

Exhibit No.: _____
Issue(s): Low Income Affordability Programs
Witness/Type of Exhibit: Meisenheimer/Direct
Sponsoring Party: Public Counsel
Case No.: ER-2010-0036

DIRECT TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of
the Office of the Public Counsel

UNION ELECTRIC COMPANY D/B/A AMERENUE

Case No. ER-2010-0036

February 19, 2010

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company d/b/a)
AmerenUE for Authority to File Tariffs)
Increasing Rates for Electric Service Provided)
to Customers in the Company's Missouri)
Service Area.)

Case No. ER-2010-0036

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

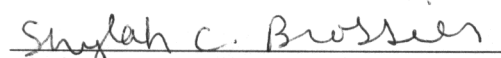
1. My name is Barbara A. Meisenheimer. I am a Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.


Barbara A. Meisenheimer

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



SHYLAH C. BROSSIER
My Commission Expires
June 8, 2013
Cole County
Commission #09812742


Shylah C. Brossier
Notary Public

My commission expires June 8th, 2013.

SUPPLEMENTAL DIRECT TESTIMONY

OF

BARBARA A. MEISENHEIMER

**UNION ELECTRIC COMPANY D/B/A AMERENUE
(LOW-INCOME PROGRAM)**

CASE NO. ER-2010-0036

I. Introduction and Summary

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O.
2230, Jefferson City, Missouri 65102.

Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?

A. Yes, I filed direct testimony on class cost of service on January 6, 2010, and rebuttal
testimony on class cost of service on February 11, 2010.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my supplemental direct testimony is to respond to the Commission's
request to hear from the parties in this case about ideas for reducing the financial burden
on low-income residential customers while providing a fair and adequate return to
AmerenUE. Specifically, the Commission indicated that in addition to the mechanisms
traditionally utilized to assist low income customers, the parties should address the
feasibility of establishing an experimental "very low-income" customer class that would

1 be based upon the federal poverty level. Due to legal and policy considerations Public
2 Counsel takes no position at this time on whether “very low-income” should be the basis
3 for establishing a unique customer class but does in this testimony present information
4 regarding measures that might be used to define “very low-income” and methods for
5 targeting support to those customers.

6 Public Counsel has not proposed a low-income program in this case pending
7 evaluation of the success of other experimental programs. However, if the Commission
8 determines that an experimental low-income program should be adopted in this case,
9 Public Counsel believes that a program that reflects a three prong approach can best
10 address the concerns of very low-income program participants. The three prong approach
11 focuses on meeting immediate need while also addressing longer term issues of payment
12 habits and affordability by requiring 1) mandatory application for weatherization to
13 address long term affordability, providing 2) bill credits set at levels that reflect a
14 household’s income relative to the Federal Poverty Level (FPL) to ensure an affordable
15 energy burden at current average energy consumption and by requiring timely payments
16 and reduction of owed balances through 3) an arrears repayment program component.
17 The arrears repayment component should require some ongoing minimum payment to
18 reduce arrears coupled with an arrears repayment incentive. Any low-income program
19 should be experimental, should require participants to apply for LIHEAP assistance,
20 should include a plan for independent third party evaluation and should accrue interest on

1 any unspent rate-payer funds. The Laclede Gas and Empire Electric low-income
2 programs are based on this approach and many of the program parameters outlined above.

3 If the Commission determines that a low-income program should be implemented, I
4 recommend that the Commission use those programs as a model. Additionally, in order
5 to best identify the combined benefit of weatherization and the other components of the
6 program, it is reasonable to target this program to customers that use electric as the
7 primary heat source.

8 Public Counsel also requests that the Commission consider if voluntary funding
9 sources such as Dollar More can be used to fund the program in order to avoid further
10 raising the rates of other rate-payers in an especially tough economy.

11 The remainder of this testimony summarizes the types of programs undertaken in
12 the State to assist low-income customers and to address in the context of low income
13 program design, some of the specific issues raised by the Commission including 1)
14 analyzing the practicality of establishing a reduced rate for low income consumers,
15 including the effect on revenues and costs, 2) proposed guidelines for inclusion in the
16 program, 3) propose verification procedures for participants in the program, 4) analyzing
17 the possible effect on the company's bad debt expense of such a program, and 5) stating
18 an opinion as to whether rate reductions should be tied to the current industrial rate or an
19 alternate rate.

1 **Q. WHAT EXPERIENCE DO YOU HAVE RELATED TO THE DESIGN OF LOW-INCOME**
2 **ASSISTANCE PROGRAMS?**

3 A. In the area of telecommunications I served on the Federal/State Universal Service Joint
4 Board Staff for a number of years. I reviewed information on the design and cost of state
5 and federal low-income programs and participated in preparing recommendations for the
6 FCC in implementing the Federal Lifeline and Link-Up programs. At the State level, I
7 participated in industry workshops to develop the low-income and disabled components
8 of the Missouri Universal Service Fund (MoUSF) and have since its inception assisted
9 the Public Counsel in his duties as a member of the Missouri Universal Service Board.

10 On behalf of Public Counsel, I worked with the Department of the Census to
11 develop data designed to identify low-income household telephone subscribership
12 stratified by percentage of the federal poverty level in order to develop recommendations
13 to better target low-income support.

14 With respect to low-income programs for natural gas and electric utilities, I have
15 filed testimony on the design of experimental low-income programs for a number of
16 companies in the State, including Laclede Gas, MGE, Aquila Gas, Empire Electric, and
17 KCP&L. The scope of this testimony addressed low-income program design including
18 but not limited to bill discounts, arrearage repayment incentives and low-income
19 weatherization. I have reviewed census data and consumer expenditure data compiled by

1 EIA in the Department of Energy to evaluate low-income household characteristics and
2 natural gas and electric consumption compared to those of households at higher income
3 levels. I have also participated in workshops and collaborative group meetings to
4 implement and evaluate low-income programs.

5 **Q. BASED ON YOUR EXPERIENCE, WHAT NEEDS DO YOU BELIEVE SHOULD BE BALANCED IN**
6 **ADOPTING PROGRAMS TO ASSIST LOW-INCOME AND WEATHERIZATION PROGRAMS?**

7 A. I believe it is paramount to balance the need for low-income and energy efficiency
8 programs with the need to ensure that Missouri's utility consumers pay rates that are just
9 and reasonable. To the extent that ratepayers are called upon to fund low-income and
10 energy efficiency programs, the programs should be designed so that they can reasonably
11 be expected to balance the interests of those who receive support with the interests of
12 those who provide it. Ratepayer funding for programs that cannot reasonably be
13 expected promote both interests should not be imposed through the ratemaking process
14 unless there is a specific legislative mandate to do so. Further, I believe it appropriate for
15 the Commission to require that a party that proposes a particular program demonstrate the
16 likely success of the program and that success will not come at an unreasonable cost.

1 **Q. HAS PUBLIC COUNSEL SUPPORTED EXPERIMENTAL LOW-INCOME AND WEATHERIZATION**
2 **PROGRAMS?**

3 A. Yes, Public Counsel has been active for over 15 years in proposing and supporting
4 weatherization and low-income proposals on an experimental basis in cases where we
5 believed such programs were likely to produce meaningful results while also reasonably
6 balancing the interests of the program recipients and the rate-payers who fund the
7 program. Despite limited resources, the Public Counsel has been very committed to these
8 efforts.

9 ***II. Summary of Need Based Programs***

10 **Q. PLEASE DESCRIBE THE TYPES OF NEED BASED PROGRAMS AVAILABLE TO ASSIST LOW-**
11 **INCOME HOUSEHOLDS WITH ENERGY BILLS.**

12 A. There are a number of programs designed to assist low-income customers in paying
13 energy bills. These programs include government sponsored programs such as LIHEAP,
14 utility and ratepayer sponsored programs including bill credit programs, arrears
15 repayment programs, average pay plans, and discounts or special terms extended to
16 special need groups. There are also voluntary contributions generated from programs like
17 Dollar More and Dollar Help.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF THE GOVERNMENT-SPONSORED LIHEAP PROGRAM.**

2 A. The following excerpts from the 2008 LIHEAP Policy Manual describe the purpose and
3 structure of the tax payer funded LIHEAP program.

4 *INTRODUCTION*

5
6 *Low-Income Home Energy Assistance Program (LIHEAP) is a block*
7 *grant program. It is designed to assist low-income individuals*
8 *particularly those with the lowest income, which pay a high proportion*
9 *of household income for home energy in meeting their immediate energy*
10 *needs. The grant is administered by the Federal Department of Health*
11 *and Human Services (HHS) Office of Community Service (OCS) within*
12 *the Administration for Children and Families (ACF). LIHEAP was*
13 *designed to provide help to low-income households targeting the elderly,*
14 *disabled and households with young children as insufficient heating and*
15 *cooling can cause health and safety issues for these homes.*

16
17 *The State of Missouri Family Support Division (FSD) applies for and*
18 *receives LIHEAP funding and then contracts with Missouri Community*
19 *Action Agencies (CAA) to conduct the eligibility determination for*
20 *LIHEAP applications.*

21 ...

22
23 *STRUCTURE*

24
25 *LIHEAP has two components: Energy Assistance (EA) and Energy Crisis*
26 *Intervention Program (ECIP). Eligibility requirements for LIHEAP are*
27 *based on income, household size, available resources and responsibility*
28 *for payment of home energy costs.*

29
30 *Energy Assistance (EA)*

31
32 *Energy Assistance is designed to provide financial assistance to help pay*
33 *primary fuel source heating bills for Missourians during the months of*
34 *October, November, December, January, February and March. The EA*

1 *benefit amount is based upon household size, income and the type of fuel*
2 *used for home heating.*

3
4 *Energy Crisis Intervention Program (ECIP)*

5
6 *ECIP is designed to provide financial assistance to households in a*
7 *verifiable energy crisis. This crisis is defined as receipt of termination*
8 *or disconnect notice indicating a specific disconnect date or final billing*
9 *statement advising the account has been terminated or if they are a cash*
10 *on delivery (COD) customer. ECIP funds can be used for primary or*
11 *secondary fuel sources.*

12
13 *Winter ECIP*

14
15 *Winter ECIP is primarily used to restore or prevent disconnection of*
16 *service when the amount of assistance available through EA and any*
17 *other state or local program is not adequate to secure this commitment*
18 *from the supplier.*

- 19
20
 - *Is available from October through May based upon funding.*
 - 21 • *Benefit amount is to be the amount required to resolve crisis.*
 - 22 • *Maximum Benefit amount is \$800.00*

23
24 *Summer ECIP*

25
26 *Summer ECIP is primarily used to restore or prevent disconnection of*
27 *services of a cooling energy source during the summer months.*

- 28
29
 - *Is available from June through September based upon funding.*
 - 30 • *Benefit amount is to be the amount required to resolve crisis.*
 - 31 • *Maximum Benefit amount is \$300.00*

1 **Q. PLEASE DESCRIBE UTILITY AND RATEPAYER SPONSORED PROGRAMS THAT ARE**
2 **DESIGNED TO ASSIST LOW INCOME HOUSEHOLDS IN PAYING ENERGY BILLS.**

3 A. A number of PSC regulated electric and gas utilities including Laclede Gas, Empire
4 District Electric, Empire District Gas, KCP&L Greater Mo. Operations (previously
5 Aquila LP and MPS) have experimental income based bill credit programs designed to
6 assist low-income customers in paying utility bills. Missouri Gas Energy and AmerenUE
7 Gas have had such programs in the past. These programs have typically provided credits
8 based on the level of household income relative to the FPL and reflect receipt of LIHEAP
9 assistance. Some of these regulated electric and gas utilities including Laclede Gas,
10 Empire District Electric and AmerenUE have experimental programs designed to assist
11 certain low-income customers in paying off past balances. Other utilities including
12 Empire District Gas, KCP&L Greater Mo. Operations (previously Aquila LP and MPS)
13 and Southern Missouri Natural Gas have implemented extended periods for repaying
14 unpaid balances.

15 All the utilities that I reviewed have average pay, budget billing or level pay plans
16 that allow customers to equalize monthly bills throughout the year.

17 Some utilities such as Empire District Electric also have special programs targeted
18 to make utility service more affordable for vulnerable customers such as the elderly or
19 disabled.

1 **Q. PLEASE DESCRIBE VOLUNTARY PROGRAMS THAT ARE DESIGNED TO ASSIST LOW-**
2 **INCOME HOUSEHOLDS IN PAYING ENERGY BILLS.**

3 A. AmerenUE, Laclede Gas, Empire District Electric, Empire District Gas, KCP&L,
4 Missouri Gas Energy, and Atmos Energy have programs that allow customers to make
5 voluntarily contributions when remitting utility bills. The contributions are used to assist
6 customers in need with paying utility bills. In certain instances, utilities make voluntarily
7 contributions that are not recovered in rates to assist customers in need.

8 **Q. PLEASE DESCRIBE OTHER PROGRAMS THAT ARE DESIGNED TO MAKE LOW-INCOME**
9 **ENERGY BILLS MORE AFFORDABLE.**

10 A. Rate-payer and shareholder contributions to low-income weatherization have become a
11 common element in the resolution of large company rate cases and in some cases for
12 smaller utilities. For example, as an element of the Stipulation and Agreement in Case
13 No. GR-2008-0060, Missouri Gas Utility voluntarily agreed to makes donations to a
14 community action agency in the Company's service area to promote low-income energy
15 conservation.

1 **Q. HAVE YOU INCLUDED AN ATTACHMENT IN YOUR TESTIMONY THAT PROVIDES GREATER**
2 **DETAIL ON THE TYPES OF ASSISTANCE PROGRAMS THAT YOU HAVE DISCUSSED.**

3 A. Yes. Attachment BAM SUP DIR-1 includes tariff sheets, Commission orders and other
4 documentation related to each of the programs discussed in my testimony.

5 **Q. WHAT IS YOUR GENERAL IMPRESSION OF THE PERFORMANCE OF COMMISSION**
6 **APPROVED LOW-INCOME PROGRAMS?**

7 Q. My general impression is that programs that incorporate income based bill credits and
8 arrears repayment components have shown some level of success in improving the
9 affordability of energy bills and the timeliness of payments and resulted in reduced
10 arrears at least while participants remain in a program. However, the primary weakness
11 appears to be low subscription to the programs. Some of the causes of low subscription
12 in various programs include obstacles to participation such as limiting the period of
13 participation, insufficient outreach, and insufficient administration and oversight.

14 ***III. Considerations in Designing Affordable Low-Income Energy Bills***

15 **Q. HOW IS LOW-INCOME DEFINED?**

16 A. Low-income is often defined in terms of a household's income and family size relative to
17 Federal Poverty Guidelines. Shown below is a matrix of annual poverty guidelines based
18 on the monthly poverty guidelines stated in the LIHEAP Policy and Procedures Manual

developed by the Missouri Department of Social Services-Family Support Division. The table illustrates household incomes by household size in relation to the Federal Poverty Guidelines.

Poverty Level by Household Size(FY2010)

Annual Poverty Level Range		Household Size						
	1	2	3	4	5	6	7	8
25%	\$2,709	\$3,642	\$4,578	\$5,514	\$6,447	\$7,383	\$8,319	\$9,252
50%	\$5,418	\$7,284	\$9,156	\$11,028	\$12,894	\$14,766	\$16,638	\$18,504
75%	\$8,127	\$10,926	\$13,734	\$16,542	\$19,341	\$22,149	\$24,957	\$27,756
100%	\$10,836	\$14,568	\$18,312	\$22,056	\$25,788	\$29,532	\$33,276	\$37,008
125%	\$13,545	\$18,210	\$22,890	\$27,570	\$32,235	\$36,915	\$41,595	\$46,260
135%	\$14,629	\$19,667	\$24,721	\$29,776	\$34,814	\$39,868	\$44,923	\$49,961
150%	\$16,254	\$21,852	\$27,468	\$33,084	\$38,682	\$44,298	\$49,914	\$55,512
200%	\$21,672	\$29,136	\$36,624	\$44,112	\$51,576	\$59,064	\$66,552	\$74,016

Various federal programs treat household incomes of up to 200% of the FPL as low-income for purposes of providing income based assistance and services. However, in my experience, thresholds of 125% to 150% are more commonly used. For example, thresholds of 125% to 150% of the FPL are generally used to determine eligibility for Federal and state LIHEAP programs.

An alternative method for defining low-income is as a percentage of median household income. This method is also used by certain federal and state agencies for purposes of determining eligibility for public assistance. For example, incomes below a certain percentage of median household income have been used to determine eligibility for LIHEAP and low-income housing assistance.

1 **Q. HOW SHOULD VERY LOW-INCOME BE DEFINED?**

2 A. For purposes of establishing low-income energy assistance programs, I believe that
3 defining “very low-income” in terms of the FPL is administratively easier than a
4 definition based on median income because of the more widespread use in Missouri of
5 FPL based thresholds for use of administering LIHEAP. In response to the Commission’s
6 Order, I believe that a threshold of 100% of the FPL could reasonably be used to define
7 “very low-income.” As shown below, based on census data for the period 2006-2008, a
8 combined total of about 13.3% of households had income at or below 100% of the FPL.

Household Income Relative to the FPL	Proportion of Missouri Households
50%	5.7%
75%	3.5%
100%	4.1%
125%	4.5%
150%	4.9%
175%	4.6%
185%	1.9%
200%	3.1%
300%	18.9%
400%	15.3%
500%	11.1%
more	22.3%

9 **Q. HOW DOES USING 100% OF THE FEDERAL POVERTY LEVEL TO DEFINE VERY LOW-**
10 **INCOME COMPARE TO MEDIAN INCOME BASED DEFINITIONS OF VERY LOW-INCOME?**

11 A. The U.S. Department of Housing and Urban Development (HUD) generally uses a
12 threshold of 50% of the median household income to define “very low-income.”

1 Missouri's 2008 median household income was \$46,408. Fifty percent of the median
2 income or \$23,204 is somewhat above 100% above the FPL for a family of four.

3 **Q. WHAT BENEFITS ARE ASSOCIATED WITH AFFORDABLE LOW-INCOME ENERGY BILLS?**

4 A. Affordable energy bills benefit low-income households by potentially reducing unpaid
5 balances, late payment charges and disconnection of necessary utility services. The
6 general body of rate-payers may also benefit through potential cost reductions associated
7 with lower uncollectibles and scale economies achieved by higher and more consistent
8 subscription by low-income households to the shared system.

9 **Q. HOW IS THE AFFORDABILITY OF ENERGY BILLS MEASURED?**

10 A. The concept of a household's "energy burden" is a generally accepted method of
11 measuring the affordability of energy bills. Energy burden is determined by the
12 proportion of household gross income spent on energy bills. Roger Colton, a recognized
13 authority on low-income energy affordability, estimates that an "affordable burden" for
14 total home energy bills may be set at 6% of gross household income. The 6% threshold
15 was developed based on a study of affordable housing costs and the proportion of those
16 costs related to energy consumption.

1 **Q. HOW DOES A 6% ENERGY BURDEN COMPARE TO THE ENERGY BURDEN FACED BY**
2 **MIDWEST HOUSEHOLDS AT VARIOUS INCOME LEVELS?**

3 A. Based on information reported by the U.S. Department of Health and Human Services in
4 the 2007 LIHEAP Home Energy Notebook, for the Midwest Census Region the median
5 residential energy burden for households using electric as the main heat source was 3.9%
6 for all households, 2.3% for non low-income households, 6.8% for low-income
7 households and 10.4% for households receiving LIHEAP.¹ These energy burdens
8 correspond to annual energy expenditures for households using electric as the main heat
9 source of \$1,344 for all households, \$1,476 for non low-income households, \$1,180 for
10 low-income households, and \$1,156 for households receiving LIHEAP. Based on these
11 data, low-income households including LIHEAP recipients face an energy burden of
12 approximately 3 to 5 times the energy burden faced by non low-income households. It is
13 important to note that the energy burdens reported above are an average measure of the
14 energy burden for the respective group. Within a group the energy burden can be
15 substantially higher for the lowest income levels. Attachment BAM SUP DIR-2 contains
16 estimates of the energy burden broken down by percentage of the Federal Poverty Level
17 for households in Missouri counties for the year 2008. Statewide, households with
18 incomes of less than 50% of the Federal Poverty Level face an average energy burden of
19 42.2%, far exceeding the 6% cited by Roger Colton and the 4% reflective of the Midwest

¹ 2007 LIHEAP Home Energy Notebook ,Table A-3c

1 Region energy burden for all households. Households with incomes of between 50% and
2 75% of the Federal Poverty Level face a lower average energy burden of 17.1%
3 Households with incomes of between 75% and 100% of the Federal Poverty Level face
4 an even lower average energy burden of 12.2%.

5 **Q. SHOULD THE COMMISSION CONSIDER A RANGE OF 4% TO 6% TO BE A REASONABLE**
6 **PROXY FOR AN AFFORDABLE ENERGY BURDEN IN MISSOURI?**

7 A. Yes. A range of 4% to 6% reflects both a nationally recognized level and a level specific
8 to the average burden for our region.

9 **Q. WOULD SETTING A LOW-INCOME RATE AT THE LEVEL OF AN INDUSTRIAL RATE ENSURE**
10 **THAT SUPPORT IS PROVIDED IN PROPORTION TO NEED?**

11 A. No. There is no evidence and it is unlikely that reduced rates set uniformly for
12 households with differing incomes relative to the FPL will result in support appropriately
13 targeted to need. For example, as discussed above the energy burden varies by level of
14 income; 42.2% for households with incomes of less than 50% of the FPL; 17.1% for
15 households with incomes of between 50% and 75% of the FPL and 12.2% for households
16 with incomes of between 75% and 100% of the FPL. This indicates that the lower the
17 household income, the greater the support amount needed to achieve an affordable energy
18 burden. However, under a program that sets reduced rates uniformly for households with

1 differing incomes relative to the FPL, the level of support would be similar if usage were
2 similar.

3 **Q. COULD SETTING A LOW-INCOME RATE AT 4% OR 6% OF HOUSEHOLD INCOME ENSURE**
4 **THAT SUPPORT IS PROVIDED IN PROPORTION TO NEED?**

5 **A.** It could. However, basing rates on individual household income would likely be
6 complicated and administratively burdensome. Additionally, if no cap were imposed on
7 usage or the total household discount, a percentage of income plan could provide price
8 signals contrary to promoting conservation.

9 **Q. CAN BILL CREDITS BE DESIGNED TO ACHIEVE AN ENERGY BURDEN OF 4% OR 6% OF**
10 **HOUSEHOLD INCOME AND ENSURE THAT SUPPORT IS PROVIDED IN PROPORTION TO**
11 **NEED?**

12 **A.** Yes. Bill credits can be designed to achieve an energy burden of 4% or 6% of household
13 income by setting the level of bill credits to recover the difference between anticipated
14 household energy expenditures and an affordable level of energy expenditures based on
15 4% to 6% of household income. Since the affordable level of energy expenditures
16 increases with household income, a graduated system of bill credits can be used to ensure
17 that support is provided in proportion to need.

1 **Q. WHAT METHOD WOULD YOU PROPOSE TO CALCULATE A GRADUATED SYSTEM OF BILL**
2 **CREDITS?**

3 A. I recommend a method that for various levels of poverty calculates the annual bill credit
4 by first estimating average annual household energy expenditures based on household
5 size and typical low-income home energy use then subtracting the average LIHEAP grant
6 and finally subtracting the average level of affordable level of energy expenditures based
7 on 4% to 6% of household income. Attachment BAM SUR DIR-3 shows these
8 calculations for both a 4% energy burden and a 6% energy burden. The method I am
9 using in this case is similar to the method I used in developing bill credit
10 recommendations for Empire Electric's program and Laclede's program. The Commission
11 adopted the bill credits I proposed in Empire Electric Case No. ER-2008-0315. The
12 current Laclede bill credits were determined as the result of a rate case settlement.

13 **Q. HOW DID YOU DETERMINE TYPICAL LOW-INCOME HOME ENERGY USE FOR PURPOSES OF**
14 **ESTIMATING ANNUAL LOW-INCOME HOUSEHOLD ENERGY EXPENDITURES?**

15 A. Since AmerenUE serves some customers that use electric for space heating and some that
16 don't, AmerenUE's reported average monthly customer use is lower than should be
17 expected for customers that use electric as a primary heating source. As an alternative, I
18 relied on the average use for low-income households using electric as the primary heat
19 source in the Midwest Region reported in the 2007 LIHEAP Home Energy Notebook.

1 **Q. WHAT ADDITIONAL ASSUMPTIONS DID YOU MAKE IN ESTIMATING ANNUAL LOW-INCOME**
2 **HOUSEHOLD ENERGY EXPENDITURES?**

3 A. I assumed a 10% differential in energy use based on family size and taxes and surcharges
4 of 6%.

5 **Q. WHAT LEVEL OF BILL CREDITS FOR VERY LOW-INCOME CUSTOMERS ARE SUGGESTED**
6 **BY YOUR STUDY IF A 4% ENERGY BURDEN IS DETERMINED AFFORDABLE BY THE**
7 **COMMISSION ?**

8 A. To achieve a 4% energy burden for customers below 100% of the FPL my study produces
9 the following bill credits:

Poverty Level	Proposed 12 Monthly Credits
25%	\$60.00
50%	\$45.00
75%	\$30.00
100%	\$15.00

1 **Q. WHAT LEVEL OF BILL CREDITS FOR VERY LOW-INCOME CUSTOMERS ARE SUGGESTED**
2 **BY YOUR STUDY IF A 6% ENERGY BURDEN IS DETERMINED AFFORDABLE BY THE**
3 **COMMISSION ?**

4 **A.** To achieve a 6% energy burden for customers below 100% of the FPL my study produces
5 the following bill credits:

Poverty Level	Proposed 12 Monthly Credits
25%	\$50.00
50%	\$30.00
75%	\$5.00
100%	no credit

6 **Q. IN ADDITION TO THE BILL CREDITS SHOWN ABOVE WHAT ADDITIONAL PROGRAM**
7 **ELEMENTS DO YOU RECOMMEND IF THE COMMISSION DETERMINES THAT A LOW-**
8 **INCOME PROGRAM BE DEVELOPED IN THIS CASE?**

9 **A.** As part of the three prong approach described in the summary of this testimony, I
10 described that application for LIHEAP assistance and low-income weatherization should
11 be a mandatory components of the program. Mandatory application for LIHEAP and
12 low-income weatherization are required for the Empire Electric Program. Mandatory
13 application for LIHEAP is required under Laclede's program. My study does not
14 anticipate an incremental cost associated with a mandatory weatherization requirement.

1 The third program component that I recommended was an arrears repayment plan
2 and repayment incentive. For this program component, I recommend that participation be
3 mandatory and that a participant's arrears be repaid over 24 months with a matching of 2
4 customer dollars for 1 program dollar up to a maximum program contribution of \$100 per
5 customer. Participation in the arrears repayment program is mandatory under both
6 Laclede's and Empire Electric's programs. Both the Laclede and Empire Electric low-
7 income programs allow up to 24 months for repayment of arrears. Empire Electric's
8 program has a 2 for 1 repayment matching incentive with a \$60 maximum program
9 contribution. Laclede's program matches customer repayment of arrears dollar for dollar.

10 I also recommend that if the Commission decides to implement a low-income
11 program in this case that participation in an average pay plan be strongly encouraged. A
12 program directed at only customers that use electric as the primary heat source will not
13 adversely affect participants that might otherwise face high winter gas bills and averaged
14 electric bills. Empire Electric's program requires mandatory participation in an average
15 pay plan. Laclede's program encourages participation by incorporating a short time
16 window during which a customer must opt out of an average payment plan.

1 **Q. WOULD YOU RECOMMEND TRACKING AND REPORTING REQUIREMENTS IN ADDITION TO**
2 **A THIRD PARTY EVALUATION?**

3 A. Yes. I would recommend that tracking, reporting and evaluation requirements be
4 modeled after those associated with the Laclede program.

5 **Q. HOW ARE SUCH PROGRAMS ADMINISTERED?**

6 A. Local community action agencies qualify customers for bill credits based on information
7 and documentation provided by customers applying for energy and other public assistance
8 and send information regarding the customer and the level of bill credit to the utility. The
9 community action agencies also handle weatherization and conservation related program
10 requirements and conduct some outreach to identify potential participants. The utility
11 processes bill credits through its billing system, oversees the components of the program
12 and tracks and reports on program metrics.

13 **Q. WHAT COST AND PARTICIPATION PARAMETERS WOULD YOU RECOMMEND?**

14 A. I recommend parameters for participation by poverty level that put the greatest emphasis
15 on participation at the lowest income levels but includes potential participation for all
16 levels of poverty below 100% of the FPL. Earlier in this testimony I identified 100% of
17 the FPL was a reasonable measure of "very low-income." I would also recommend a

modest sized program in terms of the combined expenditures on the bill credit and arrears repayment incentive components of the program

Q. HAVE YOU DEVELOPED SAMPLE PROGRAM COST ESTIMATES?

A. Yes. Using the parameters described above, I developed program cost estimates and proposed participation levels for programs that include a 4% and 6% energy burden bill credit component. The sample program cost estimates are based on a target of about \$500,000 for combined expenditures on the bill credit and arrears repayment incentive components of the program. This expenditure level is a little more than half the \$900,000 allotted for these components under the initial design of the current Laclede program. I also estimated 10% toward the cost of administration and evaluation of the program. The estimated total sample program costs are shown below.

Resulting Program Costs Including Bill Credits to Achieve a 4% Energy Burden

Poverty Level Range	Proposed Participants	Annual Credit per Participant	Bill Credit Costs
25%	300	\$720.00	\$216,000
50%	300	\$540.00	\$162,000
75%	100	\$360.00	\$36,000
100%	100	\$180.00	\$18,000

\$432,000	Total Bill Credit Costs
\$80,000	Arrears Repayment Incentive at \$100 per Participant
<u>\$43,200</u>	Estimated 10% Administrative & Evaluation Cost
\$555,200	Total Program Cost

Resulting Program Costs Including Bill Credits to Achieve a 6% Energy Burden

Poverty Level Range	Proposed Participants	Annual Credit per Participant	Bill Credit Costs
25%	400	\$600.00	\$240,000
50%	400	\$360.00	\$144,000
75%	400	\$60.00	\$24,000
100%	0	\$0.00	\$0

\$408,000	Total Bill Credit Costs
\$120,000	Arrears Repayment Incentive at \$100 per Participant
<u>\$40,800</u>	Estimated 10% Administrative & Evaluation Cost
\$568,800	Total Program Cost

Q. IF IN CONSIDERING YOUR RECOMMENDATIONS THE COMMISSION REQUIRES ADDITIONAL SCENARIOS, ARE YOU WILLING TO PROVIDE THEM?

A. Yes.

Q. ARE THERE ELEMENTS OF THE COMMISSION'S INQUIRY THAT YOU ARE UNABLE TO QUANTIFY IN THIS TESTIMONY?

A. Yes. In addition to the items I have addressed, the Commission requested information on the possible impacts on the Company's revenues, costs and bad debt expense associated with addressing low-income affordability. Based on my experience with low-income programs, I strongly believe that the three prong approach of weatherization, affordable bills and repayment of past due balances has potential to increase the consistency of a company's revenue generated from low-income participants and to reduce participants' late payment charges and unpaid balances. However, based on the relatively small

1 number of customers participating in such programs I doubt these programs have had any
2 significant impact on total company revenues or uncollectibles.

3 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

4 **A. Yes.**