

Electric Utility Deregulation

BACKGROUND

For nearly half a century Washington state has enjoyed some of the lowest electrical rates in the country. Those days may now be over, thanks to national and regional efforts to "deregulate" the electric utility industry.

Those pushing laissez-faire deregulation claimed it would lower costs and improve service simply through the magic of free-market competition. But their experiments in states like California have yielded disastrous results, creating an energy crisis that spread throughout the West in 2000 and created dramatic spikes in cost and lapses in availability. (Deregulation proponents are blaming the price caps and other regulations retained in an effort to protect consumers for the crisis.)

Deregulation opponents have long argued that large industrial customers with lucrative accounts would successfully demand lower costs, but individual households would lack this bargaining power and utilities will have little incentive to devote resources to maintaining or improving service to outlying rural areas where there are few customers.

Indeed in 1996, Boeing, Intel, Georgia-Pacific and other industrial users got approval from regulators to break away from Puget Sound Energy's fixed prices and buy electricity at market prices. Sure enough, it was a great deal... until this year when the market zoomed upward. A megawatt-hour that sold for \$27 in Winter 1999 hit \$800 a year later.

So the question remains, can stable deregulation be accomplished that ensures we *all* benefit, and that we avoid the cost spikes and availability lapses that have plagued businesses and households in 2000? So far the answer appears to be no.

LABOR'S POSITION

In October 1997, the following position was adopted at the WSLC regional Conference on Electrical Deregulation,



The widespread short supply of electricity and the peculiarities of the commodity itself have given generation companies enormous leverage in the marketplace. Unlike most other goods, electricity cannot be stored to be used when there is a shortage. Nor is it something consumers can do without, which means the companies that supply people with electricity will pay just about any price to keep the lights on.

— "A Dwindling Faith in Deregulation," *The New York Times* (9-15-00)

and subsequently endorsed by the WSLC Executive Board:

Any discussion of legislation to "deregulate" or "restructure" electrical power must center on the question of **how the proposed changes will improve the lives of the people of Washington state**. The cost of electricity in our state and the Northwest is the lowest in the nation. It is environmentally friendly, sustainable, and an essential component of basic living for all citizens.

There is now a national, regional and state level interest in "deregulating" or "restructuring" our electrical resources. The primary movers of this effort are many large industrial consumers and a significant sector of the electrical utility industry. The issues of electrical deregulation are large and complex and affect every resident of our state. They have serious implications for public and private utilities, the environment and our quality of life.

The labor movement, representing the working people of this state, believes this is not the appropriate time to pass any legislation that would, in any way, further deregulate the generation, transmission, or distribution of electrical energy in our state. We firmly oppose any federal legislation that would either "deregulate" or "restructure" the electric industry or require states to take such action.

Much study of this issue and its impact on the people of Washington is required. Such a study must include all the stakeholders. Among the issues that must be addressed are:

1 There must be measurable standards that ensure increased system reliability, consumer and worker safety and a system for monitoring and enforcing these standards.

2 We must ensure that all consumers, including fixed and low income, have access to basic, affordable, and reliable ser-

vice with continuation of funding programs that assure uninterrupted service.

3 We must ensure that any net costs or benefits resulting from "deregulating" or "restructuring" will be shared equitably between all electric users with no cost shifting.

4 We must assure continuing investments, at least at present levels, in public purpose programs, including energy efficiency programs, renewable resources, low income support, and other environmentally sound practices.

5 We must maintain at least the same level of public services we presently enjoy as a result of revenues produced by the utility taxes. Contributions to state and local revenues must assure that local public services are financially stable and support the quality of life to which the people of Washington are accustomed.

6 There must be significant consumer education and full disclosure prior to any possible "deregulation" and comprehensive consumer protection legislation must be passed.

7 There must be continuing public power and public participation in the utility business.

8 We must do everything possible to ensure the continuation of BPA as a valuable, publicly owned regional resource and retain preferential access to low cost Northwest resources, including those of the BPA, for all Washington electrical consumers.

9 All negatively impacted workers must be accounted for as stranded costs.

Organized labor insists that electrical "deregulation" or "restructuring" should only be considered if it can be demonstrated that it will *improve* the lives of the people of Washington state.

So far, deregulation schemes have accomplished exactly the opposite.