

Exhibit No.:
Issue(s): Low Income Weatherization Program
Witness/Type of Exhibit: Kind/Direct
Sponsoring Party: Public Counsel
Case No.: GR-2001-629

DIRECT TESTIMONY

OF

RYAN KIND

FILED²

OCT 11 2001

Missouri
Service Commission

Submitted on Behalf of
the Office of the Public Counsel

LACLEDE GAS COMPANY

Case No. GR-2001-629

October 11, 2001

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

In the Matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate Schedules.)

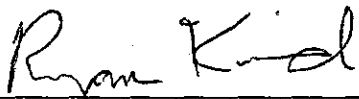
Case No. GR-2001-629

AFFIDAVIT OF RYAN KIND

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ryan Kind, of lawful age and being first duly sworn, deposes and states:

1. My name is Ryan Kind. I am a Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony consisting of pages 1 through 6.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

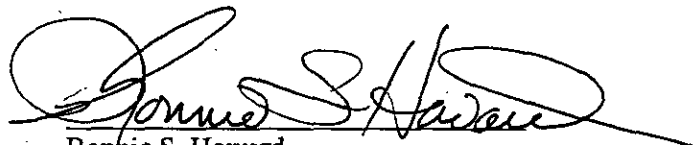


Ryan Kind

Subscribed and sworn to me this 11th day of October 2001.



My commission expires May 3, 2005.



Bonnie S. Howard
Notary Public

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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, and
4 telephone cases.

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

6 A. I will provide testimony to explain and support OPC's recommendation that the
7 Commission order Laclede Gas Company (Laclede or the Company) to resume
8 implementation of a low income weatherization program funded at the level of \$300,000
9 per year for its customers.

10 **Q. HAS LACLEDE PREVIOUSLY IMPLEMENTED A LOW INCOME WEATHERIZATION**
11 **PROGRAM FOR ITS CUSTOMERS?**

12 A. Yes. In Case No. GR-92-165, the Company entered into a Stipulation and Agreement to
13 implement a pilot weatherization program for two years that was funded at the level of
14 \$100,000 per year. The Commission approved the implementation of that program when
15 it issued its Report & Order in GR-92-165 on August 21, 1992. The two year Laclede
16 program ended in late 1994. On March 12, 1997, Laclede filed its Final Report where it
17 described and analyzed the program. This report indicated that the program had payback
18 periods ranging from 13 to 17 years, based on the direct costs and estimated gas savings
19 for program participants.

20 **Q. HAVE OTHER MISSOURI GAS LDCS IMPLEMENTED LOW INCOME WEATHERIZATION**
21 **PROGRAMS?**

1 A. Yes. Two other LDCs, AmerenUE and Missouri Gas Energy (MGE), currently have
2 ongoing programs that provide annual funding for comprehensive low income
3 weatherization programs. The MGE program has been thoroughly analyzed and shown
4 to be cost effective. AmerenUE is currently conducting a thorough analysis of its
5 program. The AmerenUE program is currently funded at a level of \$125,000 per year.
6 The funding level for the MGE program was recently increased from a level of \$250,000
7 per year to \$340,000 per year in Case No. GR-2001-292.

8 **Q. DID THE MGE PROGRAM EVALUATION STUDY ALSO SHOW THAT THE MGE PROGRAM**
9 **HAD A POSITIVE IMPACT ON THE ARREARAGES (BAD DEBT) OF PROGRAM**
10 **PARTICIPANTS?**

11 A. Yes. According to the March 30, 1998 Process and Impact Evaluation of Missouri Gas
12 Energy's Pilot Weatherization Program, based on the analysis of arrearages that was
13 performed, it is reasonable to assume "that the program succeeded in reducing arrearages
14 for participants that have savings and that the level of arrearage reductions are related to
15 the level of energy savings."

16 **Q. WHY ARE ARREARAGE REDUCTIONS AN IMPORTANT ASPECT OF LOW INCOME**
17 **WEATHERIZATION PROGRAMS?**

18 A. These reductions are important because through these reductions, utility customers that
19 do not directly participate in the program (and thereby obtain the direct benefits of
20 having safer and more affordable use of natural gas) still benefit indirectly through the
21 reduction in bad debt expense which is shared by all customers. When the homes of low
22 income customers are weatherized and their heating bills become more affordable, then
23 these customers are more likely to remain current with their utility bills. This reduction
24 in the number of customers that get behind in utility bill payments benefits all customers.

1 **Q. CAN THE RATEPAYER FUNDS PROVIDED FOR A LOW INCOME WEATHERIZATION**
2 **PROGRAM AT LACLEDE BE "LEVERAGED" TO INCREASE THE AMOUNT OF LIHEAP**
3 **FUNDING THAT THE FEDERAL GOVERNMENT PROVIDES TO MISSOURI FOR LOW INCOME**
4 **ENERGY ASSISTANCE?**

5 A. Yes, its my understanding that locally provided weatherization funds can be added to
6 other locally-generated low income assistance funding to leverage and increase the
7 amount of LIHEAP funds that are allocated to Missouri.

8 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF OPC'S PROPOSAL FOR LACLEDE TO**
9 **ESTABLISH AN EXPERIMENTAL LOW INCOME WEATHERIZATION PROGRAM FOR ITS GAS**
10 **CUSTOMERS.**

11 A. Public Counsel is proposing that the Commission order Laclede to establish a program
12 that is funded at the level of \$300,000 per year. This program should contain the
13 following elements:

- 14 • The program should be included in Laclede's revenue requirement for this case
15 and should continue until the next time Laclede's rates are adjusted in a rate
16 case or a complaint case.
- 17 • The program should be designed by a collaborative composed of representatives
18 of the Company, the Missouri Department of Natural Resources Energy Center,
19 the Commission Staff, and Public Counsel.
- 20 • The collaborative should solicit input from social service agencies and other
21 organizations that provide services to, or represent, the low-income population.

1 **Q. PLEASE EXPLAIN WHAT WOULD OCCUR IF THE COLLABORATIVE THAT WOULD BE**
2 **CHARGED WITH DESIGNING THE PROGRAM IS NOT SUCCESSFUL IN REACHING**
3 **CONSENSUS ON PROGRAM DESIGN AND IMPLEMENTATION DETAILS.**

4 A. First of all, there is no reason to believe that this would happen. I participated in the
5 collaborative that designed the last Laclede gas weatherization program as well as the
6 collaboratives that designed the MGE and AmerenUE programs and these processes
7 worked quite well. However, if areas of disagreement arise, those issues should be
8 brought before the Commission for a resolution.

9 **Q. PLEASE EXPLAIN WHY YOU BELIEVE IT IS APPROPRIATE FOR LACLEDE TO RESUME**
10 **IMPLEMENTATION OF A WEATHERIZATION PROGRAM.**

11 A. I believe that the Commission should order Laclede to establish an experimental low
12 income weatherization program for the following reasons:

- 13 • Laclede is the largest investor owned gas utility in the state of Missouri and I
14 believe it has the resources and expertise to implement this type of program.
- 15 • The experience with high gas prices from last winter has illustrated how
16 vulnerable Missouri's low income citizens are to large increases in their heating
17 bills. Low income weatherization programs can help reduce this vulnerability.
- 18 • Similar programs have successfully reduced the arrearages that become
19 uncollectibles. These uncollectibles (bad debt expense) can cause an increase in
20 the revenue requirement ultimately charged to all ratepayers.

21 **Q. DO A LARGE NUMBER OF LOW INCOME HOMES IN MISSOURI STILL NEED TO BE**
22 **WEATHERIZED?**

Direct Testimony of
Ryan Kind

1 A. Yes. According to the Energy Center at the Missouri Department of Natural Resources,
2 from 1978 (beginning of the program in Missouri) through June 30, 2001, a total of
3 138,429 homes were weatherized in Missouri. The Energy Center estimates there are an
4 additional 450,300 eligible homes remaining. (In FY 2001, the eligibility was increased
5 from 125 to 150% of the poverty level in response to last winter's heating crisis, resulting
6 in approximately 100,000 additional homes meeting the eligibility criteria.) At the current
7 rate of approximately 2,000 homes weatherized each year under funding levels prior to
8 FY 2003, it would take 156 years to complete all of the eligible homes. At the higher
9 federal funding level for fiscal year 2003, approximately 3,000 homes should be
10 weatherized annually. If this increased level of funding is continued, it would still take
11 104 years to complete all of the eligible homes in Missouri.

12 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

13 A. Yes.