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New bidding process, wholesale price drop to ease Ameren bills

By Tom Kacich

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SPRINGFIELD – A new procedure for purchasing electricity for Illinois utilities has produced cost savings in its first attempt. But lower wholesale electricity costs – a result of the recession – played a part, too.

The result will be an 8 percent reduction in electric rates for Ameren Corp. customers, beginning June 1. The typical Ameren customer who uses 10,000 kilowatt hours of electricity a year will save about \$100.

Ameren provides electricity to almost all of downstate Illinois, including residents of Champaign, Urbana and Danville.

Eight suppliers submitted winning bids last week to provide electricity to Ameren for the next 24 months. Their combined price is lower than the price that Ameren had locked into in a controversial "reverse auction" two years ago. The Illinois Legislature later voted to eliminate the reverse auction and to create the Illinois Power Agency to purchase electricity through another competitive bidding process.

"If you were sitting here a year ago, would anyone have predicted that market prices were going to go down, and down this much?" said Ameren spokesman Leigh Morris. "But no one can predict where prices will be a year from now."

Indeed, when the next Illinois Power Agency competitive bidding procedure is held next year, it's possible the economy will be recovering and energy prices will be rising.

The new rates are guaranteed for one year, said Mark Pruitt, the director and (for now) the one-man staff at the Illinois Power Agency. The proposed state budget for the fiscal year beginning July 1 gives the agency three more employees.

Both Pruitt and Jim Chilsen, a spokesman for the Citizens Utility Board, noted that other states, particularly New Jersey, still use the reverse auction process but that customers won't see a rate reduction like customers of Ameren and Commonwealth Edison.

"We got a very good price," said Pruitt. "No one had the drop in prices that Illinois had. People say to me, 'You were just lucky.'"

"Well, yeah, but the agency worked the way it is supposed to and the results were good. The agency is about brokering, and that's what we did."

"We feel very good about how the process worked here," Chilsen said. "There is some work that still needs to be done, but the playing field is definitely a lot more balanced for consumers than it would have been under the reverse auction."

According to the New Jersey Board of Public Utilities, the reverse auction held there last winter will result in consumer costs effective June 1 that are either flat or slightly increased. In New York, Consolidated Edison has filed for a 7.4 percent rate increase just two weeks after receiving a 6 percent rate hike.

In Illinois, the commodity cost for electricity makes up about two-thirds of customer's electric bill. The rest includes the costs associated with the delivery of electricity, including poles, wires and employees. Ameren is expected to file this summer for an increase in rates to cover those costs.

Morris said a typical Ameren customer will be able to slice \$335 a year off their electricity bill: \$100 because of the wholesale cost reduction, \$100 in reduced costs by replacing conventional light bulbs with compact fluorescents and \$100 in reduced electricity use by getting rid of an old pre-1994 refrigerator or freezer. In addition, Ameren will pay customers \$35 to remove old operating freezers or refrigerators.

Customers also can call the utility to make an appointment to remove an old window air conditioner, Morris said.

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