

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 28th  
day of September, 1994.

In the matter of the application of United )  
Cities Gas Company for a variance from the ) CASE NO. GO-95-30  
provisions of 4 CSR 240-14.020 regarding the )  
Triathlon Gas Heat Pump. )

ORDER GRANTING VARIANCE AND APPROVING TARIFF SHEETS

On August 1, 1994, United Cities Gas Company (United Cities) filed tariff sheets proposing to initiate a Gas Heat Pump Market Demonstration Pilot Program (pilot program). United Cities also filed an application for a variance from the Commission's promotional practices rule; specifically 4 CSR 240-14.020(1)(D). On August 16, 1994, United Cities voluntarily extended the effective date of its proposed tariff sheets from September 1, 1994 to October 1, 1994.

United Cities indicates that it is requesting a variance because 4 CSR 240-14.020(1)(D) appears to prohibit payments contemplated in the pilot program. United Cities states that the purpose of the pilot program is to introduce the new technology of gas heat pumps to residential and small commercial customers and to reduce the up-front cost of the initial units. United Cities proposes that the program will end on June 30, 1997 and states that no funds will be disbursed prior to the effective date of the proposed tariff sheets.

United Cities has committed itself to contribute \$7,200 toward promoting the development of gas heat pumps. United Cities proposes to make contributions that will ultimately go to the manufacturers of gas heat pumps in varying amounts in each of the three years of the pilot program: 1st year - \$1,200, 2nd year - \$1,000, 3rd year - \$270.

United Cities notes that while no customers will receive a direct contribution, customers will receive an indirect benefit in the form of a reduced purchase price or up-front cost of the unit. Depending on the year of the pilot program in which the gas heat pump is purchased, only 6 to 27 customers will be affected by the pilot program. United Cities states that it will offer technical and educational assistance to customers as well as advertising and promoting the pilot program. United Cities further indicates that it will conduct surveys and monitor the pilot program.

On September 26, 1994, the Staff of the Commission (Staff) filed a memorandum recommending that the Commission grant United Cities' request for a variance. Staff also recommends that United Cities' proposed tariff sheets be approved for service on and after October 1, 1994.

Pursuant to 4 CSR 240-14.010(2), the Commission may grant variances from its promotional practices rule for good cause shown. The Commission finds that United Cities has shown good cause for the requested variance in this case. The pilot program is a reasonable method of gaining information on the cost-efficiency of gas heat pump technology and its effects on demand-side management. Thus, the Commission determines that United Cities' application for a variance from the Commission's promotional practices rule should be approved. The Commission also determines that the proposed tariff sheets filed by United Cities should be approved for service on and after October 1, 1994.

**IT IS THEREFORE ORDERED:**

1. That United Cities Gas Company is hereby granted a variance from the provisions of 4 CSR 240-14.020(1)(D), as contemplated by this Order.

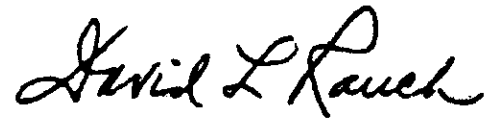
2. That the following tariff sheets filed by United Cities Gas Company are hereby approved for service on and after October 1, 1994:

P.S.C. MO. NO.3

6th Revised Sheet No. 2 Canceling 5th Revised Sheet No. 2;  
Original Sheet No. 92.1;  
Original Sheet No. 93.2.

3. That this Order shall become effective on October 1, 1994.

BY THE COMMISSION



David L. Rauch  
Executive Secretary

(S E A L)

Mueller, Chm., McClure, and  
Kincheloe, CC., Concur.  
Perkins and Crumpton, CC.,  
Absent.