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Chairman Sara Kyle
Director Eddie Roberson
Director Kenneth C. Hill
Director Mary W. Freeman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

filed electronically in docket office on 12/14/09

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

Dear Madam Chairman and Directors:

I am writing on behalf of AARP in opposition to the proposal of Piedmont Natural Gas Company (Piedmont) for adoption of a revenue recovery mechanism known as "revenue decoupling." AARP has nearly 700,000 members in Tennessee, many of whom are customers of Piedmont and would be directly affected by the outcome of this case. Further, to the extent this case establishes a precedent at the TRA, all of AARP members and all Tennesseans who are customers of a natural gas utility are potentially affected.

Piedmont is seeking approval of a "Margin Decoupling Tracker" (MDT), which the company claims will align the interests of consumers and the company with respect to energy conservation and efficiency programs. The MDT is a form of "revenue decoupling" which guarantees the company a certain revenue stream, even as consumers reduce their usage due to energy efficiency measures, or for other reasons, such as economic conditions. AARP does not support the proposed MDT.

AARP does not agree that energy efficiency programs are dependent on the adoption of revenue decoupling. Several states have implemented successful efficiency programs by creating non-utility entities whose sole mission is to improve energy efficiency. In addition, while some states have adopted "revenue decoupling" others have rejected or terminated decoupling mechanisms, determining that they were not working effectively, and/or were overly compensating the utility for decreased usage due to outside factors, such as the economic downturn. The recent controversy in Ohio over a such a rate mechanism that would have cost ratepayers \$21.45 for each compact fluorescent light bulb distributed by the utility is a good example of a misguided approach to utility-based energy

efficiency programs.^[1] Such controversies also serve to erode consumer support for energy efficiency programs that could be designed to be cost effective and benefit both the consumer and the utility.

AARP supports giving consumers increased access to meaningful energy efficiency programs that will reduce their energy bills as they reduce their usage. Policies should be adopted that incorporate energy efficiency into utility planning to ensure that costs are minimized and that energy savings are genuine. Alternative rate mechanisms, if adopted, should not shift risk to consumers, but rather incorporate appropriate consumer protections and recognize the reduced risk to the company when revenues are guaranteed. The MDT does not achieve those policy goals.

AARP has reviewed the testimony filed in this proceeding on behalf of the Tennessee Attorney General Consumer Advocate and Protection Division ("Consumer Advocate"). AARP agrees with the Consumer Advocate that the MDT should be rejected:

- The MDT shifts a large amount of risk from shareholders to ratepayers
- The energy efficiency programs proposed by Piedmont are so small in scale that they would result in minimal usage reduction or pose financial risk to Piedmont
- The MDT proposal does not include ratepayer protections, such as a limit on bill increases
- No adjustment is made to the company's return on equity to reflect the reduced risk due to the revenue guarantees provided by the MDT.
- There is proposed no measurement and evaluation of energy savings resulting from the company's proposed energy efficiency programs.
- The MDT requested is not being set in a rate case, where initial target revenues should be determined and current expenses reviewed.

AARP believes the MDT will increase costs to consumers, while delivering little if any meaningful energy efficiency, and placing an additional burden on consumers at a time when they are still struggling to recover from the recent economic downturn.

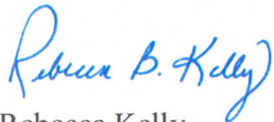
AARP's opposition to the MDT should not be viewed as opposition to energy efficiency programs. Both the energy industry and all consumers have much to gain from the adoption and implementation of various energy efficiency programs that help consumers lower their monthly energy use and thus reduce their monthly energy bills.

AARP supports the development of affordable, cost effective energy efficiency programs which ensure that the cost recovery, utility incentives and any form of revenue

^[1] See for example, PUCO to hear arguments in light-bulb controversy, Oct 15 - McClatchy-Tribune Regional News - Betty Lin-Fisher The Akron Beacon Journal, Ohio

decoupling associated with such programs is fair and reasonable and linked to the utility's actual performance in reducing energy use.

Respectfully submitted



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AARP Tennessee

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Asst. Attorney General Ryan McGehee