

Exhibit No.:

Issue(s):

Insulation Financing Program;
Advertising

Witness/Type of Exhibit:

Kind/Direct

Sponsoring Party:

Public Counsel

Case No.:

GR-98-374

DIRECT TESTIMONY

OF

RYAN KIND

Submitted on Behalf of
the Office of the Public Counsel

LACLEDE GAS COMPANY

Case No. GR-98-374

August 14, 1998

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1 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?**

2 A. Yes, prior to this case I submitted written testimony in: numerous gas rate cases, several
3 electric rate design cases and rate cases, as well as other miscellaneous gas, electric,
4 water, and telephone cases.

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

6 A. I will address the following issues related to the rate increase request of Laclede Gas
7 Company (Laclede or the Company):

- 8 • Laclede's Insulation Financing Program
- 9 • Laclede's PBS NewsHour advertising

10 **Q. WHAT COMMENTS DO YOU HAVE REGARDING LACLEDE'S INSULATION FINANCING**
11 **PROGRAM?**

12 A. Laclede has requested that its rates be set at a level high enough to compensate the
13 Company for a \$2 million investment in this program. However, Laclede's current
14 investment in this program currently falls far short of the \$2 million in rate base for
15 which Laclede has asked to be compensated.

16 **Q. DO YOU KNOW WHY LACLEDE HAS INCLUDED \$2 MILLION IN RATE BASE FOR THIS**
17 **PROGRAM?**

18 A. Laclede's rate base request for this program, which totally ignores the amount of money
19 that it has actually invested in this program, appears to be based on tariff language which
20 specifies a maximum of \$2 million in loans that Laclede can have outstanding on this
21 program at any one point in time.

Q. HOW MUCH DOES LACLEDE ACTUALLY HAVE INVESTED IN THIS PROGRAM?

A. Laclede's records indicate that its investment in this program has continued to decline over the last several years. Laclede's investment in this program as of June 30, 1998 was \$727,337. The following table shows the downward trend in Laclede's investment in the Insulation Financing Program.

Table 1 – Insulation Financing Program Loan Balances

Date	Outstanding Balance	Percent Decrease Since 3/31/94
3/31/94	\$1,541,619	0%
6/30/94	\$1,449,545	6%
9/30/94	\$1,389,456	10%
12/31/94	\$1,366,701	11%
3/31/95	\$1,396,040	9%
6/30/95	\$1,358,365	12%
9/30/95	\$1,304,263	15%
12/31/95	\$1,286,590	17%
3/31/96	\$1,268,108	18%
6/30/96	\$1,229,575	20%
9/30/96	\$1,160,023	25%
12/31/96	\$1,069,071	31%
3/31/97	\$1,042,786	32%
6/30/97	\$972,203	37%
9/30/97	\$908,611	41%
12/31/97	\$845,828	45%
3/31/98	\$795,926	48%
6/30/98	\$727,337	53%

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1 Q. DO YOU KNOW WHY LACLEDE HAS INCLUDED \$2 MILLION IN RATE BASE FOR THIS
2 PROGRAM WHEN IT ONLY HAD \$727,337 INVESTED IN THE PROGRAM AS OF JUNE 30,
3 1998?

4 A. No. Laclede's request is especially curious in light of Mr. Yaeger's (Laclede's President)
5 characterization of this program as a public service for low income, elderly, and disabled
6 customers on page 26 of his direct testimony. Perhaps Mr. Yaeger is not aware of the
7 fact that his company is attempting to achieve a return on its investment in this "public
8 service" program that is more than double the return that Laclede makes on its other
9 investments.

10 Q. IS PUBLIC COUNSEL PROPOSING ANY ADJUSTMENTS TO THE \$2,000,000 THAT
11 LACLEDE HAS PROPOSED FOR INCLUSION IN ITS RATE BASE FOR THE INSULATION
12 FINANCING PROGRAM?

13 A. Yes OPC recommends reducing Laclede's rate base by \$1,272,663 (\$2,000,000 less
14 \$727,337). This adjustment has the affect of adding \$727,337 to Laclede's rate base for
15 the Insulation Financing Program, instead of adding the \$2,000,000 requested by
16 Laclede. Public Counsel's \$1,272,663 adjustment is based on the amount of Insulation
17 Financing Program loans that the Company had outstanding as of 6/30/98.

18 Q. HAVE THEIR BEEN ANY RECENT CHANGES IN LACLEDE'S EFFORTS TO MAKE ITS
19 CUSTOMERS AWARE OF THE INSULATION FINANCING PROGRAM THAT MIGHT HELP
20 EXPLAIN THE DOWNWARD TREND IN LOANS ILLUSTRATED IN TABLE 1?

21 A. Yes, unfortunately Laclede has stopped its previous practice of using messages on
22 customer bills to inform its customers about this program. Laclede's response to OPC
23 DR No. 3015 in Case No. GR-96-193 indicated that Laclede had included a bill message

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(See Schedule RK-1) on the January 1994 and January 1995 bills that were sent to all of its customers. Laclede's response to OPC DR No. 539 in this docket indicates that Laclede no longer uses bill messages to inform its customers about this program and instead only informs its new customers about this program.

Q. DO YOU BELIEVE THE COMPANY SHOULD BE REQUIRED TO BETTER INFORM ALL OF ITS CUSTOMERS ABOUT THIS PROGRAM?

A. Definitely. This program, if properly promoted has the potential to benefit Laclede's customers by making energy bills more affordable and by lowering the environmental harm associated with using natural gas to heat and cool buildings. Increasing the affordability of gas bills can benefit Laclede and all of its customers by reducing the bad debt expense associated with high energy bills. Since Laclede has failed to take the initiative to adequately promote this program, Public Counsel recommends that the Commission require Laclede to modify its Insulation Financing Program tariff (tariff sheets R-27 and R-28) by including a requirement that Laclede use bill messages at least twice a year to inform its customers about this program.

Q. LETS TURN NOW TO THE NEXT REVENUE REQUIREMENT ISSUE, ADVERTISING, THAT YOU ARE ADDRESSING. WHAT IS THE PURPOSE OF YOUR TESTIMONY ON THIS SUBJECT?

A. I am supporting the testimony of Ms. Kim Bolin regarding the need to disallow the expenses associated with promotional and institutional advertising that Laclede has included in its revenue requirement. Ms. Bolin has recommended that the Commission disallow \$901,850 in expenses for promotional and institutional advertising. Out of this total advertising expense of \$901,850, Laclede spent \$78,000 for two ads that appear regularly on the PBS NewsHour that is broadcast on Channel 9 in St. Louis. In this

1 testimony I will explain why these NewsHour ads should be disallowed, not just because
2 they are best categorized as institutional advertising, but because these ads contain
3 misleading information about the environmental characteristics of natural gas.

4 **Q. PLEASE EXPLAIN WHY PUBLIC COUNSEL BELIEVES THAT LACLEDE'S**
5 **ADVERTISEMENTS ON THE PBS NEWSHOUR CONTAIN MISLEADING INFORMATION**
6 **ABOUT THE ENVIRONMENTAL CHARACTERISTICS OF NATURAL GAS.**

7 A. Both ads on the NewsHour contain the following statement: "Laclede Gas, bringing you
8 energy that is comfortable, efficient and virtually pollution free." Laclede is misstating
9 the facts when it tells the public that natural gas is "virtually pollution free."

10 *Webster's Ninth New Collegiate Dictionary* defines "virtually" as "almost entirely."
11 Most people recognize that one of the greatest, if not the greatest, challenge to our
12 environment today is the threat of climate change brought about by global warming.
13 Carbon Dioxide (CO₂) is one of the principal greenhouse gases that contributes to the
14 greenhouse effect and significant amounts of CO₂ are released into the environment
15 when natural gas is burned to produce energy.

16 Stating that natural gas is "virtually" pollution free is equivalent to stating that natural gas
17 is almost entirely free of environmental impacts. Public Counsel does not believe that
18 Laclede's ratepayers should be forced to pay for the cost of misinforming the public
19 about the environmental consequences of using natural gas. If natural gas had the same
20 environmental characteristics as solar energy or wind energy, then it would be accurate to
21 make the claims that Laclede is making about natural gas. Wind and solar energy are
22 virtually pollution free since consumption of these energy sources does not result in the
23 release of gases that contribute to global warming, acid rain, or other air pollution
24 problems addressed by the EPA's National Ambient Air Quality Standards.

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1 Fossil fuels such as natural gas, coal, and fuel oil release different amounts and types of
2 pollutants when they are burned, but no fossil fuel can be accurately characterized as
3 being virtually pollution free. The combustion of low sulfur coal results in significantly
4 lower sulfur dioxide (SO₂) emissions than high sulfur coal but neither are virtually or
5 almost entirely free of sulfur dioxide. Similarly, burning natural gas results in lower CO₂
6 emissions than does burning coal, but neither are virtually or almost entirely free of CO₂.
7 It is simply not accurate to portray any fossil fuel as being "virtually" or "almost entirely"
8 pollution free.

9 **Q. CAN YOU PROVIDE SOME INFORMATION THAT SHOWS HOW THE CO₂ EMISSIONS**
10 **FROM NATURAL GAS IN MISSOURI COMPARE TO THE CO₂ EMISSIONS FROM THE**
11 **OTHER MAJOR FOSSIL FUELS?**

12 **A.** Yes. Schedule RK-2 shows the trend in Missouri CO₂ emissions that have occurred from
13 1990-1996 by fuel type. This information is from a draft report issued this summer by
14 the Missouri Department of Natural Resources. The table at the bottom of this schedule
15 shows that natural gas has been responsible for about 12.5% of all Missouri CO₂
16 emissions throughout the first part of the 1990s.

17 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING LACLEDE'S**
18 **ADVERTISEMENTS ON THE PBS NEWSHOUR.**

19 **A.** OPC witness Ms. Bolin correctly categorized the NewsHour advertisements as being
20 institutional advertisements and this reason alone is sufficient justification for Public
21 Counsel's recommendation to disallow the \$78,000 in expenses associated with these
22 ads. Public Counsel also believes that Laclede's ratepayers should not pay for these ads
23 since they are misleading with respect to the environmental consequences of natural gas
24 consumption for the reasons outlined above. In addition, Public Council believes that

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1 these ads should not be run on the PBS NewsHour regardless of whether they are funded
2 by ratepayers or shareholders, since they contain false information regarding the
3 environmental characteristics of natural gas as an energy source.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 **A. Yes.**

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**MONEY & ENERGY
SAVING NEWS**

We'll lend up to \$2,000 — at 3% yearly

Interest (3% A.P.R.) — to residential

customers who meet standard credit

requirements to help add insulation

and take other approved conservation

measures. Offer limited to available funds

in the Insulation Financing Program.

For more information and a list of

authorized contractors call Customer

Relations at 621-6960.

MAIL THIS SIDE WITH PAYMENT TO:

**LACLEDE GAS COMPANY
DRAWER 2
ST LOUIS MO 63171**



**MAIL BILL PAYMENTS TO:
LACLEDE GAS COMPANY
DRAWER 2
ST LOUIS MO 63171**

YOU CAN GIVE TO DOLLAR — HELP
by overpaying your gas bill
by exactly \$1.00

Base rates for GS and AC are
seasonal: rates are lower May
through October, and are
higher November through April.

RATES

GS — General Service
AC — Air Conditioning
LP — Propane
LV — Large Volume
IN — Interruptible
SL — Street Lighting

A LATE PAYMENT CHARGE of 1.5% will be applied to
all amounts remaining unpaid after the DELINQUENT
DATE shown. Allow sufficient time if mailing payment.

GAS APPLIANCE: Sales 342-0709
Service 621-6960

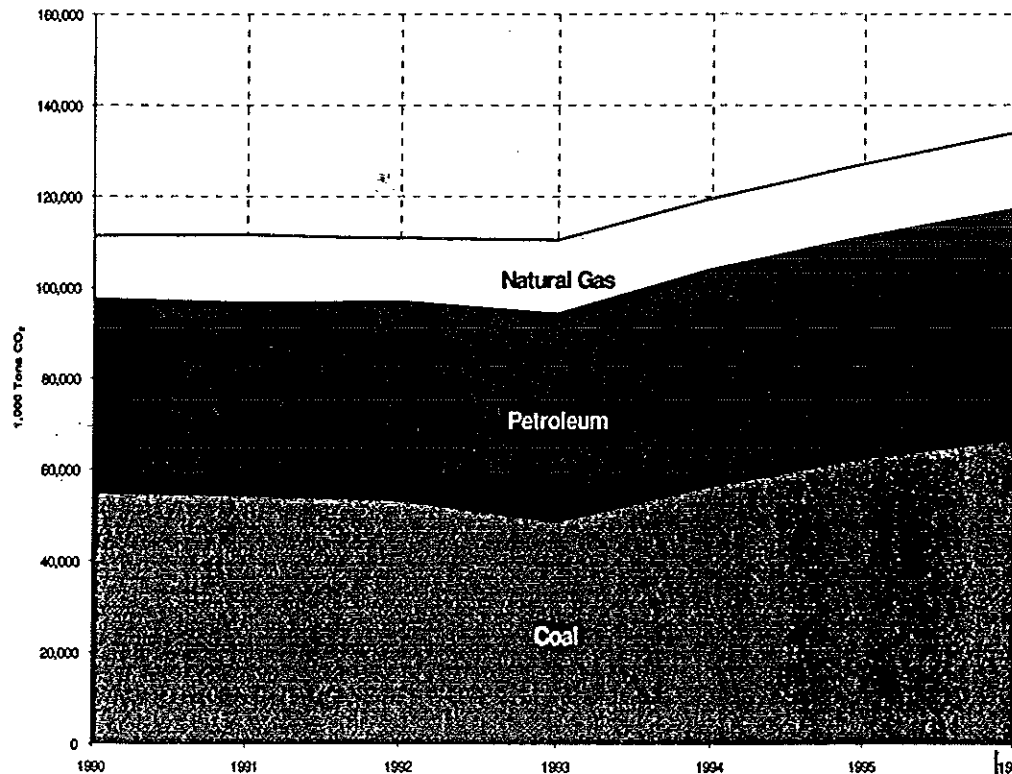
IF YOU NOTICE THE ODOR OF GAS, CALL:
621-6960, or (FOR TOLL CALLS) 1-800-887-4173.
If busy, call 342-0800 (FOR GAS ODOR OR
OTHER EMERGENCIES ONLY).

**DIRECT ALL BILLING INQUIRIES
TO OUR BUSINESS OFFICE:**

**LACLEDE GAS COMPANY
720 OLIVE STREET
ST LOUIS MO 63101,
or call 621-6960, or
(FOR TOLL CALLS) 1-800-887-4173**



Chart 3 - Trends in CO₂ emissions from fossil fuel combustion, 1960-96, by fuel type



Tables 10 and 11 indicate the emissions increases in the three fuel types.

Table 10 - Trends in CO₂ emissions, 1990-96, for coal, petroleum and natural gas

Units: 1,000 Short Tons Carbon Dioxide Equivalent (STCDE)

	1990	1991	1992	1993	1994	1995	1996
Coal	54,969	54,490	53,357	48,717	56,479	62,464	66,515
Petroleum	42,591	42,237	43,721	45,614	47,634	48,739	50,733
Natural Gas	13,912	14,911	13,899	16,188	15,494	15,953	16,729
Total	111,472	111,638	110,977	110,519	119,608	127,156	133,977

Schedule RK-2