**REPLY COMMENTS OF AARP REGARDING THE FINANCIAL BURDEN OF RISING UTILITY COSTS ON LOW-INCOME CONSUMERS**

September 24, 2012

AARP submits the following Reply Comments in the “Investigation into the Establishment of a Low Income Customer Class or Other Means to Help Make Utility Service Affordable”.

During the round of Initial Comments several commenters called into question whether a separate low-income rate class would violate Missouri’s anti-discrimination statute, Section 393.130 RSMo. However, it remains an unsettled question in Missouri whether a separate rate class based upon household income, energy burden, and/or differing usage patterns would be considered a “like and contemporaneous service” to other residential service, or whether those customers are in such a “substantially similar circumstance” to other customers that a separate rate would constitute an “undue prejudice”. AARP is not convinced that a low-income rate would violate that statute.

Nonetheless, there are a number of options that the Missouri Public Service Commission could choose to pursue in an effort to address low-income consumer needs, apart from a separate low-income rate. First and most essential, is ensuring that rates are just and reasonable, and utilities earn no more than a fair rate of return on equity. The allowed return on equity approved in general rate cases has a significant impact on the affordability of utility service. Ensuring that rate increases are no higher than absolutely required by law helps low-income customers address the affordability of their utility bills. AARP also believes that holding the line on increases to the non-usage based portion of utility bills (including customer charges) provides much needed relief to low-usage customers, many of whom are low-income or fixed income seniors.

In addition, AARP’s Initial Comments recommend several approaches that would assist low-income customers better afford their service, apart from the establishment of a low-income rate, including Tiered Rates and targeted Arrearage Management programs.