

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

In The Matter of Missouri Gas Energy and	)	
Its Tariff Filing to Implement a General Rate	)	Case No. GR-2009-0355
Increase for Natural Gas Service	)	

MISSOURI DEPARTMENT OF NATURAL RESOURCES' REPLY BRIEF

COMES NOW the Missouri Department of Natural Resources (MDNR) and submits its Reply Brief in the above-styled rate case.

I. ENERGY EFFICIENCY

- A. Should the continuation (for residential customers) or implementation (for small general service customers) of energy efficiency programs be contingent on the adoption of a rate design that recovers all non-gas costs through a fixed customer charge?

As was made clear during the hearing on this issue held October 30, 2009, MDNR does not take a position on the rate design aspects of this case. (Tr. Vol. 12, pp, 753-754.)

- B. Should funding for energy efficiency programs be included as an ongoing expense in rates, or should the Company provide upfront funding with such expenditures to be deferred (after expenditure of the surplus unspent funds for residential energy efficiency programs (expected to be approximately \$1 million) and included in rate base (with a 10-year amortization period) in subsequent rate cases? What should the annual funding level be and how should the funding level be determined? Should interest be applied to unspent residential energy efficiency funds and, if so, at what rate?

In its Initial Brief (starting at page 28), the Company proposes an alternative to address Energy Efficiency funding. The proposed funding is an amount “up to” \$1 million per year for Energy Efficiency programs when new rates go into effect following the conclusion of the present rate case. While the funding level may appear to be an increase in Energy Efficiency investments compared to the level of funding established in the Company’s last rate case (GR-2006-0422), the proposed amount serves as an energy efficiency investment ceiling rather than an investment floor. Under the Company’s proposal, there is little to no incentive for the Company to increase its Energy Efficiency investments in future years.

Further, the funding level is not based on a consistent formula relative to Company’s gross operating revenue. The MDNR has proposed a specific formula that provides sufficient funding on an annualized basis to sponsor a menu of cost-effective Energy Efficiency programs for both residential and Small General Service (SGS) customers. Please see the MDNR’s Initial Brief filed in this case for further details.

- C. Should the energy efficiency collaborative formed after MGE’s most recently concluded rate case as a result of Commission actions in Case No. GR-2006-0422 and Case No. GT-2008-0005 be modified to an advisory group rather than a consensus group?

The Department does not have anything to add beyond that which it previously argued in its Initial Brief.

WHEREFORE, MDNR respectfully submits its Reply Brief.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 29th day of December, 2009.

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