



"Owned By Those We Serve"

Rio Grande Electric Cooperative, Inc.

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A Message From The General Manager/CEO

By Daniel G. Laws

"...looking at deregulation through rose-colored glasses."

There has been, and continues to be lots of hype and misinformation circulating about the status of deregulation in Texas. Granted, it is a confusing issue for even those whose business it is to stay informed, but consumers are more perceptive than deregulation advocates think. Recently, industry publications and newspapers around the country have been buzzing about the decline and fall of deregulation. One such report is "A Discouraging Word (or two, or three, or four) About Electricity Restructuring in Texas, Pennsylvania, New England and Elsewhere". The long-winded, but true title of a recent Consumer's Union report by Dr. Mark Cooper, pretty much sums up the status of deregulation in Texas and elsewhere. Cooper states, "Texas consumers have experienced repeated price increases under deregulation." In his report, Cooper states, "Prices have been rising relentlessly in Texas for both default utility service and the service offered by competitors, so there are no consumer benefits from competition. In fact, the only things rising faster than prices in Texas are consumer complaints – they quadrupled in the second year of restructuring. It should come as no surprise, then, that few residential customers have switched in the context – 93 percent are served by their old utility."

Texas consumers aren't the only ones wondering about the load of rubbish they've been handed in the form of deregulation. News articles throughout the country are showing up with headlines about angry consumers who not only aren't saving any money — but are actually being charged more in a deregulated market than before. In fact, California has enacted legislation to try to reverse the deregulation fiasco in that state. Ohio started out their deregulation experiment with 38 certified suppliers to sell electricity. All but two have now dropped out of the race. "Pennsylvania retail competition has been imploding," writes Cooper. At the peak of deregulation in Pennsylvania, over 500,000 consumers had switched providers. The number who have switched has been cut in half.

The states I've mentioned are not the only ones to have tried and failed at successfully deregulating their energy markets. Even Canada tried deregulation, and, at first, hailed it as a success. Now, the Canadian government has stepped in by expanding rate caps to additional classes, and has ordered refunds. Connecticut, also hailed as a successfully deregulated state, has now lost its last competitive company serving residential customers.

Reports charge the Federal Energy Regulatory Commission and Congress with turning a blind eye to the problems in so-called successfully deregulated states. In Texas, certain Investor Owned Utilities and even the Texas Public Utility Commission are still looking at deregulation through rose-colored glasses – refusing to acknowledge the enormity of the problems that exist. Only somewhere around 6% of Texans who are eligible to select an alternate energy provider have done so. The remaining 93.something % of the population has remained with the same provider they had when the deregulation experiment began. The deregulation advocates believe that if they keep beating the drum long enough and loudly enough, people will believe them. I believe that people are smarter than that.

From the very beginning of deregulation in Texas, Rio Grande Electric Co-op has kept an eye on various aspects of deregulation. We've always said that what might work for Houston or Dallas, probably wouldn't work for rural Texans. It would appear now that it isn't even working that well for urban areas. Because the legislature gave co-ops and municipalities the option of whether to participate in a deregulated market, we have been able to "wait and see" what effects would befall those who opted in. Rio Grande still believes that taking care of our members is job one. The more problems occur in deregulated states, the more convinced we are that, for our members, we made the "Smart Choice".