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September 7, 2012

Missouri Public Service Commission  
200 Madison Street, PO Box 360  
Jefferson City, MO 65102-0360

Dear Commissioners,

On behalf of our Board and staff, I am pleased to forward these comments regarding the Commission's interest in exploring the adoption of a new approach for providing relief to low income Missourians who struggle to sustain their vital connections to utilities while unable to meet market rate payment schedules (Case Nos.: Nos. EW-2013-0045, GW-2-13-0046 and WW-2013-0047).

We commend your willingness to consider a more equitable and effective manner to address this ongoing challenge. CAASTLC's currently provides the field staff for the LIHEAP and other utility sponsored programs for St. Louis County, and we are also staffing the utility and charity sponsored efforts for the City of St. Louis. We are very aware of the huge limitations of the current program, with its many challenges of a crush of fall enrollments, unrealistic timing expectations and the many repeat visits required for those whose initial payment supports prove to be insufficient requiring them to re-apply for the emergency component as well.

Missouri can do better and we will be pleased to offer additional information and supportive evidence of the need for change upon your request.

Sincerely,

/Merline P. Anderson/

Executive Director

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**Comments submitted by Jacqueline A. Hutchinson, Energy Assistance Advocate for The Community Action Agency of St. Louis County, Inc.**

**RE: Case Nos. EW-2013-0045, GW-2-13-0046 and WW-2013-0047**

The Community Action Agency of St. Louis County, Inc. (CAASTLC) is part of a national network of federally funded Community Action Agencies (CAAs), created by the Economic Opportunity Act of 1964. Since 1968, CAASTLC has administered various programs to assist low-income people out of poverty conditions. The mission of CAASTLC is to move people out of poverty; help families who are caught in poverty; and help communities prevent conditions of poverty.

Over the years, we have served more than 15,000 households annually with LIHEAP, weatherization assistance and other forms of private donation utility assistance. We have struggled to protect the health and safety of the elderly and families with children, while families lose ground in their efforts to have safe and affordable homes due in part to the constant rise in cost of necessary utilities and stagnant or declining income.

We thank the Commission for opening this docket to explore rate design changes and methods other states have used to reduce the impact of high utility rates on their low income customers.

We ask that you consider the conditions that exist for a large segment of our population as you move forward to investigate the impact of unaffordable utilities on our community and explore possible solutions. Some of the demographic factors to consider are:

- According to the 2011 Census report, more than 14.6% of the residents of the St. Louis City and County or 191,000 individuals live below the poverty line. Of these, 71,000 are children and 17,000 are over age 65. Over 20% of families in the City were living in poverty as were 7.3% of county families.
- While other areas of the state average 19% living in poverty, an increase from the prior year.
- The average household income in Missouri has declined by 5% over the past 5 years; however the decline has been considerably higher for younger families and minority families.
- 41% of children in the City of St. Louis live in poverty, and each day 135,000 kids in the St. Louis area are at risk for hunger.
- After receiving no increase in Social Security or SSI benefits for several years, elderly and disabled individuals received a modest 3.6% cost of living increase in 2012.
- While the unemployment rate in St. Louis is 9%, the working poor have seen their wages stagnate and their buying power decrease even more due to increases in the cost of goods and services. Neither the St. Louis metro area nor Missouri as a whole are exempt from the decline of purchasing power for the working poor over the past ten years as seen in many national studies.

- Excessive energy burden already negatively impacts the health and safety of many elderly citizens and families with small children in the St. Louis area. The energy burden for low-income families continues to exceed 26% for the lowest income while the average household in Missouri pays 6%.
- Home energy is an even more crippling financial burden for very low income Missouri households. Missouri households with incomes below 50% of the Federal Poverty Level pay 55.4% of their annual income simply for their home energy bills. (On the Brink- 2012)
- As we have seen in the past weeks of extreme heat, the elderly are at highest risk and the fear of high utility bill often keeps them from using their air conditioning during extreme heat.
- 2012 cuts in Low-income Home Energy Assistance Program (LIHEAP) funds and the ever present threats of additional cuts in coming years adds to potential risk to the health low income elderly and families with children. LIHEAP funding was cut from \$104 MM in FFY2011 to \$95 MM in FFY2012. There is a proposed reduction to \$68 million in FFY2013.
- The high energy burden forces families to make tough choices that often threaten their health and safety. Families spend less on food and/or medication and often live in substandard housing in order to pay high utility cost.
- Increases in requests for assistance during extreme hot weather mean that both public and private funds are quickly exhausted, leaving families at higher risk during what is normally the hottest month of the summer.

For more than 20 years, utility companies, commissions or legislatures in some states have adopted policies and ratepayer funded programs to promote energy affordability and efficiency for low-income customers. Over the past 10 years some states have begun to design programs that recognize low-income customers as a different class of customer and established low-income rates as a simpler and more effective program approach for those with limited income whose life status is unlikely to change or improve. .

According to a National *Study of Ratepayer-Funded Low-Income Energy Programs*, by David Carroll, Jacqueline Berger and Roger Colton, some states have acted to adopt affordability programs without specific legislative authorization. *“When regulators desire to implement a low-income affordability program, sound and readily sustainable regulatory foundations exist, without explicit legislation action, upon which to base regulatory approval.”*

***Some examples:*** *“Pennsylvania - Pennsylvania’s commission found that it had the authority to order programs to stop the “wasteful” cycle of repeating service disconnections, reconnections, failed payment plans, and a return to the start of the cycle with another disconnection.”*

*“Ohio - The Ohio commission found that it had authority under the state of “emergency” which it found to exist as a result of the tens of thousands of households that were losing their utility service due to the unaffordability of home energy.”*

*“Indiana - Indiana utilities found authority to adopt their low-income programs under a statute providing for “alternative regulatory plans,” which allow the utilities and the state commission to set aside all or parts of traditional regulation when to do so is in the public interest.”*

According to a multi-state evaluation of affordability programs done by Apprise Institute (*Ratepayer-Funded Low-Income Energy Programs: Performance and Possibilities, 2007*), the following factors, taken directly from this report, should be considered, and are important to the design and success of affordability programs:

- **Targeting Benefits to Need** - Programs can improve their impact by providing benefits to customers that are related to the amount of assistance that they need. Indicators of need include arrearages, energy burden, and an unsafe or unhealthy home environment.
- **Facilitating Long-Term Participation** - Many customers continue to need energy assistance over time. Programs can improve affordability by facilitating reapplication or recertification and by allowing customers to continue to participate in the program, even after they have paid off their full arrearage.
- **Forgiveness of Preprogram Arrears** - Arrearage forgiveness is an important component of the program. However, the programs need to improve bill payment compliance. One potential method for improving payment compliance is to provide an arrearage forgiveness component that is tied to bill payment, and to educate customers about this requirement.
- **Integration with LIHEAP** - One of the reasons for the relative success of the NJ USF program was the integration with LIHEAP. Research has shown that there is a large affordability gap, and that the combination of LIHEAP and the ratepayer-funded program benefits may result in improved performance.
- **Equal Monthly Payments** - Customer surveys have shown that customers place great value on equal monthly payments. Comparison of the evaluation results, showing that PGW customers and participants in other programs with equal payments have more continuous and increased cash payments on the programs, provides further evidence that equal payments improve program performance.
- **Efficiency Investments as a Rate Affordability Program Component**-Every state that has adopted a home energy affordability program has incorporated an energy efficiency component into that affordability initiative. Differences appear, however, in the manner in which the efficiency program is integrated into the broader affordability effort, in the means of targeting the efficiency investments to particular households, in the linkage between the rate affordability and efficiency program components, and in the cost recovery for the program components

- Refinement of Program Operations - Process evaluation findings often provided detailed recommendations for improving the programs' operations and reducing administrative costs. This report is focused on program design issues and will not explore the operational issues in detail. However, from an evaluation perspective, the process analysis is important and can provide insight into program refinements that may significantly improve program performance.
- *Comprehensive Evaluation* - Evaluations that were reviewed differed greatly in terms of the amount of program targeting and performance statistics that were available. Use of an evaluation question list can help ensure that all important program issues are addressed in the evaluation.

I would like to conclude by saying there are many hidden societal costs of unaffordable utility bills including increased health care costs, neighborhood decay leading to loss of businesses; low educational attainment for our youth, and the mental stress on elderly who suffer in silence. Studies have shown that benefits of low-income affordability programs can go far beyond the individuals and families and impact entire communities.

**Attachments:**

*On the Brink*- Missouri 2011

Special rates for low-income customers

*Apprise Ratepayer-Funded Low-Income Energy Programs* -Executive Summary