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### Editorial: Only 11 More Months of Artificially Low Electric Rates

The cost of electricity is going to increase in January, but don't blame it on the Illinois Commerce Commission or the utilities. The only reason consumers have reason to complain is that they've been fortunate to have eight years of artificially low rates.

It's a good thing that utility regulation in Illinois is done by the Illinois Commerce Commission and not by politicians. If it were up to the pols, utilities might never get rate increases and might never be able to make their required investments to ensure good service. Consider the response from three elected officials — Gov. Rod Blagojevich, Attorney General Lisa Madigan and state Rep. Naomi Jakobsson, D-Urbana — last week after the Illinois Commerce Commission approved a reverse auction process that utilities will use to purchase and price electricity beginning next January.

The reverse auction, the commerce commission and its staff believe, will provide Illinois consumers with the lowest cost electricity available at this time. It didn't come to the decision easily. The commission studied the issue for more than a year, including New Jersey's experience running a reverse auction.

It works. In fact, New Jersey's electric rates, which were cut 10 percent in 1998, are only 3 percent higher than what they were before the price cut. In a reverse auction, bidders (which may not always be energy suppliers but could be financial houses that purchase their own power) offer progressively cheaper and smaller bids until all of a utility's energy needs are met. It's a good example of a market-driven system. But the pols, who know about as much about economics and utility regulation as they know about meeting pension costs, are up in arms. "This policy is both unwise and unfair," said Blagojevich. Madigan said she'd file a lawsuit to block the reverse auction. Said Jakobsson, "The reverse auction is a bad deal for consumers and small businesses in our region. Utilities have a right to make a fair profit, but not astronomical returns that come at the expense of struggling consumers at a time when utilities are already pulling in record gains."

First, Rep. Jakobsson, where does the commerce commission ruling promise "astronomical returns?" Second, what is a "record gain?" Illinois electric rates not only have been frozen (under terms of deregulation legislation) since 1998, but also they were cut by 20 percent. Name another commodity that is 20 percent cheaper than it was eight years ago.

The reverse auction approved last week by the ICC will result in a rate increase estimated at from 8 to 35 percent next year. As ICC member Robert Lieberman said, "There is no evidence in this docket to suggest that any procurement method would not have led to increased prices, given the state of the wholesale electricity market." Prices will rise, he said, because coal prices have doubled in the last five years and natural gas and oil prices have quadrupled. And that — along with more environmental regulation and the fact that most new power plants are powered by natural gas — means that it costs more to produce electricity today than it did eight years ago. Lieberman noted that in Wisconsin, electricity rates have increased 25 percent in 18 months. And in Springfield, which has a municipally owned utility, a 33 percent rate increase is pending.

Most Illinois consumers have been insulated from the realities of electricity pricing since 1998. We suspect the real reason Blagojevich, Madigan and Jakobsson are concerned about the reverse auction is that it is tentatively scheduled to occur in September — a month or so before Election Day. It won't be long after that that utilities will be able to calculate how much today's artificially low rates will increase. That's bad timing for politicians up for re-election. But they, like the rest of us, have had it good for eight years.