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Ameren CEO: New hike was avoidable

Utilities executive says company wouldn't be asking for another increase if it got what it needed in 2007

By **PAUL GORDON**

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PEORIA — Acknowledging this is not a good time to request a power rate increase, Ameren Illinois Utilities CEO Scott Cisel said Monday it could have been avoided had an earlier need been adequately addressed.

But the Illinois Commerce Commission's decision against granting all of Ameren Illinois' 2007 request - including a rider that would have helped it with uncollectable debts - forced the rate hike request the company filed with the ICC on Friday.

"For certain our need for another rate hike would have been delayed longer," Cisel told the Journal Star editorial board Monday. "The commission is probably going to whack out part of this request, too, and that will just shorten the time before we have to come back again."

Cisel and other Ameren Illinois officials are meeting with newspapers this week to discuss and explain the utility's need for the rate hike totalling \$226 million.

If granted, typical Ameren Illinois electricity customers (10,000 kilowatt hours a year) would pay \$59 to \$97 more a year, depending on which market they are in (\$64 for the typical AmerenCILCO customer). The typical natural gas customer (785 therms a year) would pay \$38 (AmerenCILCO) to \$60 more a year.

In August, Ameren utility bills will show customers what they would have paid, given their kilowatt and therm use, under the requested rate. Customers can see what they will pay for a year, based on their usage, by going to IllinoisRateFacts.com.

Cisel said the rate hike is necessary if Ameren is to be able to deliver electricity and natural gas in a safe, reliable manner to its 1.2 million customers in nearly 44,000 square miles - or about two-thirds of the state.

Ameren Illinois also is still hampered by the reduction two years ago in its credit rating from three different agencies, including Moody's. Because of that, Ameren Illinois has a harder time getting affordable financing for capital needs.

Also, its two lines of credit that are \$500 million each expire in January. Getting a rate that better enables the company to meet debts will help in renegotiating those lines of credit, Cisel said.

"There is never a good time to ask for a rate hike, of course. Business people in Illinois will understand it, but with the typical customer we don't have a line of reasoning that will convince them," Cisel said.

Already the Citizens Utility Board has expressed skepticism of the need for the rate hike and it has vowed to fight the request.

"It's a slap in the face to consumers who already are struggling to pay bills in an economic downturn," CUB spokesman Jim Chilsen said last week. "This wins the prize for bad timing."

In 2007, Ameren Illinois asked for a rate increase of more than \$200 million and a rider setting a minimum it could collect in order to cover debts from fixed costs. The rider was denied and the company received \$162 million from the ICC.

Already, Ameren Illinois has been hit with \$30 million in storm costs, but it cannot recoup all of it because it isn't allowed by the ICC to recover more than \$9 million in storm expenses from its customers.

Cisel said Ameren Illinois has taken several cost-cutting measures totalling \$28 million to keep the rates lower, including executive salary freezes, curtailing hiring, postponing vehicle purchases, deferring facility construction, cutting travel and reducing budgets.

He said budgets again are under scrutiny and that more cuts are likely. "We are doing what we can to mitigate the costs but our customers expect reliable service," Cisel said.

Paul Gordon can be reached at 686-3288 or pgordon@pjstar.com

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