

## Advocates say power customers would benefit from lower prices

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MONTGOMERY - A choice of power suppliers will usher in an era of savings, innovative products and services, deregulation advocates from industry and government told state utility regulators on Tuesday.

If Alabama Power Co. is deregulated, new suppliers will compete for its customers, offering innovations ranging from in-home power plants to natural gas-powered air conditioners to ideas that people can't even imagine today, **said Ken Malloy, president of the Center for the Advancement of Energy Markets**. Malloy strongly applauded the national deregulation of wholesale natural gas more than a decade ago.

**"It takes my breath away to think of some of the innovations and benefits that have come about since the natural gas market was deregulated," said Malloy, who spoke on behalf of the state attorney general's office.**

Low-cost, gas-fired turbines used to generate huge amounts of electricity are actually a result of competition in the wholesale natural gas market, he said.

Malloy and eight other witnesses testified Tuesday in the second day of hearings before the state Public Service Commission. The historic hearings are designed to explore the shrewdness of letting competing power companies into Alabama, just as 25 other states have done or are planning to do.

Alabama Power officials, who testified Monday, are opposed to rapid steps toward deregulation, and stressed that the company's prices already are far below the national average.

Some of the state's biggest industries on Tuesday challenged that statement as a myth, and pointed out that under current state regulations, which have been in place since the early 1980s, Alabama Power's prices have risen in the last two years and more price hikes are planned.

"Alabama Power's rates are actually tied for the highest" among electricity prices Boise Cascade pays at the paper and pulp mills it operates in six states, said Robert Baxendale, the giant paper corporation's energy counsel. Boise Cascade's Jackson, Ala. mill is the company's largest, Baxendale said.

"We believe that these recent rate increases and a lack of competition in this state will come home to roost some day" by harming economic development, Baxendale told the commission.

**When the power company's prices are compared to Alabama's low per-capita income, they don't look so good, Malloy said. Alabamians on average pay 6.6 percent of their income to Alabama Power, while Californians pay only 5.1 percent for electricity. California has some of the highest electricity prices in the country and in 1998 deregulated its power industry. Critics have pointed out, however, that most consumers there have yet to see cost savings.**

Alabama's Public Service Commissioners on Tuesday stressed repeatedly that they want to make sure that residential customers would not be stuck with higher bills in a free power market. All of the deregulation advocates assured them that all customers would benefit from lower prices, better reliability and innovations.

"We have every expectation that residential prices will go down with competition," said Mark Thornton, an economics professor at Columbus State University in Georgia. He also spoke on behalf of the Alabama attorney general's office. "The savings may not be as much as that for industrial customers, but there will be a savings."

**PSC President Jim Sullivan challenged some of Thornton and Malloy's assertions, however. Malloy had said several times that deregulation of the wholesale natural gas market has resulted in lower gas prices for Alabamians and predicted that a deregulated power market would do the same.**

But Sullivan pointed out that the retail natural gas market in Alabama has not been deregulated. If a deregulated wholesale gas market has benefited retail customers, then, Sullivan asked, why must the electricity industry be deregulated all the way down to the retail customers?

While advocates pointed to other deregulated industries, such as railroads, bus lines and airlines, as examples of the benefits of competition, Sullivan expressed concern about those industries.

In his hometown of Andalusia, for example, bus and train service has disappeared since those industries were deregulated in the 1970s. "And do you know how much an airline ticket from Montgomery to Washington, D.C., costs now?" Sullivan asked. "It's gone up, not down."

Thornton said any deregulated environment will have some problems, but said that overall, service and prices have improved for most Americans.

**"All of the benefits of competition should not be erased because of a few aberrations," Malloy said.**

Gene Haines, the PSC's federal affairs advisor, also asked manufacturers if low electricity prices really made much of a difference in a company's decision to locate a plant.

"Electricity is 30 percent of our costs," said Ed Boardwine, president of Sim-Cala Inc., a Montgomery factory that smelts quartz into products for the electronics and metallurgical industries. "My competitors can buy it for less. So that puts me at a slight disadvantage. So that means I have to make it up by shaving costs on labor. That's not the natural way things should work."

The hearings concluded Tuesday. The commission has not said what steps, if any, it will take next on deregulation.

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