

1 Experimental Low Income Rate Program (ELIR) in the Joplin area of Missouri Gas
2 Energy's service area and the addition of the St. Joseph area. The second adjustment of
3 \$51,000 would allow for a 15% increase in funding for the system-wide low-income
4 weatherization program for MGE's service area. The final adjustment of \$126,156 would
5 establish a funding pool earmarked to initiate new experimental energy efficiency programs
6 that are reasonably anticipated to be financially self-sufficient.

7 **Q. WHAT EXPERIENCE DO YOU HAVE REGARDING WEATHERIZATION PROGRAMS**
8 **AND PROGRAMS TO ASSIST LOW-INCOME UTILITY CONSUMERS?**

9 **A.** In the area of telecommunications I have served on the Federal/State Universal Service Joint
10 Board Staff for a number of years. In this capacity I have reviewed information on the
11 design and cost of state and federal low-income programs, assisted the Federal/State Joint
12 Board in preparing recommendations for the FCC in implementing the Federal Lifeline and
13 Link-Up programs and in developing guidelines for state programs. In this capacity I also
14 review Joint Board Monitoring Reports and FCC Telephone Penetration Report designed to
15 evaluate the performance of the Federal and state programs in assisting low-income
16 customers. At the State level, I participated in industry workshops to develop the low-
17 income and disabled components of the Missouri Universal Service Fund (MoUSF) and
18 currently assist the Public Counsel in his duties as a member of the Missouri Universal
19 Service Board. The Missouri Universal Service Board is charged with oversight of the
20 administration of the MoUSF. Currently it is working toward implementing the low-
21 income component of the MoUSF. I also served on the committees that developed and

1 increasing low-income weatherization funding by 15% would require a revenue requirement
2 increase of \$51,000. It seems reasonable that the additional \$51,000 funding be allocated in
3 proportion to the current distribution of low-income funding. Public Counsel is willing to
4 consider the merits of alternative methods of distributing the increase.

5 **Q. PLEASE DESCRIBE THE NEW INITIATIVE THAT YOU MENTIONED EARLIER**
6 **IN YOUR TESTIMONY.**

7 **A.** For a number of reasons, I believe that there is a need to investigate methods for developing
8 programs targeted at assisting moderate and middle-income households in making energy
9 bills more affordable while not burdening the general body of ratepayers with unnecessary
10 rate increases. A primary way to achieve this goal is to develop financially "self-sufficient"
11 programs that help to offset the obstacles these households face in reducing their energy
12 use. In other jurisdictions a number of initiatives such as "Pay As You Save" and low
13 interest rate loan programs have been developed that appear to assist moderate and middle-
14 income households at relatively low program costs. Pay As You Save provides up-front
15 funding for the purchase and installation of energy efficiency measures that a participant
16 might not have been otherwise able to afford. The recipient repays the cost of the measures
17 over time through an additional charge on their monthly utility bill. The adder is designed
18 to be less than the level of savings the efficiency measure produces. A specific benefit of
19 this approach is that consumers that might not otherwise be able to secure or afford a loan
20 sufficient to make significant improvements would be able to under such a program. Low
21 interest or zero interest loans offer additional options for consumers that could and would

1 make investments to reduce energy efficiency if offered an incentive to do so. Based on my
2 intital review of some the programs currently available and new initiatives being developed
3 across the country, I believe it is time for Missouri to explore these programs and potentially
4 other alternatives.

5 **Q. PLEASE DISCUSS THE POTENTIAL BENEFITS OF IMPLEMENTING "SELF-**
6 **SUFFICIENT" PROGRAMS TARGETED TO THE NEEDS OF MODERATE AND**
7 **MIDDLE INCOME HOUSEHOLDS.**

8 **A.** A primary benefit is that such programs may help to limit unnecessary rate increase. In
9 recent years there have been a number of requests to fund energy efficiency measures by
10 through utility rate increase. While in some cases, for the electric industry such increases
11 may be offset by system-wide cost reductions attributable to overall lower energy use, it is
12 less clear that similar offsets can be achieved by reducing natural gas usage. An attractive
13 alternative to raising rates to pay for efficiency programs would be to implement programs
14 that do not require ongoing support from ratepayers.

15 Another important consideration is that low interest loan programs and programs such as
16 PAYS can promote economic development by creating new opportunities for participating
17 local installation contractors, banks and retail equipment and appliance dealers.

18 Finally, based on my experience with the Public Counsel's office, I believe there are many
19 customers that perceive a stigma associated with accepting support from programs labeled

1 "low income." Alternative programs that are not subsidized may be more appealing to a
2 broader group of customers.

3 Q. WHAT APPROACH WOULD YOU RECOMMEND IF THE COMMISSION DECIDES
4 TO PURSUE AND POTENTIALLY IMPLEMENT "SELF-SUFFICIENT"
5 EFFICIENCY PROGRAMS?

6 A. I believe the PAYS program structure and low-interest loan concepts have significant
7 potential for implementation in Missouri and would benefit participants without unduly
8 burdening customers that do not participate. With respect to the revenue requirement that
9 would be necessary to offer such a program, I recommend that the Commission approve an
10 adjustment to allow MGE to collect \$126,156 annually for two years to be earmarked for
11 implementing a pilot PAYS program available to households with income up to \$60,000
12 per year in MGE's Kansas City service area. In addition, I believe it would be reasonable to
13 implement a low interest loan program available to customers with income up to \$100,000
14 per year.

15 Q. WHAT SHOULD BE DONE WITH ANY EXCESS FUNDS ASSOCIATED WITH THE
16 PROGRAMS YOU HAVE DISCUSSED?

17 A. When a program ends, any excess funds should flow back to ratepayers.

18 Q. DO YOU HAVE RECOMMENDATIONS WITH RESPECT TO ANY COLLABORATIVE
19 OR WORKSHOPS THAT MIGHT NEED TO OCCUR BEFORE THE PROGRAM
20 BEGINS?

1 A. Yes. believe a collaborative or workshop will be necessary and I encourage the
2 Commission to ensure that the process will be accessible to all interested entities. Given
3 that the experimental programs might eventually form the basis for statewide programs, it
4 should provide an opportunity for interested entities or individuals who are knowledgeable
5 but who are not participating in this particular case before the Commission to observe and
6 provide suggestions on how such programs can best be implemented.

7 Q. HAVE YOU ESTIMATED THE CUSTOMER IMPACT OF YOUR PROPOSAL,
8 SPONSORING?

9 Q. Yes. If fully recovered from residential customers, I estimate the total cost for
10 weatherization, low-income program, and efficiency initiatives would be 16¢ per month.

11 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

12 A. Yes, it does.