



Editorial: Wrong time for rate hikes

by Grand Rapids Press Editorial Board

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WHY IT MATTERS?

As job losses and salary cuts mount in Michigan, asking people to pay more for anything, including utilities, ignores the challenges almost everyone faces.

Michigan's two biggest utility companies -- Detroit Edison and Consumers Energy -- want 11 percent increases in residential electric rates. State regulators should say no.

Michigan is mired in an economic downturn with the highest unemployment in 25 years. This is not the time to hit already struggling families with a double-digit rate hike. In the midst of the economic pain and hardship residents are enduring, such an increase would be unconscionable. Michigan's Public Service Commission (PSC) should do as its name implies -- serve the public -- by pulling the plug on increases.

Jobs and salaries are being cut almost daily in Michigan. Many families, already struggling to make ends meet, will find it difficult, if not impossible, to squeeze an extra dollar out of already pinched household budgets. The same is true for people on fixed incomes, particularly senior citizens.

Under legislation passed last year, utility companies are allowed to automatically raise rates, if regulators don't act on a request within six months. So far, the PSC has not acted. Consumers Energy's rate hike could start in May and Detroit Edison's in July, if the PSC remains mum. The three-member commission must recognize the economic reality of the times and intervene to postpone rate hikes that could exacerbate the financial strain on the state's residents.

Detroit Edison and Consumers Energy serve about 4 million electric customers in the state. Both companies say money from the rate hikes will be used to pay for emissions upgrades mandated by the federal government and to modernize equipment to help pinpoint power outages.

But upgrades that are not absolutely necessary ought to be delayed, just as households statewide are putting off purchases because circumstances demand it.

The rate increases would be the second for both utilities in a year. In December, the PSC authorized a 4.5 percent increase for Edison customers that added \$2.51 to the average monthly bill. In June, the PSC granted Consumers Energy a hike that increased monthly household bills by \$2.64. The increases were less than a third of what the utilities had requested.

The PSC, in approving those increases, said it was "keenly" aware of the state's economic climate, especially in Detroit Edison's service territory.

Nothing has changed for the better economically in Michigan that would make a double-digit utility rate increase more palatable, now. The unemployment rate has gone from 10 percent to 12 percent since Detroit Edison's December rate hike was approved.

Thousands of households already are struggling to pay their utility bills. Shutoffs for nonpayment increased. There were 281,116 electric and gas shutoffs in Michigan in 2008, up 17 percent from 239,365 in 2007.

The PSC commissioners, Chairman Orjiakor Isiogu, Monica Martinez and Steven Transeth, should stop sitting on their hands and do what's necessary to short-circuit these ill-timed rate hikes.