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Monster storms batter Ameren's bottom line

By TONY REID - H&R Staff Writer | Posted: Tuesday, May 10, 2011 12:00 am

ST. LOUIS - Ameren Corp. kicked off the year with a major financial power failure in the first quarter as profits faded 30 percent.

St. Louis-based Ameren, corporate parent of giant Illinois utility Ameren Illinois, said monster storms and tornadoes battered its Missouri and Illinois service areas during the period and paying for repairs helped drain earnings away. The cost of extra repairs and other operations attributed to the foul weather was some \$20 million.

Spelling out the first quarter in detail, Ameren said it had net income of \$71 million or 29 cents a share, compared to the first quarter of 2010 when it made \$102 million or 43 cents a share. The corporation said continuing profit weakness in its power generation arm also sapped the bottom line.

The Ameren Illinois numbers didn't do much to brighten the gloom. The utility earned \$33 million in first quarter 2011, off \$4 million from the 2010 first quarter earnings of \$37 million. Storm repairs took their toll in the land of Lincoln despite a delivery rate hike worth \$44 million a year that was imposed in November.

Tom Voss, Ameren Corp.'s chairman, president and chief executive officer, said the February storms that battered Illinois were some of the worst widespread winter weather to hit the service area for many years.

"Snow, ice, sustained high winds and freezing rain caused power outages in 50 counties and created several days of challenging work," he told industry analysts in a conference call. "More than 1,600 Ameren Illinois employees and outside partners were part of the restoration effort."

Ameren Illinois says it needs more money more often to get the job done and has already filed a new delivery rate increase with Illinois regulators that would be worth \$111 million annually if it gets granted in full. But the company says the current rate setting process is too slow and too uncertain and it's got its eyes on a more glittering prize: a new rate-setting formula that would lock in smaller, yearly, increases only subject to review retroactively, after they took effect.

In return, the utility would undertake a \$950 million, 10-year program of improvements that would include major electrical system upgrades. It would also commit to creating 750 new jobs and agree to hit certain performance goals.

However, Illinois Gov. Pat Quinn said Monday he would veto the current version of legislation allowing automatic electricity rate increases to pay for electric grid upgrades. Quinn said Ameren, Commonwealth Edison and other utilities need to bear some of the financial burden for modernizing the electric grid

The Citizens Utility Board public watchdog group and other critics have attacked the proposal as a naked attempt to hit customers with ever-rising bills. The legislation containing the new price structure is contained in House Bill 14 now before Illinois lawmakers.

Asked by the analysts what its chances of becoming law were, Ameren Illinois said it was "proactively meeting with the leaders and the members of the General Assembly" and lobbying for the bill. Scott Cisel, president and chief executive officer of Ameren Illinois, said lawmakers "remain curious and wanting to understand the merits."

He said it was too early to predict how they might vote, but the utility was pushing to get a vote soon. "...We are working hard to get a vote cast in both chambers before the end of this session," he added.

Ameren Corp shares finished Monday at \$29.22, up 13 cents or 0.45 percent.

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