

Fact Checking the Fact-Checkers: Electric Price Claims Lack Context

During last night's Democratic primary debate, Mayor Bill White claimed, "In 1999, utility rates in Texas were lower than the average in the rest of the nation. Now our residential utility rates are higher than they are in the rest of the nation including neighboring states like Oklahoma or Louisiana."

PoliTex, from the *Fort Worth Star-Telegram*, declares this "mostly true," while the *Dallas Morning News* Trail Blazers Blog claims that the statement is "absolutely true."

These statements are misleading. The fact-checkers assessments of Bill White's statement omit the underlying factors and context that affect electric prices.

The fact is, the competitive electric market opened in 2002, not 1999. The interim between those dates saw what was then the largest spike in natural gas prices in history. Given that Texas' electric generation portfolio is heavily dependent on natural gas, this is far more relevant than restructuring for affecting electricity prices.

Natural gas prices fell prior to the start of competition, and the opening of the market saw an across-the-board six percent decrease in the "price to beat," the still-regulated price consumers paid for service (as opposed to the "jump" in prices claimed by the Trail Blazers Blog) if they didn't switch to a new retail electric provider (REP).

The price-to-beat expired on December 31, 2006, which is when true competition began—with each REP free to compete fairly in the competitive market.

Fact: Customers in all competitive areas have lower inflation-adjusted prices available today than before competition began

Today, the price of natural gas is 111% higher than it was the day the market opened (73% when adjusted for inflation). Yet consumers have offers available in the competitive market are actually lower than the inflation-adjusted prices of 2002.

Moreover, according to the most recent data available at the Energy Information Administration's Electric Power Monthly, the average residential electric price in Texas has fallen by 4% between the months of January and

Service Area	Lowest Fixed-Price Offer (>6 month term)	Lowest Variable Price Offer	Dec. 2001 prices, not adjusted for inflation	Dec. 2001 prices, adjusted for inflation
AEP Texas Central	10.9¢/kWh	9.1¢/kWh	9.6¢/kWh	11.7¢/kWh
AEP Texas North	9.9¢/kWh	8.8¢/kWh	9.6¢/kWh	11.7¢/kWh
CenterPoint Energy	10.6¢/kWh	8.8¢/kWh	10.4¢/kWh	12.7¢/kWh
Oncor	9.8¢/kWh	8.2¢/kWh	9.7¢/kWh	11.8¢/kWh
TNMP	9.8¢/kWh	8.1¢/kWh	10.6¢/kWh	12.9¢/kWh

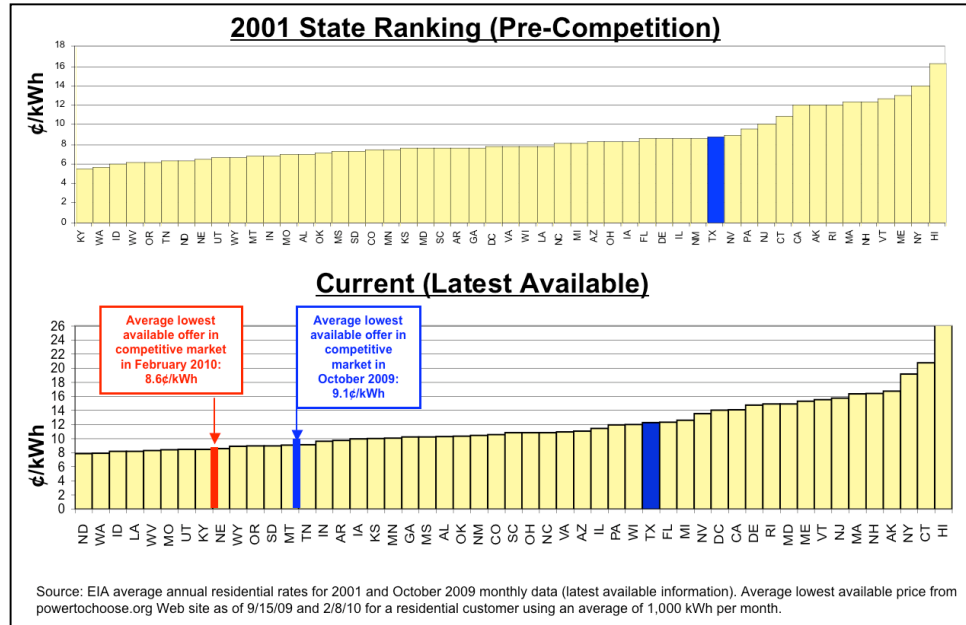
Sources: PUC Historical Data, Bureau of Labor and Statistics, www.powertochoose.org offers as of February 8, 2010



October 2009 (latest available). When you remove Texas from the nationwide calculation, the average residential electric price in the rest of the nation has risen by 8% over the same time period.

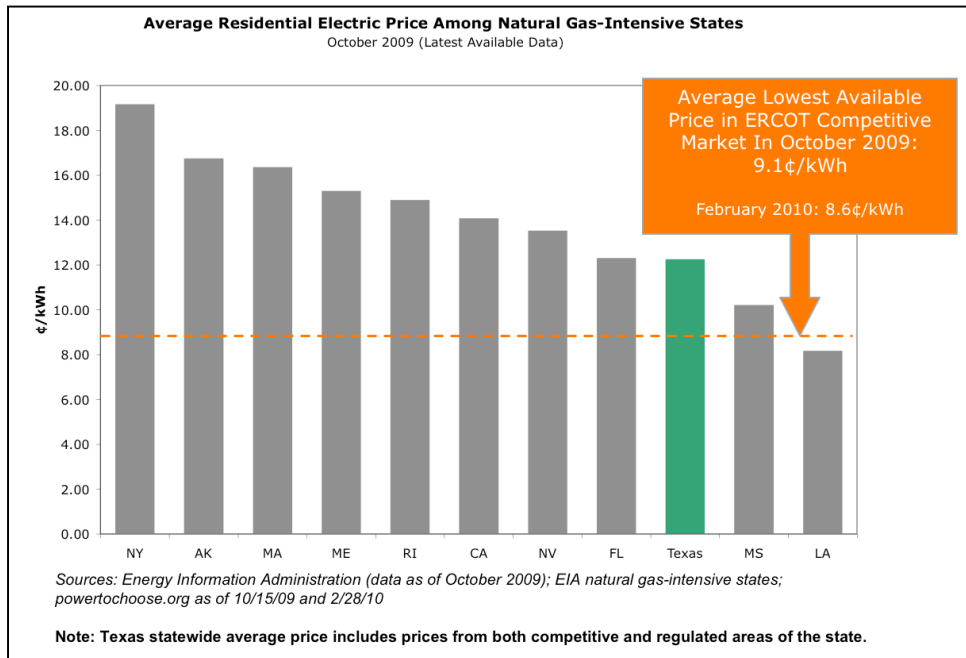
Fact: The notion that Texas' electric prices have always been low is a myth

Just prior to the start of competitive choice in December 2001, Texas had the 14th-highest average electric rates in the country. As of October 2009 (latest available data), Texas has the 18th-highest average price, and customers in the competitive areas of the state have the opportunity to choose from a range of offers that meet their needs.



Fact: Texas continues to perform well compared with other states utilizing natural gas

Electric prices are affected by the cost of wholesale power, which, in ERCOT, is largely dependent upon the price of natural gas. Among states with predominantly natural gas-fired generation, Texas has the 3rd-lowest average residential electric price, according to the most recent available data. And customers in the competitive areas of the state have the opportunity to choose from a range of offers that meet their needs.



Fact: Comparing Texas with neighboring states is a red herring

States identified as having prices lower than prices in ERCOT also had prices that were lower than the competitive areas prior to competition. Oklahoma and New Mexico tend to have lower average prices than Texas because their primary fuel for generating electricity is coal. Oklahoma also has mostly flat population and economic growth, requiring less new generation and transmission incorporated in rates.

While Louisiana does use natural gas, it is part of the larger SERC grid which includes more coal and nuclear power. Also, due to recent storms, Louisiana has low population growth, which results in fewer needed power plants.

Fact: The study cited by the Dallas Morning News is flawed and outdated

The Trail Blazer fact-check cites a study performed by the Cities Aggregation Power Project that compares data from 1999 to 2007, choosing a time of low natural gas prices as a starting point and an end-point that does not take into account the rapid decreases in prices in 2008 and 2009.

The study included many of the same flaws described here, as it did not acknowledge the fuel mix, the offers available in the market, or even the high prices seen in many areas served by municipally-owned electric utilities and electric cooperatives. In fact, an analysis of the same Energy Information Data used by the Cities Aggregation Power Project by the Northbridge Group (“Embrace Electric Competition or It’s Déjà vu All Over Again,” October 2008) came to a completely different conclusion, showing that rate increases in gas-dependent restructured and regulated states from 1997-2007 have tracked each other very closely.

Verdict: The fact-checkers assessments of Bill White’s statement omit the underlying factors and context that affect electric prices.

In short, ERCOT has faced a number of challenges—including the growth of energy users in the state, increased demand for electricity and high and volatile natural gas prices—over the past eight years. Despite these challenges, the competitive electric market has still benefited customers by offering fair prices, multiple offers and continued reliability.

Thus, the claim regarding electric prices in Texas omits the full story of the market.

