

Exhibit No.:  
Issues: Rate Design, Essential Service Rate  
Witness: Robert (Bob) Quinn  
Sponsoring Party: Missouri Association for  
Social Welfare  
Type of Exhibit: Direct Testimony  
Case No.: ER-2007-0002

AMERENUE ELECTRIC RATE CASE

DIRECT TESTIMONY

OF

ROBERT (BOB) QUINN

MISSOURI ASSOCIATION FOR SOCIAL WELFARE

December 29, 2006

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

**DIRECT TESTIMONY OF  
ROBERT (BOB) QUINN**

**MISSOURI ASSOCIATION FOR SOCIAL WELFARE**

**CASE NO. ER-2007-0002**

**NP**

1 **Q. Please state your name and address.**

2 A. My name is Robert (Bob) Quinn. My business address is the Center for  
3 Social Justice, 606 East Capitol Avenue, Jefferson City, Missouri 65101.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by the Missouri Association for Social Welfare as the  
6 Executive Director. MASW is a statewide organization of volunteer members  
7 that provides leadership, research, education and advocacy on public policy  
8 issues of social and economic justice.

9 **Q. On whose behalf are you testifying?**

10 A. I am testifying on behalf of the Missouri Association for Social Welfare, an  
11 intervener in this case.

12 **Q. Please describe your education and relevant experience.**

13 A. I earned my bachelor's degree in political science at Butler University in  
14 Indianapolis in 1978. I earned my master's degree in political science at the  
15 University of Missouri – St. Louis in 1980. My formal experience as a public  
16 policymaker began the next year when I was appointed to the Planning and  
17 Zoning Commission in my original hometown of Ferguson, Missouri. In 1982  
18 I was appointed to fill a vacancy on the Ferguson City Council, and the people  
19 of the Third Ward subsequently elected me to two two-year terms. As part of  
20 my City Council duties, I served for two years as Secretary, then two years as  
21 Chairman, of the North Area Cable Television Authority, a 21-city consortium  
22 with a common Cable TV franchise; under federal law at that time, the panel I  
23 chaired was the regulatory authority for the local Cable TV franchise, and we

1 held formal rate proceedings and conducted oversight of the franchisee's  
2 performance. In 1986 the people elected me to the first of my three terms in  
3 the Missouri House of Representatives. During my tenure in the House I  
4 served on the Energy and Environment Committee, which often dealt with  
5 legislation affecting the Public Service Commission and utility regulation. I  
6 also served on an interim committee that developed legislation that would  
7 ultimately create the statewide "One Call" or "1-800-DIG-RITE" program.  
8 After my service in the legislature I was involved in public policy as a  
9 registered lobbyist for about eight years. Although I was primarily involved  
10 with issues involving public schools, I did work with the Public Service  
11 Commission during the establishment of the so-called "e-rate" that would  
12 guarantee discounted rates for advanced telecommunications services to  
13 schools. In September, 2001, the Commissioners of the PSC hired me as  
14 Executive Director for the agency. As Executive Director of the Public  
15 Service Commission for more than three years, I learned a great deal about  
16 utility regulation through formal and informal means from the PSC's own staff,  
17 from utility executives and consultants, and from formal workshops and  
18 seminars at the National Association of Regulatory Utility Commissioners  
19 (NARUC), the Financial Research Institute (FRI) at the University of Missouri  
20 – Columbia, and others. I participated in the negotiations that resulted in the  
21 settlement agreement in the AmerenUE case in 2002. I left the PSC in  
22 January, 2005 and, after some public policy-related research and consulting  
23 work, I became Executive Director of MASW in August, 2006.

1 **Q. What is the purpose of your direct testimony in this case?**

2 A. The purpose of my testimony is to demonstrate the need for creating what I  
3 am calling an “essential service rate” in the final rate design for residential  
4 customers, and to suggest ways to do so.

5 **Q. What is the public policy objective of the essential service rate?**

6 A. The public policy objective is to provide maximum relief and/or protection to  
7 those residential customers who expend the highest proportion of their  
8 monthly income on utility bills; most typically, these are low income families or  
9 individuals. According to United States Department of Energy, low income  
10 families typically spend 12.6% of their income on energy bills, while the  
11 average for all U.S. families is 2.7% of income going for energy bills. [Source  
12 [www.youreenergyfuture.org/charts/Low\\_Income\\_Families.pdf](http://www.youreenergyfuture.org/charts/Low_Income_Families.pdf)]. But the  
13 essential service rate concept also recognizes that residential customers who  
14 are not low income, but are by no means wealthy, also expend a higher  
15 proportion of their income on utilities than do those whose financial means  
16 are greater.

17 **Q. Please explain the essential service rate.**

18 A. The essential service rate would be the rate per kilowatt hour (kWh) charged  
19 to a residential customer for the number of kWh needed to provide essential  
20 service to a typical low income residence. According to the Energy  
21 Information Administration (U.S. Dept. of Energy), based on 2001 data, the  
22 typical household occupied by persons whose income is below the federal  
23 poverty line used 8,152 kWh annually, or approximately 680 kWh per month.

1 [Source [www.eia.doe.gov/emeu/recs/recs2001/ce\\_pdf/enduse/ce1-](http://www.eia.doe.gov/emeu/recs/recs2001/ce_pdf/enduse/ce1-)  
2 [3e\\_hhincome2001.pdf](http://www.eia.doe.gov/emeu/recs/recs2001/ce_pdf/enduse/ce1-3e_hhincome2001.pdf)]. Now AmerenUE and/or the PSC staff may have  
3 numbers specific to the AmerenUE service territory, and that could mean a  
4 number other than 680 would be more appropriate as the starting point for  
5 calculating the essential service rate. The EIA numbers are also annual, and  
6 it would make sense to create different essential service rates for the summer  
7 cooling months and for the other months of the year. For purposes of  
8 illustrating how the essential service rate would work, I will use 680 kWh per  
9 month as the typical electrical use of a below-the-poverty-line household. EIA  
10 data also shows that households in the West North Central U.S., the region  
11 that includes Missouri, typically use 80% to 85% of their electricity to run  
12 essential appliances like the refrigerator, HVAC, laundry and so on, with the  
13 remainder used for arguably non-essential purposes such as home  
14 entertainment electronics. [Source [www.eia.doe.gov/emeu/reps/enduse/](http://www.eia.doe.gov/emeu/reps/enduse/er01_wnc_figs.html)  
15 [er01\\_wnc\\_figs.html](http://www.eia.doe.gov/emeu/reps/enduse/er01_wnc_figs.html)]. Various models could be used to determine the  
16 percentage of electric usage in the typical low income household which is  
17 essential, but if we assume approximately 88%, that would produce 600 as  
18 the monthly kWh that would be billed at the essential service rate. If  
19 AmerenUE's rates are reduced as a result of this case, all of that reduction  
20 would be realized in the essential service rate, so that the savings would fall  
21 on the first 600 kWh each residential customer paid for each month. If  
22 AmerenUE's rates increase as a result of this case, the increase, insofar as

1 residential rates are concerned, would fall entirely on kWh consumed above  
2 the first 600 each month for each residential customer.

3 **Q. How would the essential service rate operate in the context of a fuel**  
4 **adjustment clause?**

5 A. This is a very important point. The essential service rate kWh threshold,  
6 which I have established as 600 per month for purposes of this illustration,  
7 would be fully protected from any fuel adjustment clause. The premise of a  
8 fuel adjustment clause is that the risk inherent in the volatility of fuel costs for  
9 the utility will be transferred from the utility, where it has historically resided, to  
10 the ratepayers. As a matter of public policy, the state – in this case, the  
11 Public Service Commission – should not render decisions that make life  
12 harder for those whose lives are already hard. Any fuel adjustment clause  
13 granted to AmerenUE in this case should be structured so that the essential  
14 service rate kWh threshold is guaranteed, that the cost of powering those  
15 essential household appliances for a typical low income household will not  
16 increase, no matter what happens to the price of AmerenUE's fuel.

17 **Q. Are there other ways to achieve the same public policy objective?**

18 A. It would be possible to establish a separate rate per kWh for low income  
19 ratepayers. In my judgment, that would create an undue administrative  
20 burden on the utility, and puts the onus on the ratepayer to file for the special  
21 rate and provide documentation about income – and then possibly be  
22 dropped from the program if they work too much overtime or otherwise barely  
23 exceed the income cutoff at some point – and would therefore not be in the

1 public interest. A special rate for low income ratepayers also creates an  
2 unfair burden for families of modest means, who would not qualify for the  
3 special rate but nonetheless often struggle to pay their monthly bills. It is an  
4 argument in favor of the essential service rate that it protects the first 600  
5 kWh each month – which, again, is a reasonable number I am using to  
6 illustrate how the program would work – for each and every household.  
7 According to EIA data, the typical household with 2001 income in the \$30,000  
8 to \$49,999 range used 10,545 kWh annually, or approximately 880 kWh each  
9 month. For such households, protecting the first 600 kWh of their monthly  
10 usage would protect 68% of their bill from any rate increase or fuel  
11 adjustment clause increase. Households in the next \$20,000 income bracket  
12 down – i.e., \$10,000 to \$29,999 – typically used 8,906 kWh annually, or  
13 approximately 740 kWh monthly. These households would have roughly 80%  
14 of their monthly bill protected from increases with the essential service rate.  
15 The highest income category EIA segmented was \$50,000 or more, with  
16 typical electrical usage in those households at 13,131 annually, or nearly  
17 1,100 each month. Roughly 55% of this usage would not be subject to  
18 increases. I would note that as income increases, one generally finds larger  
19 residences and more use of electricity, so that the highest income households  
20 would no doubt see well over half their monthly kWh usage subject to such  
21 increases as may be granted in this case, if any.

22 **Q. Are concepts similar to the essential service rate used in other**  
23 **jurisdictions?**

1 A. Yes. I am aware of the following examples. The City of Seattle, Washington  
2 has established what it calls a “lifeline rate,” which is similar in design and  
3 purpose to the essential service rate I am proposing here. [www.seattle.gov/  
4 light/news/issues/RateProc/Docs/glossary.pdf]. The New Hampshire Public  
5 Utilities Commission adopted a program in which low income ratepayers  
6 would pay approximately 4.5% of their household income for electric service,  
7 and also directed utilities to explore additional discount billing options for what  
8 they call the “initial usage block,” a concept similar to the essential service  
9 rate. [Public Utilities Commission of New Hampshire, DE 06-079, Order No.  
10 24,664, September 1, 2006]. Other jurisdictions provide discounted rates for  
11 low income ratepayers, including New York [New York State Department of  
12 Public Service, Case No. 04-E-0572, December 15, 2004) and Texas [Public  
13 Utility Commission of Texas, Rule 25.344].

14 **Q. Does AmerenUE currently charge different rates to residential**  
15 **customers for the first number of kWh each month as opposed to kWh**  
16 **above that number?**

17 A. Yes, but in exactly the opposite way as we are proposing in the essential  
18 service rate. Under its tariff setting rates effective April 1, 2004, AmerenUE  
19 charges residential customers a flat 7.64 cents per kWh during the summer  
20 cooling months (June through September). But in the other eight months, the  
21 rates are 5.42 cents per kWh for the first 750 kWh each month, and 3.66  
22 cents per kWh for each kWh over 750. Based on EIA data I have cited  
23 above, this means that low income households typically pay the higher rate of



1 5.42 cents for every kWh they use, while ratepayers with larger incomes in  
2 larger homes actually pay a reduced rate on their usage for non-essential  
3 purposes. As an example, the electricity I use to play with my son's video  
4 game system is about one-third cheaper per kWh than the electricity a low  
5 income family uses to refrigerate and cook their meals. That is an unjust  
6 public policy, which can be corrected by adopting the essential service rate.

7 **Q. Is the essential service rate inconsistent with AmerenUE's proposed**  
8 **rate design in this case?**

9 A. No, because one can reasonably conclude from AmerenUE's rate design  
10 testimony in this case that the company considers it good public policy to  
11 protect residential ratepayers from the full brunt of their proposed rate  
12 increase, with a greater proportion of that increase to fall on the other classes  
13 of ratepayers. The company has considered the impact of its rates on the  
14 household budgets of its residential customers, and concluded that it is good  
15 public policy to minimize that impact. The essential service rate goes the next  
16 step, and considers that electric rates impact residential customers in  
17 proportion to their economic circumstances, and yet all have the need of  
18 essential electric service for their basic kitchen appliances, heating and  
19 cooling. The essential service rate extends AmerenUE's stated intent to  
20 protect the residential class relative to the other classes of ratepayers, to  
21 protecting within the residential class those customers most in need of  
22 protection and placing any increase only on those kWh above the essential  
23 service level.

1    **Q. How can the essential service rate be included in the final resolution of**  
2       **this rate case?**

3    A. The essential service rate is the sort of innovative measure that can be  
4       incorporated by agreement of the parties in this case. In that way, it is similar  
5       to the community development corporation that was included in the  
6       settlement agreement for the AmerenUE case in 2002.

7    **Q. Does this conclude your testimony?**

8    A. Yes, this concludes my testimony. Thank you.

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