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Issue(s):

Assistance Program Proposals

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Meisenheimer/Direct

Sponsoring Party:

Public Counsel

Case No.:

GR-2004-0209

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Missouri Public  
Service Commission

**DIRECT TESTIMONY**

**OF**

**BARBARA A. MEISENHEIMER**

Submitted on Behalf of the Office of the Public Counsel

**MISSOURI GAS ENERGY**

**CASE NO. GR-2004-0209**

April 15, 2004

**DIRECT TESTIMONY**

**OF**

**BARBARA A. MEISENHEIMER**

**MISSOURI GAS ENERGY**

**GR-2004-0209**

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. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.

5 A. I hold a Bachelor of Science degree in Mathematics from the University of Missouri-  
6 Columbia (UMC) and have completed the comprehensive exams for a Ph.D. in Economics  
7 from the same institution. My two fields of study are Quantitative Economics and Industrial  
8 Organization. My outside field of study is Statistics. I have taught Economics courses for  
9 the following institutions: University of Missouri-Columbia, William Woods University,  
10 and Lincoln University. I have taught courses at both the undergraduate and graduate  
11 levels.

12 Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?

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

15 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

1 Service Board. The Missouri Universal Service Board is charged with oversight of the  
2 administration of the MoUSF. Currently it is working toward implementing the low-  
3 income component of the MoUSF. I also served on the committees that developed and  
4 provided oversight for the Telecommunications Equipment Distribution Program for first  
5 the PSC and later the Missouri Department of Labor and Industrial Relations. This program  
6 provides telecommunications equipment for Missouri's disabled consumers including many  
7 that are low-income consumers.

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

12 With respect to low-income programs and energy efficiency programs for natural gas  
13 utilities, I participated in the Public Service Commission's Natural Gas Task Force  
14 Workshops, reviewed Roger Colton's testimony filed on behalf of Public Counsel in Case  
15 No. GR-2001-292 regarding the appropriate design of an experimental low-income program  
16 for Missouri Gas Energy, reviewed the report that Mr. Colton has recently completed on the  
17 results of that program and filed testimony in response to Laclede Gas Company's proposal  
18 to implement an arrearage forgiveness program in Case No. GT-2003-0117. I have also  
19 participated in the collaborative workshops initiated to develop and implement a low-  
20 income rate/weatherization program for AmerenUE gas customers and to implement a

1 A. I believe it is paramount to balance the need for low-income and energy efficiency programs  
2 with the need to ensure that Missouri's utility consumers pay rates that are just and  
3 reasonable. To the extent that ratepayers are called upon to fund low-income and energy  
4 efficiency programs, the programs should be designed so that they can reasonably be  
5 expected to balance the interests of those who receive support with the interests of those  
6 who provide it. Ratepayer funding for programs that cannot reasonably be expected to  
7 balance both interests should not be imposed through the ratemaking process unless there is  
8 a specific legislative mandate to do so. Further, I believe it is appropriate for the  
9 Commission to require that a party that proposes a particular program demonstrate the likely  
10 success of the program and that success will not come at an unreasonable cost.

11 Q. HAS PUBLIC COUNSEL SUPPORTED EXPERIMENTAL LOW-INCOME AND  
12 WEATHERIZATION PROGRAMS?

13 A. Yes, Public Counsel has been active for over 10 years in proposing and supporting  
14 weatherization and low-income proposals on an experimental basis in cases where we  
15 believed such programs were likely to produce meaningful results while also reasonably  
16 balancing the interests of the program recipients and the rate-payers who fund the programs.  
17 Despite limited resources, the Public Counsel has been very committed to these efforts.  
18 Public Counsel retained a national expert, Mr. Roger Colton, to testify regarding the proper  
19 design of low-income programs in Missouri Gas Energy's last rate case. A modification of  
20 that program was approved by the Commission as a component of an overall settlement of

1 proposed to distribute a contribution of \$250,000 to the Mid-America Assistance Coalition  
2 for use in assisting customers experiencing difficulty paying their gas bills. The  
3 Commission approved the proposal, effective February 20, 2004.

4 Q. PLEASE DESCRIBE THE IMPACT OF THE LOW-INCOME BILL DISCOUNT  
5 PROGRAM CONDUCTED IN THE JOPLIN AREA.

6 A. Roger Colton prepared an evaluation of the Joplin Program in October 2003 indicating that  
7 the program had demonstrated successful results in assisting low-income participants to  
8 move closer to achieving payment patterns consistent with the general residential  
9 population. Mr. Colton's analysis concluded that the MGE program, which provided  
10 "tiered" bill discounts at \$40 and \$20 in an effort to offset low-income customers' needs  
11 associated with achieving a more affordable natural gas bill, was successful in reducing the  
12 incidence and rate of nonpayment and reducing the incidence and level of arrears. Further,  
13 Mr. Colton estimated that approximately 64% of explicit costs were offset for MGE  
14 program.

15 Q. DO YOU BELIEVE THE JOPLIN PROGRAM SHOULD BE CONTINUED?

16 A. Yes, I do. Based on the limited timeframe that the program was in effect I believe the  
17 results show promise in improving low-income customers' ability to pay and in achieving a  
18 reasonable level of offsetting benefits to the general body of ratepayers relative to the  
19 program costs.

1 Joseph customer base that helped fund the previous program would now get to share in  
2 some of the benefit from the program. I feel this is particularly relevant given that  
3 residential customers in the St. Joseph area have experienced increased electric and water  
4 rates in recent years. Finally, I believe it will improve the insight that can be gained  
5 regarding the effectiveness of the program.

6 Q. PLEASE EXPLAIN HOW INCLUDING ST. JOSEPH PARTICIPANTS WILL  
7 IMPROVE INFORMATION ON THE EFFECTIVENESS OF THE PROGRAM.

8 A. I anticipate that conducting a uniform program in areas with differing winter usage will  
9 enhance the informational value produced from the experiment. Offering the program in  
10 both the Joplin and St. Joseph areas would allow for comparisons of the programs  
11 effectiveness in meeting the needs of low-income customers facing significantly different  
12 winter heating bills. Evaluating the program for differing winter usage may also produce  
13 more information of the level of net cost of the program. For example, in St. Joseph, where  
14 the weather tends to be colder, the savings associated with reducing gas usage may yield a  
15 greater net benefit.

16 **Low-Income Weatherization And Energy Efficiency Proposals**

17 Q. DOES PUBLIC COUNSEL SUPPORT CONTINUATION OF THE LOW-INCOME  
18 WEATHERIZATION PROGRAMS AVAILABLE IN MGE'S SERVICE AREA?

1 interest rate loan programs have been developed that appear to assist moderate and middle-  
2 income households at relatively low program costs. Pay As You Save provides up-front  
3 funding for the purchase and installation of energy efficiency measures that a participant  
4 might not have been otherwise able to afford. The recipient repays the cost of the measures  
5 over time through an additional charge on their monthly utility bill. The adder is designed  
6 to be less than the level of savings the efficiency measure produces. A specific benefit of  
7 this approach is that consumers that might not otherwise be able to secure or afford a loan  
8 sufficient to make significant improvements would be able to under such a program. Low  
9 interest or zero interest loans offer additional options for consumers that could and would  
10 make investments to reduce energy efficiency if offered an incentive to do so. Based on my  
11 initial review of some the programs currently available and new initiatives being developed  
12 across the country, I believe it is time for Missouri to explore these programs and potentially  
13 other alternatives.

14 **Q. PLEASE DISCUSS THE POTENTIAL BENEFITS OF IMPLEMENTING "SELF-**  
15 **SUFFICIENT" PROGRAMS TARGETED TO THE NEEDS OF MODERATE AND**  
16 **MIDDLE INCOME HOUSEHOLDS.**

17 **A.** A primary benefit is that such programs may help to limit unnecessary rate increase. In  
18 recent years there have been a number of requests to fund energy efficiency measures by  
19 through utility rate increase. While in some cases, for the electric industry such increases  
20 may be offset by system-wide cost reductions attributable to overall lower energy use, it is

1 per year in MGE's Kansas City service area. In addition, I believe it would be reasonable to  
2 implement a low interest loan program available to customers with income up to \$100,000  
3 per year.

4 Q. WHAT SHOULD BE DONE WITH ANY EXCESS FUNDS ASSOCIATED WITH THE  
5 PROGRAMS YOU HAVE DISCUSSED?

6 A. When a program ends, any excess funds should flow back to ratepayers.

7 Q. DO YOU HAVE RECOMMENDATIONS WITH RESPECT TO ANY COLLABORATIVE  
8 OR WORKSHOPS THAT MIGHT NEED TO OCCUR BEFORE THE PROGRAM  
9 BEGINS?

10 A. Yes. I believe a collaborative or workshop will be necessary and I encourage the  
11 Commission to ensure that the process will be accessible to all interested entities. Given  
12 that the experimental programs might eventually form the basis for statewide programs, it  
13 should provide an opportunity for interested entities or individuals who are knowledgeable  
14 but who are not participating in this particular case before the Commission to observe and  
15 provide suggestions on how such programs can best be implemented.

16 Q. HAVE YOU ESTIMATED THE CUSTOMER IMPACT OF YOUR PROPOSAL,  
17 SPONSORING?

18 Q. Yes. If fully recovered from residential customers, I estimate the total cost for  
19 weatherization, low-income program, and efficiency initiatives would be 16¢ per month.