

Michigan may raise residents' electric bills to help businesses

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The Associated Press
June 02, 2008

LANSING -- State lawmakers plan to raise residential electric bills by as much as 15 percent so businesses and schools can pay less.

Prices historically have been "skewed" by state regulators so residents pay less than the actual cost of electricity, while businesses pay more.

Legislators acknowledge residential customers would experience some sticker shock, but many no longer want to force business customers to subsidize residential rates, in part because they think Michigan's business rates -- which traditionally run higher than surrounding states -- discourage companies from locating here.

Under legislation that already has passed the House and is being considered in the Senate, Detroit Edison residential customers would see their average \$76 monthly bill rise to \$88 by 2013, a 15 percent increase, or \$144 more a year.

Residential customers' average \$72 monthly bill from Consumers Energy, a subsidiary of Jackson-based CMS Energy Corp., would be nearly \$79 in five years. That's a 9 percent increase, or \$80 more a year.

Utilities, manufacturers and companies such as Wal-Mart Stores Inc. and Kroger Co. have tried unsuccessfully to get the Michigan Public Service Commission to realign electric rates, but regulators have refused to go along. So business lobbyists are pressuring the Legislature to act instead.

The Democratic-led House has passed a bill that would force the commission to raise residential prices and lower business prices as part of a sweeping energy plan sent to the Republican-controlled Senate in April.

"Our rates are higher than neighboring states," said Doug Roberts Jr., director of environmental and energy policy for the Michigan Chamber of Commerce. "This subsidy is one of the key reasons why. We have higher energy rates, higher energy costs."

Leveling electric prices may be a top legislative priority for the influential business group, but opponents say rates have not been slanted to hurt businesses but rather to protect residents, especially seniors and low-income customers.

"There's a reason it was subsidized in the first place," said Paul Stankewitz, a public policy associate for the Michigan Catholic Conference. "Especially in this tough economy, now is not the best time to shift rates back onto residential ratepayers."

Helping companies by lowering their power costs, Stankewitz says, would take money out of people's pockets and keep them from buying the very products that companies want to sell.

The original rate shift appears to have been prompted by the 1970s energy crisis that squeezed people's pocketbooks. Michigan's domestic automakers and other businesses were able to pay more than their share in the following decades. But the sour economy that has lingered in the state since 2000 has made subsidizing residential rates a bigger burden.

Companies would benefit in varying degrees if electric bills are adjusted.

The nonpartisan Senate Fiscal Agency says business customers served by Consumers Energy would save 4 percent to 5 percent annually by 2013 while businesses powered by Detroit Edison would save 9 percent to 11 percent.

The proposal to realign rates is not a done deal because the Senate is still working on an energy plan. But key business groups are highly unlikely to support broader energy legislation -- including Gov. Jennifer Granholm's desire to boost the economy by requiring that more green power be generated here -- unless rate skewing is fixed.

"These are really, really big energy users. When you can knock 10 percent off your energy costs, that really makes a big difference in your operating costs," said Trevor Lauer, vice president of retail marketing for DTE Energy Co., the parent company of Detroit Edison.

Indiana, North Carolina, Georgia and other states competing with Michigan for jobs and investment also skew electric rates by having companies pay a smaller share than residential customers, Lauer says.

"Our industrial customers aren't even asking for that," he said. "They just don't want to pay for somebody else."

The proposal's supporters say residents' rates would rise gradually, so the impact would not be too severe.

Under the bills, utilities would help residential customers save energy by giving them rebates to buy more efficient light bulbs and household appliances. Such conservation measures could avoid the need for pricey new power plants, at least for the time being, further saving customers money.

The argument is not all that comforting to consumer advocates, who note that citizens are facing \$4-a-gallon gasoline, higher costs for everything from groceries to college tuition and declining personal income.

Besides the higher rates, customers also would be forced to pick up a greater share of the cost for wind and other renewable power.

Residents account for one-third of Detroit Edison's electric sales but would pay nearly two-thirds of the \$112 million a year the utility would collect from customers to buy or generate green energy, according to the Customer Choice Coalition.

"The more lawmakers really understand what's actually in this package, the less likely they are to support it in its current form," spokesman Dave Waymire said.

The bill leveling electric rates is House Bill 5524.

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