

FILE

JONES DAY

325 JOHN H. MCCONNELL BOULEVARD, SUITE 600
COLUMBUS, OHIO 43215-2673
TELEPHONE: 614.469.3939 • FACSIMILE: 614.461.4198

MAILING ADDRESS:
P.O. BOX 165017
COLUMBUS, OHIO 43216-5017

Direct Number: (614) 281-3988
pacolbert@jonesday.com

JP013548

March 12, 2010

Renee' Jenkins, Director
Docketing Division
180 East Broad Street, 11th Floor
Columbus, Ohio 43215

Re: Case No. 07-829-GA-AIR et al.

Dear Mrs. Jenkins:

Please accept for filing in Case No. 07-829-GA-AIR et al., an original and ten copies of the Second Report of The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO") Demand Side Management ("DSM") Collaborative Identifying the Economic and Achievable Potential for Energy Efficiency Improvements and Program Design ("Second Report"). In its First Report, filed July 15, 2009, the DEO DSM Collaborative agreed to file the Second Report prior to implementation of an agreed upon energy efficiency program. Since that time the DEO DSM Collaborative has agreed to implement the Home Performance with Energy Star ("HPwES") program described in the Second Report.

To ensure that the Second Report accurately states the consensus reached by the Collaborative, on March 2, 2010 DEO sought comments to the Second Report by circulating a draft among the Collaborative membership, including but not limited to, Staff, the Office of the Ohio Consumers' Counsel, Ohio Partners for Affordable Energy, Cleveland Housing Network, the City of Cleveland and the Sierra Club. Staff affirmed that the Second Report accurately described the consensus reached among the Collaborative membership. No other Collaborative member commented on the draft Second Report. DEO sent the final version of the Second Report to the Collaborative membership on March 9, 2010 notifying the members that DEO would file the Second Report on Friday, March 12, 2010. No Collaborative member objected to the filing of the Second Report.

Very truly yours,



Paul A. Colbert

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Authority to Increase Rates
for its Gas Distribution Service**

Case No. 07-829-GA-AIR

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio For Approval of an Alternative
Rate Plan for Its Gas Distribution Service**

Case No. 07-830-GA-ALT

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio For Approval to Change
Accounting Methods**

Case No. 07-831-GA-AAM

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval of Tariffs to
Recover Certain Costs Associated with a
Pipeline Infrastructure Replacement
Program Through an Automatic
Adjustment Clause, And for Certain
Accounting Treatment**

Case No. 08-169-GA-ALT

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio For Approval of Tariffs to
Recover Certain Costs Associated with
Automated Meter Reading and for Certain
Accounting Treatment**

Case No. 06-1453-GA-UNC

**SECOND REPORT OF THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST
OHIO DEMAND SIDE MANAGEMENT COLLABORATIVE IDENTIFYING THE
ECONOMIC AND ACHIEVABLE POTENTIAL FOR ENERGY EFFICIENCY
IMPROVEMENTS AND PROGRAM DESIGNS**

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I. INTRODUCTION

On October 15, 2008, the Commission approved a Stipulation and Recommendation (“Stipulation”) in these cases resolving many issues, including the annual level of demand side management (“DSM”) expenditures by The East Ohio Gas Company d/b/a Dominion East Ohio (“DEO”). Stipulation at 4-5; Opinion and Order at 22-23. The Stipulation provides for annual DSM expenditures of \$9.5 million. This represents an annual \$6 million increase over the annual DSM expenditures of \$3.5 million previously funded through DEO’s distribution base rates and shareholder contributions. The Commission also approved recovery of \$4 million of those DSM expenditures through a DSM Rider with the remainder to be recovered in base rates.

In order to identify, evaluate and select potential DSM programs, DEO agreed to convene a collaborative consisting of DEO, Staff, the Office of the Ohio Consumers’ Counsel (“OCC”), Ohio Partners for Affordable Energy (“OPAE”), the Ohio Department of Development Office of Community Services and other parties (the “Collaborative”). *Id.* The Commission directed the Collaborative to file a report “identifying the economic and achievable potential for energy efficiency improvements and program designs to implement further reasonable and prudent improvements in energy efficiency.” Opinion and Order at 23. The Collaborative filed an initial report on July 15, 2009, describing the initial program implemented by the Collaborative and the progress made toward agreement on a second program. The Collaborative pledged to file a report prior to implementation of a second DSM program. This is that second report.

DEO convened the first Collaborative meeting on December 10, 2008. The Collaborative has held periodic meetings since that time. The most recent Collaborative meeting was held at the Commission’s offices on January 29, 2010. The meetings have been attended by DEO, Staff, OCC, OPAE, Cleveland Housing Network (“CHN”), the City of Cleveland, Cuyahoga County,

Stand Energy Corp., IGS, Empowerment Center of Greater Cleveland, Neighborhood Environmental Coalition, Summit County, the Sierra Club and the Gas Workers' Union.

The Collaborative has discussed the most effective way to spend the remaining \$3 million annual commitment to fund DSM programs. Those discussions focused on a review of the Home Performance with ENERGY STAR ("HPwES") program as a joint electric and gas DSM program. The Collaborative explored a joint program between DEO and the FirstEnergy Operating Companies. In late 2009, FirstEnergy informed DEO that it would not proceed with a joint program at this time. Thereafter, the Collaborative decided to move forward with a DEO HPwES program. The Collaborative will continue to explore opportunities to establish joint programs with electric utilities, but did not want to delay further the implementation of HPwES.

The HPwES program features a home energy assessment and rebates for recommended home repairs. Enertouch, Inc., d/b/a GoodCents Solutions ("GoodCents"), is the program administrator and currently administers a similar program for FirstEnergy. It also administered a similar program for Duke Energy Ohio approved by the Commission in Case No. 06-91-EL-UNC *et al.*, known as Home Energy House Call. Columbia Gas of Ohio also operates a similar program called Home Performance Program, approved by the Commission in Case No. 08-833-GA-UNC.

A. Program Summary

DEO, with the support and consent of the Collaborative, proposes implementation of the HPwES residential energy efficiency program. Through the HPwES program, DEO will offer residential customers in its service territory the opportunity to lower their energy bill, in particular their gas bill. Customers may lower their energy bill through the installation of energy efficiency measures. Measures will be designed for each residence during an audit of the home. A network of qualified contractors will install the measures.

HPwES is a residential retrofit program administered by an independent third party, GoodCents. It focuses on providing customers with gas energy efficiency measures. The HPwES program will provide home energy audits for residential customers in DEO's service territory. Using a consultant model, GoodCents will employ and train the auditors. The residential customer will pay \$125 for the audit. During the audit, the GoodCents auditor will perform a blower door test and install basic measures at the residence. Basic measures the auditor will provide include caulking, weather-stripping, door sweeps, and replacement air filters. At the conclusion of the audit, the auditor will provide a list of measures to customers that they should consider purchasing for installation in their homes based on the blower door test results and an inspection of the home and gas consuming appliances. Customers will also receive a list of rebates available for each measure.

GoodCents will administer a network of contractors that will install any measures the customers choose. Contractor administration includes contractor recruitment, training and support. It also includes dispute resolution between the contractor and customers. GoodCents will also administer the rebate program.

GoodCents will market the HPwES program through a postcard campaign targeted to residential customers in DEO's service territory. GoodCents will provide a call center to answer customer inquiries, schedule audits and schedule measure installation. Finally, GoodCents will provide a post-installation audit of the energy efficiency measures purchased by the customer to ensure customer satisfaction and compliance with Commission and ENERGY STAR guidelines.

The HPwES program passes the Total Resource Cost ("TRC") test. GoodCents will continuously review the measures offered to ensure that the HPwES program is adjusted to meet customer needs and ensure ongoing compliance with regulatory requirements. Measures offered

through the HPwES program will include furnace replacement, water heater insulation and replacement, attic and wall insulation, thermostat replacement, window replacement, appliance replacement and instrumented air sealing. At the conclusion of the home energy assessment, the customer will receive an audit report detailing the cost-effective measures appropriate for their home.

The HPwES program will also develop an energy efficiency contractor network. GoodCents will train the contractors and audit their performance. Contractors must meet rigorous performance standards to remain in the program. Preferred contractors will be Building Performance Institute ("BPI") certified.

In summary, HPwES is a whole house energy efficiency program providing residential customers with a diagnostic audit to identify energy efficiency needs. Customers are provided with audit results, including a comprehensive rebate program, covering all of the recommended energy efficiency measures for their home. Qualified contractors are made available to customers. Follow up audits ensure the quality of the work for customers and regulators.

B. Economic and Achievable Potential of the HPwES Program.

The Commission asked the Collaborative to report on the "economic and achievable potential for energy efficiency improvements and program designs to implement further reasonable and prudent improvements in energy efficiency." Opinion and Order at 33. The Collaborative believes the potential exists to design and implement economic energy efficiency programs. The HPwES program is such an energy efficiency program.

Over a three year period, DEO will spend more than \$9 million on the HPwES program. Approximately 10,000 customers will spend about \$1.25 million for home energy audits over the same three year period. An estimated 2,300 customers will decide to purchase and implement energy efficiency measures. Those customers may spend approximately \$13 million on energy

efficiency measures estimated to save almost 1.6 million therms of energy over the first three years of the program. The Collaborative believes that the investment in the HPwES program is worthwhile because of the substantial energy savings that are likely to result from the investment.

Further, customer involvement in the HPwES program, and the energy savings that result, are expected to grow each year of the three year program. The program is expected to generate savings of 198,920 therms in year one and 415,923 therms in year three. The Collaborative expects the HPwES program to achieve steady growth because it has an experienced independent administrator, a national marketing program—ENERGY STAR—an economically beneficial list of energy measures that customers may purchase, an initial home assessment that has an immediate payoff for customers, a robust rebate program and post-installation testing.

The company and customer expenditures, and the savings associated with the HPwES program, are estimates. There is no guarantee of specific investment or energy savings in a particular year. DEO, GoodCents and the Collaborative will gain valuable information from actual customer participation in the program. DEO, GoodCents and the Collaborative will refine the HPwES program based upon historical data from customer participation. Ultimately, program data will improve the economic efficiency of the HPwES program.

C. Home Performance with ENERGY STAR Program

Estimated Three Year Budget 2010-2012	Rebates: \$1.1 million Program Services: \$3.9 million Administration, Education & Marketing: \$ 1.6 million Post Installation Test-Out: \$ 0.35 million Total: \$9.0 million
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Participation and Savings Targets 2010-2012	<p>Projected Participation – Audits: 10,375; Jobs: 2,300</p> <p>1st Year Expected Savings in Therms: 198,920</p> <p>2nd Year Expected Savings in Therms: 289,338</p> <p>3rd Year Expected Savings in Therms: 415,923</p> <p>Cumulative Expected Three Year Savings in Therms: 1,591,359</p>
Cost Effective Metrics 2010-2012	<p>Total Resource Cost Benefit Cost Ratio = 1.06</p> <p>Utility Cost Test Benefit Cost Ratio = 1.95</p> <p>Participant Benefit Cost Ratio = 4.04</p>
Program Objective	<p>The objective of the HPwES program is to encourage residential customers to adopt cost effective home energy efficiency measures. Another program objective is to ensure that customers have access to qualified service providers through the development of a contractor network and an audit program that assures that the measures are properly installed.</p>
Program Theory	<p>It is necessary to encourage residential customers to adopt energy efficiency measures because there are significant obstacles that discourage residential customers from participating in the energy efficiency market.</p> <ul style="list-style-type: none"> • Residential customers do not know what measures are cost effective. • Residential customers do not know where to obtain information about available energy efficiency measures. • There is no centralized location where residential customers can go to obtain information. • There is no centralized market from which residential customers can purchase services or receive quality assurance. • Limited funding and financing make it challenging for residential customers to afford energy efficiency measures. • Many residential customers lack the time and expertise to locate and evaluate qualified contractors. <p>The HPwES program provides a one-stop shopping opportunity for residential customers to identify their energy efficiency needs, obtain pricing and rebate information, immediately experience the installation of energy efficiency measures, obtain a contractor to install significant measures and obtain a post installation inspection after the energy efficiency measures are installed to ensure quality installation.</p>

Program Description	<p>The HPwES program provides diagnostic energy audits and rebates to residential customers to offset the costs of energy efficiency measures. Customers share the cost of the audits and pay for that portion of the energy efficiency measures not covered by rebate.</p> <p>The independent program administrator will train the auditors and conduct the audits. All auditors will be trained to use certified software to enable the auditors to provide instant analysis for the customer at the audit, thus eliminating time between the audit and results presentation. The auditors will also install basic measures during the audit including caulking, weather stripping, door sweeps, replacement air filters, kitchen and bath aerators, low flow shower heads and pipe wrap. The audit costs \$500.00 of which the customer pays \$125.00.</p> <p>Contractors will install major program measures purchased by residential customers. Contractors will be trained by the independent program administrator and must perform to BPI standards.</p> <p>Rebates will be offered to customers to provide an incentive to purchase and install energy efficiency measures. Rebates range from \$5 to \$400 per measure. Measures include furnace replacement, duct sealing, thermostat replacement, water heater replacement, water heater wrap, insulation, air sealing, replacement windows, replacement doors and ventilation fans.</p>
Marketing Strategy	<p>All residential customers in DEO's service territory are eligible for the HPwES program. Marketing shall proceed through two primary strategies, customer outreach and branding.</p> <p>Initial customer outreach shall be through a postcard mailing. The postcard will provide customers with basic information about the HPwES program, including the availability of comprehensive home audits and rebates for the installation of energy efficiency measures. The internet will also be used for customer outreach. A dedicated website will make information about the HPwES program instantly available to those who are interested. Contractors, installers, retailers and realtors will also be utilized to provide information to customers.</p> <p>Branding is an important aspect of marketing the HPwES program. The ENERGY STAR brand has been well established nationally. All outreach material will emphasize the ENERGY STAR brand. This, combined with ENERGY STAR's national campaign, generates customer confidence in the HPwES program and increases the likelihood of participation.</p>

Measures That May be Installed During the Home Assessment	Water Heater Wrap Water Heater Pipe Wrap 4 – 3' Sections Water Heater temperature Adjustment HVAC Filters 6 Pleated Duct Sealing (per foot) Vinyl Weather Stripping Weather Stripping Door Q-LON Door Sweep Caulking Foam Insulation Kitchen Aerator Bathroom Aerators Low Flow Shower Heads Toilet Tank Flappers Refrigerator Coil Brush Refrigerator/Freezer Thermometer CFL 23 Watts (if requested) CFL 20 Watts (if requested) LED Night Lights (if requested)		
Eligible Measures	Heating and Cooling Systems ¹	Rebate Level	Minimum Requirements for Rebates
	Natural gas furnace AFUE 90% or greater:	\$300	a. Must have ECM b. ENERGY STAR Labeled
	Natural gas furnace AFUE 92% or greater	\$350	a. Must have ECM b. ENERGY STAR Labeled
	Natural Gas Furnace AFUE 94% or greater	\$400	a. Must have ECM b. ENERGY STAR Labeled
	Boiler-Natural Gas AFUE 85% or greater	\$250	ENERGY STAR Labeled
	Boiler-Natural Gas AFUE 90% or greater	\$300	ENERGY STAR Labeled
	Duct Sealing	\$30 / hour \$120 maximum	a. UL 181B Mastic or other permanent sealant; use of duct tape disallowed b. Must have natural gas furnace
	Thermostat	\$30	a. Programmable b. Must have gas furnace c. Maximum 2 per house
	Water Heaters & Hot Water Saving Measures	Rebate Level	Minimum Requirements for Rebates
	Natural Gas Storage Water Heater	\$100	a. ENERGY STAR rated, b. Energy Factor ≥ 0.67 c. 30 gallons or greater
	Natural Gas Tankless Water Heater	\$150	a. ENERGY STAR rated, b. EF ≥ 0.82
	Natural Gas Condensing Water Heater		a. ENERGY STAR rated, b. EF ≥ 0.80
	Water Heater Tank Wrap	\$10	c. R-11 or greater d. Natural gas water heater

	Building Shell	Rebate Level	Minimum Requirements for Rebates
	Insulation (attic)	\$0.10 / ft ² \$200 max.	To R-44 and at least 8" per ft ² , or dense-packed if enclosed
	Insulation (wall)	\$0.10 / ft ² \$200 max.	a. Must be dense-packed if enclosed; b. Rim joists to R-30 c. Crawl to R13
	Insulation (duct)	\$0.10 / ft ² \$100 maximum	R-5 or greater
	Air Sealing	\$30 / hour \$120 maximum	Blower door guided air sealing is strongly recommended
	Replacement Windows	\$5 per window	a. ENERGY STAR rated for region
	Exterior Doors	\$30	a. R-4.4 or greater
	Health and Safety	Rebate Level	Minimum Requirements for Rebates
	Ventilation Fans	\$15	a. ENERGY STAR labeled b. Must vent all the way to exterior of building shell
Implementation Strategy		GoodCents will administer and implement the HPwES program. GoodCents will train the auditors, installers and contractors. GoodCents will provide the necessary software, call center, scheduling and other back office services. GoodCents will perform post installation testing to ensure program quality and conformance with BPI standards. GoodCents will periodically report to DEO. DEO will evaluate performance and make suggestions regarding program administration.	

D. Cost Recovery Through the DSM Rider.

The Commission approved the DSM Rider to recover \$4 million annually to fund DSM programs. The Collaborative committed \$1 million annually to increase funding for a low-income weatherization program. The Collaborative filed a report with the Commission describing that program on July 15, 2009. The Collaborative has recommended that DEO use the remaining \$3 million annually to fund the HPwES program. The Collaborative agrees that DEO may recover the expected annual \$3 million cost of the HPwES program through the DSM

Rider.¹ The Collaborative expects that DEO will incur HPwES costs as set forth in this Report.

DEO will reimburse GoodCents for the cost of running the HPwES program. DEO must reimburse GoodCents for costs associated with: (1) program administration; (2) marketing and marketing materials; (3) building a contractor network; (4) contractor screening and training; (5) homeowner education materials; (6) call center; (7) home assessment and measurement installation; and (8) post-installation testing.

Finally, the costs associated with the HPwES program include rebates for the implementation of energy efficiency measures. The Collaborative agrees that the measures listed in this Report for installation by the home assessment auditors and the contractors are cost effective and recommends that the Commission permit DEO to recover the costs associated with implementation of the HPwES program. The Collaborative, subject to audit, recommends that DEO should recover through the DSM Rider HPwES program costs equal to costs DEO must reimburse to GoodCents plus rebates.²

¹ DEO has already recovered some funds through the DSM Rider in anticipation that the Collaborative would recommend approval of the HPwES program. In addition to the \$3 million annual expenditure associated with HPwES, DEO will spend the previously collected DSM funds, not committed to the low-income weatherization program, on the HPwES program. DEO may adjust the funding for the HPwES funding to the extent that the Commission requires that it fund another DSM program through the DSM Rider without a corresponding increase in the DSM Rider.

² The DSM Rider is expected to recover \$4 million annually. The \$4 million includes \$3 million for the HPwES program and \$1 million for the low-income weatherization program. The HPwES program costs may exceed \$3 million in a program year to the extent DEO allocates unexpended funds collected through the DSM Rider. Nothing herein prohibits DEO from seeking Commission approval to increase the DSM Rider to increase funding for new or existing DSM programs.

CONCLUSION

The Collaborative has agreed upon funding for two energy efficiency programs. More than two thirds of the funds have been allocated to the low-income weatherization program. That program is underway. The remaining funds have been allocated to the HPwES program. The Collaborative is moving forward to implement the HPwES program as quickly as possible.

Respectfully submitted,



David A. Kutik (Reg. No. 0006418)

E-mail: dakutik@jonesday.com

(Counsel of Record)

JONES DAY

North Point

901 Lakeside Avenue

Cleveland, Ohio 44114

Telephone: 216-586-3939

Facsimile: 216-579-0212

Paul A. Colbert (Reg. No. 0058582)

E-mail: pacolbert@jonesday.com

Grant W. Garber (Reg. No. 0079541)

E-mail: gwggarber@jonesday.com

JONES DAY

P.O. Box 165017

Columbus, Ohio 43216-5017

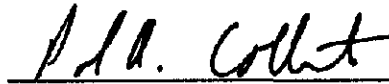
Telephone: 614-469-3939

Facsimile: 614-461-4198

COUNSEL FOR THE EAST OHIO GAS
COMPANY D/B/A DOMINION EAST OHIO

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was delivered to the following persons by electronic mail this 12th day of March, 2010.



An Attorney for The East Ohio Gas Company
d/b/a Dominion East Ohio

Interstate Gas Supply, Inc.
John Bentine, Esq.
Mark Yurick, Esq.
Chester, Wilcox & Saxbe LLP
65 East State Street, Suite 1000
Columbus, OH 43215-4213
jbentine@cwslaw.com
myurick@cwslaw.com

Office of the Ohio Consumers' Counsel
Joseph Serio, Esq.
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
serio@occ.state.oh.us

Ohio Partners for Affordable Energy
David Rinebolt, Esq.
P.O. Box 1793
Findlay, OH 45839-1793
drinebolt@aol.com

UWUA Local G555
Todd M. Smith, Esq.
Schwarzwald & McNair LLP
616 Penton Media Building
1300 East Ninth Street
Cleveland, Ohio 44114
tsmith@smcnlaw.com

The Neighborhood Environmental Coalition,
The Empowerment Center of Greater
Cleveland, The Cleveland Housing Network,
and The Consumers for Fair Utility Rates
Joseph Meissner, Esq.
The Legal Aid Society of Cleveland
1223 West 6th Street
Cleveland, OH 44113
jpmeissn@lascllev.org

Dominion Retail
Barth E. Royer
33 South Grant Avenue
Columbus, OH 43215-3927
barthroyer@aol.com

Stand Energy Corporation
John M. Dosker, Esq.
General Counsel
1077 Celestial Street, Suite 110
Cincinnati, OH 45202-1629
jdosker@stand-energy.com

Integrays Energy Services, Inc.
M. Howard Petricoff
Stephen M. Howard
VORYS, SATER, SEYMOUR AND PEASE
LLP
52 East Gay Street
P.O. Box 1008
Columbus, Ohio 43216-1008
mhpetricoff@vorys.com

The Ohio Oil & Gas Association
W. Jonathan Airey
VORYS, SATER, SEYMOUR AND PEASE
LLP
52 East Gay Street
P.O. Box 1008
Columbus, Ohio 43216-1008
wjairey@vssp.com

Stephen Reilly
Anne Hammerstein
Office of the Ohio Attorney General
Public Utilities Section
180 East Broad Street, 9th Floor
Columbus, Ohio 43215
stephen.reilly@puc.state.oh.us
anne.hammerstein@puc.state.oh.us

Robert Triozzi
City of Cleveland
Cleveland City Hall
601 Lakeside Avenue, Room 206
Cleveland, Ohio 44114-1077
RTriozzi@city.cleveland.oh.us
SBeeler@city.cleveland.oh.us

Jennifer Miller
Sierra Club
131 N. High Street, Suite 605
Columbus, Ohio 43215
Jennifer.miller@sierraclub.org