

As Published in the Dallas Morning News

No, really, why are gas bills so high?

Don't just blame 'the market,' says Rick Koster

As in many households, my wife runs our operating budget. Lately she has been bothered by our gas bills. It seems she is not the only one. State Rep. Ken Paxton recently published a column in The Dallas Morning News called "Why are gas bills so high?"

It's no one's fault, he says. Supply has failed to keep up with demand. Hurricanes Katrina and Rita made things worse. What can we do? Nothing. Gas prices are determined by the market, which mustn't be messed with. In short, stuff happens, get over it, have a nice day.

If I gave my wife that answer, she'd ask, "Isn't a candidate supposed to come up with solutions?" So I've examined the question and thought about remedies.

The utility company I buy gas from raised its prices in response to a rise in what it pays for the gas it sells, passing the increase to consumers without a markup. That sounds fair to me. Things are different, however, with the suppliers. They've been enjoying record profits. The market didn't make them raise their prices. It merely told them they could get away with it.

Theoretically, the market should prevent this. If one company raises prices in a climate of high demand, others should keep theirs low and cut into the gouger's market share, but there's no competition in the energy industry these days. More than 2,600 mergers and acquisitions have occurred in the industry since the 1990s. There are only a few players left in the energy game, and they'd rather gang up on us than compete with one another.

Producing companies invest in new sources of supply, but at a much slower rate than profits have grown. Energy company executives have decided they can reap higher profits by preserving high demand than by investing aggressively to increase supply and revenue.

One way to phrase this is that the market is broken. Another is that the companies are gaming it. Either way, it's why supply has lagged behind demand, and it's the work of human beings, not of some infallible, sacrosanct marketplace.

And wait, whose gas is it? American taxpayers are the biggest owner of America's gas reserves. Guess what? The companies cheat on their royalties.

A Jan. 27 Houston Chronicle editorial titled "Shortchanged" put it this way: "Gas companies are reporting soaring revenues and profits to the Securities and Exchange Commission. But when it comes to the sale of natural gas extracted from public lands and

waters, the companies give the Interior Department much lower figures. As a result the federal Treasury has benefited little from the run-up of energy prices."

How much are we out? Seven hundred million dollars last year alone. And our government is helping fleece us. The Bush administration recently loosened the rules and eased its audits intended to uncover cheating.

We can't all afford to buy energy shares and cash in on this gaming and cheating. As a community, we ought to balance things so that people who have to earn their living get reasonable and stable energy bills.

How? First, we should recognize that markets exist to serve people, not vice-versa, and that some things are too important to leave unattended. Next, some practical steps can be taken:

- Give the energy companies incentives to invest in increasing supplies and developing alternative sources by taxing uninvested windfall profits.
- Break the companies up to foster competition.
- Invest publicly in mass transit and energy research to wean ourselves from what the president has called our "addiction" to fossil fuels.

Price hikes in tandem with record profits aren't fair and aren't the work of a functioning free market. Reporting two sets of sales figures so your stock will go up while your royalties go down ought to be illegal, if it isn't already.

Corporations are important, but government should get out of their corner, go back into the ring where the referee belongs and call companies to account if they start fouling.

Rick Koster of Allen is a Democrat who is challenging state Rep. Ken Paxton in the November election.