## MEMORANDUM

To: Missouri Public Service Commission Official Case File, Case No. GE-2006-0156,

Tariff File No. JG-2006-0363, Southern Missouri Gas Company, LP d/b/a Southern

Missouri Natural Gas

HW

From: Henry Warren, Energy Department – Tariffs/Rate Design

Subject: Staff Recommendation to Approve Tariff Sheets Filed to Establish Experimental

Natural Gas Water Heater Rebate Program and Approve an Application for Variance

from the Provisions of 4 CSR 240-14.020(1)(D) (Promotional Practices Rule)

Date: 12/07/2005

On October 10, 2005, Southern Missouri Gas Company, LP d/b/a Southern Missouri Natural Gas (SMNG or Company) filed an Application and tariff sheets proposing the establishment of an Experimental Natural Gas Water Heater Rebate Program (the Rebate Program). In this Application, SMNG requests that the Missouri Public Service Commission (Commission) grant a variance from the provisions of 4 CSR 240-14.020(1)(D) (Promotional Practices Rule) and approve SMNG's proposed Rebate Program. On October 12, 2005, the Commission issued an Order Directing Filing, ordering the Staff of the Commission to file its recommendation on the instant filing no later than November 14, 2005. On November 10, 2005, a Staff Status Report and Proposed Date for Filing Staff Recommendation was filed, requesting the Commission extend the due date of the Staff Recommendation. Staff indicated that it expected to be able to make its recommendation on both the proposed program and on the tariff sheet no later than November 18, 2005. SMNG was in agreement with Staff's requested extension. Subsequently, with the consent of the Company and the Staff the Commission postponed the filing to November 30, 2005 and then December 7, 2005. On December 7, 2005, SMNG filed substitute tariff sheets to comply with an agreement reached on the tariff language.

The purpose of the Rebate Program is to encourage more effective utilization of natural gas by encouraging energy efficiency improvements with economic incentives for choosing new high-efficiency natural gas water heaters. The Rebate Program will be funded entirely by the Company and will not use any ratepayer subsidies.

Staff submitted Data Requests to the Company for information about the extent of participation in the program, the cost of the program, and the potential impact of the program on system capacity. Because the program has not been previously available, the Company could only estimate the extent of the program and its effects. Consequently, Staff recommended the Company file tariff sheets for an experimental program.

Staff and the Company have been working on program implementation and tariff language prior to tariffs and documentation on the program being filed. Staff recognizes the unique situation of

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SMNG not having any jurisdictional electric providers in its service area; and has tried to follow an expeditious process.

The tariff sheets proposed on October 11, 2005, were subsequently withdrawn and new tariff sheets were filed on December 7, 2005, that contains the results of the ongoing collaboration.

The individual rebate amounts are \$100 for replacing an existing electric water heater with a new natural gas water heater, \$40 for replacing an existing gas fired water heater with a new natural gas fired water heater, and \$150 for installing a new natural gas fired water heater in any newly constructed building. The Rebate Program is voluntary and available to any participant. The participant should receive the rebate after a properly completed application form is submitted. A draft of the rebate forms prepared by the Staff is attached. The Staff and the Company are in the process of finalizing details of the language and the availability of the form. The proposed tariff sheets bear an effective date of December 23, 2006, and the Rebate Program will conclude December 31, 2008, unless extended by the Company.

The Commission's Energy Department Tariffs/Rate Design Staff (Staff) has reviewed this filing and has determined that granting SMNG a waiver of the Commission's Promotional Practices Rule is reasonable. The Staff has verified that the Company has filed its annual report and is not delinquent on any assessment. Staff has reviewed this filing and is not aware of any issue currently pending before the Commission that affects, or is affected by, this filing. However, the following open cases involving this Company are before the Commission at this time:

AX-2005-0363 GC-2006-0182 GE-2006-0189 GC-2006-0180 GR-2005-0279

Staff therefore recommends approval of the following tariff sheets, as filed on December 7, 2005 with an effective date of December 23, 2005:

P.S.C. Mo. No. 2 1<sup>st</sup> Original SHEET No. 72 P.S.C. Mo. No. 2 1<sup>st</sup> Original SHEET No. 73 P.S.C. Mo. No. 2 1<sup>st</sup> Original SHEET No. 74

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James M. Fischer, Counsel (Southern Missouri Gas Co., L.P.)

Office of the Public Counsel