

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the matter of the application of Missouri Gas)
Energy, a division of Southern Union Company,) Case No. _____
for Variance from a Portion of MGE Tariff Sheet)
No. 100.)

MGE'S APPLICATION FOR VARIANCE

COMES NOW Missouri Gas Energy (MGE), a division of Southern Union Company, by and through counsel, pursuant to Missouri Public Service Commission (Commission) Rules 4 CSR 240-2.060 and 4 CSR 240-3.015, and for its Application for Variance, respectfully states as follows to the Commission:

SUMMARY

MGE requests a variance from that portion of its Tariff Sheet No. 100 that would require MGE to file a report with the Commission within fifteen months from the start of the high-efficiency gas water heater replacement program assessing the overall cost effectiveness and the effectiveness of the program delivery process. For the reasons stated herein, MGE requests that it instead be allowed to file the report by February 15, 2009.

APPLICANT

1. MGE is a division of Southern Union Company which is duly incorporated under the laws of the State of Delaware and conducts business in Missouri under the fictitious name of Missouri Gas Energy. MGE's principal office and place of business is located at 3420 Broadway, Kansas City, Missouri 64111. A copy of a certificate from the Missouri Secretary of State that Southern Union Company is authorized to do business in Missouri as a foreign corporation was submitted in Case No. GM-2003-0238 and is incorporated herein by reference. A copy of a certificate from the Missouri Secretary of State that Missouri Gas Energy is a

registered fictitious name of Southern Union Company was submitted in Case No. GM-2003-0238 and is incorporated herein by reference.

2. Other than cases that have been docketed at the Commission, MGE has no pending action or final unsatisfied judgments against it from any state or federal agency or court within the past three (3) years that involve customer service. MGE has no annual report or assessment fees that are overdue. MGE currently conducts business as a “gas corporation” and provides natural gas service to approximately 500,000 customers in the Missouri counties of Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Cedar, Christian, Clay, Clinton, Dade, Dekalb, Greene, Henry, Howard, Jackson, Jasper, Johnson, Lafayette, Lawrence, McDonald, Moniteau, Pettis, Platte, Ray, Saline, Stone, and Vernon, subject to the jurisdiction of the Missouri Public Service Commission as provided by law.

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

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4. In Case No. GR-2006-0422, the Missouri Public Service Commission approved funding in the amount of \$705,000 for a water heater rebate program and \$45,000 for educating

MGE customers about weather conservation. MGE filed tariffs in Case No GT-2008-0005 to effectuate this order of the Commission. Tariff sheets were ultimately approved, effective August 15, 2007.

5. The terms of the settlement agreement in Case No. GR-2006-0422 included the formation of a MGE Energy Efficiency Collaborative (EEC) which includes MGE, the Commission Staff, the Office of the Public Counsel and the Department of Natural Resources. Among the other terms of the settlement agreement was a requirement to implement a high-efficiency gas water heater replacement program in accordance with the tariff. The program is to remain in place for at least 18 months, unless the EEC makes a unanimous recommendation to the Commission to end it sooner or to modify it during the 18 month implementation period.

6. MGE tariff Sheet No. 100 further states as follows:

Within fifteen months of the start of the program MGE – working collaboratively with the MGE Energy Efficiency Collaborative (EEC) – will file a report with the Commission assessing the overall cost effectiveness and the effectiveness of the program delivery process of the first twelve months of its residential natural gas conservation initiatives along with recommendations for improving the programs, including any proposed tariff changes. Billing usage information will be retained for use in this analysis.

7. The EEC first met in September 2007, and has met on a fairly regular basis since that time. The initial meetings dealt with setting up the rebate program for the high efficient gas water heat systems and progressed to expanding the program to energy star rated furnaces and thermostats.

8. In July 2008, with the approval of the EEC, Sue Nathan of Applied Energy Group (AEG) was hired to review the rebate program and make recommendations to expand or otherwise improve the program for the benefit of MGE customers. AEG then reviewed the water heater rebate program and made recommendations to expand the program into other areas,

including energy star rated furnaces and other energy conservation education programs and initiatives.

9. At the most recent EEC meeting on October 10, 2008, the EEC agreed to a 2009 budget for program expenses and rebates and also agreed to a proposal from Katherine Johnson of Johnson Consulting Group to conduct a limited process and impact evaluation of the high-efficiency gas water heater replacement program. The study is ongoing at the present time.

10. If the “start of the program” was the effective date of the initial tariff sheets, or August 15, 2007, MGE is required to file a report with the Commission by November 15, 2008. Because of the timing of the work that has been conducted by the EEC and the resulting start date of the program analysis, the report will not be completed by November 15, 2008.

Accordingly, MGE requests a variance from that provision of Sheet No. 100 such that MGE will instead be allowed to file the evaluation report by February 15, 2009.

WHEREFORE, MGE respectfully requests that the Commission issue its order granting MGE a variance from a provision of Tariff Sheet No. 100 such that that MGE will be allowed to file with the Commission by February 15, 2009, its report assessing the overall cost effectiveness and the effectiveness of the program delivery process of the first twelve months of its residential

natural gas conservation initiatives, as described in this Application.

Respectfully Submitted,



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ATTORNEYS FOR MISSOURI GAS ENERGY, A
DIVISION OF SOUTHERN UNION COMPANY

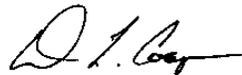
Certificate of Service

I hereby certify that two, true and correct copies of the above and foregoing document was sent by electronic mail on this 14th day of November, 2008, to:

General Counsel
Missouri Public Service Commission
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VERIFICATION

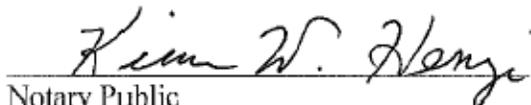
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

I, Michael R. Noack, of lawful age, state: that I am Director of Pricing and Regulatory Affairs for Missouri Gas Energy, a division of Southern Union Company; that I have read the above and foregoing document; that the statements contained therein are true and correct to the best of my information, knowledge and belief; and, that I am authorized to make this statement on behalf of Missouri Gas Energy.



Michael R. Noack

Subscribed and sworn to before me this 14th day of November, 2008.



Notary Public

My Commission Expires: 2-3-11

