

PA POULTRY INDUSTRY AND DEREGULATION OF **ELECTRIC GENERATION** Dennis E. Buffington,

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Deregulation of electric generation means that you will be able to select the company that generates the electricity that you use.

The state legislature passed the law to deregulate the generation of electricity in Pennsylvania late in 1006. Both the investor-owned ty companies and the rural electric co-ops are impacted by this legislation.

However, the transmission and distribution of electricity will remain regulated. Furthermore, your local utility company will continue to distribute electricity to you and provide customer esrvice to you.

Deregulation is not new; you probably remember previous deregulations involving trucking. airline travel, natural gas, and long-distance telephone service. Now it is the generation of electricity that is being deregulated.

When will deregulation take place? One-third of all customer classes (residential, commercial, and industiral) must have freedom of choice for selecting an electric generator by January 1, 1999. Two-thirds of all customer classes must have free choice by January 1, 2000 with all customers having freedom of choice by January 1, 2001. In the meantime, utility companies are establishing pilot programs that will begin later in 1997 so that the utility companies and those customers in the pilot programs gain experiences of operating in the deregulated environment.

The Pennsylvania poultry industry is a significant user of electricity. It is estimated that the industry uses at least \$15 million worth of electricity per year with the following breakdown: broilers \$6 million; layers — \$6 million; turkeys — \$2 million; other \$1 million; for a total of \$15

million per year. These estimates were based on 1995 agricultural statistics and the average energy consumption for poultry in the mid-Atlantic states.

There will be additional customer choices in the future. Today you buy just your electricity from your designated utility company. In the near future, there will be many products and services that will be offered by utility companies in addition to electricity. These additional products and services may include propane, diesel fuel, energy services, financing, equipment, and maintenance of equipment.

Also in the future, there will be many people and organizations contacting you to secure your business. You probably will be getting a lot of pesky phone calls at 6:30 p.m. when you are sitting down to enjoy supper.

You do not need to take any actions today to respond to the deregulation that will be taking place. However, you should begin to become better informed of what options may be available to you in the deregulation environment. Several steps to complete before you need to make a decision include:

 Document how much electricity you use and when during the 24-hour day you use the electricity.

 Identify your big users of electricity.

•Determine how you can modify your load profile. The more attractive your load profile is to an electricity provider (that is, when electricity is used), the more effectively you can negotiate with the electricity provider to get a favorable rate.

Consider the total cost of any alternate forms of energy, including costs for installation, maintenance, and operation.

•Study offers that sound too good to be true. They probably

I cannot possibly overemphasize the importance of calculating the cost of electricity per unit production for the various phases of your operation. Average consumption rates of electricity for broiler production and processing are estimated as:

•Hatching — 0.05 kWh/bird

•Feed milling — 0.08 kWh/bird •Growout — 0.16 kWh/bird

Processing plant — 0.33 kWh/

•Waste treatment - 0.07 kWh/ bird

•Total — 0.7 kWh/bird Cost — 4.9 cents/bird (assuming 7 cents/kWh).

The cost of propane for broiler production and processing is estimated at about 4.5 cents per bird, so total expenses for electricity and propane are 9.5 cents per bird or approximately two cents per pound live weight, or three cents per pound dressed weight.

Electricity consumed for egg production for the mid-Atlantic region was determined to be:

•Feed milling — 0.01 kWh/

•Housing — .014 kWh/dozen •On-farm processing — 0.02 kWh/dozen

•Total — 0.17 kWh/dozen

Cost — 1.2 cents/dozen.

The surest way to reduce your expenses for electricity is to use less electricity. However, whenever energy conservation programs are being considered, evaluate all the implications of reducing electricity consumption.

For example, ventilation in confined animal structures can be reduced considerably with a corresponding reduction in the utility bill. However, the reduced ventilation may result in poor indoor air quality that will replace production levels of the birds. This would be an example of "penny wise and pound foolish."

There is much additional information that is needed before you can make a decision to select the most appropriate electricity provider. More information will be available from your utility company, cooperative extension, trade journals, popular press, and the Pennsylvania Public Utility Commission. There will also be additional articles in Pennsylvania Public Utility Commission. There will also be additional articles in Lancaster Farming pointing out the opportunities for you to benefit from the deregulation of electric generation.



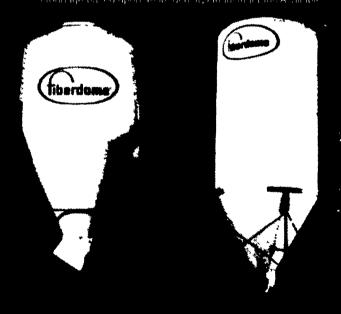
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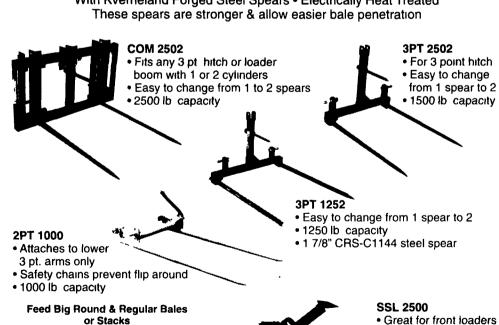


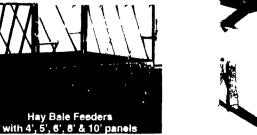


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