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Ameren touts its investment potential to Wall Street analysts

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Sep 05, 2008 (Herald & Review - McClatchy-Tribune News Service via COMTEX) -- [AEE](#) | [Quote](#) | [Chart](#) | [News](#) | [PowerRating](#) -- Sep. 5--NEW YORK -- As a crucial decision looms on the delivery rates that Ameren Corp.'s Illinois utilities can charge for electricity and natural gas, the company is busy telling Wall Street the best is yet to come.



The Ameren utilities -- AmerenIP, AmerenCIPS and AmerenCILCO -- want increases worth \$207 million. The Illinois Commerce Commission is set to rule by the end of the month. So far, the commission's staff have recommended an \$87 million increase, while an administrative law judge, whose ruling is part of the consideration process, has said the utilities should get \$163.5 million.

But Ameren's chief financial officer, Warner Baxter, said the utilities deserve the full amount and, under law, are allowed to earn up to a 10 percent return on their operations because they've invested billions of dollars to improve the delivery system, especially for power.

Speaking to industry analysts at a conference organized by Lehman Brothers in New York City, Baxter said the investments should mean higher customer satisfaction levels and more favorable consideration for rate hikes. Looking ahead to the commission's ruling later this month, he said, "We anxiously await their decision, and we're hopeful for a constructive regulatory outcome at the end of the day in Illinois."

Sounding a theme he has stressed before when trying to persuade Wall Street to invest in the utilities, Baxter said the companies' investments in improving service should translate into better and better profits. Ameren anticipates earnings-per-share growth of 4 percent to 6 percent through 2010.

It also wants to hike its dividend payouts to shareholders which, currently standing at 6 percent, already are very high. "Among the best not only in our industry but, really, in all industries," Baxter said.

And yet, he added, there was the potential for much more. Its current return on equity in Illinois, a measure of profitability, stands at about 4 percent; every 1 percent Ameren can turn up the thermostat on that return is worth about \$25 million in profits.

"So you can see that if we are successful in upcoming rate cases to get our current levels of costs more reflected in our rates, we can obviously have meaningful earnings growth, compared to where we are at now," Baxter added.

Ameren's critics, however, charge that its utilities have gotten their wires crossed in thinking customers will happily swallow rate hikes in return for promised system improvements.

The Citizens Utility Board, a consumer watchdog group, said keeping the lights on reliably is job one for the utilities in any case. It said there is no justification for the size of the current delivery rate requests and accuses the utilities of poor timing in the midst of an economic downturn.

"We get calls every day from people who have to choose between heating and eating, between paying their electric bill or paying for prescription drugs," said the group's executive director, David Kolata. "We don't see any evidence that Ameren's utilities need this big rate hike."

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