

# Operation

# Go Green

It is time to be more innovative and efficient to better balance energy demands with environmental needs, says 2008 NARUC President Marsha H. Smith.

**Y**ou could call her the “Queen of Green”—and the crown her colleagues gave her to wear during her induction as the 2008 president of the National Association of Regulatory Utility Commissioners fit well as Commissioner Marsha H. Smith outlined her plans for her “reign.” NARUC’s member agencies regulate the activities of energy, telecommunications and water utilities and—like the utilities themselves—face significant challenges during a time when both energy demand and prices are rising rapidly.

Smith hopes to combine her experience in developing policies for the telecommunications and energy industries with her desire to leave the world a better place for her two sons in an action plan that will create better stewards and improved energy efficiency throughout the United States.

Smith is serving her third term on the

Idaho Public Utilities Commission; her current term expires in January 2009.

During her 27-year career, she has taken on increasingly influential roles in developing public policy. Before her appointment to the commission, Smith acted as deputy attorney general in the business regulation/consumer affairs division of the Office of the Idaho Attorney General and as deputy attorney general for the Idaho Public Utilities Commission.

In recent years, she has come to embrace energy efficiency as a crucial mission. In fact, Smith serves as co-chair—along with Duke Energy Chairman, President and CEO James E. Rogers—of the National Action Plan for Energy Efficiency (Action Plan). This initiative is a collaborative effort among state regulators, the federal government, utilities

BY STACEY L. BELL



and energy consumers aimed at identifying and reducing key barriers limiting greater investment in energy efficiency.

Action Plan has developed a series of recommendations and currently is working on implementing them regionally. The organization's policy recommendations include encouraging numerous audiences to recognize energy efficiency as a high-priority energy resource, broadly communicating the benefits of and opportunities for energy efficiency, and reviewing and adopting policies to align utility incentives with the delivery of cost-effective energy efficiency and modifying ratemaking practices to promote energy efficiency investments.

The group notes that energy efficiency programs can lower customer energy bills as well as help to defer the need for new energy production. "Many state and regional studies have found that adoption of economically attractive, but as yet untapped, energy efficiency could yield more than 20 percent savings in total electricity demand nationwide by 2025. ...Savings in direct use of natural gas could similarly provide a 50 percent or greater reduction in natural gas demand growth," the organization has reported.

NARUC led the effort to form the Action Plan, and the Alliance to Save Energy presented its Andromeda award to NARUC last September in recognition of its consistent and strong commitment to promoting energy efficiency programs, providing educational opportunities for state regulators on related issues, and developing and furthering the Action Plan.

"I believe the work of the National Action Plan for Energy Efficiency that

I now co-chair is of the highest importance for our future,” Smith says. “Most of all, I am proud of the Idaho Commission’s actions that have preserved the financial stability of our energy utilities while maintaining reasonable and relatively stable rates.”

Smith says she looks forward to working with natural gas utility companies in 2008 as everyone strives to “do more with less.” In an exclusive interview with *American Gas*, Commissioner Smith shared more of her insights into the energy environment—and challenges—we face today.

**AMERICAN GAS:** *The issue of global climate change has gained more national attention during the past year with major international concerts and even television networks sponsoring special activities to raise awareness. Do you believe climate change should be addressed on a federal or state level? What is NARUC’s position on climate change?*

**COMMISSIONER SMITH:** This topic was actively discussed at NARUC’s annual convention late last year when

## What Is a Cap-and-Trade Program?

“Cap and trade” refers to a program whereby each ton of greenhouse gases emitted is accounted for. There is a cap, or limit, on the total tons emitted. The system is governed by allowances (also known as “permits to emit”). A business, for example, must hold an allowance to emit one ton; allowances, and cap, will go down over time. Allowances may be bought, sold or traded.

So, in practice, if Company A has cut emissions below some set point, it holds allowances (or credits) it can sell or trade. The credits represent the difference between the emissions the business is permitted to send into the atmosphere and the lower level it actually emits. Company A can sell its credits to another business that isn’t able to meet a set emissions level. In theory, the combined emissions from the two businesses then meet federal standards.

the members approved two resolutions dealing with this issue. These actions constituted a profound statement for our association as, for the first time, we endorsed federal legislation on climate change. Although there is a diversity of opinion among NARUC members on climate change matters, we support legislation to remove uncertainties that may be

hampering generation and transmission investment decisions.

NARUC has not endorsed any particular kind of market-based mechanism for reducing greenhouse gas emissions, but we do spell out principles that we believe Congress should take into account if it considers implementing a cap-and-trade program. Essentially, we believe that a 100 percent auction of emission credits is ultimately the most economically efficient mechanism for reducing emissions, but an initial, temporary allocation of emissions at no cost within the electricity sector is an appropriate transitional measure. No-cost allowances should be allocated to local distribution companies based primarily on historic emissions. This practice would allow state regulators or others to ensure that the value of these free emissions benefits end-user consumers. [That is, the benefit of the no-cost allowance will be passed on to the consumer, not the emitter.] Finally, cost containment measures should be incorporated into a cap-and-trade program to protect regulated utilities and, ultimately, ratepayers from abrupt cost and rate increases due to the cost of compliance.

Of course, our resolutions on this issue dating back to July

2007 have all urged Congress to reward early adopters and grandfather state and regional climate change programs. We believe states should act as they feel appropriate—and their programs should be considered as Congress moves forward—but we are calling for federal action to bring certainty so our country can address energy infrastructure questions.

## “The natural gas industry has really taken a lead in energy efficiency.”

—NARUC President Marsha H. Smith

**AMERICAN GAS:** *As co-chair of the National Action Plan for Energy Efficiency, you have led an effort to bring leaders from state public utility commissions, utilities and energy consumers together to identify key barriers limiting greater U.S. investment in energy efficiency and to develop sound business practices for removing those barriers. What have been some of the Action Plan’s most interesting findings? How will these findings be implemented in everyday life?*

**COMMISSIONER SMITH:** We have a tremendous opportunity to use energy efficiency in our resource mix. Regulators, utilities and a wide range of stakeholders increasingly are working together to remove the barriers preventing efficiency from meeting its true potential. All parts of the country are taking a serious look at efficiency so that they can find ways to meet the rising demand for energy in a low-cost way. The environmental benefits of efficiency, including zero carbon emissions, make the resource even more attractive as we face pending carbon regulations.

Currently, 120 organizations have made commitments to energy efficiency under the Action Plan, including five utility commissions. The natural gas industry has really taken a lead in energy efficiency in the past and is again, enthusiastically, a leader in providing this resource to customers.

By sharing success across the coun-



North Carolina Commissioner and 2007 NARUC President James Y. Kerr passed the leadership mantle to Idaho Commissioner and 2008 NARUC President Marsha H. Smith during the NARUC convention in November.

Crowned “Diva” by her colleagues for her acceptance speech at the NARUC convention in November, Smith told attendees about her plans for her “reign.”

try, the Action Plan is helping to build a foundation for change by increasing understanding, providing direction on policy and program changes, motivating action and offering technical guidance to organizations looking to increase their use of energy efficiency resources. These actions can lead to meeting customer needs in a low-cost and efficient manner, without compromising, and in many cases improving, the level of service they receive when heating their homes or cooking dinner.

**AMERICAN GAS:** *What work remains for the Action Plan?*

**COMMISSIONER SMITH:** Our goal is to capture all cost-effective energy efficiency, which will deliver tremendous benefits. The Action Plan’s “Vision for 2025” lays out the path to achieve this level of energy efficiency. The vision’s 10 implementation goals for both natural gas and electric utilities provide a framework for taking actions and measuring progress. [These goals are outlined at

[www.epa.gov/cleanenergy/pdf/vision.pdf](http://www.epa.gov/cleanenergy/pdf/vision.pdf), on p. ES-2.]

A lot of work remains to increase our energy efficiency resource, including outreach, education and investment. Much of the work will be done on the local and state levels, and the Action Plan helps us to learn from each other. We must not delay this worthwhile work so that we may maximize the results and benefits that energy efficiency provides.

a much better understanding of all the local issues and concerns that must be taken into account during rate cases and other regulatory proceedings.

Beyond that, NARUC has been consistent in its belief that a national energy policy must be holistic and economy-wide, and all options must be considered. We have long supported, and continue to do so, policies that promote a diverse generation mix and programs that allow states flexibility to meet and/or exceed federal “floors” instead of a federal



**“We need to be good stewards of what we have available, and we need to be as efficient as possible.”**

—NARUC President Marsha H. Smith

**AMERICAN GAS:** *What issues would NARUC like to see addressed in an expanded national energy policy?*

**COMMISSIONER SMITH:** We hope that whatever policies Congress and the administration develop and implement do not preempt existing state laws and regulatory policies on several issues, including, but not limited to, rate recovery and related authorities. This is particularly important to states because as regulators we are on the front lines and have

“ceiling.” [That is, NARUC would like to ensure that a state can pass a tougher program than that mandated by the federal government if it wants to, but states cannot be more lenient.]

**AMERICAN GAS:** *In your opinion, what role should natural gas play in national energy legislation and in combating global climate change?*

**COMMISSIONER SMITH:** NARUC sup-

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# LIHEAP'S TIGHTROPE

Funding for the Low Income Home Energy Assistance Program exceeds \$2 billion, but it falls

It often seems that the yearly struggle over funding the federal Low Income Home Energy Assistance Program has as much nail-biting suspense as your average Hollywood thriller.

This year, the LIHEAP funding story was even more of a cliffhanger than usual, largely because of politics. During the fall, President Bush vetoed the Labor, Health and Human Services and Education appropriations bill, which contained fiscal 2008 funding for LIHEAP. The House narrowly sustained the veto.

That was how LIHEAP funding ended up in the omnibus spending bill passed by the House and Senate just before Congress adjourned for the holidays.

"LIHEAP was just a part of a larger political puzzle," explains Vivian Lausevic, AGA director of public affairs.

The omnibus bill contained \$1.98 billion in formula grant funding for LIHEAP, the same level as in fiscal 2007, and increased the emergency contingency fund from \$181.7 million to \$590.3 million.

The outcome of the 2007 LIHEAP struggle was encouraging, but as AGA President and CEO David Parker pointed out in a letter to all members of the Senate, if funding for LIHEAP had kept pace with inflation, the program would now be at the \$4.2 billion level.

## Fueling Funding Momentum

LIHEAP supporters scored a major victory in 2005 when Congress boosted funding by \$1 billion for fiscal 2006, in effect resetting the bar for LIHEAP appropriations. But the need for help still far outpaces available funds; only 16 percent of eligible families are receiving help from the federal program.

Continuing the funding momentum has been a challenge. "The response to LIHEAP on the part of Congress tends to be reactive," says Lausevic. "The perception at the time [2005] was that there was an emergency because of rising fuel costs. But there was a mild winter last year, and there wasn't a huge price spike."

Even though winter comes, predictably, at the same time each year, low-income energy assistance seems to be a program that needs to be resold year after year. "Congress responds, but only when it senses a crisis," Lausevic says.

One organization working to get LIHEAP funding out of crisis mode is the National Fuel Funds Network, a Washington-based organization with more than 300 members from nonprofit and government agencies and utilities. "Our organization is trying to increase the visibility of LIHEAP," says George Coling, NFFN executive director.

"Polls show that voters in all parts of the country perceive a need for federal energy support and don't have much of a problem with

**Our family was facing homelessness.** The last thing we needed to worry about was not having any lights. [LIHEAP] helped us as we struggled to move our family from eviction to a new home.

—Father, family of 11,  
Energy customer in Louisiana

Stories by S. Lawrence Paulson

# WALK

far short of inflation-adjusted levels and U.S. consumers' needs.

an increased level," Coling says. But LIHEAP must compete with other health, education and labor programs, he notes, adding, "It's just a tough fight."

Also, Coling says, "The program is perceived as a cold-weather program, and we need to make it a national program" that includes money for cooling as well as heating. The extra \$1 billion in 2006 helped achieve that objective, he says, "but we need to continually work to get [lawmakers from] the South and the West to support the extra money."

## 2008 LIHEAP Action Day

The principal lobbying event for LIHEAP supporters is NFFN's Washington Action Day for LIHEAP, which was scheduled this year for Jan. 30. The 2007 event attracted 145 NFFN members and LIHEAP supporters, who met with 40-plus newly elected House members and senators.

Many AGA member companies are active participants in Action Day (see p. 7), and Coling says utility support is essential to the effort. "In general," he stresses, "we have to raise the awareness of persistent poverty, as well as the plight of the working poor and those in crisis situations."

Likely topics of discussion at the 2008 Action Day—if the issues were not resolved by then—include the need to persuade the White House to release emergency funds for use this winter and to garner support for a measure introduced in December by Sens. Bernie Sanders, I-Vt., and Norm Coleman, R-Minn., to increase LIHEAP funding by \$800 million in fiscal 2008, with the additional funds to be equally distributed between the block grant and emergency funding programs.

Parker said in his letter that AGA "fully supports" the Sanders-Coleman measure, which "more adequately funds a program that seniors, working families and disabled Americans need to meet their most basic needs."

## LIHEAP Goes Local

Utilities work closely with state and local agencies to make sure consumers get needed help.

Skyrocketing energy prices affect us all, but lower-income households are especially hard hit. Studies have found that such households now are dedicating nearly 20 percent of their take-home pay to home energy bills. During the past five years, the number of households eligible to receive help from the Low Income Home Energy Assistance Program has increased by 15 percent.

Both the number of delinquencies and the amount owed are climbing as well. The total amount of natural gas customer uncollectible accounts grew 30 percent between 2003 and 2006, indicating that customers faced increased difficulty in paying their home energy bills. A National Regulatory Research Institute report found that the percentage of natural gas accounts that were



past due rose to 21 percent in 2006, with the average past due amount jumping from \$263 in 2001 to \$334 in 2006.

For years, natural gas utilities have recognized LIHEAP's value and played an important role in delivering LIHEAP help to consumers in need.

### How It Works

State agencies receive their states' share of federal LIHEAP funds, but they typically delegate to county government agencies or nonprofit organizations the responsibility for receiving and reviewing applications for assistance and actually distributing the money. Normally, LIHEAP payments are made directly to utilities.

Besides LIHEAP, many states offer energy assistance through state or charitable programs, or both. Utilities often match contributions to nongovernmental energy assistance plans. In fact, "in 2006, utility programs provided \$1.8 billion in assistance to help needy families manage their energy bills," notes AGA President and CEO David N. Parker. "That's a significant amount of support, yet the need continues to be far greater than utility programs are able to fulfill despite our best combined efforts."



"We believe it is absolutely essential to increase our nation's home energy commitment to America's most vulnerable citizens," said David Manning, National Grid executive vice president of U.S. external affairs, testifying on behalf of AGA at a Nov. 12 hearing of the Subcommittee on Healthy Children and Families of the House Committee on Health and Labor.

Just the thought of someone caring enough to help us is what we need. It [LIHEAP] has been a great help for me and my three kids because we're not in the cold; we have our lights and gas.

—Single mother, Entergy customer in Arkansas

Kevin Kerrigan, manager of public affairs for Atmos Energy in Colorado, says that, in his state, county agencies notify the utility that a customer has applied for LIHEAP assistance and meets the income requirements. "They ask us for the customer's consumption history. It's a verification that they're a customer of ours and that they're consuming the amount that they've stated," Kerrigan says.

If everything checks out, the utility is informed that the agency is going to put a "pledge"—a promise that funds will be coming—on the customer's account. "They're telling us to put a

10-day processing hold on the account so that no delinquency action will be taken," he explains.

### Getting the Word Out

Because utilities want to avoid cutting service to customers if they possibly can, they work hard to get the word out to customers about the availability of LIHEAP and other energy assistance funds. In Minnesota, CenterPoint call center representatives undergo extensive training about available programs, says Greg Schirmers, CenterPoint Energy credit manager.

"Like other utilities, we have field collectors who make house calls," he adds. "They're also equipped with LIHEAP information, and if there are any questions, they can refer people to one of our customer service representatives, who can talk about it in more detail."

Schirmers believes that while awareness of energy assistance programs is fairly high among utility customers, "one customer group that may not know about LIHEAP is those people who are just entering some financial turbulence." Schirmers and Bev Lambkins, CenterPoint Energy credit and collections supervisor, help to educate this group by meeting with different social service agencies each year to ensure they have the information their clients need.

Many LIHEAP offices in Minnesota begin receiving applications Oct. 1, Schirmers says, so CenterPoint plans its publicity push, which includes mailings and news releases, around that date. While energy assistance applications are accepted through May 31, "waiting is not always a good thing to do," Schirmers says. "LIHEAP is a first-come, first-served program, and in some years, the money runs out long before May."

Of course, LIHEAP doesn't help only the cold-weather states. Linda Barnes, manager of Entergy Corp.'s low-income customer assistance initiative, notes, "More Americans die every year from heat-related illnesses than from the cold. So we're struggling to make certain that our states get their fair share of LIHEAP funding."

### Championing a Good Cause

Entergy serves customers in Mississippi, Arkansas, Louisiana and Texas, all of which are among the 10 poorest states in the nation. "That makes LIHEAP even more important," Barnes says.

Entergy has a particularly active program in

support of the fuel assistance program. Entergy's "Low Income Champions," all of whom also have other jobs with the utility, are responsible for raising the visibility of fuel assistance programs in each of the four states the utility serves by working with social service agencies and their clients, helping Entergy's communications staff publicize LIHEAP and other sources of funding, and even traveling to Washington, D.C., to lobby for increased LIHEAP appropriations.

"Champions" identify which local agencies have available funds and unmet needs. "They then work with those nonprofits by, for example, arranging for automated phone calls targeted to potential LIHEAP recipients," Barnes says. "The system delivers a recorded message telling customers that LIHEAP funds are available to help with bill payments and lets them know how to contact the appropriate agency. If no one answers, a message is left with the same information."

Entergy also supplies its call centers with plenty of LIHEAP information. "We have one person who coordinates that, communicating a common message to our call centers," she says. "We make sure our customer service representatives have a bit of background on the availability of funding and a list of all the agencies that distribute

LIHEAP funds or take applications for the program. If a customer calls in and asks for the closest nonprofit that takes LIHEAP applications, we can supply that information."

Entergy's efforts on behalf of LIHEAP helped earn CEO Wayne Leonard the Sister Pat Kelly Achievement Award from the National Fuel Funds Network, a national organization of nonprofits and utilities that raises and administers charitable energy assistance.

In accepting the award, Leonard said, "It is my great hope that other energy companies will accept Entergy's efforts as a personal challenge to serve all customers with compassion, dignity and respect that will inspire the creation of many new programs and financial investments across the country to assist consumers having difficulty with their energy bills." ♡

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[LIHEAP] is crucial to Arkansas citizens as many of them struggle to pay their utility bills during this period of historically high home energy costs. Rising energy prices are affecting everyone, but low-income consumers are especially vulnerable.

—Stephen Copley, president, Arkansas Interfaith Conference and chair, Arkansas Energy Network

## OPERATION GO GREEN

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ports development of diverse generation mixes for utilities that include—but are not limited to—conservation, efficiency, nuclear energy, renewables, natural gas, clean coal and other resources. As Congress considers legislation to limit carbon emissions, we must not restrict our options.

We are concerned about the over-reliance on natural gas to generate electricity. We seem to be in an interim period of time during which Congress has not removed uncertainty by adopting specific policies, and gas generation is the only option after efficiency that can be online when needed.

It will take more time for some of the renewable forms of electricity to develop and take on a bigger role in our supply mix. The same is true for clean coal

and carbon sequestration; these new technologies need time to develop. As a result, our reliance on natural gas may continue to grow in the short term.

**AMERICAN GAS:** *As you take the reins of the presidency at NARUC, what are your top priorities for the coming year?*

**COMMISSIONER SMITH:** There are many issues facing the regulated utility industries at the present time, such as the need for significant investment in infrastructure, including expansion of the capacity of current facilities and the replacement of aging facilities. NARUC is in a position to provide guidance and be a forum for sharing ideas and experiences and developing sound solutions. My priority is to enable NARUC to participate in creating real, actionable solutions to the major problems facing the regulated industries and to assist federal and state policymakers in their process-

es to address these issues.

When I was elected NARUC president in November, I challenged our members to essentially do more with less. As Americans, we have been blessed with plentiful energy resources, but we need to demonstrate real leadership as we balance energy demands with environmental needs. In my role as president, and as co-chair of the National Action Plan for Energy Efficiency, I will urge both our members and the energy industry as a whole to be innovative and more efficient. We need to be good stewards of what we have available, and we need to be as efficient as possible. I look forward to working with your members as we address our future energy needs. ♡

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