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Major Ameren rate hikes are in the offing; natural gas price could rise 30 percent this winter

BY MIKE FITZGERALD
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Welcome to the new normal of energy prices. Consider:

- Ameren Illinois expects to pass along increases of up to 30 percent to 825,000 natural gas customers this winter.
- An administrative judge panel has recommended Ameren be allowed to raise delivery rates for 1.2 million customers by \$163.5 million, or nearly 9 percent -- a hike that comes on top of a 50-percent average rate increase customers absorbed last year. The Illinois Commerce Commission will decide next month whether to approve the hike, which could take effect in October.
- Ameren has indicated it will seek more rate increases than ever in the years ahead. The St. Louis-based energy giant's executives say they must do so to stay ahead of soaring coal and natural gas prices caused by the world's raging energy appetite.

The bottom line: In the months and years ahead, you will likely see sharp cost spikes on your Ameren bill for electricity and natural gas. And unless you enact some vigorous conservation measures, you could end up seeing these rising energy costs consume 10 percent or more of your household budget, according to energy experts interviewed.

"We are addicted to energy, and that addiction is not going to be cured for many years unless we address it seriously," said Jeff Mayer, the president of MXenergy, of Stamford, Conn., which markets natural gas to customers in Illinois and elsewhere. "And until it is, we're going to be living with energy price volatility. It's a fact of life."

Sean Vanslyke, an Ameren Illinois spokesman, declined to say whether the utility plans to ask for another rate increase after the commerce commission rules on its pending request.

"I think at this time, we're very much focused on the current rate case, which we're very much concerned about, being able to do things that enhance our reliability and customer service," Vanslyke said.

Ameren executives have already said they plan to file more rate hike requests, said Jim Chilsen, a spokesman for the Citizens Utility Board, in Chicago.

"That is not good news for consumers," said Chilsen, whose group has argued that Ameren is entitled to a \$58 million increase.

Meanwhile, the predicted 20 to 30 jump in natural gas prices is "still going to be a pain for winter, no matter what" for consumers, Chilsen said.

Stuart Caplan, a New York energy lawyer, also shares those worries.

That's because natural gas is used to heat homes and businesses, as well as to fire up the massive boilers that produce the steam to turn power plant turbines nationwide.

Although the United States has made big strides in boosting natural gas production, these gains haven't kept pace with demand. Over the past five years, the cost of a decatherm of natural gas has jumped from \$2 to as high as \$11.

The major reason for this leap: Natural gas burns much cleaner than coal. As a result, natural gas is responsible for almost all the United States' new electricity generation during the past two decades, Caplan said.

The price for natural gas likely will rise further if the federal government sets up a cap-and-trade system to restrict the greenhouse gas emissions blamed for global warming.

"Once you introduce things like greenhouse emissions and likely policies to reduce that, the cost of burning natural gas will increase," Caplan said.

Still, consumers worried about soaring energy prices might find a glimmer of good news next summer. That's when the newly formed Illinois Power Agency officially launches.

A product of last year's rate relief settlement, the power agency aims to cut electricity prices for consumers in the same way Wal-Mart does for its customers: by using its hefty buying power to negotiate lower producer prices.

But the biggest way the power agency will likely cut power bills is by pushing programs to boost efficiency and conservation, said Chris Thomas, the utility board policy director.

Often consumers need a "nudge" to encourage them to cut their energy bills; the power agency can offer that nudge by creating "signals for programs that can help customers reduce their energy usage," Thomas said.

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