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Illinois Ameren customers find savings in fluctuating rate program

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The savviest consumers seize lower hotel rates and airfares by traveling in the off-season. Moviegoers save with afternoon matinees. And cell phone users frequently wait until the evening or weekends to make calls when minutes are cheaper.

For Skip Berkebile of Belleville, the same concept of off-peak pricing applies to doing laundry and washing dishes. He is among 2,000 Ameren customers in Illinois who have chosen electric rates that change by the hour in an attempt to reduce energy use and take control of their bills.

For most utility customers, electric rates are fixed, regardless of whether it's 3 a.m. or 3 p.m., and vary only by season. Most of Berkebile's neighbors pay about 6.4 cents per kilowatt-hour during the summer. But his rates fluctuate through the day according to the wholesale price of electricity, which can range from less than 2 cents per kilowatt-hour late at night to almost 20 cents on the hottest summer afternoons.

On summer nights, Berkebile and his wife cool their ranch-style home to 65 degrees and try to avoid running the air conditioner during the day. They also make a concerted effort to operate appliances early in the morning. The result: They're on track to save about \$100 in electric costs this year.

"Most people we talk with, their electric bill has gone up," Berkebile said. "Ours has stayed the same or even gone down a little."

Illinois in 2007 became the first state to require the investor-owned utilities to offer customers the option of hourly electricity prices. In Missouri, several hundred AmerenUE customers took part in a pilot program a few years ago that similarly provided an incentive to reduce energy use during certain peak times. But the utility doesn't offer so-called real-time pricing.

Hourly electricity pricing was introduced to Ameren customers in Illinois in January 2007. Beside providing a way to save money at a time when rates are rising, policymakers hoped that shrinking demand for power at peak times would ultimately lower prices for other customers and postpone the need for new power plants.

"The No. 1 thing we can do as a state and as a nation to reduce electric prices is to reduce peak power demand," said David Kolata, executive director of the Citizens Utility Board, an Illinois consumer group. "Just a few hours of the year — 20 or 30 — have a huge impact on the overall prices we pay. So there's a tremendous cost savings opportunity if we can just reduce that peak."

CNT Energy, a Chicago-based nonprofit group that runs Ameren's hourly pricing program in Illinois, didn't aggressively market the plan until the utilities and the Legislature finalized a \$1 billion rate-relief package last summer.

Today, there are more than 2,000 customers enrolled, and CNT is planning a marketing blitz this fall to boost those numbers. "We're hoping to get 5,000 to 7,000," spokeswoman Stephanie Folk said. "We want to more than double it by the end of the year."

Nationwide, hourly pricing programs have been relatively slow to gain traction, and reaching the policy's goals depends on participation and a critical mass, said George Gross, a professor of computer and electrical engineering at the University of Illinois.

First, the programs require the use of "smart meters" that can track not just how much electricity was used, but also when it was used. There's also a significant effort needed to educate consumers, who are accustomed to paying a fixed rate and don't know what drives the electricity market.

When gasoline prices spiked to \$4 a gallon earlier this year, consumers drove fewer miles. They postponed vacations, replaced gas guzzlers with more fuel-efficient cars and began riding mass transit or carpooling to work.

The same isn't true with electricity. Many consumers don't bother to look at what their electric rates are or know what a kilowatt-hour is. So despite an upward trend in electricity rates, use continues to increase as consumers buy larger homes and accumulate new, more power-thirsty gadgets.

Ameren's hourly pricing program requires customers to commit for at least a year and pay \$2.25 a month, which they hope to make up through electricity savings. The plan also requires Ameren to replace customers' electric meters.

The rest is up to customers, who can check the next day's power prices online or by calling a toll-free number. They also get access to data to track hourly electricity use and prices so they can analyze usage patterns and increase savings.

If prices are expected to climb higher than 13 cents per kilowatt-hour, customers get a high-price alert — a phone call or e-mail notifying them to avoid running up their bills.

Even more cutting-edge technology is available to about 100 Ameren customers who are taking part in a experimental program to determine whether customers changed behavior when electricity prices rise. Participants are given a small, glowing orb that is controlled by a wireless radio signal. The orb glows different colors depending on the market price for electricity. It's blue when prices are lowest and changes to warmer shades like orange and red when prices rise.

John Dalhaus of Fairview Heights has been an hourly pricing customer for about six months. He'd long been interested in energy conservation and has solar panels on the roof of his Fairview Heights home to help minimize electricity purchases. So when he learned about Ameren's hourly pricing program, he wasted no time signing up.

Dalhaus doesn't obsess about how much money he's saved. But he's confident that he's pocketing at least a few extra dollars that would otherwise trickle down to the utility's bottom line.

"Sometimes I call my wife and say, 'Hey, it's going to be real high today at 10 a.m., so don't do the laundry then,'" he said. "But we try not to be fanatics about it. If the kids want to watch TV that's OK, or if it's 80 degrees in their room, we're not going to say, 'No, you can't run the air conditioning.'"

Ameren's hourly pricing customers saved an average of 16 percent on their electricity bills last year, according to CNT.

There is no guarantee of lower electricity bills, and even the biggest proponents of hourly pricing say it's not suitable for many electric-heat customers and those whose monthly bills are already low. Also, senior citizens and families with young children may not be in position to reduce power use on sizzling summer afternoons; they do better with fixed rates.

Jennifer Hoffman of Fairview Heights counts herself among the believers in hourly pricing.

She and her husband signed up in December 2007 and have their routine down pat. On summer nights, they lower the temperature in their 2,500-square-foot home to 65 degrees. They keep shades and curtains drawn and avoid running the air conditioner in the afternoon when power prices are highest.

It has required a little bit of effort, but the results show when the bill arrives in the mail.

"Our last bill was \$145," Hoffman said, "and everybody else around us was \$400."

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