

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Customer Charge/
Low Income Program

Meisenheimer/Surrebuttal

Public Counsel

ER-2010-0130

SURREBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of
the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

Case No. ER-2010-0130

April 23, 2010

SURREBUTTAL TESTIMONY
OF
BARBARA A. MEISENHEIMER
EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2010-0130

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

2 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O.
3 2230, Jefferson City, Missouri 65102.

4 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

5 A. Yes, I filed direct testimony on rate design on March 9, 2010 and supplemental direct
6 testimony on low-income program issues on April 9, 2010.

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

8 A. The purpose of my surrebuttal testimony is to respond to the Company and Staff
9 positions on the level of residential and small commercial customer charges and to
10 respond to Staff on low income program issues.

11 **Q. COMPANY WITNESS W. SCOTT KEITH AND STAFF WITNESS MIKE SCHEPERLE PROPOSE**
12 **THAT THE CUSTOMER CHARGES FOR SMALL CUSTOMERS SHOULD INCREASE BY THE**
13 **SAME PERCENTAGE AS VOLUMETRIC RATES ARE INCREASED. ARE THERE GOOD**
14 **REASONS TO KEEP CUSTOMER CHARGES AS LOW AS POSSIBLE?**

1 A. Yes. There are a number of good reasons for keeping customer charges as low as
2 possible. Increasing volumetric rates relative to the customer charge encourages
3 conservation by providing an additional savings to customers for each additional unit of
4 consumption they forgo. This not only allows a customer additional control over their
5 bill but also provides a measurable reward for efforts toward conservation. Based on my
6 experience, customers also perceive bills based on a combination of a low customer
7 charge and volumetric rates as a more reasonable and fair method of revenue collection
8 because it agrees with the general belief that those who use more should pay more.
9 Lowering customer charges also promote greater subscription to the system potentially
10 improving economies of scale and lowering the cost to other customers.

11 **Q. HAS THE COMMISSION RECOGNIZED THE CONSERVATION BENEFIT OF RELATIVELY LOW**
12 **CUSTOMER CHARGES FOR NATURAL GAS UTILITIES?**

13 A. Yes. The Commission addressed the issue of customer charges in GR-2004-0209. “High
14 fixed monthly customer charges tend to defeat customer efforts to reduce their bill by
15 conserving natural gas. As a result, the Commission finds that the public interest is best
16 served by setting customer charges as low as reasonably possible.”

17 **Q. MR. SCHEPERLE ARGUES THAT YOU HAVE PROVIDED NO COST BASIS FOR KEEPING THE**
18 **SAME LEVEL OF CUSTOMER CHARGE. DO YOU ACKNOWLEDGE THAT YOUR PROPOSAL IS**
19 **BASED PRIMARILY ON PUBLIC POLICY CONSIDERATIONS?**

20 A. Yes. While Mr. Schepeler is correct that I have not performed a study of the customer
21 related costs in this case, to my knowledge, neither has Staff. Given that there is no

1 compelling cost basis for a higher customer charge, it is reasonable for the Commission
2 to favor a rate design that promotes public policy goals.

3 **Q. PLEASE SUMMARIZE PUBLIC COUNSEL’S POSITION ON ADDRESSING LOW-INCOME ISSUES**
4 **IN THIS CASE.**

5 A. In supplemental direct testimony I explained that Public Counsel was a signatory to the
6 Stipulation and Agreement in ER-2008-0093 which extended Empire’s existing low-
7 income program until the effective date of new rates in the Iatan 2 rate case. Consistent
8 with the Stipulation and Agreement, Public Counsel supported continuation of Empire’s
9 existing low-income program without modification until the Iatan 2 rate case.

10 **Q. IN REBUTTAL TESTIMONY STAFF WITNESS HENRY WARREN INDICATED THAT STAFF**
11 **OPPOSES THE FUNDING PROPOSAL OUTLINED IN EMPIRE WITNESS MS. MCCORMACK’S**
12 **SUPPLEMENTAL DIRECT TESTIMONY ARGUING THAT MODIFICATIONS TO THE FUNDING**
13 **MECHANISM SHOULD BE ADDRESSED IN THE IATAN 2 CASE. PLEASE RESPOND.**

14 A. I agree with Mr. Warren that any modifications to the funding mechanism should be
15 deferred until the Iatan 2 case. Any modifications that may significantly alter the needed
16 funding should also be deferred. The Commission-approved Stipulation in ER-2008-
17 0093 established the Iatan 2 case as the case in which parties could propose that the
18 program should become permanent, terminate or be replaced by an alternative program.
19 A key provision of the agreement was that Company contributions would be the primary
20 funding source for the program until the Iatan 2 case. I believe that this component of the
21 Stipulation was an important factor in the Industrial Intervenors’ willingness to not

1 oppose the Stipulation. It also provided some assurance that the program would be
2 reconsidered prior to reinstating another ongoing rate-payer based funding mechanism.

3 **Q. IN REBUTTAL TESTIMONY STAFF WITNESS HENRY WARREN INDICATED THAT STAFF**
4 **DOES NOT OPPOSE THE 6 PROGRAM MODIFICATIONS OUTLINED IN EMPIRE WITNESS MS.**
5 **MCCORMACK’S SUPPLEMENTAL DIRECT TESTIMONY. PLEASE RESPOND.**

6 A. Like Mr. Warren, Public Counsel is not necessarily opposed to certain suggestions made
7 by Ms. McCormack; however, some of the proposed modifications are significantly
8 different than those accepted by the parties to Case No. ER-2008-0093 and should be
9 deferred to the Iatan 2 case as agreed to in the Stipulation. For example, subject to
10 agreement by the other interested parties to ER-2008-0093, Public Counsel does not
11 oppose implementing the proposed changes numbered 3 through 6, on page 4, of Empire
12 witness Ms. McCormack’s supplemental direct testimony. These proposed modifications
13 do not constitute major changes to the program or appear to require significantly greater
14 funding. However, any changes to the income eligibility thresholds or the bill discounts
15 may have a significant impact on the funding needs and require reconsideration of the
16 funding mechanism.

17 **Q. IN THE IATAN 2 CASE MIGHT PUBLIC COUNSEL PROPOSE DIFFERENT BILL CREDITS,**
18 **DIFFERENT INCOME THRESHOLDS AND DIFFERENT ELIGIBILITY CRITERIA THAN THOSE**
19 **PROPOSED BY THE COMPANY AND ACCEPTABLE TO THE STAFF IN THIS CASE?**

20 A. Yes. For example, Schedule BAM SUR-1 illustrates calculations designed to determine
21 appropriate levels of need based bill credits at a 4% and 6% energy burden. The

1 Schedule also compares those bill credits to the existing bill credits by income level.

2 Based on the comparison, Public Counsel would likely recommend more disaggregated
3 income tiers and bill credits that better target support to the lowest income tiers.

4 **Q. IS IT REASONABLE TO SIGNIFICANTLY ALTER EMPIRE'S CURRENT LOW-INCOME**
5 **PROGRAM IN THIS CASE?**

6 A. No. The parties as well as the Commission have had limited time to consider the cost
7 effectiveness of the program or the merits of continuing the program. Any changes to the
8 income tiers, the bill credits or eligibility requirements may have a significant impact on
9 the current funding requirements and may be targeted for change again in the next case.
10 As agreed in ER-2008-0093, the Iatan 2 case is the proper case in which to consider
11 issues related to Empire's low-income program.

12 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

13 A. Yes.

Low-Income Bill Credit Calculation at 6% Energy Burden

Line

1	Average Annual Residential Use (1)	17938
2	Average Annual Residential Expenditures (2)	\$ 1,719.60

(1) Source 2007 LIHEAP Notebook Midwest ave. annual MmBTU for Electric as main heat source converted to kWh
 (2) Expenditures for LIHEAP grant months Nov-Apr

Estimated Average Annual Bill Based On Household Size **

Poverty Level Range	Household Size					
	1	2	3	4	5	6
25%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
50%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
75%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
100%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
125%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
135%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
150%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892

**Assumed 10% variation in household use based on family size

Less LIHEAP Assistance based on Poverty Level by Household Size (FY2010)

Poverty Level Range	Household Size					
	1	2	3	4	5	6
25%	\$385	\$385	\$385	\$385	\$385	\$385
50%	\$360	\$360	\$360	\$360	\$360	\$360
75%	\$335	\$335	\$335	\$335	\$335	\$335
100%	\$310	\$310	\$310	\$310	\$310	\$310
125%	\$285	\$285	\$285	\$285	\$285	\$285
135%	\$260	\$260	\$260	\$260	\$260	\$260
150%	\$0	\$0	\$0	\$0	\$0	\$0

*LIHEAP assistance values used are the values for the specified % of income. The actual LIHEAP assistance varies within the income range.

Less Energy Burden at 6% Based On Poverty Level by Household Size

Poverty Level Range	Household Size					
	1	2	3	4	5	6
25%	\$163	\$219	\$275	\$331	\$387	\$443
50%	\$325	\$437	\$549	\$662	\$774	\$886
75%	\$488	\$656	\$824	\$993	\$1,160	\$1,329
100%	\$650	\$874	\$1,099	\$1,323	\$1,547	\$1,772
125%	\$813	\$1,093	\$1,373	\$1,654	\$1,934	\$2,215
135%	\$878	\$1,180	\$1,483	\$1,787	\$2,089	\$2,392
150%	\$975	\$1,311	\$1,648	\$1,985	\$2,321	\$2,658

Source: Concept of 4% Energy Burden based on the median individual energy burden for all Midwest households from 2007 LIHEAP Notebook pg. 71

Equals the Shortfall or Excess of an Affordable Bill

Poverty Level Range	Household Size					
	1	2	3	4	5	6
25%	(\$1,000)	(\$944)	(\$1,060)	(\$1,004)	(\$1,120)	(\$1,064)
50%	(\$863)	(\$751)	(\$810)	(\$698)	(\$758)	(\$646)
75%	(\$725)	(\$557)	(\$561)	(\$392)	(\$396)	(\$228)
100%	(\$587)	(\$364)	(\$311)	(\$86)	(\$34)	\$190
125%	(\$450)	(\$170)	(\$61)	\$220	\$328	\$608
135%	(\$410)	(\$108)	\$24	\$327	\$457	\$761
150%	(\$572)	(\$237)	(\$72)	\$265	\$429	\$766

Resulting Average Shortfall or Excess of an Affordable Bill for All Household Sizes

Poverty Level	Ave. Monthly Excess or Shortfall	Current Credits
25%	(\$86.00)	\$50.00
50%	(\$62.83)	\$50.00
75%	(\$39.67)	\$20.00
100%	(\$16.58)	\$20.00
125%	\$6.58	\$20.00
135%	\$14.58	\$0.00
150%	\$8.08	\$0.00

Low-Income Bill Credit Calculation at 4% Energy Burden

Line

1	Average Annual Residential Use (1)	17938
2	Average Annual Residential Expenditures (2)	\$ 1,719.60

(1) Source 2007 LIHEAP Notebook Midwest ave. annual MmBTU for
 Electric as main heat source converted to kWh
 (2) Expenditures for LIHEAP grant months Nov-Apr

Estimated Average Annual Bill Based On Household Size **

Poverty Level Range	Household Size					
	1	2	3	4	5	6
25%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
50%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
75%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
100%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
125%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
135%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892
150%	\$1,548	\$1,548	\$1,720	\$1,720	\$1,892	\$1,892

**Assumed 10% variation in household use based on family size

Less LIHEAP Assistance based on Poverty Level by Household Size (FY2010)

Poverty Level Range	Household Size					
	1	2	3	4	5	6
25%	\$385	\$385	\$385	\$385	\$385	\$385
50%	\$360	\$360	\$360	\$360	\$360	\$360
75%	\$335	\$335	\$335	\$335	\$335	\$335
100%	\$310	\$310	\$310	\$310	\$310	\$310
125%	\$285	\$285	\$285	\$285	\$285	\$285
135%	\$260	\$260	\$260	\$260	\$260	\$260
150%	\$0	\$0	\$0	\$0	\$0	\$0

*LIHEAP assistance values used are the values for the specified % of income. The actual LIHEAP assistance varies within the income range.

Less Energy Burden at 4% Based On Poverty Level by Household Size

Poverty Level Range	Household Size					
	1	2	3	4	5	6
25%	\$108	\$146	\$183	\$221	\$258	\$295
50%	\$217	\$291	\$366	\$441	\$516	\$591
75%	\$325	\$437	\$549	\$662	\$774	\$886
100%	\$433	\$583	\$732	\$882	\$1,032	\$1,181
125%	\$542	\$728	\$916	\$1,103	\$1,289	\$1,477
135%	\$585	\$787	\$989	\$1,191	\$1,393	\$1,595
150%	\$650	\$874	\$1,099	\$1,323	\$1,547	\$1,772

Source: Concept of 4% Energy Burden based on the median individual energy burden for all Midwest households from 2007 LIHEAP Notebook pg. 71

Equals the Shortfall or Excess of an Affordable Bill

Poverty Level Range	Household Size					
	1	2	3	4	5	6
25%	(\$1,054)	(\$1,017)	(\$1,151)	(\$1,114)	(\$1,249)	(\$1,211)
50%	(\$971)	(\$896)	(\$993)	(\$918)	(\$1,016)	(\$941)
75%	(\$888)	(\$776)	(\$835)	(\$723)	(\$783)	(\$671)
100%	(\$804)	(\$655)	(\$677)	(\$527)	(\$550)	(\$400)
125%	(\$721)	(\$534)	(\$519)	(\$332)	(\$317)	(\$130)
135%	(\$702)	(\$501)	(\$471)	(\$269)	(\$239)	(\$37)
150%	(\$897)	(\$674)	(\$621)	(\$396)	(\$344)	(\$120)

Resulting Average Shortfall or Excess of an Affordable Bill for All Household Sizes

Poverty Level	Ave. Monthly Excess or Shortfall	Current Credits
25%	(\$94.42)	\$50.00
50%	(\$79.67)	\$50.00
75%	(\$64.92)	\$20.00
100%	(\$50.17)	\$20.00
125%	(\$35.50)	\$20.00
135%	(\$30.83)	\$0.00
150%	(\$42.42)	\$0.00