

ELECTRICITY BILL SHOCKER

The Coming Texas Winter and Protecting Your Home or Business From Rising Electricity Expenses

By Alan Lamme

If you live and work in Texas, then you know how blazing hot our summers can be. The heat typically brings the year's highest air-conditioning-related energy expenses, as outside temperatures can regularly exceed 100 degrees. But as this 2012-13 winter approaches, potentially bringing notably colder-than-average temperatures, some electricity consumers could be in for a shock when they receive their energy bills in the months ahead.

Let's face it, there's a reason why Texas is known as the "Air-Conditioning Capital of the U.S." But over the years, there's been a growing trend in the residential and commercial construction industry: builders are more commonly installing electrically powered heaters in homes and buildings, instead of traditional natural gas heaters. This means that if Mother



Nature decides to throw a curve ball in the form of more frigid temperatures throughout Southeast Texas in the months ahead, what is usually considered a time for a seasonal reprieve from higher monthly energy costs could keep bills aloft.

Builders have been more frequently installing electric heating systems instead of natural gas systems because of these electric systems' ease of installation and maintenance, not to mention the reduction in the aggravation and complexity involved in building permits. Additionally, Southeast Texas typically doesn't have the sort of long-lasting, brutally cold winters common to parts of the upper Midwest or Northeast. In a nutshell, as long as winter temperatures remain relatively mild in Texas, electric heat can make sense. But if the winter is notably colder, then electric furnaces in Texas can be substantially more expensive to operate because of the extra energy required to distribute the heated air



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throughout a home or office.

In fact, according to recent U.S. Department of Energy (DOE) statistics, a nearly 30 percent increase in electric-based home heating has occurred in the last 12 years. A majority of these systems were installed in the last five to seven years.

Looking ahead, the long-range weather forecasting firm WeatherBELL Analytics (WeatherBELL.com) is forecasting a below-normal-temperature winter for parts of Southeast Texas in December through February, against a 30-year average. This means that not only are natural gas costs likely to rise in coming weeks and months as demand increases for the home heating and industrial fuel, but electric-based heating could also notably ramp up kilowatt-hour usage.

However, there are ways to offset the potential for increased energy bills. Right now, electricity rates in the Lone Star State are at some of the lowest levels since the Texas electricity market deregulated in January of 2002. This is because Texas produces a majority of its electricity from natural gas-fired power generation throughout the state. So, in essence, where the price of natural gas goes, electricity rates will follow. While there is currently a glut of natural gas supply in the U.S., which is depressing prices, the surplus of natgas supply could begin wearing away rapidly in 2013 and beyond. This is primarily due to an enormous drop in dry natural gas drilling over the last year, compounded with the onset of equally enormous new natural gas demand slated to emerge in the U.S. market in the coming months and years.

Because electricity rates are at such notable and historic lows, now would seem to be a good time for residential and business electricity consumers to consider locking in long-term fixed electricity rates to protect from the potential for a surge in rates in the relatively near future.

However, choosing an electricity provider in Texas can be a confusing task because so many providers and choices exist when it comes to terms and rates. Fortunately, there are some Texas-sponsored educational websites to assist consumers.

One of those websites is the Texas Public Utility Commission's (PUC) PowerToChoose.org website. This website mixes variable rates with fixed rates, so some filtering is needed to compare apples to apples. Variable rates are typically among the highest electricity rates due to market uncertainty, while fixed rates offer consumers more stability in their monthly bills. Additionally, fixed rates are easier to compare from provider to provider.

Overall, a good rule of thumb to remember is that shorter-term fixed-rate plans are cheaper than longer-term plans. When reviewing fixed-rate terms, six-month fixed-rate plans are typically the cheapest, while 12-month, 24-month, and 36-month plans have consecutively higher rates due to the way the market is priced for longer-term deals. However, it's very important to consider that when the market is at a historical low in terms of long-term electricity rates (as it is now), it's generally a wise decision to lock in to a longer-term price.

When selecting a provider, it's always smart to examine all of the

options before making a final determination regarding which provider to sign up with. Don't just choose the first electricity provider that you see.

By and large, most consumers are primarily price driven. In other words, usually the lowest rate gets the business. But there are some other things to consider, such as green energy or renewable energy plans. However, keep in mind that fixed-rate plans for 100 percent green or renewable energy plans are, on average, five percent to 20 percent higher in price than comparable natural gas or coal plans.

It's a good idea to confirm that the company you are interested in working with is a government-approved company. It's also advisable to review the company's history. Check online reviews, visit the Better Business Bureau's website, or simply visit with any customers you know who have used the company

before to get an idea of whether or not their customers like the quality of service. It's easy to check the "complaint scorecard" on the Texas PUC's website; it wouldn't be advisable to choose an electric provider that has received too many complaints.

Lastly, it's crucial to make sure that you understand what the price per kilowatt-hour (kWh) is going to be for your service. The lower the price per kWh, the lower your electricity bill is going to be, but sometimes there are higher monthly service charges or other hidden charges that offset the benefit of the lower kWh price. Overall, it's important to clarify the terms of your agreement. Make sure that you grasp any costs of cancellation or any other fees or penalties that the company might have written into their agreement.

The bottom line is that Old Man Winter could bring about higher

energy costs for consumers in the Southeast Texas area in the coming weeks and months, so now is the time to think ahead. Don't be afraid to ask questions or reach out to a professional who thoroughly understands the business. **N**

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