

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

In The Matter of Missouri Gas Energy's)	
Tariff Sheets Designed to Increase the)	<u>File No. GT-2011-0049</u>
Rebate Level for Tank Water Heaters)	Tariff No. JG-2011-0051

**MISSOURI DEPARTMENT OF NATURAL RESOURCES' RESPONSE TO
STAFF'S RESPONSE TO PUBLIC COUNSEL'S REPLY TO MGE'S RESPONSE
TO THE COMMISSION'S ORDER DIRECTING FILING OF STATUS REPORT**

COMES NOW the Missouri Department of Natural Resources (MDNR) and for its Response to Staff's Response (filed January 27, 2011) states as follows:

1. MDNR concurs with Staff's indication that "support for the higher rebate refers to the proposed increase in hot water heater incentive from forty dollars (\$40) to \$100" (Staff's Response, page 2). MDNR's position, as stated in the Collaborative, is to support an increase in the residential tanked water heater rebate to one hundred dollars (\$100). DNR voted to support the higher residential rebate during the Collaborative held April 2010.

2. Additionally, MDNR joins Staff in its statement in paragraph 6 that "Staff has not proposed and is not aware of any proposal to increase rebate levels for hot water heaters to \$850". While MDNR does not disagree with MGE's description of the status of the tariff or the description of the Energy Efficiency Collaborative (EEC) discussion in MGE's January 7, 2011 filing, and while MDNR supports higher rebates to be offered by the Company, MDNR further states it does not, at this time, take a position regarding a higher residential rebate level for natural gas tanked water heaters with an Annual Fuel Utilization Efficiency (AFUE) greater than .67 as established by the Energy Star Program

September 1, 2010, because the Energy Efficiency Collaborative (EEC) has not yet deliberated on rebates for the higher efficiency water heaters.

3. MDNR objects to Staff's support for OPC's recommendation to bring questions before the Commission related to the validity of the .5% of total revenues goal for energy efficiency program budgets (Page 2, paragraph 7 of Staff Response referencing Page 7, paragraph 14 of OPC's *Reply*). MDNR objects first because this is an improper attack on a Commission Order (*Report and Order, GR-2009-0355, issued February 10, 2010*), second because there has not been adequate time to fully implement and review the impact of this Order, which implementation and review should remain within the purview of the (EEC), and third because this topic goes well beyond the scope of this docket.

4. In the 2009 MGE rate case, the Commission found "... that (M)DNR's request that .5% of MGE's annual gross operating revenues should be allocated for energy efficiency funding and that it is an appropriate goal or benchmark in expenditures for natural gas utilities. The Commission finds that the EEC should take all steps necessary to work toward implementation of cost-effective energy efficiency programs to reach this goal to maximize benefits." (*Report and Order, GR-2009-0355, page 52, February 10, 2010*). The Commission instructed the Company to fund cost-effective energy efficiency programs. "MGE will initially fund an annual amount of a minimum of \$1.5 million per year for its energy efficiency program. This amount shall be subject to increase toward the goal of .5% of gross operating revenues at the time the EEC has a comprehensive plan for the increased expenditure level. Increased expenditures shall be dependent upon

programs' continued growth and success." (*Report and Order*, page 63). Less than one year has passed since the Report and Order was issued.

5. MDNR is unaware of any filings by Staff that have opposed including gas costs in the total revenues for the basis of energy efficiency spending targets. In fact, Staff has entered rate case stipulations for two additional gas utilities to target the .5 percent of gross operating revenues since the MGE Report and Order was issued, one as recently as **one month** ago (Ameren Missouri GR-2010-0363 and Laclede GR-2010-0171).

6. MDNR suggests that the next step should be to allow the EEC to address the issue of raising the rebate level for residential and Small General Service customers' tanked water heaters with an AFUE of .67 or greater. The Commission has charged the EEC with the responsibility of addressing such energy efficiency issues in a consensus setting in its *Report and Order* in MGE Case No. GR-2009-0355. If the EEC is unsuccessful in reaching a consensus on the rebate level for residential and Small General Service tanked water heaters with an AFUE of .67 and greater, as instructed by the Commission in Case No. GR-2009-0355, the EEC or any of its members may bring before the Commission disputes among parties in the EEC. This docket need not be held open pending that process, and MDNR recommends the Commission close this docket.

WHEREFORE, the Missouri Department of Natural Resources respectfully offers this reply to Staff's Response to Public Counsel's Reply to MGE's Response to the Commission Order Directing Filing of a Status Report regarding MGE's tanked hot water heater rebates tariff sheets designed to increase the rebate level for residential and Small

General Service tanked hot water appliances and recommends the Commission close this docket.

Respectfully submitted,

CHRIS KOSTER
Attorney General

/s/ Sarah Mangelsdorf
Sarah Mangelsdorf
Assistant Attorney General
P.O. Box 899
Jefferson City, Missouri 65102
Bar No. 59918
573-751-0052
573-751-8796 (fax)
sarah.mangelsdorf@ago.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been served via email to all counsel of record on the 4th day of February 2011.

/s/ Sarah Mangelsdorf
Sarah Mangelsdorf
Assistant Attorney General