

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 17, 2008

IN RE:

**DOCKET FOR THE COLLECTION OF DATA AND
COMMENTS RELATING TO HOME ENERGY
CONSERVATION MATTERS IN TENNESSEE**

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**DOCKET NO.
06-00309**

ORDER ESTABLISHING ENERGY CONSERVATION PILOT PROGRAM

This matter came before Chairman Eddie Roberson, Director Pat Miller, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”) at a regularly scheduled Authority Conference held on July 9, 2007 for consideration of the establishment of an energy conservation pilot program.

BACKGROUND

As a result of increasing demand, tight supply, weather patterns, and other circumstances beyond the control of the individual consumer and the TRA, Tennessee consumers may expect to continue to incur rising costs for the use of natural gas. While the legal jurisdiction of the TRA does not encompass regulation of the cost of natural gas, nor does it permit it to initiate dramatic actions that would spur an increase in exploration or otherwise expand the capacity of natural gas, the mission of the Authority is to promote the public interest by balancing the interests of utility consumers and companies. Increasing public awareness of the benefits and methods of home energy conservation is one way that the TRA can work to achieve its mission.

At a regularly scheduled Authority Conference on July 24, 2006, the Directors voted unanimously to establish a Home Energy Conservation Task Force (“Task Force”) to gather

information regarding conservation plans and proposals adopted or considered in other states and by the industry and, considering the specific needs of consumers of TRA-regulated natural gas utilities, to develop and present a recommendation for the implementation of a conservation plan by the Authority. The Directors instructed that the Task Force should consider as part of its recommendation certain broad categories, including, education, diagnostics, research and remediation. Further, the Directors found that the Task Force should consist of at least one representative from a diverse cross-section of stakeholders and interest groups, including but not limited to, the Attorney General's Office Consumer Advocate and Protection Division ("Consumer Advocate"), Atmos Energy Corporation ("Atmos"), Chattanooga Gas Company ("CGC"), Piedmont Gas Company a.k.a. Nashville Gas Company ("NGC"), the Tennessee Department of Human Services ("DHS"), the American Association of Retired Persons ("AARP"), Kilowatt Hours Initiative, the University of Tennessee Energy, Environment and Resource Center, the Gas Technology Institute ("GTI"), the National Regulatory Research Institute and TRA Staff. Finally, the Directors appointed Carsie Mundy, TRA Chief of the Consumer Services Division, to chair the Task Force.

Thereafter on November 20, 2006, at a regularly scheduled Authority Conference, the Task Force presented the Directors with a comprehensive overview of the information and recommendations contained in its *Tennessee Home Energy Conservation Task Force Report ("Initial Report")*, dated November 15, 2006. Some of the issues studied by the Task Force and discussed in the *Initial Report* include legislation passed in southeastern states, programs established in other states, the magnitude of the need for assistance with energy costs in Tennessee and the potential causes of this need, related low-income energy programs currently in existence that consumers may utilize and the limitations of such programs. Further, the Task

Force identified numerous needs or goals, which on the basis of estimated length of time to accomplish were divided into short-term, medium-term and long-term. The *Initial Report* lists eight recommendations to be considered by the Authority in the creation and implementation of a home energy conservation plan. The Task Force presented these recommendations briefly and recognized that the determination of funding sources must be resolved before a truly effective home energy conservation program can be established and maintained.

Following the presentation, each Director voiced support and commendation for the efforts of the Task Force. Additionally, the Directors voted unanimously 1) to continue the Task Force with its current chair; 2) to leave discussion of home energy conservation under Section 1 and assign a docket number for the convenience of the Authority and interested persons; 3) that the *Initial Report* be filed under the new docket number and posted to the Authority's webpage; 4) to accept written comments regarding the *Initial Report* from the public, due no later than December 20, 2006; and 5) to hold a workshop on funding in January 2007, with the specific date and time to be set by the Task Force Chair. Further, the Directors voted unanimously that Darlene Standley, Chief of the Utilities Division, would lead the funding workshop, and Phil West and Jessica Johnson, with the TRA Communications and External Affairs Division, would work with the Chair of the Task Force to create a public information plan.

On December 13, 2006, the *Initial Report* was filed with the Authority. On December 20, 2006, the Consumer Advocate filed brief comments pertaining to the *Initial Report* and the anticipated funding workshop. No other comments were filed with the Authority.

On January 12, 2007, Ms. Standley issued a *Notice of Workshop* scheduling a Task Force funding workshop on January 31, 2007. The *Notice of Workshop* included a detailed agenda setting forth the presenters and topics to be discussed at the funding workshop. On January 31,

2007, the Task Force funding workshop was convened in the Hearing Room at the TRA. The workshop was well attended and included participation by the following entities: DHS, Pennsylvania Dollar Energy Fund, Alliance to Save Energy, GTI, American Electric Power, NGC, CGC, Atmos, Vanderbilt University, Southern Energy Conservation Initiative, Consumer Advocate, and TRA Staff.

On May 31, 2007, the Task Force filed its *Memorandum and January 31, 2007 Funding Workshop Report* (“*Funding Workshop Report*”) with the Authority. The *Funding Workshop Report* provides a detailed summary of the information presented at the workshop and an analysis of the benefits and disadvantages of particular funding mechanisms. The *Funding Workshop Report*, however, does not advocate any particular funding mechanism. On July 6, 2007, Chairman Eddie Roberson filed a *Motion* that he anticipated offering at the July 9, 2007 Authority Conference. The *Motion* set out plans for the creation of energy conservation pilot programs for NGC, CGC, and Atmos.

JULY 9, 2007 AUTHORITY CONFERENCE

At a regularly scheduled Authority Conference on July 9, 2007, following a presentation of the substance of the *Funding Workshop Report*, the Directors voted unanimously to:

1. create autonomous pilot energy conservation programs for NGC, CGC, and Atmos;
2. target the pilot programs to address the issues of consumer education, diagnostics of energy loss and recommendations for the reduction of energy bills, and remediation;
3. designate that consumer eligibility for program benefits will be dependent upon qualification for the Low Income Home Energy Assistance Program (“LIHEAP”);
4. set the monetary size of each program based upon the number of Tennessee

customers served by each utility, with a recommendation of \$325,000 for NGC, \$255,000 for Atmos, and \$125,000 for CGC;

5. request that each company file comments within thirty days outlining the amount of funding each company is willing to contribute to its energy conservation pilot program and proposing specific implementation plans for its pilot program;

6. establish an implementation start date of November 30, 2007 for each program;
and;

7. order that at the end of eighteen months from implementation of each pilot program, each company shall submit an evaluation report, as designed by the Authority's Economic Analysis and Policy Division, to the Authority accounting for the funds spent and describing the benefits achieved during the program.¹

IT IS THEREFORE ORDERED THAT:

1. Autonomous pilot energy conservation programs shall be created for Nashville Gas Company, Chattanooga Gas Company, and Atmos Energy Corporation;

2. The pilot programs shall address the issues of consumer education, diagnostics of energy loss and recommendations for the reduction of energy bills, and remediation;

3. Consumer eligibility for program benefits shall be dependent upon qualification for the Low Income Home Energy Assistance Program;

4. The monetary size of each program shall be based upon the number of Tennessee customers served by a utility, and the amounts of \$325,000 for Nashville Gas Company, \$255,000 for Atmos Energy Corporation, and \$125,000 for Chattanooga Gas Company are

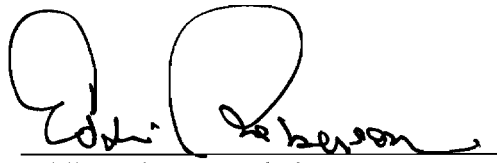
¹ Additionally, Director Jones recommended that 1) the Task Force consider soliciting comments pertaining to the funding of research and development institutes, and 2) the Task Force be empowered to continue working on a proposal for a comprehensive energy conservation program throughout the intervening eighteen-month pilot program period.

recommended;

5. Each company shall file comments within thirty days outlining the amount of funding each company is willing to contribute to its energy conservation pilot program and proposing specific implementation plans for its pilot program;

6. An implementation start date of November 30, 2007 shall be designated for each program; and,

7. Upon conclusion of eighteen months from implementation of each pilot program, each company shall be required to submit an evaluation report, as designed by the Authority's Economic Analysis and Policy Division, to the Authority accounting for the funds spent and describing the benefits achieved during the program.



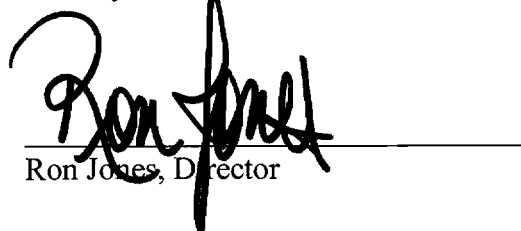
Eddie Roberson, Chairman

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Pat Miller, Director²



Sara Kyle, Director



Ron Jones, Director

² Director Miller voted in agreement with the other directors but resigned his position as Director before the issuance of this order.