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James A. Dumont, Esq.

November 18, 2025

Ms. Holly Anderson
Clerk
Vermont Public Utility Commission

Re: Case No. 25-0443-INV – Supplemental Comment re Use of PBR to address disconnections

Dear Ms. Anderson:

I submit this letter as a supplemental comment that may assist the Commission in preparing its imminent report to the General Assembly.

The Commission is already aware of the concern expressed by some utilities and the Department that any new assistance program will impose higher electric rates on customers who do not receive the discounts.

However, it is possible to provide greater protection to low-income Vermont electric ratepayers without imposing <u>any</u> additional costs on other ratepayers. This can be accomplished by making reduction of the number of ratepayers suffering disconnection a performance metric that impacts the return allowed an investor-owned utility. This is done in Illinois, pursuant to statute.

I attach two filings before the Illinois Commerce Commission by John Howat, of the National Consumer Law Center, this past July. The filings explain that the Commission had adopted a metric requiring 10% reduction in the number of disconnections in high-disconnection zip codes. In one filing, Mr. Howat commends one utility for proposing to continue the 10% metric. In the other filing, he challenges another utility's proposal to reduce the metric to 2%.

Because this concept has not been raised by any of the participants in this docket, and many of us just became aware of it, I am submitting these materials to bring this to your attention. Section 209 of Title 30 could be amended to explicitly authorize the Commission to use reduction in the rate of disconnection as a metric used in determining a utility's allowed revenue. This statutory change would be in addition to the eight changes set forth in my October 13, 2025 comment, repeated in the footnote.[1]

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[1][1]The eight proposed statutory changes are to provide authority to the Commission to adopt a program with: 1) eligibility up to 300 percent of the Federal Poverty Level; 2) Tiered Discount Programs, Percentage of Income Programs or other similar programs; 3) automatic enrollment where feasible; 4)

Thank you for giving me and many others the opportunity to be heard on this important issue.

Sincerely,

/s/James A. Dumont
James A. Dumont, Esq.

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arrearage forgiveness; 5) a cap on kilowatt hours subject to the discount; 6) funding by customer charges such as a volumetric charge, including authority for adoption of a statewide program of funding that re-allocates collected funds to service territories based on need; 7) exemption from paying the charge that funds the program, such as exempting households earning up to 80 percent of state median income; and 8) a cap on the amount of a volumetric charge that any one customer would pay.

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company	)	
	)	
	)	**Docket No. 25-0514**
Petition for Approval of Performance	)	
And Tracking Metrics Pursuant to	)	
Section 16-108.18(e) of the	)	
Public Utilities Act.	)	

DIRECT TESTIMONY (CORRECTED)

OF

JOHN HOWAT

ON BEHALF OF

COMMUNITY ORGANIZING AND FAMILY ISSUES

July 28, 2025

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, JOB TITLE AND EMPLOYER.

A. My name is John Howat. I am a Senior Policy Analyst at the National Consumer Law Center. The National Consumer Law Center ("NCLC") is a non-profit law and policy advocacy organization using expertise in consumer law and energy policy to advance consumer justice, racial justice, and economic security for low-income families and individuals in the United States.

Q. PLEASE STATE YOUR BUSINESS ADDRESS FOR THE RECORD.

A. My business address is 7 Winthrop Square, Boston, Massachusetts 02110.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND EXPERIENCE.

A. Over the past 25 years at NCLC, I have managed a range of regulatory, legislative, and advocacy projects across the country in support of low-income consumers' access to utility and energy-related services. I have been involved with the design and implementation of energy affordability and efficiency programs, regulatory consumer protections, transportation electrification, rate design, home energy improvement financing, issues related to metering and billing, credit scoring and reporting, energy burden and demographic analysis. In addition, I have presented at national conferences, including for the National Community Action Partnership, National Community Action Foundation, National Association of Regulatory Utility Commissions, and National Association of State Utility Consumer Advocates, National Energy Assistance Directors Association, National Energy and Utility Affordability Coalition, and the National Governors Association.

I am the co-author of Access to Utility Service, a law and policy manual published by NCLC, and the Lawrence Berkeley National Laboratory reports, "Advancing Equity in Utility Regulation," "The Future of Transportation Electrification: Utility, Industry and Consumer Perspectives, and "Recovery of Utility Fixed Costs: Utility, Consumer, Environmental and Economist Perspectives." I am the primary author of "Home Energy Costs: The New Threat to Independent Living for the Nation's Low-Income Elderly," "Tracking the Home Energy Needs of Low-Income Households through Trend Data on Arrearages and Disconnections," "Rethinking Prepaid Utility Service: Customers at Risk," and "Public Service Commission Consumer Protection Rules and Regulations: A Resource Guide." I have been professionally involved with energy program and policy issues since 1981.

Prior to joining the Advocacy Staff at National Consumer Law Center, I consulted with a broad range of public and private entities on issues related to utility industry restructuring. Previously, I worked as Research Director of the Massachusetts Joint Legislative Committee on Energy, Economist with the Electric Power Division of the Massachusetts Department of Public Utilities, and Director of the Association of Massachusetts Local Energy Officials. I have a Master's Degree from Tufts University's Graduate Department of Urban and Environmental Policy and a Bachelor of Arts Degree from The Evergreen State College.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE STATE PUBLIC UTILITIES COMMISSIONS, INCLUDING THE ILLINOIS COMMERCE COMMISSION?

A. Yes. I have presented testimony before utility regulatory commissions in Alabama, Arizona, California, Idaho, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Missouri, New Mexico, Nevada, North Carolina, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, Washington State, and Wisconsin. A list of my Testimony and Comments filed before utility regulatory commissions over the past 25 years is attached as COFI Exhibit 1.1. Included among my Illinois testimonies is my recommendation for the Affordability metric, which was adopted by the Commission in ICC Docket No. 22-0067, and now incorporated by Commonwealth Edison Company ("ComEd" or "the Company") in its current Performance-Based Ratemaking metrics regime.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Community Organizing and Family Issues ("COFI").

Q. WHAT ARE THE PURPOSES OF YOUR TESTIMONY?

A. My testimony responds to ComEd's proposed Affordability performance-based ratemaking ("PBR") metric described in the Direct Testimony of Witness Wyatt Bohn. I will describe Mr. Bohn's proposed affordability performance metric, provide comments with respect to the proposal, recommend modifications to the Company's proposed method for identifying zip codes of focus, and provide evidence in support of a robust metric and incentive/penalty structure. I will discuss disconnection challenges faced by households in ComEd's "Top 20 Disconnections" zip codes and present evidence illustrating the racial and economic justice ramifications of existing disconnection, credit and collections protocols.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. The General Assembly has made clear in several provisions in the Clean Energy Jobs Act ("CEJA") that affordability for low-income customers and a reduction in disconnections through revisions in credit and collections policies is a critical component to establishing equitable utility service that truly benefits all customers. I support the Company's adherence to its current Affordability metric, which requires it to reduce the annual disconnections by ten percent year over year in the 20 zip codes with the highest disconnection ratios. However, I recommend some important revisions to the proposal.

I object to the Company's proposal to exclude any zip code that is among the top 20 identified in the current top 20 zip codes. I recommend that the Commission direct the Company to adopt an Affordability performance metric based on a ten percent annual reduction over a four-year period in residential disconnections for non-payment in the 20 zip codes in its service territory with the highest 2024-2026 disconnections ratios, irrespective of whether any of those identified in the future are in the existing "treatment group."

I also conclude that ComEd's proposal to assign 5 points out of a total of 29 proposed points to the Affordability metric is, at best, a floor, given the severity of disconnection challenges in high-ratio zip codes. At this point, I am not challenging the Company's decision to retain the current five basis point ROE incentive for the Affordability metric. In its rebuttal testimony, however, the Company should provide its best estimate of the dollar value of a single incentive ROE basis point, as proposed in this docket. I reserve the right to revise my conclusion on this point after reviewing the Company's assessment of the value of a single ROE basis point incentive payment or penalty based on the most recent ComEd rate base from its approved grid plan and its existing ROE and rate of return.

I also recommend that the Commission revise the minimum households per targeted zip code from the current minimum of 50 households per zip code to a minimum of 500 households. per zip code. I also recommend that the Company's final Affordability metric proposal with the revised baseline, zip codes and metric be submitted in a filing in this case that is subject to review and comment by the Commission Staff and interested parties before Commission approval of the compliance filing. Finally, I recommend that the Commission include specific language in the Affordability metric that if the decline in disconnections is due to extraordinary events or circumstances involving something other than a utility's efforts to achieve the metric, no profit incentive should be awarded for the Affordability metric.

II. COMED'S AFFORDABILITY PERFORMANCE METRIC PROPOSAL

Q. PLEASE DESCRIBE THE STATUTORY BASIS – AS YOU UNDERSTAND IT -- FOR A DISCONNECTIONS-BASED AFFORDABILITY PERFORMANCE METRIC AND THE FRAMEWORK YOU APPLIED IN ANALYZING AN AFFORDABILITY METRIC.

A. Although I am not an attorney, I reviewed the provisions in the Clean Energy Jobs Act ("CEJA" or "the Act") outlined by the Illinois General Assembly that discuss affordability within the context of the PBR regulatory framework, specifically Section 16-108.18 of the Act.[1] The provision highlights the requirement that low-income customers and a reduction in disconnections be addressed through revisions in credit and collections policies, and as a critical component to establishing equitable utility service that truly benefits all customers.

The General Assembly requires the utility choosing a PBR framework to specifically focus on the financial burdens financially struggling customers face. Section 16-108.18(c) provides that the PBR framework should be designed, among other objectives, to:

> ▪ …(5) maintain the affordability of electric delivery services for all customers, including low-income customers;
>
> ▪ …(8) address the particular burdens faced by consumers in environmental justice and equity investment eligible communities, including shareholder, consumer, and publicly funded bill payment

[1] *See* 220 ILCS 5/16-108.18.

> assistance and credit and collection policies, and ensure equitable disconnections, late fees, or arrearages as a result of utility credit and collection practices, which may include consideration of impact by zip code.[2]

In addition, Section 16-108.18(e)(2)(A) provides six areas for which up to 8 metrics can be proposed. One of the areas to be addressed through the PBR process is Affordability, described as follows:

> (iv) Achieve affordable customer delivery service costs, with particular emphasis on keeping the bills of lower-income households, households in equity investment eligible communities, and household in environmental justice communities within a manageable portion of their income and adopting credit and collection policies that reduce disconnections for these households specifically and for customers overall to ensure equitable disconnections, late fees, or arrearages as a result of utility credit and collection practices, which may include consideration of impact by zip code.

Importantly, this category quite literally requires the utility to develop a metric that places "particular emphasis on lower-income households…to achieve affordable delivery service "within a manageable portion of their income…" and "reduce disconnections for these households specifically and for customers overall to ensure equitable disconnections" and invites the utility to incorporate zip- code-level credit and collections data in formulating that goal and metric.

Q. HOW DOES THE ACT DEFINE "LOWER INCOME HOUSEHOLDS", "ENVIRONMENTAL JUSTICE COMMUNITIES" AND "EQUITY INVESTMENT

[2] 220 ILCS 5/16-108.18(c)(5) and (8).

COMMUNITIES", AS REFERENCED IN THE AFFORDABILITY METRIC STATUTORY PROVISION (16-108.18(A)(iv)) HIGHLIGHTED ABOVE?

A. Section 16-108.18(b) of the Act defines these terms as follows:

- While there is no specific definition for "*lower*-income" households in the Act, there is a definition for "economically disadvantaged communities," which is defined as areas of one or more census tracts where average household income does not exceed 80% of area median income (AMI). This definition squares with the definition of "low-income" customers provided in Section 8-103(B) of the Act, which describes electric utilities obligations to provide ratepayer-funded, low-income energy efficiency programs, and defines low-income households as at or below 80% AMI.[3] Finally, new Sections 8-201.7 and 8-201.8 of the Act, which prohibit utilities from requiring deposits and late fees for low-income households, employs the same definition: at or below 80% AMI.[4]
- "Environmental justice communities" means the definition of that term as used and as may be updated in the long-term renewable resources procurement plan by the Illinois Power Agency and its Program Administrator in the Illinois Solar for All Program.[5]
- "Equity investment eligible community" means the geographic areas throughout Illinois which would most benefit from equitable investments by the State designed to combat discrimination. Specifically, the equity investment eligible communities shall be defined as the following areas:

[3] 220 ILCS 5/8-103B(c).

[4] 220 ILCS 5/8-201.7, 8-201.8.

[5] The Illinois Power Agency and Elevate Energy (Elevate) , implementer of Illinois' Solar for All program, have identified environmental justice communities in Illinois based on a methodological framework established in the Long-Term Renewable Resources Procurement Plan. These communities were designated as such through a calculation utilizing the U.S. EPA tool EJ Screen and a demonstrated higher risk of exposure to pollution based on environmental and socioeconomic factors. Specific questions can be directed to info@Illinoissfa.com.

In addition to communities which were identified as environmental justice communities using the framework in the Long-Term Renewable Resources Procurement Plan, groups or individuals may also submit a proposal to request that their community be designated as an environmental justice community. *See https://www.illinoissfa.com/environmental-justice-communities/*

> (1) R3 Areas as established pursuant to Section 10-40 of the Cannabis Regulation and Tax Act,[6] where residents have historically been excluded from economic opportunities, including opportunities in the energy sector; and
>
> (2) Environmental justice communities, as defined by the Illinois Power Agency pursuant to the Illinois Power Agency Act[7], where residents have historically been subject to disproportionate burdens of pollution, including pollution from the energy sector.

Q. HOW WILL THE METRICS OPERATE WITHIN THE CONTEXT OF A MULTI-YEAR PBR PLAN?

A. While I am not an attorney, a plain reading of the new CEJA PBR provisions specifically requires the Commission "to approve metrics designed to achieve incremental improvements over baseline performance values and targets, over a performance period of up to 10 years, and no less than 4 years"[8] for a utility choosing to file a multi-year PBR plan. The statute also provides that the total for all metrics shall be equal to 40 basis points, although the Commission

[6] Under Section 10-40 of the Cannabis Regulation and Tax Act, within 180 days after the effective date of that Act, "the Illinois Criminal Justice Information Authority shall identify as eligible, areas in this State by way of historically recognized geographic boundaries, to be designated by the Restore, Reinvest, and Renew Program Board as R3 Areas and therefore eligible to apply for R3 funding. Local groups within R3 Areas will be eligible to apply for State funding through the Restore, Reinvest, and Renew Program Board. Qualifications for designation as an R3 Area are as follows:

(1) Based on an analysis of data, communities in this State that are high need, underserved, disproportionately impacted by historical economic disinvestment, and ravaged by violence as indicated by the highest rates of gun injury, unemployment, child poverty rates, and commitments to and returns from the Illinois Department of Corrections.

(2) The Authority shall send to the Legislative Audit Commission and make publicly available its analysis and identification of eligible R3 Areas and shall recalculate the eligibility data every 4 years. On an annual basis, the Authority shall analyze data and indicate if data covering any R3 Area or portion of an Area has, for 4 consecutive years, substantially deviated from the average of statewide data on which the original calculation was made to determine the Areas, including disinvestment, violence, gun injury, unemployment, child poverty rates, or commitments to or returns from the Illinois Department of Corrections." 415 ILCS 705/10-40(c).

[7] *See* footnote 5.

[8] 220 ILCS 5/16-108.18(e)(2).

"may adjust the basis points upward or downward by up to 20 basis points for any given Multi-Year Rate Plan, as appropriate."[9]

In addition, the statute provides that the Commission "shall approve performance metrics that are reasonably within control of the utility to achieve," and that the metrics "should measure outcomes and actual, rather than projected, results where possible."[10] The statute further provides that "(p)erformance metrics shall include one year of tracking data collected in a consistent manner, verifiable by an independent evaluator in order to establish a baseline and measure outcomes and actual results against projections where possible."[11]

Q. WHAT CRITERIA DID COMED STATE IT APPLIED IN PROPOSING ITS PERFORMANCE METRICS?

A. ComEd witness Marion Lunn Perkins states that its metrics were developed following these principles:

- Metrics should incent better utility operations and efficiency;
- Metrics should meaningfully create value for customers, and should result in benefits all customers, rather than particular subsets of customers;
- Metrics should be consistent, and operate in harmony, such that achievement of one metric does not cause failure or low performance on another metric;

[9] 220 ILCS 5/16-108.18(e)(2)(B).
[10] 220 ILCS 5/16-108.18(e)(2)(D).
[11] 220 ILCS 5/16-108.18(e)(2)(E).

- Metrics should be clearly defined, measurable, and unambiguous;
- Metrics should be quantifiable using reasonably available data that does not disclose confidential or proprietary information;
- Metrics should measure outcomes that ComEd can control through its actions;
- Metrics should be indifferent to technology, to the extent feasible, and should allow for technological innovation and adaptation;
- Metrics should be measured against a sensible baseline; and
- Metrics should incorporate adequate lead time to develop, prepare, and establish the baseline.

Q. WHAT FRAMEWORK ARE YOU APPLYING TO YOUR ANALYSIS OF THE COMED AFFORDABILITY PERFORMANCE METRIC?

A. My analysis focuses on several measures of determining whether the proposed metric will achieve the Affordability goals as articulated by the General Assembly, which were augmented by guidelines that remain relevant today as outlined by the Commission Staff in its original 2021 PBR metrics workshop report. My analysis is guided by:

1. <u>Adherence to the language of the statute</u> (220 ILCS 5/16-108.18)

   The statute has specific language about the goals and purposes of the metrics or Performance Incentive Mechanisms ("PIMs"). Each proposal should be measured against the statutory language.

2. <u>Outcome-oriented, not process or spending-oriented</u>

   Metrics should measure the *effect* on consumers and on rates. Metrics that are defined by a particular investment (e.g. certain types of plant or equipment) are not performance-based but spending-based and should be rejected. Likewise, PIMs that focus on and measure the process, rather than the outcome, miss the point of the metric Itself.

3. Responsive to workshop concerns and goals / community input

Although it is my understanding that the initial workshop process in 2022 was extremely limited time-wise due to a statutory deadline, workshop recommendations, along with the recommendations of Staff, outlined in pages 31-34 of Staff's original report on the workshop process, should continue to be considered throughout these proceedings.[12]

4. Cost/benefit

The PIMs should result in a net benefit to consumers and the society, in the context of each metric, the overall statutory goals, and electric service. CEJA explicitly states that performance metrics "must always take into account the affordability of customer rates and bills for all customers, including low-income customers." 220 ILCS 5/16-108.18(a)(7).

5. Status quo v. improvement or stretch goal

Consistent with the statutory language[13] that requires improvements over baselines, performance incentive mechanisms should only apply if they significantly improve utility performance rather than maintain the status quo. Insignificant or minor improvements in outcomes, or outcomes incentivized elsewhere (no double-dipping of incentives), should not result in an incentive payment. The proposed metrics should require utilities to achieve actual objectives, rather than maintaining the status quo.

Importantly, the Staff report emphasizes that "Performance metrics should incentivize utilities to achieve goals that are not otherwise incented elsewhere… [and not reward utilities] for achieving what is already required and expected from Illinois public utilities, but award[] utilities for achieving outcomes beyond the expected." Staff Report at 32.

6. Transparency and Clarity

PIMs and reporting metrics should increase transparency and the availability and reporting of utility and energy operating and cost information. Further, metrics and

[12] Staff 2021 PBR Metrics Report available at https://www.icc.illinois.gov/informal-processes/Electric-Utility-Performance-and-Tracking-Metrics

[13] 220 ILCS 5/16-108.18(e)(2).

> outcomes should be available to the public in an understandable format, clearly defined, measurable, and unambiguous. Staff Report at 31.

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED PM.6 AFFORDABILITY PERFORMANCE METRIC.

A. Witness Wyatt Bohn describes the Company's proposed affordability performance metric in ComEd Exhibit 5.0. Mr. Bohn proposes a performance goal of reducing in aggregate disconnections for non-payment by ten percent per year from January 2028 – December 2031 across 20 identified zip codes.[14] The Company proposes to identify zip codes for the 2028 – 2031 metric using disconnections data from the three-year period, 2024 – 2026. The Company further proposes to limit zip codes of focus to those with a minimum of 50 customers and with the service territory's highest 3-year disconnection ratios. ComEd also proposes to exclude any zip codes that are in the current top 20 treatment group. Finally, ComEd proposes to limit its performance adjustment for the affordability metric to +/- five basis points.[15]

Q. DO YOU HAVE ANY CONCERNS WITH COMED'S AFFORDABILITY PERFORMANCE METRIC PROPOSALS?

A. I applaud the Company's commitment to retain a disconnections-based affordability performance metric. Such a metric adheres to the principle of being outcome-oriented, rather than process- or spending-oriented. Clearly, reductions of involuntary disconnections reflect outcomes of vital importance to struggling households while bringing benefit to the utility system and society more broadly. Thus, I concur with ComEd's proposal to identify the 20 zip

[14] ComEd Exhibit 5.0, pp. 2 – 3.
[15] *Id.*, pp. 3 – 4, 8 – 8.

codes within its service territory with the highest disconnection ratios[16] using three years of disconnection and customer count data.

I have concerns with the Company's proposal, however. My concerns with the proposal are centered in a few critical areas: 1) ComEd's proposal to potentially remove the 20 zip codes with the highest disconnection ratios included in its current Affordability metric from the 2028-2031 period; 2) the Company's decision to retain the 50 households per zip code minimum for eligible zip codes; 3) the lack of protections in the metric from receiving a return on equity profit boost during years when billing and collections systems problems or other extraordinary events trigger unanticipated disconnection moratoriums; and 4) the Company's failure to discuss the monetary value of a five-basis point incentive for achieving the Affordability metric.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSAL FOR IDENTIFYING THE TOP 20 ZIP CODES WITH THE HIGHEST DISCONNECTION RATIOS.

A. ComEd's proposes to exclude any zip codes that are among the top 20 in the current implementation period (2024 – 2027) from consideration for continued "treatment" in the subsequent, 2028 – 2031 period. The Company justifies this position by stating, "(b)y reducing the number of disconnections for nonpayment by 10% annually in the 20 zip codes targeted by the affordability metric from 2024 to 2027, those zip codes will likely no longer have the highest disconnection rates."[17]

ComEd proposes to identify 20 new zip codes as their target for the affordability metric from 2028 to 2031. Mr. Bohn states that "[b]y reducing the number of disconnections for

[16] The zip code disconnection ratio is calculated by dividing total involuntary residential disconnections over a specified timeframe by the average number of residential customers in the zip code over a consistent timeframe.
[17] ComEd Exhibit 5.0, p. 3.

nonpayment by 10% annually in the 20 zip codes targeted by the affordability metric from 2024 to 2027, those zip codes will likely no longer have the highest disconnection rates. Additionally, if ComEd were to continue to reduce the disconnections in those zip codes, it would inhibit our ability to perform collections in those areas." (ComEd Ex. 5.0 (Bohn Direct) at 3-4).

ComEd would then identify the 20 new zip codes for the affordability metric using the same methodology that ComEd used to select the current 20 target zip codes: by determining which 20 zip codes over a three year period (in this case, from 2024 to 2026) had the highest disconnection rates for nonpayment. Mr. Bohn further states that the zip codes in the existing PM Plan 1 affordability performance metric would be part of a proposed tracking metric. (*Id.* at 4.)

Q. WHAT IS YOUR RESPONSE TO THE COMPANY'S RATIONALE?

A. I have concerns with the proposal to reject a zip code going forward if it falls within the current identified 20 zip codes. A key feature of the disconnections-based performance metric is to rely on the calculated disconnection ratio as an indicator of need for going beyond status quo credit and collections practices, communications, engagement with community-based organizations, coordination with agencies delivering means-tested benefit programs and more. If the ratio in a particular zip code is among the top 20 in the service territory, it likely signals that work remains to be done to address affordability and access to service issues. In addition, as witness Bohn states, if efforts to reduce disconnections by ten percent per year over a 4-year period are successful, then it is unlikely that the same zip codes will be identified in subsequent periods as "eligible" for inclusion in the top 20. In short, I recommend that the Commission direct the Company to rely on data-driven calculations to identify the top 20 disconnections zip codes, irrespective of whether a zip code had been included in the previous period's treatment group.

In addition, when asked in discovery why the Company would replace the existing 20 zip codes with the highest disconnection ratios with new zip codes, the Company stated:

> ComEd believes the disconnection rates in the 20 zip codes in the current metric will be reduced such that they will no longer be the zip codes with the highest rates for disconnection in the proposed metric. In 2027, ComEd will perform analysis on the disconnection rates in all zip codes to determine the next 20 targeted zip codes for the Affordability Metric from 2028 to 2031. If there are zip codes from the original metric that remain in the top 20, ComEd will include them in the proposed *tracking* metric. (Emphasis added.) ComEd plans to continue an outreach and education strategy that includes events for both Financial Assistance and Energy Efficiency programs, in areas which will have the largest impact. ComEd is always open to input and feedback that is intended to increase the impact of our outreach and education efforts.

(ComEd response to COFI data request 2.01.) The Company stated in that same data request response that ComEd is not stating that disconnection activity cannot be improved in those 20 zip codes that are the target of the existing Affordability metric. (*Id.*)

I recommend that the Commission direct ComEd to include any zip code that has the highest ratio of disconnections—whether or not it was included in the existing Affordability metric zip codes—in its 2028-2031 targeted zip codes. The identification of targeted zip codes should be based on including those with the highest disconnection ratios, period. If any of the existing zip codes remain in the top 20 with the highest disconnection ratios, then clearly there is more work that needs to be done on ComEd's part to attempt to reduce the rate of shutoffs in those geographic areas.

In addition, in order to ensure no anomalies are incorporated in both the baseline and list of targeted zip codes, I recommend that the Commission require the Company to file its computed baseline average, along with the identified top 20 zip codes with the highest disconnection ratios (with a minimum of 500 households per zip code, as discussed below), in a filing in this case that is subject to review and comment by the Commission Staff and interested parties before Commission approval of the compliance filing.

Q. WHAT DOES THE COMPANY PROPOSE IN TERMS OF THE MINIMUM NUMBER OF HOUSEHOLDS PER ELIGIBLE ZIP CODES?

A. Mr. Bohn proposes to retain the existing 50-houshold minimum for the targeted zip codes.

Q. DO YOU HAVE CONCERNS WITH MAINTAINING THAT 50-HOUSEHOLD-PER-ZIP- CODE MINIMUM?

A. The Company could struggle achieving the 10% reduction in disconnections in very low-population zip codes year-after-year. Increasing the minimum number of customers per zip code not only serves the goal of achieving a greater impact on the total number of disconnections avoided, but also presents a more achievable metric going forward given the larger population of households who can be reached via ComEd's efforts to reduce disconnections, as compared with the current lower population zip codes. In addition, that change should positively impact the Company's ability to achieve a 10% annual reduction in disconnections for the identified zip codes.

Q. DO YOU HAVE ANY OTHER CONCERNS OR COMMENTS ABOUT COMED'S PROPOSED AFFORDABILITY METRIC?

A. Yes, I do. I am advised by counsel that ComEd had significant information technology ("IT") issues related to its installation of a new billing and collections system in 2024 and 2025 that led to the need to halt disconnections at certain points during the 2024 year. COFI is not a party to ICC Docket No. 25-0383, the Commission's Annual Performance Evaluation Proceedings to Determine Performance and Annual Adjustments Under Section 16-108.18 of the Public Utilities Act, which evaluates achievement of performance-based regulation metrics during the 2024 calendar year. In that case, however, I am aware of an updated Guidehouse evaluation report that indicates, "Due to the system switch, moratoriums, and backlog, 2024 was an abnormal year that was normalized through modeling." (Guidehouse's ComEd 2024 Performance Metrics Annual Evaluation report, filed July 10, 2025 at 72.) The report also states, "There was limited data available to confirm the cause of the decrease in disconnections." (*Id.*) In fact, the credit and collections data from 2024 reveal that ComEd halted both the issuance of disconnection notices and disconnections in several months during that year. While the decision to halt disconnections was the right one given the documented billing and collections system issues, including the inability to timely process LIHEAP vendor payments, it defies principles of equity and reasonableness to conclude that ComEd should earn an ROE profit boost if achievement of the metric was realized because of events or circumstances resulting in the need to halt collection activities. If the decline in disconnections is due to extraordinary events or circumstances involving something other than a utility's efforts to achieve the metric, no profit incentive should be awarded for the Affordability metric. I recommend that the Commission's approved Affordability metric include that specific caveat.

III. ASSESSING THE FINANCIAL INCENTIVE POINT-VALUE OF AN AFFORDABILITY METRIC

Q. WHAT GUIDANCE DOES THE ACT PROVIDE FOR PURPOSES OF ASSIGNING A BASIS POINT VALUE TO EACH METRIC?

A. In determining the appropriate level of a performance incentive, the Commission shall consider the following factors, which consideration shall result in an incentive level that ensures benefits exceed costs for customers:

- the extent to which the amount is likely to encourage the utility to achieve the performance target in the least cost manner;
- the value of benefits to customers, the grid, public health and safety, and the environment from achievement of the performance target, including in particular benefits to equity investment eligible community;
- the affordability of customers' electric bills, including low-income customers, the utility's revenue requirement, the promotion of renewable and distributed energy; and
- other such factors that the Commission deems appropriate.[18]

As noted earlier in my testimony, the 40 basis points total may be adjusted upward or downward by the Commission by, at most, 20 basis points, for any given multi-year rate plan. Increases or enhancements to an existing performance goal or target must be considered in light of other metrics, cost-effectiveness, and other factors the Commission deems appropriate.

Q. HOW MANY RETURN ON EQUITY ("ROE") BASIS POINTS DOES COMED PROPOSE BE ASSIGNED TO ITS PROPOSED AFFORDABILITY PIM?

A. ComEd witness Perkins proposes that the Commission approve a value of five basis points for the Affordability metric out of a total of 29 proposed PBR metric points among a total of six metrics. (ComEd Ex. 1.0 (Perkins Direct) at 6.)

[18] 220 ILCS 5/16-108.18(e)(2)(F).

Q. PLEASE DISCUSS YOUR RESPONSE TO THE COMPANY'S PROPOSAL TO LIMIT THE RETURN ON EQUITY INCENTIVE MECHANISM TO +/- FIVE BASIS POINTS.

A. Performance-based ratemaking is needed to achieve essential policy objectives related to affordability and climate change mitigation where traditional cost of service regulation fails. Substantial utility financial penalties and incentives are required to ensure that PBR draws utility practice changes that are significant and consistent with these policy imperatives. A meaningful, symmetrical financial incentive is appropriate to further ensure that ComEd will innovate and devote necessary resources to achieve meaningful disconnection reductions where they are needed most. Following that principle requires a tangible understanding by the regulator and stakeholders of the dollar value of the ROE basis points assigned to a PBR metric.

In this instance, the record to date is unclear as to how much a single basis point or, in the case of the Affordability metric, five basis points is worth relative to ComEd's rate base. In response to EDF Data Request 1.13, the Company refused to respond to EDF's request to assign a dollar value to testimony in ComEd Exhibit 1.0 at 12-13:217-225 to provide all workpapers that estimate the annual dollar value of basis points referenced therein, based upon the refiled grid plan and on the best estimates for the 2027-2031 grid plan. The Company responded as follows:

> ComEd objects to this request to the extent that it would require ComEd to perform analyses and / or create documents and exhibits that ComEd does not currently have in its possession, custody, or control. ComEd does not currently have any workpapers that estimate the annual dollar value of a 32 or 23 basis point adjustment, because ComEd does not have an estimate of the rate base for the 2028-2031 period. Accordingly, no workpapers responsive to this request exist. ComEd also objects to this request as unnecessary and overly burdensome to the extent it seeks information that is publicly

> available and/or equally accessible to EDF. ComEd's rate base for the period covered by the Refiled Grid Plan is publicly available to EDF, and EDF is therefore capable of calculating the dollar value estimate of a 32 or 23 basis point adjustment on that rate base.

(ComEd Response to EDF 1.13.) This response strikes me as non-responsive. Certainly, the Company has estimated in preparation for its filing in this docket the value of recommended performance incentives per ROE basis point. In its rebuttal testimony the Company should provide its best estimate of the value of a single incentive ROE basis point, as proposed in this docket. At this point, I am not challenging the Company's decision to retain the current five basis point ROE incentive for the Affordability metric. I reserve the right to revise my conclusion on this point, however, after reviewing the Company's assessment of the value of a single ROE basis point incentive payment or penalty based on the most recent ComEd rate base from its approved grid plan and its existing ROE and rate of return.

IV. INVOLUNTARY DISCONNECTION CHALLENGES IN THE COMED SERVICE TERRITORY ZIP CODES

Q. HAVE YOU REVIEWED ZIP CODE LEVEL DISCONNECTIONS DATA FILED BY THE COMPANY WITH THE COMMISSION?

A. Yes. I obtained ComEd's 2023 zip code level customer and disconnections data[19] from the Commission's Credit, Collections, and Arrearages Reports Monthly Dashboard. With that data, I compiled for each of nearly 600 codes in the Company's service territory residential customer counts, the number of disconnections of residential customers, and calculated disconnection ratios

[19] My understanding is that 2024 was an atypical year with respect to ComEd's disconnections because of an IT system issues. I therefore focused on 12 months of 2023 residential disconnections and customer count data. Please note that my analysis of this dataset, along with American Community Survey race and income data, is provided for illustrative purposes. I do not intend for the portrayal of this information to constitute a recommendation of final top 20 zip codes yet to be identified for the 2028 – 2031 implementation period.

for the 12-month period for each zip code. I then sorted the data by disconnection ratio, removed records with fewer than 500 residential customers, and identified the zip codes with the highest disconnection ratios. I then matched the disconnections and customer data with zip code level data from American Community Survey 2023 5-year estimates reflecting population by race (Table B02001) and median household income (Table B19013) to develop a Top 20 Disconnections Zips table, as reflected for illustrative purposes below:

ComEd
Residential Customers, Disconnections, Race, and Income:
Top 20 Disconnection Zip Codes
January 2023 - December 2023

Zip Code	Average Customer Count Jun25	Total Customers Disconnected for Non-Payment Jun25	Disconnection Ratio	Percent Non-White	Median household income (2023 inflation-adjusted dollars)	Municipality/ Neighborhood
60621	12,875	2,513	0.1952	98.4%	$33,235	Chicago/West Garfield Park
60472	1,652	297	0.1798	95.6%	$37,594	Robbins
60636	12,105	2,097	0.1732	99.1%	$35,077	Chicago/West Englewood
60624	15,113	2,559	0.1693	96.2%	$32,607	Chicago/West Garfield Park
60649	24,978	4,155	0.1663	96.8%	$40,142	Chicago/South Shore
60827	8,934	1,476	0.1652	98.1%	$37,648	Riverdale
60419	8,522	1,357	0.1592	95.6%	$58,706	Dolton
60637	24,010	3,757	0.1565	85.3%	$42,080	Chicago/Woodlawn
60426	12,168	1,904	0.1565	97.2%	$40,995	Harvey
60644	18,013	2,758	0.1531	95.7%	$37,952	Chicago/Austin
60628	25,868	3,872	0.1497	96.7%	$49,719	Chicago/Roseland
60620	29,932	4,400	0.1470	99.0%	$48,805	Chicago/Roseland
61104	7,728	1,124	0.1454	59.2%	$32,161	Rockford
60429	5,620	816	0.1452	92.5%	$62,231	Hazel Crest
60619	30,935	4,483	0.1449	98.4%	$43,403	Chicago/Chatham
60466	11,866	1,572	0.1325	81.1%	$63,132	Park Forest
61102	6,555	856	0.1306	64.0%	$42,506	Rockford
60411	20,764	2,704	0.1302	81.0%	$56,627	Chicago Heights

60153	8,408	1,059	0.1260	94.3%	$66,498	Maywood
60471	5,398	677	0.1254	92.6%	$72,241	Richton Park
	Total	Total	Wtd. Avg.	Wtd. Avg.	Wtd. Avg.	
	291,444	44,436	0.1525	92.6%	$45,566	

In addition, utilizing raw data from the ICC's Credit and Collections Dashboard and the Census Bureau's American Community Survey, I constructed a comparison in disconnection ratios, race and income among ComEd residential customers living in the top 20 disconnections zip codes and those living in all other zip codes served by the Company. Those tables are provided below.

Comparison of Disconnections Ratios, Race, and Median Household Income: "Top 20" Disconnections Zip Codes and Non-Top 20 Zip Codes: ComEd, January 2023 - December 2023

Disconnection Ratio	
Top 20 Disconnects	*Non-Top 20 (All the Rest)*
0.1525	0.0526

Percent Non-White	
Top 20 Disconnects	*Non-Top 20 (All the Rest)*
92.6%	48.7%

Median household income (2023 inflation-adjusted dollars)	
Top 20 Disconnects	*Non-Top 20 (All the Rest)*
$45,566	$91,735

Q. WHAT CONCLUSIONS DO YOU DRAW FROM YOUR ANALYSIS?

A. The data starkly portrays that ComEd customers living in the Top 20 disconnection zip codes are beset with difficult challenges retaining access to basic utility services. Further, these households are comprised predominantly of people of color, and have relatively low incomes. In fact, the disconnection ratio that applies to the "top 20" households is about 3 times higher than that for households living in all other of the Company's zip codes. Maintaining a reasonable level of home energy security for these households requires dramatic reduction of disconnections and adoption of a robust performance metric accompanied by meaningful utility financial incentives.

The data further demonstrates that the percentage of non-white households in the top 20 zip codes is about twice that of the remaining ComEd zip codes. The weighted average non-white population in the top 20 zip codes was nearly 93 percent. That statistic is one that should give ComEd, the Commission, and stakeholders pause. These disconnection statistics are not just numbers; the numbers represent people and families who are impacted monthly by the threat and reality of disconnection. The threat and reality of loss of lighting and the ability of children to do homework. The threat and reality of spoiled food due to lack of refrigeration. These are customers who are making difficult choices each day as to how to pay bills and afford life essentials like groceries, housing costs, medical costs and other bills given limited monthly incomes that cannot adjust to increasing utility costs, let alone the need for increased energy usage during extreme heat events that are now a norm given climate change. The Company should re-evaluate its credit and collections practices, including disconnection trigger amounts and other factors impacting when and where disconnection activities are initiated, particularly in light of the statutory goals that emphasize racial justice objectives.

Moreover, achieving racial justice objectives, outlined in the statute, requires adoption of a meaningful, effective metric intended to reverse the inequities and disproportionate impacts that result from the status quo. Finally, the data demonstrates that median household income in the top 20 zip codes is about ½ that of the remaining zip codes. Assuring affordable access to service for all customers further requires a departure from the status quo and the adoption of an effective affordability metric. Based on the foregoing, I respectfully reiterate the recommendations that the Commission approve a disconnections-based affordability metric, including, at a minimum, a 10 percent annual disconnection reductions in the top 20 zip codes, and a symmetrical financial incentive adjustment of at least +/- 5 basis points, subject to additional information from the Company about the value of 5 basis points in its Rebuttal filing.

Q. HOW, IF AT ALL, DO THESE FINDINGS SUPPORT YOUR PROPOSED AFFORDABILITY METRIC?

A. These findings are reflective of grave affordability issues and challenges, and support the adoption of meaningful metrics and effective financial incentives.

Q. WHY DO YOU BELIEVE YOUR PROPOSED DISCONNECTION REDUCTION METRIC ACHIEVES THE GOALS OUTLINED IN THE PREVIOUSLY DISCUSSED STATUTORY PROVISIONS RELATED TO AFFORDABILITY?

A. The concepts of household income, affordability, and access are linked. Keeping customers connected to the utility network is a critical indicator of the extent to which utility service is affordable. In order to achieve the goals outlined in the CEJA statute, the Company needs to do more than simply establish a metric. As outlined above, there are actions that are within the utility's control that ComEd should take to enhance affordability goals and reduce disconnections.

V. SUMMARY OF CONCLUSIONS

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. The General Assembly has made clear in several provisions in the Clean Energy Jobs Act ("CEJA") that affordability for low-income customers and a reduction in disconnections through revisions in credit and collections policies is a critical component to establishing equitable utility service that truly benefits all customers. I support the Company's adherence to its current Affordability metric, which requires it to reduce the annual disconnections by ten percent year over year in the 20 zip codes with the highest disconnection ratios. However, I recommend some important revisions to the proposal.

I object to the Company's proposal to exclude any zip code that is among the top 20 identified in the current top 20 zip codes. I recommend that the Commission direct the Company to adopt an Affordability performance metric based on a ten percent annual reduction over a four-year period in residential disconnections for non-payment in the 20 zip codes in its service territory with the highest 2024-2026 disconnections ratios, irrespective of whether any of those identified in the future are in the existing "treatment group."

I also conclude that ComEd's proposal to assign 5 points out of a total of 29 proposed points to the Affordability metric is, at best, a floor, given the severity of disconnection challenges in high-ratio zip codes. At this point, I am not challenging the Company's decision to retain the current five basis point ROE incentive for the Affordability metric. In its rebuttal testimony, however, the Company should provide its best estimate of the dollar value of a single incentive ROE basis point, as proposed in this docket. I reserve the right to revise my conclusion on this point after reviewing the Company's assessment of the value of a single ROE basis point incentive payment or penalty based on the most recent ComEd rate base from its approved grid plan and its existing ROE and rate of return.

I also recommend that the Commission revise the minimum households per targeted zip code from the current minimum of 50 households per zip code to a minimum of 500 households. per zip code. I also recommend that the Company's final Affordability metric proposal with the revised baseline, zip codes and metric be submitted in a filing in this case that is subject to review and comment by the Commission Staff and interested parties before Commission approval of the compliance filing. Finally, I recommend that the Commission include specific language in the Affordability metric that if the decline in disconnections is due to extraordinary events or circumstances involving something other than a utility's efforts to achieve the metric, no profit incentive should be awarded for the Affordability metric.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company	)	
	)	
	)	**Docket No. 25-0574**
Petition for Approval of Performance	)	
And Tracking Metrics Pursuant to	)	
Section 16-108.18(e) of the	)	
Public Utilities Act.	)	

DIRECT TESTIMONY

OF

JOHN HOWAT

ON BEHALF OF

COMMUNITY ORGANIZING AND FAMILY ISSUES

July 22, 2025

<u>**TABLE OF CONTENTS**</u>

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, JOB TITLE AND EMPLOYER.

A. My name is John Howat. I am a Senior Policy Analyst at the National Consumer Law Center The National Consumer Law Center ("NCLC") is a non-profit law and policy advocacy organization using expertise in consumer law and energy policy to advance consumer justice, racial justice, and economic security for low-income families and individuals in the United States.

Q. PLEASE STATE YOUR BUSINESS ADDRESS FOR THE RECORD.

A. My business address is 7 Winthrop Square, Boston, Massachusetts 02110.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND EXPERIENCE.

A. Over the past 25 years at NCLC, I have managed a range of regulatory, legislative, and advocacy projects across the country in support of low-income consumers' access to utility and energy-related services. I have been involved with the design and implementation of energy affordability and efficiency programs, regulatory consumer protections, transportation electrification, rate design, home energy improvement financing, issues related to metering and billing, credit scoring and reporting, energy burden and demographic analysis. In addition, I have presented at national conferences, including for the National Community Action Partnership, National Community Action Foundation, National Association of Regulatory Utility Commissions, and National Association of State Utility Consumer Advocates, National Energy Assistance Directors Association, National Energy and Utility Affordability Coalition, and the National Governors Association.

I am the co-author of Access to Utility Service, a law and policy manual published by NCLC, and the Lawrence Berkeley National Laboratory reports, “Advancing Equity in Utility Regulation,” “The Future of Transportation Electrification: Utility, Industry and Consumer Perspectives, and “Recovery of Utility Fixed Costs: Utility, Consumer, Environmental and Economist Perspectives.” I am the primary author of “Home Energy Costs: The New Threat to Independent Living for the Nation’s Low-Income Elderly,” “Tracking the Home Energy Needs of Low-Income Households through Trend Data on Arrearages and Disconnections,” “Rethinking Prepaid Utility Service: Customers at Risk,” and “Public Service Commission Consumer Protection Rules and Regulations: A Resource Guide.” I have been professionally involved with energy program and policy issues since 1981.

Prior to joining the Advocacy Staff at National Consumer Law Center, I consulted with a broad range of public and private entities on issues related to utility industry restructuring. Previously, I worked as Research Director of the Massachusetts Joint Legislative Committee on Energy, Economist with the Electric Power Division of the Massachusetts Department of Public Utilities, and Director of the Association of Massachusetts Local Energy Officials. I have a Master’s Degree from Tufts University’s Graduate Department of Urban and Environmental Policy and a Bachelor of Arts Degree from The Evergreen State College.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE STATE PUBLIC UTILITIES COMMISSIONS, INCLUDING THE ILLINOIS COMMERCE COMMISSION?

A. Yes. I have presented testimony before utility regulatory commissions in Alabama, Arizona, California, Idaho, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Missouri, New Mexico, Nevada, North Carolina, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, Washington State, and Wisconsin. A list of my Testimony and Comments filed before utility regulatory commissions over the past 25 years is attached as COFI Exhibit 1.1. Included among my Illinois testimonies is my recommendation for the Performance-Based Ratemaking ("PBR") Affordability metric, which was adopted by the Commission in ICC Docket No. 22-0063, and now incorporated by Ameren in its current PBR metrics framework.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Community Organizing and Family Issues ("COFI").

Q. WHAT ARE THE PURPOSES OF YOUR TESTIMONY?

A. My testimony responds to Ameren Illinois Company's ("Ameren" or "the Company") proposed Affordability performance-based ratemaking ("PBR") metric described in the Direct Testimony of Witness Ellen Meierotto. I will describe Ms. Meierotto's proposed affordability performance metric, propose modifications to certain aspects of her proposal, and provide evidence in support of COFI's proposed modifications. I will discuss disconnection challenges faced by households in Ameren's current "Top 20 Disconnections" zip codes and present evidence illustrating the racial and economic justice ramifications of existing disconnection, credit and collections protocols.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. The General Assembly has made clear in several provisions in the Clean Energy Jobs Act ("CEJA") that affordability for low-income customers and a reduction in disconnections through revisions in credit and collections policies is a critical component to establishing equitable utility service that truly benefits all customers. I support the Company's adherence to its current Affordability metric which requires it to reduce both the annual required reduction in disconnections to the top 20 zip codes with the highest disconnection ratios. I also support the

Company's decision to include zip codes with a minimum of 150 households, rather than the current 50-household minimum.

I object, however, to the Company's proposals to reduce its annual performance metric from 10% to 2%, an unjustified 80% reduction in the metric. I recommend that the Commission direct the Company to adopt an Affordability performance metric based on a ten percent annual reduction over a four-year period in residential disconnections for non-payment in the 20 zip codes in its service territory with the highest 2024-2026 disconnections ratios, consistent with the current metric. I also conclude that Ameren's proposal to assign only 2 points out of a total of 24 proposed points to the Affordability metric is insufficient to incentivize affordability goals and recommend that the point value be increased to 5 points. I also include recommendations for change in some of the Company's current disconnection policies. Finally, I recommend that the Commission require the Company to file its computed baseline average, along with the identified top 20 zip codes with the highest disconnection ratios (with a minimum of 150 households per zip code), in a filing in this case that is subject to review and comment by the Commission Staff and interested parties before Commission approval of the compliance filing.

II. AMEREN'S AFFORDABILITY PERFORMANCE METRIC PROPOSAL

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED PM.6 AFFORDABILITY PERFORMANCE METRIC.

A. Witness Ellen Meierotto describes the Company's proposed affordability performance metric in Ameren Exhibits 2.0 and 2.1. Ameren proposes a performance goal of reducing in aggregate disconnections for non-payment by two percent per year from January 2028 – December 2031 across 20 "identified" zip codes. The Company further proposes to limit zip codes of focus to those with a minimum of 150 customers and with the service territory's highest 3-year disconnection ratios. Finally, Ameren proposes to limit its performance adjustment for the affordability metric ("ADJ6") to +/- two basis points.[1]

Q. PLEASE DESCRIBE THE STATUTORY BASIS – AS YOU UNDERSTAND IT -- FOR A DISCONNECTIONS-BASED AFFORDABILITY PERFORMANCE METRIC AND THE FRAMEWORK YOU APPLIED IN ANALYZING AN AFFORDABILITY METRIC.

A. Although I am not an attorney, I reviewed the provisions in the Clean Energy Jobs Act ("CEJA" or "the Act") outlined by the Illinois General Assembly that discuss affordability within the context of the PBR regulatory framework, specifically Section 16-108.18 of the Act.[2] The provision highlights the requirement that low-income customers and a reduction in disconnections be addressed through revisions in credit and collections policies, and as a critical component to establishing equitable utility service that truly benefits all customers.

Under Section 16-108.18(d) of the Act, both Ameren and Commonwealth Edison Company "may file a petition proposing tariffs implementing a 4-year Multi-Year Rate Plan as provided in this Section no later than, January 20, 2023, for delivery service rates to be effective for the billing periods January 1, 2024 through December 31, 2027."[3]

[1] Ameren Exhibit 2.0, p. 21, Ameren Exhibit 2.1, pp. 29 – 30.
[2] *See* 220 ILCS 5/16-108.18.
[3] These same electric utilities (that serve more than 500,000 retail customers in the State) shall file with the Commission either a general rate case under Section 9-201 of this Act, or a Multi-Year Rate Plan no later than January 20, 2023. 220 ILCS 5/16-108.18(d)(9). An electric utility that initially elected to file a Multi-Year Rate Plan and thereafter that elects to transition to a general rate case may do so upon completion of the 4-year Multi-Year Rate Plan by filing a general rate case at the same time that the utility would have filed its subsequent Multi-Year Rate Plan, as specified in paragraph (8) of subsection 16-108.18 (d). An electric utility that initially elected to a file general rate case and thereafter that elects to transition to a Multi-Year Rate Plan may do so only at the 4-year filing intervals identified by paragraph (8) of subsection 16-108.18(d).

The General Assembly requires the utility choosing a PBR framework to specifically focus on the financial burdens financially struggling customers face. Section 16-108.18(c) provides that the PBR framework should be designed, among other objectives, to:

> ▪ …(5) maintain the affordability of electric delivery services for all customers, including low-income customers;
>
> ▪ …(8) address the particular burdens faced by consumers in environmental justice and equity investment eligible communities, including shareholder, consumer, and publicly funded bill payment assistance and credit and collection policies, and ensure equitable disconnections, late fees, or arrearages as a result of utility credit and collection practices, which may include consideration of impact by zip code.[4]

In addition, Section 16-108.18(e)(2)(A) provides six areas for which up to 8 metrics can be proposed. One of the areas to be addressed through the PBR process is Affordability, described as follows:

> (iv) Achieve affordable customer delivery service costs, with particular emphasis on keeping the bills of lower-income households, households in equity investment eligible communities, and household in environmental justice communities within a manageable portion of their income and adopting credit and collection policies that reduce disconnections for these households specifically and for customers overall to ensure equitable disconnections, late fees, or arrearages as a result of utility credit and collection practices, which may include consideration of impact by zip code.

Importantly, this category quite literally requires the utility to develop a metric that places "particular emphasis on lower-income households…to achieve affordable delivery service "within a manageable portion of their income…" and "reduce disconnections for these households specifically and for customers overall to ensure equitable disconnections" and invites

[4] 220 ILCS 5/16-108.18(c)(5) and (8).

the utility to incorporate zip- code-level credit and collections data in formulating that goal and metric.

Q. HOW DOES THE ACT DEFINE "LOWER INCOME HOUSEHOLDS", "ENVIRONMENTAL JUSTICE COMMUNITIES" AND "EQUITY INVESTMENT COMMUNITIES", AS REFERENCED IN THE AFFORDABILITY METRIC STATUTORY PROVISION (16-108.18(A)(iv)) HIGHLIGHTED ABOVE?

A. Section 16-108.18(b) of the Act defines these terms as follows:

- While there is no specific definition for "*lower*-income" households in the Act, there is a definition for "economically disadvantaged communities," which is defined as areas of one or more census tracts where average household income does not exceed 80% of area median income (AMI). This definition squares with the definition of "low-income" customers provided in Section 8-103(B) of the Act, which describes electric utilities obligations to provide ratepayer-funded, low-income energy efficiency programs, and defines low-income households as at or below 80% AMI.[5] Finally, new Sections 8-201.7 and 8-201.8 of the Act, which prohibit utilities from requiring deposits and late fees for low-income households, employs the same definition: at or below 80% AMI.[6]
- "Environmental justice communities" means the definition of that term as used and as may be updated in the long-term renewable resources procurement plan by the Illinois Power Agency and its Program Administrator in the Illinois Solar for All Program.[7]

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[5] 220 ILCS 5/8-103B(c).

[6] 220 ILCS 5/8-201.7, 8-201.8.

[7] The Illinois Power Agency and Elevate Energy (Elevate) , implementer of Illinois' Solar for All program, have identified environmental justice communities in Illinois based on a methodological framework established in the Long-Term Renewable Resources Procurement Plan. These communities were designated as such through a calculation utilizing the U.S. EPA tool EJ Screen and a demonstrated higher risk of exposure to pollution based on environmental and socioeconomic factors. Specific questions can be directed to info@Illinoissfa.com.

In addition to communities which were identified as environmental justice communities using the framework in the Long-Term Renewable Resources Procurement Plan, groups or individuals may also submit a proposal to request that their community be designated as an environmental justice community. *See https://www.illinoissfa.com/environmental-justice-communities/*

- "Equity investment eligible community" means the geographic areas throughout Illinois which would most benefit from equitable investments by the State designed to combat discrimination. Specifically, the equity investment eligible communities shall be defined as the following areas:

  (1) R3 Areas as established pursuant to Section 10-40 of the Cannabis Regulation and Tax Act,[8] where residents have historically been excluded from economic opportunities, including opportunities in the energy sector; and

  (2) Environmental justice communities, as defined by the Illinois Power Agency pursuant to the Illinois Power Agency Act[9], where residents have historically been subject to disproportionate burdens of pollution, including pollution from the energy sector.

Q. HOW WILL THE METRICS OPERATE WITHIN THE CONTEXT OF A MULTI-YEAR PBR PLAN?

A. While I am not an attorney, a plain reading of the new CEJA PBR provisions specifically requires the Commission "to approve metrics designed to achieve incremental improvements over baseline performance values and targets, over a performance period of up to 10 years, and

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[8] Under Section 10-40 of the Cannabis Regulation and Tax Act, within 180 days after the effective date of that Act, "the Illinois Criminal Justice Information Authority shall identify as eligible, areas in this State by way of historically recognized geographic boundaries, to be designated by the Restore, Reinvest, and Renew Program Board as R3 Areas and therefore eligible to apply for R3 funding. Local groups within R3 Areas will be eligible to apply for State funding through the Restore, Reinvest, and Renew Program Board. Qualifications for designation as an R3 Area are as follows:

(1) Based on an analysis of data, communities in this State that are high need, underserved, disproportionately impacted by historical economic disinvestment, and ravaged by violence as indicated by the highest rates of gun injury, unemployment, child poverty rates, and commitments to and returns from the Illinois Department of Corrections.

(2) The Authority shall send to the Legislative Audit Commission and make publicly available its analysis and identification of eligible R3 Areas and shall recalculate the eligibility data every 4 years. On an annual basis, the Authority shall analyze data and indicate if data covering any R3 Area or portion of an Area has, for 4 consecutive years, substantially deviated from the average of statewide data on which the original calculation was made to determine the Areas, including disinvestment, violence, gun injury, unemployment, child poverty rates, or commitments to or returns from the Illinois Department of Corrections." 415 ILCS 705/10-40(c).

[9] *See* footnote 5.

no less than 4 years"[10] for a utility choosing to file a multi-year PBR plan. The statute also provides that the total for all metrics shall be equal to 40 basis points, although the Commission "may adjust the basis points upward or downward by up to 20 basis points for any given Multi-Year Rate Plan, as appropriate."[11]

In addition, the statute provides that the Commission "shall approve performance metrics that are reasonably within control of the utility to achieve," and that the metrics "should measure outcomes and actual, rather than projected, results where possible."[12] The statute further provides that "(p)erformance metrics shall include one year of tracking data collected in a consistent manner, verifiable by an independent evaluator in order to establish a baseline and measure outcomes and actual results against projections where possible."[13]

Q. WHAT CRITERIA DID AMEREN STATE IT APPLIED IN PROPOSING ITS PERFORMANCE METRICS?

A. Ameren states that its metrics were developed with what Ameren witness Ellen Meierotto calls the "SMART" principles—Specific, Measurable, Achievable, Realistic, and Timely—to ensure that the metrics are practical, reasonable, and appropriate.[14] The Company also states it considered Staff's and stakeholder input, as presented during the most recent Staff-led workshops conducted earlier this year.

[10] 220 ILCS 5/16-108.18(e)(2).
[11] 220 ILCS 5/16-108.18(e)(2)(B).
[12] 220 ILCS 5/16-108.18(e)(2)(D).
[13] 220 ILCS 5/16-108.18(e)(2)(E).
[14] Ameren Ex. 2.0 (Meierotto Direct) at 11-12.

Q. WHAT FRAMEWORK ARE YOU APPLYING TO YOUR ANALYSIS OF THE AMEREN AFFORDABILITY PERFORMANCE METRIC?

A. My analysis focuses on several measures of determining whether the proposed metric will achieve the Affordability goals as articulated by the General Assembly, which were augmented by guidelines that remain relevant today as outlined by the Commission Staff in its original 2021 PBR metrics workshop report. My analysis is guided by:

1. <u>Adherence to the language of the statute</u> (220 ILCS 5/16-108.18)

   The statute has specific language about the goals and purposes of the metrics or Performance Incentive Mechanisms ("PIMs"). Each proposal should be measured against the statutory language.

2. <u>Outcome-oriented, not process or spending-oriented</u>

   Metrics should measure the *effect* on consumers and on rates. Metrics that are defined by a particular investment (e.g. certain types of plant or equipment) are not performance-based but spending-based and should be rejected. Likewise, PIMs that focus on and measure the process, rather than the outcome, miss the point of the metric Itself.

3. <u>Responsive to workshop concerns and goals / community input</u>

   Although it is my understanding that the initial workshop process in 2022 was extremely limited time-wise due to a statutory deadline, workshop recommendations, along with the recommendations of Staff, outlined in pages 31-34 of Staff's original report on the workshop process, should continue to be considered throughout these proceedings.[15]

4. <u>Cost/benefit</u>

   The PIMs should result in a net benefit to consumers and the society, in the context of each metric, the overall statutory goals, and electric service. CEJA explicitly states that performance metrics "must always take into account the affordability of customer

[15] Staff Report available at https://www.icc.illinois.gov/informal-processes/Electric-Utility-Performance-and-Tracking-Metrics

rates and bills for all customers, including low-income customers." 220 ILCS 5/16-108.18(a)(7).

5. Status quo v. improvement or stretch goal

Consistent with the statutory language[16] that requires improvements over baselines, performance incentive mechanisms should only apply if they significantly improve utility performance rather than maintain the status quo. Insignificant or minor improvements in outcomes, or outcomes incentivized elsewhere (no double-dipping of incentives), should not result in an incentive payment. The proposed metrics should require utilities to achieve actual objectives, rather than maintaining the status quo.

Importantly, the Staff report emphasizes that "Performance metrics should incentivize utilities to achieve goals that are not otherwise incented elsewhere… [and not reward utilities] for achieving what is already required and expected from Illinois public utilities, but award[] utilities for achieving outcomes beyond the expected." Staff Report at 32.

6. Transparency and Clarity

PIMs and reporting metrics should increase transparency and the availability and reporting of utility and energy operating and cost information. Further, metrics and outcomes should be available to the public in an understandable format, clearly defined, measurable, and unambiguous. Staff Report at 31.

Q. WHAT ARE YOUR RESPONSES TO AMEREN'S PROPOSED PM.6 AFFORDABILITY PERFORMANCE METRIC?

A. As an initial matter, I applaud the Company's commitment to retain a disconnections-based affordability performance metric. Such a metric adheres to the principle of being outcome-oriented, rather than process- or spending-oriented. Clearly, reductions of involuntary disconnections reflect outcomes of vital importance to struggling households while bringing benefit to the utility system and society more broadly. Further, I understand that Ameren

[16] 220 ILCS 5/16-108.18(e)(2).

laudably determined to retain a disconnections-based approach after receiving feedback from community stakeholders.

In addition to retaining a disconnections-based approach, I concur with the Company that, in order to maximize potential benefit stemming from the proposed affordability performance metric, the 20 zip codes of focus should be limited to those with a minimum of 150 residential customers and with the highest disconnection ratios[17] territory-wide. I also support the Company's proposal to incorporate disconnection data from the 2024-2026 time period for purposes of setting a baseline for purposes of measuring achievement of the Affordability metric. However, I recommend that the Commission require the Company to file its computed baseline average, along with the identified top 20 zip codes with the highest disconnection ratios (with a minimum of 150 households per zip code), in a filing in this case that is subject to review and comment by the Commission Staff and interested parties before Commission approval of the compliance filing.

Q. WHAT CONCERNS DO YOU HAVE WITH RESPECT TO THE COMPANY'S PROPOSAL?

A. My concerns with the proposal are centered in two critical areas: 1) Ameren's proposed 2% percent aggregate reduction in disconnections over baseline in year one, followed by 2% reductions in each of the following three years; and 2) the Company's proposal to limit the incentive mechanism to +/- 2 basis points.

[17] The zip code disconnection ratio is calculated by dividing total involuntary residential disconnections over a specified timeframe by the average number of residential customers in the zip code over a consistent timeframe.

III. ASSESSING THE ANNUAL DISCONNECTION REDUCTION TARGET OF AN AFFORDABILITY METRIC

Q. PLEASE DISCUSS YOUR CONCERN WITH THE AMEREN'S PROPOSED TWO PERCENT ANNUAL REDUCTION IN DISCONNECTIONS IN ZIP CODES OF FOCUS.

A. Reductions of disconnections by only 2% each year is arguably not a "stretch goal," or an outcome that moves well beyond the status quo. Continuation of the current 10% annual reduction would be far more appropriate and effective in achieving affordability and equity objectives and addressing the particular burdens faced households living in zip codes with the highest current disconnection ratios. Current disconnections data, as reflected in the section below, illustrate that households in the "top 20 disconnections" zip codes face daunting levels of disconnection, are predominantly households of color, and have income that only a fraction of that earned by households in other zip codes served by Ameren. I therefore recommend that the Commission approve a metric that includes 10% annual reductions in disconnections in the top 20 zip codes. It should be noted that the current Ameren Affordability metric utilizes this same 10% in annual reductions metric.

Q. WHAT RATIONALE DID THE COMPANY PROVIDE FOR REDUCING THE PERFORMANCE METRIC BY 80%, FROM A 10% ANNUAL REDUCTION IN DISCONNECTIONS FOR THE IDENTIFIED ZIP CODES TO A 2% ANNUAL REDUCTION?

A. The Company explained in response to COFI Data Request 2.01that "[b]ased on preliminary calculations using only 2024 disconnection data, eleven of the current targeted ZIP Codes would continue to be areas of focus. With more than half of the current ZIP Codes targeted for a 10% reduction for the current Customer Affordability Metric applicable in the years 2024-2027, further reductions for the years 2028 – 2031 are not projected to be realistic given economic conditions, the likelihood of increasing electric supply costs, applied electric and gas discounts, and current utility assistance that may no longer be available. As such, the Company is proposing a total of 8% in reductions of disconnections in certain ZIP codes from 2028 through 2031." In addition, in testimony, the Company argues "it would be impossible to make improvements indefinitely in disconnects in the same 20 ZIP codes." (Ameren Ex. 2.0 at 22.)

Q. WHAT IS YOUR RESPONSE TO THIS PROPOSAL TO REDUCE THE AFFORDABILITY ANNUAL ACHIEVEMENT METRIC BY 80%?

A. I disagree with the Company proposal and its rationale for several reasons. First, the Company seems to be suggesting that it has already achieved Affordability in the existing 20 zip codes and will not be able to sustain a year-over-year 10% reduction in the number of disconnections in each identified zip code. I reject that analysis.

First, I agree with the Company's proposal to revise the eligible zip codes to those with a minimum of 150 customers, rather than the minimum 50 households that the Company's Affordability metric operates under now. Under the current PBR Affordability metric, some of the 20 zip codes with the highest disconnection ratios include zip codes with fewer than 100 customers. In hindsight, these zip codes have too few customers to be of significant impact to reducing the Company's high rate of disconnections. In addition, the Company could struggle achieving the 10% reduction in disconnections in these low-population zip codes year-after-year. Increasing the minimum number of customers per zip code not only serves the goal of achieving a greater impact on the total number of disconnections avoided, but also presents a more achievable metric going forward given the larger population of households who can be reached via Ameren's efforts to reduce disconnections, as compared with the current lower population zip codes. That change should positively impact the Company's ability to achieve a 10% annual reduction in disconnections for the identified zip codes.

Second, we know from the Company's grid plan filing that Ameren electric customers will see significant rate increases in the years ahead. For example, in the Company's most recent grid plan case, Docket No. 22-0487/23-0082/24-0238 (cons.), the Commission approved increases totaling $235.6 million for the 2025-2028 time period, representing a 19% increase over Ameren's 2024 delivery service rates.[18] In addition, energy supply market capacity constraints in the Midcontinent Independent System Operator ("MISO") region have delivered sharp increases in energy supply prices for Ameren electric customers, as evidenced by the 18 percent to 22 percent in summer power bills customers will experience this summer.[19] My point is, rates continue to rise greater than the rate of inflation, making unaffordability of essential electric service an increasing problem. This phenomenon presents the Company with significant opportunities to attempt to improve affordability through various outreach efforts and new and existing energy assistance programs, as well as continued emphasis on providing opportunities for low-income Ameren customers to engage in energy efficiency improvements through zero-cost weatherization programs provided by the Company's ratepayer-funded energy efficiency programs. Ameren's concern that a 10% reduction is not achievable because "it would be

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[18] *See* ICC Rate Case Report, Tab Ameren MYRP, available at: https://www.icc.illinois.gov/icc-reports
[19] *See CUB Warns Ameren Customers of June 1 Electricity Price Spike,* published May 22, 2025 and available at: https://www.citizensutilityboard.org/blog/2025/05/22/cub-warns-ameren-customers-of-june-1-electricity-price-spike/

impossible to make improvements indefinitely in disconnects in the same 20 ZIP codes" (Ameren Ex. 2.0 at 22) is less credible given this confluence of circumstances and the increase in the minimum number of households per identified zip code.

Third, and perhaps most importantly, the Commission is set to approve some form of a low-income discount rate in the next month in ICC Docket No. 25-0083, which is scheduled to take effect October 1, 2026. While the details of the program are still in flux, there will be some measure of increased affordability for the Company's customers whose income fall between 0% and 300% of the federal poverty level ("FPL"). The Company states that "[t]o the extent customer bills are lower, customers will reach disconnection threshold slower, or not at all, thus having an anticipated reduction in disconnections in identified zip codes for low-income qualified customers." Ameren Response to COFI Data Request 3.03. This new program should substantially reduce arrearages, all else being equal, while reducing rates of disconnection for years to come, increasing Ameren's likelihood of achieving any Affordability goal. This reality cannot be ignored as the Commission weighs Ameren's claim that a 10% annual reduction would be difficult to achieve, as it considers which annual reduction in disconnections percentage figure to assign the Affordability metric.

Further, reductions of disconnections by only 2% each year is arguably not a "stretch goal," or an outcome that moves well beyond the status quo. Continuation of the current 10% annual reduction would be far more appropriate and effective in achieving affordability and equity objectives and addressing the particular burdens faced by households living in zip codes with the highest current disconnection ratios. Current disconnections data, as reflected later in my testimony, illustrate that households in the top 20 disconnections zip codes face daunting levels of disconnection, are predominantly households of color, and have income that is only a fraction of that earned by households in other zip codes served by Ameren. I therefore recommend that the Commission approve a metric that includes 10% annual reductions in disconnections in the top 20 zip codes.

III. ASSESSING THE FINANCIAL INCENTIVE POINT-VALUE OF AN AFFORDABILITY METRIC

Q. WHAT GUIDANCE DOES THE ACT PROVIDE FOR PURPOSES OF ASSIGNING A BASIS POINT VALUE TO EACH METRIC?

A. In determining the appropriate level of a performance incentive, the Commission shall consider the following factors, which consideration shall result in an incentive level that ensures benefits exceed costs for customers:

- the extent to which the amount is likely to encourage the utility to achieve the performance target in the least cost manner;
- the value of benefits to customers, the grid, public health and safety, and the environment from achievement of the performance target, including in particular benefits to equity investment eligible community;
- the affordability of customers' electric bills, including low-income customers, the utility's revenue requirement, the promotion of renewable and distributed energy; and
- other such factors that the Commission deems appropriate.[20]

As noted earlier in my testimony, the 40 basis points total may be adjusted upward or downward by the Commission by, at most, 20 basis points, for any given multi-year rate plan. Increases or enhancements to an existing performance goal or target must be considered in light of other metrics, cost-effectiveness, and other factors the Commission deems appropriate.

[20] 220 ILCS 5/16-108.18(e)(2)(F).

Q. HOW MANY RETURN ON EQUITY ("ROE") BASIS POINTS DOES AMEREN PROPOSE BE ASSIGNED TO ITS PROPOSED AFFORDABILITY METRIC?

A. Ameren witness Meierotto proposes that the Commission approve a value of two basis points out of a total of 24 proposed PBR metric points among a total of eight metrics.

Q. PLEASE DISCUSS YOUR CONCERN WITH THE COMPANY'S PROPOSAL TO LIMIT THE RETURN ON EQUITY INCENTIVE MECHANISM TO +/-TWO BASIS POINTS.

A. Performance-based ratemaking is needed to achieve essential policy objectives related to affordability and climate change mitigation where traditional cost of service regulation fails. Substantial utility financial penalties and incentives are required to ensure that PBR draws utility practice changes that are significant and consistent with these policy imperatives. A meaningful, symmetrical financial incentive is appropriate to further ensure that Ameren will innovate and devote necessary resources to achieve meaningful disconnection reductions where they are needed most.

Moreover, in response to EDF Data Request 1.14, the Company revealed that the estimated value of a single basis point award or penalty at this time is $335,537. Using this value and the proposed two basis point allocation the estimated value of the proposed affordability performance metric is +/- $671,074. That strikes me as being insufficient to motivate the Company's efforts to reduce disconnections. In particular, it strikes me as insufficient given that the Company can assign between 20 and 60 basis points for all of the metrics, as provided in the PBR statute, and has selected only 24 basis points total for all 8 metrics, according to the testimony of Ameren witness Meierotto. (Ameren Ex. 2.0 at 26.)

Certainly, the goal of reducing disconnections of electric service for Ameren's financially struggling customers should rank at the top of the Company's priorities in terms of its monopoly service obligations and given the essential nature of access to electricity. Allowing for only 2 basis points as a measure of achievement of the Affordability metric minimizes the importance of its goal of maintaining essential electric service to financially struggling customers, particularly during a time when electric delivery service rates are rising. I therefore recommend that the Commission approve an affordability performance incentive mechanism of at least five basis points, which is two more points than under the existing Affordability metric.

Q. ARE THERE OTHER REASONS YOU BELIEVE IT IS IMPORTANT TO PROVIDE A MORE SIGNIFICANT POINT VALUE TO THE AFFORDABILITY METRIC?

A. Right now, Ameren enjoys the revenue protection of the Rider EUA and Rider GUA – the Electric Uncollectible Adjustment and Gas Uncollectible Adjustment tariffs – to recover its bad debt. Under these tariffed riders, the Company is able to collect through monthly adjustments to the customer charge and kwh and per therm charges any shortfalls in bad debt costs that are not already recovered in Ameren's electric and gas rates.[21] Accordingly, the

[21] Rider UEA, for example, works as follows, according to the tariff filed with the Commission:

> The purpose of this Rider is to provide for monthly adjustments to Customer bills for any over-orunder recoveries of the Company's actual uncollectible expense amounts for a reporting year for each Rate Zone through the 2015 reporting year. Beginning with the 2016 reporting year uncollectible expense amounts will be determined on a total Company basis. Such adjustments are based on the incremental difference between actual uncollectible expense and the Commission-approved uncollectible amount included in the utility's rates that were in effect for the reporting year, as further defined by the formulas herein. Rider GUA operates pursuant to Illinois Public Act 096-0033.

Rider GUA (Gas Uncollectible Adjustment) operates similarly. *See* Ill. C. C. No. 2, 4th Revised Sheet No. 42 (Canceling 2nd Revised Sheet No. 42); available at: https://www.ameren.com/-/media/rates/files/illinois/aigs42rdgua.ashx

Company currently lacks a clear financial incentive to ensure affordability of rates for all of its customers – and in particular the low-income customers who struggle each month to afford essential utility services. In this regard, a performance metric that provides the Company a financial incentive to ensure affordability for all of its customers, including those who frequently and most often face disconnection from essential utility services, makes sense under a performance-based ratemaking scheme that is trying to incent actions that may not traditionally improve the utility's net income.

IV. INVOLUNTARY DISCONNECTION CHALLENGES IN AMEREN SERVICE TERRITORY ZIP CODES

Q. HAVE YOU REVIEWED RECENT ZIP CODE LEVEL DISCONNECTIONS DATA FILED BY THE COMPANY WITH THE COMMISSION?

A. Yes. I obtained Ameren's monthly zip code level customer and disconnections data for the months of July 2024 through June 2025 from the Commission's Credit, Collections, and Arrearages Reports Monthly Dashboard.[22] With that data, I compiled for each of over 900 zip codes in the Company's service territory residential customer counts, the number of disconnections of residential customers, and calculated disconnection ratios for the 12-month period for each zip code. I then sorted the data to identify the zip codes with the highest disconnection ratios and those with fewer than 150 residential customers.[23] I then matched the disconnections and customer data with zip code level data from American Community Survey

[22] *See* https://www.icc.illinois.gov/industry-reports/credit-collections-and-arrearages-reports/monthly-dashboard. COFI applauds the Commission and ICC Staff for establishing and maintaining this dashboard, which represents a national best practice for making critical credit and collections information available to the public.

[23] For purposes of this analysis, I aggregated data filed under gas service and electric service to arrive at a single disconnection ratio for each zip code.

2023 5-year estimates reflecting population by race (Table B02001) and median household income (Table B19013) to develop a Top 20 Disconnections Zips table, as reflected for illustrative purposes below.

Ameren Illinois
Residential Customers, Disconnections, Race, and Income: July 2024 - June 2025
Top 20 Disconnection Zip Codes
July 2024 - June 2025

Zip Code	Average Customer Count Jun25	Total Customers Disconnected for Non-Payment Jun25	Disconnection Ratio	Percent Non-White	Median household income (2023 inflation-adjusted dollars)
62059	506	149	0.2946	98.9%	$37,656
61605	10,324	2,719	0.2634	72.3%	$24,499
62207	4,427	994	0.2245	98.7%	$29,184
62523	535	117	0.2186	56.6%	n/a
62206	8,978	1,875	0.2088	70.1%	$39,520
62090	655	134	0.2046	92.9%	$38,269
62205	5,447	1,083	0.1988	99.0%	$41,059
61603	12,359	2,446	0.1979	60.9%	$40,405
61416	192	38	0.1977	3.5%	$26,111
62203	4,606	886	0.1924	95.9%	$41,134
62204	3,221	616	0.1912	97.1%	$36,789
62060	3,209	590	0.1839	77.3%	$40,139
62963	185	30	0.1624	44.9%	$55,000
62666	176	28	0.1595	1.9%	$91,528
60949	170	26	0.1534	19.2%	$56,250
62314	151	22	0.1461	27.1%	$81,528
61552	166	24	0.1448	0.0%	n/a
62054	311	45	0.1447	6.9%	$58,456
61322	1,129	157	0.1391	52.0%	$60,481
62238	359	49	0.1366	7.3%	$72,188
	Total	Total	Wtd. Avg.	Wtd. Avg.	Wtd. Avg.
	57,102	12,028	0.2106	75.8%	$36,884

In addition, utilizing raw data from the ICC's Credit and Collections Dashboard and the Census Bureau's American Community Survey, I constructed a comparison in disconnection ratios, race and income among Ameren residential customers living in the top 20 disconnections zip codes and those living in all other zip codes served by the Company. Those tables are provided below.

Comparison of Disconnections Ratios, Race, and Median Household Income: "Top 20" Disconnections Zip Codes and Non-Top 20 Zip Codes: Aneren IL, July 2024 - June 2025

Disconnection Ratio	
Top 20 Disconnects	*Non-Top 20 (All the Rest)*
0.2106	0.0630

Percent Non-White	
Top 20 Disconnects	*Non-Top 20 (All the Rest)*
75.8%	17.3%

Median household income (2023 inflation-adjusted dollars)	
Top 20 Disconnects	*Non-Top 20 (All the Rest)*
$36,884	$69,239

Q. WHAT CONCLUSIONS DO YOU DRAW FROM YOUR ANALYSIS?

A. The data starkly portrays that Ameren customers living in the Top 20 disconnection zip codes are beset with difficult challenges retaining access to basic utility services. Further, these households are comprised predominantly of people of color, and have relatively low incomes. In fact, the disconnection ratio that applies to the "top 20" households is about 3½ times higher than that for households living in all other Ameren zip codes. Maintaining a reasonable level of home energy security for these households requires a dramatic reduction of disconnections and adoption of a robust performance metric accompanied by meaningful utility financial incentives.

The data further demonstrates that the percentage of non-white households in the top 20 zip codes is over 4 times higher than in the remaining Ameren zip codes. Achieving racial justice objectives, outlined in the statute, requires adoption of a meaningful, effective metric intended to reverse the inequities and disproportionate impacts that result from the status quo.

Finally, the data demonstrates that median household income in the top 20 zip codes is about ½ that of the remaining zip codes. Assuring affordable access to service for all customers further requires a departure from the status quo and the adoption of an effective affordability metric. Based on the foregoing, I respectfully reiterate the recommendations that the Commission approve a disconnections-based affordability metric, including a 10 percent annual disconnection reduction in the top 20 zip codes, and a symmetrical financial incentive adjustment of at least +/- 5 basis points.

Q. HOW, IF AT ALL, DO THESE FINDINGS SUPPORT YOUR PROPOSED AFFORDABILITY METRIC?

A. These findings are reflective of grave affordability issues and challenges, and support the adoption of meaningful metrics and effective financial incentives.

Q. WHAT CREDIT AND COLLECTION POLICIES THAT AMEREN CURRENTLY APPLIES NEGATIVELY IMPACT AFFORDABILITY AND DISCONNECTIONS FOR THE COMPANY'S FINANCIALLY STRUGGLING CUSTOMERS?

A. In response to COFI Data Request 2.02, Ameren states that under a Commission-approved single-billing system, a disconnection notice is mailed to a customer for past due charges, which includes both electric and gas service past-due amounts. That means a customer's electric service can be disconnected if the arrearage trigger exceeds the disconnection trigger amount even if the arrearage includes gas utility arrearages.

In addition, disconnection arrearage triggers remain low, considering the disconnection process is triggered by tallying both electric and gas services. Ameren notes that "[t]he balance threshold most normally used by Ameren Illinois is $250, as it is the average single month of service charges, not including arrearages, for a customer account taking both electric and gas service over the course of a year." However, Ameren notes, due to the change in 2025 electric summer supply costs experienced by customers, the balance threshold was raised from $250 to $400 from July 1, 2025, through September 30, 2025 to account for higher average bills as a result of supply charge increases. Ameren notes that the threshold is "generally not revised unless there are special situations or circumstances, such as those being experienced by customers during this summer's increase in supply price." The Company notes that any such adjustments to the disconnection trigger "have been rare." Ameren response to COFI 2.02.

Q. DO YOU HAVE ANY COMMENT ON AMEREN'S COMBINED ARREARAGE POLICY?

A. Yes, I do. Ameren's practice of combining gas and electric arrearages puts Ameren electric customers at increased risk of disconnection, particularly during the summer months when the need for summer cooling typically increases electric usage and electric bills. The typical $250 arrearage trigger amount, too, is remarkably low considering it includes both electric and gas services. I am advised by counsel, too, that this practice may also violate a

Commission rule, Part 280.130(c)(3), which prohibits a utility from disconnecting a customer from another type of service due to unpaid charges for a different utility service.[24]

The Company should be directed to disaggregate gas and electric utility arrearages for purposes of minimizing electric disconnections, which not only protects customers from losing essential electric service, particularly during the higher usage summer months, but also increases the likelihood that Ameren will achieve its Affordability metric. While customers may prefer a single combined bill for convenience purposes, they should not be subject to disconnection from electric service because of an arrearage tied to a gas utility bill, and vice versa. The Company should be ordered to revise its disconnection policies to ensure that charges for another type (gas) do not trigger a disconnection of essential electric utility service, while still enabling Ameren Electric and Gas customers to receive a single bill.

Q. WHY DO YOU BELIEVE YOUR PROPOSED DISCONNECTION REDUCTION METRIC, ALONG WITH YOUR RECOMMENDED MODIFICATIONS TO AMEREN'S PROPOSAL, ACHIEVES THE GOALS OUTLINED IN THE PREVIOUSLY DISCUSSED STATUTORY PROVISIONS RELATED TO AFFORDABILITY?

A. The concepts of household income, affordability, and access are linked. Keeping customers connected to the utility network is a critical indicator of the extent to which utility service is affordable. In order to achieve the goals outlined in the CEJA statute, the Company

[24] Part 280.130(c)(3) Non-deniable Charges: The following shall not constitute valid reasons for disconnection of regulated utility services:

> …3) Charges for another type (gas, electric, water or sewer, unless water and sewer utility service are provided by the same utility) of utility service.

needs to do more than simply establish a metric. As outlined above, there are actions that are within the utility's control that Ameren should take to enhance affordability goals and reduce disconnections.

V. SUMMARY OF CONCLUSIONS

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. The General Assembly has made clear in several provisions in the CEJA statute that affordability for low-income customers and a reduction in disconnections through revisions in credit and collections policies is a critical component to establishing equitable utility service that truly benefits all customers. I support the Company's adherence to its current Affordability metric which requires it to reduce both the annual required reduction in disconnections to the top 20 zip codes with the highest disconnection ratios. I also support the Company's decision to include zip codes with a minimum of 150 households, rather than the current 50-household minimum. I object, however, to the Company's proposals to reduce its annual performance metric from 10% to 2%, an unjustified 80% reduction in the metric. I recommend that the Commission direct the Company to adopt an Affordability performance metric based on a ten percent annual reduction over a four-year period in residential disconnections for non-payment in the 20 zip codes in its service territory with the highest 2024-2026 disconnections ratios, consistent with the current metric. I also conclude that Ameren's proposal to assign only 2 points out of a total of 24 proposed points to the Affordability metric is insufficient to incentivize affordability goals and recommend that the point value be increased to 5 points. I also include recommendation for change in some of the Company's current disconnection policies. Finally, I recommend that the Commission require the Company to file its computed baseline average, along with the identified top 20 zip codes with the highest disconnection ratios (with a minimum of 150 households per zip code) in a filing in this case that is subject to review and comment by the Commission Staff and interested parties before Commission approval of the compliance filing.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.