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Exhibit No.:  
Issues: Rate Design, Essential Service Rate  
Witness: Robert (Bob) Quinn  
Sponsoring Party: Missouri Association for  
Social Welfare  
Type of Exhibit: Surrebuttal Testimony  
Case No.: ER-2007-0002

**AMERENUE ELECTRIC RATE CASE**

**SURREBUTTAL TESTIMONY**

**OF**

**ROBERT (BOB) QUINN**

**MISSOURI ASSOCIATION FOR SOCIAL WELFARE**

**February 27, 2007**

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

**SURREBUTTAL TESTIMONY OF  
ROBERT (BOB) QUINN**

**MISSOURI ASSOCIATION FOR SOCIAL WELFARE**

**CASE NO. ER-2007-0002**

**NP**

*MASW*  
Exhibit No. 801  
Case No(s) ER-2007-0002  
Date 3/28/07 Rptr PR

1    **Q. Please state your name and address.**

2    A. My name is Robert (Bob) Quinn. My business address is the Center for  
3       Social Justice, 606 East Capitol Avenue, Jefferson City, Missouri 65101.

4    **Q. Are you the same Robert (Bob) Quinn who has filed prepared direct**  
5       **testimony in this case?**

6    A. Yes, I am.

7    **Q. Are your employment status and the party on whose behalf you are**  
8       **testifying the same as when you filed your direct testimony?**

9    A. Yes, I am Executive Director of the Missouri Association for Social Welfare  
10       (MASW) and am testifying on behalf of MASW.

11   **Q. What is the purpose of your testimony?**

12   A. The purpose of my testimony is to respond to the rebuttal testimony of James  
13       C. Watkins of the Public Service Commission staff, filed on February 5, 2007,  
14       and to the rebuttal testimony of Philip Q. Hanser of the Brattle Group (on  
15       behalf of AmerenUE), also filed on February 5, 2007, specifically regarding  
16       the essential service rate proposed in my original direct testimony of  
17       December 29, 2006.

18   **Q. What is staff's position regarding the essential service rate?**

19   A. According to Mr. Watkins' testimony, staff is "not opposed to the goals" of the  
20       essential service rate, "staff recommends that it not be implemented."

21   **Q. What is staff's rationale for this recommendation?**

22   A. Mr. Watkins notes that AmerenUE has its "Dollar More" program in place,  
23       funded by customer donations, and that Empire Electric has an experimental

1 low-income program in place, funded by ratepayers and the company. He  
2 also states that "the bulk" of assistance to low-income ratepayers – and it is  
3 not clear to me if that is specific to AmerenUE or Missouri electric utilities in  
4 general – is in the form of home weatherization assistance, rebates for more  
5 efficient appliances and the like. These efforts, he notes, reduce the utility  
6 costs to the low-income ratepayer. Finally, Mr. Watkins states that the initial  
7 block discount, as proposed in the essential service rate, "distorts the price of  
8 electricity for all customers, while providing only limited assistance to those  
9 who need it the most."

10 **Q. Do you agree with staff's assessment regarding the "Dollar More"**  
11 **program?**

12 A. Not entirely. It is fact, of course, that AmerenUE operates the "Dollar More"  
13 program. However, if AmerenUE is successful in winning a rate increase in  
14 this case, the need for assistance from the "Dollar More" program will grow,  
15 while there will be an incentive for middle-income ratepayers who currently  
16 contribute to the program to recoup \$12 of their higher annual electric bill by  
17 dropping their support. Of course, AmerenUE could address this, at least in  
18 part, by matching ratepayer donations with investor dollars, although staff  
19 does not suggest this in Mr. Watkins' rebuttal testimony. The essential  
20 service rate, if implemented, would arguably keep the demand for "Dollar  
21 More" assistance to its current level or, at the very least, create a smaller  
22 increase in the demand than a general rate increase without the protection of  
23 an essential service rate.

1   **Q. Do you agree with staff's assessment regarding the Empire Electric**  
2       **experimental low-income program?**

3   A. I agree that the program is in place for the Empire service area; that is  
4       objective fact. If staff had proposed such a plan for the AmerenUE area as an  
5       alternative to the essential service rate, my only disagreement would be that it  
6       administratively more difficult, puts the onus on ratepayers to self-identify as  
7       being low-income, and can create resentment for lower-income ratepayers  
8       who earn just barely over the threshold. The essential service rate avoids all  
9       of those difficulties. However, staff did not propose an Empire-like plan in Mr.  
10      Watkins' testimony.

11   **Q. Do you agree with staff's assessment regarding weatherization and**  
12       **efficient appliances?**

13   A. I agree with the analysis that assistance is provided to help low-income  
14       ratepayers improve the energy efficiency of their homes, and that such  
15       improvement has the effect of lowering the amount of electricity they use.  
16       However, a general rate increase without the protection of an essential  
17       service rate would, in effect, say to the new owner of a high-efficiency  
18       appliance, in effect, this will use fewer kWh, but each kWh will cost more than  
19       it did before. With efficiency assistance and the essential service rate, the  
20       savings to the ratepayer will be greater.

21   **Q. Do you agree with staff's assessment that the essential service rate,**  
22       **"distorts the price of electricity for all customers, while providing only**  
23       **limited assistance to those who need it the most."?**

1 A. I do not agree, in that their analysis misses the point. The essential service  
2 rate is the expression of our philosophy at MASW, that it is an unjust public  
3 policy that luxury or recreational uses of electricity should cost less per kWh  
4 than essential uses like food storage and preparation, and life-saving (or, at  
5 the very least, health-preserving) climate control. Viewed from that  
6 perspective, it is a matter of fairness and justice that the essential electrical  
7 power for all people, not only those in low-income households, be protected  
8 from rate increases – whether general rate increases, or Fuel Adjustment  
9 Clause increases. That low-income ratepayers with poorly insulated  
10 dwellings and old, inefficient appliances are most in need is undisputed, but  
11 irrelevant. Nothing about implementing an essential service rate prevents  
12 weatherization assistance and/or efficiency rebates.

13 **Q. Does that conclude your response to Mr. Watkins' testimony?**

14 A. Yes, it does.

15 **Q. What is AmerenUE's position regarding the essential service rate?**

16 A. According to Mr. Hanser's testimony on AmerenUE's behalf, the essential  
17 service rate should not be adopted.

18 **Q. What is AmerenUE's rationale for this position?**

19 A. Mr. Hanser states several concerns in his testimony. First, he states that my  
20 direct testimony did not substantiate a need for the essential service rate, and  
21 ignores the array of assistance programs available to low-income ratepayers.  
22 Second, he notes that the essential service rate for electricity does not apply  
23 to natural gas, which is the primary heating means for most residential

1 customers of AmerenUE; in Mr. Hanser's words, this makes the proposal  
2 "poorly targeted." Third, he notes that the essential service rate would apply  
3 to all residential ratepayers, not only the low-income, and this, in his words,  
4 "reduces customers' incentive to invest in energy efficiency..." Fourth, Mr.  
5 Hanser notes that the inverted block rate, of which the essential service rate  
6 proposed in my direct testimony is a form, does not necessarily benefit the  
7 utility because of the time pattern of consumption, and would potentially be  
8 harmful to those residential ratepayers most in need – low-income  
9 households with poor insulation and old, inefficient appliance who therefore  
10 would have usage in excess of the essential service rate block – while at the  
11 same time benefiting wealthy ratepayers who would have low usage at a  
12 vacation home (for example).

13 **Q. Do you agree with AmerenUE's assessment as expressed in Mr.**  
14 **Hanser's first concern?**

15 A. Not entirely. Addressing the second part of this concern first, Mr. Hanser's  
16 testimony is a more detailed version of Mr. Watkins' that I addressed above,  
17 in that an array of assistance to low-income ratepayers does exist. In addition  
18 to AmerenUE's "Dollar More" program, and various weatherization and  
19 efficiency assistance efforts, Mr. Hanser notes the federal LIHEAP funds that  
20 are available, the PSC's cold weather rule, and other ways that low-income  
21 ratepayers have or can seek assistance. In addition to my response to Mr.  
22 Watkins' similar analysis above, which I will not reiterate here, I would note  
23 the recent efforts by the state of Missouri to increase Utilicare funds.

1       However, the fact that some assistance is now available is not a valid public  
2       policy reason to reject a program that would provide additional assistance.  
3       As to the first part of Mr. Hanser's concern, the fact that all these assistance  
4       programs exist – and they were created to meet a verified need – and that  
5       funding typically is exhausted before the need is fully met, serves as  
6       documentation that the need exists for an essential service rate, in terms of  
7       its benefits to low-income ratepayers.

8       **Q. Do you agree with AmerenUE's assessment as expressed in Mr.**  
9       **Hanser's second concern?**

10      A. I agree with his concern, but it is not an argument against adopting the  
11      essential service rate. MASW is a small organization involved in a number of  
12      social justice and economic justice issues; we do not have the resources to  
13      intervene in all proceedings before the PSC. We did not intervene in the  
14      natural gas rate case AmerenUE filed concurrent with this electric case. Mr.  
15      Hanser is correct that the essential service rate as proposed in my direct  
16      testimony does not apply to natural gas. AmerenUE could address that by  
17      proposing a similar essential service rate for its natural gas customers of its  
18      own volition. If AmerenUE means to argue in this concern that the essential  
19      service threshold of 600 kWh per month – which was just an estimate in my  
20      direct testimony, as Mr. Hanser noted in his rebuttal – is significantly higher  
21      than a reasonable threshold in winter months because the data upon which I  
22      relied assumed electric heat rather than natural gas heat, I would repeat that I

1 am amenable to calculations of the appropriate threshold base on appropriate  
2 data.

3 **Q. Do you agree with AmerenUE's assessment as expressed in Mr.**  
4 **Hanser's third concern?**

5 A. No. It is my position that a rate design that imposes a lower rate per kWh for  
6 an initial block (be it 600 kWh or some other reasonable number), and a  
7 higher cost per kWh for usage above the initial block, is an incentive to  
8 improve energy efficiency. In other words, if a customer know that increased  
9 usage not only means increased cost because more electricity is used, but  
10 that it actually costs more per unit at higher usage levels, that is an incentive  
11 to increase energy efficiency. If I understand Mr. Hanser's testimony, it is  
12 AmerenUE's position that such a setup is a disincentive to improve energy  
13 efficiency.

14 **Q. Do you agree with AmerenUE's assessment as expressed in Mr.**  
15 **Hanser's fourth concern?**

16 A. I do not agree, in that their analysis misses the point. The essential service  
17 rate is the expression of our philosophy at MASW, that it is an unjust public  
18 policy that luxury or recreational uses of electricity should cost less per kWh  
19 than essential uses like food storage and preparation, and life-saving (or, at  
20 the very least, health-preserving) climate control. Viewed from that  
21 perspective, it is a matter of fairness and justice that the essential electrical  
22 power for all people, not only those in low-income households, be protected  
23 from rate increases – whether general rate increases, or Fuel Adjustment



1 Clause increases. That low-income ratepayers with poorly insulated  
2 dwellings and old, inefficient appliances are most in need is undisputed, but  
3 irrelevant. Nothing about implementing an essential service rate prevents  
4 weatherization assistance and/or efficiency rebates. As for the well-off  
5 ratepayer who would benefit from the essential service rate at a vacation  
6 home, if the electricity is used primarily for life-sustaining or health-sustaining  
7 essential services, like food storage and preparation and climate control, that  
8 is within the purpose of the proposal.

9 **Q. Does this conclude your testimony?**

10 A. Yes. Thank you.

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