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Brother, can you spare some dimes for AmerenUE?

By: Editorial Board

To AmerenUE, $37.3 million isn't much money, about $1.31 per customer per month.

As a lawyer for Missouri's state's largest electric company memorably put it last week, that "amounts to the change most people have on their dresser at home, or carry in their pockets."

AmerenUE wants that change — and a lot more besides.

The company has asked utility regulators for a temporary $37.3 million rate hike. Think of it as a down payment, just enough to tide the company over until the state Public Service Commission decides whether to grant one more than 10 times higher — a $402 million rate hike the company asked for in July. The July request came just months after the PSC gave AmerenUE a $163 million rate hike in April.

AmerenUE's spare change request comes under a special emergency clause designed to allow the state to prop up financially distressed utility companies.

Other Missouri electric companies are watching closely to see how that request fares. If AmerenUE succeeds, it's a good bet they'll ask for temporary rate hikes, too.

Strictly speaking, AmerenUE isn't financially distressed. Profits at its parent company were up 11 percent during the third quarter compared to the same period in 2008.

But AmerenUE is pleading distress because it has been unable to earn its "authorized rate of return." That's the maximum profit level allowed by utility regulators when they set rates.

Utility companies are monopolies, not subject to market pressures that encourage other companies to operate efficiently.

AmerenUE says that its failure to earn the maximum authorized rate of return makes borrowing for needed capital improvements more difficult and expensive. That increases costs for consumers.

Setting a maximum profit level provides an incentive for utilities to be efficient and well-run. If they are, they earn the authorized rate of return. If not, they don't.

But allowing higher rates because a company didn't earn as much as it could have might be said to reward inefficiency and poor management.

Even if AmerenUE gets the temporary rate increase, company executives testified this week that they may ask state lawmakers for rules changes that would increase their bottom line.

Among them is placing a time limit on rate cases. That would make it more difficult for PSC staff and Public Counsel Lewis R. Mills, who represents electric customers, to analyze and respond to future utility rate hike requests.

The company may also renew its battle to overturn an important consumer protection called Construction Work In Progress, or CWIP.

That law, which was overwhelmingly approved by Missouri voters in 1976, prevents utilities from charging customers for new power plants until they begin generating electricity. It's designed to encourage efficient construction practices by spreading risk between consumers and utilities.

It's ironic that AmerenUE should be complaining about its financial troubles. Its parent company's then-three top executives got hefty bonuses in February based in part on the company's performance.

Those Ameren Corp. executives — Gary Rainwater, Warner Baxter and Thomas Voss — received incentive payments of $771,656, $302,610 and $240,255, respectively. The payments are equal to 82 percent, 55 percent and 50 percent of their respective base salaries.

A company that can afford to hand out bonuses like that shouldn't need to scrounge for spare change. Most of its customers aren't doing nearly as well as AmerenUE.

Brother, we can't spare the dimes.

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