

(314) 254-2532



January 4, 1991

EO-91-251

Mr. Charles Brent Stewart  
Executive Secretary  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Mo. 65102

*Recy*

Dear Mr. Stewart:

Enclosed, for filing with the Commission, are the original and fourteen (14) copies of the following:

- (1) Application of Union Electric Company for Variance from Promotional Practices Rule for Good Cause Shown and for Approval of Promotional Practices Sheets, and Supporting Affidavit of John J. Herron
- (2) Revisions to the Company's current Promotional Practices, which revisions are the subject matter of the Application:

5th Revised Sheet No. 1  
Original Sheet No. 11

These sheets bear an issue date of January 14, 1991. Company requests approval effective February 13, 1991, pursuant to Company's request for an expedited handling of its request for variance.

Copies of this Application have been served on all parties specified under 4 CSR 240-14, as shown on the attached Certificate of Service.

Please acknowledge receipt of this filing by returning a copy of this letter bearing the Commission's filed notations.

Very truly yours,

*Michael F. Barnes*

Michael F. Barnes  
Attorney

**FILED**  
JAN 14 1991

**PUBLIC SERVICE COMMISSION**

cc: Public Counsel

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Application of Union Electric Company for Variance from Promotional Practices Rule for Good Cause Shown and for Approval of Promotional Practices Sheets )  
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E0-91-251

Application of Union Electric Company for Variance from Promotional Practices Rule for Good Cause Shown and for Approval of Promotional Practices Sheets

COMES NOW Union Electric Company ("UE" or "Company") and, pursuant to Rules 4 CSR 240-2.060 and 4 CSR 240-14.010(2), requests a variance from the Commission's promotional practices rule for good cause shown, and approval of promotional practices sheets, as follows:

1. Union Electric Company is a Missouri corporation duly organized and existing under the laws of the State of Missouri, with its principal place of business located at 1901 Chouteau, St. Louis, Mo. 63103. It engages in the business of supplying electricity in parts of Missouri and elsewhere.

2. Communications in regard to this Application should be addressed to:

Michael F. Barnes  
Attorney  
Union Electric Company  
P.O. Box 149  
St. Louis, Mo. 63166

3. Pursuant to Commission Rule 4 CSR 240-14.010(2), UE files this Application for a variance from the rules contained in Chapter 14, for good cause shown. The promotional practice proposed by Company is generally described in paragraph 4 below, and more

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particularly described in Attachment 1, the Affidavit of John J. Herron, which is attached hereto and made a part hereof. The "good cause" basis for the Application is generally described in paragraph 5 below, and more particularly described in Attachment 1.

4. Company proposes a pilot program, the "Satisfaction Guarantee" program, that would be limited in scope, in budget and in duration.

a. The program will be offered to Missouri electric residential customers who: (1) own their own homes, (2) purchase new heat pump systems from Company-approved heating and cooling dealers, and (3) respond to the program directly through the Company.

b. The purpose of this pilot program is to increase the number of heat pump sales, by instilling confidence in customers that they will be satisfied with a heat pump system.

c. The program will insure a customer purchasing a heat pump system is satisfied with its performance during the first year of operation. Heat pump systems covered by the guarantee will be subject to random inspections by UE personnel to insure approved dealers are installing systems in a quality manner. If a customer complaint is received, the Company will work closely with the approved heating and cooling dealer who installed the heat pump system to try to resolve the customer's dissatisfaction. If the customer's dissatisfaction cannot be rectified, the guarantee will provide for the conversion of the heat pump system to a standard

air conditioner/furnace.

d. A total of \$7,500.00 has been budgeted for this pilot program, to cover the costs of parts and labor to perform the conversions and the development of the guarantee form. No additional promotional costs will be incurred beyond what is currently planned for heat pump promotion.

e. The program will terminate based on the earlier of budgeted dollars spent (\$7,500) or the expiration of twelve months from date of Commission approval.

5. UE believes sufficient good cause exists for the Commission to grant this variance.

a. The variance is for a pilot program that is limited in scope, budget and duration.

b. The purpose of the program is mentioned in paragraph 4 above and is set forth in more detail in Attachment 1 herein. The Company will compile data and then judge the effectiveness of the program elements. If UE, based on the pilot program, decides to conduct another pilot program, or to implement a permanent Satisfaction Guarantee program, it will, of course, seek prior Commission approval.

c. Company believes everyone concerned will benefit from the pilot program:

1. Customers who take advantage of the pilot

program will benefit through savings on heating and cooling costs due to the high efficiency inherent to a heat pump system. Customers will also benefit because heat pump systems are inherently cleaner and safer than flame-type heating systems.

2. The pilot program will benefit the Company in two very important respects. First, heat pumps provide increased winter usage which helps flatten the Company's load curve. A flatter load curve increases earnings. This benefits our customers by keeping the rate of return higher, which lessens the need for a rate increase. Secondly, heat pumps reduce summer peak demand. Because most new heat pump systems installed in existing homes replace old, less efficient air conditioners, the program holds the promise of cutting the Company's summer peak loads. Exhibit 1 to Mr. Herron's Affidavit calculates the demand savings attributable to the replacement of a 6.5 EER air conditioner with a 10.0 EER heat pump.

3. The customer who does not take advantage of the guarantee will also benefit due to the increased earnings from heat pump systems installed as a result of this program and their effect on future rate increases.

6. Company requests the Commission give an expedited review to the Application, and further suggests no hearing is necessary.

a. UE would like to begin active promotion of the

pilot program no later than May 1991, which corresponds with the beginning of the air conditioner/heat pump replacement period. Any later start would almost surely have a negative impact on the program's results.

b. The attached Affidavit of John J. Herron sufficiently sets forth the facts and circumstances of the program, so that the Commission can make its decision without holding a hearing.

c. UE again stresses the program is in the nature of a pilot program, with a limited budget, duration and scope.

7. Company has enclosed Union Electric promotional practices sheets Nos. 5th Revised No. 1 and Original No. 11, which set forth the Satisfaction Guarantee pilot program.

In addition to granting the variance herein applied for, UE requests the Commission approve the attached Union Electric promotional practices sheet Nos. 5th Revised No. 1 and Original No. 11.

WHEREFORE, for the reasons hereinbefore stated, Union Electric Company requests that this Commission (a) grant the variance herein applied for, as soon as practicable, and (b) approve the Company's promotional practices sheet Nos. 5th Revised No. 1 and Original No. 11.

Respectfully submitted,  
UNION ELECTRIC COMPANY

Dated: January 11, 1991

By Michael F. Barnes  
Michael F. Barnes  
Attorney for  
Union Electric Company  
P.O. Box 149  
St. Louis, Mo. 63166  
(314) 554-2552

VERIFICATION

Michael F. Barnes, being first duly sworn, states that he is an attorney for Union Electric Company, that he is authorized to submit this application, and that the facts stated therein are correct to the best of his information and belief.

Michael F. Barnes  
Michael F. Barnes

Subscribed and sworn to before me this 11th day of January, 1991.

Deborah L. Clark

DEBORAH L. CLARK  
NOTARY PUBLIC - STATE OF MISSOURI  
ST. LOUIS COUNTY  
MY COMMISSION EXPIRES APR. 18, 1994

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served on the following, by first class mail, postage prepaid, on this 11th day of January, 1991.

*Michael F. Barnes*  
Michael F. Barnes

Mr. Lee Liberman  
Chairman of the Board  
Laclede Gas Company  
720 Olive Street  
St. Louis, Mo. 63101

Mr. Rodes S. Hood  
President  
Bowling Green Gas Company  
16 South Court Street  
Bowling Green, Mo. 63334

Mr. Frederick K. Little  
President  
Missouri Public Service Company  
10700 East 350 Highway  
Kansas City, Mo. 64138

Sho-Me Power Corporation  
301 West Jackson  
Marshfield, Mo. 65706

Mr. L.R. Young, President  
Osage Natural Gas Company  
210 A West Main Street  
Salem, IL 62881

Mr. Dan Brown  
Cuivre River Electric Service Company  
1732 Prospect Road  
P.O. Box 508  
Wentzville, Mo. 63385

Mr. L. Thurl McSpadden  
President  
Associated Natural Gas Co.  
405 West Park Street  
Blytheville, AR 72315

Mr. John E. Hayes, Jr.  
President  
KPL Gas Service  
818 Kansas Avenue  
P.O. Box 889  
Topeka, KS 66612

Mr. James Dickherber  
O'Fallon Gas Service, Inc.  
P.O. Box 138  
Flint Hill, Mo. 63346

Mr. C.B. Duschane III  
United Cities Gas Company  
10th & Johnson Streets  
Keokuk, IA 52632

Ms. Martha Hogerty  
Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, Mo. 65102

**UNION ELECTRIC COMPANY**  
**PROMOTIONAL PRACTICES**  
Applying to ALL MISSOURI SERVICE AREAS

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\*Indicates change  
\*\*Indicates addition

**UNION ELECTRIC COMPANY**  
**PROMOTIONAL PRACTICES**  
Applying to ALL MISSOURI SERVICE AREAS

SATISFACTION GUARANTEE PROGRAM

This pilot program is available to electric residential customers who: (1) own their own homes; (2) purchase new heat pump systems from Company-approved heating and cooling dealers; and (3) respond to the program directly through the Company.

This program will ensure a customer purchasing a heat pump system is satisfied with its performance during the first year of operation. Heat pump systems covered by the guarantee will be subject to random inspections by Company personnel to ensure quality installation. If a customer complaint is received during the guarantee period, the Company will work closely with the dealer who installed the heat pump system to try to resolve the customer's dissatisfaction.

If the customer's dissatisfaction cannot be rectified, Company will convert the heat pump system to a standard air conditioner/furnace.

Publicity will be given to this program through the Company's heat pump promotional efforts.

The program will commence in 1991 upon Commission approval and will terminate on the earlier occurrence of: (1) budgeted dollars spent; or (2) one year after commencement.

DATE OF ISSUE January 14, 1991 DATE EFFECTIVE \_\_\_\_\_  
ISSUED BY William E. Cornelius (Chairman) St. Louis, Missouri  
Name of Officer Title Address



heating and cooling dealers. This offer would be run on a pilot basis for twelve months after formal approval is obtained from the Missouri Public Service Commission or until budgeted dollars are spent, whichever comes first. The offer will be limited to electric customers who own their home, live in Missouri, and who have responded to this offer directly through the company.

The Satisfaction Guarantee will ensure a customer purchasing a heat pump system is satisfied with its performance during the first year of operation. Heat pump systems covered by this guarantee will be subject to random inspections by UE personnel to ensure approved dealers are installing systems in a quality manner. If a customer complaint is received, the company will work closely with the approved heating and cooling dealer who installed the heat pump system to try to resolve the customer's dissatisfaction. Finally, this guarantee will provide for the conversion of the heat pump system to a standard air conditioner/furnace if a customer's dissatisfaction cannot be rectified. The conversion process will involve the disabling of the heat pump reversing valve, which will cause the system to perform as a central air conditioner.

Based on other utilities' experience with this type of guarantee, the number of customers requesting system conversion should be a very small number of the systems sold during the offer period. A total of \$7,500 has been budgeted for this program to cover the costs of parts and labor to perform the conversions and the development of the guarantee form. No additional promotional costs will be incurred beyond what is currently planned for heat pump promotion.

the principal features of the proposed program and indicates the limited scope, budget and duration of this program.

The contents of this affidavit, including its attachment, are true and correct to the best of my knowledge, information, and beliefs.

Further affiant sayeth not.

John J. Herron  
John J. Herron

Subscribed and sworn to before me this 11<sup>th</sup> day of January 1991.

Deborah L. Clark

**DEBORAH L. CLARK**  
NOTARY PUBLIC - STATE OF MISSOURI  
ST. LOUIS COUNTY  
MY COMMISSION EXPIRES APR. 18, 1994

Calculation of Summer Demand Savings For  
EER 10.0 Heat Pump vs. EER 6.5 Air Conditioner

$$\text{EER} = \frac{\text{Cooling Output in BTUH}}{\text{Watts Input}}$$

For a typical 2 1/2-ton cooling system:

$$\begin{aligned} \text{EER of 6.5} &= 4.615 \text{ Kilowatts (kW)} \\ \text{EER of 10.0} &= 3.000 \text{ Kilowatts (kW)} \end{aligned}$$

kW Savings at customer meter = 1.615 kW

In order to estimate the value of these kilowatt savings, the savings at the customer meter must be adjusted for line losses and a capacity reserve margin factor. A 10% line loss and an 18% reserve margin is used for this calculation.

kW Savings at generating plant = 1.615 kW X 1.10 X 1.18 = 2.096 kW

Since the kilowatt savings represent savings at the Union Electric generation level, the dollar value of these savings can be estimated versus the installation cost of a combustion turbine. Union Electric currently anticipates a need for additional capacity or an alternative in 1996.

The current estimate of the 1991 present value cost of a combustion turbine is \$389/kW. The dollar value of savings is calculated by multiplying the demand savings times the above capacity cost.

Demand savings (\$) = 2.096 kW X \$389/kW = \$815

(NOTE: This is a rough estimate of the value of avoided future capacity requirements. A pilot program of this size is unlikely to impact capacity planning. Only a full-scale, continuously run program has the potential to affect the selection and timing of capacity additions.)