

Monday, June 6, 2005

Michigan needs competitive rates for electric power

Utilities have spent millions to thwart deregulation

The Detroit News

Michigan businesses and residential consumers have not received the benefits they should from the state's attempt to deregulate electric power. Competition is supposed to spur price reductions. Instead, Michigan has some of the highest electricity rates in the Midwest.

As The Detroit News reported Sunday, the state's two major utility companies, DTE Energy, parent of Detroit Edison, and Consumers Energy, have used their political clout in Lansing to slow efforts to bring more competition to the state. The News reported that DTE's political action committee donated \$884,000 to the governor, attorney general and state lawmakers over the last three election cycles; Consumers provided close to \$700,000. A lot of the donations were concentrated on lawmakers sitting on committees that control legislation governing the two utilities.

In addition, The News reported, DTE had a large hand in proposed legislation that would have made it riskier for customers to leave Edison for a rival electricity supplier, saying a returning customer could only expect "reasonable" efforts by Edison to supply electricity and couldn't expect Edison's most favorable rate.

The package of bills never came out of committee, but was seen as

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an effort to bludgeon the state Public Service Commission, which regulates utilities, into granting Edison the rate increases it desired. In fact, the commission granted Edison \$336 million in rate relief plus the ability to levy \$44 million

in surcharges to all customers in its territory -- including those served by competitors -- to meet the needs of low-income customers.

Edison also spent some \$5 million or more on a media ad campaign designed to question the benefits of deregulation and competition. But the millions in rate relief granted the utility won't be the last of higher prices for business or consumers. The News reported that when an artificial cap on electricity rates expires next year, residential customers could see an 11 percent increase. And ultimately, in a few years, when businesses are no longer required to pay additional costs to subsidize residential users, rates for homeowners could jump as much as 28 percent, one former Public Service Commission member suggested.

It should be noted that all of these rate increases will occur for residents who are already paying 6 percent more for their electricity than their counterparts in other states.

What should be done? First, it is fair that homeowners pay the true cost of electricity. But the utilities have had more than four years to deal with the transition to competition. Ratepayers should be relieved of having to continue to pay costs for the utilities' investments in prior years.

The utilities should not be able to effectively threaten customers who leave for competitors that they may not get service at reasonable prices if they return. After all, the utilities are still protected by a state law guaranteeing them a "reasonable return," while their rivals are not. Finally, the Public Service Commission ought to ask some hard questions of the utilities. They have been protected for years and still aren't delivering competitive rates. Why not?

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