



# How Current and Proposed Energy Policy Impacts Consumers and Ratepayers

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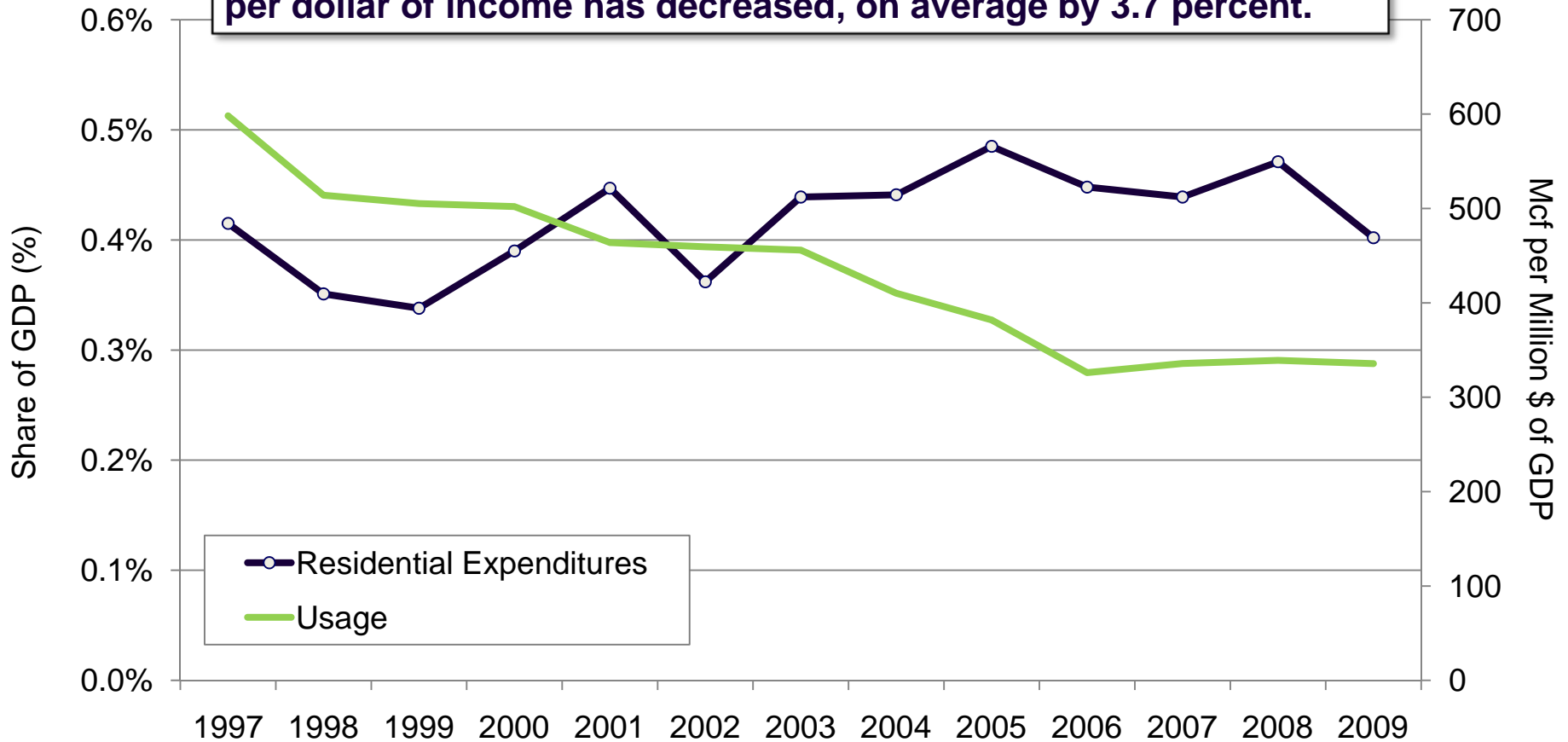
- **Public policy is important in shaping and/or influencing factors that determine energy supply and demand.**
- **Policies, in turn, are a function of the times in which they are developed. For instance:**
  - **1990-2004: Relatively lower energy prices, high capacity/supply availability.**
  - **2004-2009: Relatively high energy prices, tight capacity/supply constraints.**
  - **2010: Depressed prices, depressed demand, uncertainty.**
- **Conventional wisdom in policy formulation (implicit and explicit) has been that markets are not working, or have not worked effectively.**
- **Last five years has been reflected by a significant degree of policy activity to address these perceived market failures.**

**Examples of State and Federal Policy Activism**

<b>State Policy Activism</b>	<b>Federal Policy Activism</b>
Infrastructure Riders	GHG Regulation/BACT Stds
Generation Preferences and Special Cost Recovery Mechanisms	CAIR/CATR/CAMR
Revenue Decoupling	DOE Appliance Standards
Weather Normalization	EPA Hydro Frac Investigation
Energy Efficiency Goals	GOM Moratorium
Renewable Portfolio Std.	Repeal of Drilling Tax Incentives
Inflation Adjustment Factors	Stimulus Funding -- EE/RE
R & D Programs	Tax Credits -- EE/RE
Societal Benefit Charges	Price Supports/Mandates (Biofuels)

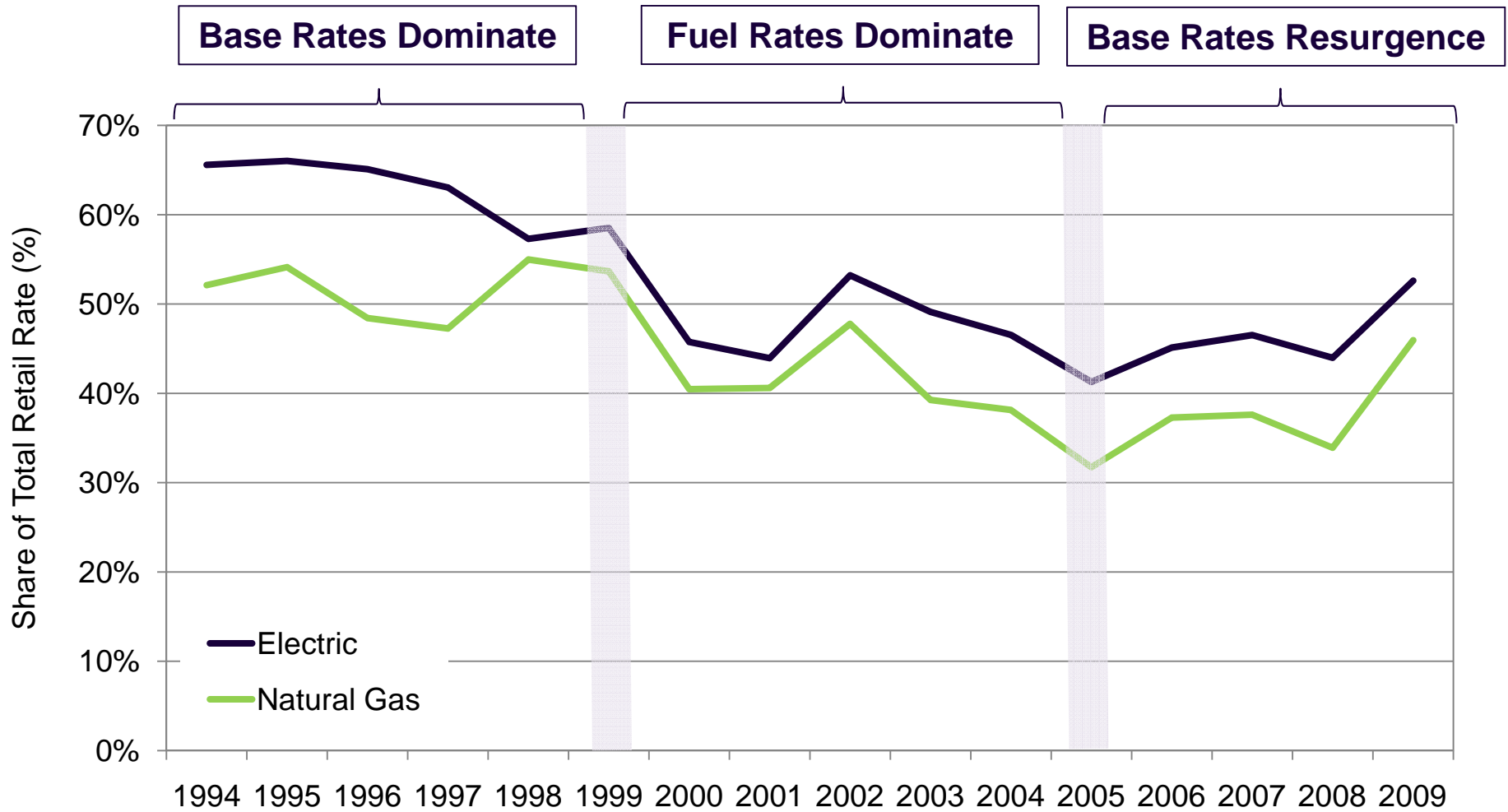
**U.S. Residential Natural Gas Expenditures as a Share of GDP**

**Residential natural gas expenditures have been increasing by an annual average of 2.0 percent since 1997, while natural gas usage per dollar of income has decreased, on average by 3.7 percent.**



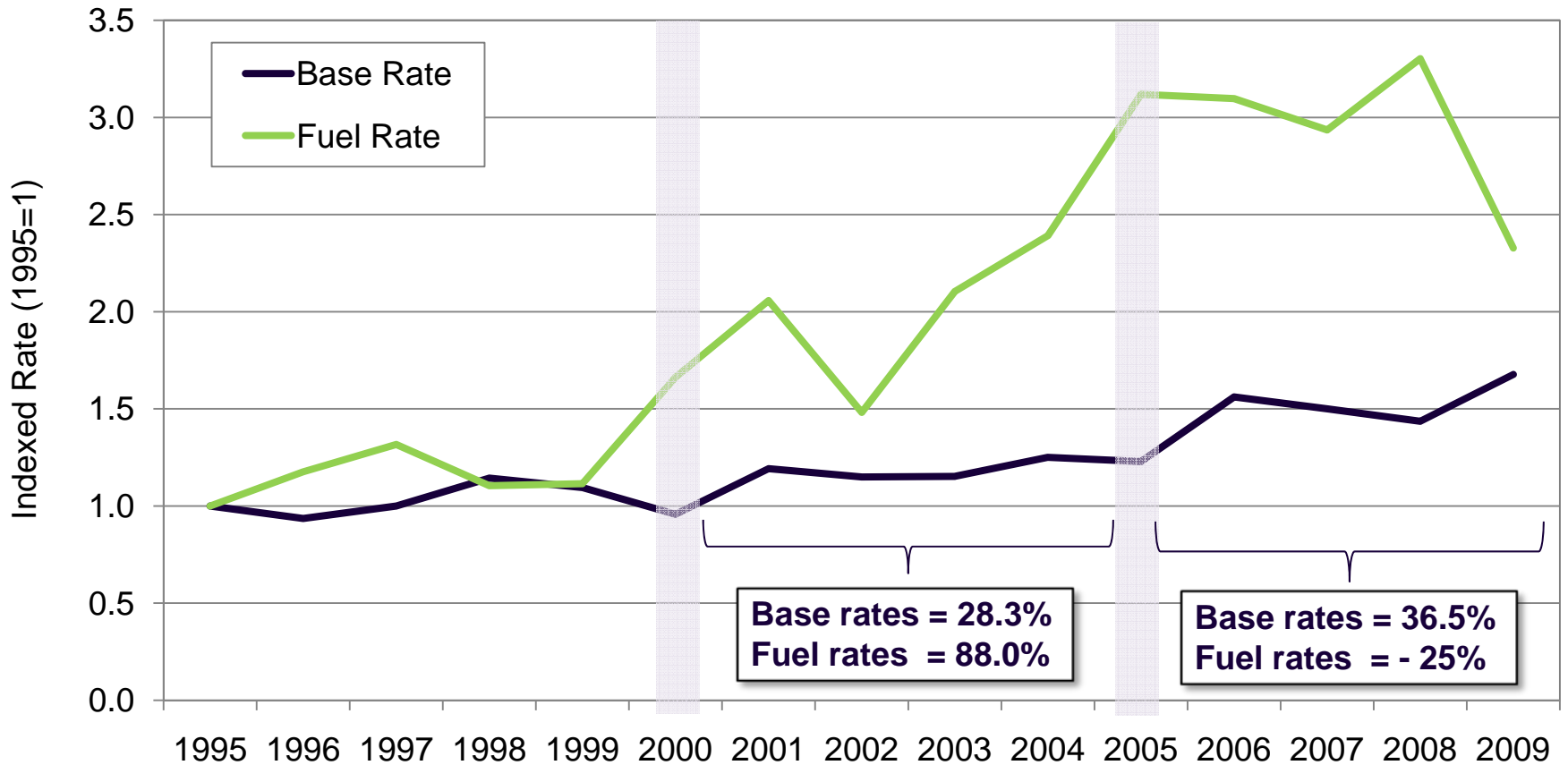
Source: Energy Information Administration, U.S. Department of Energy; and Bureau of Economic Analysis, U.S. Department of Commerce.

**U.S. Base Rates as a Share of Total Retail Rates – Electric and Natural Gas**



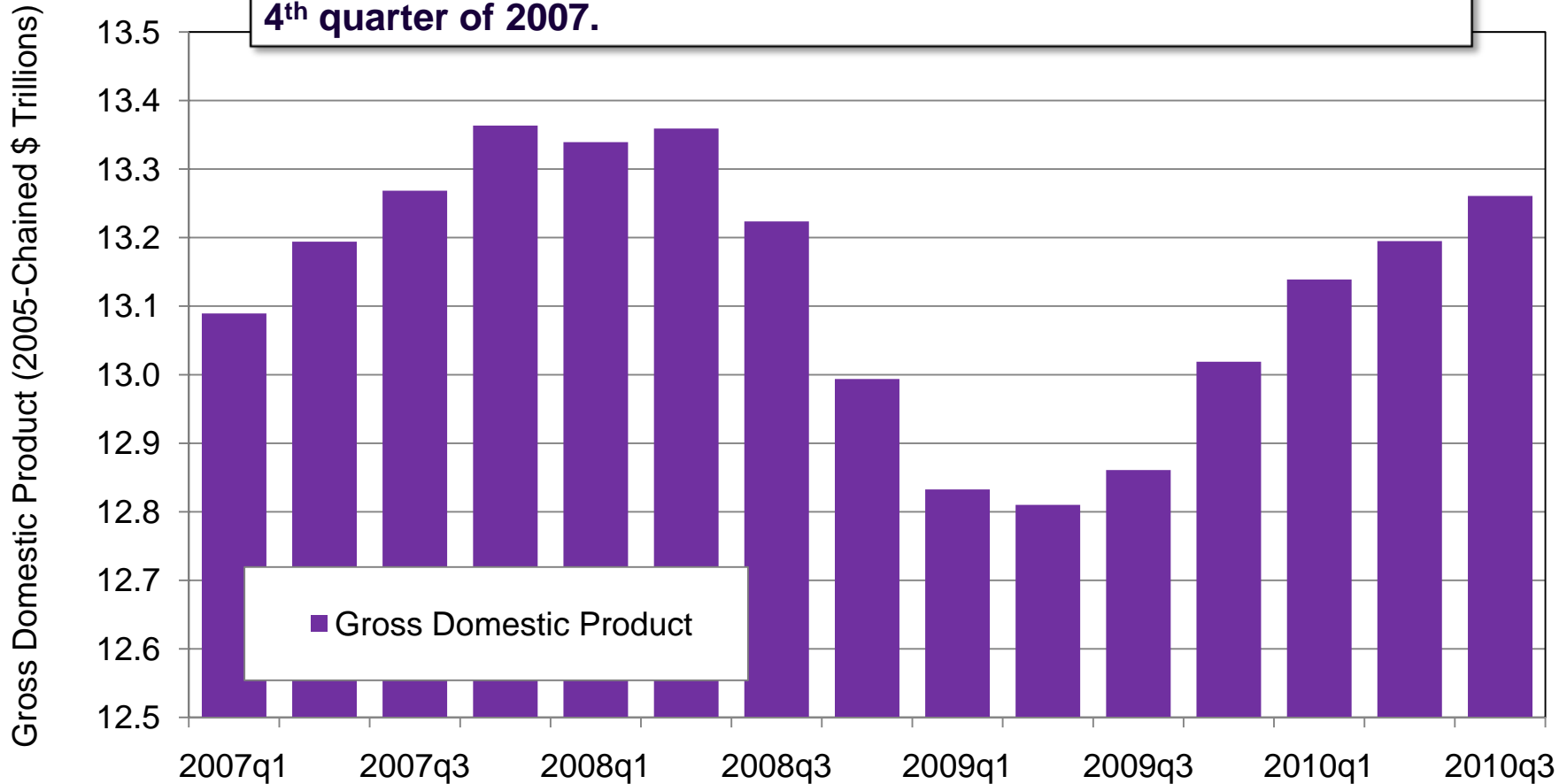
**Annual Percent Change in Base Rate versus Fuel Rate – Natural Gas**

**Base rates (gas) have increased by as much as 36 percent since 2005, compared to fuel rates that have decreased by 25 percent.**



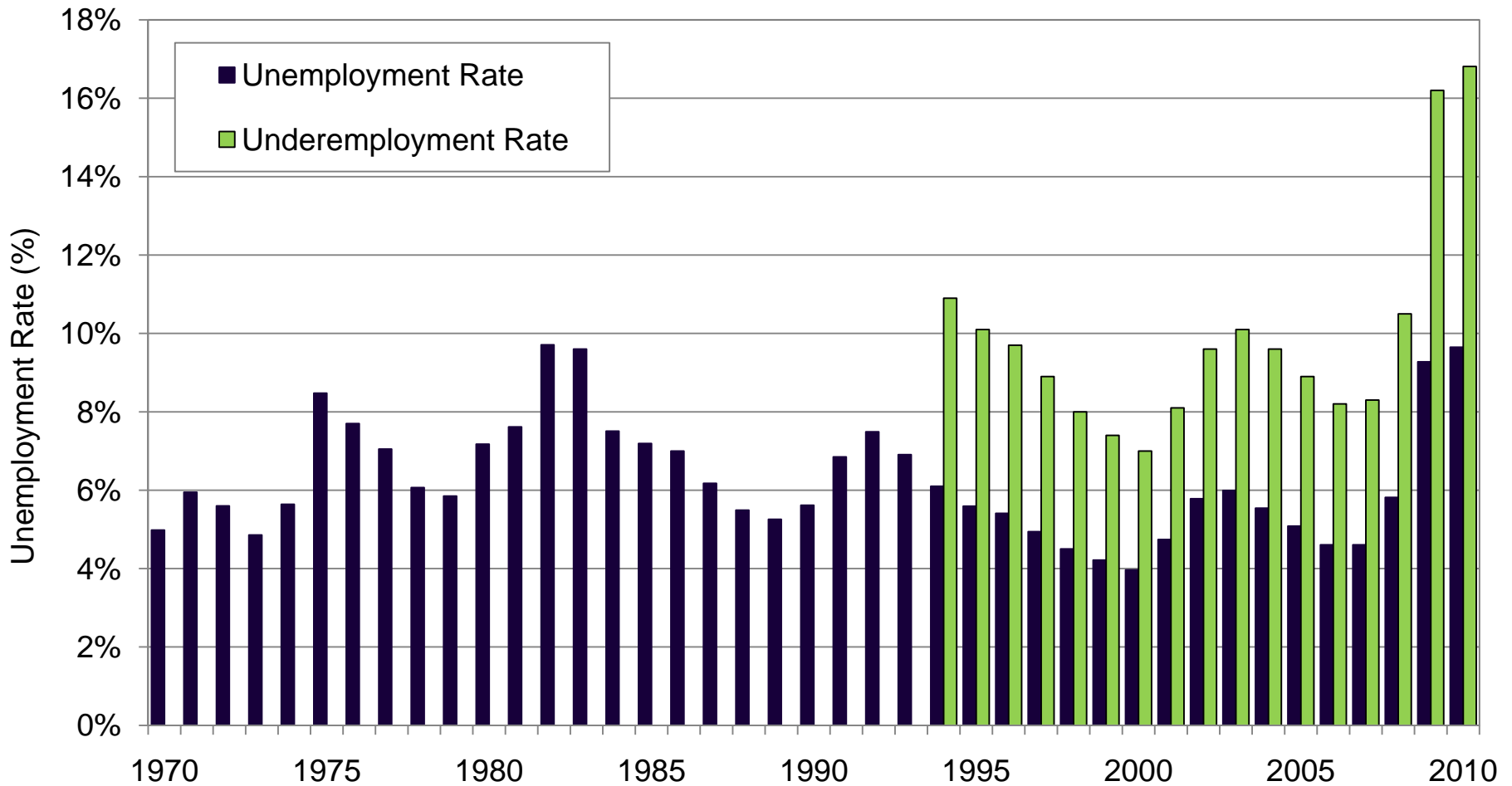
**Real U.S. Gross Domestic Product**

**While the real U.S. Gross Domestic Product is increasing, the real 2010 3<sup>rd</sup> quarter level was still 0.80 percent below its peak in the 4<sup>th</sup> quarter of 2007.**





## U.S. Unemployment and Underutilization Rate

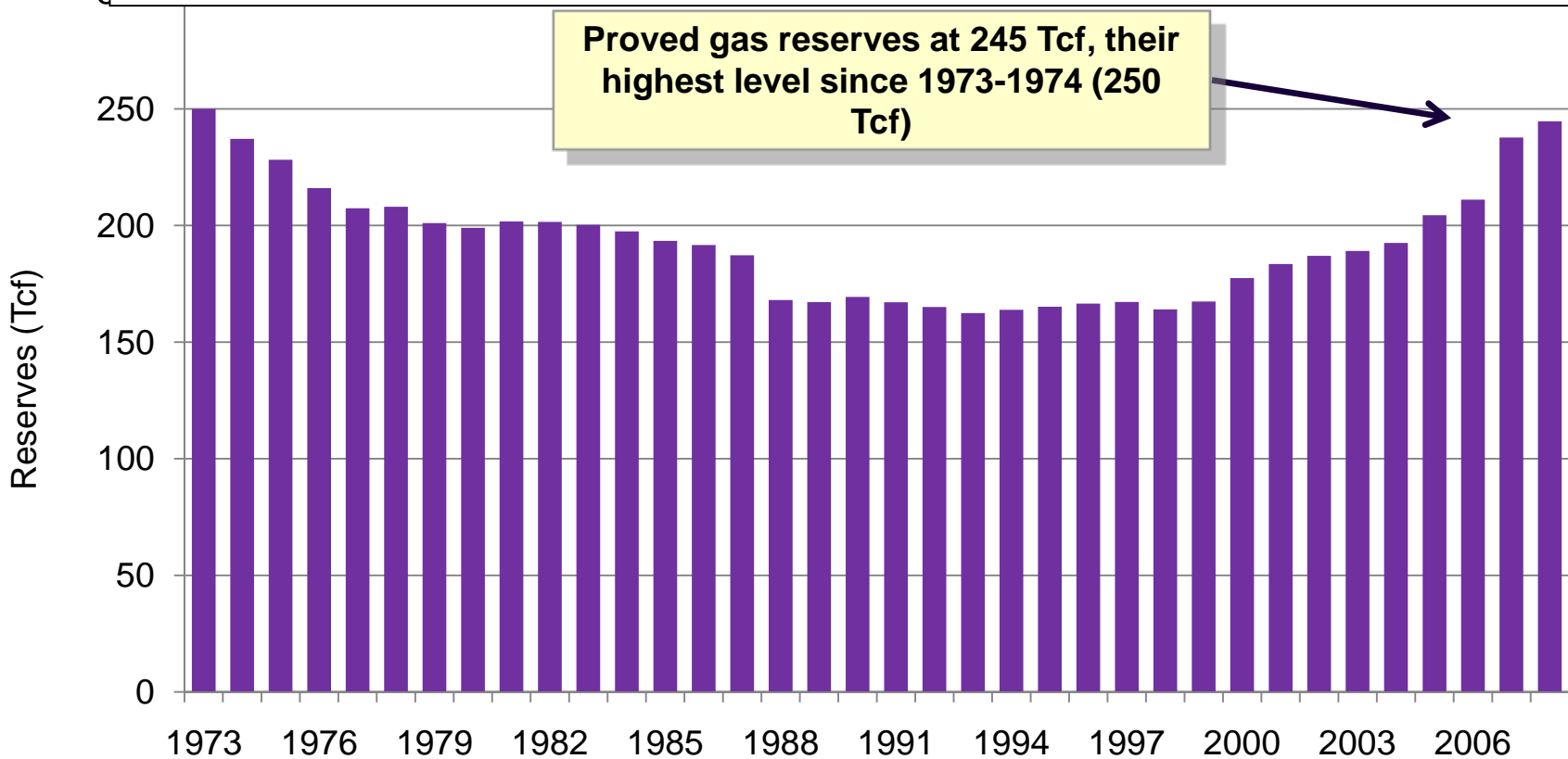






U.S. Natural Gas Production and Proved Reserves, January 2007 to Present

2006-2007 reserves growth is the largest in over 30 years. Natural gas reserves have been increasing by almost 5 percent since 2000 (except 2004-2005 tropical season, 2.5 percent)



Questions, Comments and Discussion



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