national Fuel

Lee E. Hartz
Sr. Attorney

December 8, 2008

VIA HAND DELIVERY
Secretary James J. McNulty
Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Energy Efficiency and Conservation Program and EDC Plans; Secretarial Letter Requesting Comments Issued: November 26, 2008; Pa. P.U.C. Docket No.: M-2008-2069887

Dear Secretary McNulty:

As requested in the above-captioned Secretarial Letter, enclosed for filing are an original and 15 copies of the Reply Comments of National Fuel Gas Distribution Corporation.

Electronic service is also being effectuated as requested in the Secretarial Letter.

If you should have any questions regarding this filing, please contact me anytime at (814) 871-8060. Many thanks for your assistance in this matter.

Very truly yours,

Lee E. Hartz

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Enclosures

cc: (w/ encl.) ***VIA E-Mail:***
ra-Act129@state.pa.us

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Energy Efficiency and Conservation Program and EDC Plans	:	**Docket No. M-2008-2069887**
	:	**COMMENTS**
Secretarial Letter Requesting Comments Issued: November 26, 2008	:	

COMMENTS ON BEHALF OF
NATIONAL FUEL GAS DISTRIBUTION CORPORATION

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

National Fuel Gas Distribution Corporation ("Distribution" or the "Company"), a certificated natural gas distribution company providing service to approximately 213,000 customers in Northwestern and North-Central Pennsylvania, appreciates this opportunity to submit comments to the above-captioned Secretarial Letter and the Act 129 of 2008 Implementation Plan.

I. Introduction.

These comments respond, generally, to a Secretarial Letter dated November 26, 2008 regarding implementation of Act 129 of 2008 signed into law by Governor Rendell on October 15, 2008. 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 the PUC's draft staff proposal and additional questions relative to the first phase of the Act 129 of 2008 implementation plan.

II. General Comments.

Throughout the process that the PUC has undergone thus far in addressing the Act 129 implementation plan, several commenting parties have shown that the overall goals of Act 129 (to use less and reduce demand so as to impact the wholesale price of electricity) can

be achieved, in part, by the direct, end-use of natural gas. NFGDC agrees with this position and incorporates herein the comments filed by the Pennsylvania gas Association in this proceeding on November 3, 2008 as well as the testimony provided at the recent November 13, 2008 *En Banc* hearing by both Ronald Edelstein of the Gas Technology Institute and Paul Raab of Energytools, LLC.

NFGDC believes that the salient point made by these parties is that the direct, end-use of natural gas tends to maximize the value of the energy delivered while minimizing the costs of delivery. As such, the end use of natural gas should be considered as a means for EDCs to achieve the consumption reduction and energy efficiency targets mandated by Act 129.

III. Response to Question 3(k).

Question 3(k) of the November 26, 2008 Secretarial Letter asks:

> The gas industry raised some interesting points on the net impact of displacing natural gas heating equipment (space and water) with electricity heating equipment. Should the TRC test include parameters to capture the consequences of net energy gains or losses in delivering alternative fuels to consumers?

NFGDC responds as follows:

First, to clarify, NFGDC believes that this question is incorrectly phrased in that the beneficial impact would be achieved by displacing electric heating equipment with natural gas heating equipment. There are significant benefits that can be realized by the direct, end-use of natural gas by residential customers in place of electricity in gas heating applications. In fact, such direct use of natural gas may be one of the most cost effective means to achieve the energy efficiency and electric consumption reduction goals of Act 129.

Second, it is NFGDC's position that the Total Resource Cost ("TRC") test, in order to provide a more accurate representation of the total impact of energy use, should include parameters to consider net energy gains or losses in both: (1) delivery of alternative fuels or electricity; and, (2) generation of energy. An approach that considers only the end-use of energy is, necessarily, incomplete. That is, such an approach considers only the energy

used by an end-use appliance and not the impact of generating such energy and transmitting it to the end user. A broader approach will include these generation and transmission factors that are not insignificant components of overall energy efficiency and conservation.

As it appears that the TRC test, as described in Act 129, is intended to be a broad consideration of all aspects of supplying electricity, it makes sense that it should include some consideration of the impact of energy generation and transmission. Moreover, as mentioned by Paul Raab in his recent testimony, direct use of natural gas can result in overall reduction in greenhouse gas emissions. This is a key component of Act 129 and such an overall impact can only be properly considered if all aspects of energy generation, supply and use are considered in the equation.

IV. Conclusion.

National Fuel Gas Distribution Corporation appreciates the opportunity to provide comment to the Secretarial Letter and looks forward to working with the Commissioners and their staff throughout the implementation of Act 129.

Respectfully submitted,

Dated: December 8, 2008

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