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Customers
Witness: Richard Mark
Sponsoring Party: Union Electric Company
Type of Exhibit: Additional Rebuttal
Testimony
Case No.: ER-2010-0036
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

ADDITIONAL REBUTTAL TESTIMONY

OF

RICHARD MARK

ON

BEHALF OF

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

**St. Louis, Missouri
February 26, 2010**

1 **ADDITIONAL REBUTTAL TESTIMONY**
2 **OF**
3 **RICHARD MARK**
4
5 **CASE NO. ER-2010-0036**

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

2 A. My name is Richard Mark. My business address is One Ameren Plaza,
3 1901 Chouteau Avenue, St. Louis, MO 63103.

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

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

6 **Q. Are you the same Richard Mark who filed rebuttal testimony in this case on**
7 **February 11, 2010 and direct testimony on February 19, 2010?**

8 A. Yes, I am.

9 **Q. What is the purpose of your additional rebuttal testimony regarding rate**
10 **impacts on AmerenUE's low-income residential customers?**

11 A. I am responding to the *Response of AARP and Consumers Council of Missouri*
12 *(CCM) to the Commission's Order Directing Parties to Address the Concerns Raised by*
13 *AmerenUE's Low-Income Customers* (Response) and the Direct Testimony of Anne E. Ross of
14 the Staff of the Missouri Public Service Commission (Staff) and Barbara A. Meisenheimer of the
15 Office of Public Counsel (OPC).

16 **Q. Do you have a general response to the testimonies of Ms. Ross and**
17 **Ms. Meisenheimer?**

18 A. I do. I would note that although both Ms. Ross and Ms. Meisenheimer provided
19 the Missouri Public Service Commission (Commission) with proposals for creating some type of
20 low-income class or program, both witnesses start their testimony by indicating that the creation
21 of a low-income class is problematic. Ms. Ross' testimony said that in the short timeline
22 available to review and establish a specific customer class it is impractical to do so, given the

1 necessary information that should be identified to develop a new customer class.¹ Ms.
2 Meisenheimer was clear that OPC would take no position at this time on whether “very low-
3 income” should be a basis for establishing a unique customer class for policy and legal reasons.²
4 These statements are consistent with my direct testimony. The issue of low-income customers
5 and the economic pressures these customers face in their daily lives is far broader than the
6 problems they have paying electric bills. Additionally, there are issues of whether or not the
7 creation of such a class is allowed by Missouri law. I addressed those issues in my direct
8 testimony and will not repeat those concerns here.

9 **Q. Ms. Ross discusses an experimental program which would provide a discount**
10 **on the non-fuel portion of the residential rate for low-income customers. Do you believe**
11 **this proposal is workable?**

12 A. I share many of the concerns expressed by Ms. Ross in her testimony. There is no
13 way to identify which customers would qualify for this program. The only income information
14 that AmerenUE has access to is whether or not a customer receives LIHEAP funds. This
15 proposal also would require the Community Action Agencies (CAA) to complete income
16 verification and other screening necessary for this program. This may or may not be something
17 those agencies are able to handle at their current staffing levels. Currently, the CCAs in our
18 territory tend to have more staff during the beginning of the winter season but operate with a
19 much leaner staff level during the rest of the year. Certainly, if the Commission adopts a small-
20 scale pilot program, it is more likely that the CAAs that are in AmerenUE’s service territory
21 would be able to assist with the program.

¹ Direct Testimony of Anne E. Ross, February 19, 2010, p. 3.

² Direct Testimony of Barbara A. Meisenheimer, February 19, 2010, p. 2.

1 I appreciate Ms. Ross' recognition that any amount discounted must be paid by
2 AmerenUE's other ratepayers, although I would need to see additional detail on her exact cost
3 recovery mechanism to determine if AmerenUE could support that portion of her proposal.³ If
4 the Commission adopts some type of program or establishes a new residential customer class, it
5 should be done in a manner that does not reduce AmerenUE's ability to recover that portion of
6 its revenue requirement.

7 **Q. Are there portions of Ms. Ross' testimony with which you do not agree?**

8 A. I disagree with her assertion that a 50% discount on the non-fuel portion of a
9 customer's bill would allow those customers to remain current on their electric bills.⁴ In our
10 experience, low-income customers face many economic pressures and simply lowering their
11 electric bills is unlikely to be enough to address those concerns. As stated in my previous
12 testimony, AmerenUE did a study following its 2003 Clean Slate Program and found that
13 although participants received immediate relief from their arrearages, their payment habits over
14 the long run did not materially improve. This outcome is understandable, given the many
15 problems that low-income families face. Even with six months of telephone contact to help
16 participants stay current by offering payment agreements or referrals to energy assistance
17 agencies for help, these actions had little impact on their overall payment behaviors. As the
18 Commission considers this proposal, it should not accept this assertion (50% reduction will allow
19 customers to remain current) as a proven fact.

20 Further, Ms. Ross asserts that very low-income customers might cost the utility
21 more to serve than other residential customers.⁵ While AmerenUE has not undertaken any
22 analysis to determine whether or not this assertion is correct or whether the difference is

³ Ross direct, p. 10.

⁴ Ross direct, p. 8.

1 significant, it seems contradictory to basic rate design principals to say that a customer class
2 costs more to serve and then propose to reduce the cost of service to those same customers. In
3 general, this is inconsistent with how rate design is normally undertaken by the Commission.

4 **Q. Ms. Meisenheimer sets forth a three prong approach for addressing the**
5 **concerns of very low-income customers. What is your opinion of her approach?**

6 A. First, I would point out that Ms. Meisenheimer states that OPC is not proposing a
7 low-income program and would instead wait for evaluation results of the experimental programs
8 already in place at other utilities. Second, if the Commission desires to implement something in
9 this case, she suggests targeting customers who use electricity as their primary heat source. This
10 would likely be a reasonably small number and perhaps one better suited for a limited pilot
11 program.

12 Specifically, the three prong approach set forth in Ms. Meisenheimer's testimony
13 would face many of the obstacles identified in my direct testimony and in Ms. Ross' direct
14 testimony. That is, it would place a significant burden on the CAAs to handle the customer
15 inquiries, screening and income verification necessary to properly implement this program.
16 Ms. Meisenheimer herself acknowledges that many programs targeting very low-income
17 customers fail because of insufficient outreach, insufficient administration and oversight. Yet
18 her proposal does not contain any mechanisms to overcome these obstacles.

19 Ms. Meisenheimer proposes limiting the dollars expended on OPC's proposal to
20 \$500,000.⁶ Before any amount is approved by the Commission in this case, it should apply
21 Ms. Meisenheimer's recommendation that the Commission only adopt a program that
22 demonstrates a likelihood of success and that the burden of proving that likelihood of success is

⁵ Ross direct, p. 5.

⁶ Meisenheimer direct, p. 23.

1 on the party making the proposal.⁷ Applying that test to the three prong test, AmerenUE
2 believes additional information and analysis is required before this proposal would meet OPC's
3 own criteria.

4 **Q. Are there other portions of Ms. Meisenheimer's testimony which with you do**
5 **not agree?**

6 A. Yes, there is one additional portion of Ms. Meisenheimer's direct testimony that
7 I'd like to address. Ms. Meisenheimer suggests that the Commission consider using funding
8 sources such as Dollar More to fund any program adopted.⁸ I believe this approach is improper
9 and should be rejected by the Commission. To be clear, AmerenUE's Dollar More Program
10 assists its residential customers through voluntary donations from our customers, employees and
11 the Company to help families in need stay warm in the winter and cool in the summer. Since
12 1982, the Dollar More Program has assisted more than 1,350,000 families with their energy bills
13 and none of this funding has been included in AmerenUE's revenue requirement. It would be
14 inappropriate and possibly illegal, regardless of how pure the motive, to redirect those funds to
15 another purpose. Any program or customer class adopted by the Commission should be done in
16 a manner that is revenue neutral to AmerenUE.

17 I will not address whether or not Ms. Meisenheimer's proposal is allowed by
18 Missouri law. I raised the issue in my direct testimony and presume the Commission may
19 schedule legal briefs or arguments on that issue if and when it becomes appropriate.

⁷ Meisenheimer direct, p. 5.

⁸ Meisenheimer direct, p. 3.

1 **Q. Turning to the *Response* filed by AARP/CCM, it recommends a proposal for**
2 **a workshop be scheduled to develop a joint recommendation for a comprehensive low-**
3 **income program for AmerenUE customers. Does AmerenUE support this approach?**

4 A. I believe it is too late in the rate case timeline to begin a workshop such as
5 proposed by AARP/CCM. At this point, rate case hearings are scheduled to begin in just over
6 two weeks. There simply is not time to adequately address this proposal (or the proposals set
7 forth by Staff or OPC). Additionally, the proposal attached to the *Response* is model legislation.
8 Certainly this legislation has not been adopted in Missouri and, without this or similar
9 legislation, any effort by the Commission to craft rates based upon “fair share” principals will
10 face the same difficulties discussed previously and may run afoul of Missouri law. Again, I will
11 leave that argument for legal arguments if and when they are scheduled.

12 Additionally, as pointed out by Ms. Meisenheimer, using a percentage of income
13 (basing rates on individual household income) would be complicated and administratively
14 burdensome.⁹ Finally, if no usage cap is imposed (which would further increase the
15 complication and administrative burden of the program), it would send signals contrary to the
16 promotion of conservation and would remove any incentive to control electricity usage because
17 the amount a customer would pay would not be negatively impacted by unlimited use.
18 Ms. Meisenheimer raised the same concern in her testimony.¹⁰

19 **Q. Do any of the proposals set forth by Staff, OPC, AARP/CCM change**
20 **AmerenUE’s proposal on this matter?**

21 A. To the contrary, they reinforce my belief that any action on the part of the
22 Commission with regard to this matter is limited by law and will involve many highly

⁹ Meisenheimer direct, p. 17.

¹⁰ Meisenheimer direct, p. 17.

1 complicated considerations. Given that complexity, this issue should only be addressed through
2 a pilot made up of a limited number of participants (perhaps a limited number of low-income
3 electric heating customers or low-income and elderly or disabled customers) who receive bill
4 credits in fixed amounts similar to the levels contained Kansas City Power and Light Company
5 or The Empire District Electric Company's programs. All costs of such a program should be
6 included in AmerenUE's revenue requirement.

7 **Q. Does this conclude your additional rebuttal testimony regarding the rate**
8 **impact on AmerenUE's low-income customers?**

9 A. Yes, it does.

