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CUBFacts Electricity

Electric Reform and Ameren Customers

What is Illinois' electric-reform package?
Representatives from the General Assembly and the Attorney General's office have reached an agreement with Ameren and ComEd to provide relief to customers hit this year by huge rate hikes. In general, the package that the governor signed in August provides more than $1 billion in credits. It also abolishes the "reverse-auction" system of pricing power that sparked the skyrocketing rates.

Is the plan a good deal for consumers?
This legislative package is a step forward for Illinois. It revamps the system Ameren used to buy power for consumers and generally adopts many of the reforms CUB recommended to the Illinois Commerce Commission (ICC) more than two years ago. While we obviously wish the credits were larger, $1 billion still is a significant amount of money, and much more than the power companies ever would have surrendered had Illinois consumers not protested so effectively. (Ameren and ComEd first offered only about $60 million in relief, then $150 million, and later $500 million before upping it to more than $1 billion.) Aside from the credits, CUB is encouraged by the legislation's long-term strategies for pricing power. This is not an end, but a beginning for solving Illinois' energy crisis, and a lot of hard work remains to create a fair power-pricing system.

What are the key parts of the deal?
■Gives Ameren residential customers credits to cut the rate hike by 40-70 percent. Smaller monthly credits will go out in 2008 and 2009. Ameren also has committed tens of millions of dollars to "targeted programs" designed to provide relief to residential and business customers hit hardest by the rate hikes. **See page 2 for more detail.**

■Kills the "reverse-auction" power-pricing system. Even before the auction sparked rate hikes of up to 300 percent in January, CUB predicted it would cause problems because it abolished key consumer protections, kept power prices artificially high, and unfairly favored the parent company of Ameren, which raked in windfall profits selling electricity to its own subsidiaries. The next auction was likely to produce another big rate hike later this year, and the system opened the door for unlimited increases beyond that.

The electric-reform package...

- Gives more than $1 billion in rebates.
- Kills "auction" that led to huge rate hikes.
- Creates state agency to negotiate lowest power prices possible.

■Launches the Illinois Power Agency (IPA). Beginning in 2009, the IPA's director, an appointee of the governor, will oversee the buying of power for Ameren. The company's utilities then will sell electricity to customers with no markup. The auction was designed to maximize corporate profits, but the IPA's mandate is to negotiate the lowest-possible prices. Representing millions of Illinois customers, the agency should have the bargaining power to get better consumer prices.

■Forces the Ameren utilities to enter into five-year contracts with their parent company to lock in more favorable power prices than the auction. That should make the value of the package much more than $1 billion.

■Requires Ameren to launch efficiency programs and boost the percentage of its power (25 percent by 2025) that comes from renewable energy, such as wind power. This will reduce price volatility.

■Sets the stage for Ameren to seek ICC approval to restore discounted rates for customers who heat their homes with electricity. The end of those discounts caused increases of up to 300 percent.

About the credits...

How will the credits get to customers?
In September, residential customers will get a lump-sum amount for the first nine months of the year in which the higher rates were in place. For Ameren customers who don't have an outstanding balance that goes back 60 days or more, this initial lump sum will come in the form of a check. Consumers will then get monthly credits for the remainder of the year. There will be smaller monthly credits to 2010. By then, the new state power agency will have been up and running for a year. Its goal is to develop sound power-buying strategies so we pay the lowest prices possible.

Why do different customers get different credits?
The biggest credits were designed to go to the customer classes that were hardest hit by the rate hikes, mainly single-family homes that heat with electricity.

Does the package include other financial assistance?
Ameren has committed $40 million to "targeted programs" for business and residential customers hit hardest by rate hikes. This includes seniors, people with disabilities, low-income households, electric-heat homes, and those in "hardship" situations due to such obstacles as medical expenses and military deployment. To check eligibility, call the local agency that administers the Low Income Home Energy Assistance Program (LIHEAP).- If you don't know how to contact that agency, call CUB, at 1-800-669-5556.

Ameren Credits

This is a rough estimate of the total credit customers will receive by 2010. These are minimum amounts. Customers who heat their homes with electricity are likely to see bigger credits.*

If your 2007 monthly bill has averaged...	Your total credits and refunds over the next 3 years would be *roughly*...
$50	$168
$125	$420
$300	$1,008
$500	$1,680
$800	$2,688

*This is only a rough estimate. Actual credits will vary according to usage and your customer class (where you live and whether or not you heat your home with electricity.)