

Consumers vs. consumers

Utility's gas rate hike request meets few happy customers

By Mike Scanlon
staff writer

Helium balloons labeled "Gas Rates" loomed down on the Michigan Public Service Commission Monday when Richard Douglass and Julia Finch testified in the first day of hearings on Consumers Power Co.'s 50 percent gas rate hike.

A few dozen other people also testified at a Lansing convention hall, and the crowd of about 300 was heavily laced with rate protesters. But Douglass and Mrs. Finch had unique vantage points.

Douglass, a researcher at the University of Michigan School of Gerontology, last winter surveyed 2,000 elderly people to determine the effects of rapid increases in heating costs.

"I can state without hesitation that 20,000 elderly were giving up food to pay the gas bills if prices rise 50 percent," Douglass said.

Mrs. Finch has done no study, but doesn't need to. Mrs. Finch is old. And six days a week she eats quickly warmed up leftovers.

"I maybe cook just about once a week . . . to keep the cost down. You're going to do without something, because you're going to have to pay your utility bill. But you know, you can't go on that way."

THE GIANT UTILITY'S huge rate increase, already in effect for customers who pay their bills on a monthly budget plan, is the result of its virtual dependence on the Panhandle Eastern Pipeline Co. Panhandle and its subsidi-

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ary, Trunkline Gas Co., together control some 83 percent of Consumers' supply.

Natural gas is measured in units of 1,000 cubic feet. Consumers is 12 years into a 20-year contract with Trunkline that requires the utility to buy at least 209 million, one thousand cubic feet-units of gas a year. There is, incidentally, no reciprocal obligation by Trunk-

line to guarantee the supply.

Trunkline has meanwhile signed a 16- to 20-year agreement with Algeria for a guaranteed supply liquefied natural gas at the current rate of \$7.50 per thousand cubic feet. That means Consumers is contractually obligated to buy at least \$1.6 billion of Trunkline

gas each year until 1989.

Average Consumer Power retail rates before the 50 percent increase were about \$3.50 per thousand cubic feet.

A little-known PSC regulation called the Purchased Gas Adjustment clause (PGA), however, allows Consumers to fulfill its contract with Trunkline by passing along the billions in added cost directly to customers.

When mingled with gas from other sources, Consumers says the \$1.6 billion annual cost of \$7.50 Algerian gas requires a 50 percent customer rate hike.

THE HEARING seemed to open a Pandora's box of criticism, both for Consumers' Power and the PSC itself. Testimony Monday included suggested

elimination of the PGA clause; election of a five-member PSC to replace the current three-member panel of two Republicans and one Democrat appointed by the governor; a requirement that interest be due on advance payments made under monthly utility budget plans; and the suggestion that Michigan corporate utilities have pursued a policy of rectifying management mistakes by passing through rate hikes.

"What if the PGA was not in effect?," asked state Sen. Gilbert D'Amico, D-Sterling Heights. "Would (Consumers Power Co.) management then have made the same decision (to buy expensive gas) or would they have made Herculean efforts to find other alternatives?"

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