

Florida Public Service Commission

Utility Revenue Decoupling



AGL Resources

Scott Carter
Vice President, Regulatory Affairs
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In this packet, you will find:

1. NARUC Resolutions on Conservation and Decoupling

- *Resolution on Second Joint Statement of the American Gas Association and the Natural Resources Defense Council in Support of Measures to Promote Increased Energy Efficiency and Reduction in Greenhouse Gas Emissions* (July 2008)
- *Resolution Supporting the National Action Plan on Energy Efficiency* (August 2006)
- *Resolution on Energy Efficiency and Innovative Rate Design* (November 2005)
- *Resolution on Gas and Electric Energy Efficiency* (July 2004)
- *Resolution on State Commission Responses to the Natural Gas Supply Situation* (July 2003)

2. Current Decoupling Programs

NARUC Resolutions on Conservation and Decoupling

***Resolution on Second Joint Statement of the American Gas Association and the
Natural Resources Defense Council in Support of Measures to Promote Increased Energy
Efficiency and Reduction in Greenhouse Gas Emissions***

WHEREAS, On August 2, 2006, the National Association of Regulatory Utility Commissioners (NARUC) adopted a resolution, *Resolution Supporting the National Action Plan on Energy Efficiency*, sponsored by the Executive Committee and the Committees on Consumer Affairs, Electricity, Energy Resources and the Environment, and Gas, “endorsing the principal objectives and recommendations of the National Action Plan on Energy Efficiency and commend[ing] 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”; *and*

WHEREAS, In adopting this resolution, NARUC commended the commitments made on July 31, 2006, by a number of State commissions and other stakeholders to take specific actions to move their States aggressively toward increased energy efficiency; *and*

WHEREAS, This Resolution also recognized the five recommendations comprising the key elements of the 2006 National Action Plan on Energy Efficiency including recommendation number five to “[m]odify policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments”; *and*

WHEREAS, On July 14, 2004, NARUC adopted a *Resolution on Gas and Electric Energy Efficiency* 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, which “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*

WHEREAS, In May 2008, the American Gas Association (AGA) and the Natural Resources Defense Council (NRDC) issued a *Second Joint Statement*, which has been reviewed and endorsed by the Alliance to Save Energy and the American Council for Energy Efficient Economy; *and*

WHEREAS, The *Second Joint Statement*¹ supports three common objectives: 1) removing disincentives for utilities to promote energy efficiency and reduce greenhouse gas emissions, and uniting to achieve increased savings through programs and standards; 2) developing performance-based incentives for utilities to promote energy efficiency and reduced greenhouse gas emissions; and 3) recognizing the potential contributions of efficient natural gas use in promoting reduced greenhouse gas emissions; *and*

WHEREAS, These objectives are consistent with those laid out in the 2006 National Action Plan for Energy Efficiency, objectives recognized in previous NARUC resolutions, and actions taken by a number of State Commissions seeking to remove utility disincentives to promote energy efficiency and to develop mechanisms that link energy efficiency incentives to independently verified net benefits that utilities deliver to customers through either successful administration of cost-effective efficiency programs and other authorized efficiency programs that serve low-income constituencies, particularly in the green-collar job creation opportunities in manufacturing, installation, and weatherization, or contributions to enactment of cost-effective efficiency standards and tax incentives; *now, therefore, be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2008 Summer Meetings in Portland, Oregon, encourages commissions to consider the principles and recommendations set out in the *Second Joint Statement of the American Gas Association and the Natural Resources Defense Council* and encourages State Commissions and other policymakers to review and give strong consideration to favorably approving gas distribution proposals consistent with these principles and recommendations.

*Sponsored by the Committees on Gas and Energy Resources and the Environment
Adopted by the Board of Directors July 23, 2008*

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

Resolution on Energy Efficiency and Innovative Rate Design

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 the incentives for existing gas and electric utility programs designed to promote and aggressively implement cost-effective conservation, energy efficiency, weatherization, and demand response; *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 the findings and recommendations of the September 23, 2003 report by the National Petroleum Council on *Balancing Natural Gas Policy – Fueling the Demands of a Growing Economy* and its recommendations for improving and promoting energy efficiency and conservation initiatives; *and*

WHEREAS, The NARUC at its 2004 Summer Meetings, adopted a *Resolution on Gas and Electric Energy Efficiency* encouraging State commissions and other policy makers to support expansion of energy efficiency programs, including consumer education, weatherization, and energy efficiency and to address regulatory incentives to inefficient use of gas and electricity; *and*

WHEREAS, These NARUC initiatives were prompted by the substantial increases in the price of natural gas in wholesale markets during the 2000-2003 period when compared to the more moderate prices that prevailed throughout the 1990s; *and*

WHEREAS, The wholesale natural gas prices of the last five years largely reflect the fact that the demand by consumers for natural gas has been growing steadily while, for a variety of reasons, the supply of natural gas has had difficulty keeping pace, leading to a situation where natural gas demand and supply are narrowly in balance and where even modest increases in demand produce sharp increases in price; *and*

WHEREAS, Hurricanes Katrina and Rita, in addition to damaging the States of Alabama, Mississippi, Louisiana, and Texas, significantly damaged the nation's onshore and offshore energy infrastructure, resulting in significant interruption in the production and delivery of both oil and natural gas in the Gulf Coast area; *and*

WHEREAS, The confluence of a tight balance of natural gas supply and demand and these natural disasters has driven natural gas prices in wholesale markets to unprecedented levels; *and*

WHEREAS, The present high and unprecedented level of natural gas prices are imposing significant burdens on the nation's natural gas consumers, whether residential, commercial, or industrial, and will likely be injurious to the nation's economy as a whole; *and*

WHEREAS, The recently enacted Energy Policy Act of 2005 contains a number of provisions aimed at encouraging further natural gas production in order to bring down prices for consumers,

but these actions, together with any further action on energy issues by Congress, are unlikely to bring forth additional supplies of natural gas in the short term; *and*

WHEREAS, Energy conservation and energy efficiency are, in the short term, the actions most likely to reduce upward pressure on natural gas prices and to assist in bringing energy prices down, to the benefit of all natural gas consumers; *and*

WHEREAS, Innovative rate designs including “energy efficient tariffs” and “decoupling tariffs” (such as those employed by Northwest Natural Gas in Oregon, Baltimore Gas & Electric and Washington Gas in Maryland, Southwest Gas in California, and Piedmont Natural Gas in North Carolina), “fixed-variable” rates (such as that employed by Northern States Power in North Dakota, and Atlanta Gas Light in Georgia), other options (such as that approved in Oklahoma for Oklahoma Natural Gas), and other innovative proposals and programs may assist, especially in the short term, in promoting energy efficiency and energy conservation and slowing the rate of demand growth of natural gas; *and*

WHEREAS, Current forms of rate design may tend to create a misalignment between the interests of natural gas utilities and their customers; *now therefore be it*

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), convened in its November 2005 Annual Convention in Indian Wells, California, encourages State commissions and other policy makers to review the rate designs they have previously approved to determine whether they should be reconsidered in order to implement innovative rate designs that will encourage energy conservation and energy efficiency that will assist in moderating natural gas demand and reducing upward pressure on natural gas prices; *and be it further*

RESOLVED, That NARUC recognizes that the best approach toward promoting energy efficiency programs for any utility, State, or region may likely depend on local issues, preferences, and conditions.

Sponsored by the Committee on Gas

Recommended by the NARUC Board of Directors November 15, 2005

Adopted by the NARUC November 16, 2005

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*

Resolution on State Commission Responses to the Natural Gas Supply Situation

WHEREAS, The gas and electricity markets in the U.S. are increasingly interdependent; and

WHEREAS, The nation is facing higher gas prices and increasing volatility of gas prices; and

WHEREAS, The growth in demand for gas is increasingly being driven by the demand for gas-fueled electric generating units; and

WHEREAS, The demand for natural gas is expected to increase by approximately 50% over the next two decades, and, as demand increases, gas prices are likely to stay high at least in the short-run; and

WHEREAS, Higher gas prices are likely to lead to higher electricity prices, especially in those areas where gas-fired units set the marginal wholesale price of electricity; and

WHEREAS, These economic fundamentals are likely to lead to higher supply costs for electricity and gas purchased by consumers; and

WHEREAS, In a letter dated July 2003, U.S. Energy Secretary Spencer Abraham noted that there are only limited opportunities to increase gas supplies over the next 12 to 18 months; therefore, the emphasis must be on cost-effective conservation, energy efficiency, and fuel switching; now therefore be it

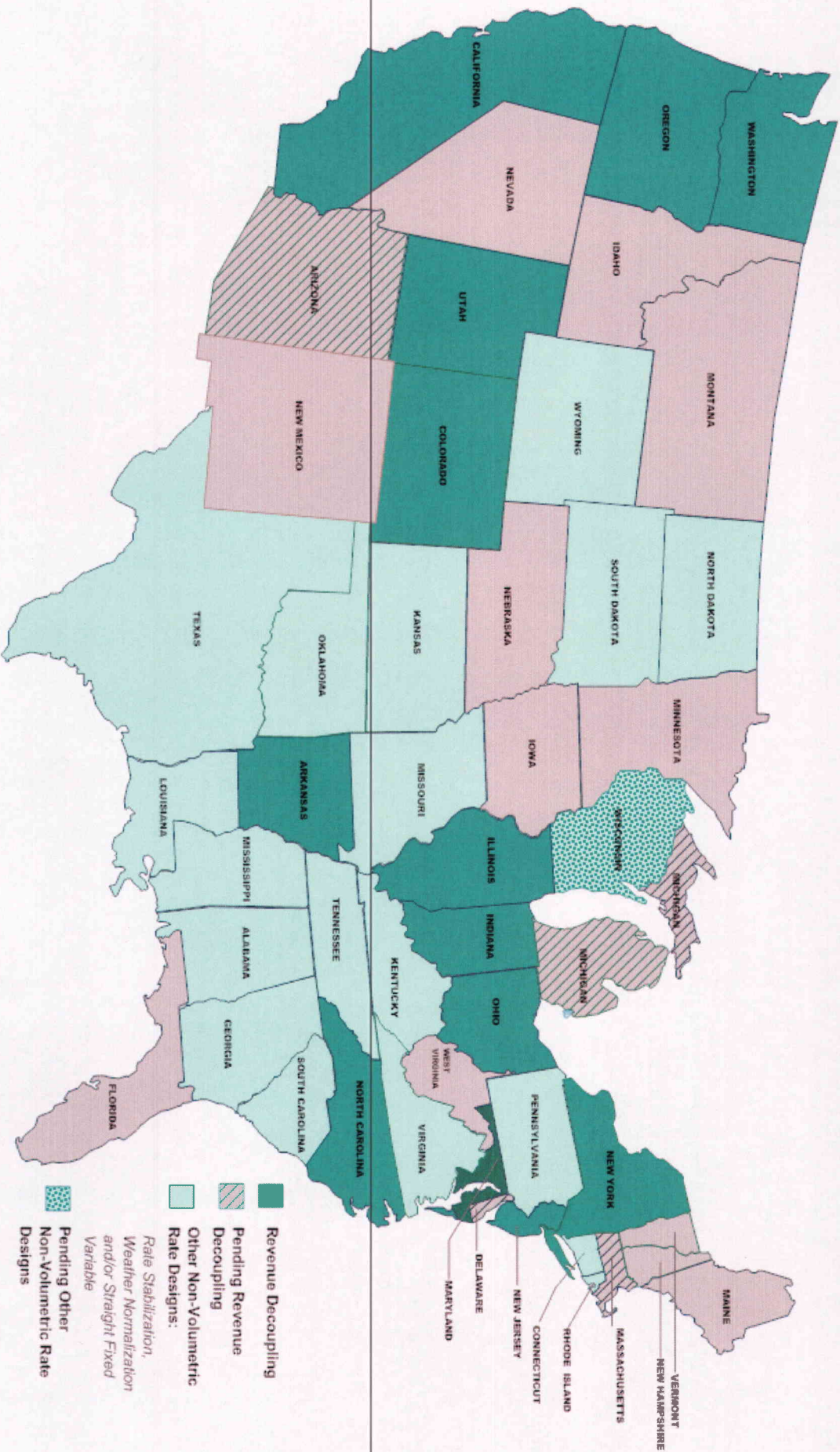
RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its July 2003 Summer Meetings in Denver, Colorado supports the July 2003, call of the Department of Energy which encourages State and Federal Regulatory Commissions to revisit the 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.

Sponsored by the Committee on Energy Resources and the Environment

Adopted by the NARUC Board of Directors July 30, 2003

Current Decoupling Programs

Non-Volumetric Rate Design



Source: American Gas Association, March 2008