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

SUPPLEMENTAL REBUTTAL 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 26, 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:

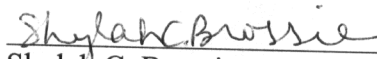
1. My name is Barbara A. Meisenheimer. I am a Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my supplemental rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and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


Barbara A. Meisenheimer

Subscribed and sworn to me this 26th 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 REBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

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

CASE NO. ER-2010-0036

1 ***I. Introduction and Summary***

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

3 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O.
4 2230, Jefferson City, Missouri 65102.

5 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

6 A. Yes, I filed direct testimony on class cost of service on January 6, 2010, rebuttal
7 testimony on class cost of service on February 11, 2010, and supplemental direct
8 testimony on low-income program issues on February 19, 2010.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my supplemental rebuttal testimony is to respond to low-income program
11 issues discussed in the comments of AARP, the direct testimony of Anne Ross filed on
12 behalf of the PSC Staff and the direct testimony of Richard Mark and Wilbon Cooper
13 filed on behalf of AmerenUE.

1 ***II. Response to AARP***

2 **Q. DO THE COMMENTS FILED BY AARP REGARDING A LOW-INCOME PROGRAM GENERALLY**
3 **ALIGN WITH THE PROGRAM OUTLINED IN YOUR DIRECT TESTIMONY?**

4 A. Yes. AARP appears to support the key elements of the low-income program design
5 outlined in my supplemental direct testimony. AARP supports a low-income program
6 that provides discounts or credits to those low-income AmerenUE electric customers that
7 have a comparatively high annual energy burden, that promote weatherization and energy
8 efficiency, and that provide an incentive to reduce past arrearages.

9 **Q. ON WHAT POINTS DO THE AARP POSITION AND THE PUBLIC COUNSEL POSITION DIFFER?**

10 A. The primary areas of divergence between AARP and Public Counsel are on the
11 appropriate size of the program, the need for a collaborative group to develop a program
12 and the customers that would be eligible to participate in a program.

13 **Q. PLEASE RESPOND TO THE AARP POSITION ON THE SIZE OF THE PROGRAM.**

14 A. Public Counsel continues to believe that in the context of this case an experimental
15 program of limited size is more appropriate than a system wide, program with unlimited
16 participation. Public Counsel agrees with AARP on the need for utility assistance and the
17 critical role that assistance plays in advancing the health and welfare of Missourians.
18 However, to date, the legislature has relied primarily on taxpayer funded programs such

1 as LHEAP to address the need for low-income utility assistance. The legislature has not
2 directed or mandated that the Commission establish a state-wide program as envisioned
3 by the attachment to AARP's filing or even a system-wide program as recommended in
4 AARP's pleading. The experimental programs that have been conducted so far have
5 furthered our understanding of the program components and processes most likely to
6 result in more affordable utility bills for low-income consumers but have not yet been
7 demonstrated to reliably produce sufficient benefits or cost offsets to justify permanent or
8 large scale ratepayer funding.

9 **Q. IS PUBLIC COUNSEL'S PROGRAM "SIZE" CONSISTENT WITH OTHER LOW-INCOME**
10 **PROGRAMS IMPLEMENTED IN THE STATE?**

11 A. Yes. Public Counsel has provided a recommendation for funding bill credits and arrears
12 repayment incentives at a level somewhat in excess of \$500,000 which is closer to the
13 actual experience in the first year of the Laclede program than the original \$900,000
14 budgeted for the Laclede bill credit and arrears repayment incentives. Based on a total
15 program cost of approximately \$555,000 to \$570,000 Public Counsel has outlined a
16 program that would serve 800 or 1,200 low-income customers depending on the level of
17 affordable energy burden established by the Commission. As pointed out by AmerenUE
18 witness Mark the Empire Electric program was designed to serve a maximum of 1,000
19 low-income customers.

1 **Q. DO YOU OPPOSE IMPLEMENTING A PROGRAM SYSTEM-WIDE AS OPPOSED TO**
2 **IMPLEMENTING A PROGRAM IN A MORE LIMITED GEOGRAPHIC AREA?**

3 A. Public Counsel recognizes that offering a system-wide program has advantages in terms
4 of equal opportunity for all low-income customers to participate and could support a
5 system-wide offering if it would not impede the efficient operation of the program. A
6 number of other programs were at least initially offered on a limited geographic basis due
7 to the significant level of coordination necessary between the community action agencies
8 and companies serving the program areas.

9 **Q. PLEASE RESPOND TO THE AARP POSITION ON THE NEED FOR A COLLABORATIVE**
10 **WORKING GROUP.**

11 A. Public Counsel would agree to a collaborative process for the limited purposes of
12 addressing administrative issues and program evaluation. However, given that similar
13 issues have been considered and debated in other forums without resolution and given the
14 parties' widely varied positions on the appropriate scale and design of a low-income
15 program in this case, Public Counsel believes that a Commission decision establishing
16 general parameters is necessary to efficiently and effectively move the process forward.

1 **Q. PLEASE RESPOND TO THE AARP POSITION REGARDING THE NEED FOR A SUMMER**
2 **COOLING PROGRAM COMPONENT.**

3 A. AARP stresses the need for a program that addresses both heating and cooling,
4 emphasizing the critical public safety concern, especially for low-income seniors who
5 may not turn on their air conditioners on the hottest days because of the fear of high
6 electric bills. The program outlined in my direct testimony would address the year round
7 need for the targeted participants that use electricity as the primary heat source. However,
8 the program outlined in my direct testimony did not include a component targeted at
9 customers that cool with electricity but that primarily heat with natural gas or other
10 alternative heat source. Consistent with the method described in my direct testimony, I
11 have developed income-based summer cooling bill credits that could be targeted on an
12 experimental basis to a group of low-income seniors.

13 **Q. WHAT LEVEL OF BILL CREDITS DO YOU BELIEVE COULD BE USED TO REASONABLY**
14 **ADDRESS AFFORDABILITY IF THE PROGRAM WERE TO INCLUDE AN EXPERIMENTAL**
15 **SUMMER COOLING COMPONENT FOR LOW-INCOME SENIORS?**

16 A. I believe it would be reasonable to establish the total annual credit associated with
17 summer cooling at approximately 15% of the total annual bill credits developed in my
18 direct testimony.

1 **Q. WHY IS 15% REASONABLE?**

2 A. The annual bill credits developed in my direct testimony represent a need-based credit for
3 customers that heat as well as cool with electricity. Based on the 2007 LIHEAP Home
4 Energy Notebook, average annual fuel consumption for cooling was close to 15% of
5 average total annual electricity fuel consumption for households that use electricity as the
6 primary heat source.

7 **Q. SHOULD PARTICIPANTS IN THE SUMMER COOLING COMPONENT OF THE PROGRAM BE**
8 **REQUIRED TO ENROLL IN A LEVEL PAYMENT PLAN?**

9 A. No. The participants in this component of the plan should not be required to participate
10 in a level payment plan because if they do not subscribe to a level pay plan for their heat
11 fuel source it could result in unreasonably high combined utility bills during the winter
12 months.

13 **Q. HOW WOULD YOU RECOMMEND THE CREDITS BE APPLIED?**

14 A. If the participant chooses level pay, the annual credit could be applied in determining the
15 level monthly bill. If the participant does not participate in a level payment plan, then I
16 recommend that the annual credit be applied to the two or three monthly bills that reflect
17 peak summer use in July and August or in June, July, and August.

1 **Q. WHAT LEVEL OF SUMMER COOLING CREDITS DO YOU RECOMMEND IF A 4% ENERGY**
2 **BURDEN IS DETERMINED AFFORDABLE BY THE COMMISSION?**

3 A. For households below 100% of the FPL, I recommend the following bill credits to offset
4 summer cooling costs:

Poverty Level	Proposed Annual Credit	As 3 Monthly Credits	As 2 Monthly Credits
25%	\$108	\$36	\$54
50%	\$81	\$27	\$40.50
75%	\$54	\$18	\$27
100%	\$27	\$9	\$13.50

5 **Q. WHAT LEVEL OF SUMMER COOLING CREDITS DO YOU RECOMMEND IF A 6% ENERGY**
6 **BURDEN IS DETERMINED AFFORDABLE BY THE COMMISSION?**

7 A. For households below 100% of the FPL, I recommend the following bill credits to offset
8 summer cooling costs:

Poverty Level	Proposed Annual Credit	As 3 Monthly Credits	As 2 Monthly Credits
25%	\$90	\$30	\$45
50%	\$54	\$18	\$27
75%	\$9	\$3	\$4.50
100%	no credit	no credit	no credit

1 **Q. WHAT WOULD IT COST TO ADD A SENIOR SUMMER COOLING COMPONENT TO THE**
2 **PROGRAM?**

3 A. The programs outlined in my direct testimony envisioned a total participation of 800
4 customers that use electricity as the primary heat source if a 4% affordable energy burden
5 were adopted and a total participation of 1,200 customers that use electricity as the
6 primary heat source if a 6% affordable energy burden were adopted. Using the same
7 number of participants and income distributions, I estimate that adding a program
8 component targeted at offsetting the unaffordable cost of summer cooling for low-income
9 seniors that do not use electricity as a primary heat source would cost an additional
10 \$71,280 to serve 800 low-income seniors at a 4% energy burden or an additional \$67,320
11 to serve 1,200 low-income seniors at a 6% energy burden. Both amounts include
12 additional administrative costs at a rate of 10%.

13 **Q. WHAT WOULD BE THE COMBINED TOTAL PROGRAM COST AND PARTICIPATION LEVELS?**

14 A. The total combined program cost including all components (bill credits for both electric
15 heat customers and senior summer cooling, arrears repayment incentives for electric heat
16 customers and administration) would be \$626,480 to serve a total of 1,600 low-income
17 participants at a 4% energy burden or \$636,120 to serve 2,400 low-income participants at
18 a 6% energy burden.

1 ***III. Response to Ameren UE***

2 **Q. IF THE COMMISSION DECIDES TO APPROVE A LOW-INCOME PROGRAM IN THIS CASE,**
3 **DOES THE TESTIMONY FILED BY AMERENUE REGARDING A LOW-INCOME PROGRAM**
4 **GENERALLY ALIGN WITH THE PROGRAM OUTLINED IN YOUR DIRECT TESTIMONY?**

5 A. Certain aspects do. If the Commission determines that a program should be implemented,
6 AmerenUE appears to support a bill credit program. Specifically, Mr. Mark references
7 the Empire Electric bill credit which is tiered based on household income relative to the
8 poverty level. Mr. Mark also references a cap of 1,000 participants which is similar to the
9 range of participants shown in the sample programs I presented in direct testimony. Mr.
10 Mark indicates that the administrative function of qualifying participants would be best
11 performed by social service agencies. Finally, Mr. Mark points out that any low-income
12 program adopted by the commission should gather data on whether the program helps
13 alleviate the financial burden on low-income customers.

14 **Q. PLEASE RESPOND TO MR. MARK'S EXPLANATION THAT THE FOLLOW-UP STUDY OF THE**
15 **CLEAN SLATE PROGRAM DID NOT RESULT IN THE LONG TERM ELIMINATION OF**
16 **ARREARS BALANCES.**

17 A. While I'm sure that many customers facing temporary financial hardship were benefited
18 by the Clean Slate program, I am not surprised by Mr. Mark's report that the program did
19 not result in the long term reduction of arrears. Offered in isolation, an arrears reduction

1 program such as Clean Slate does not offer an adequate or long term strategy for
2 addressing bill affordability for low-income households because it does not reduce the
3 ongoing high energy burden faced by low-income households. Coupling arrears reduction
4 incentives with weatherization and adequate bill credits offers a more comprehensive
5 approach to current and future bill affordability for low-income households.

6 **Q. PLEASE RESPOND TO MR. COOPER'S RECOMMENDATION REGARDING THE CREATION OF**
7 **A CONTROL GROUP TO GAUGE THE IMPACT OF AFFORDABILITY PROGRAMS.**

8 A, I agree with Mr. Cooper that comparisons of the performance of affordability programs
9 can be measured by comparing the payment performance of the target group with the bill
10 payment performance of a control group. This method has been used in the evaluation of
11 other low-income affordability programs.

12 ***IV. Response to Staff***

13 **Q. PLEASE COMMENT ON STAFF'S ESTIMATES OF THE NUMBER OF CUSTOMERS AND THE**
14 **TOTAL COST OF OFFERING A 50% REDUCTION OF THE NON-FUEL PORTION OF A**
15 **CUSTOMER'S BILL TO ALL LOW-INCOME CUSTOMERS WITH HOUSEHOLD INCOME**
16 **BELOW VARIOUS THRESHOLDS OF THE FPL.**

17 A. Staff witness Anne Ross estimates that under its 75% of the FPL scenario, between
18 31,839 and 197,621 customers would qualify and the cost could range from between
19 about \$9.9M and \$61.3M. She estimates that under Staff's higher threshold scenario,

1 between 56,856 and 352,894 customers would qualify and the cost could range from
2 between about \$17.6M and \$109.4M. Estimates of cost that vary so widely make it
3 impractical to determine the cost that should be collected from other rate-payers who
4 Staff proposes bear the costs. According to AmerenUE's minimum filing requirements the
5 Company serves about 1.24M customers resulting in an annual average funding
6 contribution ranging from about \$8 to \$88 per year per customer depending on the
7 income threshold approved by the Commission and the take rate of low-income
8 customers. The Staff suggests that a portion of costs could be collected in the rates
9 resulting from this case with any remainder collected through a tracker, however,
10 deferring potentially significant costs may result in significantly higher rates in the future
11 as the program ramps up. Without more definitive projections of the cost, it would be
12 unreasonable for the Commission to approve such a program.

13 **Q. HOW DO THE STAFF'S ESTIMATED COSTS OF \$8 TO \$88 PER YEAR COMPARE TO THE COST**
14 **OF THE PROGRAM YOU DISCUSSED IN YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

15 **A.** Although Public Counsel has requested that the Commission explore opportunities for
16 voluntary funding, if the cost were borne by ratepayers, the program I outlined in
17 supplemental direct testimony would cost about 45¢ to 46¢ per customer per year
18 depending on the Commission's determination of 4% or 6% as an affordable energy
19 burden. Adding an equal number of summer cooling bill credits as the heating credits

1 (per level of household income to the FPL proposed in my direct testimony) would
2 increase the program cost by about 5¢ to 6¢ per customer per year.

3 **Q. WOULD PROVIDING A 50% DISCOUNT OF THE NON FUEL PORTION OF EACH VERY LOW-**
4 **INCOME CUSTOMER'S BILL ENSURE THAT SUPPORT IS PROVIDED IN PROPORTION TO**
5 **NEED?**

6 A. No. A flat 50% reduction of the non-fuel portion of customer bills would not ensure
7 support is provided in proportion to need because it does not correlate greater support
8 with greater energy burden. As described in my direct testimony, the energy burden varies
9 with household income. The State's lowest income households face an average energy
10 burden of over 40% while households near the poverty level face an energy burden of just
11 over 12%. As I understand this proposal, if these households used the same amount of
12 energy, they would receive the same discount despite differing levels of need.

13 **Q. WHY IS IT IMPORTANT TO ENSURE THAT SUPPORT IS PROVIDED IN PROPORTION TO**
14 **NEED?**

15 A. Providing support in proportion to need levels the playing field for low-income customers
16 so that their payment performance while participating in the program can be reasonably
17 expected to mirror and can reasonably be compared to that of customers nearer to median
18 income levels. Providing support in proportion to need also provides assurance that those

1 who fund the program are not providing support in excess of that needed to achieve
2 affordability for the program participants.

3 **Q. ARE THERE ADDITIONAL PARAMETERS THAT THE COMMISSION SHOULD CONSIDER IF IT**
4 **APPROVES THE PROGRAM YOU HAVE RECOMMENDED IN YOUR DIRECT AND REBUTTAL**
5 **TESTIMONY?**

6 **A. Yes.** If the Commission decides to implement a low-income program for heating and or
7 cooling customers as described in my direct and rebuttal testimony, I would recommend
8 that in addition to the parameters previously discussed, the Commission direct that the
9 annual bill credits not exceed the customer's annual bill, that participants meeting
10 payment requirements while in the program be allowed to continue in the program for the
11 duration of the program and that the program be approved for a minimum of two years or
12 until rates are approved for the first general rate proceeding initiated after the two year
13 initial program period.

14 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?**

15 **A. Yes.**