



BRIEFING PAPER:

Increased Electric Rates during Summer Months

SUMMARY:

As certified aggregators of electric power in all deregulated markets of Texas, it is our opinion that the claims put forth relating to energy savings to school districts in Texas by eliminating school days in August as reported in the September 2004 Special Report issued by Comptroller Strayhorn, Saving Summer: Lessons Learned, are accurate. Our experience and current energy markets supports claims that minimizing or eliminating school days in August would in fact provide significant savings for public schools.

SUPPORTING EVIDENCE:

- There are two main factors used to determine energy rates: peak demand and total kilowatt hours used during the month. The Public Utility Commission of Texas has approved rates during the summer months (June, July, August and September) which are higher for each kilowatt hour (due to a higher fuel cost factor charge). In addition, there is a base charge for the peak demand component of the tariffs and an additional surcharge for demand in excess of the amounts on which the base charge is determined. Because of the higher outside temperatures during the month of August, the peak demand surcharges are likely to be incurred due to the higher consumption of power. In addition, during the month of August, schools are likely to use more power and pay more per kilowatt hour for the power used.
- According to data provided by the National Climatic Data Center, cooling degree days are greater in August than in June, on the average for the state of Texas. This means if a school building is maintained at a constant temperature, with constant variables, it will cost more to keep the building at the same temperature in August than in June.
- If the school district has taken advantage of electric deregulation pricing and is operating on a flat electric rate, it will still cost the school more to keep buildings at a constant temperature in August due to increased energy used – because of higher temperatures outside.