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RAILROAD COMMISSION OF TEXAS

GAS SERVICES DIVISION

January 12, 2010

TO: Interested persons

FROM: *W/O* William O. Geise, Director, Gas Services Division
CME C. Mark Evarts, Director, Gas Services Division, Market Oversight Section

RE: Gas Utilities Docket No. 9900, *Establishment of a Natural Gas Conservation and Energy Efficiency Program*

REQUEST FOR PUBLIC COMMENT

The Gas Services Division invites interested persons to provide input on the Commission's effort to develop a conservation and energy efficiency (CEE) program for natural gas utilities that serve customers in unincorporated territories in the State of Texas. To that end, written responses to the attached questions are requested on or before:

TUESDAY, FEBRUARY 23, 2010

Please send three paper copies of comments to: Lynne LeMon, Railroad Commission of Texas, Gas Services Division, P.O. Box 12967, Austin, TX, 78711-2967. Additionally, send via email to lynne.lemon@rrc.state.tx.us two electronic versions of the comments, including one version in Word format, the other version in pdf format. Include in comments a reference to Gas Utilities Docket No. 9900 as well as the name, mailing address, email address and phone number(s) of the contact person(s) representing the commenting entity. Procedural inquiries may be directed to Ms. LeMon at lynne.lemon@rrc.state.tx.us or at 512-475-1958.

Following a review of comments received from interested persons, the Gas Services Division may develop a rule proposal, a policy proposal, or other initiative for further comment by interested persons and for consideration by the Commission.

Gas Utilities Docket No. 9900
Establishment of a Natural Gas Conservation and Energy Efficiency Program

The Railroad Commission of Texas' Gas Services Division is seeking input from interested persons on the following questions pertaining to development and implementation of a natural gas conservation¹ and energy efficiency² (CEE) program. Such a program would be applicable to natural gas distribution companies that serve customers in unincorporated areas in Texas and may include both rule-based and other initiatives.

1. Beginning in 2005, Pacific, Gas and Electric Company (PG&E) implemented its *Winter Gas Savings Program* (www.wintergassavings.com), a straightforward, measurable conservation program which rewards the conservation efforts of residential and commercial natural gas customers during peak usage months, as follows:

- Customers who reduce their cumulative natural gas usage during January and February below the 3-year historical average at their home or business receive bill credits.
- If a customer reduces January / February gas usage by less than 10%, the customer receives a bill credit equal to that percent.
- If a customer reduces January / February gas usage by 10% or more, the customer receives a bill credit equal to 20%.

Under the Program, customers are automatically eligible for Program bill credits and nearly all customers participate, at their option. PG&E distributed about \$59 million of Program bill credits to customers in the spring of 2009. Any revenue deficiency resulting from winter bill credits is recouped through an Annual Gas True-up factor implemented in April through October of that same year. Should the Railroad Commission model a CEE program for Texas natural gas distribution companies after PG&E's *Winter Gas Savings Program*? Why or why not?

2. In recent years, the Railroad Commission approved a CEE program for Atmos Energy's Mid-Tex Division. The Atmos program supports weatherization of homes owned by low-income persons, up to \$2 million annually. The Atmos program is funded equally (50/50) through natural gas rates and by Atmos' shareholders. Should the Railroad Commission model a CEE program after the Atmos Energy program in effect for a portion of Atmos' Texas customers? Why or why not?
3. In 2000, the Public Utility Commission of Texas (PUC) established a comprehensive energy efficiency goal and program for electric utilities through adoption of Substantive Rule 25.181 and several related rules. The efficiency goal

¹ In this document, the term 'conservation' refers to energy conservation, meaning actions taken by consumers to reduce their energy use, such as turning the lights off.

² In this document, the term 'energy efficiency' means the usable energy per unit of energy absorbed by an appliance or piece of energy-using equipment.

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was regularly attained and, therefore, Substantive Rule 25.181 was modified in 2008 to increase the energy efficiency goal.

Given that some natural gas distribution companies are also providers of electricity that are familiar with the PUC's program, should the Railroad Commission model a CEE program for natural gas distribution companies after the Texas PUC's rule? Why or why not?

The PUC's applicable rule is available at:

<http://www.puc.state.tx.us/rules/subrules/electric/25.181/25.181.pdf>

4. What are the advantages and disadvantages of natural gas distribution companies in Texas retrofitting or replacing traditional gas meters with meters that are able to: a) relay usage information to the utility; b) relay usage information to the customer; c) vary pricing by season; and/or d) vary pricing by day of week or time of day? What is a realistic timeframe for natural gas distribution companies in Texas to retrofit or replace traditional gas meters with more advanced 'Smart' meter technologies that are able to perform all or a subset of the above functions?

For the remaining questions, refer to the National Action Plan for Energy Efficiency (NAPEE), July 2006, at this website:

<http://www.epa.gov/cleanenergy/energy-programs/napee/resources/action-plan.html>

5. Since 1990, many state utility commissions have instituted CEE programs applicable to natural gas distribution companies and electric utilities. Does another state have a CEE program that could be readily adapted to the bifurcated jurisdictional structure applicable to natural gas distribution companies in Texas? If so, identify the state and provide an overview of the key attributes of that state's CEE program that make it suitable for Texas natural gas distribution companies.
Reference: NAPEE, pages 6-3 and 6-4.
6. The NAPEE recommends that a CEE program be designed to include a program design description, objectives, an identified target market, eligible measures, a marketing plan, an implementation strategy, an incentive strategy, an evaluation plan, a way of measuring benefit and cost outputs, and performance metrics to measure program success and milestones. Identify one or more successful CEE programs implemented by one or more natural gas distribution companies, where all or nearly all of these program components are present. Reference: NAPEE, page 6-29
7. The NAPEE identifies by customer segment, key stakeholders, program barriers and strategies for addressing barriers. Identify known strategies implemented by natural gas distribution companies to address program barriers identified in the NAPEE. Reference: NAPEE, Table 6-10, page 6-31

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8. The NAPEE suggests that one strategy for introducing energy efficiency to electricity customers is to phase initiatives in by customer sector, or class. For the Texas climate and geography, please comment on whether the phase-in strategy suggested in the NAPEE would provide the desired outcome in terms of energy efficiency derived from natural gas customers. Reference: NAPEE, Table 6-12, page 6-42
9. The NAPEE suggests approaches for evaluating the effectiveness of energy efficiency initiatives. What evaluation mechanisms would be suitable for natural gas distribution companies in Texas? Reference: NAPEE, Table 6-14, pages 6-46 and 6-47
10. Utilities sometimes propose to decouple rates and revenues from customer usage so that the reduced demand resulting from CEE efforts does not significantly impact revenues. The NAPEE describes how decoupling measures introduced in the 1990s were flawed (at page 2-5) as well as some current decoupling strategies adopted by states for gas and electric utilities (at page 2-12). Provide a framework of decoupling 'best practices' potentially applicable to natural gas distribution companies in Texas.
11. The Railroad Commission has approved within the past year Cost of Service Adjustment (COSA) mechanisms. Describe the pros and cons of making COSAs the designated cost recovery mechanism for losses of revenue and increases in costs related to CEE.
12. Customers have been, to some extent, conserving energy for several decades. How do natural gas distribution companies currently recover their losses of revenue and increases in costs related to customer-initiated CEE efforts in Texas?