

DIRECT TESTIMONY

OF

BARBARA A. MEISENHEIMER

**EMPIRE DISTRICT ELECTRIC COMPANY
(REVENUE REQUIREMENT)**

CASE NO. ER-2004-0570

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O.
2230, Jefferson City, Missouri 65102.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.

A. I hold a Bachelor of Science degree in Mathematics from the University of Missouri-
Columbia (UMC) and have completed the comprehensive exams for a Ph.D. in Economics
from the same institution. My two fields of study are Quantitative Economics and Industrial
Organization. My outside field of study is Statistics. Over the past 10 years have taught
Economics courses for the following institutions: University of Missouri-Columbia,
William Woods University, and Lincoln University. I currently teach both undergraduate
and graduate level economics course for William Woods University.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?

A. Yes, I have testified on numerous issues before the Missouri Public Service Commission. (PSC or
Commission).

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to review the experimental low-income rate discount
3 program and energy efficiency programs currently offered by Empire District Electric
4 Company (Empire or Company) and to propose limited modifications to the on-going
5 experimental low-income program that will reduce the Company's revenue requirement by
6 \$49,696, but which will not modify any existing program.

7 Public Counsel is not proposing any additional revenue requirement adjustments associated
8 with new low-income, weatherization or energy efficiency initiatives, or other modifications
9 to existing programs at this time. We are, however, mindful that the Company may face
10 increased demand-side pressure to add additional generation resources. Thus Public
11 Counsel will carefully consider supporting additional cost effective demand-side
12 management programs that might be proposed by other parties in this case provided that
13 such programs do not impose an undue burden on the Company's general body of
14 ratepayers.

15 **Q. WHAT EXPERIENCE DO YOU HAVE REGARDING WEATHERIZATION PROGRAMS**
16 **AND PROGRAMS TO ASSIST LOW-INCOME UTILITY CONSUMERS?**

17 A. In the area of telecommunications I have served on the Federal/State Universal Service Joint
18 Board Staff for a number of years. In this capacity I have reviewed information on the
19 design and cost of state and federal low-income programs, assisted the Federal/State Joint
20 Board in preparing recommendations for the FCC in implementing the Federal Lifeline and

1 Link-Up programs and in developing guidelines for state programs. In this capacity I also
2 review Joint Board Monitoring Reports and FCC Telephone Penetration Report designed to
3 evaluate the performance of programs that assist low-income customers. At the State level,
4 I participated in industry workshops to develop the low-income and disabled components of
5 the Missouri Universal Service Fund (MoUSF) and currently assist the Public Counsel in
6 his duties as a member of the Missouri Universal Service Board. I also served on the
7 committees that developed and provided oversight for the Telecommunications Equipment
8 Distribution Program for first the PSC and later the Missouri Department of Labor and
9 Industrial Relations. This program provides telecommunications equipment for Missouri's
10 disabled consumers including many that are low-income consumers.

11 On behalf of Public Counsel, I worked with the Department of the Census to develop data
12 designed to identify low-income household telephone subscribership stratified by
13 percentage of the federal poverty level in order to develop recommendations to better target
14 low-income support.

15 With respect to low-income programs and energy efficiency programs for natural gas
16 utilities, I have filed testimony in the most recent rate cases of Laclede Gas, Aquila Gas and
17 Missouri Gas Energy. I participated in meetings of the Public Service Commission's
18 Natural Gas Task Force and Long Term Energy Affordability Taskforce. I have also
19 participated in the collaborative workshops initiated to develop and implement a low-

1 income rate, weatherization and efficiency programs for AmerenUE and Aquila gas
2 customers.

3 **Q. WHAT DO YOU BELIEVE IS THE RELEVANCE OF THIS EXPERIENCE?**

4 A. In activities associated with developing recommendations to assist low-income consumers I
5 have had an opportunity to meet and learn about low-income issues from many individuals
6 who deal with those issues on a day to day basis including representatives from Missouri
7 Department of Natural Resources (MDNR), the Department of Social Services-Energy
8 Department, the American Association of Retired Persons, Community Action Agencies,
9 the Consumer Energy Council of America and a number of low-income and disabled
10 consumer advocates. Additionally, the familiarity I have gained with the issues of funding
11 constraints of the Federal Lifeline and High Cost programs and participation in evaluating
12 the effectiveness of programs targeted to assist low-income and disabled customers in
13 telecommunications and natural gas has provided insight into public policy questions
14 regarding targeted subsidies that are paid for by other ratepayers.

15 **Q. BASED ON YOUR EXPERIENCE, WHAT NEEDS DO YOU BELIEVE SHOULD BE**
16 **BALANCED IN ADOPTING LOW-INCOME, WEATHERIZATION AND OTHER**
17 **ENERGY EFFICIENCY PROGRAMS?**

18 A. I believe it is paramount to balance the need for low-income and energy efficiency programs
19 with the need to ensure that Missouri's utility consumers in general pay rates that are just
20 and reasonable. To the extent that ratepayers are called upon to fund low-income,
21 weatherization and other energy efficiency programs, the programs should be designed so

1 that they can reasonably be expected to balance the interests of those who receive support
2 with the interests of those who provide it. Ratepayer funding for programs that cannot
3 reasonably be expected to balance both interests should not be imposed through the
4 ratemaking process unless there is a specific legislative mandate to do so. Further, I believe
5 it is appropriate for the Commission to require that a party that proposes a particular
6 program to demonstrate the likely success of the program and to show how that program's
7 success will not come at an unreasonable cost.

8 **Q. HAS PUBLIC COUNSEL SUPPORTED EXPERIMENTAL LOW-INCOME AND**
9 **WEATHERIZATION PROGRAMS?**

10 A. Yes, Public Counsel has been active for over 10 years in proposing and supporting
11 weatherization and low-income proposals on an experimental basis in cases where we
12 believed such programs were likely to produce meaningful results while also reasonably
13 balancing the interests of the program recipients and the rate-payers who fund the programs.
14 Despite limited resources, the Public Counsel has been very committed to these efforts.
15 Public Counsel has been an active participant of the Committee to Keep Missourians Warm
16 for many years. Public Counsel has also retained national expert to testify on these subjects.
17 Public Counsel has also proposed and supported a variety of experimental low-income
18 weatherization programs. In particular, we have been very supportive of certain MDNR's
19 low-income weatherization programs. Most recently, Public Counsel has participated in the
20 Commission's Cold Weather Rule and Long Term Energy Affordability Taskforce.

II. MODIFICATIONS RELATED TO THE EXPERIMENTAL LOW-INCOME PROGRAM
(ELIP)

**Q. PLEASE DESCRIBE THE EXPERIMENTAL LOW-INCOME RATE INITIATIVE
DESIGNED TO ASSIST EMPIRE'S CUSTOMERS?**

A. The Commission approved a Unanimous Stipulation & Agreement in Case No. ER-2002-424 that established a collaborative process to develop and implement an experimental low-income rate discount program targeted to low-income customers in Empire's Joplin service area. After a successful collaborative with the interested parties, a program was developed, and on April 24, 2003, the Commission approved tariff sheets establishing the program consistent with the collaborative's recommendations. Qualifying low-income program recipients with a household income of up to 50% of the Federal Poverty level (Group A) receive bill discounts of \$40. Program recipients with a household income of 51% to 100% of the Federal Poverty level (Group B) receive bill discounts of \$20. The discounts are available for up to 24 months under the current tariff. I have attached a copy of the ELIP tariff sheets as Schedule 1. The tariff sets forth the additional terms and conditions related to participation.

Q. HOW IS THE EXPERIMENTAL LOW-INCOME PROGRAM FUNDED?

A. The Unanimous Stipulation & Agreement in Case No. ER-2002-424, and subsequent agreement of the collaborative participants, provides a total of \$300,000 annually for the program. Of this amount, shareholders contribute \$150,000 annually. The remaining

1 \$150,000 of the total annual funding requirement for the program is collected from
2 ratepayers through an adder to customers' bills. The adder is reflected in existing rates as
3 \$0.10 per month per residential customer on Schedule RG and \$0.25 per month per
4 nonresidential customer on Schedules CB, SH, GP, LP, and TEB. Any excess funding that
5 remains upon termination of the program will be distributed as a contribution to Project
6 Help for use in assisting with emergency energy-related expenses of the elderly and disabled
7 residents in Empire's service area.

8 **Q. DO YOU SUPPORT CONTINUATION OF THE PROGRAM?**

9 A. Yes. As of August 5, 2004, there were a total of 593 applications for the ELIP program.¹
10 Of those, 94 were either canceled after some period of participation in the program or were
11 denied participation based on a deficiency in the application or very high balance or high
12 debt. This indicates that approximately 500 low-income customers are receiving assistance
13 from the program. Although the ELIP was designed to assist up to 1000 low-income
14 customers, I believe the current level of participation warrants continuation. Furthermore, I
15 am hopeful that the enrollment in the program may improve as awareness of the program
16 increases. I also believe that due to potential synergies between this program and the
17 Missouri Gas Energy Experimental Low-Income Program (ELIR), the ELIP program may
18 be more successful in the future at assisting low-income customers in the Joplin area.

¹ Initial applications that were later renewed are treated as a single application.

1 **Q. WHAT ARE THE POTENTIAL SYNERGIES THAT YOU ENVISION BETWEEN**
2 **THIS PROGRAM AND THE MGE PROGRAM?**

3 A. The Commission has before it in Case GR-2004-0209 a Non-Unanimous Stipulation &
4 Agreement (MGE Stipulation) between Public Counsel, the Staff of the Missouri Public
5 Service Commission and the City of Joplin. The MGE Stipulation proposes a low-income
6 rate discount/weatherization program for MGE gas customers in the Joplin area as well as
7 additional weatherization for MGE's low-income customers that do not participate in the
8 program. Under the terms of the MGE Stipulation, low-income customers will receive
9 support better targeted to the level of need and during the 5-month period when home
10 heating bills tend to be highest. In addition, the MGE Stipulation seeks to transfer
11 enrollment and other administrative duties to a local community action agency and
12 earmarks funds to raise awareness of the program through outreach. I believe that the
13 potential improvements to the MGE low-income rate discount program will increase as well
14 as better target support. Better targeting discounts coupled with mandatory weatherization
15 should make the total household expenditures on energy more affordable for low-income
16 consumers.² In addition, a condition of both the proposal for the Missouri Gas Energy
17 Experimental Low-Income Program and the Empire Experimental Low-Income Program
18 require participants to apply for additional, available, forms of energy assistance. Meeting

² The MGE Stipulation requires mandatory weatherization for new customers or existing customers that transition from the previous program requirements.

1 the dual need for both gas and electric assistance should diminish the risk that low-income
2 customers fail to make the timely utility payments required for continued participation.
3 Without adequate support, low-income customers may be forced to forgo timely payments
4 under one program in order to avoid disconnection of the other service. Finally, I anticipate
5 that the outreach funding provided for in the MGE Stipulation will have a “spill-over” effect
6 in drawing low-income customers to the Empire low-income program.

7 **Q. DO YOU PROPOSE ANY CHANGES TO THE PROGRAM AT THIS TIME?**

8 A. Yes. In this testimony, I propose three modifications to the ELIP. I believe the first two
9 modifications are not inconsistent with the existing program design. The first reduces the
10 adders used to generate ratepayer contributions to the \$150,000 level provided for in the
11 Stipulation & Agreement in ER-2002-424. My second recommendation is to use surplus
12 monies associated with “rounding” the adjusted adder to the nearest penny to conduct
13 outreach. I view these adjustments as consistent with the commitments Public Counsel and
14 other parties made in the Stipulation & Agreement in ER-2002-424 and subsequent
15 collaborative. As the final modification, I propose to lengthen the eligibility of qualified
16 customers conditioned on voluntary agreement by the parties in this case that were
17 signatories to the Stipulation & Agreement in ER-2002-424.

18 **Q. PLEASE DESCRIBE YOUR PROPOSED ADJUSTMENT TO THE RATE ADDERS.**

19 A. Currently, customer contributions to the ELIP funding requirement are collected through a
20 fixed \$.10 adder reflected in the existing rates paid by the Residential (RG) customers and a

1 fixed \$.25 adder reflected in the existing rates paid by Commercial Service (CB), Small
2 Heating (SH), General Power (GP), Large Power (LP) and Total Electric Building Service
3 (TEB) customers. The rate adder was originally designed to collect a combined total
4 amount of \$150,000 from these rate classes. Shareholders are to match customer
5 contributions on a dollar-for-dollar basis. However, based on the Company's reported
6 current customer numbers for each class, the \$.10 and \$.25 adders would collect
7 approximately \$202,529. In addition to exceeding the agreed upon \$150,000 from rate-
8 payers, it is not clear that the Company will voluntarily agree to match customer
9 contributions in excess of \$150,000 on a dollar-for-dollar basis. As shown in Schedule 2 of
10 this testimony, I propose to reduce the adders in roughly equal percentages for each affected
11 class in order to achieve the customer contribution of \$150,000 given the Company's
12 current customer counts for each class. The result provides about a 20% reduction, to \$.08
13 for the Residential class and a 28% reduction, to \$.18 for each of the remaining classes.
14 Due to rounding the respective adders to whole cents, there will be approximately \$6,833
15 collected in excess of the \$150,000 required customer contribution.

16 **Q. WHAT DO YOU PROPOSE SHOULD BE DONE WITH THE EXCESS \$6,833?**

17 A. I recommend that the \$6,833 be distributed to the two community action agencies that are
18 currently involved in qualifying low-income customers for the program. As of July 5, 2004,
19 Economic Security participated in processing 304 of the total 593 applications. OACAC
20 participated in processing the remaining 289. Given that the applications for each agency
21 constitutes roughly 50% of the total applications, I recommend that the surplus customer

1 contribution of \$6,833 be split equally between Economic Security and OACAC, with each
2 receiving \$3416.50 for target outreach activities to attract new qualifying customers to the
3 ELIP and to promote successful participation by current participants. I recommend that as a
4 condition of receiving outreach funding, each agency would be required to maintain and
5 provide records regarding how the money is spent.

6 **Q. COULD YOUR RECOMMENDATION REGARDING THE PROPOSED LEVEL OF**
7 **ADDERS AND OUTREACH FUNDING CHANGE DURING THE COURSE OF THIS**
8 **PROCEEDING?**

9 A. Yes, they could. I based my calculations on the Company's reported customer counts. To
10 the extent that the Staff's customer counts differ, I may need to update the proposed
11 adjustments to the adders and outreach funding.

12 **Q. DO YOU RECOMMEND ANY ADDITIONAL MODIFICATIONS TO EMPIRE'S**
13 **EXPERIMENTAL LOW-INCOME PROGRAM?**

14 A. I recommend that, conditioned upon the consent of parties to the Stipulation & Agreement
15 in ER-2002-424, customers should be allowed to receive credits beyond 24 months. Based
16 on the Company's August 5, 2002 Report, the ELIP is serving approximately 593
17 customers. Of these 593 customers, 221 or approximately 37% qualify for a \$40 bill credit
18 and 372 or approximately 63% qualify for a \$20 credit. The total annual discount provided
19 at these take rates equals \$195,360. This compares with a funding level of \$300,000. I
20 believe there is adequate funding to support at least 250 new participants even if funding
21 continues beyond 24 months for existing customers.

III. OTHER NEED BASED AND ENERGY EFFICIENCY PROGRAMS

Q. DOES THE COMPANY OFFER OTHER NEED-BASED ASSISTANCE PROGRAMS AND ENERGY EFFICIENCY PROGRAMS IN ITS MISSOURI SERVICE AREA?

A. Yes. The Company sponsors ProjectHELP program in conjunction with the Red Cross.³ The program uses voluntary customer contributions to assist the elderly and disabled with energy-related expenses. The company also offers the E.A.S.E. program designed to assist the elderly. Under the E.A.S.E. program, deposit and late penalties are waived, third party notification is available when an account becomes delinquent and due dates may be adjusted.⁴ With respect to conservation and energy efficiency efforts, the Company offers:

1) The Residential Conservation Service that provides home energy audits for a first-time fee of \$15 and subsequent audits for \$62.00.⁵

2) The Promotional Practices Schedule that provides no-interest loans to employees that purchase and install energy saving measures or appliances in their homes.⁶

3) An Experimental Green Power Schedule that, for an additional fee and subject to minimum use, allows customers to purchase more environmental friendly power.⁷

4) A Net Meter Service that allows customers to supply unused power.⁸

³ See Schedule 3 for additional information on the program.

⁴ See Schedule 3 for additional information on the program.

⁵ See Schedule 3 for additional information on the program.

⁶ See Schedule 3 for additional information on the program.

⁷ See Schedule 3 for additional information on the program.

1 **Q. OTHER THAN THE MODIFICATIONS TO THE ELIP THAT YOU DESCRIBED**
2 **PREVIOUSLY IN YOUR TESTIMONY, DO YOU PROPOSE ANY NEW PROGRAMS**
3 **OR MODIFICATIONS TO EXISTING NEED-BASED OR ENERGY EFFICIENCY**
4 **PROGRAMS?**

5 **A. Not at this time.**

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A. Yes, it does.**

⁸ See Schedule 3 for additional information on the program.