BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Southern Union Company	)	
d/b/a Missouri Gas Energy's Tariff Sheets	)	File No. GT-2013-0330
Designed to Implement an Experimental	)	Tariff No. YG-2013-0255
Pilot Program	)	

MISSOURI GAS ENERGY'S RESPONSE TO PUBLIC COUNSEL'S REPLY TO THE STAFF AND MGE

COMES NOW Southern Union Company, d/b/a Missouri Gas Energy ("MGE") and in its response to Public Counsel's "Reply to the Staff and MGE Responses to OPC's Motion to Suspend Tariff," ("OPC's Reply") states as follows:

1. **OPC's Position is Inconsistent With Its Previous Arguments**.

In OPC's Reply, it states that it only seeks to suspend the extension of the water heater portion of the proposed extension to the Rebuild Joplin Program tariffs. OPC states that it does not object to continuing the Rebuild Joplin Program for space heating rebates. OPC's new position is inconsistent with a) its vote with the Energy Efficiency Collaborative ("EEC") against any extension of the tariff and b) its own arguments in its Motion to Reject Tariff Filing, or In the Alternative, Motion to Suspend Tariff, and Motion for an Evidentiary Hearing ("Motion to Suspend").[1] OPC offers no explanation for this switch. OPC's shifting position should be rejected. The tariffs should be permitted to go into effect by operation of law.

2. **OPC's Cost Effectiveness Arguments are Incomplete and Short Sighted**.

OPC argues extensively about the cost-effectiveness and various program expenditures in the Rebuild Joplin Program. OPC's arguments are both premature and short-sighted.

a. The cost effectiveness of energy efficiency programs are designed to be evaluated after program completion. OPC admits, as it must, that MGE's position (that

[1] OPC's Motion to Suspend, para. 2-5. While OPC focuses on water heater cost effectiveness, it asks the Commission to reject or suspend the entire tariff, not just part of it.

cost effectiveness is measurable only after program completion) is "technically correct"[2] because this is what MGE's tariff require. The "Rebuild Joplin: Experimental Pilot Program for Residential and SGS Natural Gas Energy Efficiency Incentives" tariff requires "a detailed post-implementation" within "six (6) months of the end of the Program's termination date" which would include "both process evaluations and cost effectiveness (impact) evaluations."[3] Evaluation before a program is complete and before the tariffs require is inappropriate and unwarranted.

b. It is only logical to evaluate a program after completion rather than now, as OPC suggests. Customers cannot take advantage of a program that they do not know about. Accordingly, initial program costs will be higher in the beginning- including printing informational material, updating websites, creating advertising – as opposed to later in the program, when those early efforts hopefully result in customers taking advantage of program offerings. Taking a snapshot view, before the tariffs require an evaluation, is inappropriate.

c. OPC argues that suspension of the Rebuild Joplin Program is warranted because there is an "independent evaluation by Nexant" which "revealed that the costs of the program far outweigh the benefits."[4] Contrary to OPC's assertion, the Nexant evaluation did not evaluate the Rebuild Joplin program, because the Rebuild Joplin program did not exist during the period of Nexant's review. The Nexant evaluation covered energy efficiency programs that were in place between 2009 and March 2011. The Rebuild Joplin Programs were not effective until December 2011. Accordingly, it is unclear why OPC would point to a program evaluation that did not evaluate the program that they critique.

[2] OPC's Reply, para. 9.
[3] The original tariff is attached as Exhibit A. The cited language appears as the last paragraph of the tariff. The proposed tariff contains similar language, but slightly changed at the request of OPC, to permit even later evaluation. This new language is contained in Exhibit B.
[4] OPC Reply, para. 1.

d. OPC's critique of water heating incentives is short-sighted. Water heating can comprise up to 30% of a household's natural gas usage per year. It is irresponsible to walk away from energy efficiency initiatives that impact well over a quarter of a customer's energy use. OPC also asserts that low natural gas prices have had an impact on cost benefit analysis in Nexant's report.[5] Low natural gas prices are a benefit to consumers and are a "game-changer" in energy policy debates. OPC's suggestion that we should abandon energy efficiency incentives due to shifting natural gas prices is both short sighted and negatively impacts consumers. The cost of natural gas comprises the vast majority of a customer's bill under MGE's straight fixed variable rate design. Any effort to reduce energy costs – through energy efficient appliances or energy efficient building measures – should be encouraged, not abandoned. When there is a complete and final evaluation of the Rebuild Joplin Program, a more detailed discussion will be warranted as to how individual appliance incentives fit into the broad program, whether the program is cost effective on a portfolio basis, and what cost effectiveness measure is most useful. In the interim, a short extension of the program is warranted.

3. **Conclusion**. OPC finds itself again in the position of opposing energy efficiency programs designed to reduce customer bills, conserve energy, and help the environment. The cost effectiveness study that OPC cites did not evaluate the Rebuild Joplin Program. MDNR, Staff, and MGE support a short extension of the Rebuild Joplin Program. Permitting the tariffs to go into effect by operation of law is warranted.

[5] Id. at para. 10.

WHEREFORE, MGE respectfully requests that the Commission permit these tariffs go into effect by operation of law.

Respectfully submitted,

/s/

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been emailed to all counsel of record this 19th day of December 2012.

/s/

Todd J. Jacobs