

Exhibit No.: _____
Issue: Low-income Rate Program
Witness: Jacqueline A. Hutchinson
Sponsoring Parties: AARP;
Consumers Council of Missouri
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2010-0036
Date: February 26, 2010

BEFORE THE PUBLIC SERVICE COMMISSION OF MISSOURI

REBUTTAL TESTIMONY OF
JACQUELINE A. HUTCHINSON

ON BEHALF OF AARP AND THE CONSUMERS COUNCIL OF MISSOURI

Union Electric Company d/b/a AmerenUE

Case No. ER-2010-0036

Filed: February 26, 2010

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Jacqueline A. Hutchinson, and I am Director of Energy
4 Programs for the Human Development Corporation of Metropolitan St. Louis, located at
5 4548 Dr. Martin Luther King, St. Louis, Missouri.

6 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

7 A. I have a BS degree in Business from Washington University in St. Louis
8 MO, 1978; and a MS degree in Urban Affairs and Policy Analysis, from Southern
9 Illinois University in Edwardsville IL, 1983.

10 **Q. WHAT IS YOUR WORK EXPERIENCE?**

11 A. My career spans thirty years, with successively increasing responsibility at
12 the largest Community Action Agency in the state of Missouri. I have been responsible
13 for implementation of federal, state and private donation fuel assistance, and homeless
14 prevention programs in the St. Louis area. Those programs include the Low Income
15 Home Energy Assistance Program (LIHEAP), Dollar Help & Dollar More programs,
16 other private donation programs, and Homeless Prevention programs.

17 I have also been actively involved in energy policy issues and advocacy for low-
18 income consumers on a local, state, and national level, for more than 25 years. I am a
19 founding member of the Committee to Keep Missourians Warm, (a state-wide coalition
20 to address utility issues in Missouri since 1985), a founding member of Operation
21 Weather Survival (Extreme Weather Response network for St. Louis Region since
22 1982), and a founding member of the Consumers Council of Missouri. I also serve on

1 the Board of National Center for Appropriate Technology and The National Fuel Funds
2 Network.

3 **Q. WHAT IS YOUR EXPERTISE RELATED TO THIS MATTER?**

4 **A.** Most notably, my expertise includes the following:

5 **Cold Weather Rule and Affordability Plans**

6 I have provided testimony or have been a part of negotiations in every Cold
7 Weather Rule proceeding in Missouri. I have reviewed percentage of income payment
8 plans, affordability plans and low-income rates that have been proposed in other states
9 over the last 25 years, and made recommendations on those plans during rate cases and
10 Cold Weather Rule proceeding in Missouri. I have participated in settlement
11 negotiations with both St. Louis rate regulated utilities (AmerenUE and Laclede Gas
12 Company), worked with commission staff and Laclede Gas to develop viable
13 implementation of those standards resulting in formation of LIAP program in 2006, and
14 worked with AmerenUE to develop Catch-up Keep-up program.

15 **The Governors Energy Policy Council**

16 I was appointed by the Governor as a member of this council. The initial focus of
17 the Council was to prepare a report to be submitted to the Governor by June 1, 2003,
18 focusing on three key areas: An analysis of Missouri's current and future energy
19 supplies and demand, and impact on low-income; an analysis of the impact on Missouri
20 of standard market design rules proposed by the Federal Energy Regulatory
21 Commission; and make recommendations for how Missouri state government may
22 demonstrate leadership in energy efficiency.

1 **The PSC Cold Weather Rule and Long-Term Energy Affordability**

2 I was an appointed member of the Cold Weather Rule and Long-Term Energy
3 Affordability Task Force set up in Case No. GW-2004-0452, and worked with this
4 group to establish agreed upon modifications to the Cold Weather Rule in 2004, that
5 provided additional protection to disabled and low-income families and set standards for
6 low-income energy affordability programs.

7 **Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?**

8 A. I am providing rebuttal testimony and comments on behalf of AARP and
9 the Consumers Council of Missouri.

10

11 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY IN THIS**
12 **PROCEEDING OF RICHARD J. MARK ON BEHALF OF AMEREN UE?**

13 A. Yes.

14

15 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY IN THIS**
16 **PROCEEDING OF ANNE E. ROSS ON BEHALF OF MO PSC STAFF?**

17 A. Yes.

18

19 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY IN THIS**
20 **PROCEEDING OF BARBARA MEISENHEIMER ON BEHALF OF THE**
21 **OFFICE OF PUBLIC COUNSEL?**

22 A. Yes.

23

1 **Q. HAVE YOU REVIEWED THE PLEADING FILED IN THIS**
2 **PROCEEDING ON BEHALF OF AARP AND THE CONSUMERS COUNCIL OF**
3 **MISSOURI?**

4 A. Yes.

6 **Q. DO YOU HAVE GENERAL COMMENTS THAT APPLY TO ALL**
7 **OF THE ABOVE TESTIMONY?**

8 A. Yes. In the testimony of Richard Mark, Barbara Meisenheimer and Anne
9 E. Ross, each recommended an affordability program limited to a pilot or experimental
10 program, serving a small subset of the eligible population. I strongly disagree with these
11 suggestions. Over the past 10 years, the Missouri Public Service Commission has
12 ordered more than a dozen pilots that are limited to a small number of customers and
13 with limited timeframes during which families could actually participate. I believe this
14 program should be larger in scope, and should allow any customers in the class defined
15 as very low-income who meet the criteria established participate. At the very least, all
16 families who receive LIHEAP in the AmerenUE service area should be participants.

17 I strongly agree that an effective affordability program is an option that should be
18 adopted to address the severe hardship that frequent energy rate increases have on the
19 neediest families. I agree that any affordability program should include the following
20 items, each of which were discussed to some extent in direct testimony:

- 21 1. Tiered monthly bill payments based on income ranges
- 22 2. Arrears forgiveness incentives
- 23 3. Level payment plans strongly recommended to customers

1 4. Application for LIHEAP if applicable

2 5. Application for Weatherization

3 6. Energy Efficiency Education

4 It was suggested in all of the above mentioned testimonies, that separating the
5 residential rate class into two subcategories based on the incomes of those customers
6 could be a more difficult option; however various types of low-income rates have been
7 order by commissions in other states and could be used as models. I recommend that
8 this option be explored for its possible applicability to the needs of Missourians.

9 I also support the request made by AARP and the Consumers Council of Missouri
10 that the commission establish a collaborative process for the purpose of negotiating
11 further recommendations regarding a comprehensive low-income program for needy
12 AmerenUE customers.

13

14 **Q. DO YOU HAVE COMMENTS IN RESPONSE TO THE LOW-**
15 **INCOME DIRECT TESTIMONY OF RICHARD MARK?**

16 A. Yes. I concur with comment on page 3, line 10, where Mr. Mark
17 expresses concern for low-income customers and notes that AmerenUE has sponsored a
18 number of efforts to mitigate the impact of high rates on low income families and the
19 community in the manner described in this section. These programs and efforts are
20 much appreciated in the AmerenUE service areas.

21 On page 5, line 6, Mr. Mark states “It is my belief that the Legislature is in a
22 better position than AmerenUE, to address the problems of low-income Missouri
23 citizens”. This is welcome concern; however, AmerenUE and other utilities have

1 opposed several legislative attempts that I am aware of over the past 30 years that could
2 have authorized comprehensive affordability plans. Merely relegating this issue to the
3 state legislature would likely assure that no action would be taken on this important
4 matter in the near future.

5 According to a National *Study of Ratepayer-Funded Low-Income Energy*
6 *Programs*, by David Carroll (Attachment 1), Jacqueline Berger and Roger Colton, other
7 states have acted to adopt affordability programs without specific legislative
8 authorization: “When regulators desire to implement a low-income affordability
9 program, sound and readily sustainable regulatory foundations exist, without explicit
10 legislation action, upon which to base regulatory approval.”

11 “*Pennsylvania* - Pennsylvania’s commission found that it had the authority to
12 order programs to stop the “wasteful” cycle of repeating service disconnections,
13 reconnections, failed payment plans, and a return to the start of the cycle with another
14 disconnection.”

15 “*Ohio* - The Ohio commission found that it had authority under the state of
16 “emergency” which it found to exist as a result of the tens of thousands of households
17 that were losing their utility service, due to the unaffordability of home energy.”

18 “*Indiana* - Indiana utilities found authority to adopt their low-income programs
19 under a statute providing for “alternative regulatory plans,” which allow the utilities and
20 the state commission to set aside all or parts of traditional regulation, when to do so is in
21 the public interest.”

22 On page 5, line 7, Mr. Mark states “Poverty is not a problem that is limited to
23 AmerenUE’s service territory, nor is it a problem created solely or primarily by utility

1 bills”. While I agree with Mr. Mark that poverty is not a problem created solely by utility
2 bills, Missouri studies performed by Roger Colton showed an average energy burden for
3 families living below 50% of the Federal Poverty Index (FPI) at 42.2 percent. According
4 to *The LIHEAP Home Energy Notebook for FY 2005*, home energy rates increased by 40%
5 between 2000 and 2005, while there has been little growth in income over the past ten
6 years. These factors would indicate that the high cost of utilities is a primary contributor
7 to poverty and, must be included in the solution.

8 A 2006 report, *How Investment in Eliminating Poverty Benefits All Americans*,
9 commissioned by Entergy Corporation (Attachment 2), an electric company operating in
10 some of the poorest states in the United States, examines the potential impact that
11 investing in the eradication of poverty could have on all U.S. households. Among the
12 findings:

- 13 • Utility bad debt costs around \$1 billion annually. According to *Utility*
14 *Collections Best Practice: Theory Into Practice* (a Peace Software White
15 Paper published in May 2005), American utilities, through their
16 ratepayers, paid an average of \$3 per customer to collect bad debt, and in
17 some cases, the cost was as high as \$10.
- 18 • Investing in weatherization and energy efficiency services for low-income
19 households can reduce the effects of poverty and provide a multitude of
20 benefits to both the low-income customers themselves and the rest of
21 society, at a ratio of more than \$7.00 for every dollar spent. (*How*
22 *Investment in Eliminating Poverty Benefits All Americans 2006*)

- The energy cost burden of a low-income household is as much as five times higher than that of a median income household. Paying energy and utility bills requires that other necessities must be foregone. This energy budget dilemma is faced uniquely by the poor. (*How Investment in Eliminating Poverty Benefits All Americans 2006*)

On page 5, line 11, Mr. Mark states “To the extent electric bills pose difficulties for very low-income customers, those same difficulties exist whether the electric provided is AmerenUE . . .” However, the Missouri Commission needs to start somewhere to address this critical issue. AmerenUE is proposing a dramatic rate increase in this case, heightening the need for a comprehensive program to mitigate the potentially harmful impact of any significant increase being ordered. It would be my recommendation that all regulated energy utilities be encouraged to adopt such a program, when such utilities are requesting significant rate increases.

On page 6, lines 2 -10, Mr. Mark concludes “Programs like Clean Slate does give them temporary relief, but do not alleviate long-term societal issues.” I considered the Clean Slate program a very successful program in alleviating long standing arrears for families who had been struggling to pay for many years. The program outcome described by Mr. Mark best highlight the need to couple arrears forgiveness with ongoing bill payment support, and energy efficiency to prevent families from ending up back where they started.

On page 6, line 20, Mr. Mark states “The customers outside of that group will be forced to bear an additional burden”. I suggest that an affordability program could avoid this problem by allowing private donation dollars from sources such as Dollar More to be redirected to meet the needs of families who fall outside the eligibility for the

1 affordability program. Dollar More is primarily a voluntary ratepayer fuel fund, although
2 AmerenUE has the ability to make donations into this fund as well.

3 On page 7, lines 1-4, Mr. Mark indicated a practical problem with verifying
4 income. More than 13 states have implemented affordability programs that have
5 addressed this practical problem. For example, Texas uses an automatic enrollment for all
6 LIHEAP and food stamp recipients and all others can enroll through various methods,
7 including community agencies and the web. It is also true that regulated utilities in
8 Missouri have developed long-standing relationships with the Missouri Department of
9 Social Services, Family Support Division (FSD), Community Action Agencies, and other
10 social service program providers who would be able to work with the utility company to
11 determine eligibility.

12
13 **Q. DO YOU HAVE COMMENTS IN RESPONSE TO THE**
14 **TESTIMONY OF BARBARA MEISENHEIMER?**

15 A. Yes. I would like to make the following comments:

16 On page 13, line 6, Ms Meisenheimer states that 100% of poverty be used to
17 define "very low income". I recommended we follow the State LIHEAP eligibility at
18 135% of poverty, but not less than 125% of poverty should there be a reduction in
19 LIHEAP eligibility. According to Missouri statistics it takes 130% of poverty to meet
20 basic needs for food, shelter, & clothing in Missouri. That would be a basic definition of
21 very low income. The City of St. Louis has adopted its "living wage" based on this fact at
22 130% of poverty. Following the LIHEAP guidelines would also simplify the verification
23 process.

1 On pages 18-20, Ms Meisenheimer describes a methodology used to determine
2 customer credits levels to reduce energy burden to 4 and 6 percent of poverty. Although I
3 strongly agree with the tiered approach with varying payment levels, I do not agree with
4 the conclusions that no payment would be needed to move families at 100% of poverty to
5 a 6% energy burden. I recommend further collaboration to make sure all of the
6 assumptions are correct and that program credits have the intended benefits for all
7 income levels.

8
9 **Q. CAN YOU COMMENT ON THE CONDITIONS THAT EXIST FOR**
10 **LOW-INCOME FAMILIES IN THE AMEREN SERVICE AREA?**

11 A. Yes. The impact of high utility prices is felt dramatically and harshly in
12 Missouri's low-income households. "Unaffordable home energy has a variety of serious
13 impact on low-income households already struggling to meet other bills. In addition to
14 threatening home energy service, energy poverty contributes substantially to hunger,
15 inadequate housing, educational underachievement, health and safety dangers, and the
16 inability to retain employment." (*Paid but Unaffordable: The consequences of Energy*
17 *Poverty in Missouri, 2004.*) (Attachment 3) During these extreme economic times we
18 have seen our requests for assistance and the amount of arrears families increase by more
19 than 10% each year for the past two years. The typical family that receives LIHEAP from
20 our agency is an elderly or disabled household of 1 or 2 people; or a single parent with at
21 least two children. "Ms. M" requested service from our agency for her electric service.
22 In addition to herself, there are two children in her household. Her home is all electric,
23 and her bill was \$949 dollars at the beginning for the winter. Although she had been

1 making payments on her account, the high cost of summer cooling which was needed for
2 her children with asthma, plus leftover balances from the previous winter, make it
3 impossible for her to avoid the threat of disconnection. Although, “Ms. M” is employed,
4 and receives assistance from the Food Stamps (SNAP), her income is not enough to
5 provide food, shelter, transportation, and basic necessities.

6 This is consistent with the key findings from the above study which conclude:

- 7 • Households with incomes below 50% of the federal poverty level pay a
8 staggering 38% or more of their annual incomes for their energy bills.
- 9 • Forty-six percent of the households surveyed went without food in order
10 to pay their home energy bills.
- 11 • Forty-five percent failed to take medicines, as prescribed by their doctors,
12 in order to pay their home energy bills.
- 13 • To cope with unaffordable energy bills, households took action
14 detrimental to children’s educational achievement; frequently uprooting
15 their children. Seventy percent of the highly transient households were
16 families with children.

17 Additionally, customers that are elderly, disabled, have life-threatening medical
18 conditions, or have very young children are at extreme risk of health and safety problems
19 related to heat. I concur with testimony that I have read in previous AmerenUE rate
20 cases that reflects the plight of these individuals. Adopting an affordability plan would be
21 a tool that could protect the health and safety of these individuals, and give the elderly the
22 reassurance that they would not be disconnected during the extreme heat. This would
23 increase the likelihood that they would use their air conditioning during extreme heat.

1

2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 A. Yes.