

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of a Working Case to Consider the)	
Establishment of a Low-Income Customer)	File No. EW-2013-0045
Class or Other Means to Help Make Electric, Natural Gas,)	File No. GW-2013-0046
or Water Utility Services Affordable.)	File No. WW-2013-0047

**COMMENTS OF THE MISSOURI ENERGY DEVELOPMENT ASSOCIATION
(MEDA)**

MEDA's member companies are supportive of programs that assist their most vulnerable customers in maintaining utility service and appreciate the Commission's efforts to explore the feasibility of alternative avenues for accomplishing this goal. In fact, various members of MEDA have implemented special assistance programs for low income, elderly and disabled customers over the years, have instituted and maintained private giving programs under which utility customers can contribute to this worthwhile cause, and, like the Commission, have actively supported efforts to obtain increased governmental funding for LIHEAP, the Missouri state UtiliCare Program and other initiatives aimed at helping vulnerable customers. Noting that the energy assistance programs previously implemented by various MEDA members have had mixed results, we remain open to new and better ways to assist low-income customers. It is important, however, that any such initiative take into account the potential burdens on other customers and conform to all applicable legal requirements. The idea of a specific customer class for low-income residential ratepayers priced at below cost of service presents a number of challenges in that regard.

LEGALITY AND ADVISABILITY

A. The Need for Legislation.

The biggest challenge presented by the development of a customer classification defined by low income is Missouri's anti-discrimination law which prohibits charging two different rates for the same service. *See*, §393.130.2 and .3, RSMo., 2000. In essence, Missouri law requires that a difference in rates charged for a similar service must be reasonably related to a difference in the conditions under which the service is provided. In March of 2001, the Commission acknowledged this limitation on its ratemaking authority.¹

The law applicable to electric, gas and water utilities can be contrasted with the law regarding the regulation of telecommunications services. An economy rate telephone service is expressly authorized in §392.200.2, RSMo., (Supp. 2011). Additionally, assistance to low-income and disabled customers is available through the universal service fund "Lifeline Program". *See*, §392.248.2(2), RSMo. 2000. The expressed statutory authorization for these features would not have been necessary but for the legal impediment previously embodied in Chapter 392 of the Public Service Commission Act.

The establishment of a special rate class for low-income electric, gas or water customers can only be implemented in accordance with authorizing legislation. Where electric utilities are concerned, §393.1075 RSMo (Supp 2011), permits companies to fashion energy efficiency programs for the benefit of low-income customers even if the programs are not cost effective.² Similarly, subsection 6 of that legislation authorizes the Commission to "reduce or exempt allocation of demand-side expenditures to low-income classes, as defined in an appropriate rate proceeding, as a subclass of residential service". These features of the law do not appear to apply beyond the narrow context of making energy efficiency programs available to customers.

B. Advisability of a Low-Income Customer Class

¹*Re Missouri Gas Energy*, 2001 Mo. PSC LEXIS 195, 207 P.U.R. 4th 488 (Case No. GE-2001-393).

²*See*, subsection 4.

i. Conceptual Considerations

Where the cost of any such program is concerned, the benefits of the special rate must be carefully balanced against the burden that will be borne by the other ratepayer classes that, by virtue of cost shifting, will bear the preference afforded the special discounted class. Company-specific rate design may have a significant bearing on this question as in the case of district pricing.

Care must be taken that the implementation of any special rate class does not impair the access to state or federal low income assistance funding such as is currently available through LIHEAP.

As already noted, any move to institute a low-income customer class should be based on a showing of need, that is, the extent of the shortfall of the federal, state and private programs that are already in place. This may vary from industry to industry and, possibly, from company to company. Ideally, a showing of need should be based on some objective, data driven analysis that examines service areas, demographics, trends in uncollectibles and other relevant criteria.

ii. Prior Commission Decisions Regarding a Low-Income Customer Class (Non-Telecom)

It does not appear that the Commission has on a generic basis (investigation or rulemaking) considered a lifeline standard pursuant to §114 of the federal Public Utility Regulatory Policy Act of 1978 (PURPA). Similarly, it does not appear that the Commission has ever defined low-income customers as a separate class of residential customers for ratemaking purposes.³ As recently as January of 2001, the Commission observed that “low-income customers have not previously been accorded status as a separate class of consumer when utility

³ The topic was considered by the Commission in its Case No. EO-78-161, but no action regarding the creation of an “internal class” within the residential class of customers was taken. *See*, March 30, 1983, Report and Order, pp. 3, 44.

rates are designed”.⁴

iii. Experience with Low Income Assistance Programs

SYNOPSIS OF MISSOURI’S INVESTOR-OWNED LOW-INCOME PROGRAMS

A. Ameren Missouri

a. Past and Current Programs

- i. *Clean Slate*: Ameren Missouri has been, and continues to be, very supportive and sensitive to the needs of low-income customers. This Ameren Missouri program directed money to Dollar More agencies to assist customers with past due balances to help eliminate arrears.
- ii. *Military Assistance*: \$1,000 credits were given by Ameren Missouri to military families who demonstrated need.
- iii. *Dollar More (DM)*: This is Ameren Missouri's joint customer/employee/Company low-income assistance program. DM provides much-needed funds across the Ameren Missouri service area and is very effective at assisting customers in crisis situations.
 1. *Air conditioners*: Ameren Missouri has provided hundreds of units each summer since 2006 to low-income customers.
 2. *Keeping Current (KC)*: KC is Ameren Missouri's low-income pilot program. This program is designed to address ongoing issues of energy costs for very low-income customers.

- b. All told, Ameren Missouri shareholders have invested, and continue to invest, millions of dollars to assist low-income customers in need.

⁴ January 7, 2001, Report and Order, Case No. EM-2000-369, pp. 26-27.

B. KCP&L and GMO

a. Past and Current Programs “Connections”

- i. *Dollar-Aide*: A monthly customer donation/Company match program administered through the Mid-America Assistance Coalition (MAAC). In addition, the Company is partnering with MAAC to launch a text-to-donate option soon. This technology will allow customers to text their donation directly to MAAC.
- ii. *Economic Relief Program Pilot (ERPP)*: Provides a monthly credit of up to \$50 to individuals who meet the income requirement as well as good faith on their account arrearage and is administered through the Salvation Army. It has been in effect since September 1, 2009 and has been extended to the end of January 2013, pending the outcome of the current rate case.
- iii. *Family Relief Fund (FRF)*: Provides qualifying families up to a \$150 credit on their electric utility bills during August, September and October of 2012 and is administered through the Salvation Army.
- iv. *Reconnection Relief*: Provides residential customers who are disconnected or are in danger of being disconnected with flexible payment arrangements (in addition to the ones normally offered) from August 1 through October 31.

Lastly, Connections Resource Events are scheduled throughout the Company’s service area to answer customer questions, setup payment arrangements and provide referrals to local resources for financial and community assistance programs.

b. Additional Programs

- i. *Weatherization Assistance Program*: Enables low-income families to permanently reduce their energy bills by making their homes more energy efficient. Weatherization reduces dependency and liberates these funds for spending on more pressing family issues. On average, weatherization reduces energy bills by 31% and overall energy bills by \$358 per year at current prices. Typical services include: Installing insulation, caulking windows, and conducting repairs to heating and central cooling systems.
- ii. *Home Energy Analyzer*: Provides a home energy audit to identify where energy is leaking from the customer's home. It is online and free to all customers. It provides a tool for customers to reduce their electric bills by making their homes more energy efficient.

C. The Empire District Electric Company

a. Past Programs

- i. Empire had an Experimental Low-Income Program (ELIP tariff) that began in January of 2003 and ran for several years before it was terminated in June of 2011. Throughout its tenure the program was used by customers less than anticipated. Upon evaluation in a past Empire rate case, the program was determined to not be cost-effective and was terminated. No parties to the rate case objected to the program termination.

b. Current Programs

- i. *Project Help*: An assistance program created to meet emergency energy-

related expenses of the elderly and/or disabled residents in Empire's electric and gas service areas. Project Hope is funded through voluntary donations and is administered by area social agencies.

- ii. *Empire's Action to Support the Elderly* (EASE) assists elderly (60+) and handicapped customers in Empire's electric territory. For customers who qualify, late penalties are waived, due dates may be adjusted, deposits waived, and third party notification is available when an account becomes delinquent.
- iii. *Weatherization Program*: Empire contributes approximately \$226,000 annually to weatherization assistance and energy education, primarily for lower income customers. The program is administered by area social agencies.
- iv. *Low-Income New Home Program*: Empire contributes \$10,500 in annual incentives to promote efficiency in affordable new homes for low income customers. Empire administers the program and non-profit organizations qualify participants.

D. Laclede Gas Company

- a. *Low-Income Program*: Laclede's low income program has two components, a Bill Payment Assistance Program (BPAP) and an Arrearage Repayment Program (ARP):
 - i. *BPAP*: Customers are placed on a level payment plan, and receive a monthly credit in a range of \$10-\$60, based on their income level. They are expected to pay the difference between the level bill and the discount.

- ii. *ARP*: Laclede matches customer arrearage payments dollar-for-dollar in a program designed to eliminate arrearages over a two-year period. Although a substantial number of the enrolled customers fail to meet the requirements of the Low-Income Program over time, the program has proven to be successful in some cases.
- b. Laclede contributes \$950,000 per year to a weatherization program that assists low income residential customers in reducing their energy consumption.
- c. The Dollar-Help program is supported by Laclede and contributions from its customers, and serves as a back-up when LIHEAP and ECIP funds are unavailable or insufficient. Annual DH grants total about \$1 million, and help over 3,000 customers per year.

E. Missouri Gas Energy

- a. MGE conducted an experimental low-income rate program in Joplin from November 2001 until July 2006. Eight cents per residential customer per month was collected and a \$20.00 or \$40.00 credit was offered to customers based upon their level of poverty. The only requirement was that the customer be enrolled in MGE's ABC ("Average Bill Calculation") plan. MGE found this program to be very challenging in terms of customer interest and the ability to gather accurate customer poverty level information. MGE had to use a state agency to identify customers who qualified for the program. Nearly half of the participants that initially entered the program dropped out by January of 2004. MGE closed the program in 2006 due to lack of customer interest. The money that was collected that was not claimed by qualifying customers was contributed to the Mid-America

Assistance Coalition for them to distribute for energy assistance in MGE's service area

- b. *Neighbors Helping Neighbors (NHN)*: NHN is MGE's fuel fund where customers and employees can make monthly or one time donations. The funds are managed by the Mid-America Assistance Coalition and disbursed to local agencies to assist members of the community with utility costs. MGE matches all donations.
- c. *Low Income Weatherization*: MGE provides \$750,000 per year to a weatherization program that assists low income residential customers in reducing their energy consumption.

F. Missouri-American Water Company

- a. MAWC has a current program entitled "H2O Help to Others Program" that provides funds for a one-time contribution to aid customers in financial need. The program was created by MAWC and Missouri's Community Action Agencies to help provide supplemental funding to customers who would otherwise have trouble paying their water bills. It is supported by contributions from MAW and from voluntary contributions from customers.
- b. MAWC has also filed for a low-income rate tariff as part of a recent past rate case and explored a partnership with the Community Action Agencies to administer the program. The rate case settled and a low income tariff was not included in the final resolution.

RATE STRUCTURE

The rate preference should be easy for a customer to understand and for the utility to administer. The simplest approach might be a dollar reduction in the fixed customer charge component of the bill. This is particularly pertinent to some natural gas utilities which have implemented a straight fixed-variable rate design in which the fuel cost is a dollar-for-dollar pass through. A discounted customer charge also makes it easier to quantify the cost impact of the program for ratemaking purposes and for evaluating cost-effectiveness.

EFFECT ON BAD DEBT EXPENSE

Low income assistance programs can be cost-effective, but it cannot be assumed that a low-income rate class will necessarily offset any or all of a utility's cost of service by reducing uncollectibles. Nevertheless, any reduction in utility uncollectibles will ultimately benefit ratepayers through the rate case process.

GUIDELINES/VERIFICATION

The parameters defining any low-income rate class should be determined by looking at the nature and degree of need for such a program. Accordingly, the guidelines may need to be determined on a company-by-company basis rather than on some generally applicable, but arbitrary threshold. A logical starting point for discussion is the qualifying criteria currently in place for other low-income assistance programs. Ideally, the criteria should be as relevant to the targeted service area(s) as possible. Nationally or regionally aggregated data may not be well suited to the task.

Utilities should not be involved in verifying whether a customer qualifies for a special

class rating because this puts them in the place of asking for confidential information regarding income. Rather, a state social services agency should administer the qualification and monitoring functions associated with any special rate class. Utilities can then apply the rate preference to properly certified customers.

CONCLUSION

MEDA appreciates the opportunity to be part of the discussion, and we look forward to working with the Commission and the other stakeholders to continue to examine ways in which to limit the financial burden of utility bills on low-income customers.

Respectfully submitted:

/s/ Trey Davis

Trey Davis

President

326 E. Capitol Avenue

Jefferson City, MO 65101

(573) 634-8678 (telephone)

trey@missourienergy.org