

# Michigan's utilities seek double-digit rate hikes

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LANSING - Unless state regulators step in, Michigan's two major utilities may raise residential electric bills by double-digit percentages just as many customers are losing their jobs or having an ever-harder time paying their bills.

The typical Consumers Energy household could pay 11 percent more starting in May, adding \$10 to their monthly bill and \$125 annually.

Beginning in July, Detroit Edison's average resident could pay 11 percent more, or about \$7 more per month and \$83 more a year.

## SUMMARY

- Detroit Edison and Consumers Energy distribute power to nearly 90 percent of Michigan's electric customers. The companies are seeking rate increases:
- Consumers Energy says its average residential power customer pays \$89 a month. The bill would rise to \$99, an 11 percent increase, under the company's proposal.
- Edison says a residential customer using 500 kilowatt hours a month pays \$63. The bill would increase to about \$70, an 11 percent increase, under the company's plan.
- Under a new state law, Consumers Energy could automatically implement its rate hike -- or a lesser rate hike -- in May if state regulators do not rule by then. Edison could do the same in July. Customers could get refunds, however, if the Michigan Public Service Commission later decides the increases are too high.
- Both utilities say they will make a decision on how to proceed as they get closer to the dates they can raise rates on their own -- six months after a proposal is submitted.

The rate hikes can take effect automatically under a new state law if the Michigan Public Service Commission doesn't act within six months of the requests being filed.

Customers will get refunds with interest if regulators approve a lower rate within one year of the original request. Utilities also have the option of raising rates by a lesser amount while waiting for a final decision.

Residents and advocacy groups for the poor and elderly oppose the increases.

"I think it is crummy in this time of hardship," says Bonnie Banks, 61, a retired court recorder who splits her time between Ann Arbor and Oscoda and is a power customer of both Consumers Energy and Edison. "Because of the economy and all the layoffs and our high unemployment rate, it seems like there would be an even larger hardship for people."

Dan Shaw, a junior high social studies and government teacher at Montabella Community Schools southwest of Mount Pleasant, understands utilities have to offset higher expenses by billing customers more.

But Shaw, who also is Rolland Township's supervisor, says residents are facing unprecedented financial stress in the recession, losing their jobs, homes and families.

"My plea for (Consumers Energy) is to consider keeping things capped for a little while. Give us a chance, give us a break out here," says Shaw, 50. "Let residents get caught up a little."

Consumers spokesman Jeff Holyfield says higher rates are needed so the utility can upgrade power lines and equipment, reduce emissions, install software for improved billing and customer service, and develop metering technology to pinpoint power outages.

"We're talking about investments that create jobs. We're talking about investments that expand the tax base in Michigan," Holyfield says. "We think we've made a good case why this rate increase is needed."

He says Consumers' proposed \$215 million rate increase includes more help for low-income customers.

Edison officials say the utility's proposed \$378 million increase is needed to cover rising expenses and because it's making less money because customers are buying less electricity.

Spokesman Len Singer says the company needs to spend money to upgrade the distribution system and reduce pollution. He says Edison's work force is down from 11,500 in 2001 to about 9,300 today.

"In spite of these efforts, the massive downturn in Michigan's economy -- combined with the steep decline in the stock market -- has left us with little choice but to seek an increase in rates," Singer says.

Nearly 90 percent of Michigan's electric customers buy their power either from Jackson-based Consumers Energy, a subsidiary of CMS Energy Corp., or Detroit-based Edison, whose parent company is DTE Energy Co.

Last June, regulators authorized Consumers to raise the average residential bill \$2.64 a month. Edison in December was OK'd to add \$2.51 to the typical residential bill. Both increases were less than what was proposed by the companies, and their latest requests could be modified by regulators, too.

But an energy law approved last fall by Gov. Jennifer Granholm and legislators puts pressure on regulators to rule on rate cases more quickly than in the past. If a final order isn't issued within a year, a proposed increase is considered approved.

Barry Cargill, who heads a coalition of competitor power suppliers and their customers, says it's "very predictable" the utilities asked for sizable rate increases because the new energy law limits outside companies' ability to come in and compete with them.

"The faster they're able to get their rate increases through, the faster they can come through with the next one," Cargill says.

But Holyfield says utilities could "never quite catch up financially" under the old system because the Public Service Commission might take nearly two years to decide on rate hikes. Utilities now will be able to seek higher rates every year.

Residential customers of Consumers Energy and Edison will see additional charges on their bill later this year related to the new law. Both companies are now allowed to add up to \$3 a month to help them increase the percentage of renewable energy they're selling.

The typical Edison electric customer also may pay up to 85 cents per month for a new energy-efficiency program, while the average MichCon natural gas customer could pay \$1.20 more a month. A typical Consumers Energy power customer would pay an extra \$1.10 a month, while a natural gas customer would pay \$1.50 more per month on average.

Granholm and lawmakers say those extra surcharges will be more than offset if customers take advantage of weatherization programs, home energy audits and rebates to buy compact fluorescent light bulbs and energy-efficient appliances.

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