

Exhibit No.: **136**
Issue(s): Low-Income Residential
Customers
Witness: Wilbon L. Cooper
Sponsoring Party: Union Electric Company
Type of Exhibit: Additional Direct
Testimony
Case No.: ER-2010-0036
Date Testimony Prepared: February 19, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

ADDITIONAL DIRECT TESTIMONY

OF

WILBON L. COOPER

ON

BEHALF OF

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

St. Louis, Missouri
February, 2010

Company
Exhibit No. 136
Date 3/25/10 Reporter DF
File No. ER-2010-0036

1 **ADDITIONAL DIRECT TESTIMONY**

2 **OF**

3 **WILBON L. COOPER**

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

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

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

9 **Q. Are you the same Wilbon L. Cooper who filed direct and rebuttal testimony**
10 **in this proceeding?**

11 A. Yes, I am.

12 **Q. What is the purpose of your additional direct testimony in this proceeding?**

13 A. The purpose of my testimony is to provide comments and evidence that address
14 certain portions of the Missouri Public Service Commission's (Commission) February 10, 2010
15 **Order Directing The Parties To Address The Concerns Raised By AmerenUE's Low-**
16 **Income Residential Customers (Order).** The Order provides the parties with the opportunity to
17 "... file additional direct testimony addressing the reduction of the financial burden on
18 AmerenUE's low-income residential customers ..." More specifically, I will address the
19 potential effect on revenues and costs of establishing a very low-income customer class (VLICC)
20 that would be based on the federal poverty level and, also, the possible effect on the Company's
21 bad debt expense of such a class. Company witness Mr. Richard Mark will address all other
22 issues regarding such a class.

1 **I. POTENTIAL EFFECT ON REVENUES**

2 **Q. The Commission's Order states that the Commission would like the**
3 **testimony on this issue to "state an opinion as to whether such a class should be tied to the**
4 **current industrial rate class." Have you performed an analysis that demonstrates the**
5 **annual revenue shortfall (i.e., all other things being equal) that would be experienced by**
6 **the Company if such a rate was approved?**

7 **A. Yes. Since the Company does not know the level of participation of customers**
8 **that might occur if a "very low-income" class were established, I have analyzed varying**
9 **participation levels to determine the financial impact of the adoption of such a rate. Using these**
10 **varying levels of "qualifying" customers and pricing test year residential class average annual**
11 **use at current rates vs. pricing of same at the current lowest retail electric non-lighting kWh rate**
12 **(i.e., at the Company's Large Transmission Service Class rate), the following results were**
13 **derived:**

Table 1
Current Residential Service Rate Billing
vs.
Current Large Transmission Service (¢/kWh Realization) Billing

<u>Qualifying Residential Customers</u>	<u>Revenue Difference (000)</u>
1,000	-489
10,000	-\$4,887
20,000	-\$9,774
30,000	-\$14,661
40,000	-\$19,548
50,000	-\$24,435
60,000	-\$29,322
70,000	-\$34,209
80,000	-\$39,096
90,000	-\$43,983
100,000	-\$48,870
110,000	-\$53,757
120,000	-\$58,644
130,000	-\$63,531
140,000	-\$68,418
150,000	-\$73,305

1 I would note that the Company does not have sufficient granular demographic
2 data related to its approximately 1,000,000 residential customers to accurately state the number
3 of customers that would qualify for a VLICC at any given percentage of poverty level, or to
4 provide the Commission with the monthly average energy usage levels of such customers.
5 Consequently, the data presented in the table above is illustrative, but not precise.

6

1 **II. COSTS OF ESTABLISHING A VLICC**

2 **Q. The Commission's Order also requests information regarding the**
3 **"practicality of establishing such a class, including the effect on revenues and costs."**
4 **(Order, p. 2). Do you know what the cost of establishing a VLICC would be at this time?**

5 **A. No.** Since the scale or scope of a VLICC has yet to be established, it is
6 impossible to quantify what the costs would be at this time. However, expected startup and
7 implementation costs would likely include, but not necessarily be limited to, the following costs:
8 1) programming costs for modifications to the Company's billing system; 2) internal costs for
9 administration of the program, training of affected personnel, and, possibly, hiring additional
10 personnel; and 3) external costs associated with the use of a third party vendor, if necessary.

11
12 **III. EFFECT ON BAD DEBT**

13 **Q. The Commission's Order also requests information on the "possible effect on**
14 **the company's bad debt expense of such a class." (Order, p. 2) Do you have an opinion**
15 **regarding the impact of a VLICC upon the Company's bad debt expense levels?**

16 **A. Again,** as the scale or scope of a VLICC has yet to be established, it is impossible
17 to quantify what the effect of such a program would be on the Company's bad debt expense at
18 this time. Generally speaking, it would be intuitive and reasonable to conclude that bad debt
19 expenses would be reduced to some extent; however, I do not believe that bad debt expense will
20 be reduced by the amount of the bill reduction afforded to participants in the VLICC. One would
21 have to assume that participants in the VLICC are not juggling costs of other basic living
22 expenses (e.g., shelter, clothing, food, healthcare, etc.) and, therefore, bad debt associated with
23 electric billings is driven solely by their electric bill. Mr. Mark addresses this issue in his direct
24 testimony on this issue, where he points out that the Company's follow-up efforts after its Clean

1 Slate program indicated that the payment behavior of customers did not appreciably change
2 despite the financial relief because of the many other non-utility related expenses they face.
3 Thus, the assumption that bad debt expense would be substantially reduced by a VLICC may be
4 an unreasonable assumption, as numerous speakers at the Company's local public hearings in the
5 case expressed their inability to afford all of the basic living expenses—not just their electric
6 energy bill.

7 **Q. Is there a way to potentially measure the impact of a VLICC on bad debt**
8 **expense?**

9 **A.** Yes, I believe so. I would suggest that if such a program were implemented on a
10 pilot basis, that a similar control group of very low-income customers be established. For
11 example, if participation in the pilot program were limited to 1,000 customers, a control group of
12 1,000 low-income customers who were not participating in the program should be established.
13 After completion of the pilot, a comprehensive evaluation of same would include the bad debt
14 expense of the pilot participants vs. the control group. This process would then provide
15 reasonable guidance on the effect of a VLICC on bad debt expense.

16 **Q. Does this conclude your additional direct testimony?**

17 **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 Wilbon L. Cooper. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a AmerenUE as Manager, Rates and Tariffs.
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 6 pages and Schedules WLC-ER1a through WLC-ER1a, 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.

Wilbon L. Cooper

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

Mary Hoyt
Notary Public

My commission expires: 4-1-2010

