



CITIZENS UTILITY BOARD
Fighting for Illinois Consumers

Illinois PIRG



**Environmental
Defense
Fund**

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AS AMEREN ROLLS IN PROFITS AND PUSHES FOR HIGHER RATES, CONSUMER GROUPS CALL FOR CUTTING AMEREN'S GAS RATE-HIKE REQUEST BY TWO-THIRDS

CHICAGO—Ameren Illinois' push to win the largest shareholder profit rate of any major gas utility in the state is unjust and unreasonable, and its \$134 million rate-hike request is about triple what the utility can justify under the law, the Citizens Utility Board (CUB), Illinois PIRG and Environmental Defense Fund (EDF) said Wednesday, citing testimony filed by consumer advocates.

In testimony filed this month, CUB urged the Illinois Commerce Commission (ICC) to reject \$55.8 million in overcharges buried in Ameren's rate-hike proposal – including an exorbitant profit rate for shareholders and the utility's attempt to force customers to bankroll legal fees connected to its serial rate-hike requests. When the Illinois Attorney General's Office recommendations are taken into consideration, the requested cuts amount to \$85.3 million, or about two-thirds—and the recommended reductions exceed this hefty margin when testimony from other consumer advocates is taken into account.

“In recent years, Ameren has repeatedly sought rate hikes and enjoyed skyrocketing profits, yet the company is back at the table again, pushing for its gas customers to cover an outrageous profit rate for its shareholders,” said CUB Executive Director Sarah Moskowitz, who called on consumers to sign a petition to rein in Ameren's rate hike at [CUBActionCenter.com](https://cubactioncenter.com). “Expert testimony by consumer advocates shows that Ameren's rate hike is at least triple what the company can possibly justify. We urge the ICC to stand up for gas customers and slash Ameren's rate-hike request.”

This would be Ameren's fourth rate hike since 2018. In that time, the gas utility has raised delivery rates by \$202 million, or 50 percent. In that same time period (2018-2024), the utility's parent company, Ameren, has increased profits by 45 percent for a total of \$6.9 billion, and Ameren Illinois' gas segment has seen its profits more than double.

In January, Ameren Illinois filed for a \$134.4 million gas rate hike ([Docket #25-0084](#)). The request began an 11-month rate case before the ICC. The proposal would raise average monthly residential customer bills by roughly 12 to 13 percent, or \$8 to \$10 per month, [according to Ameren's public notice](#).

In the rate case, CUB, the Illinois Industrial Energy Consumers (IIEC) group and Federal Executive Agencies partnered to commission expert analysis from Brubaker & Associates, Inc., a Missouri-based consulting firm that specializes in utility regulation. Through the testimony filed May 8, CUB makes several recommendations to slash the rate hike, including:

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Return on Equity. Ameren has proposed an exorbitant increase in its “return on equity” (ROE)—or profit rate for shareholders—from about 9.44 percent to 10.7 percent. That would give the company the highest ROE among major gas utilities in Illinois. CUB argues for a more reasonable 9.45 percent ROE, which would reduce the rate hike by \$30.6 million.

In the rate-setting process, ROE is the most important component of a utility’s “rate of return,” which is the rate at which the utility recovers the cost of financing physical assets, such as gas meters and pipes.

Capital Structure. CUB’s expert testimony also found problems with another key component of rate of return: “capital structure”—basically how it finances infrastructure projects. Ameren wants to raise its “common equity ratio”—how much of the utility’s financing comes from issuing stocks—to 52 percent. CUB’s testimony recommends keeping it at its current level, 50 percent, which would reduce the rate hike by another \$5.9 million.

Rate-case Expense. Under Illinois law, utilities are allowed to recover expenses for outside lawyers and expert witnesses in rate cases. It is already offensive that Ameren customers have to pay for pro-utility lawyers and consultants who argue for increasing their bills, but adding insult to injury, CUB’s testimony revealed that Ameren’s accounting treatment of these costs would likely result in customers being double- or triple-charged for these fees—or worse—between now and Ameren’s next gas rate case. Correcting this practice would reduce the rate hike by another \$1.7 million. (**Note:** In Springfield, CUB is working for the Utility Transparency Act, Senate Bill 1275, which would bar utilities from charging customers for this and other expenses that should instead be covered by shareholders.)

Other financial adjustments relate to the utility’s questionable forecasts for gas sales, inflation and cash working capital, which is the amount of money Ameren has available to fund day-to-day operations. In the case of cash working capital, CUB argues Ameren exaggerates the amount of time it will take customers to pay their bills. The company estimates a 39.55 day collection lag, though the utility gives its customers less than half that time—about 18 days—to pay. Just a five-day reduction in this collection lag would reduce Ameren’s cost of service by about a half-million dollars.

In total, these other adjustments amount to \$17.6 million, for a total recommended reduction of at least \$55.8 million from CUB.

Experts sponsored by Environmental Defense Fund (EDF) and Illinois PIRG analyzed Ameren’s proposals and asked the ICC to reduce planned transmission spending by up to \$84 million, because the utility failed to adequately justify its spending.

Ameren argues its aggressive transmission spending is in response to a federal record-keeping rule that requires utilities document the maximum pressure at which their various transmission pipes can safely transport methane gas. The rule requires 50 percent compliance by 2028 and 100 percent by 2035, yet Ameren is proposing spending over \$200 million to achieve 94 percent compliance almost a decade before the deadline.

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Expert witnesses from both EDF and PIRG and the office of the Illinois Attorney General also found that Ameren is frequently completely replacing transmission pipes, which drives up its profits and customer bills, when other less expensive compliance measures are viable.

“Ameren is attempting to use a long-term record keeping requirement to charge excessive rates and reap higher profits in the near-term,” said Illinois PIRG Director Abe Scarr. “The Commission rightly rejected this approach before, and should again.”

EDF and PIRG experts also recommended that the ICC reject a proposal to subsidize the use of so-called “renewable natural gas,” and to lower the fixed monthly charge customers pay before using any gas.

“In 2023, the Commission warned Ameren it needs to plan its gas system to meet Illinois decarbonization goals,” EDF Senior Attorney Curt Stokes said. “Two years later, change is not happening fast enough. EDF, along with our allies, filed testimony noting where Ameren is making progress and where it is not. We urge Ameren and the Commission to take these suggestions seriously and update its plans.”

The ICC will rule on the rate-hike request around November, with rates taking effect shortly after. The proposed increase would impact delivery rates—what the utility charges to cover the costs of delivering gas to customer homes, plus a profit. Those rates take up about a third to a half of gas bills.

The rate hike does not include the supply side of bills, which is determined by market forces and takes up a half to two-thirds of bills. Supply prices are expected to be elevated in 2025 and 2026.

Ameren Illinois serves about 816,000 gas customers in Central and Southern Illinois.

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For more than 40 years the **Citizens Utility Board (CUB)** has been Illinois’ leading nonprofit utility watchdog group. Created by the Illinois Legislature, CUB opened its doors in 1984 to represent the interests of residential and small-business utility customers. Since then, CUB has helped save consumers more than \$20 billion by blocking rate hikes and securing refunds. For more information, call CUB’s Consumer Hotline, at 1-800-669-5556, or visit CUB’s website, www.CitizensUtilityBoard.org.

Illinois PIRG is an advocate for the public interest. We speak out for the public and stand up to special interests on problems that affect the public’s health, safety and wellbeing.

With more than 3 million members, **Environmental Defense Fund** creates transformational solutions to the most serious environmental problems. To do so, EDF links science, economics, law, and innovative private-sector partnerships to turn solutions into action. edf.org.