

Discussion Points: Can California's Power Problem Happen Here?



California is facing rolling blackouts and sky-rocketing electric rates.

California utilities don't produce enough electricity within the state to supply its growing population. Strict laws kept most utilities from building new power plants for the last ten years, even though the state's energy use grew by almost 15%. This year, droughts in the northwest have reduced the amount of hydropower available too. The state's utilities now import 25% of their electric supplies from outside the state. That makes it harder to transmit the power and at a higher cost.

Higher fuel prices and rate-freezes have left many California investor-owned utilities unable to buy the power they need. The final result is a severe shortage of power in the state of California which utilities must buy at extremely high prices that they can't afford. Instead, they limit power used by their customers by shutting them off for one or two hours at a time.

We think this won't happen here in Massachusetts.

We don't have the supply problems that California has. Our population didn't grow as fast as California's did in the last decade so, while supplies get tight from time to time, we do not have a current shortage. Soon, new generating plants will be coming on line with more than enough power to match our future needs, too.

Also, we prepared more for deregulation. Even though deregulation laws have only been in effect for a couple of short years here, our utilities and regulators have been preparing for the changes long before that. In this way, utilities have adjusted to shifting needs under new laws.

Massachusetts utilities are preparing for the supply to match the demand.

There are enough new generating plants approved and under construction to generate over 10,000 megawatts of new power within two years. This is 40% more than exists today and more than enough to supply our forecasted needs. Also, these new smaller plants are spread out throughout the state, closer to where the needs are, making transmitting the power easier as well.

Supplies of natural gas will be there too.

Many of these plants will run on natural gas and some forecasters have said that supplies of natural gas may not be enough. We know that 80% of these new units will run mainly on natural gas. But 20% will not and they will be available to run any time. Also, with higher prices, it's now more profitable to drill for natural gas and that means we should see supplies increasing by the time these plants are on line. Very soon, a new supply will be available from the pipeline recently completed off the Canadian shoreline.

Our deregulation is different than the California version.

California's deregulation law capped the amount of increases that utilities could pass along to customers. But, price hikes for natural gas and oil that fuel the power plants mean higher costs to purchase the power. Now, many of California's Investor Owned utilities are facing bankruptcy because they can't afford to buy the power to supply to customers. Also, some power suppliers won't sell to them because they aren't financially stable as a result.

Massachusetts deregulation laws have been in effect for less time and utilities here have had more time to prepare for changes in how they buy power supplies. There are enough safety valves in the law to allow rates to catch up with increasing demands and prices while new supplies come on line. We can adjust our rates to reasonable levels when necessary to cover power supply costs. Many utilities have done this already this winter.

Middleborough Gas & Electric Department is watching carefully.

As a public utility, our only job is to serve the customer and, to us, that means providing reliable service and steady, low rates. We are keeping a close watch on supply situations so that we can take advantage of any opportunities to lock in lower-cost electric supplies for the future. We recently had some success, signing a contract for a supply that covers a third of our electricity requirements for the next five years. That's why our electric rates, including our Purchase Power Adjustment (fuel charge) have not increased this year.

We believe more good deals will come around now that generated power supply in Massachusetts is growing over the next two years. With good timing and careful planning as these new plants come on, we can lock in the power supplies we need and keep our rates stable. Our customers can count on adequate power supplies and steady, low rates well into the future.