



National Fuel

August 20, 2008

Hon. Jaclyn A. Brillling
Secretary
Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 07-M-0548
Energy Efficiency Portfolio Standard Program Plan
for National Fuel Gas Distribution Corporation
Pursuant to Order dated June 23, 2008

Dear Secretary Brillling:

On June 23, 2008, the Public Service Commission (“Commission”) issued an Order Establishing Energy Efficiency Portfolio Standard [“EEPS”] and Approving Programs in the above-referenced proceeding (“Order”). The Order adopted standards and programs designed to enable the state’s energy consumers to attain “the goal adopted in the Instituting Order: a 15% reduction in forecast electricity usage by the year 2015 (15 x 15).” Order at 3. Through various procedural steps, the state’s utilities are required to adopt a suite of efficiency programs for “fast-track” implementation, and for the longer run, to be administered primarily by the utilities and NYSERDA.

Although the Order focuses largely on electric utilities, it also includes a gas utility component. More particularly, the Order requires “applicable gas utilities” to file plans for “a residential gas heating, ventilation and air conditioning (HVAC) energy efficiency program in the scope and manner described in [the Order] and appendices.” Order at 72, ordering paragraph no. 11. Gas utility filings are expected to include

[D]etailed benefit/cost estimates using the Total Resource Cost methodology, and demonstrating that collaborative discussions have been held including participating utilities, NYSERDA, and other interested parties to establish uniformity, particularly with respect to eligible equipment and rebate levels, to the extent compatible with the needs of utilities to design programs that meet the needs of their service territories. Order at 41.

National Fuel Gas Distribution Corporation (“Distribution” or the “Company”) administers, with NYSERDA, an efficiency and conservation program approved by the Commission in connection with Distribution’s most recent rate case.¹ Distribution’s Conservation Incentive Program (“CIP”) features the following components:

- Residential customer rebate program. Open to residential and small commercial customers, this component of CIP offers fixed rebates for high efficiency space and water heating and Energy Star rated programmable thermostats purchased during the qualifying period. As of July 31, 2008, approximately 9,535 rebates have been processed totaling \$1.7 million.
- Small non-residential customer rebate program. Administered by NYSERDA, this program is open to non-residential customers using less than 12,000 Mcf annually. It provides customized rebates for up to 50% of the incremental cost of upgrading facilities (not to exceed \$25,000 per project) together with a detailed energy audit.
- Low-income usage reduction program. Administered through NYSERDA’s established EmPower NY program, the low-income usage reduction program offers weatherization assistance at no charge to qualifying low-income customers.
- Communication. Distribution continues to deliver a comprehensive conservation and efficiency message through the CIP outreach and education component.

CIP commenced on November 1, 2007. On July 23, 2008, the Company provided notice that as contemplated by the Commission, CIP would continue substantially unchanged for a second year of service.² The Order clearly is intended to authorize the continuation of existing utility conservation programs within the EEPS framework. See, e.g., Order at 41-42; 70, 72. As this filing will demonstrate, continuation of CIP will meet the requirements of the Order for gas utility conservation programs. Accordingly, this filing will describe CIP in the context of the filing requirements set forth in the Order.

Program Plan

The Order sets out information requirements for gas utilities’ EEPS program plans. In this filing, Distribution’s “program plan” is its current CIP, with modifications

¹ Case 07-G-0141, National Fuel Gas Distribution Corporation – Rates, Order Establishing Rates for Gas Service (issued December 21, 2007).

² Case 07-G-0141, National Fuel Gas Distribution Corporation – Rates, Letter from National Fuel Gas Distribution Corporation to Jaclyn A. Brillling, Secretary (July 23, 2008) (“Collaboration Report”).

proposed for Year 2 of CIP. Each information requirement is identified and described below.

1. Residential gas heating, ventilation and air conditioning (HVAC) energy efficiency program in the scope and manner described in the Order.

The Commission directed gas utilities to submit proposals for, or “comparable to,” Staff’s fast track programs identified in Appendix 2 of the Order. Order at 41. Distribution’s CIP programs are either identical to or sufficiently consistent with Staff’s proposals to meet the requirements of the Order. More particularly:

a. Residential Efficient Gas Equipment

Staff’s “residential efficient gas equipment” program “will promote efficient furnaces, boilers, water heaters, clothes washers, solar hot water technology and hot water conservation measures,” among other things. Order, Appendix 2 at 3. CIP includes a residential efficient gas equipment rebate program that is described in more detail in the attached CIP Program Status Report filed on August 20, 2008 (“CIP Report”)³ beginning on page 14. Briefly summarized, the CIP residential component offers standardized rebates for appliance replacement in existing buildings. Minimum efficiency levels were established based on federal Energy Star and New York State Energy Smart guidelines. As detailed in the CIP Report, the rebate program meets the Order’s TRC benefit/cost requirement with an estimated score of 2.37.⁴

Accordingly, Distribution believes that its residential rebate program readily meets the Order’s allowance for existing programs “comparable to” Staff’s fast-track program for residential gas efficient equipment.

b. EmPower NY

The Empower NY program “will extend the availability of the EmPower NY program to more customers. Energy efficiency and weatherization services will be provided to eligible low-income customers. . . .” Order, Appendix 2 at 2. CIP includes a Low Income Usage Reduction Program (“LIURP”) that is administered by NYSERDA as part of its EmPower program, pursuant to an agreement between Distribution and NYSERDA (described infra). A detailed description of LIURP is provided in the CIP Report beginning at page 8. LIURP also exceeds the Order’s TRC benefit/cost requirement with an estimated score of 1.89. See CIP Report, Appendix E at 4.

³ The CIP Report is provided with this filing at Attachment A.

⁴ Distribution evaluates its CIP programs using the TRC test, among others, to measure their effectiveness. Although the program is still in its infancy, the Company is able to use the limited data produced thus far to determine preliminary TRC ratios for each of the CIP programs administered by the Company and NYSERDA. The preliminary results are provided in Appendix E of the attached CIP Report.

Distribution believes that its LIURP program readily meets the Order's allowance for existing programs "comparable to" Staff's fast-track proposal for the use of EmPower as the approved low-income conservation program.

c. Flexible Technical Assistance

Staff's fast-track proposals include NYSERDA programs for customized electric and gas customer technical assistance "to facilitate wise energy efficiency, energy procurement, and financing decisions." Order, Appendix 2 at 3. CIP includes a component for non-residential customer appliance rebates and technical assistance administered by NYSERDA through Tier II of the Enhanced Commercial/Industrial Performance Program. Following a comprehensive technical analysis, this program provides financial incentives based upon gas energy saved for the installation of high-efficiency gas equipment. A detailed description of the Company's non-residential program is provided in the CIP Report beginning at page 18.

Distribution believes that its non-residential customer appliance rebate and technical assistance program readily meets the Order's allowance for existing programs "comparable to" Staff's fast-track proposal for the use of NYSERDA's Flex-Tech programs for commercial and industrial applications.

2. Collaborative Discussions

The Order provides that utility plans should demonstrate that "collaborative discussions have been held among participating utilities, NYSERDA and other interested parties to establish uniformity, particularly with respect to eligible equipment and rebate levels, to the extent compatible with the needs of utilities to design programs that meet the needs of their service territories." Order at 73. CIP was designed and implemented after hearings and frequent collaboration with NYSERDA, numerous parties to Distribution's last rate case, and Staff.⁵ As directed by the Commission, the parties convened again in May 2008 to discuss Year 2 of CIP. See, Collaboration Report (*supra*, n. 3.). Through this process CIP was implemented with uniform NYSERDA programs, tailored for Distribution's service territory, and rebate levels "compatible with needs of [Distribution] to design programs that meet the needs of [Distribution's] service territory[y]."

⁵ "The CIP and the programs proposed by NFG have been critically assessed and addressed by Department of Public Service (DPS) Staff, the New York State Consumer Protection Board (CPB), the New York State Energy Research and Development Agency (NYSERDA) and Multiple Intervenors" Case 07-G-0141, National Fuel Gas Distribution Corporation – Rates, Order Adopting Conservation Incentive Program (issued September 20, 2007) at page 2 ("CIP Order"). Distribution held numerous collaborative sessions with NYSERDA, Staff and on notice to other interested parties prior to implementation on November 1, 2007.

3. Status Reports

The Order requires that that utilities file annual status reports, and quarterly summary status reports, for public and Staff review. This requirement is nearly identical to the filing requirement applicable to CIPs. CIP Order at 12.

4. Program Evaluations

The Order requires that “Program evaluations and reports shall be completed by the applicable utilities and submitted to the Commission for public and Staff review on a periodic basis.” Order at 73. The Commission adopted an identical filing requirement for an annual evaluation of CIP. CIP Order at 7.

5. NYSERDA Contract

The Order directs utilities to “establish by contract with NYSERDA a schedule of payments, no less frequent than quarterly, to transfer SBC funds to NYSERDA for NYSERDA-administered programs as approved by and as set forth in this and subsequent Orders.” Order at 73. Distribution established a contract with NYSERDA that meets this requirement. The Company will soon hold discussions with NYSERDA to extend the term of the contract through Year 2 of CIP.

6. Outreach and Education

The Order states that “each fast-track program approved in this Order will include a marketing and outreach component that is specific to the program.” Order at 42. CIP was approved with a limited communication plan designed with an emphasis on using “grass roots, targeted and directed efforts.” CIP Order at 12. The Commission also provided, however, that “the use of mass-media should be considered in subsequent years.” Id. Consistent with the CIP Order, Distribution launched a communications plan for Year 1 of CIP, using certain media (as directed by CIP Order) including a web site, direct mailings, bill inserts, print advertising (weekly publications only), billboards, transit advertising, and grass-roots community outreach. Phase II of CIP (late summer/early fall 2008) is expected to include enhancements to the communication plan to incorporate the use of mass media (television, radio and daily newspaper) advertising. It is expected that the use of these media, combined with other communications efforts, will lead to stronger awareness, reach and frequency of exposure to the CIP and its benefits among Distribution’s customer base.

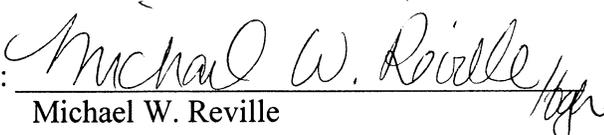
Conclusion

As explained herein, continuation of the Company’s CIP meets the requirements of the Order for a gas utility conservation program. Through the quarterly and annual

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filing requirements of CIP, the Company will keep the Commission Staff and interested parties of the progress of the CIP in meeting the energy efficiency goals of the Commission.

Respectfully submitted,

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