

CUB Testimony Recommends \$492 Million Reduction in Ameren Electric Hike

by Jim Chilsen
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CHICAGO – Ameren Illinois’ proposed four-year electric rate hike should be slashed by at least \$492 million, the Citizens Utility Board (CUB) announced Monday, citing expert testimony it filed.

"While a utility has to maintain its system, Ameren should not get a blank check," CUB Executive Director David Kolata said. "Our expert witnesses combed through Ameren's rate-hike proposal and cut out the fat, including an excessive profit rate for shareholders. We are hoping other parties will be able to recommend further reductions."

Ameren customers can visit [CUBHelpCenter.com](https://cubhelpcenter.com) to sign a petition to the Illinois Commerce Commission (ICC) against the proposed increase.

On January 20, Ameren Illinois filed for a four-year, \$1.3 billion rate hike with the ICC. For a customer who uses about 10,000 kilowatt-hours (kWh) of electricity annually (or about 833 kWh a month), the hike would increase Ameren delivery rates by an average of roughly \$6.27 a month each year, for a cumulative increase of about \$25 a month by 2027.

The company is also asking for a \$160.4 million gas rate hike, which will increase bills by an average of about \$6.68 a month for customers who use about 745 therms a year (or about 62 therms monthly).

Since 2021, Ameren Illinois' parent company has made more than \$2 billion in profits and the Illinois utility has received two electric rate hikes totaling \$118 million (\$57.6 million in January 2022 and \$61 million in January 2023).

Consumer advocates have sounded the alarm in 2023, as major Illinois gas and electric utilities are pushing for a record six rate hikes totaling \$3.7 billion. In response to this unprecedented attack, several groups and agencies are challenging increases, including the Illinois Attorney General's Office, Environmental Defense Fund, Illinois PIRG and CUB.

In the Ameren electric case, CUB, the Illinois Industrial Energy Consumers (IIEC) group, Federal Executive Agencies, Prairie Rivers Network and United Congregations of Metro East partnered to commission expert analysis from Brubaker & Associates, Inc., a Missouri-based consulting firm that specializes in utility regulation. Through the testimony, CUB makes several recommendations to slash the rate hike by nearly a half-billion dollars: \$492.3 million. CUB focused on several key areas, including:

Return on Equity. Ameren has proposed an excessive jump in its "return on equity" (ROE)—or profit rate for shareholders—from about 7.85 percent to 10.5 percent. CUB argues for a more reasonable 9.3 percent ROE, which would reduce the rate hike by \$79.4 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 electric meters, substations and wires.

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's proposed "common equity ratio"—how much of the utility's financing comes from issuing stocks—was too high, CUB argued. The more reasonable equity ratio CUB recommends would reduce the rate hike by another \$161.9 million.

Residential Sales Forecast. Ameren calculated its rate increase proposal based on forecasts of its number of residential customers and usage per residential customer that were buried in accounting spreadsheets with no explanation. CUB's expert witnesses discovered that these forecast numbers were unrealistically low, thereby overstating Ameren's revenue requirement. They recommended a reasonable forecast based on the most recent available Ameren customer data. This change would save ratepayers an additional \$91.9 million.

Other financial adjustments, including those related to operations and maintenance labor expenses and an excessive acceleration in infrastructure spending, amounted to about \$159.1 million, for a total recommended reduction of at least \$492.3 million. CUB hopes to support additional reductions uncovered by the Illinois Attorney General's Office and other parties.

The ICC will rule on the rate-hike request around November, after an 11-month rate case. The proposed increase would take effect on Jan. 1, 2024 and impact delivery rates—what the utility charges to cover the costs of delivering electricity to customer homes, plus a profit. Those rates take up about a third to a half of electric bills.

Ameren Illinois serves about 1.2 million electric customers in Central and Southern Illinois.

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Citizens Utility Board (CUB) is 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 saved consumers more than \$20 billion by helping to block rate hikes and secure refunds. For more information, call CUB's Consumer Hotline at 1-800-669-5556 or visit CUB's award-winning website, www.CitizensUtilityBoard.org.