



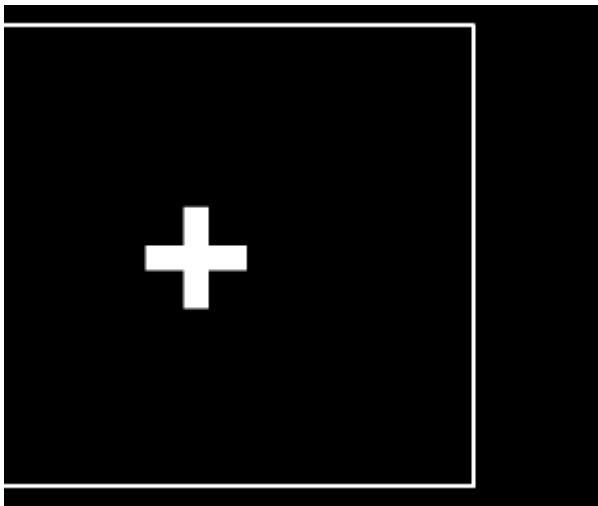
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Ameren says rate hike is a must

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DECATUR, Jun 11, 2009 (Herald & Review - McClatchy-Tribune Information Services via COMTEX) -- [AEE](#) | [Quote](#) | [Chart](#) | [News](#) | [PowerRating](#) -- The Ameren Illinois utilities said they must have \$226 million more from their customers to offset the costs of everything from bad debts to storm repairs and the crippling interest rates on borrowed money.



The utilities, AmerenIP, AmerenCIPS and Ameren CILCO, already have filed their formal rate request with the Illinois Commerce Commission, which regulates the rates charged for delivering electricity and natural gas to homes and businesses. A decision isn't expected before May 2010.

With the country locked in a fierce recession that is eating jobs and pushing people out of their homes, the utilities admit their timing couldn't be worse. The new rate request comes after regulators granted them an electricity and gas rate hike worth \$161 million in October.

But Ron Pate, vice president of regional operations for the utilities, said the new money is urgently needed. "To be able to continue to perform the services that we have to, to be able to continue to maintain a safe and reliable service, we simply couldn't wait any longer," he said. "We have to move

ahead to cover our costs."

The utilities make their profit on the delivery fees charged for electricity and natural gas; the costs to buy power and fuel are passed on without markup.

To give an idea of what the increase would cost, if approved in its entirety, AmerenIP residential customers using both electricity and natural gas would see their annual bills increase by \$152.08. The annual increase for similar AmerenCIPS accounts would be \$119.14.

Customers such as Don Hart of Mount Zion question why the utilities want to charge more with households already under intense pressure. "With gas only about \$1.11 away from being \$4 a gallon again, the economy is so fragile right now," he said. "It won't take very much just to send it the other way."

Pate replied by saying the utilities' backs are against the wall. He cites the \$25 million cost for the massive line repairs needed after an "inland hurricane" recently devastated Southern Illinois. "That was some of the most dramatic damage I've seen, and we cleaned it up in seven days," he said. "Several years ago, I can tell you it would have been 14, 16 or 18 days before we were able to clean that up."

Ameren Corp. spokesman Leigh Morris said devastating storms combined with faster cleanup times demanded by customers added up to ever-bigger bills. He said the amount built into current utility bills to cover storm and disaster repairs only worked out to \$9 million a year.

"We are over \$35 million this year to date on storm costs, and it's only June," Morris said. "Take away \$9 million, that leaves a gap of \$26 million, and that money has to be found somewhere."

Pate said higher customer expectations also meant increased capital expenditure and maintenance costs to improve

reliability. Capital expenditure in 2008 came to \$252 million, while maintenance such as tree-trimming cost another \$289 million. Meanwhile, the utilities' credit ratings hovered at or near junk bond status, so money borrowed to cover expenses costs considerably more.

"The Ameren Illinois utilities paid \$150 million in interest last year," Pate added. "That is a huge amount to pay for borrowing money just to be able to operate."

And as the utilities spend more, they say more and more of their customers aren't paying them at all. Bad debt expense in 2008 stood at \$49 million, but the amount included in current electric and gas rates to offset bad debt is only \$23 million, a \$26 million shortfall.

David Kolata, executive director of the Citizens Utility Board consumer watchdog group, had little sympathy, however. He said Ameren should get a clue from the fact that a rising tide of people can't pay their bills because they don't have the money.

"So we try to solve the problem by raising rates?" he said. "That seems to be a losing strategy."

Kolata said the utility board was examining the latest rate request and was worried the companies were asking for way too much. "If their history is any predictor, what we will find is they have essentially tried to justify a massive rate hike when one isn't warranted," he said.

Pate said the utilities have nothing to fear from an examination of their books, and the record will show they have tried hard to cut costs before turning to their customers. He points to an executive salary freeze and a package of other cuts that already have saved \$28 million, while a bold decision to cut the Ameren dividend by \$1 a share saved the wider corporation \$250 million.

"Ameren has never done that before, even during the Depression times," he said. "It shows how critical things are and the economic conditions that we are facing."

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