

Texas households struggle to cope with costs in record heat wave

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The state of Texas is experiencing the longest heat wave in recorded history, with July the hottest month ever recorded in Texas history. Austin, Texas has exceeded 70 consecutive days of over 100 degrees Fahrenheit (37.7 degrees Celsius), a record for that city of 800,000.

Even as September begins, Houston temperatures continue to surpass the 100-degree mark. In late August, Dallas and north Texas hit 104 degrees, the 56th triple-digit day of the summer. A dozen people died in Dallas this summer as a direct result of unrelenting high temperatures.

The combination of acute economic distress, reductions in utility assistance and the effects of this summer's unusually hot and dry weather is forcing hundreds of thousands of the state's residents to choose between medicine, food, shelter or paying their utilities. These are choices that can have deadly consequences.

In the summer months air-conditioning is a vital necessity in Texas cities. But it is increasingly out of reach for hundreds of thousands. The federal Low Income Energy and Heating Assistance Program (LIHEAP) provided up to \$1,200 annually in assistance to help pay for cooling to 126,000 households and to help pay with heat to 24,000 households in 2009.

State programs to help elderly and low-income households pay electric utilities in the summer have been severely curtailed. Upwards of 300,000 households have lost help to pay for air-conditioning costs, cut off from a state assistance program.

The average assistance is only 10 percent of bills and only in hotter months, down from 17 percent just a few years ago. In 2002, when the program went into effect, LITE-UP Texas gave more than 800,000 state households year-round help with their electric bills. Now it covers 500,000 and only during the hottest

months.

Money is collected through a fee averaging a dollar per month per household from ratepayers in de-regulated utility markets in the state. But in the past several years the state legislature has diverted money from the LITE-UP Texas program into the state's general fund. It has been used to cover holes in the budget for other state services.

By mid-summer of this year Texas had collected \$130 million in electric-bill fees but released only \$28 million in aid.

Texas is one of the poorer US states and systemic economic distress has been exacerbated by the ongoing effects of the 2008 recession. Unemployment in Texas is 8.2 percent, slightly below the national average but far above pre-recession levels. In 2009, the USDA said Texas families had food insecurity rates of 17.4 percent, far above the already shocking national average of 14.7 percent and higher than all other US states save Mississippi.

The state assistance fund was sold as a plan to temper the effects of price spikes in the unregulated electricity markets. De-regulation has been imposed in stages over the past dozen years. Texas is now a patchwork of different types of energy suppliers: regulated, municipally owned, rural electric cooperatives and unregulated utility companies. Where one lives largely determines which type of company provides electric service.

What a consumer pays can depend on profit-taking at many levels. A blistering report was released in February of this year partly sponsored by the Texas Coalition for Affordable Power, a group of Texas municipalities that purchase electricity in bulk for the needs of local government authorities. The report takes the Electric Reliability Council of Texas, or ERCOT, to

task in a number of areas. ERCOT is the quasi-governmental organization that manages the state's power grid.

“The Story of ERCOT” exposes a system rife with corruption, ineptitude and a heavy dose of profiteering by wholesale power providers, financial companies and other power companies.

One of the strongest charges in the report is that prices for energy in Texas are too high. “Prices below the national average were the norm prior to the adoption of the retail deregulation law. That trend has largely continued in Texas—but only in areas of the state outside deregulation. *The average residential price of electricity in deregulated areas of the ERCOT region has been as much as 42 percent above the national average.*”

“Deregulated electric providers within the ERCOT region typically charge more for electricity than providers exempted from deregulation. The price differential appears during every year for which there exists federal data to make the comparison.

“Households are affected by prices in the deregulated wholesale market with generators in Texas selling their power into the wholesale spot market at levels well above their marginal cost.”

They also point to a bonanza for financial companies providing funds for construction or new transmission infrastructure. The plan to switch from a more localized electricity system to a statewide energy market (called the nodal project) has required hundreds of millions of dollars for construction and other costs.

According to the February 2011 report, the quasi-public agency nearly quadrupled its debt in less than 10 years. Total debt went from \$40 million in 2000 to \$365 million in 2009. Much of the new debt is related to the nodal project. The project has consistently run over budget. At the same time, ERCOT's operating expenses have more than tripled.

The report gives a year-by-year analysis of Texas power deregulation initiatives. They give examples of events in the middle of the last decade noting: “Charges were brought in January [2005] against five former ERCOT officials and one contractor stemming from their alleged involvement in the 2004 procurement scandal. A Williamson County Grand Jury alleged the men had schemed to cheat ERCOT of \$2 million by

setting up phony consulting and security firms.”

Deregulation of power in Texas led to Enron-style spot prices for electricity from the day it started. In one instance wholesale prices spiked all the way to \$10,000 per megawatt hour, for electricity that generally cost \$10 to \$45 per megawatt hour. The price was adjusted downward only because of a \$1,000-per-megawatt-hour price cap in place at the time.

Also while residential prices leveled off a bit in 2010, wholesale electricity price spikes on the spot market are still far higher than the \$1,000 per megawatt hour seen in other parts of the US. A new market cap is set to go to \$3,000 per megawatt hour this year, according to the report.

Through a complicated pricing protocol, the electricity spot market responds to supply and demand crises. It could be affected by the hot weather in Texas this summer. The state is experiencing the most severe one-year drought in 44 years with drought-caused agricultural losses in Texas estimated at over \$5.2 billion. Water is so low that even cooling for power generation is threatened, leading to fears that electric generation plants could be forced off-line.

As in other US states, while hundreds of thousands of people suffer daily, billions line the pockets of the energy company CEOs. New schemes are devised in government and boardrooms at an ever-increasing rate, with operatives and officials determined to squeeze every last penny out of beleaguered residents. The poor and the elderly are systematically robbed of electricity, a simple human necessity since the early days of the last century.



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