



The following article was written for and had been published in the April 2010 edition of "The Source" - Newsletter of the PA Tourism and Lodging Association .

A Historic Review, De-Regulation and Its Outcome?

By James R. Behr

In The Beginning - There Was Natural Gas: Deregulation supposedly originated in the mid 1980's as a good idea to foster competition and ultimately create lower natural gas prices. What most did not know was that the largest and smartest consumer's of natural gas, specifically large industrial users, didn't normally buy from the local utility, they purchased their needs from the companies that owned the gas wells and paid the utility a delivery fee for the use of their pipes.

Then There Was Light: The Federal Energy Regulatory Commission (FERC) ultimately required any utility that allowed industrial end-users to purchase their own natural gas supplies to go "open access" and formulate rules allowing similar sized customers to do the same. This was intended to "level the playing field". This was the beginning of the end. Don't get me wrong, savings were spectacular, often exceeding 50% of what the utility would charge. But, now everyone wanted a piece of the action, especially the utilities. Why should they be forced to give up all this money?

Time Marches On: Over the next 8 to 10 years, various States' Regulators began reviewing the process known as Transportation Gas and started to re-regulate the industry. Throughout the process smaller and smaller end-users were permitted to avail themselves of the process and save money. However, the utilities protested at every step along the way, claiming they would be hurt or other customers would need to pick up more of their fixed costs. Regulators were familiar and comfortable with the utilities, after all in a regulated industry they never needed to deal with anyone beyond their "good old boys club", Thereafter, State Regulators granted almost everything the utilities wanted. As an outsider, believe me, it was hard to get a word in, anyone filing a protest was almost invisible.

Evolution Continues: When the dust finally cleared most savings had evaporated, almost vanished, 50% plus savings became 8% to 10% and we all had to learn a new vocabulary that included words like: Standby Service, Capacity, No Notice Service, Balancing Charges, Transition Charges, Migration Fees, Over-tender Fees, Under-Tender Fees, etc, etc. One Western PA utility actually increased their Transportation Charges from \$0.96/Mcf to \$2.48/Mcf plus a Standby Charge and Balancing Charge.

Someone Was Watching: Electric utilities didn't like what was happening to their neighborhood natural gas utility. They also didn't raise a hand to help, rather, they silently watched from a distance waiting to be attacked and planning a counter-attack. One local Electric Utility Executive told me "they would never allow this to happen to their industry". He was correct!

The Tin-Man Has A Brain: Politicians and State Regulators "thought" they had successfully de-regulated natural gas and had developed a taste for blood. They went after the electric utilities, because they "thought" de-regulation would promote competition. They actually "thought" someone would be willing to invest upwards of \$1 Billion per plant to construct power plants in the name of competition. Electric utilities were forced to de-regulate, disassemble their large monopoly, breaking it into little pieces. Things didn't exactly work out as regulators had planned. Who do you think has the best lawyers? A State Regulatory Agency working under a budget, or a public utility that can spend whatever they want and then pass the cost to their ratepayers. The utilities also used a "high Profile" Lobbying Firm. Guess who paid the bills?

De-Regulation Is Almost Complete: On January 1, 2011 Pennsylvania's electric utilities will be almost completely de-regulated. The remaining Rate Caps are scheduled to expire throughout the State. End-users in the PPL Service Territory experienced a 37% increase on January 1, 2010 due to expiring Rate caps. Throughout that process the PUC has methodically and deliberately dismantled a process that evolved with the industry and worked for everyone. Previously, the utility had an obligation to serve that included building sufficient power plants to meet the needs of its customers. Throughout the process the utilities have sold off their generating facilities, generating large sums of money. They now only deliver electricity to your facility. You must go out and purchase what you need.

The Aftermath: Unfortunately, there has not been a major power plant constructed in this country for over 25 years. There are numerous Wind Farms, Solar Arrays and other small stuff under construction. None have sufficient generating capacity to power a steel mill. Most only survive due to healthy government subsidies.

Fallout: Once again, our politicians and PUC have intervened and enacted PA Act-129. Long after prudent building owners and managers have implemented energy reduction programs; they are faced with a mandatory surcharge to fund the reduction of electricity. The bottom line, those who took action to conserve must now underwrite the cost of this program and rebates to those who choose to do nothing.

In The End – There May Be Darkness:

Jim Behr is President of Energy Savers, Inc. a Pittsburgh Pennsylvania based company founded in 1982. ESI is licensed to market natural gas, electricity, demand response programs, energy related consulting service and is a Registered Conservation Service Provider. Jim has been involved in all aspects of de-regulation as it evolved and has presented expert testimony in numerous utility Base Rate cases and Formal Complaints before PA & WVA regulators as well as the FTC. ESI has received numerous energy awards from State & Federal Agencies and was profiled by Energy International Quarterly in their Spring 2009 edition. Jim can be contacted at BehrJ@EnergySaversInc.com

"Energy Alerts, Energy News and Energy Newsletters" are sent via email utilizing ESI's exclusive E-Cast system to our Customers/Partners and friends and are designed to alert you relative to problems with energy costs while offering sound advice to avoid financial pitfalls. Subject matter includes relevant tips on cost savings, utility management and maintenance necessary to control natural gas and electrical costs. Energy Alerts will be sent as events warrant, not on any set schedule. Future Alerts will inform you of developments in the regulate as well as deregulated energy markets. If for any reason you wish to discontinue receiving this free Energy Alert; click on the following link to automatically [unsubscribe](#). Your email address will be removed within five business days. This service is completely confidential and your name and email address will not be shared with any other source. Please feel free to contact us at your convenience at (412) 364-6468 or Info@EnergySaversInc.com.

Copyright © 2010 Energy Savers, Inc. all rights reserved