

# Conservation & Ratemaking Efficiency Plan



Virginia Natural Gas

*An AGL Resources Company*

# Natural Gas Distribution



Provide a service, not a product

Service is provided 24/7/365

Cannot use more or less of the service



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# Utility Rate Design

## Traditional Rate Design

- Encouraged consumption to create economies of scale, attract capital, provide universal service, build out grid
- Earnings fall when usage falls so a utility has a disincentive to promote energy conservation

## Decoupled Rate Design

- Breaks the link between a utility's earnings and consumption
- Enables a utility to promote energy conservation while maintaining a reliable distribution system

# Plan Benefits

- **Environmental Benefit**
  - Reduced consumption = reduced environmental impact
- **Utility Benefit**
  - More predictable fixed cost recovery, less volatility
- **Consumer Benefits**
  - More customer control
  - Introduction and promotion of new efficiency and conservation programs to reduce demand and lower bills
  - Reduced commodity prices for all due to lower demand
  - Permanent efficiency gains for the customer

# CARE Act 5 principal components

- a **decoupling mechanism**, including straight-fixed variable rates or a sales adjustment mechanism, for example, that is revenue-neutral to the average customer compared with traditional rates;
- a **cost-effective conservation and energy efficiency program**, the costs of which are 100 percent recoverable;
- **margin protection for utilities that opt-in** to a decoupled rate structure;
- a **utility incentive** of up to a 15 percent share of the initial, independently verified customer savings that accrue from conservation plans; and
- a **streamlined procedure** for handling of CARE plans at the State Corporation Commission, including a six-month schedule for regulatory approvals.

# Revenue Normalization Adjustment

## What is Revenue Normalization Adjustment (RNA)?

The RNA rider:

- Ensures that the gas utility recovers no more or no less than the allowed distribution revenue per customer and a reasonable return as approved by the State Corporate Commission in the gas utility's last general rate review
- Enables the natural gas utility to mitigate the impact of declining customer usage and to promote energy efficiency and conservation while recovering its fixed costs

# RNA Calculation

- RNA is calculated after and is separate from the weather normalization adjustment
- RNA can either be a credit or a debit. A credit is issued when the actual distribution revenue exceeds the allowed distribution revenue. A debit or surcharge is issued when the actual revenue is less than allowed.
- At the end of each month, the gas utility determines if the revenue received that month fails to meet, meets, or exceeds that allowed distribution revenue per customer and then determines whether a credit or surcharge allowed by RNA should be applied.
- That amount is then spread across the entire residential customer class proportionate to their use for the second following month. Example: If the actual revenue for January exceeds the allowed revenue, the credit will be computed on the normalized volumes for March and applied to actual usage in March



# VNG Energy Conservation Programs

- **Programs include:**
  - Community outreach and customer education program
  - High efficiency home heating and water heater rebates
  - Low income weatherization program
  - Seasonal check-up rebates
  - ENERGY STAR residential new construction program
  - Free programmable thermostats
  - Air filter coupons





# Columbia Energy Conservation Programs

## Home Program

Rebates for:

- Energy Star Gas Water Heaters and Tankless Water Heaters
- Energy Star Gas Furnace
- High Efficiency Windows
- Attic and Floor insulation
- Duct sealing and insulation

## Business Program

Rebates for:

- Energy Star Gas water heaters and Tankless water heaters
- Direct contact gas water heaters
- Energy Star gas and steam boilers
- High efficiency gas furnace
- Infrared heaters
- Boiler Tune-ups
- Outside air reset controls
- Custom program (year 2)

## Web-based Home Audit Program

Allows customers to complete their own energy analysis, generating a custom report recommending improvements to reduce natural gas usage. By participating, customers are also eligible to receive “free” efficiency measures including:

- Water heater blankets
- Low-flow showerheads
- Faucet aerators
- Hot water pipe insulation

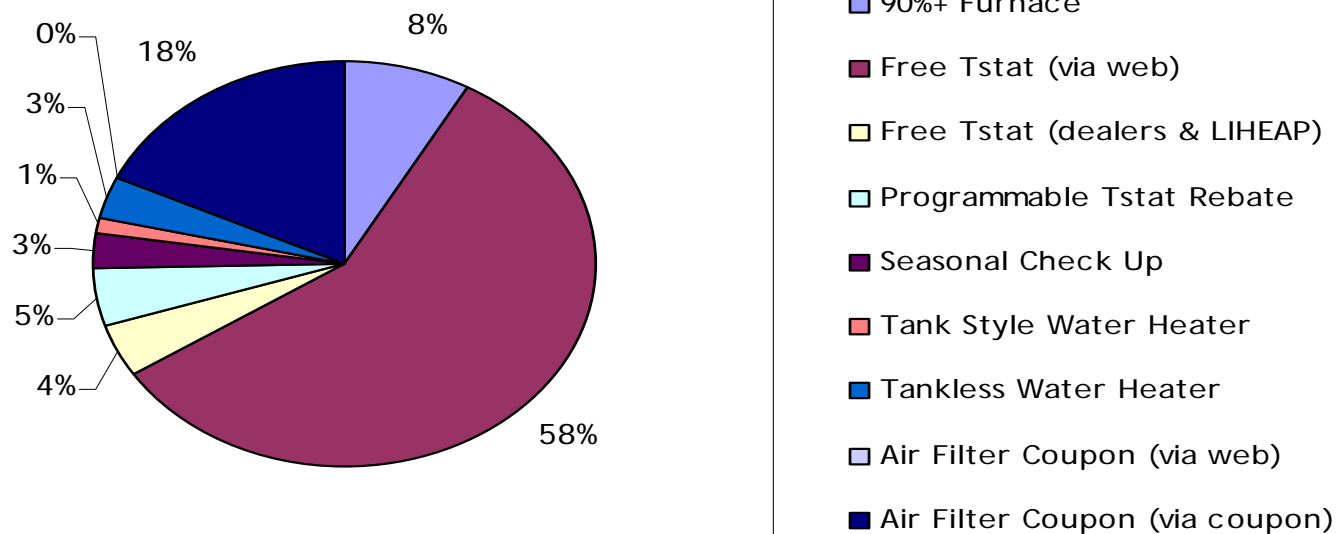


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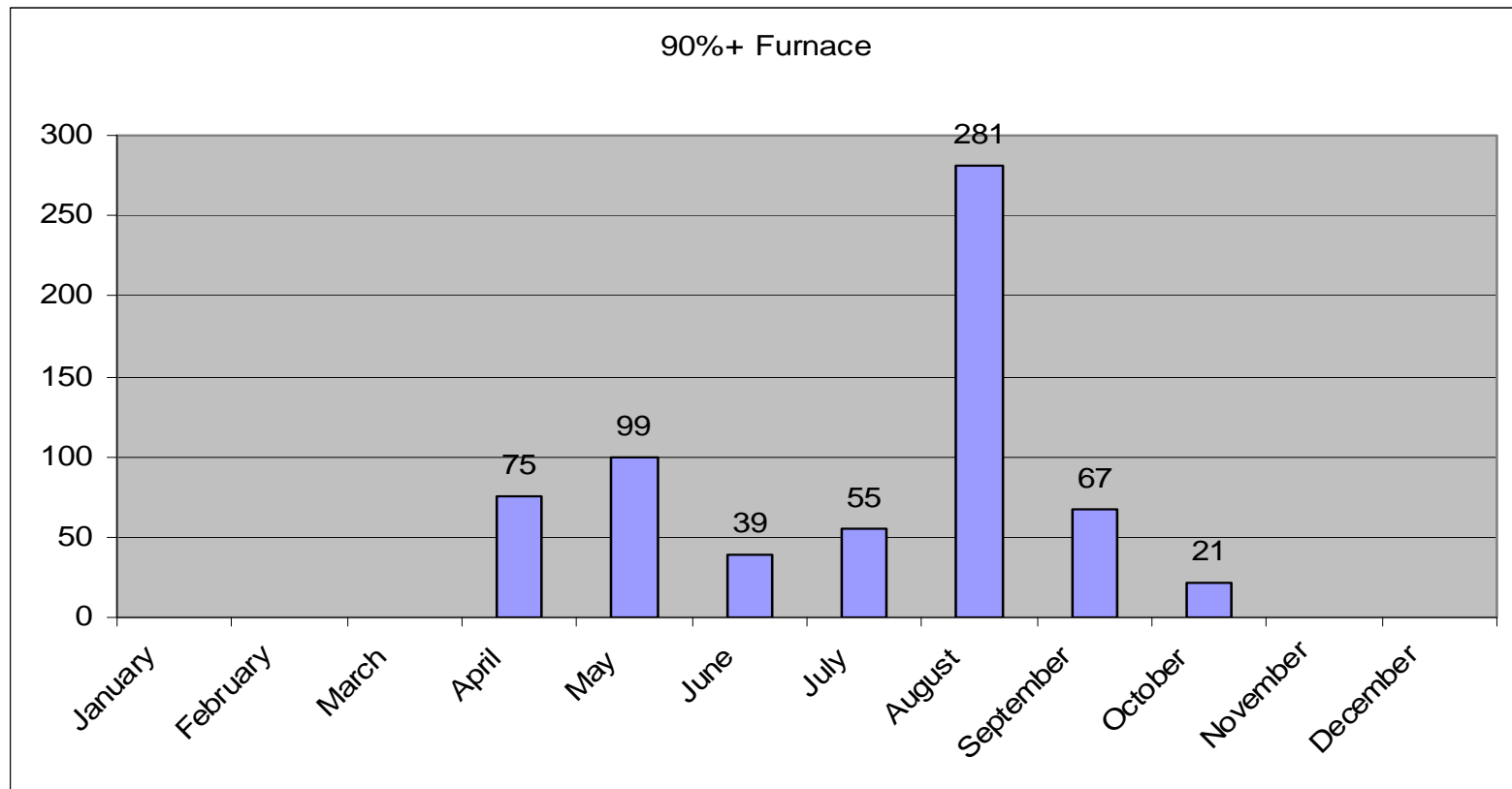


# VNG energySMART Results as of 10/31/09

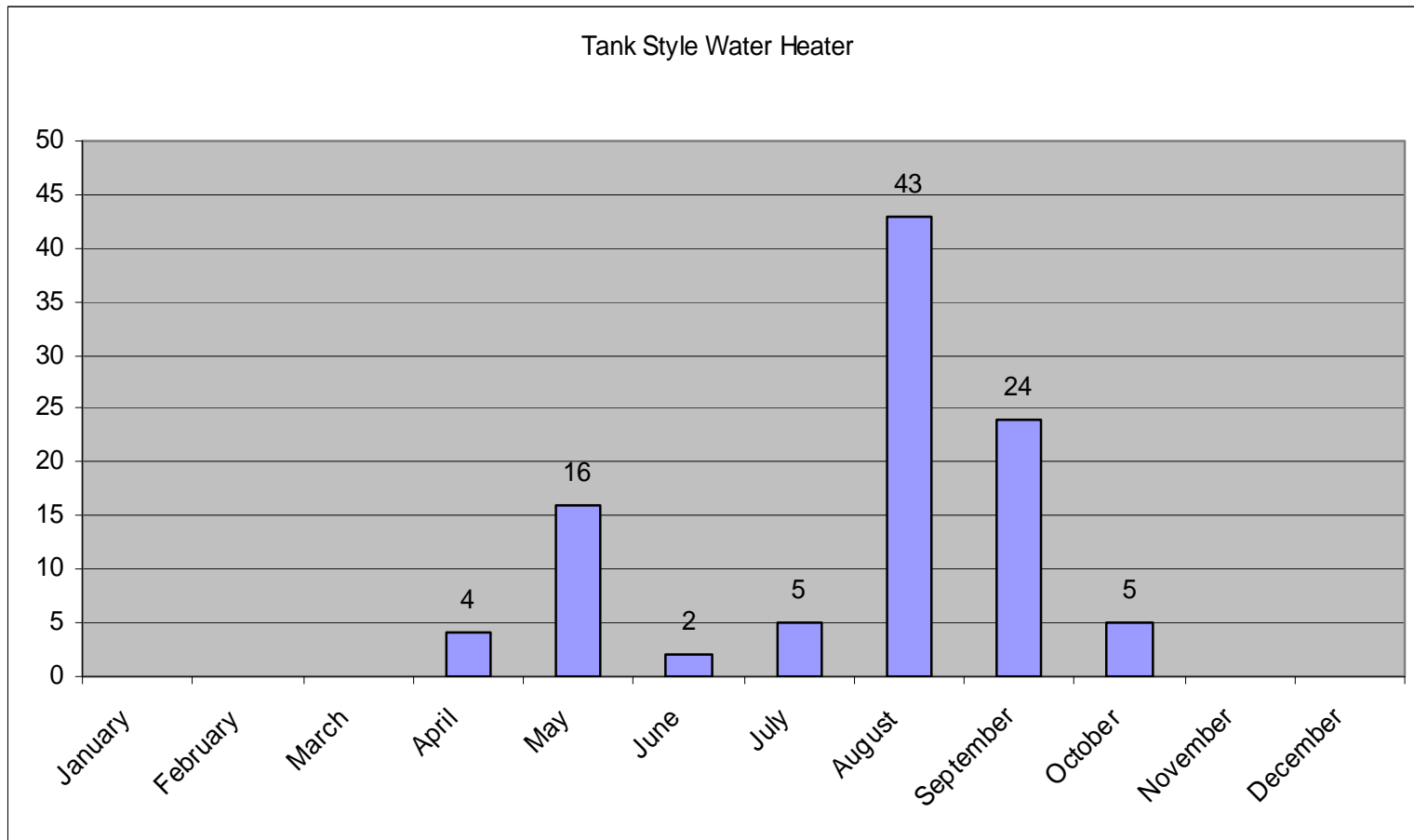
VNG energySMART Program Rebates Fulfilled



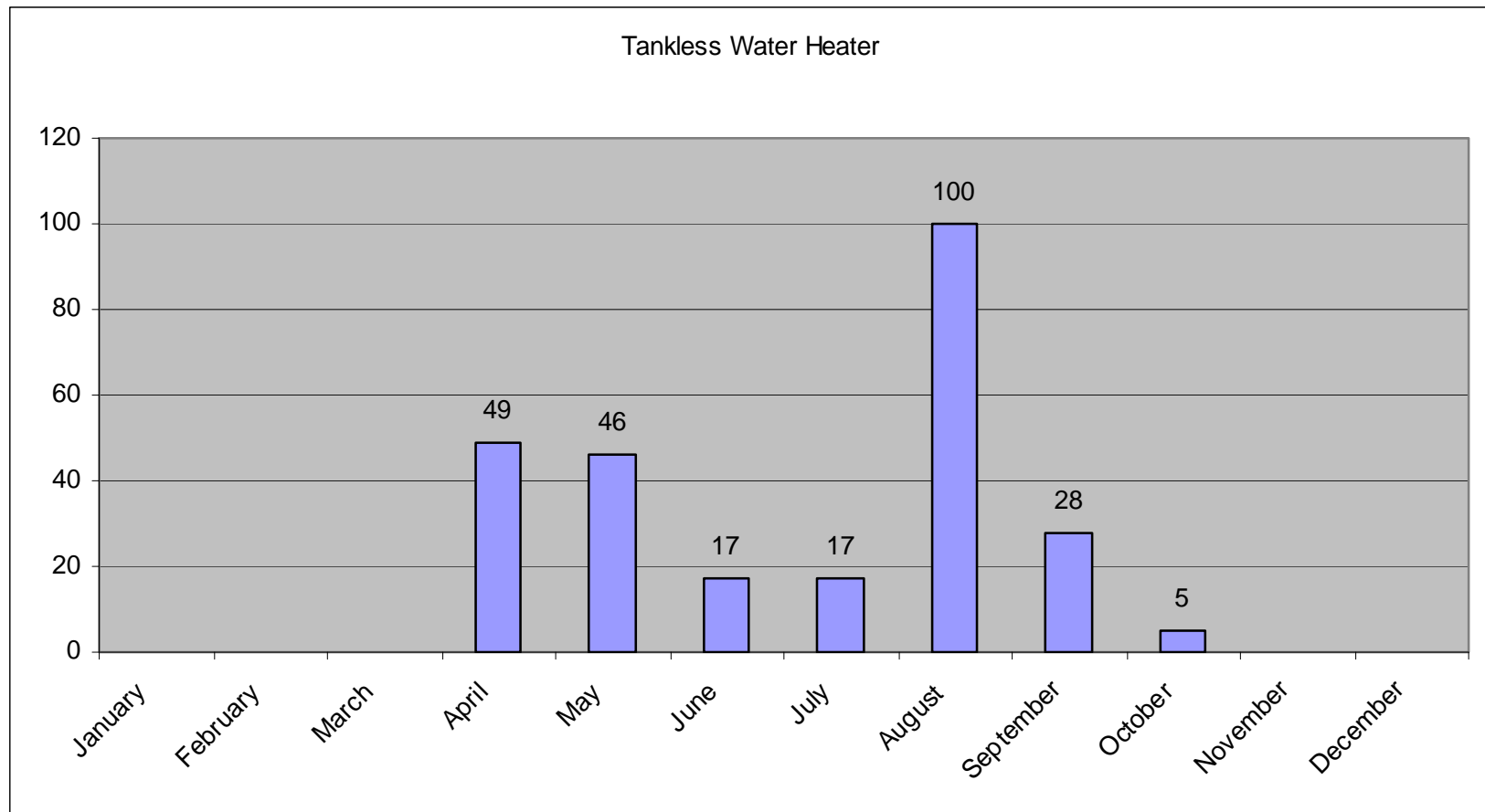
# 90% +Furnace Rebates Per Month



# Tank Style Water Heater Rebates Per Month



# Tankless Water Heater Rebates Per Month



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# Questions & Answers



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