Our View: Utility rate hike requests add too much, too fast, at vulnerable time

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Since 2006, the price of turning the lights on at home in this part of central Illinois has increased 42 percent. That will jump to 51 percent if the Illinois Commerce Commission grants Ameren Illinois Utilities' rate hike request sometime next year.

Meanwhile, the cost of heating your home with natural gas has actually gone down locally from three years ago and will remain so under the proposed rate structure, though in fact gas bills will have nearly doubled since 1997 -- the year Illinois began flirting disastrously with energy deregulation -- if Ameren is successful here. That's about triple the rate of inflation over that time period.

In summary, Ameren CILCO bills - and IP and CIPS - went up in 2007 following the lifting of the state-imposed, decade-long rate freeze; went up again in 2008 with the ICC's permission; and will go up again in 2010 if Ameren gets its wish. Together local gas and electric bills have increased 56 percent since 1997, compared to 33 percent in the overall cost of living.

Specifically the average CILCO customer could see about a $64 increase in his yearly electric bill under this proposal, not quite 6 percent, and about a 4 percent hike in his gas bill, amounting to almost $38 more annually, plus some additional fixed price increases for major storm and bad debt relief.

All told, Ameren Illinois Utilities - which serves the lower two-thirds of Illinois - is seeking revenue increases totaling $226 million, on top of the $162 million bump the ICC granted last year. It's a $3.5 billion company, with two-thirds of that passed on to the customer in power commodity costs from which Ameren derives no profit. It makes its money on the delivery side.

Now, a lot of local folks have a split-second reaction to news like this, which is no way, no how, not ever. But businesses have costs too - from the purchases they make to the people they employ - and they pass those on to the consumers who want and sometimes need their services, or they don't stay in business long. As a result, we don't automatically jump to that conclusion.

The arguments in Ameren's favor start with it never fully recovering from the state's deregulation efforts of a dozen years ago. State government in fact did a number on central Illinois and the utility that served it - CILCO, which at the time bragged the lowest rates in Illinoisby a good margin - on the fundamentally flawed premise that competitors would enter a market where rates had been artificially frozen. By the time 2007 rolled around, the local utility had not had a rate increase in a quarter century.

As such a lot of infrastructure work - lines, poles, transformers, new sub-stations, etc. - was deferred. Ameren is trying to meet the pent-up demand for such now, which officials argue is necessary to provide power safely and reliably. People take that for granted until the system breaks down and they're seriously inconvenienced, or worse.

Meanwhile, CILCO's electric and gas rates remain below national averages. This rate increase could be offset by a drop in the price of electricity itself of about $100 for the typical residential customer, though that could change. Most telling, despite the recent revenue jumps, is that Ameren's credit ratings remain at junk or near-junk status, which is an indication of what investors think of its bottom line - not much - and which makes borrowing significantly more expensive. Ameren says it paid $150 million last year in interest charges alone.

That's a problem because when there are energy interruptions during a big storm and Ameren must respond, or when customers don't pay their bills while Ameren is forbidden, by law, to turn off their power during the winter months, the utility eats those unanticipated losses, while borrowing to cover them. For example, Ameren is capped by the ICC at $9 million for storm cost recovery, yet last year's expense was $40 million; it's $30 million so far this year. In 2008 the company had some $49 million in bad debt write-offs, from which it was permitted to recoup less than half. Obviously Ameren would like more relief in those two categories. The ICC said no the last time.

All that said, the timing here is awful, in the midst of the worst recession in decades.

Ameren Illinois CEO Scott Cisel, whom we've always found to be a straightforward guy, is right that "if the state of Illinois had followed the proposed deregulation model that CILCO had advanced, we wouldn't even be having this discussion." We're sympathetic to that, which is why we went to bat not only for that model in 1997 but for some rate increase for Ameren in 2007 following the freeze.

But we're also sympathetic to rank-and-file central Illinoisans who are struggling mightily with lost jobs or lowered wages. It's the simultaneous accumulation of reaches into their pocketbooks - higher taxes now or potentially at almost every level of government, staggering health care costs. Illinois-American Water Co. also has put in for a rate increase of 28 percent in Peoria and Pekin, following the double-digit hikes it received in 2008; we're not too keen on that, either. Meanwhile, if President Obama gets his cap-and-trade legislation for carbon-spewing power plants, CILCO customers will really get creamed.

If past is prologue, the ICC will grant Ameren something less than what it's asking. The question is how much less. We'd remind the ICC that countless businesses have really had to tighten their belts, and that not just the utility's needs but customers' ability to pay is a factor here, as well.

In short, too much, too fast, wrong time.