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Electric bills may jump 11% this year

Consumers Energy, DTE users could pay an average of \$7-\$10 more a month by July.

Catherine Jun / The Detroit News

Michigan's two biggest utility companies could hit their electric customers with double-digit rate hikes, just as the state is gripped with its highest unemployment in 25 years.

Detroit Edison and Consumers Energy have proposed rate hikes that would increase the average residential customer's electric bill by 11 percent. Both requests are pending approval by the state. DTE's increase would take effect in July; Consumers wants higher rates starting in May.

The proposed rate increases come at a time when the state is plagued by a 10.6 percent unemployment rate -- the highest unemployment rate in the country -- and countless households across the state are struggling to pay their bills. This past winter, thousands of residents faced shutoffs of electric or gas for nonpayment.

Some observers say higher rates could worsen the situation.

"We're making ends meet but it's still tight," said Andy Young, 27, a former Chrysler engineer who was laid off four months ago. The Sterling Heights resident and his wife have been getting by for the last four months on her teacher's salary and have cut back on luxuries -- going to the movies and eating out -- to afford their monthly payments.

"An increase isn't something we want to see right now."

If the rate hikes are approved, they would be the second increase for both utilities in a year. Representatives at both companies say the hikes will pay for system upgrades to improve energy delivery and meet federal emissions standards.

"With the tough economy, that's resulted in electricity demand being much lower and expenses much higher than reflected in current rates," said Len Singer, spokesman for DTE Energy, which owns Detroit Edison and the gas utility MichCon.

Though the increases have yet to be approved by the Michigan Public Service Commission, utility companies are now allowed to increase the rates -- by the proposed amount or less -- six months

after they submit their proposals. If the commission rejects the hikes or approves a smaller increase, customers are later refunded the difference.

Neither company has decided what it will do when their respective dates approach; the commission has not acted.

Representatives of both utilities said Sunday that part of the increases are needed to pay for upgrades mandated by the federal government on equipment and factories to reduce emissions.

Dan Bishop, spokesman for Consumers Energy, said the additional expenditures will fund a switch to a more modernized computer system and pay for upgrades to electric lines and equipment that will help prevent outages.

"These numbers have been scrubbed very rigorously and are needed to recover investments made in the system in order to improve safety and reliability," he said.

The hikes will also provide funding for additional assistance to low-income customers, Bishop added. The new investments will also create new jobs, though he could not say how many or when.

The companies together serve about 4 million electric customers in the state.

"We recognize there's never a good time to propose an increase in rates," said Singer of DTE. "The economics are tough on everyone."

Currently, as many as 20 percent of DTE customers are on payment assistance programs offered by the company to help low-income residents in winter.

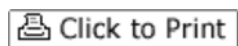
Singer said that Edison has cut annual expenses by \$90 million and pared its work force from 11,500 in 2001 to 9,300.

In December, the state regulatory commission authorized a 4.5 percent increase for Edison customers, or \$2.51 a month for the average household. In June, the commission authorized an increase for Consumers, a hike of \$2.64 a month for the average residential customer.

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