

Exhibit No.:
Issues: Low-income Program
Witness: Henry E. Warren
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2010-0130
Date Testimony Prepared: April 16, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

HENRY E. WARREN

THE EMPIRE DISTRICT GAS COMPANY

CASE NO. ER-2010-0130

**Jefferson City, Missouri
April 2010**

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

In the Matter of the Empire District)
Electric Company for Authority to File)
Tariffs Increasing Rates for Electric)
Service Provided to Customers in the)
Missouri Service Area of the Company)

Case No. ER-2010-0130

AFFIDAVIT OF HENRY E. WARREN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Henry E. Warren, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 5 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Henry E. Warren

Subscribed and sworn to before me this 16th day of April, 2010.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086



Notary Public

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Q. Please state your name and business address.

A. Henry E. Warren, P.O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same Henry Warren who filed direct testimony on behalf of Staff on February 19, 2010?

A. Yes.

Q. What is the purpose of this rebuttal testimony?

A. The purpose of this rebuttal testimony is to present Staff's responses to the supplemental direct testimony of the witnesses filed on April 9, 2010, on the issues surrounding low-income residential customers and electricity service.

Q. What is Staff's response to The Empire District Electric Company's (Empire's) witness Ms. Sherrill L. McCormack's Supplemental Direct testimony regarding *Empire's Existing Programs* (p. 2) and *Empire's Proposal* (p. 3)?

A. Staff concurs with Ms. McCormack that Empire currently has programs for low-income customers as she describes in her testimony; Empire's low-income monthly bill credit program is the *Experimental Low Income Program* (ELIP) established by Commission Order in Case No. ER-2008-0093, and Empire's other low-income programs are *Project Help* and *Empire's Action to Support the Elderly* (EASE). The expenses for the ELIP are now

Rebuttal Testimony of
Henry E. Warren

1 funded through shareholder contributions, while Project Help is supported by donations, and
2 any expenses of EASE are absorbed by the Company.

3 Q. Did Ms. McCormack propose any modifications to the ELIP?

4 A. Yes, based on the evaluation of the ELIP by TecMarket Works¹, Ms.
5 McCormack had six recommended changes in the operation of the ELIP on page 4 of her
6 testimony. She also proposes that a regulatory asset account be established for future funding
7 for the ELIP (pp. 4 and 5).

8 Q. Does Staff concur with these proposed modifications?

9 A. Yes, these modifications may improve the effectiveness and operation of the
10 ELIP.

11 Q. Does Staff agree with Ms. McCormack's proposal for funding this program in
12 the future?

13 A. No it does not. In the last rate case, the parties agreed that if the program
14 succeeded to the point that it used all of the excess funding from the shareholders, then the
15 costs would be included in the Demand-Side regulatory asset account. If the program
16 continues past the Iatan 2 case, the funding for the program should be determined in that rate
17 case.

18 Q. Does Staff concur with Ms. McCormack's response to the five points set forth
19 in the Commission's order of March 31, 2010?

20 A. Staff concurs that the development of a "very low-income rate" in this case is
21 not feasible due to time constraints and the need for further study. There are also limitations
22 on the ability of private companies to income-qualify potential participants. Previously,

¹ Johna Roth and Nick Hall, *An Evaluation of the Experimental Low Income Program*, prepared for Empire District Electric Co., by TecMarket Works, Oregon, Wisconsin, March 2010.

Rebuttal Testimony of
Henry E. Warren

1 energy assistance has been a *short term need* concept, not a *permanent class* concept. It has
2 also been a *social welfare agency jurisdiction* concept not *regulated utility jurisdiction*
3 concept. Also, a societal benefit/cost analysis of “very low-income” rates has not been done
4 in Missouri. These issues need to be addressed in a broader scope than a single rate case.

5 Q. In Ms. Meisenheimer’s testimony did she indicate that the Office of the Public
6 Counsel (OPC) supported Empire’s ELIP?

7 A. Yes, on pages 3 and 4 of her testimony she states that the OPC was a signatory
8 to the Stipulation and Agreement in Case No. ER-2008-0093, which established the current
9 Empire ELIP and supports continuation of Empire’s existing low-income program without
10 modification.

11 Q. Does Ms Meisenheimer propose an alternative low-income program in her
12 supplemental direct testimony in this case?

13 A. No. Ms. Meisenheimer did not propose a specific alternative low-income
14 program.

15 Q. Did Ms Meisenheimer provide additional information on current need based
16 programs?

17 A. Yes, in Section III of her testimony, *Summary of Need Based Programs*. Staff
18 generally concurs with the information in this section of her testimony.

19 Q. Did Ms Meisenheimer provide information to be considered in designing a
20 low-income program or rate?

21 A. Yes, in Section IV of her testimony, *Considerations in Designing Affordable*
22 *Low-Income Energy Bills*. Staff concurs with much of the information presented but feels that
23 more investigation is needed in applying this information to a specific low-income program or

Rebuttal Testimony of
Henry E. Warren

1 rate in Missouri. In general, Staff believes that a properly designed bill credit program could
2 help fill the gap between the amount of income a very low-income customer has available to
3 pay for utility services and the cost of those services, and that it makes sense to target
4 customers at the lowest income levels. That group has the same basic needs as anyone else –
5 shelter, food, utilities, clothing, medical care – and their incomes are woefully inadequate to
6 meet those needs. By decreasing the amount that such customers are expected to pay, it
7 should increase the likelihood that some of these customers will be able to pay their utility
8 bills in full and on time, thus decreasing arrearages. Like Staff, Ms. Meisenheimer does not
9 appear to believe that the vast majority of very low-income customers lack the desire to pay
10 their bills; rather, most of them lack the ability to do so.

11 Q. Like other parties, is it Staff's position that participation eligibility for a low-
12 income program be limited to participants who apply for LIHEAP?

13 A. No, it is Staff's position that low-income programs should only be available to
14 customers who are certified as *eligible* for LIHEAP.

15 Q. Should low-income program participants be required to apply for low-income
16 weatherization, as it appears Ms. Meisenheimer suggests?

17 A. It depends. If the requirement is only that participants who own their home
18 *must submit an application*, regardless of whether or not that they actually receive
19 weatherization, Staff could agree; however, if the requirement is that to be eligible the
20 household *must receive weatherization services*, Staff has reservations. While theoretically
21 Staff agrees that weatherizing participants' homes is desirable, in that by weatherizing the
22 customer's home the customer's bill decreases; therefore, lowering the amount of financial
23 assistance that the customer needs in order to pay that bill. However, in practice, it would

Rebuttal Testimony of
Henry E. Warren

1 | exclude many customers who live in rental units. Rental units cannot be weatherized without
2 | a landlord match that ranges from 5 – 50% of the cost, and in recent discussions with
3 | members of the Missouri weatherization network, the network indicated that it is having little
4 | success in persuading landlords of low income rental properties to agree to weatherization. If
5 | a customer lives in a rental unit, requiring them to apply for weatherization services results in
6 | paperwork that will not provide any benefit to the customer and would be a wasteful use of
7 | Community Action Agency's time and resources.

8 | Q. Would you summarize your rebuttal testimony?

9 | A. Yes. Staff proposes that the lessons learned from the ELIP evaluation should
10 | be addressed. Furthermore, Staff believes that this discussion should occur outside of a rate
11 | case, so that the Commission can participate to the extent that it wishes, be kept apprised of
12 | the progress of the group, and provide any direction that it believes is appropriate.
13 | Commission interest and input will do much to keep the process moving forward
14 | productively.

15 | Q. Does this conclude your rebuttal testimony?

16 | A. Yes