

Electric rates going up as usage declines

by Barry Cargill

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Just a few months ago, the Customer Choice Coalition warned Michigan lawmakers the utility-sponsored effort to rewrite Michigan's electric laws was a huge mistake -- one that would increase Michigan's already high electric rates, force customers to pay for construction of unneeded new electric plants and provide only a small amount of renewable power, at unnecessarily high prices to consumers.

Now those predictions are coming true. For the first eight years of this decade, Michigan's competitive electric system helped drive electric rates down and generated construction of 4,000 megawatts of new electric capacity built in our state, increasing reliability.

But last year Michigan's major utilities demanded an end to competition, and the Legislature rewarded them with a new law that limited competition to just 10 percent of the market -- driving out many alternative energy companies who were interested in competing in all customer markets including residential.

Just a few months after legislators voted to restrict competition, we can see the results. Freed from the fear of competition, Consumers Energy will hike residential and business rates 5 percent beginning May 14. Detroit Edison is also planning to raise rates.

Why the rate hikes? Largely because customers are using less electricity. Yes, the new law says when customers use less electricity, rates must go up.

Wait, didn't the two utilities tell our legislators energy use would be heading up? Detroit Edison is now predicting power use in its territory will be down 10.2 percent by 2018. Consumers says residential and commercial use will be down significantly, but is predicting industrial use will skyrocket 16 percent in the next decade -- a dubious prospect -- resulting in at best no growth at all over the next decade.

And how about all that new renewable power? Consumers wants to spend \$2.4 billion on "generation-related" facilities (i.e., coal plants) over the next five years -- and just \$213 million on renewable generation. We would have been better off to let entrepreneurs compete to build and operate new electric generation instead of relying almost entirely on the utilities.

So, for those keeping tally just a few months after seriously damaging Michigan's competitive electric system:

- Customers are being asked to pay more and more for using less electricity.

- Electric use is headed down, raising serious questions about the need to mandate customers pay for major new plants that will only benefit the utilities.
- Relatively little renewable power investment is on the foreseeable horizon.
- Utility revenues are headed up big time.

Now Michigan lawmakers have new information about DTE and Consumers Energy plans for increased rates, reduced reliability and unneeded new plants. The solution is to raise the cap on competitive electric choice and require competitive bidding for all new generation financed by ratepayers. Doing so will increase reliability, lower prices for new generation including renewables and create more jobs for Michigan.

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