

[Click to Print](#)[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Tuesday, March 24, 2009

Editorial: Consumers will pay costs of going green

The Detroit News

The electricity rate hikes pending before state regulators are the result of a number of factors. A price hike would come regardless of the cost of meeting environmental mandates. But those mandates do add to the increase, in one case by about one-third. A public that wants carbon dioxide removed from the air must be prepared to pay for it.

Consumers Energy is seeking a rate hike totaling \$215 million; Detroit Edison is seeking \$378 million. The average residential customer's electricity bill would increase 11 percent. And there will be more hikes to come in the service of greening the environment.

In Consumer's case, the rate hike is driven by what the utility believes are necessary improvements in its electric lines and equipment and a modern computer system to prevent outages and improve reliability.

But another portion of the requested rate hike is to cover the cost of meeting federal regulations to continue to improve emissions at its plants. As spokesman Dan Bishop noted, the air is much cleaner now than it has been in past decades, but further improving air quality becomes ever more expensive. Roughly a third of the Consumer's hike can be attributed to environmental costs.

A small portion of the increase also reflects a state law adopted last year in which residential customers will no longer be subsidized by larger commercial and industrial users. Michigan's industrial users pay rates that have been 10 percent higher than the average for the Midwest.

In Edison's case, southeastern Michigan's poor economy, with its declining electricity purchases, along with losses in the utility's investment portfolio needed to cover such fixed costs as pensions and its continuing obligations to meet federal emissions mandates, are the reasons for the rate hike request, a spokesman noted. He couldn't put an exact percentage on the environmental costs, noting the poor economy is the primary driver of the rate request, but added that cost increases cannot be met with reductions in staffing or other money-saving moves by the utility.

More environmental costs are on the way. Consumers has separate rate issues pending before the Michigan Public Services Commission, which regulates utilities. One is for an energy efficiency program. Another one is for covering the cost of a new state mandate for the use of renewable energy such as solar and wind power.

Both will add to the monthly bill.

State law adopted last year requires that alternative energy sources produce 10 percent of the state's energy supply by 2015. The governor this year asked that the state's use of fossil fuels for energy be reduced 45 percent by 2020.

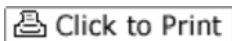
Less than 3 percent of the state's electric power supply comes from alternative sources. The utilities will be asking for an additional \$3 per month from residential users to meet the state mandate for renewable energy sources.

The Obama administration has also proposed a cap-and-trade program in which carbon emitters would bid on emissions permits from the federal government. The administration estimates the permits would produce more than \$600 billion in revenue over the next 10 years. Others place the cost to the economy much higher, and those costs will particularly hit coal-burning states such as Michigan and its electricity consumers.

Green sources of energy and reductions in carbon emissions are popular goals and make good political sound bites. They are not the only reason utility costs are rising, but they carry a cost that consumers will end up paying.

Find this article at:

<http://www.detnews.com/apps/pbcs.dll/article?AID=/20090324/OPINION01/903240323>



[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Check the box to include the list of links referenced in the article.