

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

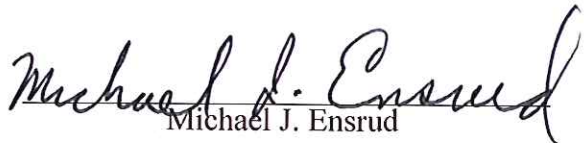
In the Matter of Union Electric)
Company d/b/a Ameren Missouri's)
Filing to Change Criteria for)
Assessment of New Customer)
Deposits)

Case No. ET-2014-0076

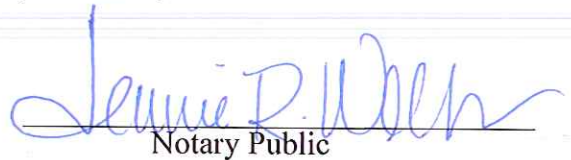
AFFIDAVIT OF MICHAEL J. ENSRUD

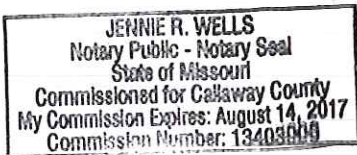
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael J. Ensrud, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


Michael J. Ensrud

Subscribed and sworn to before me this 7th day of March, 2014.


Notary Public






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FICO score Credit scoring model developed by the Fair Issac Corporation. Copyright © 2012, Campbell R. Harvey. All Rights Reserved.

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FICO Score A way of measuring an individual's creditworthiness. A FICO score is a quantification of a variety of factors in an individual's background...

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FICO score. Created by the Fair Isaac Corporation, FICO is the best-known credit scoring system in the United States.

Based on the information in your credit report, your FICO score is calculated using complex, proprietary formulas that weigh the amount of debt you carry relative to your available credit...

The top 20% of credit profiles receive a score over 780 and the lowest 20% receive scores under 620. Lenders use your credit score to assess your credit risk...

The Equal Credit Opportunity Act (ECOA) prohibits factors such as race, color, gender, religion, national origin, or marital status from being considered in any credit scoring system, including FICO.

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Fair Isaac Company (FICO) score

A credit score, based on the name of the company that wrote the software that calculates the scores.

The Complete Real Estate Encyclopedia by Denise L. Evans, JD & O. William Evans, JD. Copyright © 2007 by The McGraw-Hill Companies, Inc.

FICO Score

See Credit Score.

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<p>Mentioned in ?</p> <ul style="list-style-type: none"> A-Credit Account Inquiry Asset Quality credit history Credit Quality Credit Rating Credit Score credit scoring Credit Standards Creditworthiness down payment Fair Isaac Company score FHA Mortgage FICO Impaired Credit Liar Loan Nichification Uncreditworthy 	<p>References in periodicals archive ?</p> <p>But they use different calculations and have different score ranges – the Equifax Credit Score ranges from 280 to 850, and the FICO score ranges from 300 to 850.</p> <p><i>How to Improve Your Credit Score</i> by Kimberly Lankford, Contributing Editor, / Kiplinger.com</p> <p>The FICO score should never have been used to replace the laborious underwriting procedure aimed at judging the ability of borrowers to repay.</p> <p><i>FICO SCORES: THEY CAN'T REPLACE DUE DILIGENCE</i> by Dean Foust / BusinessWeek</p> <p>which tabulates the famous FICO score named for it, found that financial problems actually create more stress than infidelity.</p> <p><i>LOVE'S BIG QUESTION SWEETIE, WHAT'S YOUR SCORE?</i> by Daily News (Los Angeles, CA)</p> <p>More results</p>	<p>Financial browser ?</p> <ul style="list-style-type: none"> Fertach Feu feudal system FF&E FFELP FFO FGIC FH FHA FHA approved FHA insured FHA Mortgage FHA prepayment experience FHFB FHLBS FI FIA 	<p>Full browser ?</p> <ul style="list-style-type: none"> Fick, August Ficker, Julius Von fickle fickle Fickle Insecure Neurotic and Emotional fickleness fickleness fickler fickler ficklest ficklest fickly fickly FICL FiCLA FICLANT
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Ensrud, Michael

From: Fred, Gay
Sent: Wednesday, March 05, 2014 9:41 AM
To: Ensrud, Michael
Subject: RE: Consumer Complaints on Deposits

As a follow-up, Staff has not experienced an increase in consumer complaints since MGE and Laclede implemented credit scoring for determining customer deposits, in fact there have been fewer complaints regarding deposits since they implemented their tariff regarding credit scoring.

Gay Fred
Consumer Services Unit Manager

Missouri Public Service Commission
200 Madison St., Suite 800
P.O. Box 360
Jefferson City, MO 65102

573-751-3160 or 1-800-392-4211
gay.fred@psc.mo.gov

Robin Carnahan

Secretary of State
Administrative Rules Division

RULE TRANSMITTAL

Administrative Rules Stamp

Rule Number 4 CSR 240-13.030

Use a "SEPARATE" rule transmittal sheet for EACH individual rulemaking.

Name of person to call with questions about this rule:

Content Morris Woodruff Phone 573-751-2849 FAX 573-526-6010

Email address morris.woodruff@psc.mo.gov

Data

Entry Chris Koenigsfeld Phone 573-751-4256 FAX 573-526-6010

Email address christine.koenigsfeld@psc.mo.gov

Interagency mailing address Public Service Commission, 9th Fl, Gov.Ofc Bldg, JC, MO

TYPE OF RULEMAKING ACTION TO BE TAKEN

- Emergency rulemaking, include effective date
 - Proposed Rulemaking
 - Withdrawal Rule Action Notice In Addition Rule Under Consideration
 - Order of Rulemaking
- Effective Date for the Order _____
- Statutory 30 days OR Specific date _____

Does the Order of Rulemaking contain changes to the rule text? NO

YES—LIST THE SECTIONS WITH CHANGES, including any deleted rule text:
Sections (1), (2), and (4)

Small Business Regulatory
Fairness Board (DED) Stamp

JCAR Stamp

JOINT COMMITTEE ON
ADMINISTRATIVE RULES
DEC 04 2013
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Missouri Public Service Commission

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573-751-1847 (Fax Number)
<http://www.psc.mo.gov>

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Secretary
WESS A. HENDERSON
Director of Administration
and Regulatory Policy
CHERLYN D. VOSS
Director of Regulatory Review
KEVIN A. THOMPSON
Chief Staff Counsel

Jason Kander
Secretary of State
Administrative Rules Division
600 West Main Street
Jefferson City, Missouri 65101

Re: 4 CSR 240-13.030 Deposits and Guarantees of Payment

Dear Secretary Kander,

CERTIFICATION OF ADMINISTRATIVE RULE

I do hereby certify that the attached is an accurate and complete copy of the proposed rulemaking lawfully submitted by the Missouri Public Service Commission.

Statutory Authority: sections 386.250 and 393.140, RSMo 2000

If there are any questions regarding the content of this proposed rulemaking, please contact:

Morris L. Woodruff, Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street
P.O. Box 360
Jefferson City, MO 65102
(573) 751-2849
morris.woodruff@psc.mo.gov

Morris L. Woodruff
Chief Regulatory Law Judge

**Title 4 – DEPARTMENT OF ECONOMIC DEVELOPMENT
Division 240 – Public Service Commission
Chapter 13 – Service and Billing Practices for Residential Customers of
Electric, Gas, Sewer and Water Utilities**

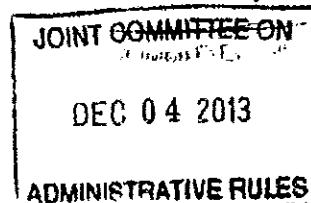
ORDER OF RULEMAKING

By the authority vested in the Public Service Commission under section 386.250(6) RSMo 2000, and section 393.140(11) RSMo 2000, the commission amends a rule as follows:

4 CSR 240-13.030 is amended.

A notice of proposed rulemaking containing the text of the proposed amendment was published in the *Missouri Register* on September 3, 2013 (38 MoReg 1367). Those sections with changes are reprinted here. This proposed amendment becomes effective thirty (30) days after publication in the *Code of State Regulations*.

SUMMARY OF COMMENTS: The public comment period ended October 7, 2013, and the commission held a public hearing on the proposed amendment on October 10, 2013. The commission received timely written comments from Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company; Laclede Gas Company, Ameren Missouri, and The Empire District Electric Company (collectively the Missouri Utilities); the Office of the Public Counsel; Jacqueline Hutchinson, Vice President of Operations for People's Community Action Corporation in St. Louis Missouri; AARP, the Consumers Council of Missouri, and Legal Services of Eastern Missouri, Inc. (collectively the AARP group); Missouri-American Water Company; and the Staff of the Missouri Public Service Commission. In addition, the following people offered comments at the hearing: Rick Zucker, representing Laclede Gas Company and Missouri Gas Energy; Jim Fischer, representing Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company; Allison Erickson on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company; Russ Mitten, representing The Empire District Electric Company; Sarah Giboney, representing Ameren Missouri; Kathy Hart on behalf of Ameren Missouri; Tim Luft, on behalf of Missouri-American Water Company; Marc Poston, representing the Office of the Public Counsel; John Coffman, representing AARP and Consumers Council of Missouri; Jacqueline Hutchinson on behalf of Community Action Corporation in St. Louis Missouri; Jackie Lingum, representing Legal Services of Eastern Missouri, Inc.; Akayla Jones, representing the Staff of the Missouri Public Service Commission; and Gay Fred



and Lisa Kremer on behalf of the Staff of the Missouri Public Service Commission.

The commission considered this particular rule in conjunction with eleven other rules within Chapter 13. Not all persons offering comments addressed this particular rule.

COMMENT: The commission's staff offered a written comment indicating that it continues to support the amendment as proposed.

RESPONSE: The commission thanks staff for its comment.

COMMENT: Public Counsel proposes a slight change of language in subsection (1)(A). It would replace the words "an unpaid bill" with "a past-due bill." Public Counsel proposes that change so that it is clear that the utility can require a deposit because an applicant for service has a past-due bill, not just because of the applicant has an unpaid bill that is not yet due.

RESPONSE AND EXPLANATION OF CHANGE: Public Counsel's proposed change is helpful and will be adopted.

COMMENT: The commission proposes to modify subsection (1)(C) in a way that would modify the utilities' ability to use an applicant's credit score when deciding whether to require the applicant to post a deposit before establishing utility service. The current rule allows a utility to establish an acceptable credit rating under standards contained in the utility's tariff. However, the rule also allows the applicant to *prima facie* establish an acceptable credit rating if he or she 1) owns or is purchasing a home; 2) is and has been regularly employed on a full-time basis for at least one year; 3) has a regular source of income; or 4) can provide adequate credit references from a commercial credit source.

The amended rule as published in the Missouri Register would retain the four alternative criteria for establishing an acceptable credit rating, but would allow applicants the use of those criteria only if they have an insufficient credit history to determine a credit score. Applicants for whom the utility could obtain a credit score would be bound by that credit score with no alternative means of establishing an acceptable credit rating.

The utilities that require deposits from applicants for service prefer to use what they believe to be the more definite criteria of a credit score when deciding which applicants must post a deposit. They contend an applicant's credit score is a very reliable indicator of that applicant's likely willingness or ability to pay their utility bill. They argue that the *prima facie* indicators of credit worthiness as used in the existing rule are more subjective and less reliable indicators of willingness or ability to pay.

The utilities would modify the rule further by specifically recognizing a utility's right to use credit scoring to determine an acceptable credit rating. Under

their proposal, applicants would be allowed to rely on the four *prima facie* indicators of credit worthiness only if the utility has no tariffed standards. Applicants who have no credit score would be deemed to have failed to establish an acceptable credit rating and presumably would be required to post a deposit.

The AARP group, Public Counsel, and other consumer oriented commenters are opposed to the use of credit scoring in determining which applicants for utility service will be required to post a deposit. They are concerned that deposit requirements can make it very difficult for low income people to obtain utility service. Such applicants may be able to pay their monthly bills, but would have a great deal of difficulty in coming up with the extra cash to post a deposit. They worry that credit scores may be overly rigid and as a result may not present a true picture of an applicant's ability or willingness to pay their utility bills. In general, the consumer oriented commenters would prefer to err on the side of allowing people to obtain needed utility service without facing the barrier imposed by a deposit requirement.

RESPONSE: Utilities and their customers, who ultimately must pay for a utility's bad debt, have a legitimate interest in ensuring that new applicants for utility service are able and willing to pay for that service. One way utilities can protect that interest is by requiring a deposit from those customers who may have difficulty in paying their utility bills. The use of a credit score to determine the need for such a deposit is a fair and objective means of making that determination. Other provisions of the rule place limits on the amount of those deposits and allow a customer to pay the deposit in installments. As a result, the requirement of a deposit should not be an insurmountable barrier to obtaining utility service. However, the *prima facie* indicators of credit worthiness contained in the rule should still be available for use by those few customers who do not have a credit score. For that reason, the commission will not modify the rule as proposed by the Missouri Utilities. The revisions as published in the Missouri Register will be retained.

COMMENT: Public Counsel also offers a more general comment about utility credit standards. Public Counsel explains that the current regulation allows utilities to establish their own acceptable credit rating within their own tariffs. Public Counsel suggests the commission should instead establish a uniform credit standard that would apply to all utilities and all ratepayers.

RESPONSE: While the regulation allows utilities to establish their own acceptable credit ratings within their tariffs, the commission still has authority to central the contents of those tariffs by suspending or rejecting proposed tariff changes. Nevertheless, Public Counsel's desire for a uniform standard may have merit. The commission cannot create such a standard on the fly at this stage of the rulemaking process. But, if Public Counsel, or any other interested person, is interested in further examining that possibility, they are welcome to file an appropriate petition for rulemaking to bring the matter before the commission.

Ensrud, Michael

From: Mueller, Mark F <MMueller2@ameren.com>
Sent: Thursday, March 06, 2014 4:47 PM
To: Ensrud, Michael
Cc: Tatro, Wendy K
Subject: Equifax Study samples

Michael,

When I was first questioned about the Equifax study, I thought the accounts used in the sample were only electric. Upon further investigation, I discovered both electric and gas were used. The correct response is what was provided in the DR.

As would be expected (since the study was for all Ameren Missouri residential accounts setup in a three month period), the majority are electric, which reflects our distribution of electric and gas accounts.

Mark Mueller :: Manager, Customer Service :: T 314.206.0659
Ameren Missouri :: 1901 Chouteau Ave. :: St. Louis, MO 63166-6149

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Ameren Missouri
Response to MPSC Data Request
MPSC Case No. GE-2014-0180
Ameren Missouri's Filing to Change Criteria for Assessment of New Customer Deposits

Data Request No.: MPSC 0010 T Opitz

What costs will Ameren Missouri incur by subscribing to Equifax Advanced Energy Risk Score (EAER)? Provide all costs applicable and break down the cost as following: A. The "upfront" cost of subscribing to Equifax Advanced Energy Risk Score (EAER). B. The "per-check" cost each time the Equifax Advanced Energy Risk Score (EAER) was utilized. C. Any fixed monthly charges associated with Ameren Missouri's utilization of Equifax Advanced Energy Risk Score (EAER). D. Any ancillary equipment that Ameren Missouri needs to acquire in order to utilize Equifax Advanced Energy Risk Score (EAER). (Examples being specialized computer equipment & software / specialized connections.) E. Additional personnel and training associated with Ameren Missouri utilizing Equifax Advanced Energy Risk Score (EAER). F. Any other incremental costs associated with Equifax Advanced Energy Risk Score (EAER).

RESPONSE

Prepared By: Mark Mueller

Title: Manager, Customer Service

Date: 1/24/2014

- A. There is no additional cost for Ameren Missouri to utilize EAER scores.
- B. See the Company's response to MPSC Data Request No. 0004.
- C. There are no monthly fixed charges.
- D. There is no ancillary equipment required to utilize EAER scores.
- E. There are no additional personnel needed to utilize EAER scores. Training will be incorporated into normal business and there will be no additional costs associated with it.
- F. See the Company's response to MPSC Data Request No. 0004.

Ameren Missouri
Response to MPSC Data Request
MPSC Case No. ET-2014-0076
Ameren Missouri's Filing to Change Criteria for Assessment of New Customer Deposits

Data Request No.: MPSC 0010 Nathan Williams

What costs will Ameren Missouri incur by subscribing to Equifax Advanced Energy Risk Score (EAER)? Provide all costs applicable and break down the cost as following: A. The "upfront" cost of subscribing to Equifax Advanced Energy Risk Score (EAER). B. The "per-check" cost each time the Equifax Advanced Energy Risk Score (EAER) was utilized. C. Any fixed monthly charges associated with Ameren Missouri's utilization of Equifax Advanced Energy Risk Score (EAER). D. Any ancillary equipment that Ameren Missouri needs to acquire in order to utilize Equifax Advanced Energy Risk Score (EAER). (Examples being specialized computer equipment & software / specialized connections.) E. Additional personnel and training associated with Ameren Missouri utilizing Equifax Advanced Energy Risk Score (EAER). F. Any other incremental costs associated with Equifax Advanced Energy Risk Score (EAER).

RESPONSE

Prepared By: Mark Mueller
Title: Manager, Customer Service
Date: January 24, 2014

See the Company's response to Data Request No. MPSC 0010 in Case No. GE-2014-0180.

Attachment 6

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In Its Entirety