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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

ANNE E. ROSS

**AQUILA, INC. D/B/A AQUILA NETWORKS MPS
AND AQUILA NETWORKS L&P**

CASE NO. GR-2004-0072

**Jefferson City, Missouri
January 2004**

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

In the Matter of Aquila, Inc. d/b/a Aquila)
Networks - MPS and Aquila Networks -)
L&P Natural Gas General Rate Increase)

Case No. GR-2004-0072

AFFIDAVIT OF ANNE E. ROSS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Anne E. Ross, of lawful age, on her oath states: that she has participated in the preparation of the foregoing testimony in question and answer form, consisting of 19 pages of testimony to be presented in the above case, that the answers in the foregoing testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

Anne E. Ross

Anne E. Ross

Subscribed and sworn to before me this *12th* day of January, 2004.

Toni M. Charlton

Notary Public



TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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1 **DIRECT TESTIMONY**

2 **OF**

3 **ANNE E. ROSS**

4 **AQUILA, INC.**

5 **D/B/A AQUILA NETWORKS MPS**

6 **AND AQUILA NETWORKS L&P**

7 **CASE NO. GR-2004-0072**

8 Q. Please state your name and business address.

9 A. Anne E. Ross, P.O. Box 360, Jefferson City, Missouri 65102.

10 Q. Are you the same Anne E. Ross who previously filed Direct Testimony in this
11 case?

12 A. Yes.

13 Q. What is the purpose of this Direct Testimony?

14 A. The purpose of my Direct Testimony is describe an experimental program
15 designed to help low-income customers struggling with payment of natural gas bills in
16 Sedalia, Missouri which is the largest community in Aquila's Southern System gas service
17 territory. This pilot program contains components designed to address three areas which
18 affect the level of a customer's bill. These areas are:

19 Energy Efficiency through Weatherization
20 Arrearage Management and
21 Affordable Prices.

1 **WHY PROGRAMS FOR LOWER-INCOME CUSTOMERS ARE NEEDED**

2 Q. Why does the Commission need to set up a special program for lower-income
3 natural gas customers?

4 A. Lower-income customers are increasingly finding themselves unable to pay
5 their full gas bills. There have been major changes in the natural gas market in the past 10
6 years, and the price of the commodity has risen dramatically. Schedule 1 attached to this
7 Direct Testimony shows the level of the Purchased Gas Adjustment of Aquila – MPS –
8 Southern system from November 1993 – November 2003. As one can see from the graph, the
9 purchased gas price was approximately 35¢/Ccf in 1993 and was approximately 80¢ last May.
10 That's a 133% increase. To put this in perspective, in the same time period, the minimum
11 wage has increased from \$4.25 to \$5.15, a 21% increase.

12 Q. Do you have any real evidence that Aquila's gas customers are having
13 increasing problems paying their bill?

14 A. Yes. In the Aquila – MPS districts, the balance in the Uncollectible account
15 has gone up 1,164% in the past 10 years.

16 Q. Do you believe this increase in uncollectibles can somewhat be attributed to
17 low-income customers?

18 A. Yes. The inability of these customers to pay their full bill is more than a
19 personal or social problem – it is a revenue problem for the utility, and ultimately a cost borne
20 by other customers. Arrearages, written-off bad debt, customer service and collection
21 expenses, the costs of disconnecting service - all are costs driven by customers' inability to
22 pay, and are factored into the rates paid by all customers.

1 Q. Have you seen any evidence that taking action to make customers' bills
2 affordable lowers the level of the Company's expenses in a cost effective way?

3 A. Yes. It should be noted that Missouri is just beginning to address this problem
4 compared to other states. In the next several years, the Commission Staff should have a
5 considerable amount of information to better evaluate future programs.

6 For example, a 1997 Order of the Pennsylvania Public Utility Commission stated that,
7 "Given the result of impact evaluations already reviewed, we expect that EDCs [Electric
8 Distribution Companies] will choose to enhance their CAPs [Consumer Assistance Programs]
9 as a cost effective strategy for serving low-income customers." (Final Order Re: Guidelines
10 for Universal Service and Energy Conservation Programs, Made Pursuant to 66 Pa. C.S,
11 Sections 2803, 2802 (17), 2804(8) and 2804(9), Docket No. M-00960890F00100, issued
12 July 7, 1997)

13 According to an article in the Northwest Energy Coalition Report, Public Utility
14 Commissions in Pennsylvania, New York, and Wisconsin, "...recognized that utility
15 investments in bill assistance benefit both shareholders and other ratepayers by reducing
16 utilities' costs." (Volume 17, Northwest Energy Coalition Report, No. 10 @ p.3)

17 In their evaluation of the Oregon Energy Assistance Program (OEAP), a program
18 providing regular, and/or crisis, bill-paying assistance to low-income households, Quantec LC
19 concluded that from the company and ratepayer perspective, three year benefit/cost (b/c)
20 ratios ranged from 0.96 b/c in year one to 1.61 b/c in year three, with societal/Oregon b/c
21 ratios of 1.03 b/c to 1.71 b/c. (Table V.2). Benefits were measured by looking at, among
22 other things, the reduction in arrears, terminations, collection activities, and shutoffs.

1 Q. Won't lowering the amount that customers must pay for their energy then
2 lower the amount the utility collects?

3 A. No; in fact, it may very well increase the amount collected. An evaluation of
4 the Guarantee of Service Plan, a Percentage of Income Payment Plan (PIPP), initiated by
5 Clark County, WA, Clark Public Utilities, and NW Natural Gas, found that before the
6 Guarantee of Service Plan (GOSP) program began, low-income customers paid about
7 \$29/month to the utility; after participation in the program, average monthly payments
8 increased to \$52/month. (NW ECR; 17/10, p. 1) The study estimated that, by the third year,
9 the utility had saved about \$300,000 as a direct result of a 36% decline in the amount written
10 off due to non-payment (NW ECR; 17/10, p. 1) and concluded that "...most impressive was
11 the fact that low-income customers themselves paid more once they felt their utility bills were
12 under control." (Volume 17, Northwest Energy Coalition Report, No. 10 @ pp.3-4)

13 In "Low Income Consumer Utility Issues: A National Perspective," a 2000 report by
14 Jerrold Oppenheimer and Theo MacGregor, the authors comment that "Thus, if the bills are
15 made more affordable, experience demonstrates that low-income customers in general will
16 pay more of their bill. As arrearages grow, low-income customers are apt to become fearful
17 of ever getting out from under their debt...In fact, that customer is likely to become
18 discouraged and to stop making any payments at all."

19 **WHO ARE THESE CUSTOMERS?**

20 Q. Are there different types of low-income customer (LIC's)?

21 A. Yes. The Staff believes there are three general types of LIC's.

22 Q. Please describe the different types of LIC's.

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1 A. The first type of LICs are households with extremely low or no income. These
2 are people who will probably never be able to pay their gas bills, or even a portion of them, no
3 matter what the price. They are unable to obtain sufficient income and use it to pay their
4 utility bills. Perhaps they are elderly, with little retirement income, or disabled, or mentally or
5 physically ill, or maybe they just can't hold a job. In addition, there are households who just
6 refuse or can't pay their heating bill regardless of the amount of the bill. Regardless of this,
7 these households need heat in the winter.

8 The second group has a source of income, but it is not sufficient to pay a significant
9 portion of their energy bills, especially in the winter. These households were unable to pay
10 their full gas bills before the increase in natural gas prices, and are even further behind
11 currently. These households must rely on energy assistance from Community Action
12 Agencies to attempt to stay current with their energy bills. Only through the assistance from
13 these agencies can this customer group continue to receive utility service.

14 The third group is composed of customers who have a steady source of income but
15 earn barely enough to meet their families' basic needs; for example, senior citizens on a fixed
16 income, and the 'working poor' or 'new poor', as I have heard them characterized. An
17 increase in the price of a necessity, like natural gas, can create a situation where these
18 customers can no longer pay their utility bills without foregoing other, equally important
19 needs, like food or medical care. Unlike the households in group two above, these LICs
20 usually do not qualify for energy assistance because of their annual income. However, these
21 customers continue to struggle to stay current with their energy bills.

22 Q. Please describe your definition of "low-income customers" for this program.

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1 A. For purposes of this program, the term “low-income customer” or household
2 refers to households with income from 50% - 125% of the Federal Poverty Level (FPL).
3 Schedule 2 attached to this Direct Testimony shows the program’s income range for various
4 household sizes.

5 Q. For purposes of the Staff’s program, what study area has the Staff chosen?

6 A. The area which includes Sedalia, Missouri.

7 Q. What do you know about this group of low-income customers that reside in
8 Sedalia, Missouri?

9 A. Utilities do not normally collect income or other detailed demographic
10 information on their customers, and, in fact, increased information gathering on the
11 participants is a necessary component of the evaluation of Staff’s program.

12 Using 2000 U.S. Census data, I can describe characteristics of the population of
13 Sedalia, Missouri. Since over 80% of the households in Sedalia heat with natural gas, I
14 believe that this information is going to be representative of the Aquila natural gas customers
15 in Sedalia. One caveat is that Census data measures poverty at 100% of the FPL, so any
16 statistics from that source will be statistics of households from 1 – 100% of the FPL, unless
17 otherwise noted. The upper income level of Staff’s program is 125% FPL.

18 Q. What are some of the general characteristics of Sedalia residents?

19 A. The 1999 median annual household income in Sedalia was \$28,641,
20 substantially lower than the state median income of \$37,934. The unemployment rate in
21 Sedalia (Pettis County) was estimated at 5.1% in December 2002. This is slightly above the
22 state unemployment rate of 4.8% (Missouri WORKS! Labor Market Information). The
23 higher unemployment rate in Pettis County was reflected in the count of households receiving

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1 wage or salary income of some kind - 77% statewide, but only 72% in Sedalia. The rankings
2 were reversed for households receiving Social Security income, with 33% of households in
3 Sedalia receiving this form of income, as compared to only 28% of households statewide.

4 Looking at the poverty statistics for Sedalia is even more definitive. About 22% of the
5 population in Sedalia has income at or below 125% of the FPL. Almost 30% of children five
6 and under live in a household with income less than 100% FPL, as do 17% of those 65 years
7 and older.

8 Q. What are some of the factors that exacerbate the inability of these households
9 to pay their utility bill?

10 A. Low-income households spend a much larger percentage of their income on
11 energy compared to moderate - or higher-income households. In other words, they have a
12 much larger energy burden. While a low-income family can scale down some expenditures
13 (i.e., buy an older car, shop at thrift shops), they can only cut back so far on the amount of
14 natural gas required to keep their family warm in the winter, which gives them little control
15 over their bill. Compounding the problem, the homes of many of these customers are older
16 structures with inadequate insulation, inefficient furnaces, and other problems which make the
17 gas usage of the household unnecessarily high. Higher efficiency appliances, or measures
18 such as insulation, will save money over the life of the improvement, but the initial
19 investment is currently not within their income levels.

20 Q. Gas bills fluctuate during any year. Does this pose an additional problem for
21 LIC's?

22 A. Yes, bills which fluctuate to the degree that gas bills do generally affect many
23 households regardless of income level. These types of fluctuations severely affect the LIC's.

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1 Many of these customers have fixed incomes, and cannot deal with the large fluctuations in
2 gas bills. Many lower wageworkers live paycheck to paycheck. They are in a financial
3 position where they have little or no savings, and most likely have few sources of
4 supplemental income, such as loans from family members. Many times, these customers are
5 able to stay current on their gas bills during the summer but cannot pay their entire gas bill
6 during the winter. This creates frustration and a feeling of hopelessness. To complicate
7 matters even more, during the summer when the customer could begin to pay down their gas
8 arrearages, many customers are facing the challenge to stay current on their electric bills.

9 Q. Wouldn't budget billing solve this problem?

10 A. Even a levelized billing plan doesn't solve the problem. While it keeps the
11 household's bill down in the winter months, they will owe more than usual in the summer
12 months, when they are trying to cool their houses and pay their higher electric bills. This
13 problem can be remedied somewhat if a customer who receives both gas and electric service
14 from the same utility (as do the Sedalia customers) would agree to budget billing for both gas
15 and electric.

16 Q. What is one possible customer response to this type of chronic income
17 shortfall?

18 A. The customer pays the bills. They may go without other necessities, such as
19 medical care, food, or clothing but, if at all possible, they pay the bill.

20 Q. What do you believe finally happens with those customers who find that they
21 cannot stay current with paying their bills and start accumulating large bill arrearages?

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1 A. Many LICs with large arrearages will continue to make some payment, far
2 below their current bill, but yet some amount of money in an effort to continue to receive gas
3 service and discharge their obligation.

4 Q. What about the rest of those payment-troubled households?

5 A. I believe that many eventually give up. The situation begins to appear
6 hopeless so the customer pays other, more manageable bills.

7 Q. How can a household receive gas heating service if they do not have the
8 income to pay for it?

9 A. There are a variety of ways – by using emergency energy assistance, by
10 changing the name on the account, by moving, by discontinuing gas service in the warm
11 months, and many others that I'm not even aware of.

12 **HISTORY OF LOW- INCOME ASSISTANCE ACTIVITIES AT THE PSC**

13 Q. What has been the Public Service Commission's response to this problem?

14 A. The Cold Weather Rule was implemented by the Commission in 1977, with an
15 Emergency Cold Weather Rule enacted during the winter of 2000-2001. Furthermore, the
16 Commission has been actively involved in several task forces and committees, such as the
17 Missouri Energy Task Force, the Natural Gas Commodity Price Task Force, and the
18 Committee to Keep Missourians Warm, as well as other activities, such as the recently held
19 Town Hall Meetings in many areas around the state. The Staff believes that as a result of the
20 Cold Weather Rules, this Commission has recognized the need for space heating for LICs
21 during the winter period. However, this program does not provide the protection for the
22 customer once the winter season has passed and the spring season arrives. At this time, many
23 LIC's have large arrearages and face the immediate threat of losing their gas service. The

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1 purpose of this testimony is not to suggest any changes to the current Cold Weather Rule
2 Program, but only to point out that if the pilot program as proposed by the Staff is accepted,
3 that many LIC's who must deal each year with the possibility of gas service disconnection
4 may actually become full time current paying customers.

5 Q. What has been the response of the natural gas utilities to this growing
6 problem?

7 A. Missouri Gas Energy (MGE) implemented an Experimental Low-Income Rate
8 program as part of the settlement of Case No. GR-2001-292. This program assists MGE
9 households at 100% of the Federal Poverty level and below by applying a monthly credit to
10 their bill. Empire District Electric Company has also implemented a program identical to the
11 one described above. These programs have not yet been evaluated and conclusions presented
12 to the Commission by the Staff and Companies.

13 AmerenUE has the ongoing Dollar More program, and, as a result of the settlement of
14 Case No. EC-2002-1, AmerenUE, as part of the agreement, committed to make an initial
15 \$5 million contribution to its Dollar More Program on September 1, 2002, and continues to
16 contribute \$1 million more each year for the next four years. AmerenUE also created a
17 weatherization fund for its low-income customers, and initially funded it with \$2 million on
18 September 1, 2002, and continues to contribute an additional \$500,000 each year for the next
19 four years. As a result of AmerenUE's initial \$5 million contribution to Dollar More,
20 AmerenUE initiated a program called "Clean Slate," which provided 100% arrearage
21 forgiveness to certain ratepayers. The results of the Clean Slate Program have not been fully
22 compiled and evaluated.

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1 Q. What are the bill assistance programs currently available to Aquila's
2 low-income natural gas heating customers?

3 A. There are two main programs: Energy Assistance (EA), and the Emergency
4 Crisis Intervention Program (ECIP).

5 Q. Please describe the EA program.

6 A. The EA program uses Federal Home Energy Assistance Program (LIHEAP)
7 grants to provide one-time (per heating season) assistance to households who:

- 8 • Are at or below 125% of the current Federal Poverty level (FPL).
- 9 • Are responsible for the fuel bills.

10 This assistance can be applied to their primary heat source, and is a set dollar amount
11 based on the type of fuel, region, household size, and income.

12 Q. Please describe the Emergency Crisis Intervention Program (ECIP)?

13 A. The ECIP program uses LIHEAP funds to provide emergency assistance to
14 households that:

- 15 • Are at or below 125% of the FPL.
- 16 • Have received a shut-off notice from the utility. This requirement is
17 relaxed if you are age 65 or older.

18 This assistance is the lesser of the amount required to maintain or reconnect service, or
19 \$600, per heating season.

20 Q. Are these programs effective in getting a LIC to the point where they can pay
21 their bill in full, and on time?

22 A. The information for that evaluation is currently not available. In order to
23 assess the effectiveness of these programs, Staff needs to evaluate the effect on customer

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1 behavior and what happens with utility expenses such as bad debt and collection expenses.
2 The Staff must analyze these factors prior to the household receiving aid, and after aid has
3 been received. Without this tracking, no one really has an idea of how well bill payment
4 assistance programs work, how they could be improved, and who benefits most from them.
5 This type of information is being collected on customers who received aid through last
6 spring's AmerenUE Clean Slate program. The MGE and Empire programs have not yet been
7 evaluated, although information is being collected so that this can be done.

8 Q. Do you have any final comments on the bill-paying assistance offered in the
9 current Federal and utility programs?

10 A. Yes, by paying a customer's bill, you are certainly helping them in the short
11 term, but not really changing any of the factors that lead to unmanageable energy costs. If the
12 customer is having a temporary financial crisis, this type of intervention might be appropriate.
13 If, however, the household suffers from a lack of income sufficient to pay all of its bills, a
14 longer term solution is needed.

15 Q. Currently, are there any long-term solutions being performed to aid LICs?

16 A. Yes, there is. AmerenUE, Laclede Gas Company and Aquila, Inc. sponsor
17 Weatherization programs, from funds included in ratepayers rates.

18 **STAFF'S PROPOSED WEATHERIZATION/ PROGRAM**

19 Q. What does Staff wish to accomplish with this program?

20 A. The goals of this program are:

- 21 • To provide an opportunity for the lower-income working and retired
22 citizens of Missouri to pay their bill on time, and in full.
- 23 • To improve the quality of life for our lower-income citizens.

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- 1 • To decrease the usage of low-income households by requiring
2 weatherization.
- 3 • To analyze the effect of an affordable rate on the payment habits of
4 low-income customers at various income levels.
- 5 • To provide data that will make it possible to analyze the effect of this type
6 of program on utility costs related to arrearage and uncollectible balances
7 of the utility, as well as on expenses for activities such as collection, non-
8 payment disconnects, and customer contacts.

9 Q. What are the main components of the program?

10 A. There are three main components of the program. They are:

- 11 1) Weatherization. Before a household can qualify for the program, it
12 must be weatherized, if deemed necessary under the DOE standards;
13 through an energy audit;
- 14 2) Arrearage management. The household will enter into an agreement
15 with the Company to pay off any existing arrearages at a payment to be
16 set at no more than \$20/month, with the payment contributed by the
17 customer being matched by the Company after six months of customers
18 continuously paying their bill.
- 19 3) An affordable rate. Households in the program will receive a
20 discounted margin (non-gas) rate and a 25¢ per Ccf credit on their bill
21 to be applied to their PGA costs for the winter (November 1-March 31)
22 usage.

23 Q. Why is weatherization the first of your main components?

1 A. As I discussed in my Direct Testimony filed on January 6, 2004, the
2 installation of permanent, cost-effective efficiency weatherization measures is an excellent
3 long-term action to address the problem of unaffordable natural gas bills, and should be a part
4 of any program designed to assist low-income customers in paying their utility bills.

5 **PROGRAM PARAMETERS**

6 Q. What are the parameters of the program?

7 A. The parameters are as follows:

- 8 • If the customers' home cannot be weatherized due to the condition of the
9 residence, the customer will not qualify for the experimental program, but
10 will be referred to other programs for which they may be eligible.
- 11 • A household that is weatherized using this program's funds is eligible, as is
12 any customer whose household income is less than 150% FPL and who is
13 weatherized using funds from another source, as long as the weatherization
14 is consistent with the Weatherization Assistance Program (WAP)
15 guidelines.
- 16 • Households accepted for the project receive a discounted, per unit rate for
17 natural gas service in the winter months of November-March.
- 18 • Household should be given budget counseling and be strongly encouraged
19 to sign up for budget billing on their Aquila gas and electric accounts.
- 20 • The customer's bill, including arrearage repayment, must be kept current.
21 Customers will be allowed three late payment occurrences in the first year
22 of implementation of the program. The permissible late payment
23 occurrence will decrease by one for each succeeding year until year four

1 when late payments will be treated as prescribed in the Company's policies
2 and procedures.

- 3 • Customers on the program will be asked to annually provide information to
4 the Commission, which may be obtained by questionnaire or by interview.
- 5 • Arrearage Management: For every consecutive six months on the program
6 without a late payment, the Company agrees to reduce the customer's
7 arrearage balance by the same amount the customer paid on that arrearage
8 during the six-month period. In other words, the Company will match the
9 amount of arrearage payment up to the amount the customer paid in a
10 six-month period.
- 11 • Customers on the program will be eligible for other energy assistance
12 funds, with the exception of ECIP.

13 Q. Why does the Staff want to include Aquila customers who have been
14 weatherized by other programs?

15 A. By offering this rate to those LICs, the Company, Staff, OPC and DNR will
16 have an even larger customer base upon which to measure many of the theories contained in
17 this program. For instance, by including these customers in this program and tracking their
18 results the parties will be able to better determine if 50% - 125% FPL is an appropriate
19 criteria for program eligibility, or if the FPL limit should be readjusted higher or lower.

20 Q. When would a customer exit the program?

21 A. The Staff would recommend that a current paying customer would continue on
22 this program until that household reaches at least 150% FPL, and stays at that level for one
23 year. This requirement would require Missouri Valley Community Action Agency

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1 (MVCAA) to verify the FPL of each participant annually. The Staff does not believe this to
2 be a great administrative hardship to MVCAA.

3 **PARTICIPATION IN THE PROGRAM**

4 Q. What are the criteria for your program?

5 A. This experimental program is aimed at Aquila Networks - MPS gas customers
6 in the Sedalia area whose household income is 50% - 125% of the FPL, and who agree to be
7 weatherized using program funds or other weatherization funds. In addition, the program will
8 be open to any Aquila customers in the 0 – 150% FPL range, if they have been weatherized in
9 the past ten years, subject to the WAP guidelines.

10 Q. How did the Staff select this income range?

11 A. The Staff would like to analyze the effect of this type of program on groups of
12 customers of various income levels, but in order to collect much information, the Staff need as
13 many participants as possible. Aquila Networks, Inc. is not one of the large LDC's in the
14 state, such as Laclede Gas Company or Missouri Gas Energy; thus, Staff's program is
15 constrained by the smaller amount of funds available for the weatherization component. At
16 \$2,500 per house, \$50,000 only weatherizes about 20 houses per year. By setting the income
17 eligibility criteria at a level similar to the one used by the WAP, not only will customers
18 weatherized with Aquila funds be eligible for the reduced rate and arrearage management
19 component, but households weatherized by the WAP will be, as well.

20 Q. Do you think that there will be enough eligible customers to take advantage of
21 the program?

1 A. Yes. With so many of the Sedalia households being heated with natural gas,
2 and given the relatively small scale of this proposal, Staff believes that there will be sufficient
3 participants.

4 **IMPLEMENTATION**

5 Q. How much do you believe is appropriate to fund this program?

6 A. As discussed in my Direct Testimony filed on January 6, 2004, Staff
7 recommends that the weatherization part of the program be funded with \$50,000.

8 Q. Are there any other costs associated with the program?

9 A. Yes. The revenue loss associated with the rate discounts is a program cost.
10 Staff proposes that this cost be recovered from other customers in their margin rates.

11 Q. Who will administer this program?

12 A. MVCAA currently administers the Missouri Weather Assistance Program,
13 funded by DOE, as well as the federal LIHEAP and ECIP programs, so they have valuable
14 experience with this type of program. By implementing this pilot program in addition to the
15 existing program, administrative costs will be kept at a minimum, as will necessary start-up
16 time and activities.

17 MVCAA will be responsible for taking applications, verifying household income, and
18 providing the energy audit and weatherization to the participants. In addition, MVCAA has
19 an office in every town of any size in the region, which will aid in outreach efforts.

20 Q. Will this pilot program require additional work for Aquila?

21 A. Yes, Aquila, as the Company sponsoring the program, will have an important
22 role in tracking the actual results of this program. The tracking will involve customer data
23 and will require Aquila to compile this data. Aquila, Staff and the Office of the Public

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1 Counsel (OPC) will monitor the program and begin analyzing the results after the program
2 has been operating for one year. However, this additional work should not create a significant
3 increase in administration costs to Aquila since the number of program participants is not a
4 large number of customers.

5 Q. When does the Staff believe this program can be implemented?

6 A. The administrative details of the rate component of the plan will take a some
7 time, but I believe if Staff, OPC, Aquila Networks - MPS and the Missouri Valley
8 Community Action Agency work together in a timely fashion, the rates could be in effect
9 going into the 2004-2005 heating season, with energy audits and weatherization beginning
10 this summer.

11 **SUMMARY**

12 Q. Please summarize the Staff's position.

13 A. The Staff is proposing a low-income customer program with the hope that
14 certain groups of low-income natural gas customers can become customers that are able to
15 pay their bill in full every month. This program provides the customers an incentive for
16 prompt payment. Arrearage forgiveness tied to successful payment, and the provision that the
17 customers stay current on their bill to stay on the program gives the customer a strong
18 incentive. Staff recognizes that this change in behavior and ability to pay will not happen
19 overnight. Many of these customers have not been able to pay regularly in quite some time,
20 and it will require some effort to get to that point. The program has addressed this behavioral
21 change.

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1 The weatherization component of the program will result in lower usage and a more
2 affordable bill, leading to both an increased ability to pay and an improvement in their quality
3 of life.

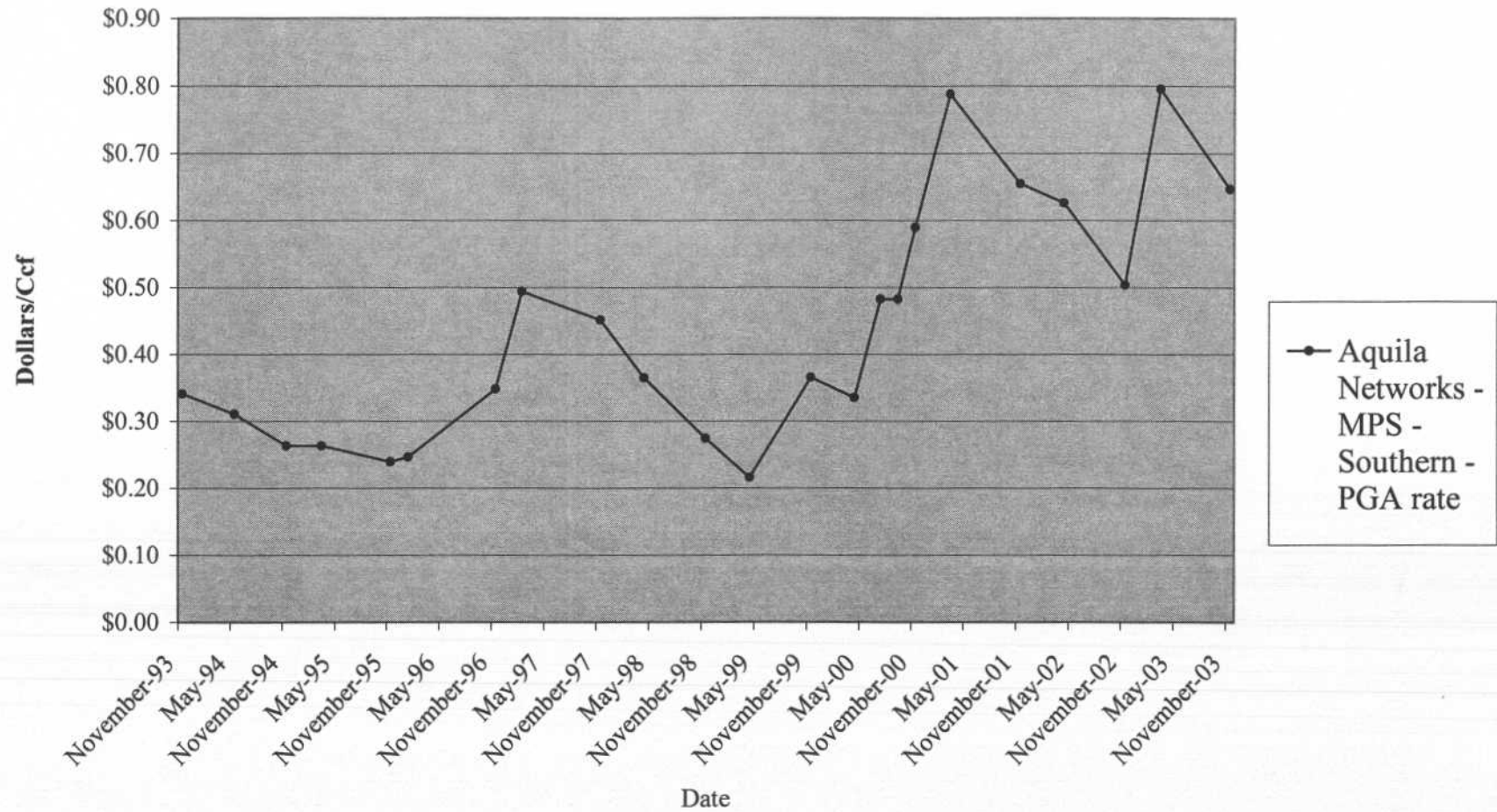
4 Q. Does this conclude your Direct Testimony?

5 A. Yes.

Aquila, Inc. D/B/A Aquila Networks MPS and Aquila Networks L&P

Case No. GR-2004-0072

Aquila MPS - Southern System - Historical PGA rate



Aquila, Inc. D/B/A Aquila Networks MPS and Aquila Networks L&P
Case No. GR-2004-0072
2003 Federal Poverty Guidelines

| Size of Family Unit | <u>50%</u> <u>of FPL</u> | <u>100%</u> <u>of FPL</u> | <u>125%</u> <u>of FPL</u> |
|------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1 | \$4,490 | \$8,980 | \$11,225 |
| 2 | \$6,060 | \$12,120 | \$15,150 |
| 3 | \$7,630 | \$15,260 | \$19,075 |
| 4 | \$9,200 | \$18,400 | \$23,000 |
| 5 | \$10,770 | \$21,540 | \$26,925 |
| 6 | \$12,340 | \$24,680 | \$30,850 |
| 7 | \$13,910 | \$27,820 | \$34,775 |

Source: *Federal Register*, Vol. 68, No. 26, February 7, 2003, pp. 6456-6458