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Statement of Geoffrey Gay, general counsel for several groups of cities that participate in both the regulated and deregulated energy markets.

“The Texas Public Policy Foundation, an Austin-based organization consistently cited by the electric industry to lend credence to anti-consumer policies, has released yet another misleading report about the dismal record of electric prices under deregulation. Here are the simple facts: for years before deregulation, Texas residential consumers paid rates below the national average. For years after market restructuring, Texans have paid rates above the national average.

But in its report released Tuesday, the TPPF cherry-picks a single year prior to market restructuring — 2001 — and compares inflated rates that year to rates today. Completely ignored in the organization’s analysis is the fact that 2001 was a transition year in which Texans paid inflated rates because of deregulation. That is, the Texas Public Utility Commission agreed to pack bills in 2001 with various charges associated with the transition to deregulation. This is not a matter of dispute. But the TPPF nonetheless uses the inflated rates from 2001 as a straw man for all pre-deregulation rates, and completely ignores more than a decade of pre-deregulation rates prior to 2001. This has been a common bit of hokum perpetrated by the industry ever since the market opened in 2002.

The TPPF also purports to make an honest comparison of average rates nationwide with average competitive rates in Texas. But there’s no word as to just how (or if) the TPPF weighs its figures. And without some sort of weighing mechanism, such figures are worthless. That’s because simply comparing averaged offered rates without some consideration as to how many customers receive electricity through each offer will result in erroneous comparisons. Also, there does not appear to be any consideration in the organization’s numbers for the various customer charges and other hidden fees commonly included in competitive offers.

Shockingly, the organization also claims that somehow Texas compares favorably to neighboring states. But a review of the most recent United States Energy Information Agency data shows that average residential rates in Texas are 18.5 percent higher than average rates in Oklahoma — and a whopping 50.1 percent higher than average rates in Louisiana. The only way that TPPF manages to find good news in these abysmal figures is by

The Cities Aggregation Power Project, Inc. is a political subdivision corporation and registered aggregator for more than 100 member cities and utility districts, all of which are located in areas of Texas that are open to retail electric competition. CAPP’s members are concerned about the effect of energy costs on their own budgets as commercial consumers, but are also troubled by the impact of needlessly high electric rates on residential consumers and economic development. More information is available at <http://www.capptx.com>.



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comparing apples to oranges — another old industry trick — and comparing lowest-cost offers in Texas with average offers in these nearby regulated states. But because of fixed-term contracts, it's not likely that most electric consumers in the deregulated market can take advantage of the lowest prices on any given day, even if they were inclined to shop for them.

And finally, the organization further clouds the issue by adjusting their figures for inflation. This is a misleading gimmick because commodity prices go up and go down in a manner very separate from inflation. Consider, for example, that natural gas and gasoline prices today are well below pre-recession prices. This has nothing to do with inflation.

The fact of the matter is simple: Texas residential electric rates for many years prior to deregulation were below the national average. But for the years after restructuring, Texas residential rates have remained consistently above the national average. It's time for the industry and its allies to stop spreading flawed excuses for a flawed system and instead join with consumers to work for a more competitive market that results in lower prices."

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