AmerenUE CEO says utility is doing all it can to win "overcharge" case

BY REPPS HUDSON
Of the Post-Dispatch

At Ameren Corp.'s annual meeting Tuesday, Don Potashnick, a shareholder from Chesterfield, expressed an investor's point of view in the utility's case of alleged overearnings before the Missouri Public Service Commission.

In the case, the commission's staff has charged that AmerenUE, a subsidiary of Ameren, made $246 million to $285 million more than it should have in the last year of a six-year experimental rate plan.

Ameren officials have agreed to charge lower rates, retroactive to April 1, if the five-member commission rules later this year that the utility was making too much money under the experimental plan.

"How can the staff make a recommendation that (would) so penalize the major power producer in the state?" asked

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CEO Mueller calls case "our biggest focus"

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Potashnick, 64, a retired pharmaceutical sales manager.

In the meeting's half-hour question period, Potashnick asked Chief Executive Charles W. Mueller, who presided over the meeting, how the utility could have failed to apply pressure on the commission and its staff to prevail in the case.

"We are doing everything allowed by law to get our point across," Mueller said in response to the question.

Potashnick said that if the commission rolled back or eliminated the rate increase, Ameren's annual profit could fall by close to 50 percent, based on last year's profit of $468.5 million.

"If the PSC rules as the staff does, it will put (Ameren) behind the eight ball. It will hurt its credit rating," Potashnick said. "If (Ameren) is doing a good job, why should it be punished for being successful and saving the customers money?"

Mueller called the case "our single biggest focus going forward" over the next few months.

Ameren will file a response to the staff's allegations of overearnings, based on a return on equity of 8.91 percent to 9.91 percent, which Mueller said is below the industry standard of 11 percent to 12 percent.

In prepared remarks, Mueller said: "This proposed rate reduction is coming at a time when significant investments will need to be made to our energy infrastructure so that we can continue to provide reliable service to our customers and the state of Missouri. Electric revenue reductions of this magnitude would cripple our ability to make these investments."

Ameren officials have circulated estimates of lost taxes to state and local governments of $35.3 million to $41.3 million if the commission rules against earnings of $246 million to $285 million. Ameren also has made its case in newspaper ads and its annual report.

It argues that it has reduced rates four times since 1987 and that its rates are among the lowest in the nation even though it had an experimental rate plan that allowed it to keep some profit while sharing other profit with customers. Ameren says it has credited more than $425 million to rate payers under the plan.

Utility stock analysts like to say that the days are gone in which regulated utilities make good investments for widows, orphans and retired people simply because they are regulated monopolies with low risk and sound dividends. Still, said Gary L. Rainwater, president and chief operating officer, Ameren Corp. gets 85 percent of its profit from its regulated operations.

Analysts say they like utilities that embrace incentive-rate plans, similar to the two three-year plans under which AmerenUE operated until June 30, 2001.

Since the commission voted to end the plan last year, AmerenUE has continued to charge the rates it did under the experimental plan. But it is no longer required to credit customers with a part of its profit.

John Coffman, acting head of the state's Office of Public Counsel, has said the utility is pocketing millions of dollars a day in extra profit because the commission has yet to settle the rate case.

In another matter, Rainwater, heir-apparent to Mueller's job, told a questioner that Ameren was not interested in investing in so-called mine-mouth power plants that burn high-sulfur Illinois coal right out of the mine.

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