Missouri utility regulators are considering a new low-income customer class to help cut electric, natural gas and water bills for the state’s poorest and most vulnerable residents.

The Public Service Commission last week opened an investigation to determine whether discounted utility services is allowable under state law, and if so how to implement low-income rates.

The problem commissioners are trying to tackle is as old as the incandescent light bulb. As long as there have been electric, natural gas and water utilities, there has been a segment of the population that hasn’t been able to afford the services.

But the combination of utility rate increases in recent years along with rising food and gasoline prices and healthcare costs have exacerbated the problem.

“It’s the totality of all of these things coupled with stagnant wages and lack of Social Security increases for the elderly,” Commissioner Robert Kenney said. “I think that may create a tipping point where it’s worth trying to take a more creative, closer look at the issue.”

Regulators have gotten another dose of reality this month at public hearings on Ameren Missouri’s proposed $376 million electric rate increase. If approved, it would boost rates for the average residential customer by about $14 a month.

This won’t be the first time that regulators have looked at the impact of rising utility rates.

Past commissions have investigated the broader issue of energy affordability. And those studies led to consumer protections such as Cold Weather Rule, which prohibits gas utilities from disconnecting customers when the temperature is forecast to dip below freezing.

The commission began examining specifically the effect of rising utility rates on low income customers during an Ameren rate case in the summer of 2010.

“There were a lot of practical considerations and we all agreed it was too late in the process to do anything,” said Kevin Gunn, who was a commissioner at the time and now serves as PSC chairman.
Gunn said he believes the best approach is to study the issue outside of the context of a rate case and asking all investor-owned electric, gas and water utilities, consumer groups and other parties to participate.

“We recognize this is hard on people and we want to do what we can long term to put some protections in place -- a safety valve to assist people,” he said. “We have to be mindful of what consumers are paying and whether they can pay it. That’s part of the balancing act that we do everyday.”

There already exists numerous government and private programs to help low- and fixed-income utility customers keep their lights and water on and heat their homes.

There’s the federal Low Income Home Energy Assistance Program. Utilities such as Ameren and Laclede Gas Co. run Dollar More and Dollar Help utility assistance programs where customers contribute voluntarily to help others. Utilities themselves have contributed millions of dollars to assist customers, and Ameren recently donated 150 air conditioners to keep customers cool amid this summer’s brutal heat. There also are charities like Heat Up St. Louis that raise thousands of dollars every summer and winter.

Still, it isn’t enough.

“All that stuff is great,” Gunn said. “But it is not near coming close to dealing with the need. What we’re trying to do here is find out if there is a way to assist people on an ongoing basis.”

No one knows that better than Jacqueline Hutchinson, director of city services for the St. Louis County Community Action Agency.

Hutchinson has testified at utility rate hearings on behalf of low income consumers since the early 1980s. And earlier this month at an Ameren rate hearing at UMSL, she urged commissioners to look at establishing a low-income customer class.

“With the economy tanking, we have a lot of working poor families that were just barely hanging on that have lost income and are now living below the poverty line,” she said. “Plus, a lot of people who were employed have lost their jobs.”

Hutchinson has seen the poverty rate climb in the St. Louis area, especially in the wake of the Great Recession. She has watched years go by with no Social Security increases for senior citizens. And when there is an increase, like this year, it’s 3.6 percent.

“And that’s been eaten up by the cost of food and the cost of medicine. It’s just a really tough situation,” she said.

Utilities, too, acknowledge the need, and say they’re open to discussing ways to help consumers who can't afford to pay their bills.

“I think we realize where the commission is coming from,” said Michael Pendergast, of Laclede gas. “We’re certainly open to sitting down and talking about constructive approaches to this.”
They also know better than anyone the high cost of having to collect past due bills, of disconnecting and reconnecting customers. And much of what doesn’t get recovered is passed on to other customers through higher rates, anyway.

“There’s a fair amount of expense you incur when people can’t pay their bills,” Pendergast said. “If you can develop something that gives the customer the ability to stay on the system and not cause those types of expenses then you can probably produce some benefits. But you have to take a realistic look at it.”

The PSC specifically will look to at other states that have already implemented similar programs.

In California, utilities offer 20 percent discounts on electric and natural gas bills for households and earn less than 200 percent of the federal poverty guideline. For a family of four, that’s $46,100.

Massachusetts, too, requires investor-owned utilities to offer low income consumers discounts on electric and gas bills. Other states, such as Texas and Ohio have taken different approaches.

Gunn and Kenney acknowledge that finding a solution to the problem won’t be easy.

Among the questions they will have to answer: Is it legal under Missouri law? How do you verify eligibility? What does it cost to administer? How does the commission ensure there’s no fraud or abuse? How is cost shared in a way that’s fair to other customers and utility shareholders?

“If we’re looking for ways to change the way we do this, we want to make sure we do it right,” Gunn said. “Whatever we do has to be fair, has to take into account the costs, has to take into account the practical implications.”

To Hutchinson, who deals daily with people in jeopardy of losing utility service, the fact that the commission is willing to take on the issue is what matters most.

“If we don’t even look at it as an option, then I think we lose the potential to do something that’s life saving,” she said.

Read more from Jeffrey Tomich, who covers energy and the environment for the Post-Dispatch. Follow him on Twitter @jefftomich and the Business section @postdispatchbiz.