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## Debunking Myths about Electric Deregulation in Texas

By Jay Doegey, chair of the Cities Aggregation Power Project

Despite years of price increases, power generation companies keep insisting that Texans were dealt a winning hand with electric deregulation. Of course anyone who pays an actual light bill doesn't buy into this fiction. But the industry lobby continues undeterred, especially in Austin. Their apparent mission: cloud the issue so as to block meaningful reform.

The 81<sup>st</sup> Texas Legislature is in full swing, and so is the industry. Its lobbyists are busy peddling to lawmakers their cherry-picked statistics, or offering up excuses that don't bear up to serious scrutiny, or changing the conversation away from consumer prices. They finance weighty-looking reports and skewed polling data. They hide behind the very complexity of the market in an attempt to explain away its flaws.

For our policymakers trying to do right by their constituents, cutting through this bewildering fog can be a challenge. We recognize this. So in an attempt to clarify the issues, our non-profit coalition of cities has identified six common myths we've seen perpetrated by the industry, and we dispel them here with the facts.

\*The industry claims that relative to electric prices in other states, Texans aren't really any worse off now than they were before deregulation. This ignores more than two decades of pricing data that shows that for years before the deregulation law, Texans paid rates below the national average. After market restructuring, Texans consistently have paid prices above the national average.

\*The industry argues that in creating the market system, Texas avoided defects found in other deregulated states. This ignores recent annual data from the federal government showing that since the deregulation law, electric prices have increased by a greater percentage in Texas than they have in most other deregulated states.

\*The industry argues that the increases in electricity prices in Texas are almost wholly

explained by increases in the commodity cost of natural gas, which fuels many of our generating plants. This ignores the fact that prices are higher in Texas than they are in surrounding states with a similar reliance on natural gas. Our deregulation law has not dampened the effect of natural gas prices on electricity prices—it exacerbates it by allowing generators to price energy from nuclear and coal plants as if the energy came from gas-powered plants.

\*The industry claims that because electric prices have gone down in the last few months, that deregulation is working. This fails the common sense test. Prices have gone down all across the nation, regardless of whether states have regulated or deregulated systems. This is a function of the downturn in the national economy, not the Texas deregulation law.

\*The industry claims that our deregulation law is good for business. A recent *Wall Street Journal* article quoted the head of one of the major business trade groups in Texas as saying that manufacturers in the state “look at Georgia and Alabama and see that (electric) prices are half of what they’re paying.”

\*The industry claims that Texans get better deals under deregulation than under the previous regulated system. However, a recent survey of low-cost providers in every service territory open to competition reveals that even the lowest-cost fixed-rate deals cannot match the last available regulated rates, or even those deals available today in many areas of Texas outside of competition. And the lowest-cost providers commonly offer deals not open to all Texans. These low-cost deals also include plenty of hidden charges.

That Texas is worse off today because of the electric deregulation law will come as no surprise to anyone who actually pays a light bill. It’s time for the industry to stop obscuring the facts in order to protect a flawed system. Urge your lawmaker not to buy into their tired excuses. Tell them the time for reform is now.

*Jay Doegey is chairman of the Cities Aggregation Power Project, a non-profit coalition of municipal consumers that advocates for affordable energy in the Texas electricity market.*