

New York electric company seeks 17 percent rate hike

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8 May 2007

New York City's major electrical company, Consolidated Edison, has asked state regulators to increase rates 17 percent for city residents and 10.7 percent for businesses. The hikes would take effect over the next three years, with the first and largest installment—11.6 percent, for an annual increase of \$1.2 billion—beginning next April. Con Ed would further increase its revenue by \$335 million in 2009 and \$390 million in 2010.

The proposed increases would dramatically raise electric bills for an estimated 3.2 million customers in New York City and suburban Westchester County. It has been estimated that an average monthly bill for a resident would increase from \$70 to \$82 per month, and from \$2,200 to \$2,435 per month for a business. New Yorkers already pay among the highest rates for electricity in the country.

The rate hike request has provoked widespread anger among the city's residents, the vast majority of whom are working people already hard-pressed by rising housing costs and other price increases.

The proposed hikes have provoked particularly strong opposition and outrage because of the electrical power monopoly's performance last July, when it plunged some 170,000 people in western Queens into protracted blackout. For nine days, residents were forced to suffer through sweltering heat without air conditioning or lights, and business losses were estimated in the ten of millions of dollars as stores and restaurants were forced to throw out perishable goods. Many small businesses had to close down, and a number have yet to reopen.

Nevertheless, as in the blackout, so too today, the utility enjoys the support of New York City's billionaire Republican Mayor Michael Bloomberg. He urged residents to keep an open mind about the further price gouging they confront, telling them to assess the

rate hike request "on the merits, not on politics."

Bloomberg expressed admiration for the monopoly's marshalling of facts and arguments in the attempt to get the permission of New York's regulatory agency to boost its revenues. "Con Ed submitted more than 1,800 pages of data and testimony to the State's Public Service Commission today—a commission that was created to analyze this kind of data and make decisions based on the facts, not political influence," he declared in a statement released last Friday.

City residents are not only unimpressed with such arguments, but are further incensed by the fact that these rate hikes are being proposed right after the New York City Water Board proposed to raise the water and sewer taxes by 11.5 percent, the largest increases in 15 years. The mayor also defended this increase in a recent radio show, saying that "somebody's got to pay." As is always the case with the mayor, who himself has a personal fortune of more than \$5 billion, the *somebody* from whom he demands sacrifice to maintain essential city services never includes the wealthy and big business, but always consists of working people who can least afford these increased prices and taxes.

The Public Service Commission has already determined that the blackout last year was a product of the Con Ed's own failure to adequately maintain and utilize its equipment. It will also be holding hearings on the company's decision-making before and during the blackout to determine whether fines—for as much as \$100 million—should be levied against the company.

Thus, the same public agency that will be deciding on penalties against Con Ed will also be determining if the utility should obtain the rate increases. The commission, therefore, is in a position not only to fine the utility, but also to include the cost of the fine in approved rate hikes. This would effectively amount to a

kind of double jeopardy for the consumers — the same city residents who endured hardship and losses because of the company's failure to provide electricity for nine days last summer would be hit with a rate hike to cover the company's fine.

Given the structure of the deregulated US electrical power system, residents could end up paying significantly more than what has already been proposed by Con Ed. In pursuit of higher profits, the company has sold off most of its own power plants to other companies that sell power back to Con Ed and other utilities on the wholesale market. If, as many are predicting, wholesale prices rise significantly, Con Ed can be counted on to pass the costs on to its customers. "Supply is tightening, and wholesale prices may rise quite a lot, in addition to Con Edison's delivery charges," Gerald Norlander, executive director of the Public Utility Law Project, a public advocacy group, told the *New York Times*.

Con Edison has stated that it needs the rate increase in order to spend billions of dollars on improvements in its substations, transformers, and primary cables. Generally speaking, power costs have been soaring throughout the country, and according to an analysis by the Associated Press in 2006, consumers in deregulated parts of the country pay about 30 percent more than those in regulated areas, a widening of the ratio from the 24 percent difference that existed in 1990.

Though the rate hike spells growing pressure on the city's working population, it will come as good news at least to the company's wealthy shareholders. It has been estimated that the utility has \$12 billion in annual revenues. And, according to a report in the *New York Post*, a Con Ed official stated at an investors' conference earlier this year that not only is it the case that New Yorkers probably pay the highest rates in the country, but also that much of the increase that the company is demanding will go to shareholder dividends.

In its most recent report to stockholders, management boasted that the company has increased its net income to \$737 million. As of last January, it decided to increase its annual dividend to shareholders for the 33rd straight year. Con Ed stock is currently trading at \$51.42 per share, an increase of \$7.00 since the beginning of the year.



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