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CUB, AG STUDY: AMEREN AMONG NATION'S MOST WASTEFUL UTILITIES, CONSUMER ADVOCATES LAUNCH CAMPAIGN FOR DEEP CUTS IN RATE HIKE

Ameren Corp.'s Illinois utilities rank among the nation's most wasteful power companies, and state regulators should make deep cuts in the company's proposed $226 million rate hike, according to a new study released by the Citizens Utility Board (CUB) Wednesday.

The testimony, filed by CUB and the Illinois Attorney General's office Monday as part of an 11-month case before the Illinois Commerce Commission (ICC), includes a statistical analysis that measured Ameren's efficiency among 115 electric utilities nationwide.

Ameren hit customers with a $162 million electric and natural gas "delivery" rate hike last year, as it raked in profits of $622 million. Within months it requested another increase, $226 million, as consumers suffered one of the worst economic crises since the Great Depression.

Madison, Wis.-based consultant Steve Fenrick, a top expert on utility economics, used an "econometric model" to analyze Ameren expenses. He found that as Ameren fought for a rate hike in 2008, its electric utilities spent $158.5 million beyond what even an average utility would be expected to spend. That put Ameren in the poorest-performing, bottom-third of the study's 115 utilities.

"Ameren has misused our money, and now, at the worst possible time for a rate hike, wants consumers to foot the bill for its bad decisions," CUB Executive Director David Kolata said. "A company this wasteful shouldn't expect a pay raise."

"In the midst of a very tough economy, Ameren is once again asking the state to help them balance their corporate checkbook on the backs of struggling families and older adults," said Bob Gallo, AARP Illinois State Director. "We urge the Illinois Commerce Commission to reject this unwarranted rate increase request, and to protect the interests of Illinois consumers."

Based on the premise that "effectively managing costs is an essential element of a well-performing utility," Fenrick's statistical evaluation measured the Ameren electric utilities' expenses in 2008 compared with what would be expected of a typical utility, based on average

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annual cost benchmarks from three years before, 2005 to 2007. Fenrick examined two major areas of operations and maintenance expenses: administrative and general expenses and distribution and customer-care expenses.

Additional testimony by CUB Policy Director Chris Thomas and David Effron, a New Hampshire-based consultant specializing in utility regulation, found at least $47 million in reductions.

Thomas faulted the company for seeking an exorbitant return on equity—or profit rate for shareholders—and recommended that the company be granted a more fair 7.97 to 8.76 percent return rather than the 11.25 to 12.25 percent Ameren requested. Effron found that the company overstated recurring expenses for storm damage and its merger with Illinois Power earlier this decade.

Kolata urged Ameren customers to join the fight against the proposed increase at www.StopAmeren.com, which provides information on how consumers can let state regulators know they are opposed to the rate hike. It also lists public hearings that the ICC is holding to get consumer comments on the rate hike request.

The proposed rate hike, about $181 million in higher electric rates and about $45 million in increased gas rates, covers the "delivery" portion of bills—what customers pay to get electricity and gas delivered to their homes. That accounts for about a third of bills, with roughly two-thirds going to paying for the actual electricity or gas. State regulators are expected to make a decision on the Ameren case in April.

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