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The Power Drain

THE PINCH AT HOME Many Residents Stung By High Cost of Utilities

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George Mann, an $18-an-hour grocery store clerk in Waldorf, found himself trembling last month as he wrote the check to pay his $644 electricity bill.

Still financially recovering from a $549 electricity bill in January, Mann said he noticed he was "shaking" as he paid the bill, full of anxiety about how he would find the money to pay other household expenses for the three-bedroom rambler where he lives with his wife and four children.

"When they deregulated the market, there was supposed to be competition and prices were supposed to go down," he said. "But why did the bills go in the opposite direction?"

That is a question being echoed in households across the region, particularly as heating bills rise in the coldest months of the year.

Electricity costs 78 percent more for Marylanders who get their power from Pepco than it did in 2001, and Virginians pay 14 percent more than they did at that time. Rates in the District have climbed 55 percent over the past six years.

According to Pepco, the average monthly bill in the District was $60.28 in 2004 and $87.45 in 2007. The average bill in Maryland was $90.45 in 2004 and $138.29 in 2007. In Virginia, bills have climbed from $98.85 to $103.90 in the same time period, according to Dominion.

As electricity prices have risen, so has the cost of gas heat. Its price has increased about 40 percent in the region, affected by many of the same factors that have caused electricity rates to go up, according to Washington Gas, which serves customers in Maryland, Virginia and the District. The average District resident paid $852 for gas in 2002 and $1,209 in 2007. Marylanders paid $789 annually in 2002 and $1,218 in 2007, and Virginians paid $851 in 2002 and $1,131 in 2007.

At least in part, the electricity increases came because the Washington region is now living in the aftermath of power company deregulation, a trend that swept the nation almost a decade ago. According to a national analysis by McCullough Research for municipally owned utilities, electricity rates in deregulated states rose almost 40 percent, compared with 19 percent in states that remained regulated.

Power companies attribute much of the increase to higher fuel costs and say that today's higher rates are compensating them for deferred profits during the years immediately after deregulation, when rates were capped. They say that it is unfair to criticize them for operating efficiently and producing a good return for investors. Consumer activists and nonprofit power companies say the for-profit power companies are gouging customers to make more money.

Whatever the cause, rising energy prices are squeezing all segments of society.

District resident Brenda Crawford, 51, lives with two grandsons, ages 7 and 9, and has a pension of $1,500 a month. She fell behind on her gas bill last spring, and Washington Gas turned off her heat in October. They told her it would cost $632 to reconnect it, but she didn't have the money. So, until last month, she and the children lived in an unheated home, washing themselves and doing their dishes in cold water and cooking on a hot plate. Electric space heaters and the fireplace took off some of the chill.

"It's terrible to be cold all the time," she said.

Mark McGee, 43, a security guard at the Smithsonian Institution, cares for his 72-year-old mother in their family home in the District. He fell behind on his bills when he got sick from cancer and was horrified to learn that he owed $2,400 when he started to recover. He earns about $800 a month now but cannot have the gas disconnected because of his health problems. Instead, he has been paying off the bill over the past year, leaving him $20 a week for spending money.

"I'm just about overwhelmed, what with the mortgage, the other bills and now this gas thing," he said. "All they are out for is the money."

Beverly Jeffries, director of the Salvation Army's East of the River Initiative in the District, said that more people are seeking help but that it is more expensive to try to help them out of jams. "The bills are higher than I've ever seen," said Jeffries, who has worked there 12 years.

In the District, the number of low-income people applying for energy assistance has risen about 10 percent in the past year, to 26,070 households, and the number of Virginians seeking help has risen about 2 percent, to 108,000.

But the number of Marylanders who have applied for help paying their energy bills has risen sharply, said Ralph Markus, acting director of the Maryland Office of Home Energy Programs. Last year, about 93,400 households qualified for help through a state electricity-assistance program, a 64 percent increase from the previous year, and about 100,000 qualified for a federal heating-assistance program, up 36 percent over a year.

Markus said that it is painful to deal with people suffering without heat or electricity -- frequently having to turn them away because they make more than the qualifying salary -- while utility companies earn record profits.

"These companies are making money every which way," he said.

Not just the poor are affected by rising prices, however. Even affluent families say the higher bills are causing them to make uncomfortable adjustments.

Jose and Sandra Carrion are reminded of the effects of deregulation every month when their utility bills arrive. They own homes in Tacoma, Wash., and Salisbury, Md., and use about 1,100 kilowatts of electricity a month in each. That costs them $80 a month for their Tacoma home, and $200 a month in Salisbury, paid to Pepco subsidiary Delmarva Power, even though they have closed off the top two floors of the house, are now sleeping in the dining room instead of the bedroom, have turned down the heat to 62 degrees and dress in sweat suits to stay warm.

"We're basically getting screwed up here in Maryland," Sandra Carrion said.

The difference, said Joe Nipper, senior vice president of the American Public Power Association, a trade group of municipally owned utilities, is that the state of Washington did not deregulate its industry. Robert Dobkin, a spokesman for Pepco, said that Washington state also benefits from having hydroelectric power.

Maryland, the District and, to a lesser extent, Virginia were among the many states in the 1990s that loosened the rules that restricted energy-price increases. Industry executives, including economists and officials from Enron, convinced public utility commissions and state legislatures that fewer regulations would lead to more competition and lower prices.

Local utility companies sold off the power plants to other private companies and, in Virginia and Maryland, utility rates were uncapped. In Virginia, the increases were designed to come more slowly, but steadily.

The expected competition never arrived, however. Some power companies became essentially minimally regulated monopolies with the power to raise rates for a commodity people need to live.

"Deregulation worked terribly," said Charles Acquard, executive director of the National Association of State Utility Consumer Advocates. "Nowhere has it worked, and consumers have been paying a price for that experiment ever since. . . . It's been a failed experiment everywhere it's been tried."

Deregulation has not lived up to its promise, power company officials agree.

"We're fully aware and sensitive to what's happening to our customers," said Joseph M. Rigby, president and chief operating officer of Pepco Holdings. Whether deregulation was a good decision for ratepayers "is obviously an open question from their point of view," he said.

Power company officials say rates have risen because they have been hit with higher costs, which had to be passed on to customers. The prices of natural gas and coal have increased sharply, partially as the aftereffect of tropical storms. Some power companies sold their plants to other companies, which now earn their own profits by selling electricity back to the power companies. And because the region imports electricity from other areas, through the regional electricity transmission grid, utilities have to compete to buy electricity on the open market and pay whatever the market will bear.

Local power company officials also say that prices in the past were artificially low and, now that rate caps have been lifted, they need to charge more for deferred maintenance and to add new capacity at a time when residents are gobbling up more and more electricity.

Power company profits have certainly risen in the years since deregulation. Mirant, which bought the five local Pepco plants, had declared bankruptcy in 2003 but earned $433 million in 2007. The net income of Constellation Energy, the holding company for Baltimore Gas & Electric, rose from $277.3 million in 2003 to $821.5 million last year.

On its Web site, Constellation points out to investors that $100 in company stock on Dec. 31, 2002, was worth $419.51 by the end of 2007.

Utility executives say the power companies offer programs to help people who need assistance in paying their bills. Washington Gas spokesman Eric Grant said the company contributes to the Washington Area Fuel Fund, which provides assistance to homeowners who need help paying utility bills, and offers payment plans that people can use to spread out their costs over a longer time.

"There are programs in place to assist customers who are having problems paying their bills," Grant said. He said customers who are in financial distress should contact the company for more information.

Mann, the Waldorf grocery clerk, said he believes that power company officials have rigged the system to their own advantage.

Acquard, the consumer advocate, agrees. "The power lobby is very strong, very effective, and there's a lot of dollars on the table," he said.

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