

EXHIBIT

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Issue(s):

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Sponsoring Party:

Case No.:

Low Income Weatherization

Kind/Direct

Public Counsel

GR-2000-512

DIRECT TESTIMONY

OF

RYAN KIND

Submitted on Behalf of
the Office of the Public Counsel

UNION ELECTRIC COMPANY

d/b/a AmerenUE

Case No. GR-2000-512

August 8, 2000

Exhibit No. 17
Date 10-11-00 Case No. GR-2000-512
Reporter KF

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

In The Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Gas Service)
Provided to Customers in the Company's)
Missouri Service Area)

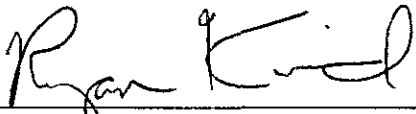
Case No. GR-2000-512

AFFIDAVIT OF RYAN KIND

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

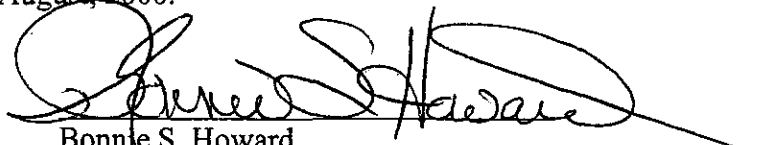
Ryan Kind, of lawful age and being first duly sworn, deposes and states:

1. My name is Ryan Kind. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony consisting of pages 1 through 8.
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 8th day of August, 2000.



Bonnie S. Howard
Notary Public

My commission expires May 3, 2001.

1 **DIRECT TESTIMONY**

2 **OF**

3 **RYAN KIND**

4 **UNION ELECTRIC COMPANY**

5 **CASE NO. GR-2000-512**

6 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

7 A. Ryan Kind, Chief Public Utility Economist, Office of the Public Counsel, P.O. Box
8 7800, Jefferson City, Missouri 65102.

9 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

10 A. I have a B.S.B.A. in Economics and a M.A. in Economics from the University of
11 Missouri-Columbia (UMC). While I was a graduate student at UMC, I was employed as
12 a Teaching Assistant with the Department of Economics, and taught classes in
13 Introductory Economics, and Money and Banking, in which I served as a Lab Instructor
14 for Discussion Sections.

15 My previous work experience includes three and one-half years of employment with the
16 Missouri Division of Transportation as a Financial Analyst. My responsibilities at the
17 Division of Transportation included preparing transportation rate proposals and
18 testimony for rate cases involving various segments of the trucking industry. I have been
19 employed as an economist at the Office of the Public Counsel (Public Counsel or OPC)
20 since April 1991.

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 Union Electric Company (UE or the Company) to resume
8 implementation of a low income weatherization program funded at the level of \$125,000
9 for its gas customers.

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

12 A. Yes. Following the Company's last gas rate case (Case No. GR-97-393), it implemented
13 a weatherization program for two years that was funded at the level of \$150,000 per year.
14 The Commission approved the implementation of that program when it issued its Order
15 Approving Unanimous Stipulation and Agreement in GR-97-393. The two year UE
16 program ended earlier this year. On May 30, 2000, UE filed its annual report where it
17 summarized the funds received and spent on the program.

18 **Q. DOES PUBLIC COUNSEL BELIEVE THAT THE TWO YEAR PROGRAM WAS A SUCCESS?**

19 A. Yes. Public Counsel was involved in a collaborative that helped set up the program.
20 This collaborative worked well and the three Community Action Agencies that actually
21 performed the energy audits and either performed or contracted out the weatherization

work have provided positive feedback on the program. In its annual report, UE also described the program as a success where it stated that:

The Program has achieved the goal of weatherizing 150 homes. EMAA and NECAC did a good job identifying customers and getting them into the Program. All three agencies performed well on auditing the dwellings and installing the required measures.

While the actual effectiveness of the Program cannot be determined until after the weatherizations [sic] measures have been in place for a adequate comparative period (defined as two years), the results will most likely be similar to weatherization programs implemented in other areas. MGE recently completed an impact evaluation of its low-income weatherization program in 1999. MGE identified a reduction in natural gas usage of 20.9%, and an average of \$1,871 was spent on each home. This provided each weatherized home with an average annual savings of \$155. AmerenUE's program should have similar results.

Q. ARE THE FIGURES THAT UE PROVIDED FOR SAVINGS RESULTING FROM THE MISSOURI GAS ENERGY (MGE) PROGRAM ACCURATE?

A. They are close to my understanding of the study results for MGE. However, it is my understanding that the annual savings per customer in the MGE program were \$189 savings in natural gas expenses per year and \$33 dollars in savings in electricity expenses per year. Of course, annual natural gas savings could be significantly higher is gas prices remain at the price levels that we have experienced this summer.

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

A. Yes. According to the March 30, 1998 Process and Impact Evaluation of Missouri Gas Energy's Pilot Weatherization Program, based on the analysis of arrearages that was performed, it is reasonable to assume "that the program succeeded in reducing arrearages

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1 for participants that have savings and that the level of arrearage reductions are related to
2 the level of energy savings."

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

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

12 **Q. HAVE THERE BEEN ANY RECENT CHANGES IN THE FEDERAL PROGRAMS THAT PROVIDE**
13 **FUNDING FOR LOW INCOME WEATHERIZATION IN MISSOURI?**

14 A. Yes. The United States Congress recently amended the statute governing the Department
15 of Energy's (DOE) Weatherization Assistance Program by requiring that beginning in
16 fiscal year 2001 and thereafter, sums appropriated for weatherization assistance grants
17 will be contingent on a cost share of 25 percent by each participating state (established in
18 PL 106-113). Without these cost share funds, Missouri would lose its current annual
19 federal allocation of approximately \$3.5 million.

20 This means that Missouri will need about \$900,000 in locally generated matching funds
21 in order to receive its full federal allocation of approximately \$3.5 million. The MGE
22 weatherization program, which spent approximately \$300,000 on weatherization in 1999
23 will make a significant contribution to leveraging federal funding for the state of

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1 Missouri. In addition to the MGE weatherization funding, KCPL agreed to spend
2 \$200,000 in the year 2000 and \$100,000 in each of the years 2001 and 2002 on low
3 income weatherization or energy assistance as part of the agreement that resolved OPC's
4 special contract complaint in Case No. EO-99-154.

5 Without the inclusion of continued weatherization funding in UE's revenue requirement,
6 Missouri may find it difficult to find the \$900,000 in locally generated matching funds
7 that are needed. If there is a shortfall without the UE funding, then a resumed UE
8 program at the level of \$125,000 would allow the state to qualify for an additional
9 \$500,000 in federal weatherization funding that it would not otherwise receive.

10 **Q. WOULD AN ADDITIONAL \$500,000 IN FEDERALLY ALLOCATED WEATERIZATION FUNDING**
11 **BENEFIT CUSTOMERS IN UE'S GAS SERVICE AREA?**

12 A. Yes, it definitely would. The Missouri Department of Natural Resources allocates the
13 federal allotment throughout the state of Missouri through a formula. If there is a greater
14 federal allotment, then more money will be allocated to the Community Action Agencies
15 that receive federal weatherization funding within UE's gas service territory.

16 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF OPC'S PROPOSAL FOR UE TO ESTABLISH AN**
17 **EXPERIMENTAL LOW INCOME WEATHERIZATION PROGRAM FOR ITS GAS CUSTOMERS.**

18 A. Public Counsel is proposing that the Commission order UE to establish an experimental
19 program that is funded at the level of \$125,000 per year. This program should contain
20 the following elements:

- 21 • The program should be included in UE's revenue requirement for this case and
22 should continue until the next time UE's rates are adjusted in a rate case or a
23 complaint case.

- 1 • The program should be designed by a collaborative composed of representatives
- 2 of the Company, the Commission Staff, and Public Counsel.
- 3 • The collaborative should solicit input from social service agencies and other
- 4 organizations that provide services to, or represent, the low income population.

5 **Q. WHY HAVE YOU PROPOSED THAT THE UE WEATHERIZATION PROGRAM RESUME WITH A**
6 **FUNDING LEVEL OF \$125,000 PER YEAR INSTEAD OF THE FORMER FUNDING LEVEL OF**
7 **\$150,000 PER YEAR?**

8 A. OPC's proposal attempts to have the program continue with approximately the same
9 annual funding amount for weatherization services. UE's former program allowed for a
10 portion of the \$150,000 to be used for evaluating the program. Due to program
11 evaluation expenses, the former program actually provided approximately \$135,000 per
12 year for the actual provision of weatherization services. Since OPC's proposal does not
13 include having UE perform an additional evaluation once it resumes its weatherization
14 program, Public Counsel's proposal for \$125,000 in annual funding will allow the
15 program to provide approximately the same amount of weatherization services as the
16 former program.

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

20 A. First of all, there is no reason to believe that this would happen. I participated in the
21 collaborative that designed the last UE gas weatherization program and the process
22 worked quite well. However, if areas of disagreement arise, those issues can be brought
23 before the Commission for a resolution.

1 **Q. PLEASE EXPLAIN WHY YOU BELIEVE IT IS APPROPRIATE FOR UE TO RESUME IMPLEMENTATION**
2 **OF A WEATHERIZATION PROGRAM.**

3 **A. I believe that the Commission should order UE to establish an experimental low income**
4 **weatherization program for the following reasons:**

- 5 • UE and Public Counsel appear to be in agreement that the two year
6 experimental program recently completed by UE was a success.
- 7 • New federal requirements for leveraging federal weatherization grants with
8 locally generated funds may cause Missouri's share of federal low income
9 weatherization funding to drop if the UE gas weatherization program is not
10 resumed. If additional federal weatherization funds are available due to the
11 resumption of this program, that would benefit ratepayers in the UE gas service
12 territory and throughout the state of Missouri.
- 13 • UE is the largest investor owned energy utility in the state of Missouri and has
14 shown that it has the resources and expertise to implement this type of program.
- 15 • Investigations of electric restructuring are underway at the Missouri legislature
16 and the PSC which are likely to lead to some significant changes in the
17 regulatory framework for electric utilities. Further unbundling of gas service is
18 not likely to be far behind changes in the electric industry. As the electric and
19 gas industries are restructured to allow for competition in the retail sales
20 function, those customers who are the least desirable to competitive providers
21 because of higher credit risks are going to need new regulatory protections to
22 ensure that basic energy services are available at affordable and reasonable
23 rates. Low income weatherization programs can play an important role in
24 providing this protection.

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

3 A. Yes. According to the Energy Center at the Missouri Department of Natural Resources,
4 approximately 31,000 low income homes were weatherized between 1989 and 1997 by
5 the community action agencies that work with the Energy Center. However, the Energy
6 Center estimates that roughly 355,000 low income housing units are still in need of
7 weatherization services. If low income weatherization in Missouri continues at the
8 current rate of about 2,000 homes per year, then it would take 109 years to weatherize
9 the homes that currently need treatments. The low income weatherization program
10 proposed by OPC in this case would allow an additional 70 homes per year to be
11 weatherized in the UE gas service territory.

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

13 A. Yes.