

LACLEDE GAS COMPANY  
720 OLIVE STREET  
ST. LOUIS, MISSOURI 63101

Area Code 314  
342-0513

GERALD T. McNEIVE, JR.  
Associate General Counsel

February 20, 1991

Mr. Brent Stewart  
Executive Secretary  
Missouri Public Service Commission  
301 West High Street  
Jefferson City, Missouri 65101

Re: Case No. FO-91-251

Dear Mr. Stewart:

Enclosed herewith please find the original and fourteen copies of the Reply of Laclede Gas Company to the Verified Response of Union Electric Company to Application of Laclede Gas Company for Leave to Intervene, Motion to Dismiss and Alternative Request for Hearing for filing in the above referenced case.

Please date-stamp the additional copy of such filing provided herewith and return the same in the pre-addressed stamped envelope provided.

Thank you for your assistance.

Very truly yours,

  
Gerald T. McNeive, Jr.

GTM:sll  
Enclosures  
cc: Parties of Record

**FILED**

FEB 21 1991

PUBLIC SERVICE COMMISSION

**FILED**

FEB 21 1991

PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Application of Union Electric	)	
Company for Variance from	)	
Promotional Practices Rule for	)	Case No. EO-91-251
Good Cause Shown and for Approval	)	
of Promotional Practices Sheets.	)	

REPLY OF LACLEDE GAS COMPANY TO THE VERIFIED  
RESPONSE OF UNION ELECTRIC COMPANY TO APPLICATION  
OF LACLEDE GAS COMPANY FOR LEAVE TO INTERVENE,  
MOTION TO DISMISS AND ALTERNATIVE REQUEST FOR HEARING

Comes now Laclede Gas Company, by its attorney, and for its Reply to the Verified Response of Union Electric to Application of Laclede Gas Company filed on January 28, 1991 for Leave to Intervene, Motion to Dismiss and Alternative Request for Hearing (the "Laclede Filing"); states to the Commission that:

1. On February 14, 1991, Union Electric Company ("UE") filed its Verified Response to Application of Laclede Gas Company for Leave to Intervene, Motion to Dismiss and Alternative Request for Hearing ("UE Response"). The Laclede Filing sufficiently anticipated and addressed most of the arguments presented in the UE Response, and although Laclede continues to disagree totally with the rationales presented in the UE Application and the UE Response, there is generally no need to repeat herein the grounds for those disagreements.

The UE Response does, however, contain certain allegations which are either so obviously incorrect, or are so directly pertinent to the question of a need for a hearing prior to any granting of a variance in this proceeding, that they must be

6.

1

addressed without delay. For these reasons, Laclede is compelled to make this brief Reply.

2. The UE Response seeks to obfuscate the fact that for the same amount of money, all other factors being equal, a customer is able to purchase a more efficient air conditioner than a heat pump. Contrary to the UE Response, this fact does not depend on an assumption that heat pumps are less efficient than air conditioners; but it does rely on the fact that heat pumps are more expensive than air conditioners of equal quality, efficiency and features. The UE Response even admits that Laclede's assertion regarding the expense comparison between equally efficient heat pumps and air conditioners of similar grade and quality is at least true some of the time.<sup>1</sup> If, by purchasing the more expensive heat pump the participant in the proposed Program obtains less air conditioning efficiency than such customer could have by spending the same money on a more efficient air conditioning unit, a claim which even the UE Response acknowledges is true some of the time, then the UE Application should be dismissed. At the very least, the UE Response acknowledges that a factual dispute exists as to whether such claim is true.<sup>2</sup> Laclede believes that there is no question regarding this premise, but even if the Commission were to have some doubt on this subject, then, contrary to the suggestion of the UE Response, a hearing would be required to

---

<sup>1</sup> UE Response, page 3.

<sup>2</sup> UE Response, page 4.

resolve this issue of fact prior to any granting of the variance Application.

3. The UE Response repeatedly emphasizes the purported "pilot" nature of the proposed Program, and in that regard erroneously considers as having precedential value in its favor, another UE "pilot" program variance proceeding designated Case No. EO-89-212, in which Laclede opposed the requested variance, which was, nevertheless, approved by the Commission.

The UE Response, however, fails to mention certain critical distinctions between Case No. EO-89-212 and the instant proceeding, among which are that: (1) the variance sought by UE in Case No. EO-89-212 was limited exclusively to the Jefferson City, Missouri, portion of the UE service territory (a territory where UE also provides the natural gas). By contrast, the present proposed promotional program encompasses the entire UE service area, including the vast majority of the service territory of UE's principal natural gas competitor, namely Laclede; and (2) the program proposed in Case No. EO-89-212, unlike the instant proposed program, encompassed the promotion of both air conditioners and heat pumps. In short, the Program which UE proposes in this proceeding, be it labeled "pilot" or otherwise, is a program targeted at its chief competitor's product, across the vast majority of that competitor's service territory. Thus, regardless of the "pilot" and "limited" labels UE chooses to attach to this new Program, it amounts to a significant competitive promotion, and an escalation far beyond the variance approved with regard to Jefferson

City in Case No. EO-89-212. The significance of the potential impact of this proposed promotion alone clearly would require that a hearing be convened to hear evidence, unless the Commission were, in accordance with Laclede's Filing, to summarily dismiss UE's request for variance.

4. UE's claim that approval of the proposed Program would actually benefit Laclede by reducing demand and increasing load factor is ludicrous. There is obviously no benefit to Laclede or its customers in significantly reducing Laclede's sales in all but the coldest of days, when it is most expensive for Laclede to provide natural gas service, while requiring Laclede to continue to incur all of the costs of being prepared to serve its customers throughout the entire year. Indeed, it is apparent that the impact to Laclede's non-add-on heat pump customers would be seriously negative, unless an additional charge were added for the peaking service demanded by add-on heat pump customers seeking only to use gas on days when Laclede's gas costs are highest. In fact, the Commission has previously recognized this obvious conclusion in Case No. GR-82-158.

WHEREFORE, for the above stated reasons, and the reasons previously stated in the Laclede Filing, Laclede respectfully

requests that the Commission issue its Order Dismissing the UE Application in Case No. EO-91-251 or, in the alternative, set the matter for hearing.

Respectfully submitted,

LACLEDE GAS COMPANY



Gerald T. McNeive, Jr.  
Associate General Counsel  
720 Olive Street, Room 1528  
St. Louis, MO 63101  
314-342-0513

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing instrument was served upon Michael F. Barnes, Attorney, Union Electric Company, P.O. Box 149, St. Louis, MO 63166; Mary Ann Young, General Counsel, Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri 65102; and Lewis R. Mills, First Assistant Public Counsel, P.O. Box 7800, Jefferson City, Missouri 65102, by enclosing the same in an envelope addressed to such individuals at their respective addresses with postage fully prepaid, and by depositing said envelopes in the United States mail in St. Louis, Missouri, this 20th day of February, 1991.



Gerald T. McNeive, Jr.