

## NewsRoom

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2007 WLNR 315371

Belleville News Democrat (IL)  
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January 8, 2007

Section: A

Ameren bills seen doubling in some cases (12/24/2006)

BY MIKE FITZGERALD, News-Democrat

Ameren customers fear their bills could more than double, and the utility acknowledges that, for some, that will be true.

Bobby Ross of Fairview Heights, after crunching his usage numbers on Ameren's Web site, anticipates seeing his monthly electric bill spike by 150 percent -- from \$80 to \$200 -- under Ameren's new rate plan that takes effect Jan. 2.

"People are going to be surprised when they see their bills," Ross predicted.

Since last summer, St. Louis-based Ameren Corp. has been telling customers of its three Illinois subsidiaries that their power bills will rise between 22 and 55 percent under the planned electric rate hike.

But Neal Johnson, an Ameren spokesman, acknowledged that some Ameren customers' power bills could go up as high as 100 percent or more.

"It's a bitter pill to swallow," Johnson said of the proposed rate increases, which are being triggered by the demise of a rate freeze Illinois lawmakers had imposed 10 years ago.

Ross is expecting such a sharp increase because he owns an all-electric home, which until now has allowed him to benefit from discounted rates other Ameren customers have long subsidized.

That subsidy will end, and Ameren also will begin adding new charges to customer bills, including one for transmission services.

Herschel Butler, a retired accountant in Swansea, is bracing for even worse sticker shock. He expects to see his monthly power bill soar by 260 percent -- from \$130 to \$350 or more, based on Ameren's own calculator.

"I think Ameren's hiding the real facts because they don't want the bad publicity until it hits," Butler said.

Still, Ameren's rate increase represents a good deal for consumers, according to the Illinois Commerce Commission in its Dec. 6 report.

Adjusting for inflation for the past decade, "In purchasing power terms, the 2007 rates will be 11 percent lower than 1997 rates," the commission wrote.

Analysts agree.

After the rate hike takes place next year, Ameren's Illinois customers will be paying, on average, about 8 cents a kilowatt hour. That's still about half of what many ratepayers in California and New York are paying, said Joe Falci, director of energy procurement for Cincinnati-based Cadence Networks.

"Yes, it's a sharp increase," Falci said. "Maybe the more appropriate perspective is Illinois has just had a really good run. It's been good, it's been nice, but things have changed."

In response to ratepayer outcry, Ameren has proposed a voluntary three-year phase-in plan. Customers who sign up will see their bills rise by no more than 14 percent a year. The commerce commission approved the plan last week.

"So at least it's something out there that they can do to try and minimize their bill," said Johnson, who noted that Ameren has also offered to spend an extra \$15 million to help low-income ratepayers, and to pay for energy conservation measures.

The Citizens Utility Board, as well as Gov. Rod Blagojevich, oppose Ameren's phase-in plan because consumers must pay a 3.25-percent interest charge on the deferred amount of their electric bill.

Ameren Corp. last year posted a record profit of \$628 million, while it paid one of the highest stock dividends of any utility in the country.

But Wall Street is taking seriously Ameren warnings that its Illinois subsidiaries could face bankruptcy if the General Assembly extends the rate freeze another three years when lawmakers reconvene in January.

"The possibility of insolvency at Ameren's Illinois subsidiaries rattles the financial prognosis of an otherwise healthy utility," wrote an analyst for Morningstar.com.

Falci, who helps his customers find alternative power suppliers, noted that energy prices of all kinds have more than doubled over the past decade.

The culprits: surging demand caused by never-ending development and sprawl; a congested national power grid, and a seemingly endless array of power-hungry gadgets -- from cell phones and iPods to plasma screen TV sets.

The Ameren rate increase may open the door to a truly competitive power market by making it attractive for outsiders to move in, said Guy Morgan, CEO of BlueStar Energy.

BlueStar, based in Chicago, is so far the only company certified by Illinois to offer Ameren residential customers alternative electric service.

BlueStar has already signed up business customers in the Ameren service area, but it's holding off on doing so for residential customers until the Illinois statehouse decides whether to extend the rate freeze.

"Once companies like mine are certain that the market is open," Morgan said, "I think you'll see many companies entering the market."

Contact reporter Mike Fitzgerald at [mfitzgerald@bnd.com](mailto:mfitzgerald@bnd.com) or 239-2533.

---- Index References ----

Company: CITIZENS UTILITY BOARD; AMEREN CORP

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January 24, 2007

Sparks fly Electric bills higher than expected

Nick Lucchesi

The Telegraph, Alton, Ill.

Jan. 24--Ameren electricity customers knew their electric bills would be higher this month -- but judging from the public outcry heard around the River Bend this week, most did not know they would be this high.

The utility began warning customers in July 2005 that a 10-year electricity rate freeze would thaw out on Jan. 1 of this year. The freeze was put into place by the Illinois legislature in 1997 with hopes that other companies would come forward and create competition -- and lower bills in the process. That never happened, and Ameren strengthened its hold on the residential electricity market.

Last fall, Ameren officials said bills would, on average, be up to 50 percent higher for residential customers this year.

So, customers braced themselves for higher bills, but many were shocked to see increases of more than 100 percent.

For Godfrey resident Randy Sheary, the electricity bill he received this week covered mid-December through the first half of January. Sheary said his monthly bill is typically about \$155, but this month's bill was \$399. He expects next month's bill, which will include a full month of the new electricity rates, to be higher.

"The worst part is that nobody prepared us for this," Sheary said. "I think the utilities are criminals, saying it was not going to be two-and-a-half times the cost."

State Sen. William Haine, D-Alton, who was a member of the Illinois Senate's Environment and Energy Committee during the Ameren rate hearings, said his office has received more than a dozen calls since the bills started arriving this week.

He said his office is asking constituents to send in copies of their bills so he can present some of them as examples of what he said were "unfair" price increases.

"Ameren's corporate executives' credibility is at stake here," Haine said Tuesday.

The Illinois General Assembly did not work out a plan during its fall veto session to lessen the financial blow of the rate increase on consumers.

With a new General Assembly getting down to work in February, a few months' worth of electric bills could pile up and put pressure on lawmakers such as Haine to do something about the increases.

Haine said calls came into his office from "informed" constituents who knew the rate hikes were coming but still were suffering from sticker shock.

"It looks as if rather than a sedan, (Ameren) is driving a semi through these homeowners," Haine said. "(Ameren) is riding roughshod over the consumer."

Erica Abbett, a spokeswoman for Ameren, based in St. Louis, said each consumer's situation is different.

"We have been providing warning to customers for more than a year now that when the end of the 10-year rate freeze hit, they could expect significant increases in their bills," Abbett said.

She noted that Ameren's Choice Elect Plan lets consumers defer some of their electric bill payment until 2010 and pay a lower interest rate.

As for customers who just plain will not be able to pay their electric bill, Abbett said they should contact Ameren as soon as possible to set up payment arrangements.

Sheary said he would be able to pay his bill, but that did not stifle his outrage Tuesday.

"People are going to start going bananas over this," he said.

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---- **Index References** ----

Company: AMEREN CORP

Industry: (Utilities (1UT12); Electric Utilities (1EL82); Public Utilities Marketing (1PU16))

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February 18, 2007

Section: News

All-electric homes see soaring bills

Kevin McDermott POST-DISPATCH SPRINGFIELD BUREAU

SPRINGFIELD, Ill.

With all the media coverage last fall about pending electricity rate hikes, Jerri Schoening knew her electric bills were going to go up this year. As an AmerenCIPS customer, she was prepared for the 45 percent to 55 percent increase the utility had publicly predicted.

So she was shocked when she opened her January electric bill recently and found it was \$352 - almost 150 percent higher than the \$142 bill of the previous month.

"It equates to a car payment," said Schoening, who lives in an all-electric home in Alton with her husband. "I cried. I couldn't believe it."

She isn't the only one. Ameren consumers throughout the southern half of Illinois, who already were braced for electric-rate increases of around 50 percent starting last month, now are getting a second jolt of bad news: The standard rate hikes are coming at the same time as the discontinuance of a longtime special break the utility had provided for people who live in all-electric homes.

Ameren Corp. spokesman Leigh Morris said Friday that increase should not have come as a surprise. "We have never made any secret that all the special rates were being eliminated" as part of the deregulated market that began Jan. 2, he said.

But for customers like Schoening, enticed to move to all-electric systems by an Ameren reduced-rate program in place for decades, the resulting rate increase in some cases is several times higher than they had expected. Their sudden shift to regular rates, coinciding with the roughly 50 percent increase in those rates across the board, has meant some bills have risen by more than 200 percent from December to January, according to state lawmakers who have been fielding customers' angry phone calls.

"These people were blindsided," said state Rep. Thomas Holbrook, D-Bellefonte, who estimates that 90 percent of the many complaints his office has gotten about electric bills this month have come from owners of all-electric homes whose new bills were far above what they'd expected.

"This was something that was not flagged at all" during last year's legislative hearings about the rate hikes, Holbrook said.

He is among many legislators calling for a review of the rate hikes. "One of the things we're going to look into is why we weren't warned about this," Holbrook said.

The increases are the result of deregulation of the state's electricity industry this year, after a decade of rate freezes. Before the year's first new power bills started arriving in the past few weeks, the Legislature tried and failed to mitigate the increases. The state House and Senate in recent months each passed separate measures designed to stop or slow the rate hikes but stalemated over which version to use, and ended up doing nothing.

Now, spurred by constituent rage at the bills arriving in mailboxes, some lawmakers are ready to take another shot at the issue.

"Right now, I would vote for either (the House or Senate proposal), just to stop the bleeding," said state Sen. Bill Haine, D-Alton. He said last week that, had legislators known the full extent of the increases that many of their constituents would face, they would have worked out their differences and passed some kind of relief package.

"Ameren's credibility is totally shot" in Springfield, added Haine. Like other lawmakers interviewed last week, he said he is furious with the utility for failing to specify in last year's extensive hearings that the standard rate hikes would be accompanied by a second, often larger increase for many customers. "None of this was fully explained," Haine said.

State Sen. David Luechtefeld, R-Okawville, said he, too, has been inundated with a volume of constituent calls he termed "just mind-boggling." The worst stories, he said, have been coming from owners of all-electric homes - including his own, for which his monthly bill has jumped from \$140 to \$265.

"If there's one thing I've been disappointed in with Ameren, the information they put out was not complete," said Luechtefeld. "They told consumers to expect a \$1 to \$2 per day increase. ... That was out there a lot, and it's not even close to accurate in some of these situations."

Ameren's special, lower tier of rates began in the 1960s as a way to entice people to go to all-electric homes (as opposed to homes heated with natural gas, propane or other sources). By last year, about 120,000 of Ameren's 1.2 million Illinois customers were under the special rate for all-electric homes, which in some cases were less than half the rate that other Ameren customers paid.

That special rate, like the rest of Ameren's rates, was frozen by law in 1997 and remained that way until this year, when deregulation kicked in.

For people like John Marshall, who lives in an all-electric house in Glen Carbon, the change amounts to a double-hike, because he loses his special discount, then he has to pay the roughly 50 percent increase everyone else is paying. His bill jumped from \$115 to \$240 this month.

"I can easily understand an increase is appropriate. But I think 110 percent is a little bit out of line," Marshall said. He scoffed at the explanation that deregulation could ultimately mean lower prices because of market competition. "Where can I find a different power company?" he asked.

Luechtefeld and others are pressing Gov. Rod Blagojevich, a Democrat, to call a special session on the issue. Blagojevich spokeswoman Rebecca Rausch said Friday that probably isn't necessary because legislators are already in session this month. She reiterated that Blagojevich wants legislative leaders to continue seeking an agreement that would include "significant relief for consumers."

State Sen. James Clayborne, D-Bellefonte, chairman of the Senate Environment and Energy Committee, will host a public hearing in East St. Louis this week, the first of several around the state in which the public will be allowed to debate the issue with Ameren officials and others involved.

The hearing will be from 1 p.m. to 4:30 p.m. Tuesday at SIU Center in East St. Louis. That will be followed by hearings in Peoria, Chicago and Waukegan.

Also, the Citizens Utility Board is planning a news conference at 1:30 p.m. Monday at the Alton YWCA to release a study that it says shows huge job losses could be in store for Illinois because of electricity rate hikes by Ameren and ComEd.

---- **Index References** ----

Company: UNION ELECTRIC CO; CITIZENS UTILITY BOARD; AMEREN CORP

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**NewsRoom**

## NewsRoom

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February 25, 2007

Section: A

Aging residents feel bite of rising rates  
Latest electric bills squeezing them into some painful choices

MIKE FITZGERALD, News-Democrat

Westfield Manor's 62 residents have been wondering about their futures since their Ameren electric bills arrived three weeks ago.

The sharp increases in the bills -- from 50 up to more than 100 percent -- gave them stark choices: Food or medicine? Turning off the television or the heat? Paying the rent or the phone bill?

"For one thing I don't go shopping any more to buy clothes," said Garnet Lowe, 82, whose electric bill nearly doubled from \$41 to \$80.

Thelma Jones, 69, has seen her January power bill jump from \$12 to \$34. She said she can't understand how it could've climbed so steeply.

"I did not turn the heat on all winter," Jones said. "I can't afford to."

Ameren spokesmen have said they are sympathetic and are offering budget billing and a phased-in payment plan to help customers. They have also said they are following the mandates of state law and would face financial insolvency if they fail to pass on the increased costs.

Westfield Manor is an apartment complex for low-income seniors located next door to the west Belleville Kmart. Many residents suffer from incapacitating health problems, such as diabetes and heart disease, that require expensive medicines.

All live in one-bedroom apartments that use electric heat, which Ameren subsidized for more than four decades as an incentive to lure customers.

But on Jan. 2, Ameren ended that discount, along with many others, because of the demise of a decade-long freeze of electricity rates statewide.

So far, at least 22 Westfield Manor residents have reported that their electric bills have doubled, according to April Frerker, the apartment complex's manager.

Their reaction?

"Panic," Frerker said.

Operated by Lutheran Senior Services, Westfield is supported by the U.S. Department of Housing and Urban Development.

The complex's residents receive hefty discounts on their rents, as well as financial aid for some utilities, but not for electricity. HUD rules require them to keep current on rent and utility bills or face eviction.

"And for the first time they're saying to me they're afraid that they will be evicted," Frerker said. "I've heard a couple residents say they've had to quit taking their medicine because they can't afford it. Some are having to cut back on food."

All the residents have qualified for energy assistance grants from St. Clair County, but the grants, which are only a few hundred dollars apiece, go fast.

Jones, like others interviewed, wonders how she will pay the cost of air-conditioning during the hot summer months ahead.

"I can turn off the heat," Jones said, "but I have to have air."

Last fall Ameren notified customers that electric rates would rise on average of 40 to 55 percent. At the same time, the utility advised that it was ending about 50 different types of discounts, said Leigh Morris, a spokesman for Ameren Corp., the St. Louis-based parent company of AmerenIP, AmerenCILCO and AmerenCIPS.

"We did say all special rates would end, yes," Morris said. "I don't remember any specific communication that went to all-electric customers."

The rate increases have hit a nerve, and more than 120 Ameren customers contacted the News-Democrat within days of being asked to share their bills and concerns. Some of their increases were: \$189 up to \$464; \$78 to \$256; \$290 to \$826; \$164 to \$472; and \$88 to \$141. All-electric homes were hit the hardest.

Meanwhile, elected leaders across Southern Illinois are worrying that the Ameren rate increases will force small businesses to shut down, while discouraging others from moving here.

Diane Mathis, the manager of the Days Inn motel in Caseyville, is so worried about the impact of "this outrageous electric increase," that she circulated petitions among local business owners and motel guests calling for a rollback in Ameren's new rates. So far she's collected 107 pages' worth of signatures, she said.

"It is a terrible thing," St. Clair County Board Chairman Mark Kern said. "And I'm confident that our legislators are going to correct this terrible rate increase."

Illinois House members hope to do that Tuesday.

House leaders have scheduled a rare Committee of the Whole to consider a bill introduced Friday by state Rep. Dan Beiser, D-Alton, to extend by three years the rate freeze that ended last month.

State Sen. Frank Watson, R-Greenville, the Senate minority leader, on Friday called for the Democratic and Republican leaders to meet with the Illinois Commerce Commission to hold a summit on what could be done about the rate increase, said Patty Schuh, a spokesman for Watson.

Morris, the Ameren spokesman, defended the rate increases, noting they stemmed from a power auction approved by the Illinois Commerce Commission last year.

Rolling back the rate hikes could plunge Ameren's three subsidiaries into insolvency, Morris said.

"Let's get back to the basic issue," Morris said. "And the basic issue is that it is essential that the companies that are delivering the energy remain financially solvent. And that means they have to collect what they are paying."

The three Illinois subsidiaries lack power plants of their own and must buy electricity on the open market. The only part of the power grid they own are the transmission lines; the only profit they can earn is from higher delivery service charges approved by the commerce commission.

Jim Chilsen, a spokesman for the nonprofit Citizens Utility Board, noted that the Ameren parent company remains highly profitable. And Ameren continues to make big profits based on the nearly \$100 million that the three Illinois subsidiaries -- IP, CIPS and CILCO -- will earn this year from the higher delivery charges, Chilsen said.

"The customers are taking a back seat to Ameren's bottom line," Chilsen said.

Carol Myers, of Belleville, worries that she will lose the house she owns on Guetterman Drive, on Belleville's south end, after her electric bill rose 28 percent -- to \$265 from \$207.

Myers, a cancer survivor and widow, had depended for help in paying her taxes and medical insurance on the Social Security income brought in by her disabled daughter, Lisa.

But Lisa died in November, and now about half of Myers' \$1,500 monthly income goes to property taxes, health insurance and medicine. The Ameren rate increase means she now spends more than she takes in, she said.

"Most people's income isn't keeping up with the economy," she said. "Eventually I'll have to sell my house. ... You lose your family, and then you lose your house."

Contact reporter Mike Fitzgerald at [mfitzgerald@bnd.com](mailto:mfitzgerald@bnd.com) or 239-2533.

#### ---- Index References ----

Company: DAYS INN CORP; AMEREN CORP; TOLLMAN HUNDLEY HOTELS; AVIS BUDGET GROUP INC

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Morris; Lisa; Mark Kern; Mike Fitzgerald; Morris; Myers; Patty Schuh; Rolling; Thelma Jones; Urban Development; Westfield; Westfield Manor) (St. Louis) (Southern Illinois) (Illinois) (Illinois) (us; usa; na; us.il; us.il.bellve; us.mo; us.mo.stloui)

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**NewsRoom**

ILLINOISAN

## An 'insane' way to live



FEBRUARY 27, 2007 12:00 AM • [KRISTEN CATES, THE SOUTHERN](#)

Every month Michael and Mary Beth Reynolds know they'll only be receiving \$1,810 in combined income.

The couple is on a fixed income - both have been declared disabled and receive a monthly federal disability check.

And every month they expect that to pay their mortgage, the lot for their mobile home, telephone and credit card bills before they get to items such as groceries and medical treatment.

But those necessities will be increasingly difficult to take care of, thanks to the spike in their electricity bill from AmerenCIPS.

"It's insane," Michael said. "It's totally insane."

Michael pulled out a bill from January 2003 that showed he used 4,353 kilowatt hours, costing him \$231.95. He just received his February bill on Saturday and it showed him using slightly more kilowatt hours, but what changed was the price.

The bill for the Reynolds' all-electric home was \$450.64 and they only used 5,037 kilowatt

hours of electricity.

In January, the bill was \$253.48 and they used 3,579 kilowatt hours of electricity. Michael said he had braced for a higher bill - maybe a 40 to 50 percent increase.

"But I didn't expect it to be over 100 percent higher," he said.

Mary Beth has multiple sclerosis and Michael said he's been to 16 different doctors and hasn't yet figured out what's wrong with him.

"I can't walk; I can't stand for any length of time," he said.

"And I'm legally blind," Mary Beth said.

Their disabilities make it undesirable to install a gas furnace in their mobile home. Because of the nature of mobile home construction a pilot light is almost always certain to blow out, Michael said. That almost always requires getting down on hands and knees or working into some small crevice to re-light the furnace.

"There was no problem with electric (heat)," he said.

Because of their financial constraints, the Reynoldses do participate in Ameren's budget billing plan, under which they average their monthly payments.

Erica Abbett, spokeswoman for Ameren Corp., said budget billing averages your monthly payment from the previous 12 months and is reviewed at the fourth month and eighth month of participation. Each month, she said, participants are given an amount to be paid and an amount of electricity used. At the end of the 12-month cycle, participants either pay the difference if they used more electricity than they paid for or earn a credit if they paid more than they used.

Readjustments will have to be made due to the rate increases, she said.

"(Budget billing) serves to level that payment," Abbett said.

Still, at the end of the year, Michael said the balance has to be paid.

And because they are on federal disability status, Michael said he can't go out and work overtime to help make ends meet.

"Besides," Mary Beth said. "Who would hire someone who can't stand or can't see?"

Cutbacks in the budget will have to be made, but Michael's not quite certain where to do that right now. Paying his bills has always been a priority. He's proud to say he put his two kids through college, but the credit card bills continue to be staggering.

He's gone so far as to think about filing bankruptcy or selling their home and moving in with relatives in Chicago.

"That's a final option," he said. "I'm going to pay it as well as I can for now. This is just a horrible thing."

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**NewsRoom**

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AP Alert - Illinois

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February 28, 2007

Mayors, constituents urge legislative help with electric rates

RYAN KEITH

Associated Press Writer

SPRINGFIELD, Ill.—For more than six hours, Scott Cisel listened to angry complaints about his company. They accused Ameren of ripping people off, of misleading customers.

Then it was Cisel's turn to address a special legislative hearing. The Ameren Illinois president raised his hand and swore to tell the truth, then outlined a plan for rebates to ease the pain of soaring electric rates.

But as soon as he finished, Cisel was back on the defensive in a publicity and political nightmare.

"I don't know when to believe you folks," Rep. Roger Eddy, R-Hutsonville, told him. "You better come up with something better, because this isn't good enough."

The entire House met in a rare session as the "committee of the whole" Tuesday to explore why some Ameren customers are seeing their electric bills triple, quadruple and more.

Randy Huckelberry of Carrier Mills said his bill went from \$220 a month to \$870 a month.

"You need to wake up and listen to us," Huckelberry told lawmakers. "We need help."

He and other customers described the hardship of having to suddenly come up with hundreds of dollars more. Southern Illinois mayors recounted the problems their constituents face. Lawmakers pleaded with their colleagues to help roll back prices.

Electric rates jumped in January after lawmakers allowed a 10-year freeze on prices to expire. Rates for ComEd customers, primarily in northern Illinois, were supposed to climb roughly 22 percent. Ameren rates were supposed to jump by an average of about 50 percent.

But some Ameren customers have seen far bigger increases.

Ameren offered a plan in hopes of cooling the outrage. Its proposal, much of which would need approval by the regulatory Illinois Commerce Commission, would give \$20 million in rebates on March bills to residential customers that use the most electricity.

It also would expand the company's payment options, provide more money to help low-income customers pay their bills and prevent customers who don't pay from having their service cut off before April 1.

"We have listened to our customers and ... have come forward to do all we can to assist while still maintaining our financial credit rating," Cisel told lawmakers.

Lawmakers and consumer advocates said the proposal didn't go far enough.

David Kolata, executive director of the Citizens Utility Board, called the plan a "small step forward."

"This is not enough by any means," he said.

Residents were warned for months that electric rates would go up in 2007, as the 10-year rate freeze expired. Lawmakers froze rates in 1997 as part of a plan to deregulate the industry and allow competition to develop. But competitors that might have driven down electric rates never entered the Illinois market.

Lawmakers last fall considered extending the rate freeze or phasing in higher rates over several years, but they ended up taking no action. The higher rates took effect Jan. 1.

Lawmakers find themselves in a difficult political position this spring. The hearing gave them a chance to show angry constituents that they're serious about the problem, even as the bills continue to arrive in mailboxes.

Southern Illinois lawmakers begged their colleagues to act.

"We are in calamity. Southern Illinois is in crisis," said Rep. John Bradley, D-Marion.

Other southern Illinoisans joined the call for help.

East St. Louis Mayor Carl Officer predicted dire consequences for some people in his poverty-riddled hometown if rates aren't corralled by summer. "They will be homeless, they will be dead, they will be gone," Officer said.

Some legislators pointed the blame and calls for action at others.

House Speaker Michael Madigan, D-Chicago, said consumers were victimized by the system set up by the Commerce Commission last fall to set the new rates.

Republicans called on Gov. Rod Blagojevich to get involved, and urged the Commerce Commission to meet soon to take emergency action.

ICC officials said they would look at having a hearing soon but cautioned the regulatory process likely would take months rather than days.

#### ---- Index References ----

Company: CITIZENS UTILITY BOARD; IRAN CARBON CO; ITALTSWANA CONSTRUCTION COMPANY (PTY) LTD; AMEREN CORP; UNELKO CORP

News Subject: (Local Government (1LO75); Legal (1LE33); Government (1GO80); Economics & Trade (1EC26))

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Section: News

Power struggle

Shane Graber and Kevin McDermott ST. LOUIS POST-DISPATCH

EDWARDSVILLE

'No way I can pay'

Conrad Bauer He says he'll have to shut down his freezers and get rid of his deer sausage.

'Dark and cold'

Janet Taylor Family wants wood-burning furnace. Their February electric bill: \$880.

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Conrad "Connie" Bauer doesn't ask for much, just 30 acres of land north of town, a greenhouse for his tomato plants and a freezer full of deer sausage.

Apparently, though, the meat will have to go.

"No way I can pay these electric bills, OK?" Bauer, 80, said at his kitchen table. "I'm going to have to shut down all the freezers. I can't pay to keep them on. It's done got outrageous."

Bauer is one of 120,000 Southern Illinois Ameren customers who used to get a special discounted rate for having all-electric homes and businesses. But without any warning to customers, the electric company at the beginning of the year did away with that discount. Coupled with the systemwide rate increase, all-electric customers have seen bills as much as 200 percent higher over recent months.

Bauer's winter electric bill used to be \$200 a month. Now it's more than \$600. Although his daughter, a steel saleswoman, lives with him, their combined income will be close to tapped out. "We're going to have to short someone else to pay these bills," Bauer said.

Illinois' current utility battle began in 1997, when the state implemented a long-range plan to deregulate its electricity market. Competition among utilities was supposed to keep electric rates low. To make the whole new system work, the thinking, rates would have to be frozen by law for a while until competition had a chance to develop.

Before the freeze was lifted Jan. 2, state regulators in September conducted a "reverse auction" in which competing power generators vied to offer the best price to the state's two major utilities, ComEd and Ameren, for the wholesale electricity that the utilities would then sell to the customers.

The resulting wholesale contracts went to a combination of power suppliers - including the parent companies of the two utilities - and yielded rates to consumers that were 30 percent to 55 percent higher than before.

The utilities say those raises are the natural result of a market in which prices had been kept artificially low for nine years. Others say the problem is that true competition hasn't yet developed. Still others - including Illinois Attorney General Lisa Madigan, in a complaint to federal regulators - allege there may have been collusion among the power generators who bid on the Illinois contracts.

There is no comparable problem in Missouri, which did not deregulate electric rates as Illinois and some other states did. Ameren does have an 18 percent rate increase proposal for Missouri customers pending before the state Public Service Commission.

#### Call for competition

Janet Taylor, an all-electric customer in Belleville, had signed up for the discount program a few years ago, prompted by what looked like a good deal, with no indication that the program was going to end soon.

"I wish we knew six years ago that the cut was only temporary," the loan accounting specialist said.

Her family's December bill was \$350. January's was \$798. February's was \$880.

"We try using as little power as possible, so it's like living in a cave - dark and cold," she said. "There definitely needs to be some competition with our power companies."

Taylor's family wants to build an extra room on the side of the house to install a wood-burning furnace. They're also looking into fireplace inserts to help heat the house.

"Don't you think people should have been informed by the power company that if they switch over to 'all electric,' that the cut being offered would only be good through December 2006?" she said.

#### Ameren enticement?

Legislators have been furious at what they say was Ameren's lack of communication to lawmakers and customers about its plans to end the all-electric discount.

Ameren officials have acknowledged they should have communicated better with customers about their plans.

But a new and potentially more explosive question also is being raised: Did Ameren entice people to buy or build all-electric homes in the past couple of years with promises of special rates, knowing that those special rates were soon going to end?.

"There was a builder (at one recent meeting) saying he was being encouraged less than a year ago" to go all-electric, said Rep. Thomas Holbrook, D-Belleville, one of many state officials asking whether Ameren kept pushing a program it knew was ending. "It's a complete breach of trust if it happened, and it looks to me like it happened."

Ameren spokesman Leigh Morris on Friday unequivocally denied the utility has made any recent effort to sign up new all-electric customers. "There has been absolutely no marketing of that product in more than a decade," he said.

Holbrook estimates that "95 percent" of the roughly 300 electric bills he has reviewed for angry constituents in the past few weeks have been for all-electric homes.

When Ron Zelms built his home in O'Fallon in 1990, the subdivision allowed only all-electric homes.

"I didn't consider what the rates were at the time," the 53-year-old math teacher said. "This is where we wanted to build, and that was the only option."

Zelms said Ameren warned of 40 percent to 60 percent increases. But his rates for kilowatt hours have increased at least 135 percent since the all-electric discount was discontinued.

His budget billing went up from \$100 to \$149 a month. This makes him wonder whether even Ameren knew how the rates would affect customers' bills. His actual usage last month cost him \$459. Under the budget billing, he'll have to pay the balance at the end of the year.

"I guess they didn't even realize how much more the bill would be," Zelms said. "But I don't fault Ameren completely. Legislators didn't do us any favors either by freezing rates for 10 years."

#### Legislative proposals

Lawmakers are debating whether to reinstitute the rate freeze, and conflict between House and Senate leaders has prevented final passage of a freeze bill.

House Speaker Michael Madigan, D-Chicago, won House passage of a measure to return rates to their 2006 levels and freeze them there for three more years. But Senate President Emil Jones, D-Chicago, hasn't allowed a floor vote on that bill.

Ameren and ComEd executives have warned lawmakers that another rate freeze would drive them into bankruptcy, because they had already signed power-purchase contracts with their new suppliers that had to be paid at the new prices.

As of last week, the Senate had moved a one-year rate freeze bill through committee and was poised to bring it to a floor vote at any time. If it passes the full Senate, the House appears likely to approve it, too. Gov. Rod Blagojevich has indicated he would sign whatever freeze bill reaches his desk.

Bauer has some freezing of his own he wants to resume.

"Otherwise, I'm just going to have to throw all that deer sausage out," he said.

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#### About Illinois electric rates

Q: When and how were rates unfrozen?

A: Last fall, after a statewide rate freeze of nine years, Illinois conducted a "reverse auction" in which the state's two major utilities, Ameren and ComEd, took bids from power generators to buy wholesale electricity for resale to Illinois customers. The resulting new, deregulated rates took effect Jan. 2.

Q: What happened to rates after they were unfrozen?

A: They increased, on average by 30 percent to 55 percent around the state. As an example, AmerenCIPS' cost to its customers rose from the previous, regulated rate of 2.2 cents to 8.7 cents per kilowatt hour (depending on the season and volume of usage), to a new rate of 7.8 cents to 9.5 cents. A typical household uses an average of about 866 kilowatt hours per month.

Q: Why did rates rise that much, if deregulation was supposed to keep them low?

A: The utilities say rates sprung up because they had been kept artificially low for almost a decade. Consumer groups say they rose because there isn't true competition in the wholesale market yet. Critics are especially angry that the utilities are allowed to buy part of their wholesale electricity from their own parent companies, raising questions about whether they're really getting the best price.

Q: Why have some Metro East and Southern Illinois power bills risen so much more than others?

A: About 120,000 Ameren customers in Illinois who heat their homes with electricity (as opposed to gas) were previously under a special cut-rate program started in the 1960s to entice people to switch to electrically heated homes. Those special rates were generally less than half of Ameren's regular rates. Ameren ended the special rates Jan. 2 when the new, deregulated rates took effect. As a result, owners of electrically heated homes were hit with a double increase. In addition, those homeowners use two to three times more kilowatt hours of electricity, on average, than do owners of homes not heated with electric.

Q: What has been the response of Illinois officials?

A: The Illinois House has voted to roll back and freeze rates at their December 2006 levels for another three years. A pending Senate bill would roll back rates and freeze them for a year. Both bills also would put the special cut-rate deal back in place for the owners of all-electric homes. If either bill passes both chambers, Gov. Rod Blagojevich is expected to sign it.

All-electric customers sacrifice comforts to pay huge rate hikes

---- **Index References** ----

Company: SOUTHERN ILLINOIS RIVERBOAT/CASINO CRUISES INC

News Subject: (Legislation (1LE97); Government (1GO80))

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