

**Exhibit No.:**

**Issue:**

**Advertising Expense**

**Witness:**

**Justin J. Gioia**

**Type of Exhibit:**

**Rebuttal Testimony**

**Sponsoring Party:**

**Laclede Gas Company**

**Case No.:**

**GR-2010-0171**

**LACLEDE GAS COMPANY**

**GR-2010-0171**

**REBUTTAL TESTIMONY**

**OF**

**JUSTIN J. GIOIA**

## **REBUTTAL TESTIMONY OF JUSTIN J. GIOIA**

## General Information

**Q:** Please state your name and business address.

A: My name is Justin J. Gioia. My business address is 720 Olive Street, St. Louis, Missouri.

Q: By whom are you employed and in which capacity?

A: I am employed by Laclede Gas Company (“Laclede” or “Company”) in the position of Director - Corporate Communications

Q: How long have you served in this capacity for the Company?

A: I have served in that capacity since joining the Company in March 2009.

Q: What is your educational background?

A: I graduated from Truman State University with a Bachelor of Arts degree in Communication.

Q: What other work experience did you obtain prior to joining Laclede?

A: I have held various communications positions over the past 17 years, including the positions of Associate Vice President – Corporate Communications and Vice President – Investor Relations at A.G. Edwards, Vice President – External Relations at Wachovia Corporation, and Public Affairs Director at Monsanto Company.

Q: Have you previously filed direct or rebuttal testimony in this case on behalf of Laclede?

A: No.

1 **Purpose of Testimony**

2 Q: What is the purpose of your rebuttal testimony?

3 A: The purpose of my rebuttal testimony is to respond to the direct testimony of  
4 Commission Staff (“Staff”) witness Erin M. Carle as it pertains to Staff’s  
5 recommendation of the allowable level of Laclede Gas’ advertising expense. In  
6 so doing, I will utilize the same approach adopted by Staff to classify the  
7 Company’s advertisements in adherence to the Commission’s decision in *Re:*  
8 *Kansas City Power and Light Company*, Case Nos. EO-85-185, et al., 28 Mo.  
9 P.S.C. (N.S.) 228, 269-71 (1986), but demonstrate how expenses for the ad  
10 campaigns that Staff proposes to disallow should, in fact, be recoverable as they  
11 benefit customers by providing them information on energy efficiency and  
12 conservation, low-income assistance and safety.

13 **Analysis of Advertising Campaign Expenses**

14 Q: According to the *KCP&L* decision, what are the various advertising categories,  
15 and which ones are allowable for inclusion in rates?

16 A: As indicated by Staff in its direct testimony, the Commission in the *KCP&L* case  
17 established five advertising categories to determine the recovery or disallowance  
18 of specific advertising expenses: General, Safety, Promotional, Institutional and  
19 Political. The Commission decided that a utility’s revenue requirement should  
20 include the reasonable and necessary cost of general and safety requirements,  
21 should not include political or institutional advertising, and should include  
22 promotional advertising to the extent such advertising is cost-justified.

1 Q. What content in the Commission's advertising classifications gives you reason to  
2 believe some of Laclede's disallowed advertising expenses should instead be  
3 recoverable?

4 A. The Staff included samples of ads that it disallowed in Appendix 7 of its Report  
5 on Cost of Service, filed on May 10, 2010. Many of these ads belong in  
6 categories that are allowable in rates.

7 Q. Are the ads all individual stand-alone ads or are they part of campaigns?

8 A. The ads can be grouped into a few defined campaigns. These campaigns include  
9 (i) energy efficiency/environmental impacts, (ii) low-income assistance, and (iii)  
10 safety issues. I will address each of these campaigns and discuss why the  
11 expenses from these campaigns should be included in rates.

12 Q. Staff seems to indicate that some energy efficiency ads fell outside of the test  
13 year. How do you respond?

14 A. All of the ads set forth in Appendix 7 to Staff's May 10 Cost of Service Report  
15 were incurred in the test year or the update period.

16 Q. Should energy efficiency/environmental advertising expense be allowed in rates?

17 A. Yes, these ads should be allowable as general informational advertising that is  
18 useful in the provision of adequate utility service. These ads are located in Staff's  
19 Appendix 7 at pages 1-12, 14, 21, 23-33, and 46-54. The Commission has  
20 consistently directed utilities to encourage their customers to embrace energy-  
21 efficiency practices.

22 Q: What are some of the energy-efficiency practices encouraged by these ads?

1 A: These practices include steps customers can take to conserve energy, either  
2 through less usage or through cost-effective ways to weatherize a home, thus  
3 avoiding unnecessary use. These practices also include access to cash rebates  
4 provided to customers who purchase high-efficiency equipment such as furnaces  
5 and boilers. Finally, these ads inform customers of the environmental benefits of  
6 using natural gas.

7 Q: What has the Commission specifically said or published that makes you believe  
8 that energy efficiency-related advertising should be recoverable?

9 A: The Commission has made several comments on this topic. Most recently,  
10 Commission Chairman Robert Clayton told KWMU Radio on June 8, 2010 that  
11 the Commission can “require utilities to look at energy efficiency in a new,  
12 aggressive manner.” Chairman Clayton added that the Commission is currently  
13 looking into various programs designed to get customers to reduce energy usage.  
14 Additionally, on March 11, 2010, the Commission issued a press release saying it  
15 was “proud to be a part of” a national energy efficiency campaign. Chairman  
16 Clayton said in the release, “The Commission continues to step up its  
17 commitment regarding energy efficiency in Missouri and empowering customers  
18 to reduce their energy costs.” He pointed to two recent unanimous rate case  
19 decisions by the Commission as further evidence of its commitment. “In the  
20 Missouri Gas Energy and The Empire District Gas Company decisions, we were  
21 very clear that aggressive new energy programs need to be available to give  
22 consumers the necessary tools to take control of their energy bills,” Chairman  
23 Clayton said. “Rising utility bills and environmental issues make energy

1 efficiency a priority today.” Chairman Clayton’s comments were echoed and  
2 expanded upon by Commissioner Robert Kenney. “Energy efficiency is and  
3 should be an important part of our daily lives,” said Commissioner Kenney. “We  
4 need to do all that we can to arm consumers with the information that they need in  
5 order to see the financial and environmental benefits that energy efficiency can  
6 bring.” Consistent with these comments, Laclede has used communications  
7 vehicles to effectively create and enhance awareness of energy-efficiency  
8 practices. A critical component of this communications effort is advertising,  
9 which has proven to be an effective – and cost-effective – way to generate an  
10 appropriate level of customer awareness.

11 Q: What content in your advertisements would justify those advertisements as  
12 recoverable?

13 A: In addition to the ads displayed in Staff’s Appendix 7, the Company began a  
14 comprehensive educational campaign in January 2010, during the update period  
15 for this case, which included a wide variety of advertising, ranging from  
16 television and online advertising to radio mentions and billboards situated along  
17 major highways in our service territory. The main messages contained throughout  
18 all of this advertising focused on how customers can “reduce your carbon  
19 footprint” and directs customers to a website – [www.OriginalGreenEnergy.com](http://www.OriginalGreenEnergy.com) –  
20 where they can get “energy efficiency tips and more information” such as rebates  
21 and savings programs. Additionally, both during the test year and subsequent to  
22 the test year, the Company conducted awareness campaigns to encourage  
23 customers to switch from paper billing to electronic billing. In making this

1 switch, customers not only reduce their carbon footprint but also save money  
2 through lower postage, check-purchasing and stationery costs. As the Staff and  
3 Commission know, billing costs are a component of the Company's rates, so a  
4 greater number of customers using electronic billing helps the Company reduce  
5 its billing-related costs, a savings that is reflected in lower Company rates. From  
6 an environmental standpoint, use of electronic billing also cuts down on the need  
7 to manufacture, transport and dispose of paper billings. Q: How do you know  
8 that people are acting on the messages in this particular advertising?

9 A: Based on our Google analytics reports for the OriginalGreenEnergy.com website  
10 covering the period from January 2010 to June 2010, this website has garnered  
11 nearly 93,000 page views. Nearly 30% of the visitors have come to this website  
12 directly – i.e. they type in [www.OriginalGreenEnergy.com](http://www.OriginalGreenEnergy.com) to find the website, a  
13 testament to the effectiveness of our advertising. As further evidence, roughly  
14 52% of the website visitors go through a referral website, such as  
15 [www.stltoday.com](http://www.stltoday.com) where our advertising appears and links to  
16 OriginalGreenEnergy.com. As for content, the Rebates & Savings, Electronic  
17 Billing, Carbon Calculator and other energy-efficiency content pages are among  
18 the 10 most-viewed pages on the website. In terms of customer follow-through,  
19 roughly 6,500 customers have converted to electronic billing over the past 12  
20 months. And we have issued approximately \$750,000 in high-efficiency  
21 equipment rebates, thanks in part to our advertising efforts to create greater  
22 customer awareness about these rebates.

1 Q. Do you believe that Laclede's rates should include advertising expense related to  
2 its low-income assistance advertising campaign?

3 A. Yes, this is also general information advertising that is useful in the provision of  
4 adequate service. Laclede's advertising related to low-income assistance can be  
5 found on pages 13, 15, and 38-44 of Staff's Appendix 7. This advertising  
6 campaign generally pertains to information about and solicitation of donations to  
7 Dollar-Help, a fuel fund organization that helps low-income customers maintain  
8 winter heating service. Again, donations to Dollar-Help not only benefit our most  
9 vulnerable customers, but they help reduce uncollectible expense for the benefit  
10 of other customers.

11 Q. Should expenses related to Laclede's safety advertising campaign also be  
12 included in cost of service?

13 A. Absolutely. Safety is one of the categories expressly included as allowable in the  
14 *KCP&L* case, as acknowledged by Staff. Safety-related advertising is displayed  
15 on pages 28-32 and 34 of Staff's Appendix 7.

16 Q: What should be a recoverable amount related to the advertising expenses noted  
17 above?

18 A: \$518,624.

19 Q: Please summarize your testimony.

20 A: The Staff's proposal to disallow a wide variety of advertising expenses is not  
21 consistent with the Commission's historical approach to this issue. The ads  
22 contained in Appendix 7 to Staff's May 10 Cost of Service Report arise from  
23 advertising campaigns covering energy efficiency/environmental matters, low-



1 income assistance and safety. These ads should be allowable through the General  
2 or Safety ad classifications, especially where they comport with the  
3 Commission's directions to utilities to encourage customers to embrace energy-  
4 efficiency practices. Our efforts over the recent past – efforts we will maintain in  
5 the foreseeable future – have clearly demonstrated our ability to support the  
6 energy-efficiency and cost-saving objectives that benefit our customers.

7 Q: Does this conclude your rebuttal testimony?

8 A: Yes.

In the Matter of Laclede Gas Company's )  
Tariff to Revise Natural Gas Rate Schedules ) Case No. GR-2010-0171

STATE OF MISSOURI )  
 ) SS.  
CITY OF ST. LOUIS )

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

*Justin J. Gioia*  
Justin J. Gioia

Karen A. Furukawa  
Notary Public

