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## Ameren will seek rate increases in Ill., Mo. in 2009

By Jeffrey Tomich

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Fresh off electric-rate increases in Missouri and Illinois that totaled more than \$320 million, Ameren Corp. said its utilities still aren't profitable enough and later this year will ask regulators in both states for additional increases.

The St. Louis-based company, which owns utilities that sell electricity to 2.4 million customers, said operating and financing costs have continued to outpace increases in revenue.

Ameren's Illinois utilities — IP, CIPS and Cilco — will file for higher rates later this spring or in early summer, Chief Executive Gary L. Rainwater said on a conference call Tuesday morning. During the call, he also explained the board's decision on Friday to slash its dividend 39 percent — a move that prompted the biggest one-day drop in Ameren shares since the holding company was created in 1998.

Ameren was less specific about the timing of a rate filing in Missouri, and officials didn't elaborate on the size of the increases it will seek.

It was three weeks ago that the Missouri Public Service Commission approved a \$162.6 million electric rate increase for AmerenUE's 1.2 million customers. The 8.1 percent increase, expected to take effect on March 1, will increase the typical residential customer's bill an average of \$70 a year.

And the Illinois Commerce Commission approved a \$161 million increase for Ameren's Illinois utilities in September.

Still, the company says the increases aren't enough, meaning the utilities do not have a chance to earn the return on equity — or profit — approved by regulators.

"We expect that the new Illinois rates will not fully recover the level of

costs we are currently experiencing, especially financing costs," said Martin J. Lyons, Ameren Corp.'s chief accounting officer.

Rate cases in both states typically take a year to play out. That means it's unlikely customers will see higher rates before mid-2010 at the earliest.

That Ameren is seeking to boost rates on the heels of the increases in recent months isn't surprising.

In the fall of 2007, the company said it planned to file more frequent electric and natural gas rate increases to offset the so-called regulatory lag. The company also said smaller, more regular rate increases are "more manageable" for customers than less-frequent, larger increases.

In 2007, Ameren's customers in Illinois were hit with not only increases in electricity delivery charges but also a steep rise in the price of electricity itself. Utilities and power generators ultimately agreed to fund a \$1 billion settlement to quell the backlash.

This time, however, news that Ameren wants to increase rates comes as unemployment soars, home values decline and the economy is mired in a deep recession.

"Ameren just received a massive rate increase from the ICC. And before the ink is dry on that, they're coming in for another," said David Kolata, executive director for Citizens Utility Board, a Chicago-based consumer group. "Consumers that we talk to are already struggling, so this couldn't come at a worse possible time."

[jtomich@post-dispatch.com](mailto:jtomich@post-dispatch.com) | 314-340-8320

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