

Exhibit No.:

Issue(s):

Insulation Financing Program;

Advertising

Witness/Type of Exhibit:

Kind/Direct

Sponsoring Party:

Public Counsel

Case No.:

GR-99-315

**DIRECT TESTIMONY**

**OF**

**RYAN KIND**

**FILED**

JUN 28 1999

Missouri Public  
Service Commission

Submitted on Behalf of  
the Office of the Public Counsel

**LACLEDE GAS COMPANY**

Case No. GR-99-315

June 28, 1999

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

In the Matter of Laclede Gas Company's     )  
Tariff Sheets to Revise Natural Gas Rates    )     Case No. GR-99-315

**AFFIDAVIT OF RYAN KIND**

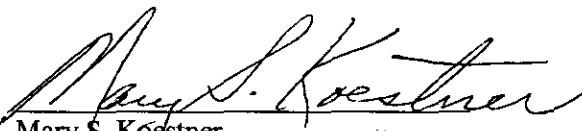
STATE OF MISSOURI     )  
                                      )     ss  
COUNTY OF COLE     )

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

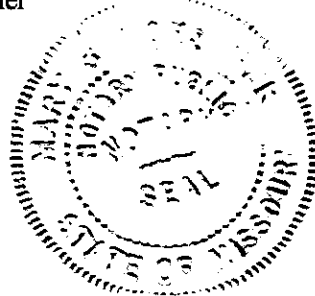
1.     My name is Ryan Kind. I am a Chief Utility Economist for the Office of the Public Counsel.
2.     Attached hereto and made a part hereof for all purposes is my direct testimony consisting of pages 1 through 9 and Schedules RK-1 through RK-2.
3.     I hereby swear and affirm that my statements 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 28th day of June, 1999.

  
\_\_\_\_\_  
Mary S. Koestner  
Notary Public

My commission expires August 20, 2001.





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 institutional and promotional 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 \$713,274 investment in this program. However, Laclede's current  
14               investment in this program currently falls far short of the \$713,274 in rate base for which  
15               Laclede has asked to be compensated.

16      **Q.     DO YOU KNOW WHY LACLEDE HAS INCLUDED \$713,274 IN RATE BASE FOR THIS**  
17      **PROGRAM?**

18      A.     Laclede's rate base request for this program appears to be based on a 12 month average  
19               of the monthly amount of outstanding loan balances that the Company had for this  
20               program during the test year ending 12/31/98.

**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 December 31, 1998 was \$597,532. 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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Date	Outstanding Balance	Percent Decrease Since 3/31/94
9/30/98	\$656,283	57%
12/31/98	\$597,532	61%

1       **Q.     DO YOU KNOW WHY LACLEDE HAS INCLUDED \$713,274 MILLION IN RATE BASE FOR**  
2       **THIS PROGRAM WHEN IT ONLY HAD \$597,532 INVESTED IN THE PROGRAM AS OF**  
3       **JUNE 30, 1998?**

4       **A.**    No. It is hard to imagine that Laclede would not be aware of the consistent downward  
5       trend in the money that the Company has invested in this program. With the exception of  
6       the bottom two lines, all of the information in the above table appeared in the direct  
7       testimony that I filed in Laclede's previous rate case, Case No. GR-98-374. My  
8       testimony in that case pointed out the downward trend in Laclede's costs associated with  
9       the Insulation Financing Program.

10      **Q.     HAS LACLEDE PRESENTED ANY EVIDENCE IN ITS TESTIMONY IN THIS CASE TO**  
11      **SUGGEST THAT THIS DOWNWARD TREND IN INSULATION FINANCING COSTS MAY BE**  
12      **REVERSED IN THE NEAR FUTURE?**

13      **A.**    No.

14      **Q.     IS PUBLIC COUNSEL PROPOSING ANY ADJUSTMENTS TO THE \$713,274 THAT**  
15      **LACLEDE HAS PROPOSED FOR INCLUSION IN ITS RATE BASE FOR THE INSULATION**  
16      **FINANCING PROGRAM?**

17      **A.**    Yes OPC recommends reducing Laclede's rate base by \$115,742 (\$713,274 less  
18      \$597,532). This adjustment has the affect of adding \$597,532 to Laclede's rate base for  
19      the Insulation Financing Program, instead of adding the \$713,274 requested by Laclede.

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Public Counsel's \$115,742 adjustment is based on the amount of Insulation Financing Program loans that the Company had outstanding as of 12/31/98.

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

A. Yes, unfortunately Laclede has stopped its previous practice of using messages on customer bills to inform its customers about this program. Laclede's response to OPC DR No. 3015 in Case No. GR-96-193 indicated that Laclede had included a bill message (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 Case No. GR-98-374 and OPC DR No. 501 in this docket indicate that Laclede no longer uses bill messages to inform its customers about this program and instead only informs its new customers about this program. Laclede has never provided an explanation for its decision to cease promoting this program in bill messages.

**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

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1 sheets R-27 and R-28) by including a requirement that Laclede use bill messages at least  
2 twice a year to inform its customers about this program.

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

6 A. I am supporting the testimony of Ms. Kim Bolin regarding the need to disallow the  
7 expenses associated with promotional and institutional advertising that Laclede has  
8 recorded in Accounts 909, 913.3, and 930.1 and included in its revenue requirement. Ms.  
9 Bolin has recommended that the Commission disallow \$738,319 in expenses for  
10 promotional and institutional advertising. Out of this total advertising expense of  
11 \$738,319, Laclede spent \$80,334 for two ads that appear regularly on the PBS NewsHour  
12 that is broadcast on Channel 9 in St. Louis, and \$92,340 on other print and broadcast ads,  
13 all of which suggest that the use of natural gas as a fuel source has virtually no  
14 environmental consequences. In this testimony I will explain why this \$172,674  
15 (\$80,334+\$92,340) advertising expense should be disallowed, not just because these  
16 expenses are best categorized as promotional or institutional advertising, but because  
17 these ads contain misleading information about the environmental characteristics of  
18 natural gas.

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

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



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1        *Webster's Ninth New Collegiate Dictionary* defines "virtually" as "almost entirely."

2        Most people recognize that one of the greatest, if not the greatest, challenge to our  
3        environment today is the threat of climate change brought about by global warming.  
4        Carbon Dioxide (CO<sub>2</sub>) is one of the principal greenhouse gases that contributes to the  
5        greenhouse effect and significant amounts of CO<sub>2</sub> are released into the environment  
6        when natural gas is burned to produce energy.

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

16       Fossil fuels such as natural gas, coal, and fuel oil release different amounts and types of  
17       pollutants when they are burned, but no fossil fuel can be accurately characterized as  
18       being virtually pollution free. The combustion of low sulfur coal results in significantly  
19       lower sulfur dioxide (SO<sub>2</sub>) emissions than high sulfur coal but neither are virtually or  
20       almost entirely free of sulfur dioxide. Similarly, burning natural gas results in lower CO<sub>2</sub>  
21       emissions than does burning coal, but neither are virtually or almost entirely free of CO<sub>2</sub>.  
22       It is simply not accurate to portray any fossil fuel as being "virtually" or "almost entirely"  
23       pollution free.

1       **Q.     CAN YOU PROVIDE SOME INFORMATION THAT SHOWS HOW THE CO<sub>2</sub> EMISSIONS**  
2       **FROM NATURAL GAS IN MISSOURI COMPARE TO THE CO<sub>2</sub> EMISSIONS FROM THE**  
3       **OTHER MAJOR FOSSIL FUELS?**

4       **A.     Yes. Schedule RK-2 shows the trend in Missouri CO<sub>2</sub> emissions that have occurred from**  
5       **1990-1996 by fuel type. This information is from a draft report issued last summer by**  
6       **the Missouri Department of Natural Resources. The table at the bottom of this schedule**  
7       **shows that natural gas has been responsible for about 12.5% of all Missouri CO<sub>2</sub>**  
8       **emissions throughout the first part of the 1990s.**

9       **Q.     WHY IS PUBLIC COUNSEL ALSO RECOMMENDING THAT IN ADDITION TO THE PBS NEW**  
10       **HOUR ADS, THE \$92,340 IN EXPENSES ASSOCIATED WITH OTHER PRINT AND**  
11       **BROADCAST ADS, SHOULD ALSO BE DISALLOWED?**

12       **A.     The other print and broadcast ads for which OPC is recommending disallowances also**  
13       **contain misleading statements about the environmental consequences of using natural gas**  
14       **as a fuel source. Many of these ads contain statements similar to those found in the PBS**  
15       **NewsHour ads suggesting that "natural gas is virtually pollution free."**

16       One of Laclede's ads states that "gas logs also provide a realistic alternative to wood  
17       burning fireplaces without pollution concerns." This Laclede statement goes well beyond  
18       being misleading since humans have yet to discover a commercially viable way to  
19       combust fossil fuels like natural gas "without pollution concerns."

20       **Q.     IS LACLEDE DISCOVERING FOR THE FIRST TIME IN THIS TESTIMONY THAT PUBLIC**  
21       **COUNSEL HAS CONCERNS ABOUT THE MISLEADING NATURE OF ITS ADVERTISEMENTS**  
22       **PROCLAIMING THAT "NATURAL GAS IS VIRTUALLY POLLUTION FREE?"**

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1 A. No. These points were raised previously in my testimony in Laclede's last rate case,  
2 Case No. GR-98-374. I have not seen anything to indicate that Laclede has changed its  
3 practice of using the misleading assertion that "natural gas is virtually pollution free"  
4 subsequent to this issue being raised in Case No. GR-98-374.

5 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING LACLEDE'S**  
6 **ADVERTISEMENTS THAT CONTAIN MISLEADING INFORMATION ABOUT THE**  
7 **ENVIRONMENTAL CHARACTERISTICS OF NATURAL GAS.**

8 A. OPC witness Ms. Bolin correctly categorized these ads as being institutional or  
9 promotional advertisements and this reason alone is sufficient justification for Public  
10 Counsel's recommendation to disallow the \$172,674 in expenses associated with these  
11 ads. Public Counsel also believes that Laclede's ratepayers should not pay for these ads  
12 since they are misleading with respect to the environmental consequences of natural gas  
13 consumption for the reasons outlined above. In addition, Public Council believes that  
14 these ads should not be run on the PBS NewsHour and in other broadcast and print media  
15 regardless of whether they are funded by ratepayers or shareholders, since they contain  
16 false information regarding the environmental characteristics of natural gas as an energy  
17 source.

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

19 A. Yes.

Kind/Direct  
GR-99-315

**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

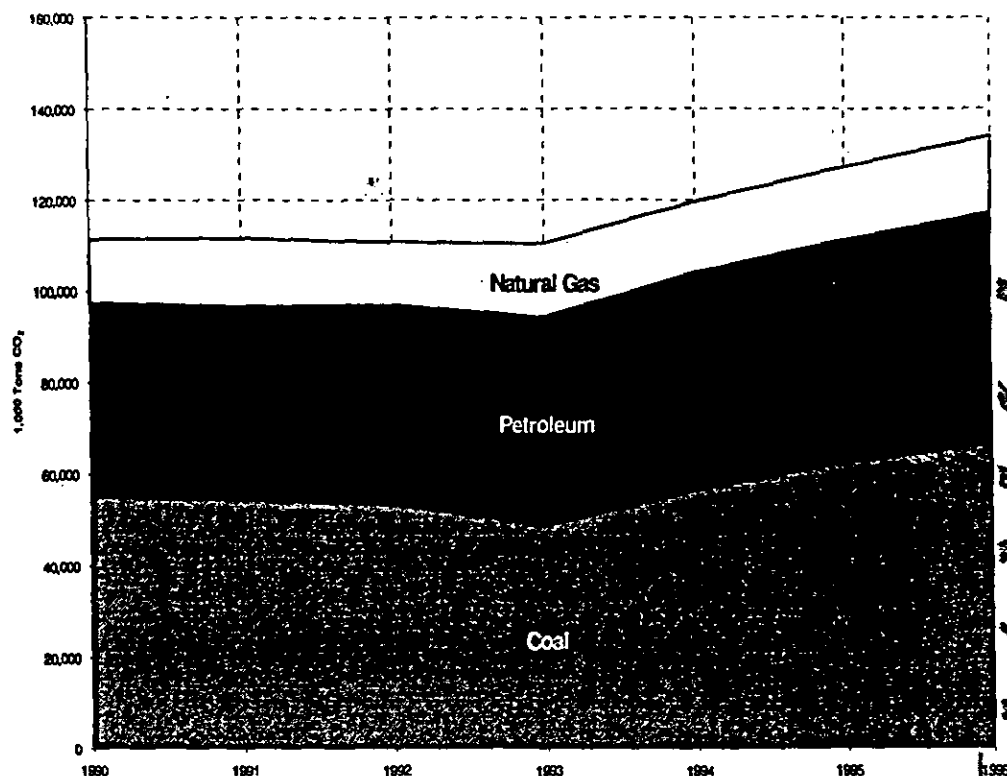
IF YOU NOTICE THE ODOR OF GAS, CALL:  
621-6960, or (FOR TOLL CALLS) 1-800-887-4173.  
If busy, call 342-0800 (FOR GAS ODOR OR  
OTHER EMERGENCIES ONLY).

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 CO<sub>2</sub> 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 CO<sub>2</sub> 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
<b>Total</b>	<b>111,472</b>	<b>111,638</b>	<b>110,977</b>	<b>110,519</b>	<b>119,608</b>	<b>127,156</b>	<b>133,977</b>

Schedule RK-2