

House Speaker Madigan says deregulation law may need to be changed

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SPRINGFIELD, Ill. — The 1997 law that restructured Illinois' electric industry has failed to live up to its promise and it may be time to consider a dramatic overhaul to protect consumers from volatile power prices, says House Speaker Michael Madigan.

Madigan, D-Chicago, has filed a legislative resolution calling on the Illinois Power Agency to study whether to let utility companies regain the authority to run their own power-generating plants.

Such a move would reverse a key part of the 1997 law often referred to as "electric deregulation." Under that law, utility companies such as Ameren Illinois and Commonwealth Edison stopped generating electricity and became power-delivery companies. The companies' power-generating arms were spun off into separate, unregulated entities.

The thinking at the time was that consumers would benefit because they'd be able to shop for power as they shop for other goods and services, looking for the best deal and saving money. But competition never developed in the residential market for electricity and residential customers have seen their power bills increase.

The Illinois Power Agency was created about two years ago as part of lawmakers' response to a loud public outcry that arose when electricity prices skyrocketed. The prices went up because a long-standing rate freeze was lifted.

The IPA's job is to oversee the utility companies' purchase of electricity. The agency's duties include developing plans to ensure reliable and affordable electric service "at the lowest cost over time," Madigan's resolution states.

The resolution, filed in late March, has not come up for a vote in the House. The issue won't necessarily be dealt with this year, said Madigan spokesman Steve Brown.

"I'm not sure how actively he's going to pursue it," Brown said. "It's a busy session already. This would make it even busier."

"There's nothing wrong with raising the issue," he added. "The central premise is we know, and continue to know, that deregulation did not serve Illinois consumers very well."

One of the possible alternatives is to return to a regulated environment, he said.

Dave Kolata, who heads the watchdog Citizens Utility Board, said Madigan's resolution indicates he is "serious about doing everything we can as a state to keep rates as low as they can be."

It's far too soon to predict what will happen, he said.

"The early indications are that 2010 and 2011 will be interesting years for electric policy in the state of Illinois," Kolata said.

Ameren Illinois spokesman Leigh Morris said the company has a "long record of saying that Illinois should certainly explore reintegration" of the power-delivery and power-generation components of electricity service.

With the "fully integrated model," utility companies would own power-generating plants again, he said. The companies would sell the power and the power-delivery as a bundled package, with the Illinois Commerce Commission setting the combined rates for customers to pay.

But such a change would have to benefit customers, the state and Ameren investors, he said.

"We're very much open to the idea, more than willing to discuss it and have a continued interest in it," Morris said.

A spokeswoman for Exelon Corp., the parent company of Commonwealth Edison, was less enthusiastic.

Kathleen Cantillon said Exelon is confident a feasibility study, such as the one Madigan envisions, "would confirm that competitive markets are the best

value for Illinois consumers in terms of rates and reliability."

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The issue at hand: power re-regulation

A top state lawmaker says it may be time for Illinois to once again regulate electric power producers, after the state's deregulation effort resulted in thousands of customers irate over price spikes.

House Speaker Michael Madigan, D-Chicago, is pushing a resolution calling for a study of once again allowing major electric companies Ameren and ComEd to produce their own power and subject the rates they charge to state regulation.

Lawmakers in 1997 decided to deregulate power producers, with the goal of letting the market produce competition that would lead to lower prices for consumers. But that never happened, and prices soared in some areas when a decade-long rate freeze ended in 2007.

A Madigan spokesman says he's not sure the speaker will pursue the issue this year, while the Citizens Utility Board predicts the issue will be thoroughly considered by policymakers in 2010 and 2011.

State Capitol Bureau

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