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Ameren to seek regular rate hikes

Utility blames low bond ratings, repairs

BY MIKE FITZGERALD
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If Ameren Illinois gets its way, you will be paying higher electric and natural gas delivery rates each year for the foreseeable future.

Scott A. Cisel, Ameren Illinois' president, said Wednesday that higher costs to replace old infrastructure and to borrow money will probably force Ameren Illinois' three subsidiaries -- IP, CIPS and CILCO -- to file rate increase requests with state regulators on a regular basis.

"It won't be every 12 months, but it will be a very regular filing cycle," Cisel told the News-Democrat.

On Friday, Ameren's three Illinois utilities requested that the Illinois Commerce Commission allow it to raise energy delivery charges by a total of \$226 million for 1.2 million customers across central and Southern Illinois.

Ameren IP customers could each be paying on average \$152 in higher gas and electric bills next year, while Ameren CIPS ratepayers could end up paying \$119 in higher energy bills if the commission approve the request. The commission likely will issue its decision in May 2010.

Consumer groups already have expressed outrage over the proposed rate increases, especially since they come on the heels of the \$162 million rate hike the commerce commission approved last year.

"This is a slap in the face to consumers who are already struggling to pay their bills during an economic downturn," said Jim Chilsen, a spokesman for the Chicago-based Citizens Utility Board, which has already announced it will fight Ameren's rate increase requests.

Cisel said his firm has little choice but to seek the rate increases in view of its relatively low bond ratings, resulting in higher borrowing costs, and the unexpectedly high price tag for storm recovery operations -- the latter adding up to \$35 million so far for this year alone.

All things considered, Ameren Illinois has a negative cash flow because revenues do not cover operational and capital expenses, Cisel said.

"So we are constantly out borrowing money," Cisel said, adding that interest payments alone for his utility total \$150 million annually.

Like other businesses, Ameren Illinois has embarked on some forceful belt-tightening, with \$50 million in expense reductions planned for this year in the form of delayed purchases of equipment such as backhoes and personal computers, though no job layoffs are planned, Cisel said.

Even so, Cisel promised, "None of these cuts will directly impact the quality of the service that we provide our customers."
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