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Witness: Anne E. Ross
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

ANNE E. ROSS

UNION ELECTRIC COMPANY d/b/a AMERENUE

CASE NO. ER-2010-0036

**Jefferson City, Missouri
February 2010**

Staff Exhibit No. 219
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REBUTTAL TESTIMONY

OF

ANNE E. ROSS

UNION ELECTRIC COMPANY d/b/a AMERENUE

CASE NO. ER-2010-0036

Q. Please state your name and business address.

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

Q. Are you the same Anne Ross 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 direct testimony of the witnesses of the other parties filed last week on the issues surrounding low-income residential customers and electricity service.

Q. What are your comments on the pleading filed by AARP and the Consumer Council of Missouri last week regarding low-income residential customers?

A. Staff agrees with AARP and the Consumer Council of Missouri that any attempt to address the issue of supplying electricity service to low-income residential customers who either cannot afford it or struggle to pay for that service should be system-wide in scope, and should include summer cooling customers, as well as winter heating customers. Staff also agrees that the Commission should set up a collaborative process, but, as discussed later in this testimony, it is Staff's position that this process should be set up outside of this rate case.

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1 Q. What is Staff's response to AmerenUE witness Wilbon L. Cooper's statements
2 at page 5, lines 2-10 of his Additional Direct testimony regarding the startup and
3 implementation costs of a new low-income residential customer class?

4 A. Staff agrees that the costs identified by Mr. Cooper will be incurred when
5 setting up a separate rate class or program. We have not quantified the expected level of these
6 costs.

7 Q. Did the Office of the Public Counsel propose a low-income program in its
8 supplemental direct testimony in this case?

9 A. No. The Office of the Public Counsel did not propose a low-income program.
10 Office of the Public Counsel witness Barbara Meisenheimer suggested the Commission wait
11 on starting such a program for AmerenUE "...pending evaluation of the success of other
12 experimental programs," (Meisenheimer, Supplemental Direct, p. 2, lines 6-7). But, Ms.
13 Meisenheimer, much as Staff did, outlined a program that could be implemented if the
14 Commission believes that "...an experimental low-income program should be adopted in this
15 case." (p. 2, line 8)

16 Q. Would you please summarize the parameters of the program outlined in Ms.
17 Meisenheimer's Supplemental Direct testimony?

18 A. Ms. Meisenheimer provided the following parameters for the low-income
19 program she outlined:

- 20 • Provide monthly bill credits for AmerenUE electric customers who use electricity as
21 their primary heating source (p. 3, lines 4-7), and who have household incomes less
22 than 100% of the Federal Poverty Guideline (FPG) (p. 22, lines 14-16), with the
23 monthly credit increasing as household income decreases. (tables on pp. 23-24
- 24 • Require participants to apply for LIHEAP and for low-income weatherization
25 assistance. (p. 2, lines 12-13)

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- 1 • Contain an arrearage repayment incentive for participants who have unpaid balances
2 when they enter the program. Customers would be required to participate in the
3 arrearage incentive as a condition of receiving the bill credits. (p. 2, lines 16-18)
4 • Encourage, but not require, participants to enroll in AmerenUE's Budget Bill plan.
5

6 Q. Did Ms. Meisenheimer estimate how many AmerenUE low-income customers
7 would be enrolled in such a program?

8 A. No. But in the tables on pp. 23-24 of her testimony, Ms. Meisenheimer has
9 provided scenarios with 800-1200 participants.

10 Q. Do you know why Ms. Meisenheimer provided tables based on these numbers
11 of participants?

12 A. No. However, she does mention in her testimony that relatively low number of
13 customers tend to participate in programs such the one she outlined.

14 Q. Who will determine whether potential participants meet the requirements of
15 the program Ms. Meisenheimer outlines?

16 A. This task will be performed by the Community Action Agencies in
17 AmerenUE's electric service territory. (p. 22, lines 5-12).

18 Q. What does Ms. Meisenheimer estimate the expected cost of such an
19 experimental program to be?

20 A. She estimates that the program will cost approximately \$550,000 annually.

21 Q. What is Staff's response to the program outlined by Ms. Meisenheimer?

22 A. In general, Staff believes that a properly designed bill credit program could
23 help fill the gap between the amount of income a very low-income customer has available to
24 pay for utility services and the cost of those services, and that it makes sense to target
25 customers at the lowest income levels. That group has the same basic needs as anyone else –
26 shelter, food, utilities, clothing, medical care – and their incomes are woefully inadequate to

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1 meet those needs. By decreasing the amount that such customers are expected to pay, it
2 should increase the likelihood that some of these customers will be able to pay their utility
3 bills in full and on time, thus decreasing arrearages. Like Staff, Ms. Meisenheimer does not
4 appear to believe that the vast majority of very low-income customers lack the desire to pay
5 their bills; rather, most of them lack the ability to do so.

6 Q. Like other parties, is it Staff's position that participation eligibility be limited
7 to participants who apply for LIHEAP?

8 A. Yes.

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

11 A. It depends. If the requirement is only that participants *must submit an*
12 *application*, regardless of whether or not that they actually receive weatherization, Staff could
13 agree; however, if the requirement is that the household *must receive weatherization services*,
14 Staff has reservations. While theoretically Staff agrees that weatherizing participants' homes
15 is desirable, in that by weatherizing the customer's home the customer's bill decreases;
16 therefore, lowering the amount of financial assistance that the customer needs in order to pay
17 that bill. However, in practice, it would exclude many customers who live in rental units.
18 Rental units cannot be weatherized without a landlord match that ranges from 5 – 50% of the
19 cost, and in recent discussions with members of the Missouri weatherization network, the
20 network indicated that it is having little success in persuading landlords of low income rental
21 properties to agree to weatherization.

22 Q. Does Staff agree with Ms. Meisenheimer that customers should be encouraged,
23 but not required, to enroll in budget billing?

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1 A. Yes, that would be acceptable.

2 Q. What is Staff's opinion of restricting such a program to 800-1200 participants?

3 A. That number represents such a tiny fraction of AmerenUE's residential
4 customers that Staff is not sure that spending half a million dollars for them is warranted.
5 Staff estimates that the number is somewhere between 50,000 and 310,000¹. The 1200
6 customers that OPC suggests would participate represents approximately 2.5 % of the lower
7 number, and around four-tenths of one percent of the larger number. Since every AmerenUE
8 residential customer will bear the cost of this program, including other low-income
9 ratepayers, the Commission must decide whether the benefits outweigh the costs and whether
10 or not to limit the number of participants.

11 Q. Does Staff have any further comments on Ms.Meisenheimer's suggestion of a
12 bill credit program to address the inability of AmerenUE's low-income customers to pay their
13 utility bills?

14 A. Yes. As Ms. Meisenheimer noted in her testimony, there have been several
15 'experimental' programs of this type set up around the state. Some have been abysmal
16 failures, like the program set up in Scott and Stoddard counties²; others appear to have
17 worked better since there were participants that paid their bills while they were participating
18 in the program, but the stakeholders have never sat down and tried to identify the lessons
19 learned – what worked, what didn't, how long any effects lasted, and the "why" behind any
20 results. That is probably due to the competing demands on the parties' time, as well as the

¹ These numbers were developed using the information from a recent 'Missouri LIHEAP Facts, a fact sheet put out by the Campaign for Home Energy Assistance. This publication estimates that approximately 87% of LIHEAP customers fall in the 0-100% FPG range, so that percentage was applied to the LIHEAP estimates developed by Staff in their Direct testimony on this issue.

² This program was set up in Case No. GR-2003-0517. Despite several attempts at outreach by the Community Action Agency in that area, the program failed to attract a single participant.

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1 fact that these programs have been implemented piecemeal through rate case settlements. But
2 whatever the reason, before implementing an additional program, Staff proposes that the
3 lessons learned should be addressed before any additional ratepayer money is used for another
4 'experiment.'

5 Furthermore, Staff believes that this discussion should occur outside of a rate case, so
6 that the Commission can participate to the extent that it wishes, be kept apprised of the
7 progress of the group, and provide any direction that it believes is appropriate. Commission
8 interest and input will do much to keep the process moving forward productively.

9 Q. Has Staff identified a process by which this could be done relatively quickly
10 and efficiently?

11 A. Yes. Staff suggests that the Commission order the following:

- 12 1. First, a comparative analysis of the existing natural gas and electric utility low income
13 programs and programs terminated in the past ten years should be conducted by a
14 third-party evaluator. Past and current bill credit programs in Missouri have been
15 similar enough that they can be compared on a number of measures, such as effect on
16 the customer's bill payment behavior and arrearage levels, participation level, and so
17 on. The goal of the analysis would be to identify best practices from the various
18 programs, and to quantify the effect on utility costs. These best practices would be
19 compared with the best practices of successful low-income programs in other states.
20
- 21 2. Following a comparative analysis, Staff would organize a roundtable, where all
22 interested parties could meet to discuss best (and worst) practices based on the
23 comparative analysis. Since this would not be happening during a contested case, the
24 Commissioners would be able to participate to whatever extent they desired.
25
- 26 3. The stated goal of the roundtable would be to discuss the best practices, and to attempt
27 to design a program that contained those components. In addition, a list of issues that
28 have either been identified as stumbling blocks or that have been identified as of
29 concern to a stakeholder or stakeholders, would be prepared, and it would be decided
30 whether these should be addressed in further meetings, or if the issue needs to be sent
31 to the Commission or other entity for direction.
32
- 33 4. In addition, Staff would be expected to present to the Commission a report that would
34 summarize the findings of the analysis, present the Roundtable participants'
35 recommendation for a program that incorporates best practices, and include a list of all

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1 | concerns/stumbling blocks. Roundtable participants would be encouraged to append
2 | their thoughts to this report, if desired.

3 |
4 | After completing this process, the Commission would have the depth of information
5 | that was the original goal of these experimental programs; in addition, the analysis and report
6 | will provide the Commission with a broad perspective that will be invaluable in future policy
7 | decision-making for both natural gas and electric utilities. Given the importance of this issue,
8 | Staff strongly recommends that the Commission adopt this recommendation.

9 | Q. Does this conclude your testimony?

10 | A. Yes