

Businesses suffer with rate increases

by Jackson Citizen Patriot

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State regulators gave a break to Consumers Energy's residential customers last week, ordering the utility to trim an electricity rate increase just before it took effect Thursday.

While residents scored a small victory — they still will pay more — the rate hike was bad news for most state businesses. Unless a business is a large commercial or industrial outfit, its electric rates are now about 5 percent higher. That affects everything from a neighborhood hair salon to an office building.

In a recession, this business-rate increase is too steep. The only hope now is that the Michigan Public Service Commission cuts back on the size of the increase before Nov. 14, when it would become permanent.

First, a little background: Consumers Energy is rewriting its entire rate structure in light of state legislation last year. The mandate now is for the utility to charge all customers the same rate for the electricity they use. Traditionally, industrial customers like MacSteel or Michigan Automotive Compressor Inc. paid higher rates — effectively, a subsidy to most customers.

There is logic in that change. Surrounding states charge companies rates that accurately reflect power usage. And artificially high rates for large companies hinder Michigan as it tries to hold onto its manufacturing base.

With the rate hike that just took effect, factories and large power users now will pay slightly less, about 0.4 percent.

Yet the other side of the coin is the short-term impact on all other businesses. And it may be devastating. This 5 percent increase hits as Michigan continues to suffer from this recession. State unemployment stands at 12.6 percent, and an economist from the Mackinac Center for Public Policy just predicted it could reach 20 percent by year's end.

Many businesses that survive this carnage are walking a tightrope to stay profitable. Instead of getting help, they will bear a higher cost that, largely, they cannot control. Well, they can shut off the lights when they shut their doors.

What can be done? The only hope lies with the Public Service Commission, which has final say over how much utilities charge. These new rates are considered temporary until the commission weighs in before Nov. 14.

Already, there are signals that the commission might dial back these rate increases. The commission's staff is recommending that Consumers receive about \$2 of every \$5 it has requested in revenue from higher rates.

The commission acted in the interest of residents last week. Now, it should take an equally aggressive approach to business customers. Allowing these temporary rate increases to become permanent this year will hurt employers and slow the pace of any economic recovery.

Consumers Energy is not acting maliciously here. It is a for-profit company. But the new rates it put in effect for most businesses are plain wrong at this time.

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Issue

Consumers Energy puts electricity rate increases into effect.

Our say

These changes are positive for large commercial and industrial customers, but horrible for other businesses.