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Issue(s): Low-Income Residential
Customers
Witness: Richard Mark
Sponsoring Party: Union Electric Company
Type of Exhibit: Direct Testimony
Case No.: ER-2010-0036
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

DIRECT TESTIMONY

OF

RICHARD MARK

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a AmerenUE**

**St. Louis, Missouri
February 19, 2010**

1 **DIRECT TESTIMONY**

2 **OF**

3 **RICHARD MARK**

4
5 **CASE NO. ER-2010-0036**

6 **Q. Please state your name and business address.**

7 A. My name is Richard Mark. My business address is One Ameren Plaza,
8 1901 Chouteau Avenue, St. Louis, MO 63103.

9 **Q. By whom and in what capacity are you employed?**

10 A. I am employed by AmerenUE as Senior Vice President Customer Operations.

11 **Q. Are you the same Richard Mark who filed rebuttal testimony in this case on**
12 **February 11, 2010?**

13 A. Yes, I am.

14 **Q. What is the purpose of your direct testimony regarding rate impacts on**
15 **AmerenUE's low-income residential customers?**

16 A. On February 10, 2010, the Commission issued its **Order Directing the Parties to**
17 **Address the Concerns Raised by AmerenUE's Low-Income Residential Customers** (Order).
18 The Order authorized the parties to file testimony addressing reducing the financial burden on
19 AmerenUE's low-income customers. The Order also requested testimony addressing the
20 feasibility of establishing a "very low-income" customer class, and certain specific issues related
21 to the establishment of that class. The purpose of this testimony is to respond to the Order.

22 **Q. Are any other AmerenUE witnesses filing direct testimony in response to the**
23 **Order?**

1 A. Yes. Wilbon Cooper is also filing direct testimony on this issue. Mr. Cooper will
2 provide a more technical analysis of the impact on other customers of establishing a “very low-
3 income” customer class, while my testimony will address the policy considerations involved in
4 taking such a step, or implementing other measures to reduce the financial burden for low-
5 income customers.

6 **Q. Mr. Mark, are you aware of the witnesses testifying at the local public**
7 **hearings in this case stating any rate increase would create a financial burden for**
8 **customers?**

9 A. Yes. I attended several of the local public hearings for this case, and members of
10 my staff attended every one of the hearings. We listened to the testimony given by customers
11 and interacted extensively with the customers, both in the question and answer sessions before
12 each hearing, and informally before, during and after the hearings. My observation was that
13 most of the customers testifying voiced a concern about the amount of the increase we are asking
14 for and stated that it would create a hardship. Based on our interactions with customers at those
15 hearings, there is no question that utility bills, particularly when combined with other expenses
16 customers must incur, create difficulties and at times severe difficulties for low-income
17 residential customers. These difficulties are particularly acute right now because of the problems
18 with unemployment, housing prices and other economic difficulties that are currently affecting
19 our local, state and national economy.

20 **Q. Has AmerenUE tried to address the financial burden of rate increases on**
21 **low-income customers?**

22 A. AmerenUE has not been just an observer of issues and policies regarding low-
23 income customers. We have actively participated in helping to set policies and find solutions to

1 serve this group of customers. In 2009, AmerenUE participated in the Missourians to End
2 Poverty Summit. The Company has often taken a leadership role in monthly meetings for the
3 Community to Keep Missourians Warm. AmerenUE actively serves on the Edison Electric
4 Institute's Low Income Energy Issues group and the National Fuels Fund group, which are both
5 national programs to address issues faced by low-income customers. In 2005, AmerenUE
6 collaborated with the Commission and other utilities, agencies and stakeholders as part of
7 Missouri's Long Term Energy Affordability Task Force. We are acutely aware of the struggles
8 low-income customers face including hunger, education, housing, medical and economic
9 security.

10 **Q. Has the Company taken specific steps to help its low-income customers?**

11 A. Yes. The Company has always been concerned about its low-income customers,
12 who are the most vulnerable customers and the least able to bear rate increases of any kind, for
13 any reason. Because of our concern for these customers, we have sponsored a number of
14 programs designed to assist them in paying their energy bills. The Commission is of course
15 familiar with our Dollar More Program, and our low-income weatherization programs that have
16 helped customers make their homes more energy efficient. Those energy efficiency steps
17 mitigate the impact of rate increases because a customer who has made his or her home more
18 energy efficient will use less electricity, even if the rate is higher. Additionally, AmerenUE
19 launched the Multi-Family Income Qualified Program that provides incentives to low income
20 customers for energy efficiency improvements. In recent years, we have also offered Clean Slate
21 programs, which allow customers a one-time opportunity to wipe out their arrearages. We also
22 offer budget billing to all customers to help smooth the variability of their energy bills, and we
23 have worked for LIHEAP funding to assist customers with their heating bills. Meet the Heat,

1 AmerenUE's effort to reach out to low-income and elderly customers and provide them with
2 information about how to stay safe in summer heat as well as Be Cool, UE's annual air
3 conditioner giveaway, are additional examples of AmerenUE low-income programs. From a
4 broader perspective, AmerenUE and its parent, Ameren Corporation, have long been leaders in
5 charitable giving throughout the community, whether it be through the United Way, the
6 Salvation Army, the Urban League of St. Louis, Cool Down St. Louis, Sts. Joachim & Ann Care
7 Services, Operation Weather Survival or other worthy charities.

8 **Q. Do you believe that the Commission should take additional steps in this case**
9 **to help low-income customers?**

10 A. In his rebuttal testimony, AmerenUE's CEO, Warner Baxter, suggested that the
11 Commission could consider shifting 1% of the costs that would otherwise be allocated to the
12 Residential Class to the Large Primary Service Class and the Large Transportation Service Class.
13 That is certainly one way that the Commission could mitigate the impact of the rate increase on
14 all residential customers, based on legitimate considerations of equity in rates among the classes.
15 And it may be possible to provide additional relief to the Residential Class as a whole through
16 additional rate design measures in this case.

17 Separating the Residential Class into two subcategories based on income poses
18 challenges, though. For one thing, it is my understanding based on advice of counsel, that
19 charging two separate rates for the same service to the same type of customer could run afoul of
20 the current statutory prohibition against unreasonable discrimination set forth in Section 393.130
21 RSMo. 2000. The statute provides: "No gas corporation, electrical corporation, water
22 corporation or sewer corporation shall make or grant any undue or unreasonable preference or
23 advantage to any person, corporation or locality or to any particular description of service in any

1 respect whatsoever, or subject any particular person, corporation or locality or any particular
2 description of service to any undue or unreasonable prejudice or disadvantage in any respect
3 whatsoever.” Counsel also advises that creating a very low-income class where costs are shifted
4 to other classes might also be subject to legal attack as a tax on other classes, which only the
5 Legislature could impose.¹

6 With that in mind, it is my belief that the Legislature is in a better position than
7 AmerenUE to address the problems of low-income Missouri citizens. Poverty is not a problem
8 that is limited to AmerenUE’s service territory, nor is it a problem created solely or even
9 primarily by utility bills. In fact, because our rates are relatively low, it is arguable that our
10 customers are less adversely impacted by their electric rates than customers whose service is
11 provided by other utilities at higher rates. To the extent electric bills pose difficulties for very
12 low-income customers, those same difficulties exist whether the electric provider is AmerenUE,
13 another investor-owned utility regulated by the Commission, a municipal utility, or a
14 cooperative. And of course low-income customers are not only impacted by the price of electric
15 service and other utility services, but they are impacted by many other costs. The increasing cost
16 of food, medicine, clothing, housing, transportation and many other essential items falls more
17 heavily on low-income households than others.

18 AmerenUE did a study in 2003 following the implementation of the first Clean
19 Slate program. As I previously mentioned, the Clean Slate Program was established as a special
20 program to help low-income residential customers with one-time relief that might allow them to
21 completely eliminate past due balances to AmerenUE and start over with a “clean slate.” The

¹ It is worth noting that Senate Bill 376 contemplates the establishment of a low-income subclass of residential service that could be exempt from demand-side management expenditures. However, the statute does not suggest that this subclass of customers should be exempt from other costs of providing it service. Section 393.1124 (6) RSMo. 2000.

1 program was administered by social service agencies in conjunction with the Dollar More
2 Program. AmerenUE conducted a six-month follow up of the program to test whether telephone
3 follow up would help participants stay current with their AmerenUE bills. As a result of these
4 contacts, many participants arranged payment agreements or were referred to energy assistance
5 agencies for help. However, the results had little impact on overall payment behaviors due to the
6 recipients' everyday needs for items such as rent, food and medicine. Juggling their financial
7 commitments makes it impossible for them to be consistently current, even when their past-due
8 balances are totally eliminated. These families are faced with multiple personal, social and
9 health problems that affect their ability to pay. Programs like Clean Slate do give them
10 temporary relief but do not alleviate long-term societal issues.

11 Addressing the larger long-term societal issues requires a broader examination of
12 issues than will be considered in this or any other rate case. It also requires input from a greater
13 number of stakeholders than just AmerenUE and other parties in this case. This is truly a
14 societal problem, not a utility-specific problem.

15 In my opinion, the option of establishing a special "very low-income" rate
16 classification would need to be carefully considered. There are many programs that serve low
17 income people. However, there are numerous customers we heard testify who are on fixed
18 incomes, are working poor or newly unemployed that fall through the cracks. If a special class is
19 created to assist only customers who already have various assistance programs available to them,
20 the customers outside of that group will be forced to bear an additional burden.

21 **Q. Are there any other issues with implementing and administering a "very low-**
22 **income" rate?**

1 A. Yes. There is the practical problem of verifying the income of customers who
2 apply for service under that rate. AmerenUE does not have the expertise or resources to
3 continuously verify the income or assess the needs of its customers and believes that a neutral
4 third party would be the appropriate group to determine the eligibility for assistance.
5 Conceivably government or social service agencies may keep reliable and up-to-date information
6 on household incomes, but AmerenUE does not. However, AmerenUE would still incur some
7 additional administrative costs of implementing the program. This issue must also be addressed
8 if a “very low-income” rate classification were to be developed.

9 **Q. If the Commission does decide to implement a pilot program to help very**
10 **low-income customers in this case, what would you recommend?**

11 A. Both Kansas City Power & Light Company and The Empire District Electric
12 Company have designed pilot programs to serve low-income customers. In those programs, the
13 utility offers a fixed dollar credit (between \$20 and \$50 per month) to a limited number of
14 customers (a maximum of 1,000 customers in each case), who are qualified by third party social
15 service agencies. The amount budgeted for such a pilot program should be included in the
16 utility’s cost of service. This kind of pilot would provide information about participation of
17 customers in AmerenUE’s service territory and offer data on whether the program helps alleviate
18 the financial burden on low income customers.

19 **Q. Is AmerenUE willing to work with other stakeholders to seek additional**
20 **solutions for low-income customers?**

21 A. Yes. AmerenUE has been working with stakeholders for years to help mitigate
22 the economic hardships low-income customers face. If this issue is addressed further by the
23 Commission or the Legislature, AmerenUE will continue to devote time and resources to

1 considering additional solutions. But in my opinion, this is an issue that will have to be
2 addressed over the long-term for all utilities (investor-owned and otherwise), with some direction
3 from the Legislature and input from a broader group of stakeholders than the parties to this case.

4 **Q. Does this conclude your direct testimony regarding the rate impact on**
5 **AmerenUE's low-income customers?**

6 A. Yes, it does.

In the Matter of Union Electric Company d/b/a AmerenUE's Tariffs to Increase its Annual Revenues for Electric Service.) Case No. ER-2010-0036
) Tracking No. YE-2010-0054
) Tracking No. YE-2010-0055

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

1. My name is Richard Mark. I work in the City of St. Louis, Missouri, and I am employed by AmerenUE as Senior Vice President Customer Operations.
2. Attached hereto and made a part hereof for all purposes is my Low Income Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 8 pages and Schedules RM-ER N/A through RM-ER N/A all of which have been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.


Richard Mark

Subscribed and sworn to before me this 19th day of February, 2010.

Mary Hoyt
Notary Public

My commission expires: 4-1-2010

