



Pennsylvania Gas Association

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November 3, 2008

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17102

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**RE: Comments of the Pennsylvania Gas Association Concerning the First Phase of
Commission Implementation of Act 129 of 2008
Docket No. M-2008-2069887**

Dear Secretary McNulty,

This letter provides comments from the Pennsylvania Gas Association of the Energy Association of Pennsylvania in response to a Secretarial Letter dated October 20, 2008 initiating implementation of Act 129 of 2008 signed into law by Governor Rendell on October 15, 2008. The Pennsylvania Gas Association addresses issues of importance to the regulated natural gas distribution companies ("NGDC") in Pennsylvania that are members of the Energy Association of Pennsylvania.

Act 129 expands the oversight responsibilities of the Pennsylvania Public Utility Commission ("PUC" or Commission") and imposes new requirements on Pennsylvania's electric distribution companies ("EDCs"). The instant Secretarial Letter seeks comments on each of the eleven individual aspects of the energy efficiency and conservation ("EE&C") program which the Commission will adopt by January 15, 2009. In turn, the EE&C program will require each EDC to adopt and implement a cost-effective energy efficiency and conservation plan within its service territory to reduce energy consumption and demand by legislatively mandated targets. See, 66 Pa.C.S. § 2806.1(a)-(d).

The EE&C program and each individual EDC plan will necessarily establish cost-effective measures and programs which when implemented should result in the mandated reductions, thus impacting the price of electricity. Clearly, the legislation contemplates a variety of energy efficiency and conservation measures that will appeal to ratepayers of different rate classes with varying financial resources.

The NGDC's propose that the goals of the Act 129 legislation to use less and reduce demand so as to impact the wholesale price of electricity and the price paid by consumers can be achieved in part by the direct use of natural gas in high-efficiency residential and commercial applications. In passing this legislation, the General Assembly recognized that energy efficiency

is a largely under-utilized resource that can be tapped to reduce consumer costs.¹ Comprehensive approaches to energy efficiency based on full fuel-cycle measurement of energy use show great potential for relieving demand pressure on natural gas and electric market fundamentals which in turn will impact the energy prices paid by consumers.² To realize this potential, energy efficiency and demand response measures proposed in EDC plans should encourage direct use of natural gas for residential and commercial end-use applications where such end-use provides the most cost-effective means of achieving energy efficiency goals.

Direct use of natural gas would maximize the benefits of the energy delivered, while minimizing overall costs. In fact, average residential and commercial natural gas consumption in Pennsylvania and across the country is significantly lower today than in the 1970's, due to improved energy efficiency in natural gas appliances and conservation measures adopted by consumers. The 64 million households served by natural gas today heat their homes and their water, feed their families and dry their clothing using one-third less energy than in 1980.³ Natural gas is also a fuel that is currently produced in Pennsylvania and will be produced in increasing quantities from Pennsylvania shale deposits.

Pennsylvania NGDCs encourage the Commission and all stakeholders engaged in the implementation of Act 129 to explore the opportunities presented by the direct use of natural gas to meet the mandated reductions of consumption and peak demand imposed upon Pennsylvania EDCs. Energy efficiency improvements can be achieved, not just at the point of end use, but by examining the way in which fuels are used to produce the energy consumed in homes and businesses. Specifically, the EE&C program adopted by the Commission in January 2009 should permit direct use of natural gas as an energy efficiency and conservation measure available to all classes of customers. See, 66 Pa.C.S. § 2806.1(a)(5).

The Pennsylvania Gas Association contemplates participating in the Commission implementation of Act 129 as appropriate, including a presentation at the November 19 En Banc Hearing on Alternative Energy, Energy Conservation and Efficiency and Demand Side Response measures. The NGDCs look forward to working with all stakeholders to achieve the goals of increased energy efficiency and conservation and mandated reductions in consumption and peak demand of electricity established by the Pennsylvania General Assembly.

Sincerely,



Donna M. J. Clark
Vice President and General Counsel

¹ Energy efficiency can also improve energy security by decreasing reliance on foreign fuel and reduce greenhouse gas emissions.

² For additional information on the benefits of the direct use of natural gas, the Pennsylvania Gas Association highly recommends a paper prepared by Black & Veatch Corporation for the American Gas Foundation, entitled "Direct Use of Natural Gas – Implications for Power Generators, Energy Efficiency and Carbon Emissions." [Http://www.gasfoundation.org/ResearchStudies/directuse.htm](http://www.gasfoundation.org/ResearchStudies/directuse.htm). Briefly, this study concludes that the increased direct end use of natural gas could save up to 2 quadrillion BTUs by 2030, avoid up to \$122 billion in new electric generation investment and result in decreased gas and electric consumption potentially saving consumers between \$18 and \$29 billion by 2030.

³ See, e.g., *Impacts of Energy Efficiency and Renewable Energy on Natural Gas Markets in the Pacific West*, William Prindle, R. Neal Elliott, Ph.D., P.E., Anna Monis Shipley, American Council for an Energy-Efficient Economy, Report Number E062 (January 2006); and *Curbing Global Energy Demand Growth: The Energy Productivity Opportunity*, McKinsey Global Institute (May 2007)

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