



COMMUNITY ADVOCATES
Where Meeting Basic Needs Inspires Hope

TO: Alderman Ashanti Hamilton

FROM: Andi Elliott, Interim Chief Executive Officer, *Community Advocates*

DATE: June 17, 2014

RE: Common Council File #131808

Community Advocates, established in 1976, is a basic needs advocacy organizations serving residents of Milwaukee. The mission of Community Advocates is to provide individuals and families with advocacy and services to meet their basic needs so they may live in dignity. The agency provides skilled and results-focused advocacy and services to individuals and families experiencing significant basic needs challenges (such as imminent loss of heating, lights, and/or other utilities; and housing-related problems). We urge the Common Council to reject a resolution (Common Council file #131809) proposed by Alderman Robert Bauman that seeks state legislation to essentially deregulate the electricity industry in the State of Wisconsin.

Community Advocates is one of the Energy Assistance providers for Milwaukee County and currently serves tens of thousands of energy customers who are low-income, on fixed incomes or are among the ranks of the working poor. We believe that the proposed resolution to deregulate electricity will have a negative impact on those customers. The current regulated environment with oversight by the Wisconsin Public Service Commission provides pricing controls; ensures reliable service and provides protection from service denial for those we serve.

While we share Alderman Bauman's concern with rising electricity costs, deregulation, or electric "choice" has not been successful in price reductions for consumers. Additionally, deregulation has often had the reverse effect of skyrocketing prices and a negative impact the reliability of our electric power.

Wisconsin was one of many states that examined electric deregulation in the late 1990s. Energy profiteers, like Enron, pushed states to adopt deregulation with promises of lower electricity prices and better service. After careful and extensive study, Wisconsin's Governor, State Legislature, and Public Service Commission decided against deregulation, and determined that maintaining a regulated utility model best served our state's citizens.

For states that deregulated, the results have been disappointing to outright disastrous. California experienced an immense energy crisis – power shortages,

blackouts, and out-of-control prices – caused by the manipulation of the market by energy suppliers. In Maryland, electricity rates increased by 60%, Illinois rates jumped 55%, and Pennsylvania rates increased as high as 53%. Today, the average electricity rates in “deregulated” states continue to be about 30% percent higher than rates in states with traditional utility regulation.

Especially hard hit in a deregulated market are low income customers and small businesses that competitive power suppliers do not find profitable. Energy marketers will often only offer attractive prices to the most profitable customers (big energy users) which shifts costs to everyone else.

Reliability and safety is also a concern with deregulation. Deregulated energy providers have demonstrated that they cannot be counted on to build sufficient generation to ensure reliable electric supply. Texas, New Jersey, and Maryland are taking steps to procure power because the competitive market is unable to supply enough power to their respective states. A recent news media investigation found that in states that deregulated the frequency and duration of power outages are up, maintenance of aging infrastructure has been deferred, and utility line workers have been laid off.

Thankfully, Wisconsin has avoided the perils of deregulation that other states have experienced. Within our regulatory framework Wisconsin policy makers, on a bipartisan fashion, have enacted laws that created substantial investment and jobs, greatly improved electric reliability, strengthened energy conservation and efficiency, and diversified our electricity supply while preserving a system of checks and balances that protects Wisconsin customers.

Lowering energy costs for low-income and working poor individuals and families who are struggling to make ends meet is a goal we share however, we believe that deregulation is the wrong approach. It is a deeply flawed approach that could cause serious harm to Wisconsin citizens over the long term. We, therefore, respectfully ask that you not support Alderman Bauman’s proposed resolution on energy competition.

Thank you for considering our views on this important issue. If you have any questions or need additional information, please feel free to contact me.

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