

**IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>APPROPRIATENESS OF THE</b>	)	<b>DOCKET NO. 09-00065</b>
<b>IMPLEMENTATION OF PURPA</b>	)	
<b>STANDARD 5 AND STANDARD 6 FOR</b>	)	
<b>PIEDMONT NATURAL GAS COMPANY,</b>	)	
<b>CHATTANOOGA GAS COMPANY AND</b>	)	
<b>ATMOS ENERGY CORPORATION</b>	)	

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**STATEMENT OF THE CONSUMER ADVOCATE ON IMPLEMENTING  
CONSERVATION MEASURES IN TENNESSEE**

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Robert E. Cooper, Jr., Attorney General and Reporter for the State of Tennessee, by and through the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate"), pursuant to the Hearing Officer's request, respectfully submits the following statement to the Tennessee Regulatory Authority ("TRA" or "Authority") regarding the Consumer Advocate's position on implementing a new conservation policy in Tennessee.

A new conservation policy for Tennessee is set forth in Public Chapter 531, which was recently enacted by the Tennessee General Assembly. Section 53 of Public Chapter 531, which is to be codified within Tenn. Code Ann. § 65-4-126, provides as follows:

The general assembly declares that the policy of this state is that the Tennessee regulatory authority will seek to implement, in appropriate proceedings for each electric and gas utility, with respect to which the authority has rate making authority, a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provides timely cost recovery and a timely earnings opportunity for utilities associated with cost-effective measurable and verifiable efficiency savings, in a way that sustains or enhances utility customers' incentives to use energy more efficiently.

In the opinion of the Consumer Advocate, the policy stated in Tenn. Code Ann. § 65-4-126 is sufficiently broad to encompass many of the federal PURPA standards considered in this docket.

Pursuant to the General Assembly's policy directive in Tenn. Code Ann. § 65-4-126, the Consumer Advocate will offer proposals in appropriate proceedings to help consumers save energy while at the same time ensuring that utilities continue to have the opportunity to earn a fair return. An energy conservation program, properly designed in accordance with the mandates of Tenn. Code Ann. § 65-4-126, can benefit both consumers and public utilities. Accordingly, the Consumer Advocate will submit proposals that offer constructive solutions consistent with the new policy that go beyond simply modifying or opposing industry proposals.

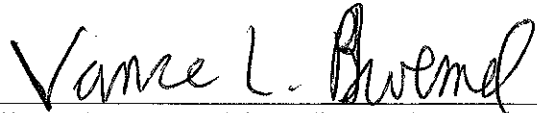
In furtherance of these objectives, the Consumer Advocate recently intervened in a case filed by Piedmont Natural Gas Company, Inc. (Piedmont") at the TRA in which Piedmont is seeking a customer usage tracking mechanism. This request by Piedmont is a mechanism commonly known as "decoupling" because the utility is seeking to "decouple," in part, its revenues from the amount of gas used by customers. In this case, TRA Docket No. 09-00104, the Consumer Advocate seeks a result that appropriately balances the interests of consumers and those of the utility as well. The Consumer Advocate, following the General Assembly's directive that utility financial interests should be "aligned" with helping consumers use energy more efficiently, will propose consumer safeguards designed to ensure that financial benefit to the utility is accompanied by cost effective, verifiable, and sustainable energy savings. Among the safeguards that should be considered are:

- Assurances that reduction in the utility's risk is met with a corresponding modification in the allowed rate of return, consistent with the principle recognized by the TRA that public utilities are allowed a rate of return based, in large part, on the risk they take.
- Regular thorough review of the quantifiable results of any decoupling mechanism in order to make certain that any reduction in the use of gas is actually caused by a particular conservation program and not other factors.
- Consideration of the long-term economic consequences and the impact of natural gas market price volatility on customer usage in order to confirm that reduction in consumption was actually caused by a conservation program and not other factors.
- Alternatives to decoupling to provide the greatest incentive for public utilities to increase effective energy conservation in the context of measurable, verifiable, and cost-effective programs.

The Consumer Advocate looks forward to working with all interested parties in appropriate proceedings for implementation of measures that are consistent with the policy objectives set forth by the General Assembly.

RESPECTFULLY SUBMITTED,

ROBERT E. COOPER, JR. (BPR# 10934)  
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CERTIFICATE OF SERVICE

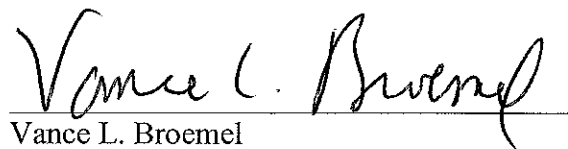
I hereby certify that a true and correct copy of the foregoing Statement was served via U.S. Mail or electronic mail upon:

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This the 25<sup>th</sup> day of September, 2009.

  
Vance L. Broemel