

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

In the Matter of Missouri Gas Energy and)	
Its Tariff Filing Designed to Increase the)	Case No. GT-2011-0049
Rebate Level for Tank Water Heaters)	

STAFF’S RESPONSE TO COMMISSION ORDER DIRECTING FILING

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Response to the Commission’s August 25 *Order Directing Filing* and to the Office of the Public Counsel’s (OPC) August 24 *Motion to Suspend and Motion for Expedited Treatment* states as follows:

1. Staff processed this case as a tariff filing and, on August 24, submitted its Staff Recommendation under Tariff File No. JG-2011-0051.
2. Since Staff’s submission, OPC filed its *Motion to Suspend*, resulting in the assignment of this case number.
3. Upon noting the assignment of a case number, Staff immediately forwarded a copy of its Recommendation to OPC, Missouri Gas Energy (MGE), and the Department of Natural Resources (DNR). Staff’s Recommendation is also attached to this filing, along with Staff witness Dr. Henry Warren’s affidavit.
4. The Commission’s Order in Case No. Gr-2009-0355 included the following:
 132. The EEC will continue to provide input and suggestions on MGE’s EE programs. MGE will continue to provide quarterly report on its EE programs.
 133. Unless otherwise ordered by the Commission, on an annual basis, the EEC will review MGE’s annual funding amount to and expenditures for its EE programs. The EEC (or the members, if agreement cannot be reached) may submit a recommendation to the Commission to increase or decrease

MGE's annual funding amount. The recommended increase or decrease to the annual amount of funding may be contested by any member of the EEC.

5. In response to the question presented: "Should the energy efficiency collaborative formed after MGE's most recently concluded rate case as a result of the Commission's approval of the Unanimous Stipulation and Agreement in Case No. GT-2008-0005 be modified to an advisory group rather than a consensus decision making collaborative?," the Commission also made the following decision:

The energy efficiency collaborative formed after MGE's most recently concluded rate case should remain a consensus group, and should not be modified to an advisory group.

Report and Order at page 67.

6. In its letter of transmittal accompanying the July 30, 2010, filing, MGE stated the provisions in Tariff Sheet Nos. 98–100 and 103–103.2 were considered by the MGE EEC (Collaborative) in accordance with the Commission's Order in Case No. GR-2010-0355.

7. All of the provisions in the tariff sheets were approved unanimously by the Collaborative with one exception - the proposed increase in the rebate amount for residential customers purchasing a new tank-water-heating system, which meets Energy Star® criteria (Energy Star® Tank Water Heaters). The tariff permits MGE to increase the residential customer rebate from \$40 to \$100

8. MGE's tariff also includes several incentives to the Small General Service (SGS) customers including a proposed a rebate of \$100 for purchasing a new tank-water-heating system that meets Energy Star® criteria.

9. These provisions received non-unanimous approval by the EEC, with one dissent. The Office of the Public Counsel declined to approve the \$100 rebate

for the Energy Star® Tank Water Heaters purchased by Residential and SGS customers.

10. While Staff recognizes the Energy Star® rating for water heaters will change, it does not seem a good policy to delay this energy efficiency tariff waiting for the new water heaters to become available. It is important to encourage customers to improve their energy efficiency while this and other rebate programs are available to assist customers in making energy efficiency improvements as soon as they are able to do so.

11. Staff agrees MGE's tariff filing followed the normal procedure for proposing tariffs of this nature.

12. In the event the Commission determines a hearing needs to be held on the issue identified by OPC, Staff recommends the hearing be held promptly so these tariffs may be implemented quickly.

WHEREFORE the Staff recommends the Commission approve MGE's tariff which is designed to promote purchase and use of higher efficiency gas appliances.

Respectfully submitted,

/s/ Lera L. Shemwell

Lera L. Shemwell
Deputy Chief Staff Counsel
Missouri Bar No. 43792

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-7431 (Telephone)
(573) 751-9285 (Fax)
email: lera.shemwell@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 27th day of August, 2010.

/s/ Lera L. Shemwell

STAFF RECOMMENDATION

Company: Missouri Gas Energy, a Division of Southern Union Company

Purpose: Implement changes in the RESIDENTIAL NATURAL GAS ENERGY EFFICIENCY INITIATIVE and implement the SMALL GENERAL SERVICE NATURAL GAS ENERGY EFFICIENCY INITIATIVE in the Missouri Gas Energy Tariff, Promotional Practices Section

On July 30, 2010, Missouri Gas Energy (MGE or Company) filed tariff sheet Nos. 98–100 for the RESIDENTIAL NATURAL GAS ENERGY EFFICIENCY INITIATIVE and tariff sheet Nos. 103 – 103.2 for the SMALL GENERAL SERVICE NATURAL GAS ENERGY EFFICIENCY INITIATIVE to provide rebates for new water heating systems, space heating systems, and programmable thermostats. On August 3, 2010, MGE filed substitute tariff sheets to correct typographical errors in Sheet No. 103.2.

The purpose of this filing is to provide rebates to natural gas consumers for new water heating systems, space heating systems, and programmable thermostats. These sheets modify and expand the current tariff sheets describing the MGE NATURAL GAS CONSERVATION INITIATIVES (Program) which previously provided for rebates for Energy Star® water heating and space heating systems and programmable thermostats, which was effective February 28, 2010, as a result of the compliance filing in Case No. GR-2010-0355. This rebate Program was originally effective August 14, 2007, as a result of Case No. GT-2007-0477, File No. JG-2008-0005.

In its letter of transmittal accompanying the July 30, 2010, filing, MGE notes that the provisions in Tariff Sheet Nos. 98–100 and 103–103.2 were considered by the MGE Energy Efficiency Collaborative (Collaborative) in accordance with the Commission’s Order in Case No. GR-2010-0355. All of the provisions in the tariff sheets were approved unanimously by the Collaborative with the exception of the proposed increase in the rebate amount for residential customers purchasing a new tank water heating system that meets Energy Star® criteria (Energy Star® Tank Water Heaters). The rebate increase is from \$40 to \$100.

MGE’s tariff also proposes a new rebate amount of \$100.00 for Small General Service (SGS) customers purchasing a new tank water heating system that meets Energy Star® criteria. These provisions received non-unanimous approval by the Collaborative with one dissent. The Office of the Public Counsel declined to approve the \$100 rebate for the Energy Star® Tank Water Heaters purchased by Residential and SGS customers. As provided in the Report and Order in Case No. GR-2009-0355, and stated in the ENERGY EFFICIENCY COLLABORATIVE section of Tariff Sheet Nos. 99 and 103.1:

...where consensus cannot be reached, any of the charter members may petition the Commission to resolve, in accordance with its normal procedural rules, any differences over the selection of specific future programs for implementation, funding or any other aspects of the energy efficiency program development and evaluation process.

The Commission's Report and Order in GR-2009-0355 directed that the Collaborative continue to operate by consensus, holding that the EEC should not be modified to an advisory group. When the Collaborative was considering the proposed increase in the rebate for Tank Water Heaters for Residential and SGS customers, the members could not reach complete agreement on these particular tariff provisions, so based on the Staff's understanding of the Commission's Order, the Staff is submitting its recommendation to the Commission for its decision on the non-unanimous provisions for the increase in the rebates for Tank Water Heaters for Residential and SGS customers, and subsequently the Commission's decision on the rest of the proposed tariff revisions.

In addition the proposed increase in the rebate for Energy Star[®] Tank Water Heaters is the expansion of the space heating system and water heating system rebates to the SGS customers. The tariff revisions also provide for an increase in the rebate limit for residential customers from one rebate per customer to two rebates for water heaters and two rebates for space heating. For SGS customers the total rebates are limited to \$3,500. Also, in both the Residential and SGS rebate program is a provision for a detailed post-implementation evaluation of the initial two (2) years of each new program.

The Commission's Energy Department - Tariffs/Rate Design Staff (Staff) has reviewed each of the tariff sheets, as filed by MGE on July 30, 2010, as substituted on August 2, 2010, and is of the opinion that these sheets were filed in compliance with the Commission's Order and Rules. Therefore, Staff recommends that the set of tariff sheets designated P.S.C. MO. No. 1, August 30, 2010, and as substituted on August 2, 2010, be approved and to become effective on and after August 30, 2010.

P.S.C. MO. No. 1

Eighth Revised SHEET No. 98, Canceling Seventh Revised SHEET No. 98
Eighth Revised SHEET No. 99, Canceling Seventh Revised SHEET No. 99
Seventh Revised SHEET No. 100, Canceling Sixth Revised SHEET No. 100
Second Revised SHEET No. 103, Canceling First SHEET No. 103
Second Revised SHEET No. 103.1, Canceling First SHEET No. 103.1
Second Revised SHEET No. 103.2, Canceling First SHEET No. 103.2

The Staff has verified that MGE has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.