

Who Pays Edison Rate Hike?

Detroit Edison Co. has asked the Michigan Public Service Commission for approval of a \$99 million annual revenue increase, its fourth in three years.

Of that amount, \$52.1 million would be represented by a 7.9 per cent increase in rates. The balance of \$6.9 million would come from a proposed new policy of charging for appliance repair labor and parts.

Robert W. Hartwell, executive vice president for finance, said that to meet the constantly growing demand for electric power in southeastern Michigan, Detroit Edison has underway a \$7.5 billion construction program for the period 1972-1982.

"FINANCING this program - one of the largest ever undertaken by an electric utility in the United States - will require tremendous amounts of new capital," Hartwell said.

"The biggest problem facing Detroit Edison today," Hartwell said, "is how to obtain the funds to keep our construction program going."

"Detroit Edison has imposed an austerity program, including tight spending controls and a hiring freeze. But the company must have additional rate relief," Hartwell said.

Last Aug. 18, Detroit Edison received MPSC approval to raise rates by \$45.2 million. But, Hartwell pointed out, this was \$25 million less than the company had requested.

"Financially, we are constantly playing catch - up ball," Hartwell said.

IN ADDITION to the rate and appliance repair charge proposals, Detroit Edison also asked the MPSC for permission to eliminate a long-standing practice of allowing a three per cent discount for prompt payment of electric bills and to impose a late payment charge of one per cent a month on the unpaid balance of a bill.

To offset the proposed late payment charge, the company would extend the due date of a bill to 25 days.

If the MPSC approves the request for the rate increase, \$17.3 million would come from industrial customers, \$13.3

million from commercial, \$19.9 million from residential and \$1.6 million from bulk sales and other classes of service. The balance of the total revenue increase would come from the proposed appliance repair charges for residential customers.

Rate increase percentages by classes of electric users would be: Industrial, 7.4 per cent; commercial, 8.7 per cent; residential, 7.9 per cent, and other classes, 8 per cent.

FOR THE residential customer who uses 478 kilowatt-hours of electricity a month - an approximate average use - the proposed rate change would amount to an increase of \$1.11 per month. On this basis the monthly residential bill would increase from \$14.07 to \$15.18.

"The company plans to continue its traditional practice of exchanging light bulbs without charge at its customer service offices," Hartwell said.

Although Detroit Edison has had three general electric rate increases since 1970, it had no rate increases from 1949 to 1970 and reduced its rates on three occasions during that period.

Based on the usage today of 478 kilowatt-hours per month, the residential electric bill, with the proposed increase, will have gone up only 33 per cent since 1948 as compared with a 72.1 per cent increase in the consumers price index in Detroit for the period 1948 to Sept. 30, 1972, Hartwell said.

POINTING OUT that the demand for electricity is

expected to double in the next 10 years, Hartwell said that Detroit Edison plans on adding 9,317,000 kilowatts of new electric power facilities.


In conjunction with the \$7.5 billion construction program, he said, the company has budgeted approximately \$900 million for environmental protection controls.

Hartwell said that of Detroit Edison's immediate requirements for 1973, about 70 to 75 per cent will have to be raised in financial markets.

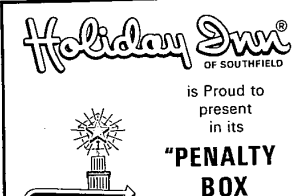
Detroit Edison's last common stock issue produced proceeds to the company below book value. A recent preferred stock issue was downgraded by underwriters to a Single A rating. Hartwell warned that in the absence of further rate relief, Detroit Edison might lose its double A bond rating, thus increasing its costs even higher.

Detroit Edison General Rate Changes 1948-1972

Effective Date	Amount of Increase (+) or Decrease (-)	% of Gross Revenue
July 7, 1948	Prompt payment discount reduced from 10% to 4%	
Jan. 24, 1949	\$13.0 million (+)	
	(Included reduction in prompt payment discount from 4% to 3%)	14.7% (+)
Dec. 1, 1954	\$ 3.7 million (-)	1.2% (-)
Dec. 1, 1955	\$ 4.0 million (-)	1.2% (-)
June 1, 1957	\$ 3.7 million (-)	1.0% (-)
June 15, 1970	\$ 6.5 million (+)	1.57% (+)
Jan. 4, 1971	\$19.0 million (+)	3.87% (+)
March 31, 1972 (Interim)	\$24.7 million (+)	4.29% (+)
Aug. 19, 1972	\$20.2 million (+)	3.38% (+)



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