Electricity dereg: At what cost?

by Marsha Freeman

With the bill to deregulate the U.S. telecommunications industry having been signed into law in February, the campaign by the free marketeers to deregulate the electric utility industry is now taking center stage. As Rep. Dan Schaefer (R-Colo.), chairman of the Commerce Committee Subcommittee on Energy and Power, stated at hearings on Feb. 27, "Thanks to the fine work of this committee in deregulating the local telephone companies, the electric utility industry is the last great monopoly of our time."

Proposals for radical deregulation of the electric utility industry are under consideration in a majority of states in the nation, and by the Federal Energy Regulatory Commission in Washington. On Feb. 29, the National Association of State Utility Consumer Advocates (Nasuca) held a conference on Capitol Hill to consider what the effects may be on residential electric utility customers if the industry is "restructured." There is much concern that electric rates for small residential customers may well rise under this new regime of "competition," as utility companies offer preferentially lower rates to large industrial customers, passing their losses on to the little guy, in the form of higher rates.

The cost of electricity and natural gas can have life-and-death consequences, which was made graphically clear at the conference by Pennsylvania Public Utility Commissioner John Hanger. He reported that in his state, over the last five years, 43 people had either frozen to death or were killed in fires at home after their electricity or gas had been turned off for non-payment. A comprehensive study done last year by the Wisconsin Public Service Commission, reported that programs that had been mandated by the state government to prevent winter interruptions of service due to non-payment of bills, would no longer exist in a deregulated industry.

Concern about the impact of rising prices on the poor was also expressed by Paul Greenberg, representing the Citizens Utility Board in Washington, D.C. Greenberg disputed the claim that prices will automatically come down under deregulation, and pointed out that the current system has provided rate subsidies to low-income customers in order to keep them connected to the electric grid. Greenberg pointed out that one of the ways utilities will seek to remain "competitive," will be to try to cut costs through reducing wages and benefits for their employees, as has been carried out in the airlines and other deregulated industries.

In addition to the myth that prices will come down after deregulation, is the myth that the reason costs will come down is because companies will be more "efficient." Since the push for electricity deregulation began in the late 1980s, tens of thousands of jobs have been lost in the utility industry, as companies found that cutting the payroll was the fastest way to reduce costs. On Feb. 21, the executive council of the AFL-CIO issued a statement on job security in the electric utility industry. It said that the move toward deregulation, "combined with emerging international environmental commitments related to global climate change, threaten the hundreds of thousands of union jobs that depend on the stability of the electric utility industry, while shifting costs to smaller scale consumers. Claims of universal benefit associated with fully open competition for electricity supply are exaggerated and not well founded."

"The U.S. electric utility industry employs directly and indirectly more than half a million workers and is a critical component of our national economy," it continued, warning of the twin likelihood of job loss and increased residential rates from "radical deregulation."

'Celebration of competition'

Few voices, with the exception of those concerned about the poor and the AFL-CIO, have been raised against the madness of deregulation. William Massey, an Arkansas lawyer who was appointed to become a commissioner on the Federal Energy Regulatory Commission (FERC) by President Clinton in 1993, said at the Nasuca conference that we are now "in the midst of a celebration of competition." He stated that from increased competition "will arise the public good," in contradistinction to the fact that the electric utility and other industries were regulated by the government 60 years ago, because the public good was *not* being met by the financial speculators who had control of this key infrastructure.

Massey stated that what was driving deregulation was the "irresistable concept of customer choice." What people believe, he said, is that the "invisible hand of the marketplace" is the best way to go. He cited the "successes" of the 1978 airline deregulation, and the 1980 Staggers Act that deregulated rates on the railroads, but he did not offer any thoughts on the relationship between deregulation and the recent rash of rail crashes.

Although his presentation was organized entirely to fall in line with free market and deregulation rhetoric, Massey said that universal service guarantees are essential for rural customers, and that deregulation should not be done on "too broad a sweep." A representative from the American Association of Retired Persons was skeptical, and told Massey that since natural gas was deregulated, the price has gone down at the wellhead, but up for residential customers. What this portends for electricity rates, no one was anxious to answer.