Consumers seeks 10.5% gas rate hike

By MICHAEL MATUSZEWSKI

Suburban natural gas users will be hit by another rate increase if the Michigan Public Service Commission (MPSC) approves any part of Consumers Power Company's latest request.

Consumers Power, which supplies much of suburban Detroit's natural gas, this week asked for a two-pronged rate increase totaling $76 million, or 10.5 per cent.

The increase, if approved, would boost the average residential customer's monthly bill $3.80.

IF THE ENTIRE increase is approved, the average customer would be paying $480 annually, a 9.3 per cent increase. The increase would cost the average customer more than $40 more per year.

A customer using a full range of gas appliances, however, would use more gas than Consumers Power's average customer.

The MPSC has never granted an entire Consumers Power rate request. The latest request comes in two steps. First, there would be a $37 million interim rate hike which would take effect in the fall before gas use increases dramatically in the winter months.A $39 million increase would follow in 1979.

Customers of the other Detroit-area natural gas distributor, Michigan Consolidated Gas, pay an average of $390 annually.

ConsumersPower officials said the company need the increase to meet higher costs and to increase profit margins.

From 1976 to 1977 Consumers Power's operating revenue from its gas distribution operations increased from $700 million to nearly $725 million. Over the same period of time, however, earnings dropped from nearly $60 million to $49 million.

THE INCREASE, said James B. Falahee, senior vice president, was "not very much when you break it down."

"But no matter how you cut it, (it's) still an increase, still another fact of life which we don't expect to be popular," he said.

Consumers Power was granted an $11 million increase in January. That increase, however, dated back to a request filed with the MPSC in November 1974. The package of increases, including interim rate increases in June 1975 and March 1977, totaled $45 million.

WHY THEN, the new rate request?

Falahee said the latest increases were based upon Comsumers Power's cost of doing business in 1975 and were inadequate to meet 1978's need.

"What it adds up to is this: We are being asked to provide natural gas service to our customers today, in 1978, at a price based on the cost of that service in 1975."

The January increase, Falahee said, " was several millions too late, several years too late. " The latest rate request is "designed to redress the large imbalance which now exists in our rates versus the cost of doing business," he said.

Falahee described the utility ratemaking game a "vicious circle."

"Because our rates for gas service do noq provide for recovery of the cost of that service," he said, "our earnings and profitablity suffer. As profitability declines, investment in our business becomes less attractive and financing becomes more expensive. As financing grows more and more expensive, our cost of doing business grows at an even faster pace."

Falahee continued, "It does us no good to look back longingly at that pre-1972 period when gas was underpriced and overabundant. . . The cost of gas service is finally behaving like everything else in our inflation-plagued society — it's going up."

According to Falalee and other natural gas industry officials, the productions costs of new natural gas has been spiraling because all of the easy-to-reach natural gas has already been pumped and produced.

Sandalow heads law school

Terrance Sandalow, a professor of law at the University of Michigan since 1966, will become the 12th dean in the U-M Law School's 118-year history.

Sandalow was approved by U-M regents on Feb. 17. He succeeds Theodore J. St. Antoine, who will step down from the deanship to resume teaching and research at the U-M. Sandalow's appointment, effective July 1, is for the five-year term.

A specialist in constitutional law, the federal judiciary, and urban government. Sandalow taught at the University of Minnesota before joining the U-M faculty. Previously he spent two years with a Chicago law firm, and served as law clerk to Judge Sterry R. Waterman of the U.S. Court of Appeals for the Second Circuit in New York and as clerk to Justice Potter Stewart of the U.S. Supreme Court.

As a member of a special committee of the Association of American Law Schools (AALS), Sandalow co-authored the AALS brief filed in the U.S. Supreme Court's pending "Bakke" case dealing with preferential minority admissions at selective professional schools.

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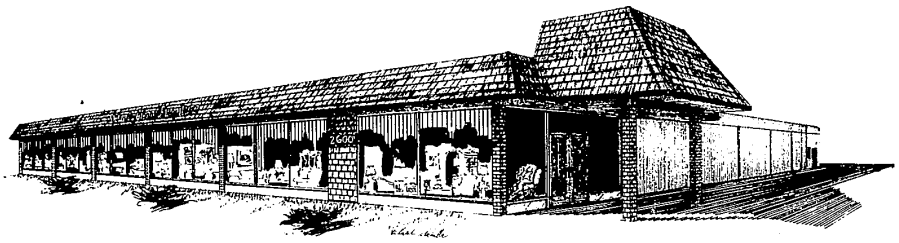

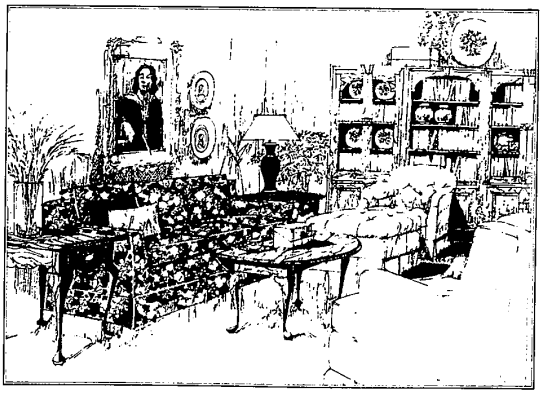

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