

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

**Illinois Commerce Commission** :  
**On Its Own Motion** :  
**-vs-** :  
**Central Illinois Light Company,** :  
**d/b/a AmerenCILCO; Central** :  
**Illinois Public Service Company,** :  
**d/b/a AmerenCIPS; and Illinois** :  
**Power Company d/b/a AmerenIP** :  
: **07-0165**  
**Investigation pursuant to Section** :  
**9-250 of the Public Utilities Act of** :  
**Electric Rate Design.** :

**ORDER INITIATING INVESTIGATION**

By the Commission:

Under Section 16-111(a) of the Public Utilities Act (“Act”) [220 ILCS 5/16-111(a)], and subject to certain exceptions, the electric rates of Central Illinois Light Company (“AmerenCILCO”), Central Illinois Public Service Company (“AmerenCIPS”), and Illinois Power Company (“AmerenIP”) (collectively “Ameren” or “the Ameren companies”), were frozen between December 16, 1997, and January 2, 2007. The rates during that period were set at levels in effect on October 1, 1996, except that Section 16-111(b) of the Act reduced the rates for residential customers by varying percentages during the period. Of the three Respondents in this proceeding, Illinois Power Company’s residential rates saw the greatest percentage reduction, with a 15% reduction effective August 1, 1998, and an additional 5% reduction effective May 1, 2002.

During that period, there were a number of rate proceedings, including those to establish and to adjust the rates for delivery services under Section 16-108 and Article IX of the Act. Delivery service rates established the charges for customers who chose to take service from a retail electric supplier other than the electric utility in whose service area they were a customer, or who took service from that utility under the delivery services customer power purchase option under Section 16-110 of the Act.

While Section 16-104(a)(4) required electric utilities to offer delivery services to residential customers as of May 1, 2002, no residential utility customers of any Illinois electric utility had taken delivery services as of January 2, 2007. Thus, for all Ameren residential customers, and therefore for the numerical majority of customers of each of the Ameren companies, charges for electric service were determined by the bundled rates for electric service, which remained the same from 1997 through 2006 except for the mandated residential rate decreases. Beginning in 2007, electric rates were to be

unbundled so that the charge for the commodity of electricity would be stated separately from the charges for the service of delivering the electricity to the customer.

On February 28, 2005, AmerenCILCO, AmerenCIPS, and AmerenIP filed proposed rate sheets describing a competitive procurement process they would use to procure at wholesale the electricity that would be used to serve customers. The proposal included an auction, the results of which would determine the wholesale prices Ameren would pay for the electricity it would supply to various classes of its retail customers. The Ameren Companies' proposed rates also described the methodology to be used to determine retail charges to recover the costs Ameren would incur for wholesale electricity purchased through the auction.

The Commission suspended these tariffs, and entered its final Order in the resulting proceedings (Docket Nos. 05-0160, 05-0161, and 05-0162 (Consolidated), collectively the "Ameren procurement dockets"), on January 24, 2006. Pursuant to the tariffs approved in that Order, an auction was held in early September 2006. After the close of the auction, the Ameren companies filed new rate sheets establishing rates for electricity purchased in the auction and supplied to retail customers beginning January 2, 2007.

Beginning January 2, 2007, the other principal component of electric rates for all customers is the charge for delivery services. The first cases in which the Commission established delivery service rates for Illinois utilities took place in 1999, but these rates applied only to customer classes that were permitted to take delivery services under the phased-in eligibility structure established in Section 16-104 of the Act.

The cases in which the Commission has most recently considered delivery service rates for all Ameren customers are Docket Nos. 06-0070, 06-0071 and 06-0072, consolidated. The Commission entered its Order in those cases on November 21, 2006, and as of the date of this Order Initiating Investigation, the case is in the process of rehearing. On December 7, 2006, the Ameren companies filed new delivery services rates in accordance with the Commission's Order, and the rates took effect January 2, 2007.

The Commission has received a Staff Report ("Staff Report"), dated March 1, 2007, from the Financial Analysis Division of its Public Utilities Bureau. The Staff Report states that within several weeks after the new Ameren rates took effect, the Commission began to receive complaints from Ameren customers that bills were much higher than had been anticipated. Some of these complaints were made directly to the Commission's Consumer Services Division, while others were referred to the Commission from other sources, including significant numbers from members of the Illinois General Assembly. The Staff Report also makes note of recent legislative meetings and hearings at which customers have spoken to the level of hardship created by charges reflected on the bills they have received from AmerenCILCO, AmerenCIPS, and AmerenIP in 2007.

The Staff Report indicates that increases in charges to the members of the residential space heating class of each of the Ameren companies appear to be substantially higher than the average bills for residential customers as a whole. Staff has compared the rates for blocks of electricity usage by residential space heating customers under rates in existence prior to the expiration of the rate freeze with the rates that took effect on January 2, 2007. The results shown in the appendix to the Staff Report include the following estimates:

- (1) Based on 1,897 kilowatt hours (“kWh”) of usage during the month of January, an AmerenCILCO residential space heating customer would have paid an average of 5.25¢/kWh for usage in January 2006, but pays an average of 9.87¢/kWh in January 2007, for a percentage increase of 88.1%.
- (2) Based on 1,892 kWh of usage during the month of January, an AmerenIP residential space heating customer would have paid an average of 4.71¢/kWh for usage in January 2006, but pays an average of 9.73¢/kWh in January 2007, for a percentage increase of 106.6%.
- (3) Based on 2,363 kWh of usage during the month of January, an AmerenCIPS residential space heating customer residing outside the Metro-East region in southwestern Illinois would have paid an average of 4.46¢/kWh for usage in January 2006, but pays an average of 8.99¢/kWh in January 2007, for a percentage increase of 101.4%.
- (4) Based on 2,430 kWh of usage during the month of January, an AmerenCIPS residential space heating customer residing in the Metro-East region in southwestern Illinois would have paid an average of 3.31¢/kWh for usage in January 2006, but pays an average of 8.96¢/kWh in January 2007, for a percentage increase of 170.8%.

The Staff Report provides a more complete breakdown of changes in the bills of residential customers who take service from AmerenCILCO, AmerenCIPS, and AmerenIP, but the calculations above serve to highlight the reasons for the hardships of which many customers within these service territories have complained. The Staff Report also provides a basis for the Commission to initiate this investigation on its own motion, under the authority conferred upon it under Section 9-250 of the Act. In this proceeding, the Commission intends to undertake a thorough but expedited review of the electric rate design for all customer classes of each of these utilities.

The Commission does not intend, in this investigation, to review or consider any changes in the revenue requirements it has most recently determined for the Ameren companies (or which are to be determined by the Commission in the rehearing phase of Docket Nos. 06-0070, 06-0071, and 06-0072 (Consolidated)). Additionally, the Commission does not intend to modify its conclusions (other than those related to rate design) in the Procurement Dockets.

The Commission, having reviewed the Staff Report and being fully advised in the premises, is of the opinion and finds as follows :

- (1) that it has jurisdiction over the subject matter of this proceeding and the parties hereto;
- (2) the recitals set forth in the prefatory portion of this order are hereby adopted as findings of fact;
- (3) the Staff Report should be made a part of the record of this proceeding;
- (4) an investigation should be initiated under Section 9-250 of the Act into all aspects of the rate design of AmerenCILCO, AmerenCIPS, and AmerenIP, specifically including all delivery services, all electric supply services, and all other tariffed aspects of electricity service, with a view toward ordering any changes in rate design the Commission determines on the basis of the record to be necessary to make the rate structure of each of these utilities, with appropriate consideration of historic rate structures of the companies, more just and more reasonable than the rate structure in effect as of March 2, 2007;
- (5) the Commission does not intend to review or consider any changes in the revenue requirements it has most recently determined for the Ameren companies (or which are to be determined by the Commission in the rehearing phase of Docket Nos. 06-0070, 06-0071, and 06-0072 (Consolidated). Additionally, the Commission does not intend to modify its conclusions (other than those related to rate design) in the Procurement Dockets; and
- (6) the Administrative Law Judge or Judges assigned to this proceeding should be directed to expeditiously create, and to require all parties to adhere to, a schedule that will put the Commission in a position to have an order before it for consideration at the earliest possible time consistent with statutory mandates and due process of law. The Administrative Law Judge or Judges are directed, at the earliest possible date, to present for Commission approval the schedule agreed to among the parties.

IT IS THEREFORE ORDERED that an investigation is initiated under Section 9-250 of the Act into all aspects of the rate design of AmerenCILCO, AmerenCIPS, and AmerenIP, specifically including all delivery services, all electric supply services, and all other tariffed aspects of electricity service, for the reasons stated in the prefatory portion of this Order, with a view toward ordering any changes in rate design the Commission determines on the basis of the record to be necessary to make the rate structure of each of these utilities, with appropriate consideration of historic rate structures, more just and more reasonable than the rate structure in effect as of March 2, 2007.

IT IS FURTHER ORDERED that the Administrative Law Judge or Judges assigned to this proceeding are directed to create, and to require all parties to adhere to, a schedule that will put the Commission in a position to have an order before it for consideration at the earliest possible time consistent with statutory mandates and due process of law.

IT IS FURTHER ORDERED that the Staff Report is hereby made a part of the record of this proceeding.

IT IS FURTHER ORDERED that this order is not final; it is not subject to the Administrative Review Law.

By order of the Commission this 2<sup>nd</sup> day of March 2007.

(SIGNED) CHARLES E. BOX

Chairman