



## AMERICAN PUBLIC GAS ASSOCIATION

February 12, 2010

The Honorable David C. Coen and Members of Board of  
the National Association of Regulatory Utility Commissioners  
1101 Vermont Avenue, NW  
Suite 200  
Washington, D.C. 20005

Dear Chairman Coen and Members of the NARUC Board:

On behalf of the American Public Gas Association (APGA), I urge you table resolution ERE-4. This resolution, supporting the U.S. Department of Energy's Efficiency Standards for Residential Water Heaters, will be placed before you during your winter meeting this week. While most public gas utilities are regulated at the local level, several of our members are regulated by their state utility commission, and these DOE standards would have a significant and detrimental impact upon them and all public gas systems nationwide.

First, the standards if enacted would further exacerbate an unfortunate but increasing trend of promulgating standards that favor electric storage water heating over natural gas storage water heating. This new proposed standard will again raise both the manufacturing and installation costs of a natural gas water heater. In short, this standard supports the removal of atmospheric water heaters from the marketplace. As a result, electric water heating will become the preferred alternative in a large number of replacement installations and in some cases it may be the only alternative. Support for this proposed standard is a nod to further skew the playing field towards electric over natural gas water heaters.

Second, this standard ignores the many benefits provided by the direct-use of natural gas. For example, using gas-fired water heaters for homes instead of electric resistance water heaters ultimately reduces greenhouse gas emissions by one-half to two thirds. In June 2009, APGA, the Interstate Natural Gas Association of America and others released a study conducted by the Gas Technology Institute (GTI) entitled "Validation of Direct Natural Gas Use to Reduce CO2 Emissions". A copy of the study is available on the APGA website at [www.apga.org](http://www.apga.org).

The study analyzed the benefits of increased direct use of natural gas as a cost-effective means to increase full fuel cycle energy efficiency and reduce greenhouse gas emissions. Using the National Energy Modeling System (NEMS), the study concluded that the increased direct use of natural gas will reduce primary energy consumption,

consumer energy costs, and national CO2 emissions. While increasing direct use of natural gas is clearly a win-win for U.S. environmental and energy policy, the proposed standard is quite the contrary.

The study demonstrates, among other things, that using revenues to provide incentives for original natural gas end-use applications and conversions to natural gas appliances from their electric counterparts will provide substantially higher and immediate return values in energy efficiency and carbon output reductions than an equal investment in electric applications. Another finding of the study was that subsidies provided to increase the direct use of natural gas, together with increased efforts in consumer education and R&D funding, would provide the following benefits by 2030:

- 1.9 Quads energy savings per year;
- 96 million metric tons CO2 emission reduction per year;
- \$213 billion cumulative consumer savings;
- 200,000 GWh electricity savings per year; and
- 50 GW cumulative power generation capacity additions avoided, with avoided capital expenditures of \$110 billion at \$2,200/kW.

While federal policies may not recognize the benefits of the direct-use of natural gas, consumers do and they readily realize such benefits when the market's playing field is level. These proposed standards, however, again tilt the field against natural gas appliances.

For the reasons stated above, I ask that you delay action on resolution ERE-4. I thank you in advance for your consideration of our views.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bert Kalisch". The signature is fluid and cursive, with a prominent initial "B" and a long, sweeping underline.

Bert Kalisch  
President & CEO