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 Class or Other Means to Help Make Electric Utility Services Affordable.	))))	File No. EW-2013-0045

<u>COMMENTS OF AMEREN MISSOURI</u>

On August 8, 2012, the Commission issued an order opening this docket to investigate the establishment of a low-income customer class or other means to help make electric utility service more affordable to low-income residential customers. The order solicited comments from utilities, organizations, individuals and other stakeholders on several specified issues. Ameren Missouri appreciates the opportunity to weigh in on this important topic. We share the Commission's concern about the relatively greater impact of necessary utility rate increases on the most vulnerable customers, as evidenced in the local public hearings held in our pending rate case. We also share the concerns that arise when low-income customers are faced with the choice of cutting back on food or medicine or paying their bills for essential utility service.

Ameren Missouri has long supported and continues to support a number of initiatives to help low-income customers—from our long-time sponsorship of our Dollar More Program, which provides assistance to low-income customers in crisis situations, to our annual air conditioner give-away for low-income customers, to our Clean Slate Program, which helped customers wipe out arrearages, to our current program to provide bill credits to military families in need. We have also worked with stakeholders and the Commission to implement tariffed low-income programs, such as Keeping Current and our low-income weatherization programs. All told, Ameren's shareholders have contributed over $13 million to these programs since the economic crisis in 2008. Finally, Ameren Missouri and its employees have contributed to many local charities through the United Way and through direct contributions to organizations such as the Salvation Army and Heat Up/Cool Down St. Louis that assist low-income customers in Missouri. But there is an increasing sense that more is needed. We applaud the Commission's effort to look "outside the box" for opportunities to further assist low-income customers, and we look forward to being a constructive participant in this process.

The Commission's order requests that commenters generally address the feasibility and advisability of establishing a low-income customer class based on the federal poverty level. Ameren Missouri believes that, subject to addressing the issues outlined below, it would be feasible to establish a low-income customer class. While there would be some important administrative challenges that need to be addressed, there is no insurmountable operational barrier that would prevent utilities from establishing such a class. Whether it would be advisable to do so is a more difficult question. The benefits to low-income customers from the establishment of such a rate class have to be weighed against the financial burdens imposed on other customers who would be expected to subsidize this class of customers. Determination of the advisability of any particular program would have to be considered by the Commission (and most likely the legislature), as a policy determination once the exact parameters of a proposed program are determined.

The Commission's order also asks stakeholders to address a number of specific issues. Ameren Missouri's position on each issue is addressed separately below:

1. **The practicality of establishing such a class, including the effect on revenues and costs.**

The primary practical problem in establishing a low-income customer class is determining who qualifies for inclusion in the class. Utilities are not set up to track the income level of all of their customers, or to monitor changes in each customer's financial circumstances which may change their eligibility for a low-income rate. If utilities had to develop that capability, it would certainly increase costs to all customers. The best way to overcome this problem is likely to rely on objective standards applied by government agencies, or perhaps charitable organizations, to qualify customers for other forms of assistance. This would provide an objective standard for qualification that would not require the utility to incur these additional costs. Of course, this might create some additional administrative work for the government agency or charity which may require additional funding.

With respect to the effect on revenues and costs, utilities would obviously receive less in revenues from customers in a subsidized low-income class, and that loss of revenues would have to be made up by increases to other customer classes. In addition, there would be some level of incremental costs that would have to be incurred to administer the new rate class, although these administrative costs may be lessened if government agencies or charities are engaged to qualify customers for the low-income rate. Finally, there could be some reduction in bad debt expense for the utilities. However, Ameren Missouri's experience is that it is almost impossible to determine what impact (if any) a particular program will have on bad debt expense until the program is actually implemented. This issue is discussed in more detail below.

2. Proposed guidelines for inclusion in such a class.

Ameren Missouri does not have specific recommendations regarding guidelines for qualification. Our belief is that the qualifications should limit the tariff to low-income customers that are the most vulnerable. That would permit targeted relief to those who are most in need, and it would limit the subsidy required from other customer classes. Also, as stated above, the guidelines should be developed in a way that would allow existing government agencies and/or charities to qualify customers easily. Finally, the guidelines should be developed to make it possible to reasonably estimate how many customers would qualify so that rates can be properly designed to cover all costs. If customer participation cannot accurately be measured, it may be appropriate to implement a regulatory mechanism to ensure that the utility recovers no more and no less than its cost of offering such a program.

Based on our preliminary research, it appears that many existing low-income programs apply to customers earning income below a specified percentage of the federal poverty level. That is a metric that the Commission should consider in developing guidelines for inclusion in a low-income class.

3. Proposed verification procedures for participants.

Again, the tariff should be designed to rely on existing verification procedures of government agencies or charities. We believe that these agencies are better suited and organized to administer this program.

4. The effect on the company's bad debt expense.

The impact of any low-income program on the Company's bad debt expense is very difficult to predict. Ameren Missouri's experience is that some programs provide a short-term reduction to bad debt expense, but over the long term, bad debt expense reverts to its previous level. In general, if a subsidy is significant enough to make bills truly affordable over the long term to low-income customers—i.e. if the subsidy covers a significant percent of the bill—it is more likely to have a favorable impact on bad debt expense. Also, if a subsidy is tied to conservation measures, it is more likely to have a favorable impact on bad debt expense because it will limit increases in usage which could otherwise result. But the magnitude of the impact on bad debt expense can only be determined after a program is implemented and monitored. Decreases in bad debt expense caused by low-income customers could be partially offset by increases in bad debt expenses from the other customers who would be subsidizing the low-income customers' service. The long-run impact on bad debt expense can only be determined after a program has been in effect for several years, and after an evaluation is completed which addresses this issue.

5. Similar low-income rate classes established in other states.

To date, Ameren Missouri has not conducted an exhaustive review of low-income programs in other states. However, we are aware that several states, including Arizona, Michigan, Texas, California, Rhode Island, Washington and Massachusetts have programs targeted to assist low-income customers. In Illinois, where Ameren Missouri's sister company operates, there is a percentage of income payment (PIP) program, which limits the requirement of qualifying low-income customers to pay a maximum of a set percentage of their income. This program was enacted by the Illinois legislature in connection with a statute that allowed utilities to implement a bad debt rider. Under this program, social service agencies determine whether customers are qualified to participate, and set up the customers for participation. Under a program authorized by a separate statute, Illinois utilities also assess a fixed surcharge on every customer's bill and contribute the proceeds to supplement LIHEAP funding. (See attached Illinois statutes).

In reviewing programs from other states, it would be relevant to know (a) whether the program was implemented by statute or Commission decision,[1] and (b) how customers are qualified for participation in the program, (c) whether and to what extent regulatory frameworks were modified to accommodate the new customer class.

6. The legality of establishing a low-income rate class.

Ameren Missouri has significant concerns about whether a low-income rate class could lawfully be established in the absence of enabling legislation. The Missouri statutes contemplate that rates charged for utility service shall not be "unjustly discriminatory" or "unduly preferential." There appear to be substantial arguments that would support the conclusion that this means that customers who are similarly situated (from the standpoint of utility usage) should pay the same

[1] The particular public utility commission statutes in each state would also be relevant to the issue of the commissions' authority, or lack thereof, in this area.

rates. Specifically, Section 393.130.2 and 393.130.3 RSMo (2000) provide:

> 2. No gas corporation, electrical corporation, water corporation or sewer corporation shall directly or indirectly by any special rate, rebate, drawback or other device or method, charge, demand, collect or receive from any person or corporation a greater or less compensation for gas, electricity, water, sewer or for any service rendered or to be rendered or in connection therewith, except as authorized in this chapter, than it charges, demands, collects or receives from any other person or corporation for doing a like and contemporaneous service with respect thereto under the same or substantially similar circumstances or conditions.
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> 3. No gas corporation, electrical corporation, water corporation or sewer corporation shall make or grant any undue or unreasonable preference or advantage to any person, corporation or locality, or to any particular description of service in any respect whatsoever, or subject any particular person, corporation or locality or any particular description of service to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.

Section 393.140.5 RSMo. (2000) also addresses the issue of unjust discrimination, and provides in relevant part:

> Whenever the commission shall be of the opinion, after a hearing had upon its own motion or upon complaint, that the rates or charges or the acts or regulations of any [regulated utility] are unjust, unreasonable, unjustly discriminatory or unduly preferential or in any wise in violation of any provision of the law, the commission shall determine and prescribe the just and reasonable rates and charges thereafter to be in force for the service to be furnished, notwithstanding that a higher rate or charge has heretofore been authorized by statute, and the just and reasonable acts and regulations to be done and observed…

Similarly, subsection 11 of the

same statute provides in relevant part:

> No corporation shall charge, demand, collect or receive a greater or less or different compensation for any service rendered or to be rendered than the rates and charges applicable to such services as specified in its schedule file and in effect at the time; nor shall any corporation refund or remit in any manner or by any device any portion of the rates or charges so specified, nor to extend to any person or corporation any form of contract or agreement, or any rule or regulation, or any privilege or facility, except such as are regularly and uniformly extended to all persons and corporations under like circumstances…

The Missouri Energy Efficiency Investment Act (MEEIA) provides a specific exception to this general rule, in that it allows low-income customers to be excluded from paying certain energy efficiency costs. (Section 393.1075.5 RSMo.) However, the existence of the MEEIA statute's specific language allowing more favorable treatment for low-income customers suggests that the general rule is that special rates for low-income customers have not been authorized by the legislature.

To the extent that the Commission and the stakeholders determine that institution of a low-income rate class is in the public interest, Ameren Missouri recommends that enabling legislation be sought to avoid the potential for legal battles in the future.

7. The appropriate rate or rate-formula for a low-income rate class.

Ameren Missouri believes that two considerations should be taken into account in developing a rate or rate formula for any low-income rate class. One is the benefit of simplicity. A single monthly credit to the bill of each qualifying customer (e.g. $35 per month for each qualifying customer) would be the simplest method to implement, and it would make it easier to predict how much the subsidy would be in future periods. More complicated methods would add complexity and cost to billing and they would make future revenue streams for the utility more difficult to predict.

A second consideration is the benefit of rate structures that encourage positive behavior for customers who are offered subsidized rates. For example, under Ameren Missouri's Keeping Current program, customers are required to take steps to keep their accounts current in order to qualify for the subsidy. There could be similar requirements for subsidized customers to take advantage of weatherization or energy efficiency measures, or engage in other positive behavior as a condition of receiving the rate subsidy. The benefits of these measures have to be weighed against the increased cost of administering more complicated programs, and the additional burdens such conditions would impose on qualifying customers

Ameren Missouri appreciates being included in this discussion, and looks forward to working with the Commission and the other stakeholders to investigate ways to limit the financial burden of utility bills on low-income customers.

Respectfully submitted:

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, transmitted by e-mail or mailed, First Class, postage prepaid, this 7th day of September, 2012, to the Commission Staff and the Office of the Public Counsel.

/s/ Thomas M. Byrne