Rio Grande Electric Cooperative, Inc.

Update

February 2014

A Message From The General Manager/CEO

By Dan Laws

". . . deregulation has fallen way below expectations."

In 1999, the Texas Legislature passed sweeping legislation that de-regulated the electric utility industry for the majority of Texans within ERCOT (the Electric Reliability Council of Texas). In doing so, retail consumers for the first time in history were able to choose who their electric energy would come from. Prior to this, the electric utility industry was vertically integrated. Investor-Owned Utilities owned the commodity (wholesale generation), the transportation network (transmission lines), the local delivery system (distribution lines), and the store (retail sales). In other words, they controlled the entire market. Deregulation legislation sought to undo this model and create a new paradigm, but without regulation.

The idea was that the market would police exploitation and starve out those that were not competitive. The market works well for products that have a lot of competitors. It works well when it is something we can choose to do without. Unfortunately, when it comes to things that are foundational to our lives, like clean water and air; it doesn't work as well. During the 1999 legislative session, I suggested to everyone who would listen in Austin that electric energy is very much foundational to our lives and, like clean air and water, should not be in the hands of those that buy and sell for profit. Nevertheless, Senate Bill 7 passed with little opposition, even from those that claim to be watch dogs of the public's well-being.

Full implementation of Senate Bill 7 was accomplished ten years ago; so what are the results? Did consumers save money? Was reliability improved? Did the market maintain an adequate supply of electric energy? The short answer is no to each of these questions. A recent article in the Houston Chronicle announced that, according to data provided by the Texas Coalition of Affordable Power, Texans paid some $22 billion more for electric energy in de-regulated areas of the state than consumers in regulated parts of the state. On January 7, 2014, the Fort Worth Star Telegram reported that thus far the market place has not delivered the capacity needed to sustain the state's electric energy needs. The article goes on to say that during the recent Arctic blast ERCOT sent out an Energy Emergency Alert 2, which asked consumers to set thermostats to no higher than 68 degrees. The alert further asked that larger appliances not be run during peak hours each day. This was done because of limited capacity in the state. Finally, two large plants went off line during a critical period, demonstrating that reliability is still a big question mark.

So, what did change when deregulation came into being? According to an article in the Burnt Orange Report, dated December 30, 2013, the salaries of Investor-Owned Utility CEO's went up! The average CEO earned a salary of $2.7 million a year, prior to de-regulation. By 2011, ten years after startup of deregulation, the average CEO salary had risen to $7.5 million a year, a 175% increase. It kind of makes you wonder, doesn't it? The truth is, deregulation has fallen way below expectations. The only reason you don't hear more of a clamor about that failure is the fact that the roughly 120 municipal and cooperative systems are still operating in the same manner they always have -- striving each day to meet consumers' needs in the most cost effective way.

If you rely on electrically-powered medical equipment, please see Critical Care member information on pages 4 - 5.