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Ameren announces \$75 million in cuts in rate dispute

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THE STATE JOURNAL-REGISTER

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An extended regulatory fight may be developing over Ameren Corp.'s electric and natural gas rates in Illinois.

The latest twist comes with release of a company letter outlining plans to drop 275 contractors in 30 days, freeze hiring and delay system improvements following the Illinois Commerce Commission's decision last month to cut all but \$5 million from a \$130 million rate-increase request.

A statewide consumer advocacy group called the utility decision "disappointing and irresponsible." The new rates for approximately 1.2 million electric and 813,000 natural-gas customers took effect Friday.

In the letter to workers, Ameren Illinois president and CEO Scott Cisel called the April 29 ruling a "radical departure" from traditional ICC practices. A corrected ruling last week, which added \$10 million to the original \$5 million, was not enough to avoid significant spending cuts, Cisel wrote.

"This is a direct result of that decision by the ICC," company spokeswoman Susan Gallagher said Monday.

Rehearing request planned

The letter lists \$75 million in spending cuts, including cutbacks in contractors, deferring distribution-system automation, repairing rather than replacing underground cables, delaying improvements to natural-gas fields and substations, and not filling both management and union vacancies.

Company representatives said contractors provide field assistance as part of electrical-line crews, including tree trimming.

Cisel said Ameren expects to petition for a rehearing from the ICC by May 28. The ICC will have 20 days to accept or reject the petition and another 150 days to rule if a rehearing is granted.

"If rehearing occurs, a decision would not be made much before year end," he said.

A subsidiary, Ameren Energy Resources, announced last week it was laying off 75 workers at power plants and other facilities in Illinois and Missouri, but officials said then those layoffs were unrelated to the ICC decision.

Consumer group critical of cuts

Citizens Utility Board executive director David Kolata said he was not surprised by Ameren's announcement.

"It's very disappointing and irresponsible to be making these kinds of threats. They continue to do very well as a company, and they couldn't justify a big rate increase," said Kolata.

"Their profits more than doubled last year. I think this shows a corporation that's doing well," he added.

The utility announced in February it made \$612 million from overall operations in 2009 compared to \$605 million in 2008. Earnings from Illinois operations more than doubled from \$51 million in 2008 to \$127 million last year.

Earlier this month, Ameren reported a \$102 million profit through the first three months of the year, down \$12 million from the same period of 2009.

Kolata said he expects the utility to ask for another rate increase this summer, adding that he also expects the ICC's latest decision to stand.

"The important thing here is the ICC did the right thing. It was a good deal for the consumer," said Kolata.

ICC spokeswoman Beth Bosch said commissioners cannot comment on the Ameren spending cuts, pending a request for a new hearing.

Tim Landis can be reached at 788-1536

About the case

The Illinois Commerce Commission voted 3-2 April 29 to approve \$5 million of a \$130 million request for higher electric and natural gas rates for AmerenCIPS, AmerenCILCO and AmerenIP. After revenue accounting errors were found, the ICC on Thursday tripled the increase to \$15 million.

Where the rates stand

New rates took effect Friday. Depending on which Ameren subsidiary is involved, electric rates increased 1.93 to 3.53 percent and natural gas rates fell 2.23 to 9.92 percent.

What next?

Ameren has until May 28 to petition for a rehearing from the ICC.

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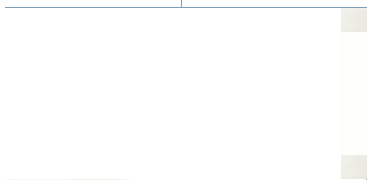
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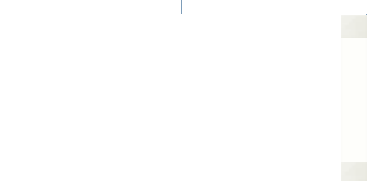
\$102 Million in profits for 3 months and you have to cut workers and raise rates? What am I missing here? Well, other than Ameren has always been about as greedy as they come. We need some competition here in Central Illinois. Comcast has all the cable, Ameren has the majority of natural gas customers and CWLP has the majority of electric customers. You do not have a choice. It just all depends where you live.

Fairplay

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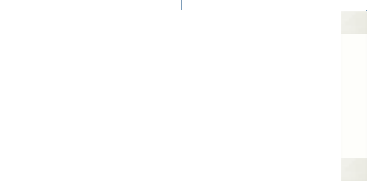
Typical CUB whining after they get what they want. CUB fights to keep rates low , and then whines when services and improvements are cut to match the amount ICC allows for rates. It costs money to live and the quality of services depends on how much you are willing to pay. Grow up and get over yourselves. Quinn , the former CUB honcho, played the 'savior of citizens' role for many years. See where that has gotten this state? Nowhere you really want to be. Broke and dilapidated.

jmills of rochester

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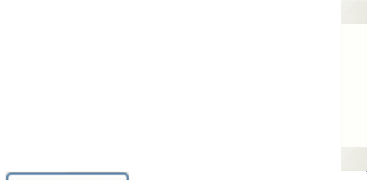
They sound like spoiled brats, they don't get their way, so they pack up their toys (cut 275 contractors in 30 days, freeze hiring and delay system improvements) and leave. I never have liked Ameren, where's our competition?

ch2535

1 week ago

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\$102 MILLION PROFIT & they have to cut back??? Geez. can only imagine what would happen if they lost 1 million, fold up shop & run for the hills I guess. Must be nice to have a company set their profit margin & rob the public to get it. Like others, I am in agreement....we need competition, I have Ameren for gas, CWL&P for electric, no choice, have to have them. Have Comcast too, but I prefer cable to Dish & Direct TV, at least we have some option for watching TV.

XSpring

1 week ago

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I don't think anybody should gripe in the Springfield area about CWL&P. Getting cheaper rates than most out there.

LuckyD
1 week ago
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A lot of companies had to cut back and lay off because their numbers aren't where they needed to be and to avoid losses.

Now, after taking in \$102 million in profit in the first quarter it's going to be hard to argue that they weren't making enough money or were worried about a loss.

This is nothing more than greed, and just another glaring example of an energy company trying to run roughshod over consumers.

Much like Exxon jacking up gas prices and claiming it was due to short supply while making record profits quarter after quarterit doesn't take long to figure you don't make a record profit if there's no product to sell.

I hope the ICC stands firm and has a willingness to fine Ameren if they don't provide adequate service.

Mark Observed
1 week ago
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Looks like envy is alive and well here in the midwest. If you are receiving a service at a fair price, what do you have to complain about???? Companies are in business to make money. If you are not getting a service at a fair price, then switch to another company or another alternative. The point is DO something. Do NOT just sit there and complain, empower yourself.

Throw the bums out
1 week ago
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CUT CUT CUT and then CUT some more.

Welcome to the real world. Cut your dividend.

JDR
1 week ago
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Another reason to move to Vegas. My utility company (NV Energy) is paying 1/3 the cost of putting solar panels on south side roof. in early June.

Desperado
1 week ago
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Not everything is inexpensive with CWLP. As of this months bill, I am now paying more for water than I do electricity.
fourfootedpals
1 week ago
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Ameren is just trying to put a guilt trip on, as a threat since Ameren didn't get their latest rate hike.
JimmyG
1 week ago
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Ameren, you are a joke. Get a grip.
Patriot of My America
1 week ago
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Well just wait until they install SMART METERS FOR GAS AND ELECTRIC USAGE , YOU WILL SEE YOUR BILLS TRIPLE IN COST.
BeardstownSportsFan
1 week ago
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Fairplay,Ameren made a nice profit.And didn't need the sizeable increse in rates that they wanted.
And CUB saw that.

The reaction of Ameren is basically a temper tantrum.
My sympathy for them is lacking here.
Skotos
1 week ago
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Companies are in business to make money. Consumers want to pay a fair price for the services they use - some are willing to pay more and some less. This generally works fine for private sector businesses - they provide a service at a price that keeps them in business. But with utility companies this doesn't necessarily hold true. There generally is no reasonable substitute - in some states you can do solar panels - I don't think it works as well in Illinois, though. Ameren has to try and generate a certain level of profit to satisfy its shareholders. But a projected \$400 million profit for a year doesn't seem like they need to get an extra \$130 million. If they would turn around and re-invest this money into improving proficiency and infrastructure - then maybe it could be justified. I don't know the ins and outs of this, but it seems that Ameren was asking for more than they needed. Consumers are hit just as hard as corporations (probably worse). Corporations must find a way to weather the storm just like consumers have to.

ch2535

1 week ago

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Mark Observed says 'If you are not getting a service at a fair price, then switch to another company or another alternative'.....I, for I am set up for natural gas, no other company to get it from, so I guess the alternative is wood burning stoves and boiling water for baths. Thanks, I'll pass.

I am all for companies making a profit, thats what keeps them in business, GREED however is breaking our backs.

lupuslupus

1 week ago

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Ameren has been estimating my bills for 3 months, which means the meter has not been read for that time. The nice and efficient meter reader read them during the winter months. I used to see her tracks in the snow, and spoke to her a few times also. What I would like to know is what happened to her. Was she laid off? The result was that I overpaid to the extent that my April bill was under \$ 5, and Ameren had free use of my overpayment to boot and drawing interest on the amount.. When I spoke to another very nice person about my bill she said that they had a lot of power outages. There were none in my area, so what has an outage in Springfield for example to do with my meter not being read. I didn't realize that meter readers were involved in fixing outages so I come to the conclusion that Ameren has been downsizing employees since the first of the year and they are whining they will have to cut as a result of not getting the rate increase they wanted in the face of rising profits. No wonder there is a rising hostility quotient by their customers.

Mark Observed

1 week ago

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Ever hear of PROPANE ch2535. The switch is rather effortless, just change the orifice on your natural gas appliances. And did you know that if you bought a windmill and produced more electricity than you use, the utility is mandated by federal law to buy the excess power from you. And ENVY does you no good. It does not affect CILCO in the least.

And skotos, who are you to decide that 'they are asking for more than they need'? I thought that was what the market does. Also, I believe in the article it says they are now going to repair lines instead of replacing them.

danrichards

1 week ago

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nothing like big energy .how about all the coal cleanup cost and the flyash,and coal sludge when will the state of illinois make them pay for the air,water pollution that this industry spews into our enviroment,today is as good of day as any

NoSpinHere

7 days ago

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Mark Observed: Although your alternative option might work it is not very practical. There would be a little more involved in the switchover to propane from natural gas than what you have listed. I think you are missing the point as to why people are upset about this increase. First, the company recorded over a \$102,000,000 profit. I think that hardly qualifies for a rate increase. If a company is going to loose money then that would be just. Secondly, I don't know if you have looked out your financial window lately but peopel are struggling right now. Any increase at all hurts a great deal. if times were better then that's a different story. It's greed and that is the only word that comes to mind in this situation. We made \$102 Million but we wanted to make \$500 Million. Answer: Rate increases. Ridiculous.

nealinvestments

7 days ago

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Does anyone understand basic investment? Ameren made \$612M on \$7B in revenue, do the math that's less than 10%. I love it how people use magnitude numbers (wow they made \$612M in 2009) without any mention of the top end revenue. Investors invest to make money. They want a reasonable return. A company must earn a profit to keep shareholders happy and coming back. A company must make a profit to continue to invest into new equipment, maintenance of lines. Do you want to be California and have rolling blackouts by freezing rates. Do you know Ameren has some of the lowest rates across the country? Do you know power prices have been suppressed for the last 18 months and are projected to be suppressed. Companies must adjust and if they can't control the revenue they must control the expenses (i.e. cuts). Competition??? Illinois already tried that experiment. Ameren froze their rates as required for a decade to promote competition and it did not happen. So a decade later and now CUB is still whining about rate increases, now about Ameren cutting expenses. Make up your mind people, do you want quality power at a reasonable rate or do you want California with rolling blackouts. Be careful what you wish for, if i were Ameren i would cut back on all maintenance until rate increases occurred. Maybe a few months without reliable electricity will be a good lesson for everyone in Illinois. For those threatening to leave Illinois for greener pastures, 'don't let the door hit you where the good lord split you, see ya!'

linemansmom

6 days ago

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HEY NEALINVESTMENTS, TELL THE POOR PEOPLE WHO GOT LAID OFF HOW BAD IT IS TO HAVE A PROFIT IN THE MILLIONS!!!! THEY ARE NOW ON UNEMPLOYMENT IN A STATE THAT CAN'T EVEN PAY ITS BILLS!!!! GIVE ME A BREAK!!!!

nealinvestments

6 days ago

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linemansmom, tell the people leading the drive to keep rejecting the rate increases the sad stories of people losing their jobs. Once again the same liberal argument of stating in terms of absolute dollars 'millions in profits' instead of percentages (< 10%). Guess Ameren needs to lose money before they can get a rate increase and re-invest in new equipment and more workers.

Ameren is not responsible that the State of Illinois and it's corrupt officials can't pay it's bills. How about some spending cuts in government. Sadly, now these same officials have moved to Washington and are trying to enact the same laws. Think your bills are high now, wait until Cap and Tax passes!

linemansmom

5 days ago

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UHHHH. DON'T YOU THINK THOSE BIG WIGS AT AMEREN ARE LIVING HIGH ON THE HOG, WHILE THEY LAY OFF THE WORKERS THAT DO THE HEAVY WORK?!?!? I REALLY WISH THEY WOULD THINK OF THOSE PEOPLE WHILE THEY ARE ON THIER VACATIONS AND 'BUSINESS TRIPS' THAT THEY CHARGE THE COMPANIES FOR!!

nealinvestments
5 days ago
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A company needs 'Big Wigs' and hard workers like the lineman and heavy workers to function. One without the other doesn't work. Depending on your education, ambition, and luck everyone has a choice where they want to fit into a company. No one want to see anyone laid off, in a perfect world there would be 0 unemployment. But in reality, a company must be profitable to stay in business and employee individuals. < 10% profitability is not that great. With power prices being severely suppressed, not sure what you want a company to do. They have to reduce to survive if they can't control revenue. Wish that State Officials would recognize that the 'deregulation' experiment was a failure and go back and be regulated. Can't deregulate a commodity, never works, if don't believe me ask California and Enron.

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