

EXHIBIT

220

Exhibit No.:

Issues: Low-income customers

Witness: Anne E. Ross

Sponsoring Party: MO PSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No.: ER-2010-0036

Date Testimony Prepared: March 5, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**ANNE E. ROSS**

**UNION ELECTRIC COMPANY**

**d/b/a**


**AMERENUE**

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

**Jefferson City, Missouri**

**March 2010**

~~Staff~~ Exhibit No. 220  
Date 3-15-10 Reporter KE  
File No. ER-2010-0036

  
Notary Public

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**SURREBUTTAL TESTIMONY**

**OF**

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**d/b/a**

**AMERENUE**

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

15 Q. Please state your name and business address?

16 A. Anne E. Ross, P.O. Box 360, Jefferson City, Missouri 65102.

17 Q. Are you the same Anne E. Ross who filed direct testimony on this issue on  
18 February 19, 2010 and rebuttal testimony on behalf of the Staff on February 26, 2010?

19 A. Yes.

20 Q. What is the purpose of your surrebuttal testimony?

21 A. I will respond to points raised in the rebuttal testimony of Office of Public  
22 Counsel (OPC) witness Barbara A. Meisenheimer, and AARP and the Consumers Council of  
23 Missouri witness Jacqueline A. Hutchinson.

**Surrebuttal of Barbara A. Meisenheimer**

24 Q. What is Staff's response to Public Counsel witness Barbara A. Meisenheimer's  
25 comment that Staff's "estimates of cost that vary so widely make it impractical to determine  
26 the costs that should be collected from other rate-payers who Staff proposes bear the costs?"  
27 (p.11, lines 2-3)

28 A. Those costs were presented as a range, with the lower bound determined using  
29 an estimate of the number of customers who would be served in a low-income program if  
30 only customers that currently receive LIHEAP benefits were allowed to participate. The  
31

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1 higher bound was estimated using the number of LIHEAP-eligible customers who might  
2 participate if the program was opened up to all low-income customers. One of the  
3 Commission's stated goals of the testimony on this issue is to "... address the practicality of  
4 establishing such a class, including the effect on revenues and costs;" thus, Staff believed it  
5 appropriate to show the possible range of cost in its direct testimony.

6 Q. What is your response to Public Counsel witness Meisenheimer's criticism that  
7 a "...flat reduction of the non-fuel portion of customer bill would not ensure support is  
8 provided in proportion to need..." (p. 12, lines 3-7)

9 A, First, it should be pointed out that the discount proposed by Staff is not a flat  
10 amount -- it varies with the energy usage of the customer. In response to the criticism that a  
11 uniform percentage discount on a portion of the customer's bill would not target the  
12 individual household's need as specifically as an 'energy burden' measure, Staff believes that  
13 this is a fair statement, but has two concerns regarding energy burden being an appropriate  
14 measure of 'affordability.'

15 First, every household is different in its composition and expenses. The amount of aid  
16 that is effective for one two-person household might be more or less than what another  
17 household needs in order to make the utility bill affordable.

18 Furthermore, Staff has struggled with the concept of energy burden as a measurement  
19 of the amount that a very low income household *can afford to pay*. While 4% or 6% sounds  
20 like an acceptable percentage of household income to dedicate toward paying a utility bill, it  
21 leaves only 94% to 96% of the household's income available for *all* other needs. The table  
22 below shows the amount that a household at various income levels will pay on a monthly

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1 basis using a 4% energy burden as the target, and the amount that they will have left to meet  
2 their other needs.<sup>1</sup>

| Percentage of<br>FPG | Annual Income<br>– 2 person<br>household | Monthly<br>Income | Utility payment<br>as 4% of<br>income | Remaining<br>Monthly<br>Income |
|----------------------|--|-------------------|---------------------------------------|--------------------------------|
| 25 %                 | \$ 3,642.60                              | \$ 303.54         | \$ 12.14                              | \$ 291.40                      |
| 50 %                 | \$ 7,285.00                              | \$ 607.08         | \$ 24.28                              | \$ 582.80                      |
| 75 %                 | \$ 10,927.50                             | \$ 910.63         | \$ 36.43                              | \$ 874.20                      |
| 100 %                | \$ 14,570.00                             | \$ 1,214.17       | \$ 48.57                              | \$ 1,165.60                    |

3  
4 Q. What is the point that Staff wishes to make regarding the concept of energy  
5 burden?

6 A. The point Staff is trying to make is that, even if a credit or other assistance that  
7 brings a low-income household's energy burden down to 4% is provided, the lowest income  
8 households will still struggle due to a severe, chronic lack of financial resources. The  
9 Commission appears to be looking for a realistic analysis of the problem; unfortunately, the  
10 reality is that providing a bill credit, discount from some portion of the bill, or other type of  
11 aid, will not necessarily result in a utility bill that the customer can afford, especially when the  
12 customer has an extremely low income..

13 Q. What is Staff's response to Public Counsel witness Meisenheimer's statement  
14 that "Providing support in proportion to need also provides *assurance* that those who fund the  
15 program are not providing support in excess of that needed to *achieve affordability* for the  
16 program participants."? (emphasis added) (p. 12, line 18 – p. 13, line 2)

17 A. That type of assurance can not be provided to those who will be asked to fund  
18 any of the low-income programs. As shown in the table, above, and subsequent discussion,

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<sup>1</sup> For 2009-2010, the 100% FPG for a two-person household is \$14,570 annually. The annual income for a household at any percentage of the FPG is derived by multiplying the 100% income by the percentage; thus, a household at 25% of the FPG has  $\$14,570(0.25) = \$3,642.50$  annually.

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1 providing support at the level recommended by any party to this case will not make utility  
2 *service truly affordable to households at very low income levels.*

3 Q. Is Staff saying, then, that the Commission should not even attempt to help the  
4 very low-income customers?

5 A. Absolutely not, but Staff wants to point out that even setting up another bill  
6 credit program that aims for some specified 'energy burden' for the lowest income customers  
7 is not going to 'solve' the issue of extreme poverty as it relates to utility affordability. In  
8 other words, a program should not be set up thinking that somehow the problem has been  
9 fixed.

10 Q. What is the first step in addressing the issue of energy affordability?

11 A. The first step - in many ways, the most important step - is to define the  
12 outcome the program is trying to achieve, or the problem that is to be addressed. Once this is  
13 done, it will be possible to design a program using the parameters and best practices that have  
14 been found to be most successful in achieving the stated goal. Without a set goal, the program  
15 will not be successful.

16 Q. What, then, should the goal be?

17 A. That's an excellent question, and is one that needs to be clearly defined by the  
18 Commission. It's important that the Commission decide whether the goal is to make utility  
19 service available to all consumers seeking utility service, or whether the goal for the  
20 ratepayer-funded programs is to provide assistance up to the point at which low-income  
21 ratepayers are sustained, while the remainder of utility ratepayers is not harmed. This could  
22 be done by identifying the costs savings to the utility that would result from providing aid, at  
23 the appropriate level, to customers who would not otherwise be able to pay their full bill.

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1 Even if assistance could be provided to all households, the amount of assistance provided by  
2 the utility/ratepayers will make a difference and allow other resources – government  
3 programs, fuel funds, etc. – to be directed toward the customers who cannot be helped with a  
4 utility/ratepayer sponsored programs because of limited resources or because the costs  
5 outweigh the benefits to those paying for the program.

6 Q. How can those parameters be determined?

7 A. As Staff suggested in Rebuttal testimony, this can be done by analyzing the  
8 information that has been gathered for several years about experimental bill credit programs at  
9 the various electric and gas utilities in Missouri. These programs have been set up in both  
10 rural and urban settings, and with different levels and patterns of credits. Some programs  
11 have had an arrearage repayment incentive, some haven't. Staff recommends that a third  
12 party evaluate this data and report back to the Commission what has been successful,  
13 recommend the customers groups which could be most effectively targeted, and the effect of  
14 those parameters on utility costs.

15 **Surrebuttal of Jacqueline A. Hutchinson**  
16

17 Q. AARP and the Consumers Council of Missouri witness Jacqueline A.  
18 Hutchinson testifies that Staff recommended "an affordability program limited to a pilot or  
19 experimental program, serving a small subset of the eligible population." (p. 4, lines 8-10) Is  
20 this statement correct regarding Staff's recommendation in its Direct testimony filed on  
21 February 19, 2010?

22 A. Not completely. Staff did recommend a program that had not been attempted  
23 before, so Staff would consider it to be experimental. Staff did not recommend limiting the  
24 program to a small subset of the eligible population, and provided estimates of minimum and



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1 | maximum costs based on including all AmerenUE customers who actually receive LIHEAP,  
2 | and all customers who are LIHEAP-eligible, whether or not they receive LIHEAP.

3 |       Q.     Does this conclude your surrebuttal testimony?

4 |       A.     Yes.