

1 BEFORE THE PUBLIC SERVICE COMMISSION

2 STATE OF MISSOURI

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5 TRANSCRIPT OF PROCEEDINGS

6 On-The-Record Conference

7 April 12, 2012

8 Jefferson City, Missouri

9 Volume 1

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13 In The Matter of Southern Union Company)

 d/b/a Missouri Gas Energy's Tariff) File No.

14 Sheets Designed To Implement An) GT-2012-0170

 Experimental Pilot Program)

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18 RONALD D. PRIDGIN, Presiding

 SENIOR REGULATORY LAW JUDGE

19 KEVIN D. GUNN, Chairman

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PROCEEDINGS

JUDGE PRIDGIN: This is the on-the-record presentation in Case Number GT-2012-0170 in the Matter of Southern Union Company d/b/a Missouri Gas Energy's Tariff Sheets designed to implement an Experimental Pilot Program.

I am Ron Pridgin, I'm the regulatory law judge assigned to preside over this conference that's being held April 12, 2012 and we're beginning about 8:30 a.m. We're in Jefferson City, Missouri at the Governor Office Building.

I would like to get oral entries of appearance from counsel, please, beginning with MGE.

MR. JACOBS: Todd Jacobs on behalf of MGE.

JUDGE PRIDGIN: Mr. Jacobs, thank you.

On behalf of the Staff of the Commission, please.

MS. MOORE: Lera Shemwell and Amy Moore.

JUDGE PRIDGIN: Ms. Moore, thank you.

On behalf of the Office of the Public Counsel, please.

MR. POSTON: Thank you. Marc Poston of the Office of the Public Counsel and the public.

JUDGE PRIDGIN: Mr. Poston, thank you.

On behalf of the Missouri Department of Natural Resources.

MS. FRAZIER: Jenny Frazier with the Attorney

1 General's office.

2 JUDGE PRIDGIN: Ms. Frazier, thank you.

3 Have I missed anyone? All right.

4 Ms. Shemwell, please correct me if I'm wrong. I believe you
5 called me earlier in the week and told me the order in which
6 the parties would like to proceed, but I have since forgotten
7 that order, so could you refresh my memory, please?

8 MS. SHEMWELL: Certainly, good morning.

9 JUDGE PRIDGIN: Good morning.

10 MS. SHEMWELL: MGE will start, then Public
11 Counsel and then Staff.

12 JUDGE PRIDGIN: All right. And then certainly
13 I'll give DNR a chance as well. Thank you. Is there
14 anything further from counsel before MGE begins?

15 MS. SHEMWELL: Certainly DNR can go before
16 Staff, if they would like.

17 JUDGE PRIDGIN: All right. I will just
18 inquire of the parties.

19 MS. SHEMWELL: Thank you.

20 JUDGE PRIDGIN: Thank you. Anything further
21 before Mr. Jacobs begins?

22 All right. Mr. Jacobs, when you're ready,
23 sir.

24 MR. JACOBS: Good morning, Todd Jacobs on
25 behalf of Missouri Gas Energy. I want to introduce two

1 people that are with me today, Michael Nowack [phonetic], who
2 is the director of rates and regulatory. And also we have a
3 new energy efficiency manager with MGE, relatively new, he's
4 been there for about a year, Bob Painter, who's seated at the
5 table.

6 Just to start, we want to -- we really
7 appreciate the opportunity to talk about the Rebuild Joplin
8 program today to the Commission. I know that Commissioner
9 Kenney had wanted to be here today and indicated he was going
10 to watch by video later. I've given an extra copy of the
11 handouts, which I'll walk through briefly, that set those up
12 to the -- to Judge Pridgin so he can give those to the
13 Commissioner.

14 The Rebuild Joplin program really offers a
15 really very unique opportunity for Missouri Gas Energy, the
16 collaborative, to make a real difference in the lives of real
17 people. And it makes a -- it's an opportunity to make a
18 difference to really transform energy efficiency for a
19 community. And on behalf of the company, I want to say we're
20 very proud to be able to offer this program. We appreciate
21 the efforts of the collaborative that put this together in a
22 package that we could put in place.

23 In illustration of really how this is making a
24 difference in people's lives, I talked to Bob Painter, our
25 manager of energy efficiency, just about how the program is

1 going. And he related two instances of going through rebate
2 forms for individuals who are applying for energy efficiency
3 incentives for our appliances, natural gas appliances.

4 And he relayed a story where on three or four
5 of the forms, there's a section on there that states -- that
6 asked for information about what appliance this energy
7 efficient appliance is replacing, what the previous appliance
8 was. So it asks for information on energy factor and other
9 information. And what Mr. Painter pointed out was that in
10 all three of those cases, there was no information provided,
11 there was just a note that said, I don't know because my
12 appliance and my house blew away.

13 And on one case, he spoke to a -- a consumer
14 who was applying for an energy efficient appliance and she
15 was very grateful the fact this program's in place. She
16 indicated it allows for her to go to a higher energy
17 efficient appliance. So this program makes a real difference
18 in a community that needs it.

19 In order to view the slide today, I'm not
20 going to do a PowerPoint on the screen today, but what I'll
21 do is just walk through the slides. I've got several slides
22 there. It's not as daunting as it seems. I'll go through
23 these fairly quickly. A lot of this is just mainly for
24 information for the Commission that talks about different
25 sources that are in the public record, provides information

1 about our programs and jut gives you a general overview of
2 what we're doing.

3 If you go to page 2, the overview of what I'm
4 going to do is really talk briefly about the purpose and
5 overview of our energy efficiency programs that currently
6 exist, the ones that are system-wide to really put our
7 Rebuild Joplin program in context. I want to talk a little
8 bit about the Rebuild Joplin tariffs, of course, give you an
9 idea of why these tariffs were first proposed, why we put
10 those into place, talk about other MEG efforts in Joplin, and
11 really the intent of our presentation is to show that these
12 tariffs are very much consistent not only with the Commission
13 Orders that have been given related to our energy efficiency
14 program but also are very much consistent with Missouri
15 regulations.

16 Page 3 just provides an overview of our
17 programs and going on to page 4. Really our programs started
18 in 2007 from our 2006 rate case. They started off with an
19 appliance incentives for our residential class in our 2000 --
20 2009 rate case that went into effect in 2010. They were
21 expanded to the small general service class, which is
22 basically commercial customers that use less than 10,000 CCF
23 of gas per year.

24 And the purpose and goals that are cited on
25 the Slide Number 4 really talk or paraphrased from Commission

1 Order. In both cases, specifically what I've cited here, are
2 from our most recent rate case. The purpose of our program
3 is to promote energy efficient appliances. We want to
4 promote customers to useless natural gas. We were tasked
5 with providing a suite of energy efficient programs and
6 measures that we can provide to our consumers and to do so in
7 a cost-effective way.

8 Cost effective is an important part of any
9 analysis that we do. There's a lot of back and forth with
10 the collaborative about what makes a program cost effective,
11 and I'll talk about that a little bit. But ultimately, this
12 is a ratepayer-funded program. So we talk our
13 responsibilities to manage ratepayer funds seriously.
14 We view ourselves as stewards of that. We're accountable to
15 the collaborative and to the ratepayers in Missouri for using
16 these funds properly so we take that seriously. What I will
17 note is that all the system-wide programs that we have in
18 place right now have been approved by the collaborative.

19 Going on to page 5, just a brief overview of
20 our appliance incentives. What we have is that I think at
21 the suggestion of Public Counsel that we came up with a
22 tiered approach for our appliances. And what that really
23 means is that hot water heaters -- or water heaters, pardon
24 me -- or furnaces are tiered according to their energy
25 efficiency level. So a consumer would get more of an

1 incentive for the higher energy efficiency factor of the
2 particular appliance. So it's broken down. What I've done
3 on that page is really give you a range. What we have,
4 again, are tank water heaters, tankless water heaters,
5 furnaces or boilers or programmable thermostats.

6 Going on to page 6, our program Home
7 Performance with Energy Stars is a system-wide program. What
8 the goal there really is, is to encourage energy efficient
9 building measures. So we look at advocating the use of
10 insulation, having more airtight doors, windows, better
11 energy efficiency for those improvements to a home.

12 A customer can get up to \$600 for qualifying
13 improvements. There's a pre-assessment and a
14 post-assessment. So an auditor comes in evaluates a home,
15 gives specific recommendations about what a homeowner can do.
16 As long as the homeowner puts in those qualifying
17 improvements, they can apply for a certain amount to receive
18 for energy efficient incentives to put those -- put those
19 measures in the home. It's existing homes.

20 What's really unique about this program is
21 that it's a joint program with KCP&L. I've been to a couple
22 of different seminars across the United States in the last
23 couple years and it surprises me constantly when people talk
24 about energy efficiency that they really bring up this
25 specific program. And they cite this as an example of a

1 cooperative effort with an electric company and a cooperative
2 effort between an electric company and a natural gas company.

3 And what folks have said in those seminars is
4 that they talked about how unique that partnership is, that
5 it's an example of how gas companies and electric companies
6 can work together in a pointed way to try to help people with
7 energy efficient measures for their home. Really with the
8 KCP&L program, you can get up to \$1,200 in -- in rebates for
9 energy efficient measures that you put into a home. We put
10 our web site down there, which provides a lot of different
11 information about the program.

12 Page 7, we try to educate consumers about
13 energy efficiency. We have a web site that's dedicated to
14 energy efficiency called betterheatingnow.com. It provides
15 basically information about our incentive programs. It has
16 energy use calculators for consumers. There's a lot of tips
17 about how to be more energy efficient, and we specifically
18 cite to the beenergyefficient.org web site for information,
19 among many others. But the idea there really is to provide
20 resources and information to consumers.

21 Going into the Joplin tariffs, page 8 and 9,
22 the -- everyone in this room really knows about the Joplin
23 tornado, the disaster there. It was the single deadliest
24 tornado in the last 60 years, great loss of life in that
25 community. It's an EF5 tornado that went through at 5:41 on

1 May 22nd of 2011. There's a photograph on page 9 of the
2 tornado as it came into town, and then on page 10, there's a
3 photo of the devastation that occurred in Joplin.

4 I know that the Commissioners made a point of
5 visiting Joplin shortly after the tornado and saw for
6 themselves the devastation that was brought in that
7 community. From what I hear from our service people in the
8 Joplin area that the Commissioners were very -- asked
9 questions about not only what are you doing, but the main
10 question was what can we do for you. So the -- I would tell
11 you as a person rep of the company, that our service people
12 were impressed by that, they were grateful by that, and they
13 knew that the Commission was trying to find ways to help this
14 community.

15 If go on to page 11, I want to talk, really,
16 about the genesis of the proposal. A lot of times as a
17 Commission and as participants in this process, it is
18 difficult to see really what caused us to recommend a
19 program. And I can give you some insight into that.

20 Really in the initial days after this event,
21 our main focus as a company was to make sure that we rendered
22 natural gas service safe to that community. There were gas
23 leaks, their homes were completely blown away off the
24 foundation. We had people that were -- our service people
25 that were out there that had lost their homes, they had

1 damage to their homes, they did not know the status of their
2 family members or their friends, and they still reported to
3 work and they still did their job in the Joplin community to
4 make sure that we rendered safe natural gas service.

5 And it's astounding to listen to the stories,
6 and even more so really the humility of the men and women
7 that responded to this disaster about what they did. And so
8 we were focused primarily in the first couple days and weeks
9 after this -- after this catastrophe to make sure we did our
10 primary core function as a business, which is to make sure
11 that we provide safe natural gas service and that we provide
12 safe natural gas service to people that needed it the most,
13 to emergency responders, to hospitals that were set up, to
14 the standing hospital in Joplin.

15 And the thing that we kept coming to after we
16 got over that -- the initial shock of what happened and we
17 looked at what can we do now. What can we do as a company to
18 -- to help the community. And what I tell you is, is that as
19 a company, Missouri Gas Energy and predecessor companies have
20 served Joplin for over 135 years. We are part of its past,
21 we want to be a part of its future, and so we looked for ways
22 to be innovative, to be aggressive in the way that we helped
23 that community, and we looked for a number of different ways
24 that we could do that.

25 If you go on to page 12, what we looked for in

1 the regulatory sphere is what other communities have done in
2 these situations. And we looked at two models that served as
3 very good ones. First one is Greensburg, Kansas, which had a
4 tornado that hit the town in May of 2004, another EF5, pretty
5 much wiped the town off the map. And what you saw in
6 Greensburg an example of public and private cooperation to
7 really transform a town. And the intent of transforming that
8 town was to make it green. And there was a lot of effort to
9 make buildings lead-certified, there were lots of efforts to
10 make sure energy efficiency was a primary factor in
11 rebuilding.

12 We looked at Tuscaloosa, Alabama, which was
13 hit by a tornado about month before a tornado hit Joplin.
14 And what we found in that case was a company called Alagasco
15 in that area that offered enhanced energy efficiency rebates.
16 What they did in Alabama is they actually pretty much
17 multiplied their rebates by a factor of four, their
18 incentives by a factor of four for a variety of things;
19 appliances, cooktops, gas dryers. And the intent of that
20 when you look at the web site, and I've given you a cite to
21 Alagasco's web site, it's really astounding how similar our
22 reaction as a company was to that situation. We wanted to do
23 the right thing and we wanted to help.

24 We also reached out to the collaborative
25 shortly after the tornado hit. We said that we -- we are

1 looking at ways to be innovative, we're looking at ways to
2 use our energy efficiency program to help that community, to
3 -- to transform that community to use energy efficiency
4 measures. And there was strong interest in supporting that.
5 By way of example, I brought Staff on their response. They
6 specifically cited an example of a utility in Iowa that after
7 floods in that area, responded with a broad suite of energy
8 efficiency programs to try to assist the people in that area.
9 And again, it's that same theme of trying to transform a
10 community.

11 Page 13, why a special program for Joplin? We
12 look at the Commission's direction to MGE. The Commission's
13 direction was to provide and promote energy efficient
14 appliances and energy efficiency measures. Joplin presents
15 an opportunity to transform an entire community. And with
16 these tariffs, we think that we're on our way to do that.
17 And we are very dedicated to making that happen. We want to
18 spur growth, we want to spur rebuilding. We want to assist
19 that community with rebuilding the ground up, and keeping in
20 mind the primary purpose of our program, which is to promote
21 energy efficiency. We want to rebuild faster, greener,
22 better. We want to promote something positive -- try to get
23 something positive out of a disaster.

24 Page 14, just a little background on what we
25 worked on with the collaborative. We initially proposed a

1 program in July of 2011. And what I can tell you without
2 hesitation is that the program that was ultimately voted on
3 by three of the four members is a much better program than
4 what we initially proposed. The give-and-take with the
5 collaborative was positive. We think that specifically OPC
6 recommended tiered rebates. They -- which we think made
7 sense in looking at them. We think they made sense for the
8 system and specifically -- our system-wide rebates, and they
9 make sense for Joplin specifically. So it's a much better
10 program than what we initially proposed, so that process was
11 very helpful to us.

12 Again, it was modified -- our proposal was
13 modified substantially through negotiation, a lot of
14 give-and-take. I won't go into detail about the negotiation
15 process because there is a fair amount of detail there and
16 really is involved in the negotiation between the parties.
17 But what I can say is that we -- we voted -- we called it to
18 vote and we finally got to the point where we realized we're
19 just not going to reach consensus on this, we're not going to
20 make everybody agree to what we want to do, so there was a
21 vote. MGE, MDNR and Staff voted for the proposal in November
22 of 2011. And really what we tried to do is mirror in many
23 ways the general intent, again, of what our programs are for
24 and focus specifically on Joplin.

25 If you go to page 15, this shows the

1 difference in rebates. We want to enhance rebates, we want
2 to spur growth. We want it specifically focused on Joplin,
3 so we looked at increasing incentives. What we came up with
4 in the collaborative process is that we had the same rebates
5 for tank water heaters, which is a range again on the tier
6 approach.

7 And by the way, I've included the tariffs on
8 the back of the presentation just so the slides aren't as
9 busy so you can look at those to see how it's tiered. But
10 it's a tiered program for water heaters, tiered for furnaces
11 and boilers. Same, once again, for tank water heaters and
12 programmable thermostats. With the tankless water heaters
13 and also furnaces, they're increased by a factor of two.

14 Page 16 goes into a new program for us, which
15 is the -- it's -- our Rebuild Joplin Energy Star New Homes
16 program. And this really is very similar to the Home
17 Performance with Energy Star program except in the sense that
18 it's focused on building measures. But in this case, it's
19 focused on new home construction. So again, it promotes
20 energy efficient measures in the home. The numbers here are
21 -- are improved from our Home Performance with Energy Star
22 program.

23 Again, the idea here in Joplin is that there's
24 an unprecedented level of new construction in that area, so
25 we wanted a program that really focused on that new

1 construction. So it's \$800 from MGE for qualifying
2 improvements. And again, this is new ink, just like our Home
3 Performance with Energy Star program in the sense that it's a
4 combined program with Empire District Electric Company.

5 We talked to Empire District as we got to the
6 final stages of coming up with these tariffs with the
7 collaborative and promoted -- we're trying to promote this as
8 a joint program in making sure people know that they can
9 combine these incentives to improve their home. So it's a
10 significant amount that people can use to better their home
11 to improve energy efficiency up to \$2,000.

12 As part of that program, we do require a
13 natural gas -- a minimum on the space heat, a natural gas
14 backup. Of course people can use natural gas furnaces. We
15 also asked that people use natural gas for their water
16 heating. And really what we look for there -- the intent of
17 that really is for year-round load and I'll talk about that
18 at the end of the presentation.

19 Page 17, the details -- it's two counties,
20 Jasper and Newton County. It's limited to a million dollars.
21 Our overall program is going back to earlier slides is -- our
22 goal is .5 percent. We really -- at the time it was
23 calculated, that's about 4.5 million. The most we spent in a
24 year was in 2011 where we spent around 2.5 million on these
25 programs. We think that this number is manageable.

1 It's time limited to December 31st or until --
2 December 31st of 2012 or until the program funds are
3 expended. We are providing quarterly reports to the
4 collaborative. That first one will be due fairly soon and
5 we're required to do a detailed post-implementation analysis
6 six months after program termination.

7 Page 18, in terms of what we done to promote
8 the program, we've been -- we try to be very aggressive about
9 this to make sure people know about it. We have attended
10 community events where the -- with both government and with
11 contractors and other people to make sure that they know
12 about this. We've had a significant push on advertising in
13 that area, just to make sure people are aware of it. That
14 advertising program started really in late December of 2011
15 and will go through May of 2012 at this point. We may adjust
16 that as time goes on. We've provided information on the
17 betterheatingnow.com web site and we've had a significant
18 outreach to specific stakeholders in the process, HVAC
19 professionals, plumbers, appliance manufacturers and retail
20 stores that I'll talk about on page 19.

21 The partnership efforts we've had, we're very
22 excited about and we've reached out to -- Bob Painter
23 specifically has reached out to our -- several appliance
24 manufacturers, specifically Rinnai and York and has come up
25 with -- we're on page 19.

1 We've come up with through their help, they're
2 very interested in helping the people in Joplin. They've
3 come up with enhanced incentives of 75 up to \$300 depending
4 on the type of appliance that's used. So we're very grateful
5 to Rinnai and York for their efforts in partnering with us in
6 this program. We think it's an example of engaging as many
7 stakeholders in the process as necessary. Again, this is
8 focused on energy efficient appliances for natural gas, so we
9 think it makes sense and is very much consistent with the
10 Commission's directives.

11 We've looked at partnership with retail
12 stores. The -- it's always exciting when you go and have
13 asked for someone and they're excited about it. And what we
14 saw with Home Depot and Lowe's in Joplin, there's very much a
15 community focus, there's very much an interest in wanting to
16 rebuild this community. The people that work there are local
17 people. It's a national company, but they're local. They're
18 very excited about these program, they're very interested in
19 partnering with us. They've allowed us to put up a little
20 kiosk and stands with information about our rebates to make
21 sure people know about us. We're also looking at local
22 stores in Joplin to make sure that local hardware stores know
23 about this and we're reaching out to them now.

24 Our Preferred Professional program is very
25 briefly is our engagement with HVAC professionals and

1 plumbers. A lot of times when a consumer makes a purchase of
2 a natural gas appliance, really what that professional tells
3 them at the point of sale makes a huge difference. I can
4 attest to that on personal experience, I think everybody has,
5 that if your hot water heater goes out, you seek the
6 recommendations of your professional that's installing your
7 equipment.

8 And what we've tried to do is expand a program
9 with Preferred Professionals to make sure that they're aware
10 of these programs and make sure that they're aware when a
11 consumer has to make a decision that they make a good one,
12 that they make a decision that's based on wanting to improve
13 an appliance, that it's more energy efficient, and that we
14 try to put that information in the folks' hands so they know
15 about it.

16 Page 20, we talk about our initial program
17 results. There was -- we're happy with these results, we
18 think they show a steady increase in participation rates.
19 We're very hopeful as rebuilding efforts increase, which I'll
20 talk about in a minute, that we get more participation in
21 these programs and more people that participate in them.

22 We've had about 51 total rebates right now in
23 Joplin. We're encouraged by those, but we want to do better,
24 so we want to make sure that we have systems in place that
25 keep people informed of these programs, that we're actively

1 engaged in outreach.

2 Twenty-one, talk a little bit about building
3 constraints. The city of Joplin right after the tornado put
4 a moratorium on building, and that was primarily due to the
5 amount of debris that was in the Joplin area. So they
6 started out with a 90-day moratorium on building just to make
7 sure they could get the debris out, and then get people in to
8 start building. However, the moratorium was reduced to about
9 60 days because there was so much pressure in the community
10 to want to rebuild. So was there was kind of initially a
11 slow start.

12 We've seen conversationally, anecdotally, and
13 I think Department of Insurance web site, there's discussions
14 about a slow payout on insurance. This is a huge natural
15 disaster that some homeowners expressed frustration with the
16 amount of detail they need to go through with their insurance
17 company because basically their entire homes were blown away,
18 so there's a slow payout on insurance, and so that slowed
19 down construction.

20 There's a supply-and-demand issue in Joplin.
21 You think about it, a significant portion of that town was
22 blown away. So there are a limited amount of contractors in
23 that area, we've heard anecdotal information with
24 conversations with city officials, conversations with their
25 customers that say we want to rebuild, but we're in a queue,

1 we're in a line to rebuild. And as soon as those contractors
2 get freed up, they build houses, they'll be able to help
3 other people out. We know there are construction firms that
4 are coming into that area to try to assist with that process,
5 too.

6 We've seen some residents move out of the area
7 due to lost jobs and homes. We would note that advertising
8 really began in late December of 2'11, so there's gradual
9 awareness in the community about these programs. And even
10 though it was a very warm and unusual winter, there is a lull
11 in construction in the winter. So we've seen that
12 construction activity is starting to pick up right now.

13 I tell you that as recently as three weeks
14 ago, I was in Joplin and it's still surprising to me how --
15 in the center of the town, how little construction is going
16 on. We really see a lot of construction going on in the
17 outskirts of town, specifically in Carl Junction, Webb City,
18 and Carthage. So there's a lot of new construction out in
19 those areas, there's not as much in the center.

20 I can't really tell you what's driving that.
21 We don't know if it's a function of those factors that are
22 really slowing down construction in that area, we don't know
23 how quickly or how soon the center core are of Joplin that
24 was basically wiped off the map, how quickly those homes will
25 be rebuilt, but we're monitoring that closely. And we're

1 also trying to partner with the community to make sure that
2 they know about our program, anything that we can do to help,
3 we try to do.

4 Page 22 talks just as a side now about FEMA
5 housing, occupancy limit is 18 months. At the peak, there
6 were 586 people in that area and currently there's about 491.
7 So I will just note that those -- that that area is still
8 fairly full.

9 Talked a little bit on page 23 about new
10 construction, where it's most prevalent. City leaders, in
11 conversations with our management team in Joplin, predict
12 five to seven years to get back to where they were. So it's
13 a -- it's shocking when you see it. I know that the
14 Commissioners saw that with their own eyes. It's still
15 shocking today. Even with the debris gone, you've got
16 basically open fields. And if you've been there before, you
17 know that there were homes there. So still today the
18 devastation is readily apparent.

19 Page 24, how do we assess -- this is a
20 pilot/experimental program, so how do we assess that and we
21 will talk about three things quickly because they are
22 complicated in some ways and straightforward in others. They
23 deserve a lengthy treatment that I won't do today. But
24 basically, just talk about an overall assessment, how do we
25 look at these programs.

1 So we want to use this program from a
2 pilot/experimental basis to look at cost effectiveness of
3 these programs, number one. Number two, we want to use it to
4 evaluate the cost-effectiveness tests. We think that Joplin
5 offers a really unique opportunity to do that that I'll talk
6 about. We want to look also at the Energy Star New Homes
7 program, which is new to us. We want to evaluate how that
8 works, and once again, how I'll talk about unique situation.

9 Twenty-five, cost effectiveness. There's been
10 discussion in other cases, specifically I point to the
11 AmerenUE case. Just to give you a cite, that's GT-2011-0410.
12 That case, there was a lot of discussion about the various
13 cost tests for natural gas utilities. And that is a question
14 for us. We've got a relatively new, again, sorry I keep
15 calling you "new," Bob, but there's a relatively new energy
16 efficiency manager with the company.

17 And we've spent a lot of times in the last
18 three or four months, and again, this is a benefit of the
19 collaborative process where we have people that are very
20 knowledgeable and very familiar with the various cost
21 effectiveness tests. We have had a lot of discussions about
22 cost effectiveness. And our knowledge of this has grown
23 substantially in the last several months and since we've had
24 these programs to say what is cost effective? What really
25 makes a program cost effective? How do these various

1 measures really -- how do they work together?

2 What I'd say right now is that this program is
3 forecast to be cost effective. This is all based on our
4 estimates of the amount of homes that we anticipate that
5 we'll put energy efficient appliances into. It's all based
6 on what we think the program costs are, and there are a ton
7 of variables associated with these different cost
8 effectiveness tests that we -- we just don't know.

9 And I think all the parties -- OPC, Staff,
10 MDNR -- in that AmerenUE case really talked about the fact
11 that if you really want to be sure that a program is cost
12 effective, you need to do a post-evaluation, because you'll
13 know at that time, you're not talking about theory, you're
14 talking about estimates, you're talking about what happened.

15 And so although this is a forecast, we want to
16 -- we want to forecast cost effectiveness as part of these
17 programs, we think it will be cost effective, we want to be
18 good stewards of money on these programs, we want more
19 benefit than cost associated with these programs, but it's a
20 forecast. So we want to make sure that we do a thorough
21 analysis after the fact.

22 There's some discussion in the case really
23 about the Energy Star New Homes, whether or not that's cost
24 effective. It is cost effective -- projected to be cost
25 effective under the utility cost test. I would characterize

1 it as a difference of opinion with OPC with respect to how
2 using natural gas as a primary source of fuel in a home for
3 furnaces, whether or not that's a furnace or a natural gas
4 backup on a -- on a heat pump, whether or not that's cost
5 effective in the analysis that we did. OPC has a difference
6 of opinion with us.

7 We've talked to our consultants in recent
8 days. We think that we understand the mechanics of why that
9 moved -- may move to be cost effective or why it may not
10 related to how we measure natural gas use versus electric
11 use. But that's a discussion, I think, for the
12 post-implementation analysis to really go through that in a
13 lot of detail.

14 What I can say right now is that the forecast
15 is forecast to be cost effective. I think that OPC, in their
16 filings, they note that the way that it's calculated, it is
17 cost effective, but there is a dispute with the parties, at
18 least with OPC, to say is this cost effective with the heat
19 pump. So that is worthy of detailed discussion at some point
20 in the case, and probably best done so in the
21 post-implementation analysis when we know these numbers.

22 Page 26, this is the form that in a very
23 abbreviated way talks about the benefit cost ratios for the
24 different tests. And again, there are many different tests
25 that one can use to evaluate cost effectiveness. What I can

1 tell you is, is that from a very, very high level, is that
2 each one of these tests look at cost effectiveness, in some
3 ways from a different perspective, whether it's society,
4 whether it's utility, whether it's the ratepayer. A number
5 of different ways to look at it.

6 I think that all the parties in the AmerenUE
7 case that I cited, they talked about the utility cost test,
8 which is variably called the program administrator cost test.
9 And the parties in that case, I think, all looked to the idea
10 that maybe the UCT or the PACT, as it's known, is maybe
11 that's a better definition under the -- under the regulations
12 -- maybe that's a better cost-effectiveness test as compared
13 to other tests.

14 There was not a definitive conclusion in that.
15 I would say that's part of the conversation in that test
16 rather than a definitive conversation, but it's something
17 that we need to consider as we go forward. The bottom line
18 is that the way that we came up -- the way we came up with
19 the numbers in the way that three of four of the
20 collaborative members viewed this is that this program would
21 be more benefit than cost under the UCT test. So many
22 variables, again, many different things it looks at. It's
23 worthwhile to go into a lot of detail in that in the
24 post-implementation analysis. And again, we're going to be
25 careful and focused on that as time goes on with the program.

1 Page 27, this program from a -- from a pilot
2 standpoint offers us a good opportunity to evaluate those
3 tests. Again, devil's in the details with these programs. I
4 cited the test language there from the Promotional Practices
5 Rule that really talk about how a program is cost effective.
6 Does UCT fit that definition? I think that a lot of the --
7 we're not sold either way on it. We think that we need to do
8 more analysis. I think that initially, the parties -- and I
9 don't want to overly characterize a position, because again,
10 this was kind of a sidelight to that AmerenUE case, but
11 there's discussion that say that maybe for a natural gas
12 utility, a UCT makes sense. So we need to -- we need to look
13 at that. And this is a really good opportunity to do that.

14 Why is Joplin a unique opportunity? Bob
15 Painter has been -- was with MDNR for a number of years, has
16 had a lot of experience with the energy efficiency community.
17 One thing that I tell you, the reason why Joplin is unique is
18 that this is a very defined area in a very defined region.
19 And we have the ability over a very short period of time to
20 look at a program to see how it operates.

21 We think that that is, in some ways, maybe
22 different, and we're not sure yet, but it may be different
23 than the way that we evaluate cost effectiveness throughout
24 our region because we have Kansas City, northern part of
25 western Missouri, we have the southern region in Missouri.

1 There are slight variations, we think, between those
2 communities, between the size of the communities, the number
3 of different factors.

4 Bob's impression and my impression in looking
5 at it was that this is really a unique opportunity to look at
6 that, to say how do these cost-effectiveness measurements
7 work? How do these tests work? How do we really analyze
8 these programs?

9 OPC points out properly that these tests have
10 been around for a long time. I can tell you that we're -- we
11 -- we are in a learning stage right now with the
12 cost-effectiveness measures. We've had good experience with
13 these programs, but we're really digging down into the
14 details at this point to figure out what works, what doesn't,
15 how the different measures can be -- can be changed, what
16 makes sense in each individual measure. And we think that
17 Joplin is very, very unique in the sense that we can look at
18 it for defined time, defined area, and a defined community.

19 Twenty-eight, Energy Star New Homes, again,
20 it's a new program for MGE. We think it's an interesting
21 opportunity to look at how that works. Again, for a limited
22 time, limited duration. We're excited about the opportunity
23 to see if that's something that we want to do system-wide.
24 And we'll obviously consult with the collaborative on that.

25 Twenty-nine, a lot of regulatory

1 considerations to think about. We think of the reason why
2 we're there, the differential treatment. I think the
3 Commission talked about this in their notice, that this is a
4 different situation. This is a situation where a significant
5 part of the community was wiped off the map. We think that
6 the reason why we have a focus program in Joplin is
7 reasonable for the circumstances. We think, again, it's a
8 very much consistent with what the Commission's asked us to
9 do, to have good energy efficiency program and good measures.

10 Page 30, adequate program funding we talked
11 about a little bit. Two point five million spent in 2011.
12 This is a limited time duration program. It's monitored
13 quarterly by the collaborative and realtime by us. We
14 provide information to the collaborative about how we're
15 doing. We're -- we know that the folks in the collaborative
16 are actively engaged. We have good discussions about our
17 program and how they're doing and I'm confident that, you
18 know, if we're heading in the wrong direction in this
19 program, one or more of the collaborative members will bring
20 that to our attention. And again, we want to do the right
21 thing.

22 These programs are filed under the Promotional
23 Practices tariff. When you look at our tariffs at the very
24 back of the presentation, you'll see that it's filed under
25 that specific tariff -- or that specific regulation. They

1 are calculated to be reasonable, economically feasible, and
2 calculated to benefit the public utility and the customer,
3 which is from the regulation.

4 Thirty-one, system-wide and Joplin-focused
5 rebates benefit all of our customers. Our overall goals is,
6 again, to increase energy efficiency. We're in a fixed cost
7 business. We think that having year-round customers helps
8 us. We think that it helps other ratepayers to defray those
9 costs. We think getting people back on in the Joplin area
10 with the focus on energy efficiency makes sense for us, makes
11 sense for the community, and makes sense for society as a
12 whole.

13 Other efforts in Joplin, I won't spend much
14 time on, 32 and 33. We, as a company, again, we're very
15 committed to helping that community. We've donated money
16 from the American Red Cross -- to the American Red Cross, the
17 Salvation Army. We were actively engaged with the -- with a
18 program to build new Extreme Home Makeover in Joplin, so we
19 were engaged in that process.

20 Next steps, really what we're looking for is
21 there's photographs of that program. Next steps, we're not
22 -- we want to continue to assess the Joplin program. We want
23 to think forward. We want to think aggressively about how we
24 can help this community. We want to extend and expand that
25 program, if warranted.

1 We expect to talk to the collaborative, we
2 expect to communicate with them. If there is -- given the
3 statistic about the long-term nature rebuilding there, we
4 expect to have conversations, if it makes sense, to possibly
5 extend the program. We're not in a position to recommend
6 that at this point, but we certainly expect to look at that.

7 We'll continue to look for collaborative input
8 and approval. I think what this case shows is that we all
9 can't agree all the time, but this is a strong support of
10 three of the four members to go forward with this program, to
11 focus on this community. And again, I will tell you that
12 this process to get to where we are right now has helped us
13 and it's helped this program.

14 Thirty-nine, just any questions you have for
15 me, for Mike, for Bob. At the end of the presentation are
16 examples of our tariff, there's some promotional material at
17 the very end of what we sent out to communities, talk about
18 our partnership with Rinnai and York, and give you a small
19 insight into our programs.

20 I appreciate the opportunity to be here today,
21 and I open myself to questions.

22 JUDGE PRIDGIN: Mr. Jacobs, thank you.

23 Mr. Chairman, any questions?

24 COMMISSIONER GUNN: I don't. I mean, I kind
25 of reserve the right after the other presentations to do it.

1 I don't have any right now, but I appreciate very much the
2 information.

3 MR. JACOBS: Thank you.

4 JUDGE PRIDGIN: Mr. Jacobs, thank you. If I
5 recall correctly, Public Counsel will go next.

6 Mr. Poston, when you're ready, sir.

7 MR. POSTON: Thank you. Good morning,
8 Chairman, Judge.

9 The Order schedule in this conference states
10 that the Commission wants to hear the party's positions on
11 the experimental Joplin programs. As you know, we're the
12 only party that seeks suspension and hearing. That request
13 was denied. Our position on the tariff was explained in our
14 November 30th Motion to Suspend, our December 6th reply, and
15 again in our December 8th application for hearing. I don't
16 intend to rehash those arguments in any great detail, but I
17 will briefly address our three or four primary concerns with
18 the program.

19 First concern was in regards to the increased
20 rebate levels for upgrading appliances in existing homes.
21 There's no evidence to suggest that doubling the rebate
22 levels would result in increased efficiency for MGE's
23 distribution system.

24 The existing rebate levels were set at a level
25 that would already provide consumers with an incentive to

1 purchase the most efficient appliance while maintaining the
2 cost effectiveness of the program. If your rebate level is
3 set too high, it works against the overall purpose of the
4 program because it uses up funds that would otherwise be
5 available for other consumers and it's not consistent with
6 the Commission's direction that the energy efficiency funds
7 should be used to implement cost-effective programs.

8 Simply saying, higher rebates mean greater
9 efficiency is not the way to maximize energy efficiency
10 spending. That's one of our problems with the Joplin rebate
11 tariff levels, the high levels have not been justified with
12 evidence that support those levels. We requested suspension
13 and a hearing so MGE would be required to prove that the
14 rebate levels were set at an appropriate level.

15 The second objection we raised is in regards
16 to the Energy Star New Homes program. And this is a program
17 that provides incentives to builders to construct new homes
18 with Energy Star guidelines. According to MGE's own
19 analysis, the only way the program would be cost effective is
20 if natural gas was the primary source of space heating.

21 But MGE's program does not require that
22 natural gas be the primary source of space heating because it
23 includes an allowance for electric heat pumps. So right off
24 the bat, we know the program will not be cost effective for
25 homes where the primary source of space heating is electric

1 heat pump.

2 That's not the only problem. Even for homes
3 with gas space heat, MGE's analysis shows that the program is
4 just barely cost effective. And that was back when gas
5 prices were much lower than they are today. The gas price
6 today is around \$2, which means the program is not cost
7 effective today regardless of the source of the space
8 heating.

9 COMMISSIONER GUNN: Can I just clarify?

10 MR. POSTON: Yeah.

11 COMMISSIONER GUNN: You said back then, prices
12 were much lower than they are today?

13 MR. POSTON: I'm sorry, higher. Did I say
14 lower?

15 COMMISSIONER GUNN: Okay. Yeah, you said
16 lower. I just want to make sure right now because we're
17 right now at a record low.

18 MR. POSTON: You're right. They were much
19 higher than they are now. They are at \$2 now, they were -- I
20 think in one of our pleadings, we reference a dollar amount,
21 but I think they were almost double what they are today.

22 COMMISSIONER GUNN: Okay. Thank you.

23 MR. POSTON: We also objected to the New Homes
24 program because it included a requirement that to be
25 eligible, a builder must also install a natural gas water

1 heater. There is no relationship between a water heater and
2 the enhanced building shell measures that are encouraged by
3 this program. So why was this requirement included in the
4 tariff? The only objective would be to build natural gas
5 load, which only negates the efficiency efforts.

6 The last problem I'll address with this water
7 heater requirement is that it also -- it's our position that
8 it violates the Commission's Promotional Practice rule.
9 Promotional practices such as this that attempt to induce a
10 consumer to purchase a natural gas appliance over an electric
11 appliance are prohibited by the rule unless that promotion is
12 related to the delivery of the cost-effective, demand-side
13 program.

14 As noted, the requirement to purchase a
15 natural gas water heater is completely unrelated to the cost
16 effectiveness of the New Homes program. But that's exactly
17 what the New Homes program does. It mandates the purchase of
18 a natural gas water heater despite this being prohibited
19 promotional practice under the Commission's rule.

20 At the very minimum, we think the Commission
21 should have granted a variance from the rule for allowing the
22 tariff to become effective. The Commission determined that
23 there was good cause for such a variance. A variance request
24 requires a good cause showing and would have required the
25 Commission to weigh the interest being protected by the

1 Promotional Practice rule against the benefits of granting
2 the variance. By allowing a violation of the rule without a
3 variance, we believe that it's setting bad precedent that the
4 rules can be violated without a good cause showing.

5 Cases like this can be very frustrating for
6 Public Counsel because we have no idea why our
7 well-documented concerns were dismissed. So we have no idea
8 how to better address these issues in the future. Adding to
9 our frustration is that during the agenda discussion, the
10 Commissioners acknowledged that the program would not be cost
11 effective, but it approved it anyway.

12 Despite our frustrations, we're hopeful that
13 the Commission establish this conference as an opportunity to
14 address these concerns. We hope the Commission will, at a
15 minimum, ensure that the programs receive a proper evaluation
16 to determine whether they are, in fact, cost effective. That
17 means an evaluation that includes an entire year of
18 post-measure installation usage data to evaluate, which is
19 important to make sure that the seasonal variations and usage
20 do not distort the evaluation, so using at least a full year
21 of data as a standard practice for evaluating gas and
22 electric energy efficiency programs.

23 Right now, I believe the tariff says it would
24 -- the evaluation would be complete in the middle of 2013,
25 which would really only give you six months of usage data

1 because the program is to last until the end of 2012. So
2 we'd hope that the evaluation would be due by the middle of
3 2014 instead of 2013 as stated in the tariff. The mid-2013
4 deadline would require ratepayers to find an evaluation that
5 would not yield meaningful results due to the very limited
6 time period of post-implementation usage data.

7 Lastly, I'd also like to note that we weren't
8 alone in having issues with the tariff. The Staff's
9 December 2nd, 2011, pleadings stated that, quote, Staff
10 shares some of OPC's concerns and does not necessarily agree
11 with all the details of the program. Staff did not explain
12 what concerns it shared or what details it disagreed with.
13 Hopefully we'll be enlightened today by Staff and what
14 concerns Staff had and what details it disagreed with and
15 what Staff has done or intends to do to address these
16 concerns in the future.

17 Mr. Ryan Kind is here today, and we're both
18 available to answer any questions you may have. Thank you.

19 COMMISSIONER GUNN: Yeah, I do have a couple
20 questions. So looking at page 20 of the MGE presence, which
21 actually lists the --

22 MR. POSTON: Is it okay if I go over to my
23 seat?

24 CHAIRMAN GUNN: Absolutely, absolutely.

25 MR. POSTON: Yes, sir.

1 CHAIRMAN GUNN: So you talked a lot -- let's
2 set aside the rule violation here for a second, all right?
3 So let's talk about the practical workings of this. So
4 you're concerned about the -- the rebate amounts. That was
5 initially, you thought there wasn't a relationship between
6 the two. From the program results that are that are listed
7 on 20, are your concerns greater, lesser, or the same based
8 on the actual amount of applications for rebates or rebates
9 that were paid?

10 MR. POSTON: Is it okay if Ryan Kind answers?

11 CHAIRMAN GUNN: Absolutely.

12 MR. KIND: I would say our concern is at the
13 same level now as it was at the time the programs were
14 approved, and I think the -- the important thing to look at
15 is looking at both pages 20 and page 26, if you look at the
16 rebates offered, you'll see that they're, you know, generally
17 for most of the -- of the measures that are available in
18 Joplin, except for Energy Star New Homes, and I think you
19 heard an explanation from Mr. Jacobs as to why that program
20 doesn't have a lot of participation yet, and -- but if you'll
21 look at what these -- these measures and look at the same
22 measures on page 26, and the cost effectiveness of results
23 for them, and I would emphasize the cost effectiveness
24 results on page 26 in the first column for the total resource
25 cost test, that's the test that compares the -- the benefits

1 to society to the cost of society of moving to these -- a
2 higher level of efficiency for each of these measures.

3 In other words, it looks at the incremental
4 costs of the -- the savings in natural gas. It compares that
5 -- I'm sorry, it looks at that as an incremental benefit and
6 then it compares that to the incremental cost, the increased
7 cost of going to a higher level of efficiency, which involves
8 both the cost of the appliance and the installation costs.

9 And when you have ratios that are less than
10 one, that means that the incremental benefits to society is
11 less than incremental cost to society. And that's the
12 situation for many of these measures here. And of course
13 that was one of our big problems with Energy Star New Homes
14 at the bottom, which has a .6 TRC, which means that basically
15 for every home that participates, benefits to society are 60
16 percent of a level of the cost to society of doing that.

17 So that's -- I would look at it in a broader
18 context is what I'm trying to say, Commissioner, and you may
19 have had some other things you were focusing on on page 20
20 that I haven't really responded to.

21 MR. JACOBS: May I jump in on that,
22 Commissioner?

23 CHAIRMAN GUNN: Sure.

24 MR. JACOBS: I'm sorry to interrupt. I would
25 say that the argument perplexes me a little bit, OPC's

1 argument right now.

2 If you look at their position, their initial
3 brief in the AmerenUE case, when they talked about the
4 different cost-effectiveness measures, and this emphasis is
5 in their language in their initial brief. It says on page 15
6 that TRC is a method, not the method. They said on page 15
7 that the UCT test fits the cost-effectiveness definition in
8 the Promotional Practices rule.

9 I think that really the debate here, there's a
10 bit of the steering away from what they've said in other
11 cases which -- which measure seems to make sense. We haven't
12 latched on to that. We don't think -- because we just don't
13 know what measure's the best. We think that each measure
14 provides some -- each analysis provides some information, but
15 from our perspective, it's just confusing to say that, well,
16 don't look at this case about what we've said before about
17 the UCT test, look at the TRC, which we've said before really
18 may not make sense.

19 CHAIRMAN GUNN: And actually, that was -- that
20 was going to be one of my next questions. Because you're --
21 and I appreciate that. And I'm not necessarily concerned
22 about consistency. But what I am concerned about is, is are
23 you saying that the TRC is the only valid measure of cost
24 benefit analysis, or is it merely your preferred measure of
25 cost benefit analysis? Because even under Energy Star under

1 some of these other tests, you have a greater than one ratio
2 for cost benefit. So under certain measurements, these are
3 cost effective.

4 MR. KIND: That's correct. And then -- but
5 there's other things involved other than is it cost
6 effective. If it's cost effective to do something and if a
7 \$200 incentive is sufficient to get consumers to move to the
8 higher level of efficiency, and usually you might pick \$200
9 if it's half the incremental cost, you wouldn't want to pay
10 \$400 to consumers to do that because if you only -- if the
11 incentive was only 200, then twice as many consumers could
12 benefit and you would get twice the overall system benefit.

13 CHAIRMAN GUNN: And that's what goes back to
14 my original question, which means looking at the actual --
15 people actually taking advantage of -- let's assume for a
16 second that the programs are cost -- are beneficial, the cost
17 benefit analysis is greater than one, or at one. Let's
18 assume that for a second.

19 Do you see under the applications that have
20 been submitted the issue that you are raising, do you see a
21 -- do you see a disproportionate number or a greater number
22 of applications that you would have expected that have eaten
23 up a greater amount of funds which are what you're concern
24 is?

25 Because I mean, I'm looking at it, and I see

1 51 total applications for these rebates and just eight for
2 the highest one. I mean, there just doesn't seem to be the
3 amount of applications for the rebate that would cause me an
4 enormous amount of concern. Now, that doesn't necessarily
5 mean that the cost benefit analysis isn't a concern, and then
6 when we do the analysis, we don't take all that into account.
7 But looking at the applications that have come in so far,
8 based on that, has your argument played out in a way that you
9 would have expected? Because there doesn't seem to me to
10 have been this massive request for rebates that would cause
11 this pot of money to be not used in a way that would make it
12 not be available to other people.

13 MR. KIND: Well, there's two ways I would
14 respond to that question. First is: We're just looking at
15 some very preliminary data here. The program just began in
16 2012, and we're just a short way through 2012. So I really
17 wouldn't want to make any broad generalizations based on that
18 in terms of the total quantity of rebate.

19 However, in terms of the proportion of rebates
20 that go to each of the measures, I have a very high concern
21 with 36 out of 51 going for furnaces with less than a 96 EF
22 rating. When if you look at page 26, furnaces less than 96
23 don't have a TRC greater than one. So we are -- we --

24 CHAIRMAN GUNN: Ryan -- excuse me, Mr. Kind,
25 you're mixing matching these things, right? Because you're

1 going back to the cost benefit analysis, but your essential
2 argument is that we don't have enough data to make a
3 determination whether your first argument -- because there's
4 two separate arguments.

5 The first argument is that the rebates are set
6 too high so that it's going to eat up funds and too many
7 people are going to take advantage of that at a higher level,
8 which is not going to make funds available. Then on the
9 second side of that is the cost -- is the cost benefit
10 analysis. And I get your cost benefit analysis concern.

11 And I appreciate the point that these are
12 preliminary -- these are preliminary numbers. But we have
13 actual numbers now, right? So we can do some evaluation
14 based on these actual numbers that are coming in, so --

15 MR. KIND: I don't agree we can evaluate the
16 question that you're seeking to evaluate because to do so we
17 would have to compare it to a scenario that didn't occur,
18 what would the number of rebates have been if -- if the
19 rebate levels hadn't increased and we don't have that data.

20 CHAIRMAN GUNN: Okay. But that's a very, very
21 important point. So what you're saying is that these
22 applications, we cannot make the determination as to whether
23 the level of -- of rebates is too high until after we do the
24 full evaluation of the program.

25 MR. KIND: I'm not really arguing that because

1 we won't know that even after the full evaluation of the
2 program. We can only evaluate what happened. We would have
3 to evaluate a different scenario that didn't happen.

4 CHAIRMAN GUNN: But we will have actual data
5 rather than theoretical data after the evaluation of the
6 program.

7 MR. KIND: We will have no data to analyze the
8 level of the number of rebates that would have occurred if
9 incentives were at half this level.

10 CHAIRMAN GUNN: Well, all right. So we're
11 faced with a situation where we've got a city that's been
12 devastated by a tornado, and we're trying to help kick-start
13 some of these efficiency measures while we're rebuilding. So
14 is it OPC's contention that what we should have done is
15 started out at a lower rebate and see if it works, and if it
16 doesn't work then we -- then we increase the rebate? Because
17 that's the only way I can see how we evaluate under your
18 argument. I mean, and under that argument, wouldn't it be --
19 because people are going to rebuild their homes anyway,
20 shouldn't we offer no rebates because people are going to be
21 buying new stuff anyway and most of the new stuff is going to
22 be more efficient than the older stuff that they had, so we
23 shouldn't do anything because only by doing nothing will we
24 make a determination whether any level of rebate makes sense.
25 And then if it doesn't work after a year, then we'll jump it

1 up, and if that doesn't work after a year, then we kick it up
2 even higher? Isn't that the only way to evaluate what you're
3 talking about?

4 MR. KIND: I think to respond to that, I'd
5 have to tell you what our position was initially in this case
6 in terms of what we should focus on in Joplin rebuilding
7 efforts. And our position was that where we already had
8 rebates available system-wide throughout all of MGE's service
9 territory, what we should do is to move to a tiered rebate
10 system to incent people to be driven to higher levels
11 of efficiency, getting higher rebates for putting in
12 appliances with higher levels of efficiency through a tiered
13 rebate approach.

14 And so our -- our proposal was that if we
15 would apply the tiered rebate approach throughout all of
16 MGE's system, we would be getting greater levels of
17 implementation of higher levels of efficient appliances and
18 that what was missing in the Joplin area and what we should
19 be focusing on is a cost-effective program for new homes.

20 And we had -- so that was our focus, and I
21 feel like what we proposed for the putting in the tiered
22 level of rebates, which included higher rebates than we had
23 previously throughout the entire system, if somebody's going
24 to go to the highest level of efficiency, but also our focus
25 was there's a -- let's also focus on where the gaps -- the

1 gaps are, we're not giving people higher incentives to go to
2 the highest level of appliance. And the other gap is we have
3 no program at all for new homes and let's create a
4 cost-effective program for new homes.

5 CHAIRMAN GUNN: All right. I mean, I get what
6 you're saying, but I think that, you know, one of the -- one
7 of the points that's been brought up is that we do have a
8 unique situation here. And really, if you're looking to
9 evaluate what is the most cost effective, the idea would be,
10 well, people are building new homes and there's going to be
11 construction of new homes.

12 So the most -- and I -- ideally, you would
13 start with nothing because people are going to have to buy
14 something in order to determine what the appropriate level of
15 rebate is or whether a rebate is actually cost effective.
16 Where else do you have the ability to determine from building
17 the ground up whether how effective rebates are and what the
18 precise level of rebates are necessary? When you're talking
19 about brand new construction from the very beginning. I
20 mean, look, I understand there might be some need to incent,
21 but at this point, people are building brand new homes,
22 Many of which with insurance proceeds, not with money on
23 their own. So why would there necessarily be a need to -- to
24 offer anything?

25 MR. KIND: There's an obvious need. The need

1 is demonstrated by the fact that EPA has spent considerable
2 effort over the last 10 years creating a program, Energy Star
3 New Homes --

4 CHAIRMAN GUNN: Right.

5 MR. KIND: -- throughout the country.

6 CHAIRMAN GUNN: Right.

7 MR. KIND: And they've done that with a
8 response for a need throughout the country because the level
9 of building codes and common building practices in many areas
10 are such that people will not put in -- build more energy
11 efficient homes, even though using more efficient -- energy
12 efficient building practices would lead to benefits to
13 society overall that exceed the cost to society.

14 And that's the only point of the Energy Star
15 New Homes program, and it applies whether you have response
16 to a disaster situation or where you're just talking about
17 Kansas City where we don't have anything close to the model
18 energy code in place as a building code and we don't have
19 standard building practices where people are building at a
20 level of efficiency where -- that can be justified by the
21 benefits that are achieved over the long run.

22 CHAIRMAN GUNN: Well, in this situation where
23 we're talking about a specific group of ratepayers that have
24 been affected by -- by the disaster, why wouldn't the more
25 important test instead of the TRC test be the ratepayer

1 impact measure test in terms of cost effectiveness?

2 MR. KIND: The ratepayer impact test is
3 looking at the impact on non-participating ratepayers of
4 funding a program that benefits only a limited portion of
5 ratepayers. And what I think the reason you wouldn't want to
6 look at that is because generally the standard for what you
7 -- what public utilities should do is that they should act in
8 a public interest. And acting in the public interest means
9 you look at the ratepayers as an entire class and are there
10 policies that enhance the welfare of ratepayers as an entire
11 class where the RIM test looks at really winners and losers
12 within the entire class of ratepayers.

13 CHAIRMAN GUNN: Well, haven't the people in
14 the middle of Joplin ended up being pretty big losers and so
15 it's okay for us to -- to take a look at them and say, you
16 know what, in this particular case when we're -- when you
17 look at some of these other broader -- other measures maybe,
18 you know, system-wide, there is a goal, but also there is a
19 goal -- there is a very specific goal under these tariffs,
20 which is to take these seven to 10,000 homes and -- and make
21 sure that they get some benefit, both -- and there is a
22 benefit to society as a whole because you're allowing people
23 to remain in Joplin, you're allowing businesses and economic
24 development in the area.

25 Which if that's the case, you can both spread

1 out the costs as well as, you know, and you talked about
2 growing load. Well, growing load isn't necessarily a bad
3 thing if individual ratepayers don't feel the -- you achieve
4 the economies of scale on some of these things.

5 I mean, it's one of these things we see in
6 these water cases, right? I mean, the more you can spread
7 out the costs, the less increases we see for system-wide,
8 rather than in the smaller, you know, when you have 50
9 ratepayers in a subdivision, when they have large capital
10 improvement projects, their rates go up exponentially and a
11 lot of it's necessary for reliability and for clean water.
12 But when you can spread that out over 200,000 or 300,000
13 customers, it lessens the individual impact on each
14 ratepayer, which is a society benefit.

15 MR. KIND: I think we would definitely agree
16 that the unique circumstances in Joplin could mean that it
17 would be appropriate to take some unique actions. And from
18 our perspective, unique actions might even mean that you
19 would implement a program that doesn't pass the
20 cost-effectiveness test and the promotional practices rules.

21 However, in this case, the utility hasn't come
22 in and asked for a waiver from those rules. Instead, they
23 just came in and really made false claims that this program
24 is cost effective under the rules. It's not up to Public
25 Counsel to ask for a waiver. We're not the moving party in

1 this case. And if, in fact, they had requested a waiver, I
2 think we would have been very pleased to get engaged in that
3 discussion with the Commission as to whether or not there's
4 good cause for a waiver to be granted and exactly what the
5 program design parameters should be if you're going to grant
6 such a waiver.

7 CHAIRMAN GUNN: And so the -- in terms of cost
8 effectiveness, the only -- that you're saying under our
9 rules, the only measurement that we should take into account
10 for cost effectiveness is the total resource cost?

11 MR. KIND: No, I'm not. The Promotional
12 Practices rules actually specifies something that aligns more
13 closely with utility cost test, and it's the utility cost
14 test that the Energy Star New Homes fails to pass when you
15 don't require gas heat as the primary heat source.

16 CHAIRMAN GUNN: Okay.

17 MR. KIND: And we provided evidence to the
18 Commission to that effect in an affidavit that I filed. And
19 that affidavit was filed in response to a Commission
20 discussion in this case where they said, well, we really
21 don't have any evidence on which to act, so we provided the
22 evidence.

23 CHAIRMAN GUNN: So let me talk about this --
24 this requirement that -- that you have that we have natural
25 gas water heaters. Under a total resource cost test, is a

1 natural gas water heater -- how does a natural gas water
2 heater compare to an electric water heater?

3 MR. KIND: The presence or absence of a
4 natural gas water heater in a home that participates in the
5 Energy Star New Homes program has no impact on the cost
6 effectiveness test results. And I will explain that a little
7 bit. The reason is: Energy Star New Homes, all of the
8 incentives are designed to enhance the thermal
9 characteristics of the building shell and altering the
10 thermal characteristics of the building shell has no affect
11 on the performance of a water heater. A water heater uses
12 the same amount of energy, basically, you know, either way.

13 CHAIRMAN GUNN: I see what you're saying. So
14 it's designed more to deal with insulation and weatherization
15 and other things?

16 MR. KIND: Exactly.

17 CHAIRMAN GUNN: The fact that you have a
18 natural gas water heater doesn't make any difference to that?

19 MR. KIND: That's correct.

20 CHAIRMAN GUNN: Okay. All right. Mr. Poston,
21 you talked about how the Commission acknowledged that these
22 things were not cost effective. Did we acknowledge that they
23 were not cost effective or that they may not have been cost
24 effective?

25 MR. POSTON: I would have to look back at the

1 agenda. There was a discussion about that, and my impression
2 was there was an acknowledgment that -- that perhaps the data
3 showed there wasn't -- they weren't cost effective. I don't
4 exactly recall.

5 CHAIRMAN GUNN: Okay. Because I seem to
6 recall that we were saying that they may not, there was the
7 potential that at the end of the evaluation period, we might
8 find out that they turned out not to be cost effective, but
9 that in these pilot programs, one of the things that you're
10 trying to gather is data to make a determination whether --
11 whether something is cost effective. So you want to -- you
12 want to be a little bit more allowing for -- you allow people
13 to get a little bit closer to the line in terms of cost
14 effectiveness because ultimately we won't know whether they
15 are or not until the evaluation period is over. And that's
16 the whole purpose of the pilot is to make -- one of the
17 purposes of the pilot is to make a cost effectiveness
18 determination.

19 MR. POSTON: I'm guessing that was based on
20 the analysis that MGE had done that's kind of part of the
21 basis of some of our concerns with it, where their analysis
22 did show that it was only cost effective -- the New Homes
23 program is only cost effective if there was gas space
24 heating. So I think it was based on the analysis.

25 CHAIRMAN GUNN: Okay. And I just want to

1 clarify, so in terms of the evaluation period, if we were to
2 -- to move the evaluation period essentially to get a year of
3 post-pilot evaluation data, you think that's a better data
4 set to evaluate the -- the pilot program data than the six
5 months that we have in the tariff right now?

6 MR. POSTON: Yeah, if Ryan can speak to that.

7 CHAIRMAN GUNN: Sure.

8 MR. KIND: I would be glad to speak to that.
9 That is just basic standard practice throughout the energy
10 efficiency industry across the United States to have a
11 minimum of one year --

12 CHAIRMAN GUNN: Okay.

13 MR. KIND: -- of post-implementation data.
14 We've been having discussions recently with Ameren about
15 their having a problem with their not having the right data
16 available for evaluating low income weatherization program
17 and wanted to move the evaluation date back to make sure that
18 they've got a year of post-implementation data. And the
19 tariffs in this case, if you turn to about oh, four pages
20 from the end of Mr. Jacobs' presentation.

21 MR. POSTON: Forty-one.

22 MR. KIND: Right, page 41, right before page
23 42, if you look at the very bottom of that page, a detailed
24 post-implementation evaluation of the program shall be
25 completed within six months of the end of the program.

1 That's just -- that just doesn't allow for a year. I think
2 Mr. Poston indicated that as it's stated in here, it would
3 allow for maybe use of six months of post-implementation
4 data, and I think he's probably unfortunately not quite as
5 familiar with evaluations as I am, and really I think you
6 might -- you might imagine that would be possible, but you
7 have to also figure out that the evaluator is going to need
8 at least three months to perform the evaluation. So in fact,
9 under this schedule, you might have three months of
10 post-implementation data available prior to the evaluation
11 being commenced in time to be completed six months after the
12 end of the program.

13 CHAIRMAN GUNN: Right. So you wouldn't have
14 the full six months' worth of data if it was due on month six
15 --

16 MR. KIND: That's correct.

17 CHAIRMAN GUNN: -- because you would have to
18 run the numbers?

19 MR. KIND: Right.

20 CHAIRMAN GUNN: And a big -- a big reason for
21 that -- for that length of time is to take into account
22 potential seasonal differences and other variances that it
23 will smooth out the differences?

24 MR. KIND: Well, especially if you're looking
25 at weather sensitive measures, measures that impact weather

1 sensitive usage, I should say. And that would include both
2 building shell measures and furnaces.

3 CHAIRMAN GUNN: Okay. All right. Okay. I
4 don't have any further questions. Thank you.

5 MR. KIND: You're welcome.

6 JUDGE PRIDGIN: Mr. Chairman, thank you.
7 Commissioner Jarrett?

8 COMMISSIONER JARRETT: Yeah, I'm not sure I
9 understand what we were talking about as far as the -- the
10 evaluation. Are we looking at page, what, 42?

11 MR. KIND: It's the page right before page 42,
12 the tariff sheets. So it's sheet number -- tariff sheet
13 number 105.1. Tariff sheet number 105.1, and the very last
14 paragraph on that sheet and there's a similar paragraph on
15 104.1, which is two pages earlier.

16 COMMISSIONER JARRETT: Okay. And it says the
17 detailed post-implementation evaluation, the Rebuild Joplin
18 program shall be completed within six months of the end of
19 the program's termination date. So how long does the program
20 go?

21 MR. KIND: It goes through the end of this
22 calendar year.

23 COMMISSIONER JARRETT: Okay. So it's a year
24 program?

25 MR. KIND: As long as funds last that long,

1 and at this point it's looking like the funds will last that
2 long.

3 COMMISSIONER JARRETT: Okay. So this is just
4 saying that the evaluation of that data will be done in six
5 months, right?

6 MR. KIND: The evaluation of the program will
7 be done in six months.

8 COMMISSIONER JARRETT: Right, but the
9 program's over and then six months after the program's over,
10 that data will be evaluated within six months?

11 MR. KIND: Right. And our point is that it
12 would be a waste of ratepayers' money to try to attempt to do
13 an evaluation with that limited amount of data because you
14 don't have the usage data available that will actually let
15 you be able to tell whether what the cost effectiveness is
16 with respect to all those different tests that we've been
17 talking about; TRC, RIM, UCT, et cetera.

18 COMMISSIONER JARRETT: Okay. So -- so the
19 program should be --

20 MR. KIND: So the evaluation should be pushed
21 back one year.

22 COMMISSIONER JARRETT: Well, okay. And the
23 program continue? Is that what you're saying?

24 MR. KIND: No, no.

25 COMMISSIONER JARRETT: Well, if the program's

1 over, all the data's already been -- the data's done.

2 There's no more data going to be created, right?

3 MR. KIND: No, that's not correct. The data
4 is created by measuring the -- the usage of the customers
5 after the measures have been installed. So some measures
6 will be installed late in 2012.

7 COMMISSIONER JARRETT: Uh-huh.

8 MR. KIND: And then we'll look at the -- at
9 the monthly bills of customers for the next 12 months will
10 tell us post-installation --

11 COMMISSIONER JARRETT: Okay.

12 MR. KIND: -- how did their usage change prior
13 to the measure being in place, and we'll also look at the
14 billing data, the usage part of that prior to implementation
15 of measure. And those are the two things that you compare in
16 order to see how the effective energy efficiency measures is
17 on customer usage.

18 COMMISSIONER JARRETT: Okay. I think I
19 understand you now. What do the other folks say about that?

20 MR. JACOBS: If you look at -- Commissioner,
21 if you look -- to answer your question very succinctly, I
22 would say we'd have to look at that. The thing that I'm a
23 bit perplexed by -- by Public Counsel's position, if you look
24 in the description, what they described to you and the
25 Commission is that this is a -- I think the language was that

1 the minimum in the industry that we need to look at one year
2 of post-implementation data.

3 And so the inference that they give you is
4 that what we've done here is an aberration of that, that they
5 distance themselves from. If you look at the Promotional
6 Practices tariffs that we have in our existing programs, our
7 tariffs that currently exist that OPC voted on have the same
8 language that we have in the Joplin tariffs.

9 If you look at the existing energy efficiency
10 tariffs, it's page 40, and I didn't number these tariffs, but
11 the quote that they gave you was a detailed -- from the
12 Joplin tariffs, it says a detailed post-implementation
13 evaluation shall be completed within six months of the end of
14 the program's termination date. This is a unique program in
15 the sense that it's one year. Our other programs don't have
16 a fixed termination date because they go on.

17 And so what the collaborative discussed,
18 including OPC when they signed on to these to say that we can
19 implement these tariffs, is the same language because it's
20 not a fixed termination date, it's got information that says
21 very similar, a detailed post-implementation evaluation of
22 the initial two years, because it's not a fixed termination
23 tariff, shall be completed within six months of the end of
24 the program's second year.

25 So really, I mean, we're willing to talk about

1 it as a collaborative, but to -- to say that these tariffs
2 are somehow deficient because of the way that we worded that
3 -- that evaluation piece of it, I think doesn't speak to the
4 fact that they voted on the same language, essentially, in
5 these tariffs.

6 So we'd be happy to look at that if that's
7 something that's new that the OPC wants to look at, we're
8 happy to engage in those discussions with the collaborative
9 if it makes sense. We just need to look at it. Does this
10 make sense, does this provide more information to us to
11 evaluate cost effectiveness? And if it makes sense, we will
12 act on it. If not, we'll voice those concerns and try to
13 come to a collaborative decision. If we can't, I'm sure
14 we'll be in front of you arguing about the merits or demerits
15 of doing post-implementation analysis.

16 CHAIRMAN GUNN: Great. Ms. Shemwell, do you
17 have any comment?

18 MS. SHEMWELL: Thank you, Commissioner
19 Jarrett. The whole reason we're running this pilot program
20 is to gather the best information that we possibly can. We
21 hope that evaluations are ongoing throughout this process and
22 certainly we understand OPC's thought that a year after
23 installation is done is valuable. So Staff certainly would
24 not oppose a standing evaluation period for I guess what
25 would be called a final. But we're thinking that evaluation

1 should be done throughout, and whatever can be done to get
2 the most information from this program should be done by
3 tariff or the collaborative or whomever because that's our
4 whole goal in doing it.

5 COMMISSIONER JARRETT: All right.

6 MS. SHEMWELL: Thank you.

7 COMMISSIONER JARRETT: DNR, do you have any
8 comments on that?

9 MS. FRAZIER: I think I would just echo what
10 Staff counsel just said and indicate our willingness to work
11 through the collaborative to get the best data available, and
12 we affirm what Mr. Kind has said in terms of recognizing that
13 a year of usage data would be a valuable tool.

14 COMMISSIONER JARRETT: Okay. Thank you. I
15 don't think I have any other questions, Judge. Thanks
16 everybody.

17 JUDGE PRIDGIN: Commissioner Jarrett, thank
18 you. And I can't recall are we going to go to Staff or DNR
19 next?

20 MS. SHEMWELL: Staff will go ahead, thank you.
21 I wanted to mention that we notified Empire, they were part
22 of the collaborative, and invited them to join us today if
23 they wanted to. Now I will turn it over to Ms. Moore.

24 JUDGE PRIDGIN: Ms. Moore, when you're ready

25 MS. MOORE: Good morning, Commissioner and

1 Judge. Amy Moore for Staff.

2 We just have a brief statement. Staff has
3 little to add that hasn't already been discussed between the
4 parties that have already made their statement, except to say
5 that Staff still supports implementation of these two pilot
6 programs that we've been discussing. Nothing that's been
7 argued since the Commission issued their Order denying OPC's
8 Motion for Rehearing has changed Staff's position, which is
9 is that while Staff did not necessarily agree with all the
10 details of the proposed programs, they are MGE's programs,
11 they are pilot programs.

12 Nothing in the rebuild Joplin's tariff
13 violates a Commission rule. It's our position that that
14 includes the Commission's Promotional Practices rule, we
15 don't believe it violates that rule.

16 Furthermore, we believe the unique
17 circumstances as we've discussed in Joplin following that May
18 2011 tornado present a significant opportunity or -- to
19 encourage energy efficient building practices and appliance
20 purchases, and to do so in a discreet area where pilot
21 programs are more likely to yield valuable information.

22 So that's our position in a nutshell and we
23 have also here Michael Stahlman, Henry Warren and Todd Emhof
24 -- Tom Emhof, and they are very familiar with the programs as
25 well as the discussions of the collaborative. Staff counsel

1 was not present in those discussions, so we wouldn't be able
2 to discuss, really, with personal knowledge what happened
3 there, but our staff members are here and they are familiar
4 and available to answer questions. So if there are any
5 questions for Staff.

6 JUDGE PRIDGIN: Ms. Moore, thank you.
7 Commissioner Jarrett?

8 COMMISSIONER JARRETT: Yes, thank you, Judge.
9 I want to pick up a little bit maybe and discuss a little bit
10 more what Ms. Shemwell mentioned to me in my questioning
11 talking about monitoring and the more monitoring the better.
12 What are the plan -- this is a pilot, it's an experimental
13 pilot program. So what kinds of things does Staff do, what
14 kinds of things would the collaborative do as far as
15 monitoring these experimental pilot programs?

16 MS. SHEMWELL: My understanding is MGE will
17 report to the collaborative quarterly. Is that right?
18 Again, we don't -- attorneys don't participate in the
19 collaborative meetings, but that they will continue to
20 discuss this with MGE throughout the program. MGE reports at
21 least informally to the collaborative on a quarterly basis.
22 And you see in your package the level of rebates that have
23 been taken advantage of so far. So that that sort of
24 information is available.

25 COMMISSIONER JARRETT: Okay.

1 MS. SHEMWELL: Let me ask Mr. Warren if he
2 wants to add anything to that. Henry?

3 MR. WARREN: Thank you, good morning. Staff
4 will be looking at the information that -- in the context of
5 the collaborative will be looking at the information that MGE
6 submits. And you know, we are certainly open to, you know,
7 if we -- if modifying the -- the timing of the evaluation to
8 get the -- the most valuable and get the time period where
9 most valuable information will be -- can be evaluated.

10 COMMISSIONER JARRETT: And maybe this is a
11 question for the lawyers, but will that have to be done by --
12 will tariff have to be amended or can that just be done
13 through the collaborative by agreement?

14 MR. JACOBS: For the reporting process?

15 COMMISSIONER JARRETT: Yeah.

16 MR. JACOBS: The tariff actually says we are
17 required to provide a quarterly report to the collaborative.
18 So we send that information out to the collaborative with
19 numbers, expenses, as much detail as kind of the existing
20 information we provided in the past. And my understanding is
21 that at least there hasn't been a voice to say that that
22 information was insufficient, but we certainly listen to the
23 collaborative if they want more information and slice and
24 dice the numbers.

25 COMMISSIONER JARRETT: My question was more to

1 the six months versus the year that Mr. Kind was talking
2 about.

3 MR. JACOBS: I think that would require a
4 tariff revision. I think the language right now says that we
5 provide it within six months afterwards, and that's really
6 what I was going getting to to say that if we do do that -- I
7 mean, we're willing to engage in discussions about it. I
8 don't want to sign up our guys to say whether or not that
9 makes sense because frankly we haven't discussed it. But we
10 just need to talk about it. We're happy to engage with the
11 collaborative to talk about that. But ultimately what it
12 would mean is we would have to change all of our existing
13 tariffs. Ultimately, if it makes sense to do that, we're
14 willing to look at it.

15 MS. SHEMWELL: Staff agree that a tariff
16 revision would be necessary in terms of whether or not it
17 would require revision to all of MGE's tariffs when this is a
18 unique situation. I'm not sure.

19 MR. KIND: And I would disagree with
20 Mr. Jacobs' statement that it would require a revision to all
21 their tariffs. I believe the evaluation language in their
22 tariffs with respect to the other programs that are
23 system-wide are, indeed, allow for a full year of usage data
24 to be utilized in the evaluations.

25 And that, for example, the language at the

1 bottom of tariff sheet number 102 says the company will
2 provide an evaluation after 24 months from the start of the
3 program. What that means is you're going to provide an
4 evaluation one year after the program has been in place for a
5 full year. So in theory, you could have up to a year and a
6 half, actually, of usage data for those evaluations as they
7 are set forth in tariffs for the other programs.

8 COMMISSIONER JARRETT: Okay. Question of
9 Staff again. You mentioned, you know, in the context of the
10 collaborative, you would be doing these regular monitoring
11 and regular getting these quarterly reports. Is there
12 anything that Staff does outside of the collaborative to
13 monitor these experimental pilot projects?

14 MS. SHEMWELL: We monitor them generally, of
15 course, for all utility companies across the state. And
16 Dr. Warren attends programs and meetings where national
17 results are discussed. So we try to stay current on what's
18 happening nationwide.

19 COMMISSIONER JARRETT: Okay. All right.
20 Thank you. I don't have any further questions.

21 JUDGE PRIDGIN: All right. Commissioner
22 Jarrett, thank you.

23 I believe we'll hear from DNR, Ms. Frazier,
24 when you're ready.

25 MS. FRAZIER: Thank you and good morning,

1 Jenni Frazier with the Attorney General's office.

2 I just want to express that the Department of
3 Natural Resources continues to support the Rebuild Joplin
4 program. The Department recognizes the Office of Public
5 Counsel's concerns, but it does not believe those concerns
6 warrant any action regarding the tariffs by the Commission.
7 That said, based upon the recent discussions, I think that we
8 would be willing to entertain through the collaborative the
9 discussion about the year-long usage data that we've been
10 discussing.

11 The May 22nd tornado was the largest and
12 deadliest natural disaster, but we really believe it's an
13 unprecedented opportunity to promote the choice of more
14 energy efficient furnaces, water heaters, and other
15 appliances as Joplin is rebuilt. When the pilot ends, we
16 look forward to evaluating the impacts of this program in
17 relation to other energy efficiency programs throughout the
18 state. We believe this is an appropriate experimental pry
19 lot program.

20 The Joplin tariffs are also consistent with
21 the Commission's Report and Order in MGE's last rate case in
22 which it was directed to -- MGE was directed to spend at
23 least 1.5 million on energy efficiency measures, and in the
24 wake of the -- in the wake of the Joplin tornado, it's
25 appropriate and reasonable for MGE to focus the one million

1 dollars, which it doesn't look like it will all be spent, but
2 focus those funds on energy efficiency in Joplin. And this
3 will still leave sufficient energy efficient funding
4 throughout the rest of the MGE service territory.

5 We also believe it's relevant that MGE's
6 coordinating with Empire District Electric Company in
7 offering the New Star -- the Energy Star New Homes program.
8 And this is similar to MGE's partnership with KCP&L in
9 offering the home performance with Energy Star program in
10 cooperation with the Metropolitan Energy Center in the Kansas
11 City area.

12 At a time when motor gasoline, food, and
13 medical prices continue to rise and as natural gas prices
14 fall in an unprecedented rate, MGE should continue to be
15 allowed to promote and offer energy efficiency program
16 measures to allow natural gas customers to take advantage of
17 these falling natural gas prices.

18 Empire Electric -- Empire District Electric
19 Company continues to work with MGE in providing both electric
20 and natural gas energy efficiency programs and services to
21 the Joplin area. If MGE's energy efficiency programs
22 reviewed as an effort to expand MGE's customer base, then if
23 anyone should be objecting, it would be Empire District
24 Electric Company, and such opposition has not been presented
25 to the Commission.

1 Lastly, the Commission recently addressed the
2 issue of cost effective natural gas energy efficiency
3 measures in the Ameren case that's been discussed previously
4 by MGE. And we think that's important to recognize that the
5 Commission made clear that the removal of or changes to
6 natural gas energy efficiency measures offered by Ameren
7 Missouri to customers before the completion of a formal
8 evaluation would not be in the public interest.

9 And that is all I have for now for a brief
10 statement. I do have John Buchanan here, who is very
11 familiar with the issues before you and is available for
12 questions.

13 JUDGE PRIDGIN: Ms. Frazier, thank you.

14 Commissioner Jarrett?

15 COMMISSIONER JARRETT: I don't think I have
16 any questions, but I appreciate your comments and I don't
17 know if your witness wants to add anything. I'd be happy to
18 listen.

19 MS. FRAZIER: I appreciate the offer and I'd
20 ask if John has anything to add.

21 MR. BUCHANAN: I'm available for any questions
22 that you might have, Commissioner.

23 COMMISSIONER JARRETT: I don't have any
24 questions, so thank you.

25 MS. FRAZIER: Thank you.

1 JUDGE PRIDGIN: All right. Thank you. I
2 believe we have heard from all the parties. Commissioner
3 Jarrett, anything further?

4 COMMISSIONER JARRETT: No, Judge. Thanks.

5 JUDGE PRIDGIN: All right. Thank you.
6 Anything further from the parties?

7 MS. SHEMWELL: No.

8 MR. JACOBS: No.

9 JUDGE PRIDGIN: All right. Hearing nothing,
10 that will conclude this on-the-record presentation. Thank
11 you very much. We are off the record.

12 (End of Proceedings.)
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1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI)

) ss:

3 COUNTY OF GASCONADE)

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5 I, JENNIFER L. LEIBACH, Registered Professional

6 Reporter, Certified Court Reporter, CCR #1108, and Certified

7 Realtime Reporter, the officer before whom the foregoing

8 matter was taken, do hereby certify that the witness/es whose

9 testimony appears in the foregoing matter was duly sworn by

10 me; that the testimony of said witness/es was taken by me to

11 the best of my ability and thereafter reduced to typewriting

12 under my direction; that I am neither counsel for, related

13 to, nor employed by any of the parties to the action in which

14 this matter was taken, and further that I am not a relative

15 or employee of any attorney or counsel employed by the

16 parties thereto, nor financially or otherwise interested in

17 the outcome of the action.

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20 Court Reporter

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