

Missouri Gas Energy,  
a Division of Southern Union Company

For: All Missouri Service Areas

PROMOTIONAL PRACTICES

PP

RESIDENTIAL NATURAL GAS ENERGY EFFICIENCY INITIATIVES

A. Energy Efficiency Education Program

As an Energy Star® partner, MGE will continue to make information available to customers and, where possible, work in cooperation with other Energy Star® partners and other energy efficiency collaboratives to further public education programs. In addition MGE will continue to promote the use of an online energy analyzer through its web site.

B. High-Efficiency Natural Gas Water Heating and Space Heating Incentive Program

The High-Efficiency Natural Gas Water Heater and Space Heating Incentive Program is an incentive program designed to encourage customers to use energy efficient equipment through the purchase and installation of high efficiency natural gas water heaters and/or space heating systems. Incentives are offered for a portion of the cost of such systems that meet Energy Star® criteria (where applicable). Company's participation in such financial incentives is limited to the funding levels specified in the Commission's Report and Order in Case No. GR-2009-0355 subject to adjustment as provided therein.

DEFINITIONS:

Administrator – MGE may administer the program exclusively in-house and/or in partnership with contracted vendors (as necessary).

Participant – An existing customer with an active account who is being served under the Company's Residential rate class who purchase and install a qualifying natural gas water heating or space heating systems, as described in the program, within MGE's service territory.

AVAILABILITY:

The program is available to any active MGE residential customer (no final bill or inactive accounts) who purchase and install a natural gas space heating or water heating system that meets Energy Star® criteria (where applicable) within MGE's service territory.

Residential customers will be eligible to receive the following rebates:

- \$40 for a tank water heating system that meets Energy Star® criteria.
- \$200 for a tankless water heating system that meets Energy Star® criteria.
- \$200 for a natural gas furnace that meets Energy Star® criteria.
- \$450 for a combination furnace/water heater that meets Energy Star® criteria.
- \$200 for a natural gas boiler system that meets Energy Star® criteria.
- \$25 for a programmable thermostat if purchased in conjunction with a space heating system.

DATE OF ISSUE September 2 2010  
month day year

DATE EFFECTIVE October 2 2010  
month day year

ISSUED BY: Michael R. Noack Director, Pricing and Regulatory Affairs  
Missouri Gas Energy, Kansas City, MO. 64111

Missouri Gas Energy,  
a Division of Southern Union Company

For: All Missouri Service Areas

PROMOTIONAL PRACTICES

PP

2. For the High Efficiency Natural Gas Water Heating and Space Heating Incentive Program, MGE will report:

- a. The total number of incentive requests and the number of incentive requests approved;
  - i. The type and/or size (storage capacity) and fuel source of the water heater that was replaced, if available;
  - ii. The type and/or size and fuel source of heating equipment that was replaced, if available
- b. The dollars spent on incentives, evaluation, administrative expenses and promotion/advertising;
- c. Number and type of any complaints received and the resolution of the complaints; and
- d. Compilation of information as provided by participating customers, which will include:
  - i. Type of residence;
  - ii. Age and size of water heater and/or space heating system being replaced; and
  - iii. Reason for purchase of the Energy Star® rated natural gas water heating and/or space heating system.

MGE may in the future request permission from the Commission to expand the energy efficiency program to include additional residential natural gas energy efficiency measures.

A detailed post-implementation evaluation of the initial two (2) years of each new program shall be completed within six (6) months of the end of each program's second year. Where feasible, these reviews will include both process evaluations and cost effectiveness (impact) evaluations. Evaluations may be performed after less than two years of program evaluation if the EEC determines this is preferable.

MGE – working collaboratively with the MGE Energy Efficiency Collaborative (EEC) – will file an annual report with the Commission assessing the overall effectiveness of the program along with recommendations for improving the program and any proposed tariff changes. Post-implementation evaluations above may be used in the selection and design of future programs.

DATE OF ISSUE September 2 2010  
month day year

DATE EFFECTIVE October 2 2010  
month day year

ISSUED BY: Michael R. Noack Director, Pricing and Regulatory Affairs  
Missouri Gas Energy, Kansas City, MO. 64111

Missouri Gas Energy,  
a Division of Southern Union Company

For: All Missouri Service Areas

PROMOTIONAL PRACTICES

PP

Rebate limit: Individual dwelling units, as determined by account number, whether owner-occupied or rental property, are eligible for a maximum of two heating system rebates(furnace, boiler, or combination unit), two tank or tankless water heater rebates, and two programmable thermostat rebates. This rebate is independent of any other incentives or State and/or Federal tax credits for which the customer may be eligible for the purchase of the high-efficiency natural gas water heating or space heating system.

PROGRAM FUNDING

Per the Commission Report and Order in GR-2009-0355, the Company will initially fund \$1,500,000 on an annual basis, subject to increases toward the goal of .5% of the Company's gross operating revenues with 90% allocated to the residential customer class. These amounts will be deferred and treated as a regulatory asset with a ten-year amortization period. Such amortization will begin on the effective date of rates in the Company's next general rate case. Amounts spent under these programs will be included in MGE's rate base in its next general rate case. Each year on or around November 1, Company will prepare a budget of program expenditures subject to approval by the MGE Energy Efficiency Collaborative (EEC). The approved budget will be used for the ensuing 12 months unless the EEC agrees that there is a need to make changes within a budget year. Any excess funds remaining as of the effective date of rates in GR-2009-0355, shall have interest applied equal to 7.72%, until such funds are expended. MGE's expenditures will be subject to a prudence review in any relevant MPSC proceedings.

ENERGY EFFICIENCY COLLABORATIVE

The Energy Efficiency Collaborative (EEC), which was formed in GT-2008-0005, will provide oversight for the design and implementation of energy efficiency programs for MGE's Residential and SGS classes. The members of the EEC include designated representatives from MGE, Commission Staff, Public Counsel and Department of Natural Resources. Each entity shall have one vote each. The EEC will seek to make decisions by consensus, but 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. Other appropriate parties, such as electric utilities with service territories that overlap MGE's service territory, that are acceptable to the EEC charter members may also participate in the EEC process but will not be part of the EEC decision making process.

OTHER CONDITIONS:

MGE will submit to the Commission Staff and the Office of the Public Counsel reports on a quarterly basis (due within 45 days from the end of the quarter) which will detail the cost and participation in the program. The following information will be included in the quarterly reports:

1. For the Energy Efficiency Education Program, MGE will report:
  - a. Summary information regarding the cost, type and number of educational programs implemented;
  - b. MGE's involvement in other energy conservation programs where MGE has worked in cooperation with other Energy Star® partners or energy conservation collaboratives to further public education;
  - c. Dollars spent on program including evaluation, administrative expenses and promotion/advertising; by type of promotion/advertising; and
  - d. Number of web site hits on the various pages of MGE's customer site.

DATE OF ISSUE September 2 2010  
month day year

DATE EFFECTIVE October 2 2010  
month day year

ISSUED BY: Michael R. Noack Director, Pricing and Regulatory Affairs  
Missouri Gas Energy, Kansas City, MO. 64111