

Madigan blows whistle

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SPRINGFIELD, Ill. - Illinois Attorney General Lisa Madigan on Thursday alleged there is evidence of bid-fixing and collusion behind the state's skyrocketing electric rates, and she formally asked a federal regulatory agency to reverse those rates and investigate the power suppliers of two major utilities. In a 31-page complaint filed with the Federal Energy Regulatory Commission, Madigan lays out what she says is evidence that last year's power auction involving Ameren and ComEd might have been fixed to ensure that specific wholesale suppliers - including the parent companies of both utilities - got the most lucrative parts of that business. As a result, the complaint alleges, rate-payers ended up with bills about 40 percent higher than they should be under a competitive market. Ameren Corp. spokesman Leigh Morris said Thursday that the company was still studying the FERC filing, and "there will be no comment today." Madigan's complaint asks that the federal commission suspend the new electric rates, require refunds from the wholesalers for the amount of the increased prices, and investigate "evidence of price manipulation" between the utilities and their power suppliers. "The wholesale suppliers are charging prices that are at least double the marginal cost of generating electricity," the complaint alleges. It goes on to allege that "there is evidence that some of the wholesale (power) suppliers manipulated prices in the auction," possibly with secret side-agreements among the suppliers. The complaint states that "quid pro quo arrangements" are a likely explanation for unexpectedly high power rates that resulted from the reverse auction, which was ostensibly designed to ensure that Ameren and ComEd got the cheapest possible power supply contracts from competing wholesale electricity providers. It is possible that "departing bidders" were rewarded with side agreements that their power would later be purchased "at favorable prices," the complaint states. It cites a similar "market manipulation scheme" that was uncovered in the Enron corporate scandal. Those wholesalers bidding on the contracts included the parent companies of the two utilities. Those two companies - St. Louis-based Ameren Energy Marketing Co. and Chicago-based Exelon Generation Co., LLC - are among 15 wholesale electricity suppliers named in the complaint. "The charges are false," Exelon spokeswoman Kathleen Cantillon responded in a written statement. "The Illinois (power) auction has been deemed fair and reasonable by all regulatory agencies ... (and) was conducted in a transparent, equitable, and highly professional manner." Illinois lifted its nine-year electricity rate freeze Jan. 2 and allowed the state's two biggest utilities, Ameren and ComEd, to raise their rates, based on a September "reverse auction" among power suppliers. Resulting dramatic rate hikes prompted public outrage and a legislative campaign to re-regulate the industry. Ameren and ComEd say their higher rates were driven by the realities of the power market, after almost a decade of artificially low rates. But critics say those markets are still not competitive, and that the resulting higher rates - from around 30 percent to more than 50 percent in some areas of the state - were unjustified. "Five million Illinois residents are unnecessarily paying electricity prices that are double the actual cost of generating electricity," Madigan said in a written statement. "We undertook an extensive investigation to find out why the prices produced by the auction were so high ... Our investigation turned up disturbing evidence of price manipulation." Madigan's complaint cites a study by Argonne National Lab and the University of Illinois, which shows that the cost of generating electricity used by ComEd and Ameren customers is less than \$30 per megawatt hour during most of the year, but those customers are paying an average of more than \$70 per megawatt hour. Madigan's office said it worked with a team of experts in compiling the complaint, including Robert McCullough, an expert on electricity trading practices who was involved in the federal investigation into Enron's activities in Western electric markets. The Illinois House has passed a measure that would roll back and freeze the state's electric rates for three years. Several other

measures are pending, including a Senate bill that could be heard as early as Tuesday, which would roll back and freeze Ameren's rates for one year.