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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Columbia Gas of Ohio, Inc. for the)	
Modification of its Demand Side)	Case No. 11-
Management Programs for its)	-GA-UNC
Residential and Commercial)	3570
Customers)	
)	

APPLICATION OF COLUMBIA GAS OF OHIO, INC
TO MODIFY CURRENT
DEMAND SIDE MANAGEMENT PROGRAMS FOR RESIDENTIAL AND
COMMERCIAL CUSTOMERS

I. INTRODUCTION

In this Application, Columbia Gas of Ohio, Inc. ("Columbia") seeks approval to modify its Demand Side Management ("DSM") programs as described herein. Columbia has been successfully implementing the programs approved in the Public Utilities Commission of Ohio's ("Commission") July 23, 2008 Opinion and Order in Case No. 08-833-GA-UNC. However, as noted in Columbia's filing on November 2, 2010 in Case No. 10-2480-GA-UNC, certain components of the portfolio have proven to be more successful than others; specifically, the Home Performance Solutions ("HPS") program has customer demand that exceeds the resources that are currently available. Columbia considers it in the best interest of the ratepayers and program participants to allow Columbia the flexibility to shift existing dollars to the HPS program as it deems necessary in order to maximize the impact of the program.

Pursuant to the Opinion and Order in Case No. 08-72-GA-AIR, Columbia met with the Demand Side Management Stakeholder Group ("DSMSG"), the Office of the Ohio Consumers' Counsel ("OCC") and the Public Utilities Commission Staff ("Staff") on May 20, 2011 to discuss the changes proposed herein. The DSMSG, the OCC and Staff voted on each individual modification and approved all of the modifications as described below.¹

II. STATUS UPDATE OF COLUMBIA'S CURRENT DEMAND SIDE
MANAGEMENT PROGRAMS

¹ Randy Hall of Cornerstone Energy Conservation Services abstained. A copy of the meeting minutes are attached hereto as Attachment A.

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Columbia has a robust portfolio in terms of the number and kind of DSM programs offered. WarmChoice® is Columbia's low-income weatherization program. Columbia appears to be on target to meet its projected goals in terms of number of households served and number Mcfs saved and will continue to push forward with this program.

Another successful DSM program is Columbia's Simple Energy Solutions ("SES"). This program provides a \$10 rebate for energy efficient showerheads and a \$25 rebate for programmable thermostats. By the end of 2011, Columbia projects to distribute 11,303 showerhead rebates and 6,669 thermostat rebates. These numbers are somewhat lower than the planned rate; however, Columbia remains committed to supporting this program as much as practicable.

Columbia's Furnace Market Research ("FMR") program is wrapping up with Navigant Consulting drafting its final report. Columbia does not anticipate any further expenses related to this program.

Columbia's Energy Design Solutions ("EDS") and Innovative Energy Solutions ("IES") programs continue to flourish. Columbia has held 6 seminars and has had 213 participants to date in its EDS Program. Columbia has received 7 funding applications to date for its IES program.

Columbia's partnership with AEP for its Energy Star New Homes ("ESNH") program has proven beneficial. While the new home market is still lagging and competition with existing homes remains steady, Columbia continues to focus its efforts on this program.

The most successful of Columbia's new DSM programs remains the Home Performance Solutions ("HPS") program. HPS provides low cost diagnostic energy audits and rebates to customers to help offset the cost of energy efficiency improvements. Columbia projects that it will perform at least 10,918 audits, using existing funding, which far exceeds the originally planned 6,039 audits. Columbia has recently issued rebates averaging \$600,000 or more per month with customer contributions totaling over \$3 million. Columbia will continue to increase customer participation in this program provided that the requested flexibility in funding is granted.

Columbia previously modified its DSM program in Case No. 10-2480. Pursuant to the Commission's November 22, 2010 Finding and Order, Columbia shifted funds from its Energy Efficiency Loan Fund ("EELF") and Small Business Energy Solutions ("SBES") program to HPS in order to conduct more audits, distribute more rebates and provide additional heating contractor incentives. Columbia also expanded the timeline for which customers can receive rebates for implementing qualified energy efficiency improvements under HPS and increased the rebate amount for high efficiency furnaces.

Finally, Columbia extended its New Homes Solutions program through the end of 2012. With these modifications, Columbia was able to perform 4,879 additional energy audits and provide \$2 million in additional rebates. Columbia will be able to continue this momentum with the modifications requested in the instant application.

III. PROPOSED MODIFICATIONS

To fully capitalize on the success of the HPS program and to provide customers with maximum energy savings, Columbia needs the flexibility to shift funds from under-performing programs to HPS. Between \$2.5 and \$3.5 million dollars are needed to satisfy the demand of rebates through the end of the year. Columbia can meet this demand if it is able to shift remaining dollars from its other DSM programs including, non-program specific administrative funds, IES, EDS, SES, ESNH, FMR, and the Ohio Small Business Energy Saver ("OSBES") energy audit program.

Columbia is not proposing to use all of the money remaining in the above-mentioned programs to increase funding for HPS, however, is requesting the flexibility to shift the funds as and when it deems necessary. With the DSM pilot program winding down at the end of 2011, Columbia has an obligation to use the remaining funding in a way to gain maximum customer savings.

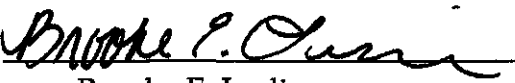
Columbia also requests flexibility to reallocate ESNH 2012 funds to HPS. As noted above, HPS is Columbia's most successful DSM program and audit demand remains strong. While the capacity exists from a contractor standpoint to perform the audits, the current audit budget only covers those already on the waiting list through the end of the year. By shifting the 2012 ESNH fund to HPS, Columbia would be able to perform 1700 more audits and provide the related rebates. In a subsequent DSM filing Columbia will propose to re-fund the 2012 ESNH program.

IV. CONCLUSION

Columbia continues to be a leader among Ohio utilities in the development of innovative energy efficiency and weatherization programs. Columbia believes the aforementioned changes, as supported by the DSMMSG, the OCC and Staff, are crucial to the continued success of its DSM programs. The changes will increase the effectiveness of the Columbia's DSM programs and result in greater savings to program participants.

WHEREFORE, Columbia respectfully requests the approval of the proposed modification to its DSM program as described herein.

Respectfully submitted,
COLUMBIA GAS OF OHIO, INC.

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ATTACHMENTS

Columbia Gas of Ohio DSM Stakeholder Group

May 20, 2011

10:00 a.m.

Meeting Minutes

Call to Order/Welcome

Jack Lavery called the 9th meeting of the Columbia Gas of Ohio Demand Side Management Stakeholder Group (DSMSG) to order at approximately 10:10 a.m. Jack thanked attendees for taking time out of their busy schedules to attend the meeting.

Dan Creekmur made opening comments thanking the group for attending and stressed the fact the group's input/feedback and Columbia keeping them informed is an important process of the DSM pilot program. All programs, with the exception of the Energy Star New Homes program, are due to end at the end of 2011 and flexibility will be necessary in managing the programs for the next seven months.

Jack Lavery did a roll call and asked attendees to also introduce themselves. Jack indicated that he would use a PowerPoint presentation handout to lead the discussion. The presentation was emailed to all members prior to the meeting and is attached to these meeting minutes.

Members Present

Adrian Andrews (COH)
Dale Arnold (via phone) (OFB)
Megan Bhatt (COH)
Marilyn Bussard (COH)
Dan Creekmur (COH)
Dan Sawmiller (OCC)
Dave Davenport (GLS)
Marty Ellis (via phone) (MORPC) (for Tom Andrews)
Wilson Gonzalez (OCC)
Randy Hall (Cornerstone Energy Conservation Services)
John Johnson (GLS)
Kris Klaus (OHBA)
Jack Lavery (COH)
Brooke Leslie (COH)
Erin Miller (via phone) (City of Columbus)
Sarah Poe (COH)
Steve Puican (PUCO)
Jim Racher (via phone) (NiSource)
Paul Racher (COH)
Dan Sawmiller (OCC)
Ken Stammen (COH)
Tonja Toles (via phone) (PUCO)
Dora Tharp (NHST)

Members Absent

Columbia Gas of Ohio DSM Stakeholder Group

May 20, 2011

10:00 a.m.

Meeting Minutes

Tom Andrews (MORPC)
Michael Blasnik (Blasnik & Assoc.)
Tom Brown (COH)
Lisa Colosimo (PUCO)
Bill Farnsel (NHST)
Abe Gutmore (NiSource)
Jim Hilz (BIA)
Dave Hoeffel (Vorys)
Chester Jourdan (MORPC)
Debbie Ohler (OBBS)
Keith Pitts (COAD)
Dave Rinebolt (OPAE)
Mark Swepston (ACCO/Atlas Butler)

Jack reviewed the agenda with the attendees. The agenda included a program status update, proposed modifications to the DSM Action Plan, and a vote on the proposed modifications.

DSM Pilot Program Status Update

Jack presented slide 4 to the attendees. The slide showed the trend of the ratio of Administration, Marketing and Education expenses to overall DSM expenses from the start of the program through 4/30/2011. The chart showed that Columbia was currently at the 20% cap that was mandated and that Columbia was on track with managing those costs. Jack noted that Columbia had to hold staffing and marketing costs to an artificially low level to get these costs back into alignment and that these costs are normally a high percentage of ramp up costs during the beginning of a DSM program.

Jack then presented charts of program metrics for most programs and elaborated on program performance. His talking points, and questions/discussion from the attendees, are included below for each program.

WarmChoice

- Refer to slide 5.
- This is Columbia's low-income customer weatherization program.
- The projected households served are only slightly lower than planned and is a normal part of year to year participation fluctuation.
- Columbia projects 32 Mcf savings per household, based on historic evaluations.
- There is little difference between planned savings vs. projected cumulative savings.

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Simple Energy Solutions (SES)

- Refer to slide 6.
- This is a rebate program for programmable t-stats and energy efficient showerheads
- A high level of free ridership with showerheads was projected, but the high participation rate may indicate that participants do not normally look for this product on their own – so the free ridership level may be low
- T-stat projections – several driving factors in lower than planned participation at this point include:
 - Older technology with fairly high adoption/purchase rate,
 - Directed at DIY market; more difficult task due to wires involved,
 - Program design (direct install component may have improved).
- In the future, it may be possible to replace old thermostats that customers can't program due to complexity, or when they have lost the manual and it is no longer available (in cases where customers are not setting the thermostat back)
- There should still be an opportunity to get savings – education is important
- To date, the program is on track to deliver about ½ of the planned energy savings of 125,000 Mcf
- Higher projected savings from thermostats than showerheads makes it important to continue to try to hit the planned thermostat goal

Furnace Market Research (FMR)

- Refer to slide 7.
- Columbia hired Navigant Consulting through a competitive bid process to perform a study of its furnace market and where there are opportunities to install high efficiency furnaces (HEFs) that aren't free riders.
- The report is in the Final draft stage
- HEF installation has been driven sizeable by tax credit through 2010; the tax credit is much lower now
- Potential market opportunities:
 - Low income customer market – customers normally purchase the lowest priced product, a minimum efficiency furnace
 - Gap – rental market; split incentive (landlord owns house but doesn't pay gas bill/put in least costly furnace to keep house heated). Looking for way to design program to provide incentives to landlord that will benefit tenant that pays the gas bill
 - A few identified counties with lower than average penetration rates of HEFs

Wilson Gonzalez of the OCC asked about the study methodology. Jack explained that since GAMA statewide sales data is no longer available, the study used a Delphi approach survey

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methodology to interview market actors about HEF installation rates. Wilson asked whether the study would be available, and Jack indicated that Columbia would share the final version.

Energy Design Solutions (EDS)

This is an education program designed to train architects, engineers, building officials, and building developers who build small commercial facilities (20,000 square feet) how to build 30% better than minimum code requirements.

- Refer to slide 7.
- Goal of 250 building professionals to attend 1 of 11 seminars.
- 6 seminars to date have resulted in 213 participants.
- 5 more seminars are scheduled through the end of year.
- Continuing education units (CEUs) for architects and engineers are available
- There is also a consulting component to the program where companies can request a review of construction plans and provide free independent consulting to validate some of the energy efficiency numbers and look for opportunities to gain more savings.

Innovative Energy Solutions (IES)

About \$500,000 set aside for energy audits and rebates on energy efficiency improvements and building re-commissioning targeted to customers who use more than 3000 Ccf /yr.

- Refer to slide 7.
- Energy audits are in progress (Franklin Park Conservatory/Boys & Girls Club/COSI/smaller projects w/non-profits/churches).
- Limited activity currently, but is picking up.
- Additional marketing and outreach is planned.

Energy Star New Homes (ESNH)

- Refer to slide 8.
- Started in late 2010.
- Approval was previously obtained from DSMSG to file w/PUCO to extend into 2012.
- Partnership w/AEP in 40-45 overlapping counties; it is a standalone program in other counties.
- Helps builders differentiate themselves in the marketplace.
- Housing market still lagging; Central Ohio market improving.
- Baseline energy efficiency level keeps increasing – increases from Energy Star versions 2.0 to 2.5 –next year to version 3, a higher and more costly energy efficiency level.

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- It is important to keep the Energy Star program going – w/o incentives builders will drop out due to increased first costs.
- MaGrann Associates is the implementation contractor.
 - The plan is for 1400 completed homes in 2011; 703 are currently registered in program, of which 77 homes have been completed and 626 are in progress.
 - There should be enough housing starts to hit the 1400 home target.
- Projected gas savings for the year should be close to plan.

Kris Klaus noted that beyond the difficult housing market, there was work being done to make changes at the national level, and that appraisals of energy efficient homes need to take energy information into account.

Randy Hall of Cornerstones Energy Conservation mentioned that he had heard from builders that it was likely they would drop out of the Energy Star program due to the increased costs without some sort of support.

Home Performance Solutions (HPS)

- Refer to slides 9 and 10
- Columbia expects 10,700-11,000 audits by the end of program with the previously approved increase in funding provided by moving \$ from the Small Business Energy Solutions and Energy Efficiency Loan Fund programs to HPS.
- Conversion rates from audit to installing measures are in the 50-60% range -- some months are near 70%.
- There is a lag effect between time customer gets audit and gets the work done
- Rebates to customers average about \$600k/month currently.
- Through end of March, customer contribution of \$3M for energy efficiency upgrades
- There is the potential for 265,000 Mcf of savings.
- CSG has its auditors booked into July, and there is a waiting list until end of year (4000 customers). CSG has the capacity to serve more customers.
- The program capacity will run out of energy audit funds and CSG will need to lay off 6 energy auditors in May since there is not enough money to continue to do additional audits – however, we could move funds from underperforming programs and from ESNH that was set aside for 2012 in the last stakeholder group meeting.
- Jack indicated that Paul Racher, the existing buildings program manager at COH who is responsible for HPS has been meeting with CSG, the implementation contractor on a weekly basis, and this has been a key to the success of the program.

Dan Sawmiller of OCC asked whether the number of jobs created is available. Jack responded that while we did not have current numbers, we planned to collect those as part of the evaluation process. There is certainly a positive impact of job creation and economic development through the programs that should be highlighted.

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Randy Hall of Cornerstones Energy Conservation mentioned how well the program was running, especially compared to a similar program by the local electric utility. Jack discussed a pilot that COH and AEP were planning to run to offer each company's rebates to 500 high use customers of both utilities.

Overall DSM Portfolio Performance

The targeted range of gas savings for the portfolio is 611,000 Mcf to 815,000 Mcf cumulative. Slide 11 shows that current projections are that Columbia will be in the middle of that range, about 700,000 Mcf gas savings the current trend continues. Some programs in the DSM Action Plan have performed close to expectations and some have not. This necessitated moving funds between programs.

There continue to be additional opportunities to do more by using the funds set aside for 2009-2011 (some of which were moved forward to 2012 for ESNH) in 2011.

Proposed changes to the DSM Action Plan

- Refer to Slide 13
- Columbia is requesting flexibility through the remainder of the year to move funds at its discretion to meet program needs. The intention is to move any funds from underperforming programs to HPS, if available.
- Columbia will still manage programs to goal.
- Some programs may not spend their entire allocation by end of year.
- Need flexibility to reallocate \$ to HPS to meet rebate demand
- Columbia is currently projecting insufficient rebate funds to satisfy the demand.
- To meet demand of audits, we need between \$2.5-\$3.5MM to satisfy rebates generated by audits. This could come from a number of potential sources identified in the presentation.

John Johnson made a motion to allow Columbia flexibility to reprogram dollars as Columbia gets updated information on rebate demand.

2nd Motion: Dale Arnold

No further discussion on the motion

Vote:

None opposed

Abstained: Randy Hall

The motion passed.

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As the reallocation process moves forward, John Johnson requested keeping the group informed with announcements regarding any reallocation. Jack asked the group whether e-mail notification would be sufficient. That was acceptable to the group.

- Refer to Slide 14.
- HPS demand continues to remain strong.
- Additional work is possible in the program.
- Jack indicated that Columbia could move \$2.3MM out of ESNH 2012 allocation, and do 1700 more audits with CSG staff, and offer additional rebates.
- National market research continues to show that customers want utility audits & rebates to do the measures; we listened to the market, and our program is popular with customers.

Dora Tharp made a motion to allow Columbia to reallocate 2012 ESNH funds (that are were approved in the 2009-2011 DSM Action Plan) into HPS to continue to serve more customers and provide more benefits to them.

2nd Motion: John Johnson

No further discussion on the motion

Vote:

None opposed

Abstained: Randy Hall

The motion passed.

Steve Puican asked for clarification on the use of 2012 ESNH funds in 2011. Dan Creekmur and Jack Lavery indicated that funds for a 2012 continuation of the ESNH program would be part of the next DSM filing.

Adjournment

Jack Lavery again thanked the stakeholder group for allowing the flexibility. The meeting adjourned at approximately 11:45 a.m.

Attachment:

PowerPoint presentation

May 20, 2011



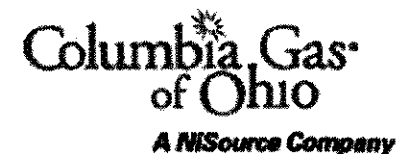
**Columbia Gas of Ohio
DSM Stakeholder Group Meeting**

Daniel Creekmur

Director, Strategic Initiatives

Jack Laverty

Manager, DSM



For Discussion Purposes Only

Agenda

- **Call to Order**
- **Welcome and Introductions**
- **Program Status Update**
- **Proposed modifications to DSM Action Plan**
 - **Home Performance Solutions**
- **Vote on Proposed Modifications**
- **Adjournment**

For Discussion Purposes Only

Columbia Gas of Ohio DSM Stakeholder Group Meeting
May 20, 2011

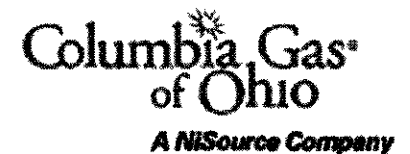


WarmWise DSM Programs, Status Update

Jack Lavery

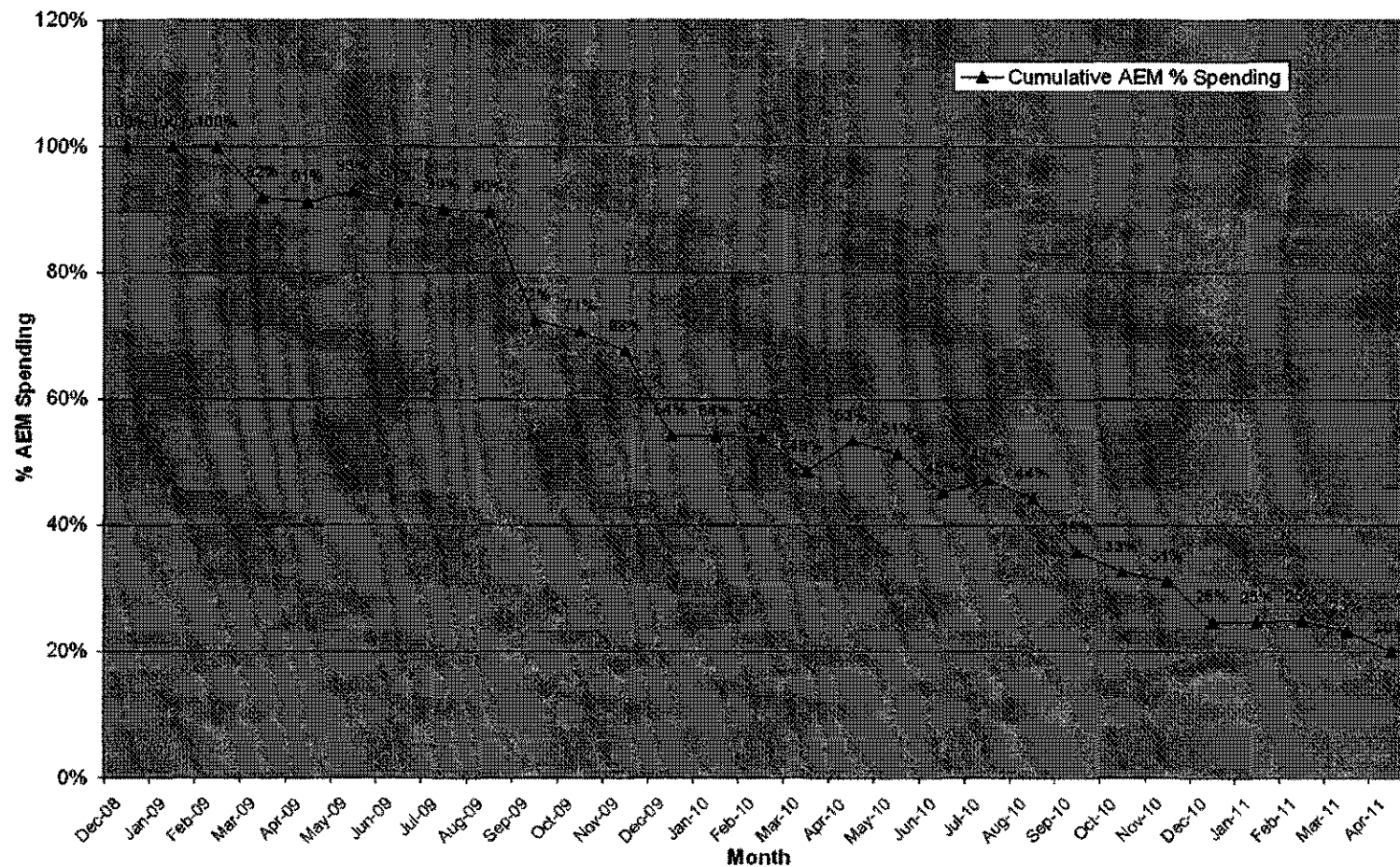
Manager, DSM

For Discussion Purposes Only



Admin, Marketing, Education Spending

Cumulative Administration, Education, Marketing Spending as a Percent of Total Spending

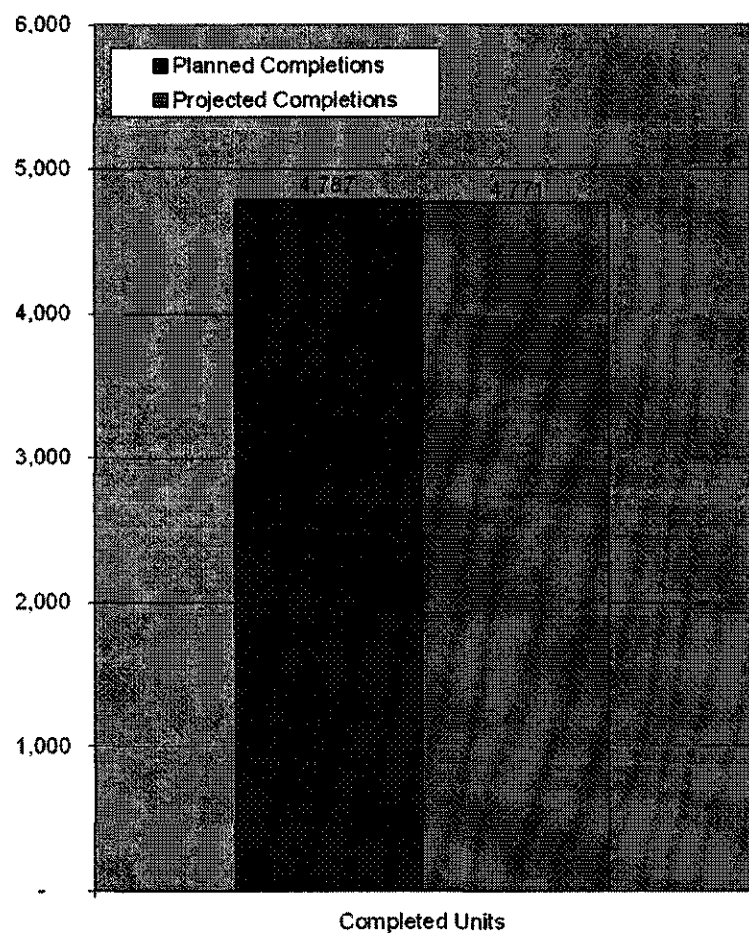


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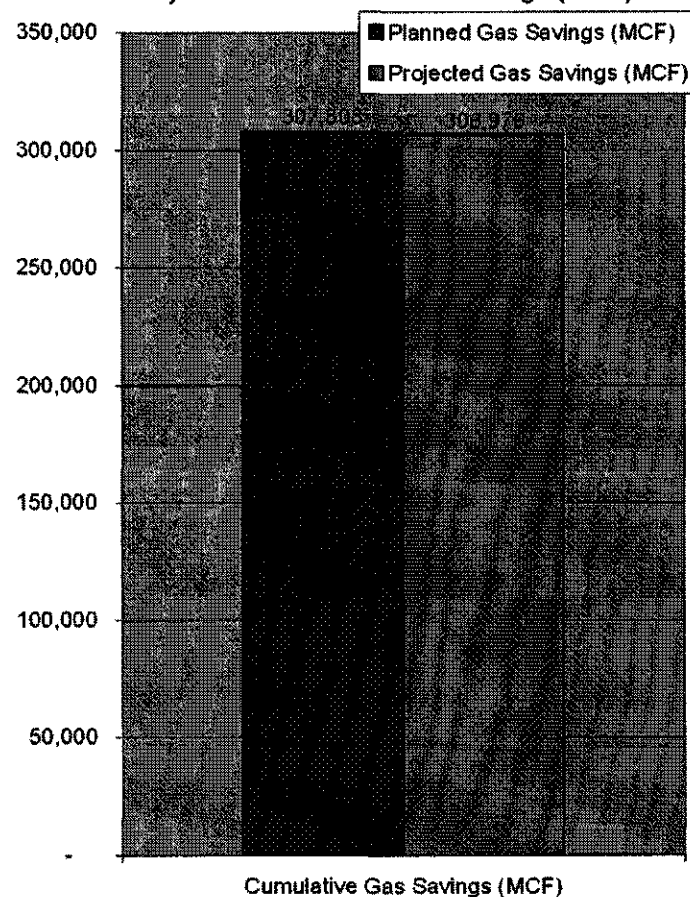
DSM Program Update

- WarmChoice

WarmChoice 2009-2011 Planned vs. Projected Completions



WarmChoice 2009-2011 Planned vs. Projected Cumulative Gas Savings (MCF)

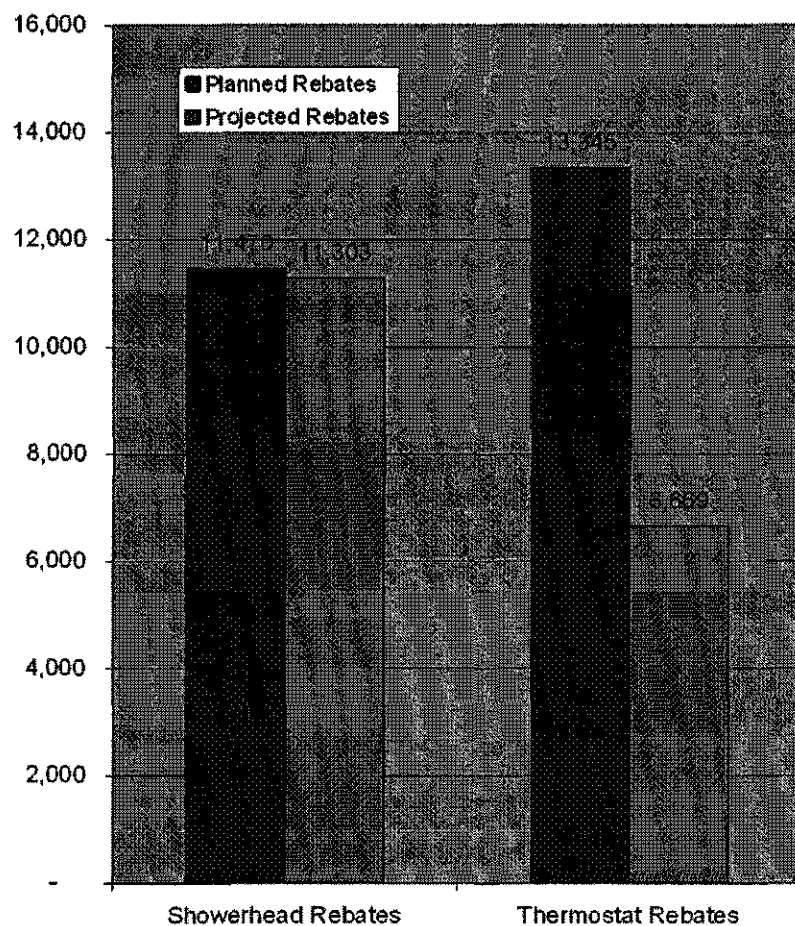


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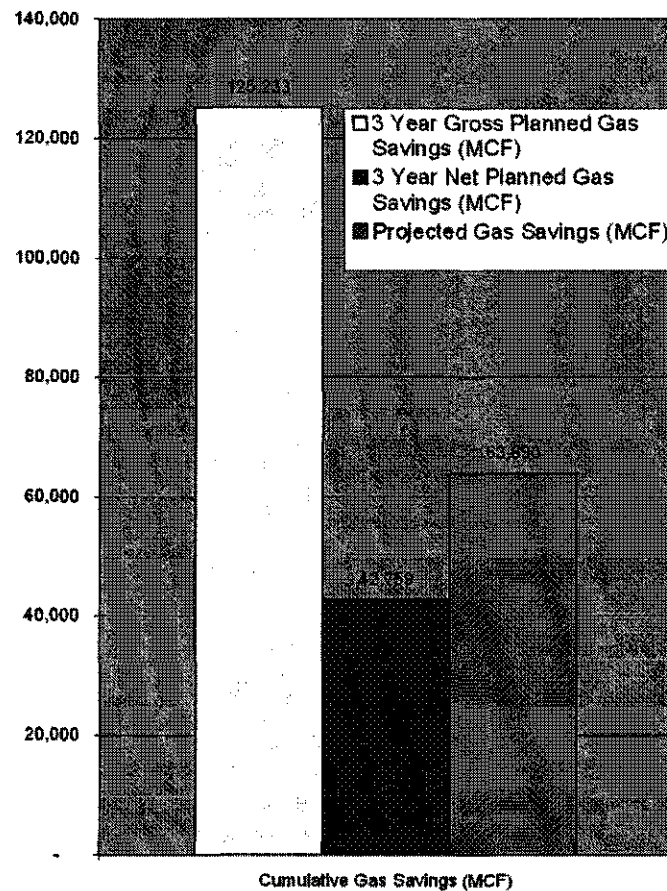
DSM Program Update

- Simple Energy Solutions

Simple Energy Solutions Planned vs. Projected Rebates



Simple Energy Solutions Planned vs. Projected Cumulative Savings (MCF)



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DSM Program Update

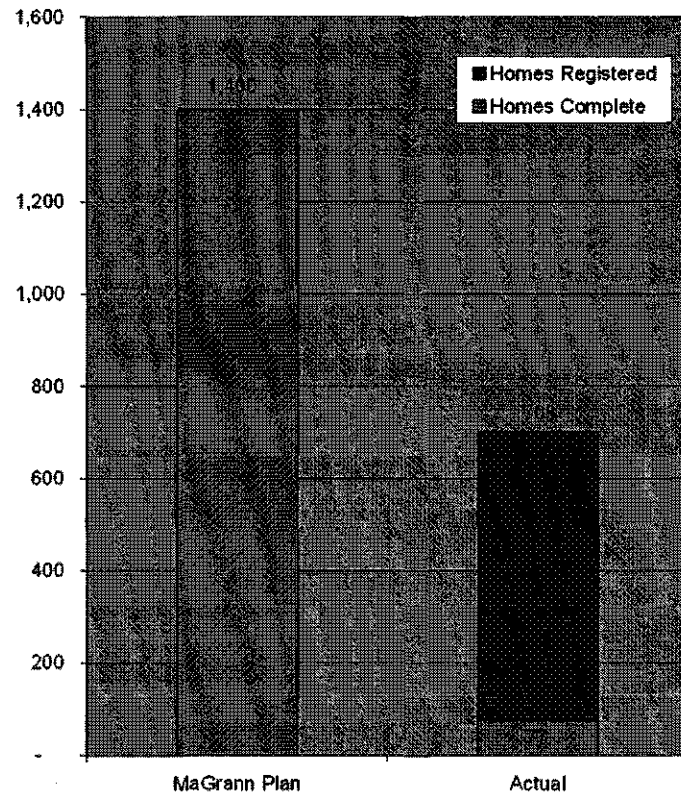
- **Furnace Market Research**
 - Final draft, rental market gap, split incentives
- **Energy Design Solutions**
 - 11 seminars and 250 participant goal
 - 6 seminars and 213 participants to date
 - 5 seminars scheduled
 - Consulting services in progress (review of EE plans)
- **Innovative Energy Solutions**
 - 7 Funding Applications to date
 - Audits in progress
 - Need additional marketing and outreach

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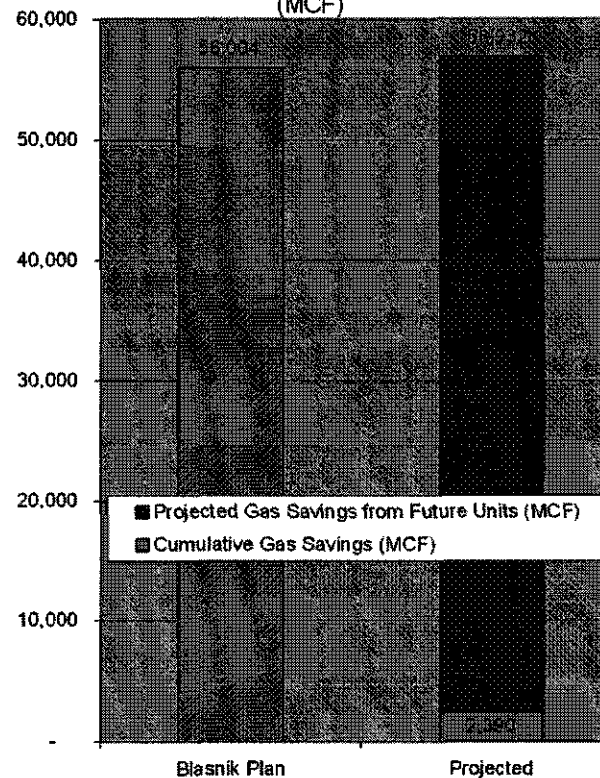
DSM Program Update

- **Energy Star New Homes**
 - Partnership with AEP in overlapping counties
 - Market still lagging, competition with existing homes

Energy Star New Homes Planned vs. Completed Units to date
as of April 30, 2011



Energy Star New Homes Planned vs.
Projected Cumulative Gas Savings to date
(MCF)



For Discussion Purposes Only

DSM Program Update

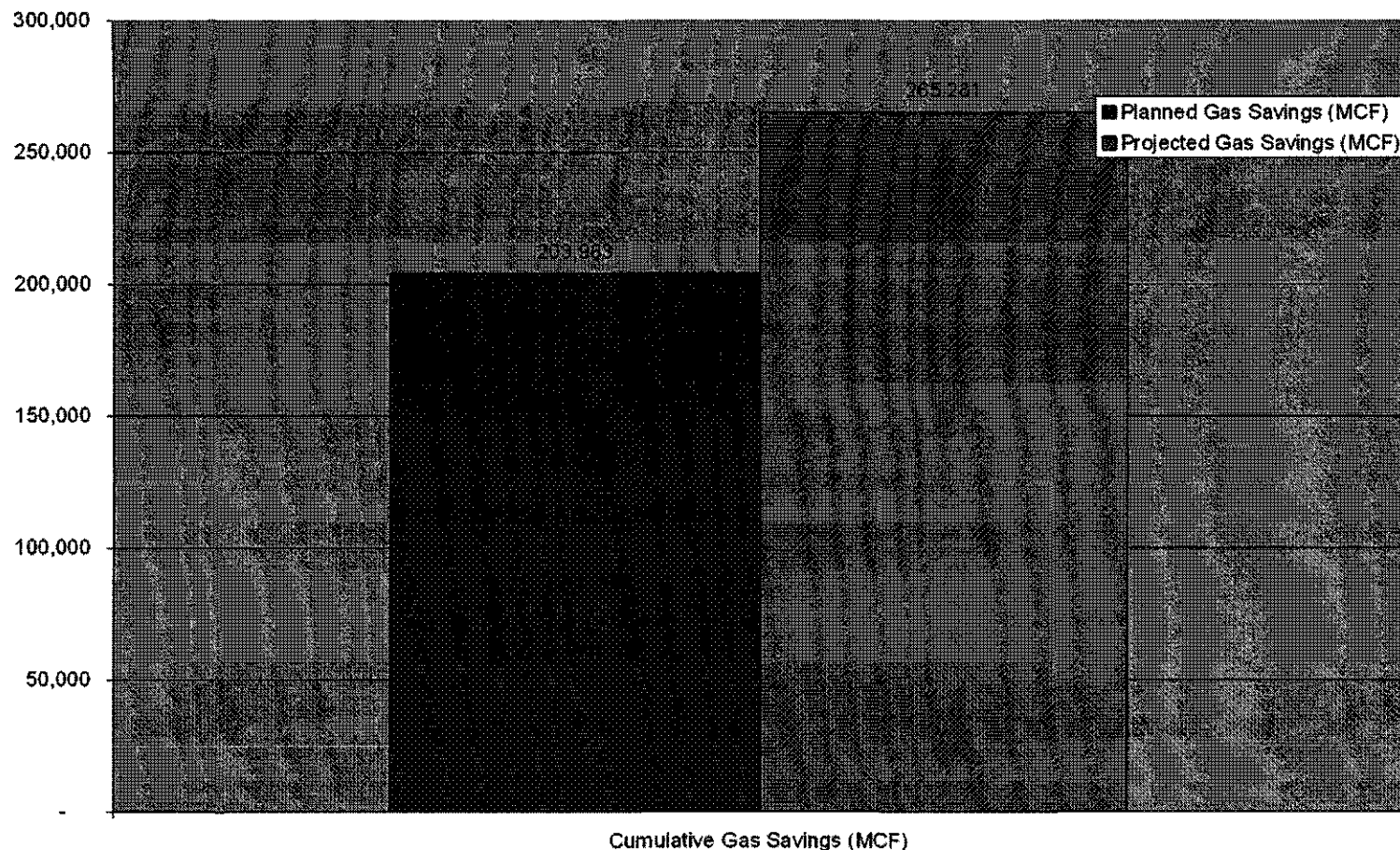
- **Home Performance Solutions**
 - **Energy Audits, Original plan (6,039) vs projection (10,918)**
 - **Conversion rates @ over 56% for audits through December 2010; 43% through March 2011 (lag)**
 - **Rebates averaging \$600k/month**
 - **Customer contribution over \$3MM**

For Discussion Purposes Only

DSM Program Update

- Home Performance Solutions

Home Performance Solutions Planned vs. Projected Gas Savings (MCF)

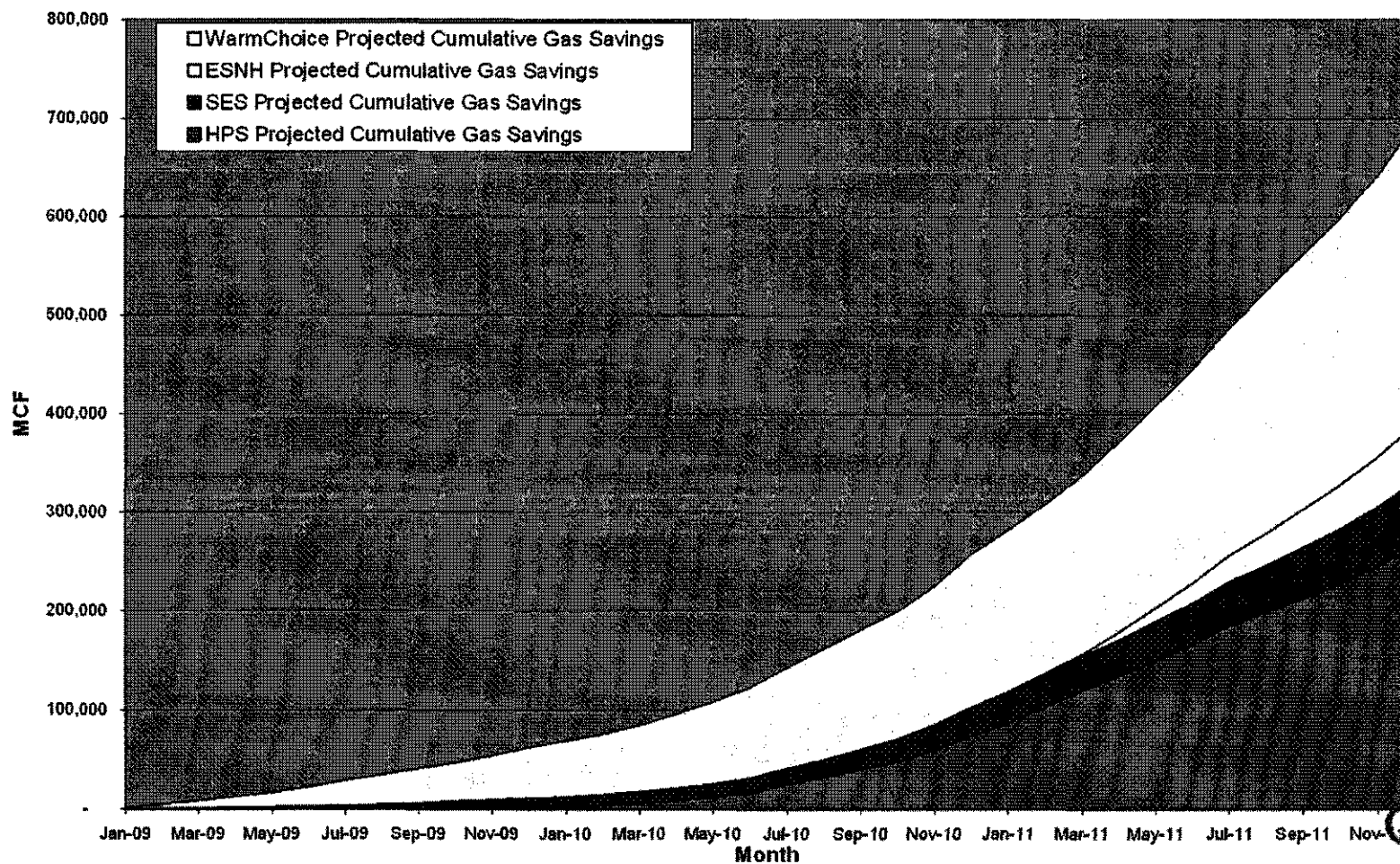


Cumulative Gas Savings (MCF)

For Discussion Purposes Only

DSM Program Update

Cumulative Projected DSM Gas Savings (MCF)



For Discussion Purposes Only

Columbia Gas of Ohio DSM Stakeholder Group Meeting
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Proposed Changes to DSM Action Plan

Daniel Creekmur

Director, Strategic Initiatives

Jack Laverty

Manager, DSM

For Discussion Purposes Only

COH DSM Pilot Programs - Continuation/Modification

- **Flexibility to reallocate \$ to Home Performance Solutions to meet projected rebate demand**
 - **Need \$2.5MM-\$3.5MM to satisfy demand thru EOY**
 - Non Program Specific Admin (~\$247k remaining)
 - Innovative Energy Solutions (~\$644k remaining)
 - Energy Design Solutions (~\$134k remaining)
 - Simple Energy Solutions (~\$773k remaining)
 - Energy Star New Homes \$2009 (\$2010 carryover) (\$1.8M remaining)
 - FMR (~\$3k remaining)
 - OSBES (~\$10k remaining)

COH DSM Pilot Programs - Continuation/Modification

- **Flexibility to reallocate ESNH 2012 funds to HPS**
 - Audit demand remains strong
 - Capacity exists
 - Audit budget covers only those already on the waiting list through EOY
 - ~\$2.5M in 2011
 - 1700 more audits and related rebates
 - Re-fund the 2012 ESNH program with new \$ in the next DSM filing

Columbia Gas of Ohio DSM Stakeholder Group Meeting

May 20, 2011

- **Vote on Proposed Modifications**
 - Next step - file with PUCO
- **Adjournment**

For Discussion Purposes Only