

Electric Deregulation – Does it Help?

by Kaye C. Corprew

Welcome to change. As of January 1, 2002, all electrical customers, including water districts and water supply corporations, now have the option of choosing their supplier of electricity and electrical services. As industry and consumers have experienced in recent history, service deregulation such as telephone, trucking, airlines, and pipeline transportation has brought forward many opportunities and challenges, and some pitfalls. All of us in some way have had first-hand experiences with the choices that deregulation has caused. For example, how many times have you changed long distance carriers? Through choices, we can possibly lower our costs, but we may have to alter our behavior patterns in order to accomplish lower costs. Haven't you found that the only real way to reduce phone charges is to make your calls at midnight? Electric deregulation should offer similar challenges and changes.

On October 12th JRP offered a panel of Houston-Galveston Area Council (H-GAC) and Texas Conference of Urban Counties (TCUC) representatives. JRP clients and invitees got to talk face-to-face with H-GAC and TCUC officials. This type of forum can greatly facilitate understanding and can bring important issues forward. JRPB will continue to engage other knowledgeable sources to convey more light upon the deregulation issue, to assist its clients with key decisions, and to provide leadership in those areas that benefit water district and water supply corporations.

In current time, the advent of electric deregulation offers the possibility of immediate savings in the calendar year 2002. As with all possibilities, there can be downsides as well. The options available to small commercial users, such as water districts and water supply corporations, are:

- I. Purchase electricity through an aggregator, such as H-GAC Energy Purchasing Corporation or Texas CUC Aggregation Project, Inc. (TCAP);
- II. Negotiate the purchase of electricity directly with electrical suppliers;
- III. Negotiate the purchase of electricity with the local service provider to maximize efficient use under current and post-deregulation rates and schedules; or
- IV. Do nothing.

Economics should drive the user's decision as to which option to choose. As with all economic decisions, the reward and risk analysis should provide the proper guidance. These options may offer lower operating costs, operational challenges (selective peak load operations) or contractual obligations (term requirements or possible penalties) that some users may feel are too binding. As with all contracts, caution and clarity are needed. Notwithstanding the positives and negatives, electric service deregulation requires thought and attention, and may offer substantial cost reduction to many small commercial power users.

One other consideration that political subdivisions may want to consider in the future is the aggregation of electricity for their residents. A water district, acting alone or

through an aggregator, can negotiate the purchase of electricity and energy services on behalf of its residents.

Contact your water district attorney to evaluate your situation and develop a plan for the new deregulated system.