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Ameren chief defends proposed rate hike

THE STATE JOURNAL-REGISTER

Posted Jun 09, 2009 @ 12:38 PM

Last update Jun 09, 2009 @ 06:23 PM

Ameren Illinois needs a proposed \$226 million rate hike so customers can count on safe, dependable delivery of natural gas and electricity, Ameren's president said today.

The tradeoff is that customers would see higher heating and power bills

The increase is "fully justified," Ameren Illinois president and chief executive officer Scott Cisel told the editorial board of The State Journal-Register.

"There's never an ideal time to seek a rate increase," said Cisel, who has been talking to newspaper editorial boards in recent days about the proposal.

The size of the increases would vary, depending on the amount of electricity and natural gas customers use and whether they're served by AmerenCIPS, AmerenIP or AmerenCILCO.

Ameren Illinois filed the rate cases on Friday with the Illinois Commerce Commission. The state utility-regulation body typically spends 11 months reviewing such cases before deciding whether to allow all, part or none of a company's requested increase.

Cisel said he doesn't expect the ICC to OK Ameren Illinois' entire rate hike plan.

Still, he said: "We're confident we need the increases."

The proposed increases largely would offset the estimated \$100 savings that Ameren's electricity customers are expected to see during the next year or so because of a plunge in the wholesale price of electricity.

Customers' utility bills consist of two main pieces, one for the price of electricity or natural gas and the other for the price of delivery. Ameren's new rate cases deal only with delivery charges.

Ameren plans to tell its customers how the proposed rate hike would alter their individual utility bills, including that information in August bills. The information also will be available online at IllinoisRateFacts.com and at these telephone numbers: (888)789-2466 for AmerenCIPS customers, (888) 672-5252 for AmerenCILCO customers and (800)755-5000 for AmerenIP customers.

Money generated by a rate increase would allow Ameren Illinois to make further improvements to its delivery system and ensure it can maintain an adequate workforce, Cisel said. It also could boost Ameren Illinois' credit ratings from companies like Moody's, which would help the company to borrow money more cheaply.

The Citizens Utility Board, a watchdog group, has pledged to fight the increases, which it says are an unnecessary blow to consumers who already are struggling with the recession.

Cisel acknowledged the difficult economic times, and he said Ameren Illinois has made cost-cutting moves, as many other businesses have done. While the company hasn't laid off any employees, no new hires can be made unless multiple supervisors, including Cisel, sign off on them.

Another financial strain is the damage that severe storms cause to power lines, utility poles and other equipment, Cisel said.

The ICC permits Ameren to recover from its customers about \$9 million in storm-related expenses, but the company spent about \$40 million on storm recovery last year. The total so far in 2009 is an estimated \$35 million -- which includes storms that hit Monday night in southern Illinois.

The Ameren Illinois Utilities provide electricity to about 1.2 million customers throughout the southern two-thirds of the state. They serve more than 800,000 natural gas customers in the same areas.

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Rate hike examples

*Electricity: AmerenCIPS residential customers who use 10,000 kilowatt-hours of electricity a year would pay \$59 more annually, though customers in the Metro East area near St. Louis would pay \$65 more annually. AmerenCILCO customers would pay \$64 more a year. AmerenIP customers would pay \$97 more a year.

*Natural gas: AmerenCIPS residential customers who use 785 therms of natural gas annually would pay \$60 more a year. AmerenCILCO customers would pay \$38 more a year. AmerenIP customers would pay \$55 more a year.

A "large use" electric customer consuming 18,000 kilowatt-hours of electricity in a year would pay about \$89 more a year. These customers generally live in homes heated by electricity instead of natural gas.

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