secret.

Therefore, it's unknown how many customers are locked into contracts.

A contract that a customer signed nearly two years ago, which was examined by 11 News, showed fine print that read: "The average price you paid ... is 18 cents per kilowatt hour."

That's a whopping 50 percent more than those recent offers of 12.2 cents.

"That's a major problem," said Geoffrey Gay, a utility rate attorney with the Austin law firm of Lloyd Gosselink.

He said the way the supposedly competitive market is set up in Houston, customers are paying far more than the cost of making electricity should warrant.

Gay said if Houston's prices reflected the true cost, "We could have saved billions of dollars – and that's with a 'B'."

For comparison, 11 News drove north of Houston to the town of Livingston in Polk County, where things are a lot different when it comes to electricity.

"That's right, there's no contract," said Keith Stapleton with the Sam Houston Electric Cooperative.

In Livingston, ratepayers sign no contracts and there are no competing electric companies. There is just one company, the Sam Houston Electric Cooperative.

"We try to keep rates as low as we can," said Stapleton. And for years, that has meant that electricity here has been 30 percent cheaper than in Houston. In the past year, though, the prices offered have become roughly the same, with people in Livingston paying 11 cents per kilowatt hour.

But that number doesn't tell the whole story. Sometimes, customers get surprise rebates, because even as the co-op charges what in Houston would be a low price, it sometimes makes too much money.

"Whatever extra money would go back to the members," said Stapleton.

Two months ago, the co-op refunded \$5 million to its 50,000 customers.

"And the average credit returned was \$68," said Stapleton.

Spokespeople for the electricity companies that do business in Houston, Walt Baum and John Fainter of the Association of Electric Companies of Texas, said they couldn't comment on how the Sam Houston Co-op does business, because it's not a member of their organization.

But they did say it's up to customers in Houston to seek out the best deals by researching online databases.

Some customers say that's easier said than done.

For example, the so-called "facts label" available on power company websites tells customers they can figure the cost of their electricity by using this formula: "Gas Multiplier x the NYMEX gas price."

"Who knows what those mean," said Rita Gibson.

Critics of the industry will be asking the Texas Legislature next year to demand a better, easier way for Houston customers to take advantage of the lower prices for power.

**Add another comment**