

Pennsylvania Public Utility Commission

Technical Conference:

Compliance of the Commonwealth of Pennsylvania
with Section 410(a) of the American Recovery and
Reinvestment Act of 2009

Docket No. I-2009-2099881

National Fuel Gas Distribution Corporation

Utility Disincentives to Promote Customer Conservation

- As long as a utility's earnings rise with an increase in the average customer's usage, a utility has a natural disincentive to promote energy conservation by its customers.
- There are a number of ways to eliminate the disincentive:
 - Flat Monthly Charges
 - Earnings Stabilization Mechanisms
 - Revenue Decoupling Mechanisms
- Eliminating the disincentive would align utility and consumer interests in conservation and efficiency.

Conservation Incentive Program (CIP)

NFGDC New York Division

- Program Features:
 1. High Efficiency Appliance Rebates
 - Residential
 - Small Non-residential
 2. Low Income Usage Reduction Program
 3. General Outreach and Education
 4. Symmetrical RDM

Conservation Incentive Program (CIP) NFGDC New York Division

- CIP is a partnership program administered by
 - NFGDC
 - NYSERDA
 - Rebate contractor
- Voluntary program that meets or exceeds state requirements

Conservation Incentive Program (CIP)

NFGDC New York Division

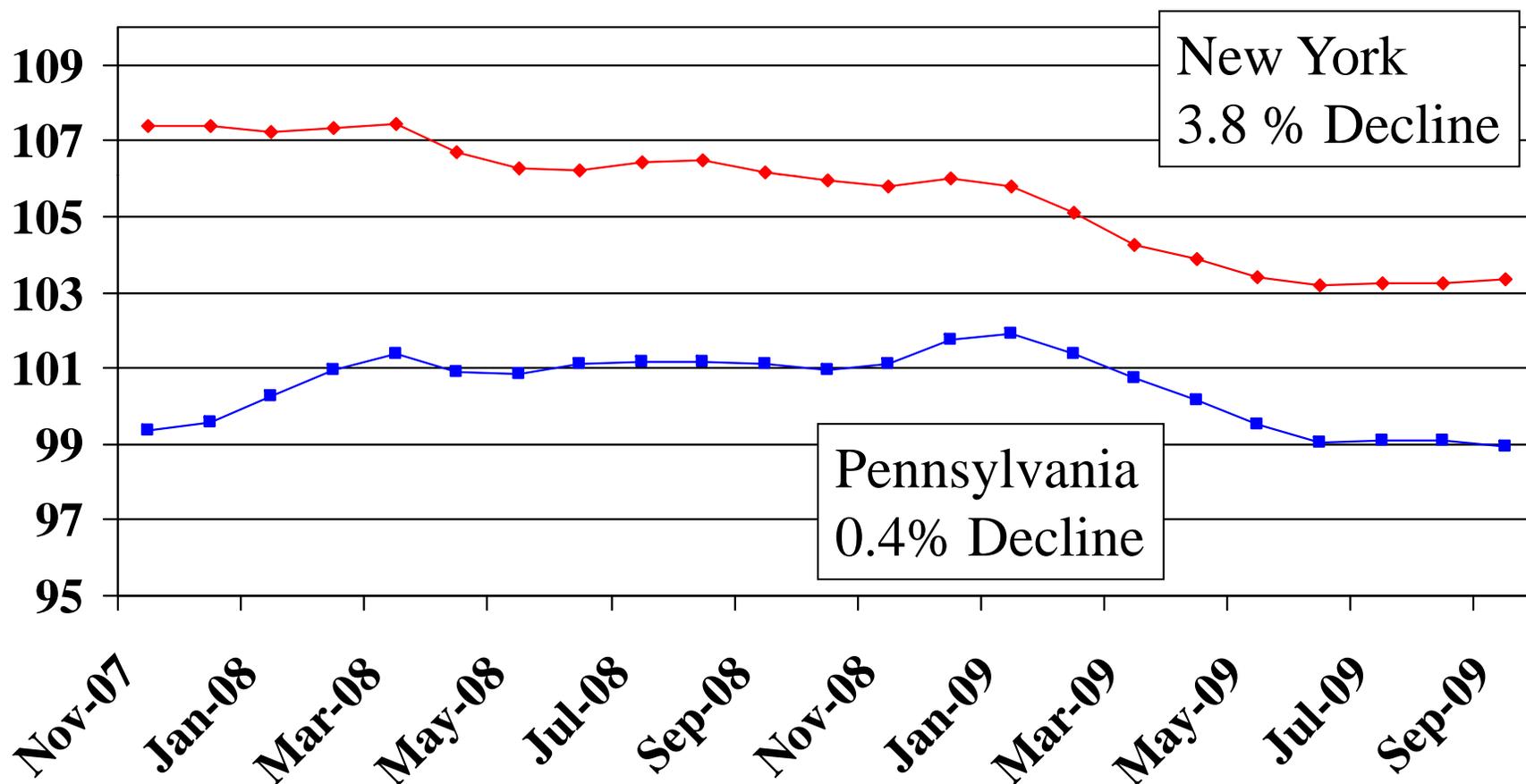
- Company survey shows that 84% of residential customers believe that it is important that utilities provide information on pricing trends and conservation.
- NYPSC survey on energy efficiency found that “the utility is seen as housing ‘the experts’ and people look to the utilities for direction and advice.”

Conclusion: The Utility Should be a Promoter of Energy Efficiency Programs

CIP Program Results

- Through September 2009, over 30,000 rebates were provided to approximately 3.5% of residential and small commercial customers.
- Participating Residential Rebate Customers Saved Approximately 11.5% of their annual usage or \$140 per year.
- Savings for customers participating in rebates were substantially greater than the \$18 per year paid by the average residential customer to fund conservation program.
- While customers that did not receive a rebate did not incur such large savings:
 - At some point when customer replaces appliance they will have an opportunity to participate.
 - Non-participating rebate customers received benefits from general outreach program and resulting higher conservation awareness.

National Fuel Gas Distribution Corporation Changes in Residential Usage Per Account Since Inception of CIP in New York

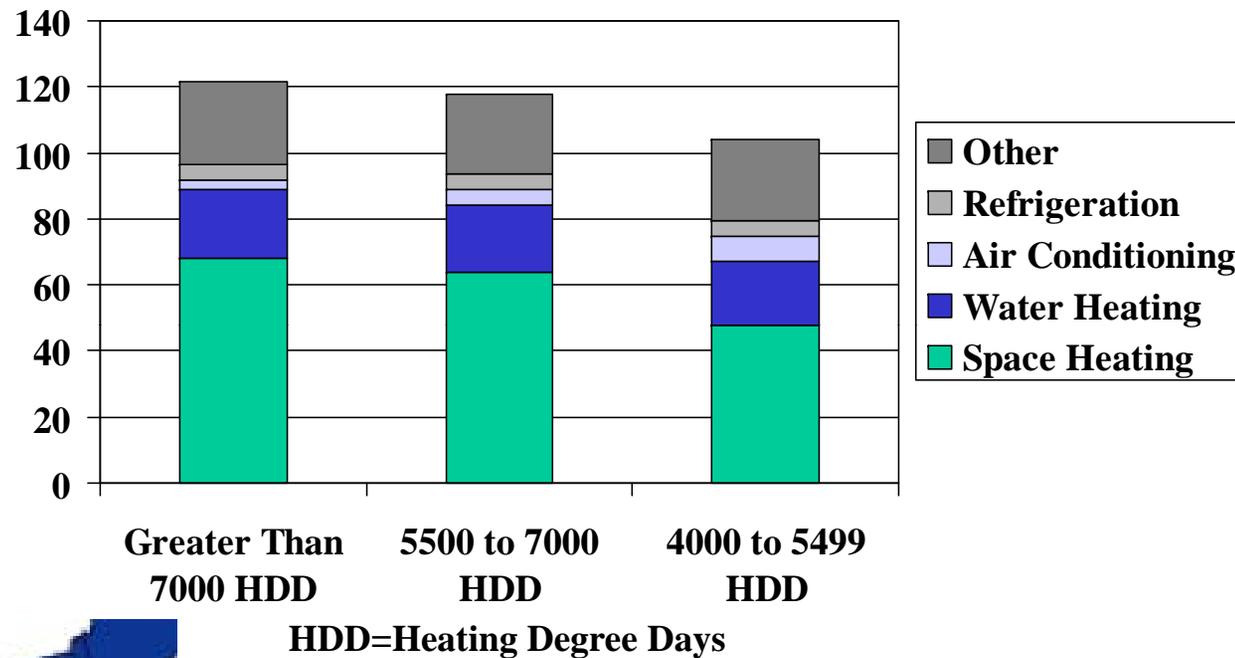


All Customers Benefit

- Energy conservation is the public policy of Pennsylvania and the federal government.
- Successful energy conservation is seen as beneficial to the public at large, especially over the longer run.
 - Energy security
 - Environmental benefits
- All customers eligible for rebates; all customers will eventually replace appliances.

Energy Consumption (MMBtu) Per Household in Pennsylvania Climate Zones

Source: Energy Information Administration



HDD=Heating Degree Days

Climate Zones

- Zone 1 is less than 2,000 CDD and greater than 7,000 HDD.
- Zone 2 is less than 2,000 CDD and 5,500-7,000 HDD.
- Zone 3 is less than 2,000 CDD and 4,000-5,499 HDD.

Conclusions

- Gas utilities should use their customer relationship to actively promote conservation and energy efficiency.
- With the removal of disincentives, utilities can be effective providers of energy efficiency services to customers.
- The benefits provided from effective utility sponsored energy efficiency programs will outweigh the costs.