

Conservation & Ratemaking Efficiency Plan

Natural Gas Distribution



Provide a service, not a product

Service is provided 24/7/365

Cannot use more or less of the service

Natural Gas – the cleaner, greener fuel!

- **Natural gas is the cleanest-burning fossil fuel with 45 percent fewer carbon dioxide emissions than coal.**
- **Natural gas is extremely efficient — 90 percent of natural gas is delivered to appliances as useable energy compared to only 30 percent of electricity.**
- **The average natural gas home emits 46 percent less carbon dioxide or CO₂ than an average all-electric home.**
- **Natural gas is the environmental energy choice of today -- increased use of natural gas can help address several environmental concerns simultaneously, including smog, acid rain and greenhouse gas emissions.**

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

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.

Two Components of VNG CARE plan

1. Decoupled Rates

2. Conservation Programs

***Effective January 1, 2009, Approved for 3 years**

Revenue Normalization Adjustment

What is Revenue Normalization Adjustment (RNA)?

The RNA rider:

- Ensures that VNG 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 VNG's last general rate review
- Enables VNG 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, VNG 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



Energy Conservation Programs

- **Programs include:**

- Free programmable thermostats or rebate for purchase of programmable thermostat of customer's choice
- High efficiency home heating and water heater rebates
- Seasonal check-up rebates
- Low-income weatherization program
- ENERGY STAR residential new construction program
- Community outreach and customer education program
- Air filter coupons

energySMART 

A **Virginia Natural Gas** program

energy SMART – Save Money and Resources Today

Programmable Thermostats

- **Bulk Purchases with Branding**
- **Mail Distribution through Rebate Vendor**
- **VNG Support to Ensure Results**
- **Installation by Dealers and Builders through Dealer/Builder Checkout program**
- **Installation with Low Income Weatherization by Certified Weatherization Agencies**



Customer receives and installs t-stat. Let the energy savings begin.



Rebates

- **On-line Application**
- **Dedicated Call-in for those without internet access**
- **Dealer Education and Promotion**

Rebate	Service or Product
\$25	Seasonal Heating System Checkup
\$500	Natural Gas Furnace (90%+ AFUE)
\$500	Natural Gas Tankless Water Heater (.82+ Energy Factor)
\$150	Natural Gas Tank Water Heater (.62+ Energy Factor)

Low Income Weatherization

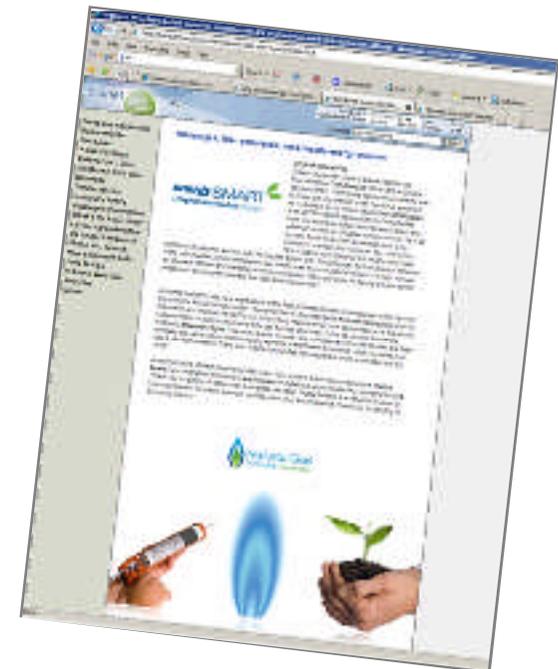
- **Program Administration will be handled by Southeastern Tidewater Opportunity Project (STOP) and the Williamsburg/James City County Community Action Network**
- **They will administer consistent with current practices, but supplement federal funds to enhance improvements/increased efficiency of natural gas systems and provide services to additional customers at 175% of poverty level**
- **We will provide a portion of funds allocated to each agency consistent with projected need based on demographics and provide additional funds based on response**
- **They have added controls to intake form to ensure VNG customer and capture account information**
- **They are tracking expenditures and use of the funds through sharepoint site**

Residential New Construction

- **Very limited program (20 homes)**
- **Identify and invite select builders to participate**

Consumer Education Program

- Supported by the brand energySmart, the consumer education program includes various communications tools, public relations, and Web-based initiatives aimed at key audiences
- **Primary Execution Vehicles**
 - Community Outreach
 - Employee communications
 - Earned Media (Public Relations)
 - Paid Media (Advertising)
 - Partnerships with other organizations
 - Customer Communications



Consumer Education Program

VNG EnergySMART Media Response		
Heard From	Total	Percent
Bill	684	35%
Radio	389	20%
Heating & Air	306	15%
Other	187	9%
Web	187	9%
Newspaper	62	3%
TV	77	4%
(blank)	50	3%
CSR	33	2%
Grand Total	1975	100%

Questions & Answers

