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Witness: Anne E. Ross

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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

FILED

OF

JUL 13 2004

ANNE E. ROSS

**Missouri Public
Service Commission**

MISSOURI GAS ENERGY

CASE NO. GR-2004-0209

Jefferson City, Missouri

April 2004

Exhibit No. 836
Case No(s). GR-2004-0209
Date 6-21-04 Rptr

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's)
Tariff Sheets Designed to Increase Rates)
For Gas Service in the Company's)
Missouri Service Area)

Case No. GR-2004-0209

AFFIDAVIT OF ANNE E. ROSS

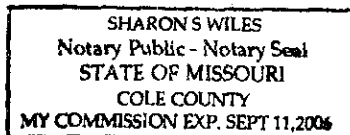
STATE OF MISSOURI)
)ss
COUNTY OF COLE)

Anne E. Ross, of lawful age, on her oath states: That she has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 20 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.


Anne E. Ross

Subscribed and sworn to before me this 22nd day of April, 2004.


Notary Public



My commission expires _____

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1 A. There are two reasons. First, in March, 2004, the Commission created a
2 Cold Weather Rule and Long Term Energy Affordability Task Force to examine and
3 propose changes to the Cold Weather Rule, and also to "examine possible programs for
4 improving long-term energy affordability for those in need of assistance . . ." and report
5 "findings, and any recommendations . . . no later than March 31, 2005." It will aid the
6 task force in its examination of these issues if actual Missouri-specific information could
7 be collected.

8 Second, Staff believes that, with the volatile price of natural gas, lower-income
9 customers are increasingly finding themselves unable to pay their full gas bills and
10 programs should be designed to address this instead of forcing utilities to implement their
11 collection or disconnect policies. The price of the commodity has risen dramatically and
12 few programs have been designed to address this problem.

13 Q. Do you have any real evidence that MGE's gas customers are having
14 increasing problems paying their bill?

15 A. Yes. In response to Staff Request No. 119, MGE provided information
16 that suggests that the balance in the Company's Uncollectible account has gone up 106%
17 in the past year.

18 The inability of customers to pay their full bill is more than a personal or social
19 problem – it is a revenue problem for the utility, and ultimately a cost borne by other
20 customers. Arrearages, written-off bad debt, customer service and collection expenses,
21 the costs of disconnecting service - all are costs driven by customers' inability to pay, and
22 may ultimately be factored into the rates paid by all customers.

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1 Q. Have you seen any evidence that taking action to make customers' bills
2 affordable lowers the level of a Company's expenses in a cost-effective way?

3 A. Yes. A 1997 Order of the Pennsylvania Public Utility Commission stated
4 that, "Given the result of impact evaluations already reviewed, we expect that EDCs
5 [Electric Distribution Companies] will choose to enhance their CAPs [Consumer
6 Assistance Programs] as a cost effective strategy for serving low-income customers."
7 (Final Order Re: Guidelines for Universal Service and Energy Conservation Programs,
8 Made Pursuant to 66 Pa. C.S, Sections 2803, 2802 (17), 2804(8) and 2804(9), Docket No.
9 M-00960890F00100, issued July 7, 1997).

10 According to an article in the Northwest Energy Coalition Report, Public Utility
11 Commissions in Pennsylvania, New York, and Wisconsin, "recognized that utility
12 investments in bill assistance benefit both shareholders and other ratepayers by reducing
13 utilities' costs." (Volume 17, Northwest Energy Coalition Report, No. 10 at p.3)

14 In its evaluation of the Oregon Energy Assistance Program (OEAP), a program
15 providing regular, and/or crisis, bill-paying assistance to low-income households,
16 Quantec LC concluded that from the company and ratepayer perspective, three year
17 benefit/cost (b/c) ratios ranged from 0.96 b/c in year one to 1.61 b/c in year three, with
18 societal/Oregon b/c ratios of 1.03 b/c to 1.71 b/c. (Table V.2). Benefits were measured
19 by looking at, among other things, the reduction in arrearages, terminations, collection
20 activities, and shutoffs.

21 Q. Won't lowering the amount that customers must pay for their energy then
22 lower the amount the utility collects?

1 A. No, in fact, it may very well increase the amount collected. An evaluation
2 of the Guarantee of Service Plan, a Percentage of Income Payment Plan, initiated by
3 Clark County, WA, Clark Public Utilities, and NW Natural Gas, found that before the
4 Guarantee of Service Plan program began, low-income customers paid about \$29/month
5 to the utility; after participation in the program, average monthly payments increased to
6 \$52/month. (NW ECR; 17/10, p. 1) The study estimated that, by the third year, the utility
7 had saved about \$300,000 as a direct result of a 36% decline in the amount written off
8 due to non-payment, (NW ECR; 17/10, p. 1) and concluded that "most impressive was
9 the fact that low-income customers themselves paid more once they felt their utility bills
10 were under control." (Volume 17, Northwest Energy Coalition Report, No. 10 at pp.3-4)

11 In "Low Income Consumer Utility Issues: National Perspective," a 2000 report
12 by Jerrold Oppenheimer and Theo MacGregor, the authors comment that:

13 Thus, if the bills are made more affordable, experience
14 demonstrates that low-income customers in general will
15 pay more of their bill. As arrearages grow, low-income
16 customers are apt to become fearful of ever getting out
17 from under their debt...In fact, that customer is likely to
18 become discouraged and to stop making any payments at
19 all.

20 **WHO ARE THESE CUSTOMERS?**

21 Q. Are there different types of low-income customers?

22 A. Yes. The Staff believes there are three general types of low-income
23 customers.

24 Q. Please describe the different types of low-income customers.

25 A. The first group of low-income customers are households with extremely
26 low or no income. These are people who will probably never be able to pay their gas

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1 bills, no matter what the price. They are unable to obtain sufficient income and use it to
2 pay their utility bills. Perhaps they are elderly, with little retirement income, or disabled,
3 or mentally or physically ill, or maybe they just can't hold a job. In addition, there are
4 households who just refuse or can't pay their heating bill regardless of the amount of the
5 bill. Whatever the reason, these households need heat in the winter.

6 The second group of low-income customers has a source of income, but it may
7 not be sufficient to pay portions of their energy bills, especially in times of extreme
8 weather. These households may have been unable to pay their full gas bills before the
9 increase in natural gas prices, and are even further behind currently. These households
10 often must rely on public or private energy assistance to stay current with their energy
11 bills.

12 The third group of low-income customers is composed of customers who have a
13 steady source of income, but earn barely enough to meet their families' basic needs; for
14 example, senior citizens on a fixed income, and the 'working poor' or 'new poor', as I
15 have heard them characterized. An increase in the price of a necessity, like natural gas,
16 can create a situation where these customers can no longer pay their utility bills without
17 foregoing other, equally important needs, like food or medical care. Unlike the
18 households in the second group, these low-income customers often do not qualify for
19 energy assistance because of their annual income. But, like customers in the second
20 group, these customers continue to struggle to stay current with their energy bills.

21 Q. Please describe your definition of "low-income customers" for this
22 program.

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1 A. For purposes of this program, the term "low-income customer" or
2 household refers to households with income from 0% - 125% of the Federal Poverty
3 Level (FPL).

4 Q. What are some of the factors that exacerbate the inability of these
5 households to pay their utility bill?

6 A. Low-income households spend a much larger percentage of their income
7 on energy compared to moderate-or higher-income households. While a low-income
8 family can scale down some expenditures (i.e., buy an older car, shop at thrift shops),
9 they can only cut back so far on the amount of natural gas required to keep their family
10 warm in the winter, which gives them little control over their bill. Compounding the
11 problem, the homes of many of these customers are older structures with inadequate
12 insulation, inefficient furnaces, and other problems, which make the gas usage of the
13 household unnecessarily high. Higher-efficiency appliances, or measures such as
14 insulation, will save money over the life of the improvement, but the initial investment is
15 currently not within their income levels.

16 Q. Gas bills fluctuate during any year. Does this pose an additional problem
17 for low-income customers?

18 A. Yes. Bills that fluctuate to the degree that gas bills do can affect many
19 households, regardless of income level. Many low-income customers have fixed
20 incomes, and cannot deal with the significant fluctuations in gas bills. They are in a
21 financial position where they have little or no savings, and most likely have few sources
22 of supplemental income. The inability to pay utility bills creates frustration and a feeling
23 of hopelessness. To complicate matters even more, during the summer when the

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1 customer could begin to pay down their gas arrearages, many customers are facing the
2 challenge of staying current on their electric bills. This challenge these customers face
3 regarding their ability to pay their gas and electric bills decreases the effectiveness of
4 utilities' level payment plans.

5 Q. What is one possible customer response to this type of chronic income
6 shortfall?

7 A. The customer pays the bills, or a portion of it. They may go without other
8 necessities but, if at all possible, they pay the bill.

9 Q. What do you believe finally happens with those customers who find that
10 they cannot stay current with paying their bills and start accumulating large bill
11 arrearages?

12 A. The situation snowballs. The customer, who apparently couldn't pay his
13 bill before, now owes for past usage as well as current usage. Late charges are assessed,
14 which just increases the amount owed by the customer. I believe that many customers
15 eventually give up. The situation begins to appear hopeless so the customer pays other,
16 more manageable bills.

17 Q. How can a household receive gas heating service if they do not have the
18 income to pay for it?

19 A. There are a variety of ways – by using emergency energy assistance, by
20 changing the name on the account, by moving, by discontinuing gas service in the warm
21 months, and many others that I'm not even aware of.

**HISTORY OF LOW- INCOME ASSISTANCE ACTIVITIES AT THE
PSC**

Q. What has been the Public Service Commission's response to this problem?

A. The Cold Weather Rule was implemented by the Commission in 1977, with an Emergency Cold Weather Rule enacted during the winter of 2000-2001. As discussed earlier, a task force has been created to review and suggest changes to the Cold Weather Rule. Furthermore, the Commission Staff has been actively involved in several task forces and committees, such as the Missouri Energy Task Force, the Natural Gas Commodity Price Task Force, and the Committee to Keep Missourians Warm, as well as other activities, such as the Town Hall Meetings held last fall around the state. The Staff believes that in the Cold Weather Rule, the Commission has recognized the need for space heating for low-income customers during the winter period. However, this program does not provide protection for the customer(s) once the winter season has passed and the spring season arrives. At that time, many low-income customers have large arrearages and face the immediate threat of losing their gas service.

Q. What has been the response of the natural gas utilities to this growing problem?

A. Missouri Gas Energy (MGE) implemented an Experimental Low-Income Rate program as part of the settlement of Case No. GR-2001-292. This program assists MGE households at 100% of the Federal Poverty Level (FPL) and below by applying a monthly credit to their bill. Empire District Electric Company has also implemented a program similar to the MGE program described above.

AmerenUE has the ongoing Dollar More program, and, as a result of the settlement of Case No. EC-2002-1, AmerenUE, as part of the agreement, committed to

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1 make an initial \$5 million contribution to its Dollar More Program on September 1, 2002,
2 and continues to contribute \$1 million more each year for the next four years.
3 AmerenUE also created a weatherization fund for its low-income customers, and initially
4 funded it with \$2 million on September 1, 2002, and continues to contribute an additional
5 \$500,000 each year for the next four years. As a result of AmerenUE's initial \$5 million
6 contribution to Dollar More, AmerenUE initiated a program called "Clean Slate," which
7 provided 100% arrearage forgiveness to certain ratepayers. The results of the Clean Slate
8 Program have not been fully compiled and evaluated. Finally, in the settlement of Case
9 No. GR-2003-0517, the Commission's order provides \$100,000 to fund an experimental
10 weatherization/discounted rate program in the Scott/Stoddard county area.

11 As a result of recently settled Case No. GR-2004-0072, Aquila Networks, Inc.,
12 Staff, and the Office of Public Counsel (OPC) have also begun the planning and
13 implementation of a program with both weatherization and fixed-bill-credit components.

14 Q. What are the bill-assistance programs currently available to MGE's
15 low-income natural gas heating customers?

16 A. There are two main programs: Energy Assistance (EA), and the
17 Emergency Crisis Intervention Program (ECIP).

18 Q. Please describe the EA program.

19 A. The EA program uses Federal Home Energy Assistance Program
20 (LIHEAP) grants to provide one-time (per heating season) assistance to households who:

- 21 • Are at or below 125% of the current (FPL).
- 22 • Are responsible for the fuel bills.

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1 This assistance can be applied to their primary heat source, and is a set dollar
2 amount based on the type of fuel, region, household size, and income. Households apply
3 at the Community Action Agency (CAP) serving their area. 2003 EA grants ranged from
4 \$139 - \$237 per applicant household for the Southern region of Missouri.

5 Q. Please describe the Emergency Crisis Intervention Program (ECIP).

6 A. The ECIP program uses LIHEAP funds to provide emergency assistance
7 to households that:

- 8 • Are at or below 125% of the FPL.
- 9 • Have received a shut-off notice from the utility. This requirement is
10 relaxed if you are age 65 or older.

11 This assistance is the lesser of the amount required to maintain or reconnect
12 service, or \$600, per heating season. The information gathered for EA funds, along with
13 a shut-off notice, is used to determine customer eligibility.

14 Q. Are these programs sufficient in getting low-income customers to the
15 point where they can pay their bill in full, and on time?

16 A. No, not generally.

17 **PROGRAM GOALS**

18 Q. What should the goals be for this experimental program?

19 A. The goals of this program are to gather data, perform analysis and provide
20 results to:

- 21 • Help Missouri policy-makers develop cost-effective state-wide
22 programs to make space-heating affordable to low-income customers.
- 23 • Measure the effects of positive incentives on timely bill payment
24 compared to current negative incentives such as collection activities
25 and service disconnections.

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- To increase the energy efficiency of low-income households through weatherization and other methods.
- Ensure the program has a benefit/cost ratio greater than one.

PROGRAM REVISIONS

Q. What are the revisions to the current program that Staff believes are appropriate?

A. The revisions are as follows:

- The income requirement for the program will go up to 125% of FPL, as opposed to the current ceiling of 100%.
- Bill credits will be changed from \$20/\$40, 12 months out of the year, to \$20/50 for the five space-heating months of November – March.
- Households participating in the program will not be required to participate in MGE's budget billing, or ABC, plan.
- If the customer has an arrearage balance, these balances will be repaid at the rate of no more than \$30 per month. The customer can make extra payments, if desired, but will not be required to do so.
- The 24 month time limitation for participation in the program is removed.

Q. Please discuss the first revision.

A. At the current time, the program is only offered to customers whose household income is from 0 – 100% of the FPL. Staff proposes that the upper income limit be raised to include all households that currently qualify for federal energy assistance.

Q. How are the credits structured in the current program?

A. Currently, households in the 0 – 50% FPL range receive a monthly credit of \$40, year-round. The credits for households in the 51 – 100% FPL range are \$20, and are also applied 12 months out of the year.

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1 Q. What changes is Staff proposing to these credits?

2 A. Staff is proposing that the \$20 and \$50 credits be applied to customer bills
3 in the five heating months of November – March. Fifty dollar credits will apply to
4 households in the 0-50% of the FPL. Twenty dollar credits will apply to households in
5 the 51-125% FPL.

6 Q. Why is Staff proposing that credits only apply during November – March?

7 A. This credit period corresponds to the winter heating season as described in
8 the Company's tariff.

9 Q. What is a levelized payment plan?

10 A. A levelized payment plan is one in which the utility customer pays the
11 same amount each month, regardless of the household's actual usage in that month. The
12 amount the customer pays is based on their historical and/or estimated usage. The
13 levelized payment is reviewed annually and is trued up.

14 Q. Does MGE offer a levelized payment plan?

15 A. Yes. MGE's plan is called the Average Bill Calculation, or ABC plan.

16 Q. Is this program offered to all Residential customers, including those
17 on the current ELIR program?

18 A. The program is optional for most Residential customers; at the current
19 time it is required for the customers on the ELIR.

20 Q. Does the Staff propose a modification to this requirement?

21 A. Yes. Staff proposes that customers on the ELIR rate have the option of
22 ABC billing, but does not believe it should be required.

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1 Q. Why do you believe that the ABC billing requirement should not be a
2 condition of this program?

3 A. There are two reasons.

- 4 • The customer may not be in a levelized payment plan with their
5 electricity provider, and may depend on getting a low natural gas bill in
6 the summer, when their electric bills are likely to be at their highest.
7
- 8 • Rather than a monthly amount year-round -- including the summer
9 months - the Staff's plan offers a bill credit during the winter months of
10 November - March, when natural gas usage for space heating tends to be
11 highest. This makes an ABC plan less beneficial.

12 Q. Why is Staff proposing a ceiling on the amount of arrearage repayment
13 required of participating MGE customers?

14 A. It is not good policy to require arrearages to be paid off in a certain
15 amount of time, regardless of the level of the payment. In the present program, a
16 customer having a \$600 arrearage balance would be required to pay from \$20 - \$50
17 monthly on this balance as a requirement of participation. The customers in the lowest
18 income levels of the program may have a household income of as low as \$200 per month,
19 which means that a standardized arrearage repayment schedule would force them to pay
20 10% of their income for past usage. Remember, they will also be asked to pay their bill,
21 which includes the arrearage portion, fully, and on time. The additional burden of
22 arrearage payments may prevent the customer from staying current with their bills.

23 Q. Please describe the 24-month limit on program participation.

24 A. Currently, the tariff states that "Participants in the ELIR will receive the
25 ELIR credit for which the participant qualifies for up to 24 months..." Staff believes that
26 this restriction should be lifted, and customers allowed to continue to participate as long

as they meet the criteria. The program will be evaluated at the end of two years and a recommendation will be made on the effectiveness of the program.

PROGRAM ADDITIONS

Q. What are the additions to the current program that Staff believes are appropriate?

A. The additions are as follows:

- MGE will initiate the outreach portion of the program by sending a letter to all previous participants in the ELIR program notifying them of the opportunity to participate in this program.
- All customers on the program will have an energy audit, and their home will be weatherized if needed.
- Program participants will receive energy efficiency education.
- Customers will receive a general waiver of late fees and charges on past balances while participating in the program. If the customer pays a late or partial payment, they may receive a late fee for the required payment in that month only, not on any arrears.
- If the customer has paid the previous six months of bills fully and on time, MGE will write off an amount equal to the customers' arrearage payments during those six month, up to a limit of no more than \$200 in any six month period. MGE will not charge this arrearage write-off to the Company's bad debt account.
- Participants will be allowed three occurrences of late or partial payment in their first year on the program. After the second occurrence, an MGE service representative will personally contact the customer – not to collect the money, but to review the program requirements and discuss options with them. After the third occurrence, the service representative will inform the customer that one more late payment will make the customer ineligible to continue in the program. After the third occurrence, the service representative will again contact the customer and the household will be taken off the program. Unless a special waiver is granted, subsequent incidents will be handled using the Company's normal collection policies, with the collection timeline beginning at that point.
- In their second year on the program, a participant will be allowed two occurrences of late or partial payment. After the second occurrence, an MGE service representative will personally contact the customer.

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1 Payment options will be discussed with the customer at that time and the
2 customer will be informed that if one more payment is late the household
3 becomes ineligible to continue in the program.
4

5 Q. What outreach activities are you proposing?

6 A. MGE will send all former program participants, and any others from this
7 area who have received LIHEAP assistance in the past two years, a letter explaining the
8 new program. The letter will contain contact information for an MGE service
9 representative or the Joplin CAP agency.

10 Q. Why is weatherization an addition to the current program?

11 A. Weatherization should be a part of any low-income program. The
12 installation of permanent, cost-effective efficiency weatherization measures is an
13 excellent long-term action to address the problem of unaffordable natural gas bills, and
14 should be a part of any program designed to assist low-income customers in paying their
15 utility bills.

16 Q. How much, on average, does it cost to weatherize a home in Missouri?

17 A. In Missouri, the average cost to weatherize a home is \$2,600.

18 Q. What is the estimated life of weatherization measures?

19 A. Weatherization measures have a life of up to 20 years.

20 Q. What is the estimated energy savings for a weatherized home?

21 A. Weatherizing a home cuts both heating and cooling costs, with resulting
22 estimated annual natural gas savings as high as 23%, and annual electricity savings at
23 about 12%.

24 Q. What type of cost/benefit ratio do weatherization measures have?

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1 A. Various studies have estimated the cost/benefit ratio of weatherization to
2 be as high as 3.71 for each dollar invested.

3 Q. What are some of the benefits of weatherization for the household?

4 A. Performing needed weatherization should lower the household's energy
5 bills. This will enable the household to use the same amount of energy and spend less,
6 or, if the household has been turning down the furnace in an attempt to keep the bill low,
7 the household can use an adequate amount of energy for the same price.

8 Safety is another benefit of weatherization. During the weatherization audit and
9 work, inspectors also measure carbon monoxide levels in the home, make sure that there
10 is an adequate number of working smoke alarms, and detect dangers such as faulty wiring
11 or unsafe appliances. Once the weatherization is completed, the safety of the household
12 is increased due to the decreased use of hazardous heat sources, such as a damaged
13 furnace, old electric space heater or unsafe woodstove, which reduce the possibility of a
14 fire or other accident.

15 Q. Can ratepayer funded weatherization of low income customers benefit all
16 MGE customers?

17 A. Weatherization reduces expenses associated with the collection activities
18 of the utility, since households are better able to pay their bill in full. It reduces the dollar
19 amount of late payments and the amount of uncollectible expense. Disconnection and
20 reconnection expenses are also expected to decrease. All of these actions benefit the
21 other utility customers. These types of savings must be tracked by the Staff and
22 Company to determine the level of benefits this program will provide to all customers of
23 MGE's customers.

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1 Q. Does the Staff propose to offer the low-income rate to qualified MGE
2 customers who have previously been weatherized?

3 A. Yes. Staff proposes that this program be available to households who
4 have been weatherized in the past three years. By offering this rate to those low-income
5 customers, Staff will be able to gather more information upon which to measure many of
6 the premises contained in this program design, it will increase the potential pool of
7 applicants.

8 Q. If a low-income household was weatherized previously, will the
9 appropriate usage information be available?

10 A. Yes. MGE does not purge its records, so there should be several years of
11 records available on many of these households.

12 Q. Please describe the energy efficiency education that Staff proposes to add
13 to the current ELIR program.

14 A. Energy education is another important component of a program designed
15 to make energy bills affordable; therefore, all new participants will be asked to attend a
16 short class on energy conservation. In addition, each customer will receive on-site
17 energy efficiency education when the home is weatherized.

18 Q. What is Staff's position on the current program's policy regarding late
19 fees?

20 A. Many customers coming on the program will have some level of unpaid
21 past bills. These customers will receive a general waiver of late fees and charges on their
22 arrearage balance while in the program. The exception to this will be in the case that the

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1 customer makes a late or partial payment. In this case, the Company may assess a late
2 fee, but on the current bill only.

3 Q. Please discuss the Staff's proposal to allow up to three late or partial
4 payments the first year of the program, and two the second year of the program.

5 A. The incentives in this program are designed to encourage, and enable,
6 regular and prompt utility bill payment for lower-income customers. This program will
7 require behavioral changes for some customers to pay their bills on time. This change in
8 a customer's payment habits will not occur automatically. In recognition of this, the Staff
9 is proposing that a certain number of these occurrences be expected and designed for in a
10 customer's first and second year on the program.

11 Q. In the first year, what will happen after the first late pay occurrence?

12 A. Nothing. The customer will be charged a late charge on the current bill,
13 but will not be contacted by MGE.

14 Q. What will happen after the second occurrence?

15 A. At this point, the MGE customer service representative will contact the
16 customer – not to collect money, but to review the program parameters, and discuss
17 options with them, as applicable.

18 Q. What will happen after the third occurrence in the first year?

19 A. The MGE customer service representative will again contact the customer,
20 explain that the customer cannot remain on the program if they have any more late or
21 incomplete payments, and discuss alternatives such as the ABC plan. In any of these
22 contacts, a waiver may be granted for special circumstances, such as illness, that will
23 provide that successive occurrences are treated as one occurrence. The financial security

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1 of lower-income households can be tenuous at best, and occurrences such as unexpected
2 medical bills, car repairs, or an involuntary reduction in hours worked per week can
3 easily wreck even the most carefully designed budget. The Staff, therefore, would
4 support granting a variance to customers who experience these situations. The variance
5 would allow the customer to continue on the program.

6 Q. In the second year, what will happen after the first occurrence?

7 A. The actions taken by an MGE customer service representative will be
8 similar to those taken in the first year, but will commence with the first occurrence, rather
9 than the second.

10 Q. What will be done about the 300 customers participating in the current
11 program?

12 A. These customers will be given a choice as to whether they want to remain
13 in the current program, or transfer to this revised program. Safeguards will have to be put
14 in place to insure that customers do not receive any more assistance if changing programs
15 than would otherwise be received.

16 Q. Who will administer this program?

17 A. MGE will continue to administer the program. The Community Action
18 Agency for this area -- Economic Security Corporation of Southwest MO -- will take
19 applications and certify customers for the program. Since the criteria for this program is
20 the same as that collected with LIHEAP applications, this should not be a burdensome
21 task for the agency.

22 Q. When does the Staff believe this program can be implemented?

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1 A. While MGE will have to do mailings, and may even hold informational
2 meetings in the Joplin area, the program is largely in place, and Staff believes that the
3 revisions and additions could be accomplished quickly.

4 Q. How will the weatherization and bill credits be funded?

5 A. An 8¢ monthly surcharge added to Residential customers' bills. The funds
6 generated by this surcharge will be adequate to provide bill credits of \$20 and \$50 to
7 customers for the winter months and weatherize approximately 100 homes annually.
8 Furthermore there are funds remaining from the previous surcharge, which can also be
9 used to weatherize homes for study participants, and Staff recommends that these funds
10 be used in this manner over the life of the revised experimental program.

11 **SUMMARY**

12 Q. Please summarize the Staff's position.

13 A. The Staff is proposing that the current MGE experimental program be
14 continued with certain addition and modifications. To fund the program, the 8¢
15 residential monthly surcharge should be reinstated.

16 Q. Does this conclude your Direct Testimony?

17 A. Yes.