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Budget busters: Gas, heat, now electric

Metro families to pay more starting in January, the first Detroit Edison hike in more than a decade.

Nick Bunkley / The Detroit News

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Residents of southeast Michigan can expect to pay an extra \$8 to \$10 a month for electricity starting in January, when Detroit Edison's rates will increase for the first time in 13 years.

While not likely to be an enormous burden on its own, the rate hike is another hit to Michigan families already besieged by sharply higher heating bills and gasoline prices. Overall, most households across the state will pay at least 36 percent more for energy this winter than a year ago.

"If electricity went up a little I wouldn't have a problem," said Jim Imboden, a retiree living in Lake Orion, "but natural gas and gasoline prices are what's really got me upset."

Detroit Edison attributes most of the rate increase to pensions, retiree health care, clean-air costs and other expenses that have risen dramatically since the last rate increase in 1992. That portion, which state regulators approved last year, adds \$7.67 to the bill for a home that uses 500 kilowatt-hours a month.

The Michigan Public Service Commission today is expected to approve the second portion, aimed at offsetting the high cost of natural gas and other fuels used to make electricity. Detroit Edison, which serves 2.1 million customers from Monroe to Michigan's Thumb, says its request as proposed would cost an average household \$2.70 more each month.

Combined, the increases will raise residential bills about 23 percent.

Detroit Edison officials said rates haven't kept up with inflation and actually were reduced several times despite rising costs. Most recently, residential rates were cut 5 percent in 2000.

"What customers are paying today is actually about 10 percent less than what they paid in 1992," said Detroit Edison spokesman Len Singer.

The public service commission also is scheduled to rule today on an electric rate increase for Jackson-based Consumers Energy. Homes that get electricity from that utility can expect to pay about 10 percent to 15 percent more -- \$4 to \$6 a month for 500 kilowatt-hours -- if commissioners approve the request.

It will be the first rate hike since 1996 for Consumers Energy, which has 1.8 million electric customers in 60 Michigan counties.

The increases take effect Jan. 1, when caps imposed five years ago by the state Legislature expire.

Some businesses that get electricity from Detroit Edison -- many began paying higher rates in 2005 -- will likely see an increase of between 3 percent and 8 percent next month.

However, other businesses could end up paying less. Today, the commission is expected to approve a plan eliminating subsidies that commercial and industrial customers pay to keep residential rates artificially low.

The so-called "de-skewing" plan would cause residential rates to rise gradually starting in 2007. Detroit Edison has proposed bumping up residential rates 3 percent annually for five years, for a total increase of 16 percent. That would add about \$8 to an average customer's bill, based on the proposed

rates for 2006.

Alternate proposals would spread the increases over three or 10 years.

Besides making business rates more competitive with surrounding states, the plan would ensure all customers pay the entire cost of the service they receive. Utilities say they lose money on each residential customer they serve.

Exactly how to remedy that problem is being fiercely debated. The proposal before the commission calls for a "regulatory adjustment charge" to be levied on all customers, including businesses and government entities that get power from an alternative supplier.

Greg Baracy, superintendent of Wayne-Westland Community Schools, said such a charge would wipe out savings his district and about 125 others across the state get from buying power through the Michigan School Energy Cooperative instead of Detroit Edison. Energy is the second-largest expense behind labor for most districts, and higher costs would further squeeze schools' budgets.

"They're taking away the opportunity to save taxpayers money," Baracy said. "That's putting more strain on the school's budget and taking away resources from the classroom and from the students."

Detroit Edison has wanted to get rid of the subsidies businesses pay since the state's electric market was opened to competition five years ago. Many large companies now buy power from alternative suppliers, leaving fewer of them to cover the cost of serving homes.

A coalition organized by Detroit Edison's parent, DTE Energy Co., has lobbied for an overhaul of the electric choice law. Citizens for Long-Term Energy Affordability and Reliability, also known as the CLEAR Coalition, pushed for changes to be made before the rate caps expire Jan. 1 but couldn't persuade legislators to take action.

Critics say the changes DTE and its coalition want would kill electric competition, causing rates to climb and driving businesses out of Michigan.

CLEAR plans to continue its fight in the new year and hopes lawmakers will pay more attention to the issue after their constituents start getting higher electric bills.

"Maybe that's exactly what we need to spark renewed interest," said CLEAR spokeswoman Kelly Rossman-McKinney people receiving higher electric bills. "We will have once again, I expect, a pretty concerted effort."

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