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November 25, 2009

VIA EMAIL AND HAND DELIVERY

Chairman Sara Kyle
c/o Ms. Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Petition of Piedmont Natural Gas, Inc. for Approval of Service Schedule No. 317 and Related Energy Efficiency Programs
Docket No. 09-00104

Dear Chairman Kyle:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas, Inc.'s Fourth Supplemental Responses to the Consumer Advocate for filing in Docket No. 09-00104. This filing has also been transmitted electronically to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Please stamp one copy as "filed" and return to me by way of our courier. Should you have any questions concerning any of the enclosed, please do not hesitate to contact me.

With kindest regards, I remain

Sincerely,

Ross I. Booher

Enclosures

cc: Hon. Mary Freeman (*w/o enclosure*)
Hon. Eddie Roberson, Ph.D. (*w/o enclosure*)
Hon. Kenneth C. Hill (*w/o enclosure*)
James H. Jeffries, Esq.
R. Dale Grimes, Esq.

IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

IN RE:	)	
	)	
Petition of Piedmont Natural Gas Company, Inc. for Approval of Service Schedule No. 317 and Related Energy Efficiency Programs	)	**DOCKET NO. 09-00104**
	)	
	)	
	)	

PIEDMONT NATURAL GAS COMPANY, INC.'S FOURTH SUPPLEMENT TO ITS OBJECTIONS AND RESPONSES TO THE CONSUMER ADVOCATE'S DISCOVERY REQUESTS

Piedmont Natural Gas, Inc., ("Piedmont," or the "Company"), through counsel, hereby further supplements its Objections and Responses to the Consumer Advocate and Protection Division's ("Consumer Advocate") Discovery Requests pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11.

GENERAL OBJECTIONS

1. Piedmont reiterates and incorporates by reference the same General Objections listed in Piedmont's original responses to the Consumer Advocate's Discovery Request.

SUPPLEMENTAL RESPONSE

2. Identify any and all expert witnesses the Company intends to call in support of the petition in this docket, and for each expert witness:

(a) Identify the field in which the witness is to be offered as an expert;

(b) Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;

(c) Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference to where such publications and presentations may be publicly obtained;

(d) Provide the grounds (including without limitation any factual bases) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;

(e) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;

(f) Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;

(g) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and

(h) Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, and file notes produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter;

(i) Please produce copies of all pre-filed testimony produced or sponsored by the Company's expert witnesses in the last five years.

FOURTH SUPPLEMENTAL RESPONSE: In further response to Discovery Requests 2(d), 2(g) and 2(h) please see Attachments 3 through 8.

This 25th day of November, 2009.

R. Dale Grimes (#6223)
Ross I. Booher (#19304)
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Attorneys for Piedmont Natural Gas, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Discovery Request was served via U.S. Mail or electronic mail upon:

Ryan L. McGehee
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
PO Box 20207
Nashville, Tennessee 37202-0207

C. Scott Jackson
Senior Counsel
Office of the Attorney General
Consumer Advocate and Protection Division
PO Box 20207
Nashville, Tennessee 37202-0207

This 25th day of November, 2009.

8274038.1

CAPD Request No. 2
Attachment 3

RECENT REVENUE DECOUPLING PRESENTATIONS

RUSSELL A. FEINGOLD

- "State Regulatory and Legislative Issues Affecting Utilities," American Gas Association, 2009 Financial Forum, May 3, 2009.
- "Breaking the Link Between Sales and Profits: Current Status and Trends," Energy Bar Association, Electricity Regulation and Compliance Committee, February 17, 2009.
- "State Ratemaking Issues for Gas Distribution Utilities," Energy Law Journal, Volume 29, No. 2, 2008 (Report of the Natural Gas Regulation Committee).
- "Current Issues in Revenue Decoupling for Gas Utilities," American Gas Association, Financial and Investor Relations Webcast, October 16, 2008.
- "Addressing Utility Business Challenges Through the State Regulatory Process," American Gas Association, 2008 Legal Forum, July 20-22, 2008.
- "Earning on Natural Gas Energy Efficiency Programs," American Gas Association Rate and Regulatory Issues Conference Webcast, May 23, 2008.
- "State Regulatory Directions: Utility Challenges and Solutions," American Gas Association Financial Forum, May 4, 2008.
- "Facilitating Incentive-Based Pricing in Natural Gas and Electric Markets," The Institute for Regulatory Policy Studies, Illinois State University, May 2008 (Upcoming).
- "Update on Revenue Decoupling and Innovative Rates," American Gas Association, Rate Committee Meeting and Regulatory Issues Seminar, March 10, 2008.
- "Update on Revenue Decoupling and Utility Based Energy Conservation Efforts," American Gas Association, Rate and Regulatory Issues Conference Webcast, May 30, 2007.
- "A Renewed Focus on Energy Efficiency by Utility Regulators," American Gas Association, Rate and Regulatory Issues Seminar and Committee Meetings, March 26, 2007.
- "The Continuing Ratemaking Challenge of Declining Use Per Customer," American Public Gas Association, Gas Utility Management Conference, October 31, 2006.

- "Understanding and Managing the New Reality of Utility Costs in the Natural Gas Industry," Financial Research Institute, Public Utility Symposium, University of Missouri – Columbia, September 27, 2006.

- "Ratemaking and Energy Efficiency Initiatives: Key Issues and Perspectives," American Gas Association, Ratemaking Webcast, September 14, 2006.

- "Ratemaking Solutions in an Era of Declining Gas Usage and Price Volatility," Northeast Gas Association, 2006 Executive Conference, September 10-12, 2006.

- "Rethinking Natural Gas Utility Rate Design," American Gas Foundation and The NARUC Foundation, Executive Forum, Ohio State University, May 2006.

- "Rate Design, Trackers, and Energy Efficiency – Has the Paradigm Shifted?" Energy Bar Assocation, Midwest Energy Conference, March 2006.

- "Key Regulatory Issues Affecting Energy Utilities," American Gas Association, Lunch 'n Learn Session, November 2005.

- "Decoupling, Conservation, and Margin Tracking Mechanisms," American Gas Association, Rate & Regulatory Issues – Audio Conference Series, October 2005.

- "In Search of Harmony, [Utilities and Regulators] Respondents Weigh in with Needed Actions", Public Utilities Fortnightly, November 2005

- "The Use of Trackers as a Regulatory Tool," Midwest Energy Association – Legal, Regulatory, and Government Relations Roundtable, October 9-11, 2005.

- "Rate Design and the Regulatory Environment," American Gas Association Finance Committee Meeting, October 2005.

- "Creative Utility Regulatory Strategies in a High Price Environment," American Gas Association Executive Conference, September 2005.

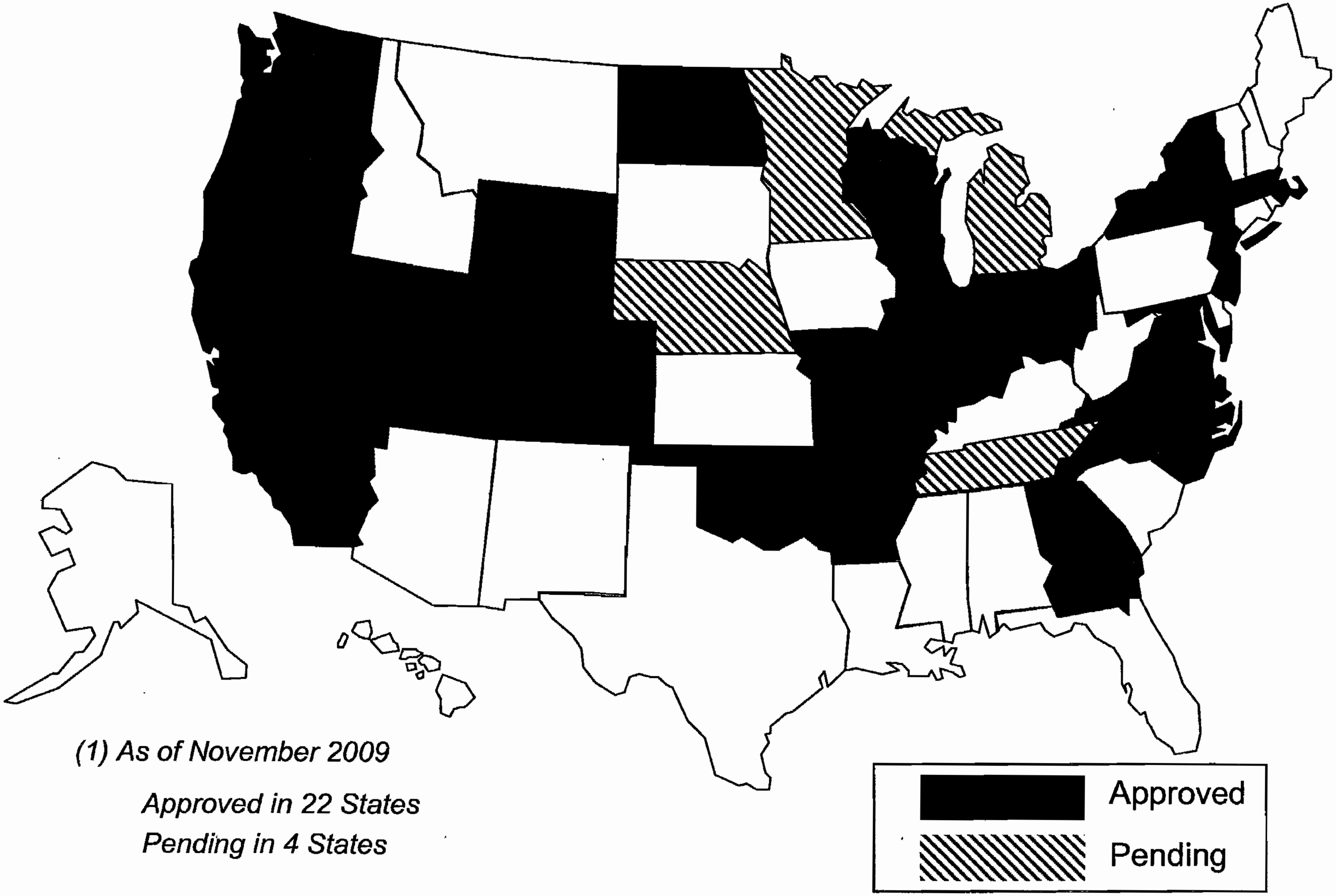
- "Revenue Decoupling Programs: Aligning Diverse Interests," The Institute for Regulatory Policy Studies, Illinois State University, May 2005.

- "Key Regulatory Issues Affecting Energy Utilities" American Gas Association Financial Forum, May 2005.

- "Energy Efficiency and Revenue Decoupling: A True Alignment of Customer and Shareholder Interests," American Gas Association Rate and Regulatory Issues Seminar and Committee Meetings, April 2005.

CAPD Request No. 2
Attachment 4

Piedmont Natural Gas Company
Approved and Pending Revenue Decoupling – Gas Utilities (1)



(1) As of November 2009

Approved in 22 States
Pending in 4 States

CAPD Request No. 2
Attachment 5

EDISON ELECTRIC INSTITUTE

NRDC

THE EARTH'S BEST DEFENSE

November 18, 2003

Dear NARUC Commissioners

At your invitation, we conducted a lively debate at the 2002 Annual Meeting on utilities' future role in "electric resource portfolio management." Many of you encouraged us to return with joint recommendations on the formidable challenges associated with choosing and managing balanced portfolios of electricity and grid resources for customers unable or unwilling to do this themselves. Here we are again.

While details vary among states, EEI and NRDC agree that among most distribution companies' most crucial and challenging responsibilities is meeting their systems' long-term needs for grid enhancement, generation and demand-side resources. Distribution companies need not own the resources involved, and an active portfolio management role for distribution companies is entirely consistent with efforts to promote competitive wholesale generation markets. Indeed, as NARUC's members know well, many participants in such markets increasingly are calling for more long-term distribution company investments to help overcome a capital availability crisis that affects all elements of the power system, from grids to generators to end-use efficiencies.

We are deeply concerned, however, about an increasingly obvious mismatch between these important societal needs and the tools available to utilities, other market participants and regulators. We also believe we need clear workable frameworks for resource portfolio procurement, and we are committed to working together with NARUC's members to secure them.

THE CHALLENGES

Utility-based resource portfolio management faces a host of challenges, including but not limited to the following:

1. Misaligned incentives.
   a. Traditional regulation does not create any clear performance-based incentive to manage comprehensive electric resource portfolios effectively; at best, utilities can hope to recover the costs of long-term contracts with generation and demand-side service providers, with no opportunity to earn a reward for addressing risks in minimizing the long-term cost of reliable service.
   b. For energy efficiency and distributed generation options specifically, today's rate regulation typically penalizes any such utility investments - however cost-

effective - by linking much or all of utilities' fixed cost recovery to their retail electricity sales volumes.

c. Traditional rates of return from a cost-of-service framework do not reflect significant new risks (outlined in part below).

d. It is difficult to negotiate symmetrical incentives that reward long-term performance and will not be revisited or withdrawn when utilities do well.

2. Major new risks in honoring service obligations in restructured markets:
   a. Volume Risk: in states with retail competition loads are far more variable because of customer switching; and,
   b. Price Risk: wholesale prices are increasingly volatile, most customers don't like being exposed to such volatility, and many utilities have divested their own generation in response to market forces and/or direction from regulators and legislatures.

3. Illiquidity in wholesale markets: lack of long-term deals impedes temporal diversity, and lack of derivative products obstructs some kinds of risk hedging.

4. Uncertainty regarding the duration of the supply obligation: some states have reframed portfolio management as "Provider Of Last Resort" (POLR) service, which was originally intended to be part of a transitional strategy but now is being recast as a renewed and extended obligation.

5. Analytical challenges in developing sound portfolios: portfolio managers must find new tools and methods to evaluate regulated and unregulated resources with significantly different asset lives and non-price attributes; Commissions need to gain greater familiarity with new risk management concepts, methods and tools (e.g., Value-at-Risk, Cash Flow-at-Risk, measures of gas price volatility)

6. Expediting decisions: traditional trial-type adversarial planning proceedings take too long to identify and exploit opportunities.

7. Addressing the role of affiliates: no consensus yet exists on whether and how to accommodate affiliate participation in resource portfolios.

NEXT STEPS

This daunting list of concerns is not an invitation to despair or for paralysis; solutions must be found in the public interest. We offer these initial recommendations and remain committed to timely solutions:

1. Get the incentives right: performance-based incentives tied to objective benchmarks have been tested for both demand- and supply-side resources; it's time to put them to widespread use. Procurement plans filed by utilities with their regulators can be used to establish these benchmarks, which should address cost-effective short- and long-

term investments in generation, demand-side resources and grid enhancements. Also, to eliminate a powerful disincentive for energy efficiency and distributed-resource investment, we both support the use of modest, regular true-ups in rates to ensure that any fixed costs recovered in kilowatt-hour charges are not held hostage to sales volumes. EEI believes regulators should explore new rate designs for collection of the fixed costs of investments.

2. Provide reasonable assurance of cost recovery: uncertainty of cost recovery constrains adaptive rate design, and discourages investment in new infrastructure needed for security, reliability and environmentally sustainable service for all customers. Moreover, extended rate freezes make impossible any true-ups to remove energy efficiency disincentives (see item 1 above).

3. Provide opportunities for utilities to seek advanced regulatory approval for resource portfolios under standards and criteria defined upfront, with assurances that approved commitments will not be revisited and disapproved after-the-fact.

4. Add objective risk management goals to the traditional utility resource procurement mission of minimizing costs subject to reliability and other constraints.

5. Establish frequent communications with Commissioners and staff, to keep up with dynamic market changes and avoid surprising regulators.

6. Develop RFP processes that are unbiased and fair for all parties, including utility affiliates and independent suppliers. One illustration is the joint NRDC/PacificCorp/Calpine proposal *Defining Electricity-Resource Portfolio Management Responsibilities* submitted to NARUC in July 2003.

Through these recommendations, we hope to help NARUC members achieve the best possible long-term results for all of their constituents, in both economic and environmental terms.

Yours sincerely,

David K. Owens

David K. Owens

Ralph Cavanagh

Ralph Cavanagh

CAPD Request No. 2
Attachment 6

AGA American Gas Association

NRDC THE EARTH'S BEST DEFENSE

Joint Statement of the American Gas Association and the Natural Resources Defense Council

Submitted to the National Association of Regulatory Utility Commissioners
July 2004

The American Gas Association (AGA) and the Natural Resources Defense Council (NRDC) recognize the many benefits of using clean-burning natural gas efficiently to provide high quality energy services in all sectors of the economy. This statement identifies ways to promote both economic and environmental progress by removing barriers to natural gas distribution companies' investments in urgently needed and cost-effective resources and infrastructure.

NRDC and AGA agree on the importance of state Public Utility Commissions' consideration of innovative programs that encourage increased total energy efficiency and conservation in ways that will align the interests of state regulators, natural gas utility company customers, utility shareholders, and other stakeholders. Cost-effective opportunities abound to improve the efficiency of buildings and equipment in ways that promote the interests of both individual customers and entire utility systems, while improving environmental quality. For example, when energy supply and delivery systems are under stress, even relatively modest reductions in use can yield significant additional cost savings for all customers by relieving strong upward pressures on short-term prices.

NRDC and AGA also encourage state Commissions to support gas distribution company efforts to manage volatility in energy prices and reduce volatility risks for customers.

The Energy Efficiency Problem: Regulated Natural Gas Utilities are Penalized for Aggressively Promoting Energy Efficiency

Local natural gas distribution companies (gas utilities) have very high fixed costs. These fixed costs include the costs of maintaining system safety and reliability throughout the year, staffing customer service telephone lines 24 hours a day and doing what it takes each day of the year to ensure the safe and reliable delivery of natural gas to homes, schools, hospitals, retailers, factories and other customers.

Natural gas utilities typically purchase natural gas on behalf of their customers, and pass through the cost without markup. This means that natural gas utilities do not profit from their acquisitions of natural gas to serve customer needs. The profit (authorized level of rate of return) comes from the rates utilities charge for transporting the natural gas to customers' homes and businesses.

The vast majority of the non-commodity costs of running a gas distribution utility are fixed and do not vary significantly from month to month. However, traditional utility rates do not reflect this reality. Traditional utility rates are designed to capture most of approved revenue requirements for fixed costs through volumetric retail sales of natural gas, so that a utility can recover these costs fully only if its customers consume a certain minimum amount of natural gas (these amounts are normally calculated in rate cases and generally are based on what customers consumed in the past). Thus, many states' rate structures offer – quite unintentionally – a significant financial disincentive for natural gas utilities to aggressively encourage their customers to use less natural gas, such as by providing financial incentives and education to promote energy-efficiency and conservation techniques.

When customers use less natural gas, utility profitability almost always suffers, because recovery of fixed costs is reduced in proportion to the reduction in sales. Thus, conservation may prevent the utility from recovering its authorized fixed costs and earning its state-allowed rate of return. In this important respect, traditional utility rate practices fail to align the interests of utility shareholders with those of utility customers and society as a whole. This need not be the case. Public utility commissions should consider utility rate proposals and other innovative programs that reward utilities for encouraging conservation and managing customer bills to avoid certain negative impacts associated with colder-than-normal weather. There are a number of ways to do this, and NRDC and AGA join in supporting mechanisms that use modest automatic rate true-ups to ensure that a utility's opportunity to recover authorized fixed costs is not held hostage to fluctuations in retail gas sales.[1] We also support performance-based incentives designed to allow utilities to share in independently verified savings associated with cost-effective energy efficiency programs.

Many states' rate structures also place utilities at risk for variations in customer usage based on variations in weather from a normal pattern. This variation can be both positive and negative. Utilities' allowed rate of return is premised on the

---

[1]For example, in 2003 the Oregon Public Utility Commission approved a "conservation tariff" for Northwest Natural Gas Company (NW Natural) "to break the link between an energy utility's sales and its profitability, so that the utility can assist its customers with energy efficiency without conflict." The conservation tariff seeks to do that by using modest periodic rate adjustments to "decouple" recovery of the utility's authorized fixed costs from unexpected fluctuations in retail sales. *See* Oregon PUC Order No. 02-634, *Stipulation Adopting Northwest Natural Gas Company Application for Public Purpose Funding and Distribution Margin Normalization* (Sept. 12, 2003). In California, PG&E and other gas utilities have a long tradition of investment in energy efficiency services, including those targeting low-income households, and the PUC is now considering further expansion of these investments along with the creation of performance-based incentives tied to verified net savings. California also pioneered the use of modest periodic true-ups in rates to break the linkage between utilities' financial health and their retail gas sales, and has now restored this policy in the aftermath of an ill-fated industry restructuring experiment. Thus, in March 2004, Southwest Gas Company received an order that authorizes it to establish a margin tracker that will balance actual margin revenues to authorized levels.

expectation that weather will be normal, on average, and that customer use of gas will maintain a predictable pattern going forward. Proposals by utilities to decouple revenues from both conservation-induced usage changes and variations in weather from normal have sometimes been characterized as attempts to reduce utilities' risk of earning their authorized return. The result of these rate reforms, in this regulatory view, should be a lowered authorized return. But reducing authorized returns would penalize utilities for socially beneficial advocacy and action, including efforts to create mechanisms that minimize the volatility of customer bills.

Our shared objective is to give utilities real incentives to encourage conservation and energy efficiency. With properly designed programs, the benefits could be significant and widespread:

- Customers could save money by using less natural gas;
- Reduced overall use will help push down short-term prices at times when markets are under stress, reducing costs for all customers (whether or not they participate in the utility programs);
- Utilities would recover their costs and have a fair opportunity to earn their allowed return;
- State policies to encourage economic development could be enhanced by increased energy efficiency and lower business energy costs;
- State PUCs would be able to support larger state policy objectives as well as programs that reflect the public's desire to use energy efficiently and wisely.

In today's climate of rapidly changing natural gas prices, such reforms make good sense for consumers, shareholders, state governments, and the environment.

Natural Gas Consumers, Price Volatility and Resource Portfolio Management. Another area of concern shared by NRDC and AGA is the impact of natural gas price volatility on natural gas consumers, which can be exacerbated by limited diversification of utilities' resource portfolios. Today many of the nation's natural gas utilities find themselves relying on short-term markets for most of their gas needs, with either the encouragement or the acquiescence of their regulators. During much of the 1990's this approach was typically advantageous to consumers, as the market price of natural gas was generally low and did not fluctuate dramatically. As wholesale natural gas prices have risen since 2000 and become more volatile, however, many utilities and commissions are reconsidering this emphasis on short-term market purchases.

While purchasing practices based on short-term supply contracts may offer consumers relatively low-cost natural gas, those consumers are also exposed to more volatile prices and natural gas bills that may rise and fall unpredictably. Public Utility Commissions should favorably consider gas distribution company proposals to manage volatility, such as through hedging, fixed-price contracts of various durations, energy-efficiency improvements in customers' buildings and equipment, and other measures designed to provide greater certainty about both supply adequacy and price stability. Achieving these goals will sometimes require paying a premium over prevailing spot market prices. Like diversified investment portfolios that are designed to mitigate risk, prudent hedging plans should be encouraged as a way to help stabilize gas prices and ensure long-term access to affordable natural gas services.

This Joint Statement also has been reviewed and endorsed by:

ALLIANCE TO
SAVE ENERGY
Creating an Energy-Efficient World

Alliance to Save Energy

ACE3

American Council for an Energy-Efficient Economy

L:NRDC-AGA Statement – 7-7-04 (FINAL with ACE3).doc

CAPD Request No. 2
Attachment 7

Resolution Supporting the National Action Plan on Energy Efficiency

WHEREAS, The United States is in an increasing energy cost environment, both for the cost of energy commodities and new energy infrastructure, such that there is uniform recognition at every level of government and industry that concerted efforts and attention must be focused on ways to conserve energy and utilize it more efficiently in order to reduce the corresponding costs to both consumers and our economy; *and*

WHEREAS, The Department of Energy (DOE), the Environmental Protection Agency (EPA), and other government and non-profit agencies are working with a number of public and private entities in numerous States to identify, implement and improve public policy and planning efforts related to the achievement of energy efficiency objectives; *and*

WHEREAS, The Board of Directors of the National Association of Regulatory Utility Commissioners adopted a "Resolution on Gas and Electric Energy Efficiency" at its July 2004 meeting that encouraged State policy makers to: (1) support the expansion of energy efficiency programs; (2) review and upgrade energy efficiency standards for buildings and appliances and promote the use of high-efficiency consumer products, including smart metering and information control devices; and (3) recognize that the best approach for promoting such programs may depend on local issues, preferences, and conditions; *and*

WHEREAS, The National Action Plan on Energy Efficiency was released on July 31, 2006, recommending key action items for public policymakers and private industry to consider in each region, with the goal of saving consumers billions of dollars in energy costs over the next 15 years; *and*

WHEREAS, The following five recommendation areas comprise the key elements of the 2006 National Action Plan on Energy Efficiency: (1) Recognize energy efficiency as a high priority energy resource; (2) Make a strong, long-term commitment to cost-effective energy efficiency as a resource; (3) Broadly communicate the benefits of and opportunities for energy efficiency; (4) Promote sufficient, timely, and stable program funding to deliver energy efficiency where cost-effective; and (5) Modify policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments; *now therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its 2006 Summer Meeting in San Francisco, California, reaffirms its support for the Association's July 2004 "Resolution on Gas and Electric Energy Efficiency"; *and be it further*

RESOLVED, That the Board of Directors commends the commitments made on July 31, 2006 at the opening session of these meetings by a number of State commissions and other stakeholders to take specific actions to move their States aggressively toward increased energy efficiency; *and be it further*

RESOLVED, That the Board of Directors endorses the principal objectives and recommendations of the National Action Plan on Energy Efficiency, and commends to its member commissions a State-specific, and where appropriate, regional review of the elements and potential applicability of the energy efficiency policy recommendations outlined in the Plan, in an effort to identify potential improvements in energy efficiency policy nationwide.

Sponsored by the Executive Committee and the Committees on Consumer Affairs, Electricity, Energy Resources and the Environment, and Gas
Adopted by the NARUC Board of Directors August 2, 2006

CAPD Request No. 2
Attachment 8

Resolution on Gas and Electric Energy Efficiency

WHEREAS, The National Association of Regulatory Utility Commissioners (NARUC), at its July 2003 Summer Meetings, adopted a *Resolution on State Commission Responses to the Natural Gas Supply Situation* that encouraged State and Federal regulatory commissions to review and reconsider the level of support and incentives for existing gas and electric utility programs designed to promote and aggressively implement cost-effective conservation, energy efficiency, weatherization, and demand response in both gas and electricity markets; *and*

WHEREAS, The National Petroleum Council (NPC), in its September 25, 2003 report on *Balancing Natural Gas Policy – Fueling the Demands of a Growing Economy*, found that greater energy efficiency and conservation are vital near-term and long-term mechanisms for moderating price levels and reducing volatility and recommended all sectors of the economy work toward improving demand flexibility and efficiency; *and*

WHEREAS, The NPC, in its report, identified key elements of the effort to maintain and continue improvements in the efficient use of electricity and natural gas, including (but not limited to):

(i) enhanced and expanded public education programs for energy conservation, efficiency, and weatherization,

(ii) DOE identification of best practices utilized by States for low-income weatherization programs and to encourage nation-wide adoption of these practices,

(iii) a review and upgrade of the energy efficiency standards for buildings and appliances (to reflect current technology and relevant life-cycle cost analyses) to ensure these standards remain valid under potentially higher energy prices

(iv) promote the use of high-efficiency consumer products including advanced building materials, Energy Star appliances, energy "smart" metering and information control devices

(v) on-peak electricity conservation to minimize the use of gas-fired electric generating plants,

(vi) the use of combined-cycle gas-fired electric generating units instead of less-efficient gas-fired boilers, and

(vii) clear natural gas and power price signals; and

(viii) remove regulatory and rate structure incentives to inefficient use of natural gas and electricity; and

WHEREAS, The NARUC, at its November 2003 annual convention, adopted a *Resolution Adopting Natural Gas Information "Toolkit"* which encouraged the NARUC Natural Gas Task Force, to review (among other things) the findings and recommendations in the NPC report that have regulatory implications for State commissions for improving and promoting energy efficiency and conservation initiatives, including consumer outreach and education, review of regulatory throughput incentives; *and*

WHEREAS, The American Council for an Energy-Efficient Economy ("ACEEE"), in its December 2003 report on *Responding to the Natural Gas Crisis: America's Best Natural Gas Energy Efficiency Programs,* (i) identified States and utilities with programs that many would consider best practice or model programs for all types of natural gas customers and all principal natural gas end-use technologies, and (ii) found that these programs are concentrated in relatively few States and regions and could be expanded in other parts of the country to great benefit; *and*

WHEREAS, the Natural Resources Defense Council (NRDC), the American Gas Association (AGA) and the ACEEE have recently adopted a Joint Statement noting that traditional rate structures often act as disincentives for natural gas utilities to aggressively encourage their customers to use less gas. Therefore, the NRDC, AGA, and the ACEEE have urged public utility commissions to align the interests of consumers, utility shareholders, and society as a whole by encouraging conservation. Among the mechanisms supported by these groups are the use of automatic rate true-ups to ensure that a utility's opportunity to recover authorized fixed costs is not held hostage to fluctuations in retail gas sales; *now therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its 2004 Summer Meetings in Salt Lake City, Utah, encourages State commissions and other policy makers to support the expansion of natural gas energy efficiency programs and electric energy efficiency programs, including those designed to promote consumer education, weatherization, and the use of high-efficiency appliances, where economic, and to address regulatory incentives to address inefficient use of gas and electricity; *and be it further*

RESOLVED, That the Board of Directors of the NARUC, encourages State and Federal policy makers to: (i) review and upgrade the energy efficiency standards for buildings and appliances, where economic, to ensure these standards remain valid under potentially higher energy prices, and (ii) promote the use of high-efficiency consumer products, where economic, including advanced building materials, Energy Star appliances, and energy "smart" metering and information control devices; *and be it further*

RESOLVED, That Board of Directors of NARUC encourages State Commissions to review and consider the recommendations contained in the enclosed *Joint Statement of the American Gas Association, the Natural Resources Defense Council, and the American Council for an Energy-Efficient Economy; and be it further*

RESOLVED, That the Board of Directors of the NARUC recognizes that the best approach towards promoting gas energy efficiency programs and electric energy efficiency programs for any single utility, State or region may likely depend on local issues, preferences and conditions.

Sponsored by the NARUC Natural Gas Task Force, Committee on Gas, Committee on Consumer Affairs, Committee on Electricity, and Committee on Energy Resources and the Environment
Adopted by the NARUC Board of Directors July 14, 2004