Our View: Don't allow utilities to write their own rate hike rules

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Listen to what northern Illinois electric utility Commonwealth Edison is pledging to do for its customers - invest $2.6 billion into modernizing, expanding and improving the reliability of its electrical grid over 10 years - and it sounds fine, but as always there's a catch. In exchange, Com-Ed wants the state to authorize regular rate increases for consumers and greater control for the utility in setting its profit margin.

Why should we care in central Illinois? Another plank in the legislation would allow local electricity provider Ameren to jump on board. To be fair, Ameren hasn't formally weighed in save to indicate its general support for infrastructure improvements. For now, the utility is concentrating on its proposed $111 million rate boost, announced Friday.

We're not keen on the Pandora's box that could be opened here. Essentially, it would put the utilities firmly in the driver's seat in setting rates rather than the independent Illinois Commerce Commission and consumers, who for all practical purposes don't have a choice of energy providers. The measure already has drawn objections from the Citizens Utility Board and Attorney General Lisa Madigan.

Today there are typically about 11 months worth of hearings in which state experts "get into the nitty-gritty" of utility operations and "the books are open," says CUB chief David Kolata. The ICC uses a complex formula to set a profit margin for these monopolies, taking their business costs into account. Com-Ed's proposal would instead guarantee an automatic boost each year of about 2.2 percent, providing profit margins "higher than the ICC has said is reasonable" under the current structure, Kolata says.

More ominously, the current proposal would all but take the ICC out of the process, neutering its ability to look out for consumers. Instead of an 11-month hearing process in which the concerns of advocacy groups, citizens and the utilities are balanced, Illinoisans would instead get a 45-day, after-the-fact review, with the ICC essentially checking a utility's math to see that the amount allegedly spent on infrastructure improvements and the desired profit margin matched up with the rate increase.

If any of this sounds familiar, it's because Com-Ed tried to push a similar idea last year, sweetening the deal by pledging some $500 million to offset the state's gargantuan budget deficit. It didn't go far once a few lawmakers and citizens interpreted the offer, fairly or not, as something akin to a bribe. We're confident in saying that if ComEd could put that much on the table up front, there was a heckuva lot more waiting on the other end.

We doubt many object to the notion of improving the electric grid, but as Kolata reasonably points out, there's "nothing stopping them" from investing in their systems now and getting the OK to recoup their costs for it through the existing process, lengthy and frustrating though it may be. If this were a truly competitive market and consumers had real choices, we might have a different take, but that is not the case, and that's why this measure cannot move forward.