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Editorial: Make rate hike fair to utility and consumers

Electricity customers should get ready for an increase when the 10-year rate freeze expires in January 2007.

How much of a rate increase will be determined by a host of factors, including politics.

The utilities already are angling for a rate increase. Ameren Corp., which has 1.2 million customers in Illinois including most of the Herald & Review circulation area, has stated in financial documents that its rates might jump as much as 20 percent to 35 percent. Earlier predictions had been for rate increases of 10 percent to 20 percent. Ameren is the second-largest utility in the state behind Com-Ed.

The 10-year rate freeze was approved in 1997 as part of a package of legislation that was intended to deregulate the utility industry. The idea was to freeze rates for 10 years for competition to develop.

Only one problem. Competition never did develop. Neither Ameren nor ComEd face any competition in the consumer market.

But it would be wrong to place a large portion of the blame on the utility companies. These companies have complied with the deregulation laws and lived with a 10-year freeze on raising rates. It's reasonable to assume they will want a rate increase at the end of such a freeze, although the companies will need to justify any increase.

Intermeshed in this drama is a remaking of the Illinois Commerce Commission by Gov. Rod Blagojevich. The commission oversees the utility industries and approves any rate increases. The governor has asked two commission members to resign and named Martin Cohen as the chairman of the regulatory body. Cohen is the past chairman of the Citizen's Utility Board, a utility watchdog group.

Although it's speculation at this time, it's expected that the governor's new appointments will be more "consumer friendly." The Illinois Commerce Commission - and the governor - has been criticized in the past for being too cozy with utility companies.

The best situation is a balance between the needs of the utility companies and the consumers. While consumers deserve good value for their utility dollar, the companies also need adequate revenue to cover expenses and return a decent rate of profit to their investors.

It's reasonable to assume that after a 10-year freeze, rates will increase. It's clear that deregulation did not work in the electric power industry.

The amount of those increases will be determined by the commerce commission, which must balance the need of consumers and the utility companies. The state needs strong utility companies to prosper, but consumers should also expect a fair price.