

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application     )  
of Columbia Gas of Ohio, Inc. for an     ) Case No. 19-1940-GA-RDR  
Adjustment to Rider IRP and Rider DSM     )  
Rates.     )

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**COMMENTS  
BY  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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**I. INTRODUCTION**

In ordinary times, the non-low-income energy efficiency programs of Columbia Gas of Ohio have become something of an extravagance given the price tag for consumers (though Columbia's intentions years ago can be appreciated in the context of high gas prices prior to shale gas). The renewed programs, residential non-low-income and low-income, are annually costing a million Columbia consumers up to \$17 million and \$14 million, respectively (to end in 2022). The non-low-income charges are for measures that consumers mostly could self-supply from local stores and online. Even in the ordinary times of 2016, OCC opposed the renewal of Columbia's non-low-income programs as an unneeded anachronism in an era where some of the lowest priced natural gas in the world is coming out of Ohio's shale fields (and others nearby) and where Columbia's gas standard offer is at historic low prices for consumers.<sup>1</sup>

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<sup>1</sup> Indeed, the PUCO Staff's former gas expert Steven Puican testified that natural gas energy efficiency programs were not justified even when gas prices are high (as they were in 2006 at the time of his testimony) because they don't benefit non-participating customers. *See* Case No. 05-1444-GA-UNC, Puican Testimony (Mar. 20, 2006).

But these are *not* ordinary times; these are the *extraordinary* times of the coronavirus pandemic, with severe health risks to Ohio families, closing businesses, lost jobs and wages, and more in Columbia’s service area and throughout our great State. At this time of Governor DeWine’s strong leadership rallying Ohioans to fight back against the virus and the PUCO’s initiative with declaring an emergency to shield Ohioans from utility disconnections, door-to-door energy sales and more, it is not justifiable to continue taxing Columbia consumers for millions of dollars of unneeded energy efficiency programs (including profits for Columbia).

Therefore, the Ohio Consumers’ Counsel (“OCC”) urges the PUCO (and Columbia Gas) to act in this state and national emergency for consumers by rethinking the charges for Columbia’s energy efficiency programs. Note that the PUCO allowed for recommendations in its ruling on April 10, 2019, in Case 16-1309-GA-UNC. Accordingly, Columbia’s charges to consumers for profits on the programs (up to \$950,000 annually<sup>2</sup>) should end (as we’ve said before). If the charges do continue, this money for profits should be repurposed for bill payment assistance to low-income and lower-income consumers throughout Columbia’s service area (that touches 61 of Ohio’s 88 counties). (See attached map) Further, Columbia’s non-low-income residential energy efficiency programs and associated charges (about \$17 million annually<sup>3</sup>) should end or be repurposed.<sup>4</sup> If those program funds are repurposed, the

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<sup>2</sup> See Case No. 16-1309-GA-UNC, Opinion & Order at 19 (Dec. 21, 2016) (\$4.5 million over six years, plus tax gross up based on 21% tax rate).

<sup>3</sup> Case No. 16-1309-GA-UNC, Application at Appendix B, Table 3 (June 10, 2016) (residential program cost of \$144,514,701 minus \$43,222,246 for low-income WarmChoice program, over six years).

<sup>4</sup> Columbia also charges residential and small business customers up to \$2.1 million per year for commercial energy efficiency programs. See Case No. 16-1309-GA-UNC, Application at Appendix B, Table 3. These funds could be repurposed to help those small business most in need who are unable to generate much if any revenue during the crisis.

funds should be used for natural gas bill payment assistance to low-income and lower-income consumers throughout Columbia's service area.<sup>5</sup>

Current program ramp-down time should be accommodated for Columbia but minimized. The PUCO has previously ruled that it can modify Columbia's programs on a year-to-year basis in these annual filings.<sup>6</sup> And the PUCO has declared an emergency (Case No. 20-591-AU-UNC) and could use its emergency powers to accomplish this consumer protection. Ramp up time for any repurposed use of the money should be expedited.

## II. RECOMMENDATIONS

### A. **Columbia should not be allowed to profit at consumer expense from energy efficiency – and certainly not during the coronavirus pandemic.**

In its most recent energy efficiency portfolio case, the PUCO approved Columbia's request to charge customers about \$950,000 per year for "shared savings," which really means utility profits.<sup>7</sup> In this case, Columbia is asking to charge customers \$583,827 in utility profits.<sup>8</sup>

Columbia's residential and small business customers pay for these profits.<sup>9</sup> Many residential and business customers are hurting. Many customers are unable to work because of emergency measures necessary to reduce the spread of the coronavirus. And many of

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<sup>5</sup> See <https://www.columbiagasohio.com/partner-with-us/economic-development>; [https://www.puco.ohio.gov/emplibrary/files/Util/GIS/Gas\\_Maps/Natural\\_Gas\\_Distribution\\_Companies.pdf](https://www.puco.ohio.gov/emplibrary/files/Util/GIS/Gas_Maps/Natural_Gas_Distribution_Companies.pdf).

<sup>6</sup> Case No. 16-1309-GA-UNC, Second Entry on Rehearing ¶ 19 (Apr. 10, 2019) (stating that the PUCO "may also consider additions, revisions, or amendments to Columbia's DSM Program as part of ... the annual DSM rider proceedings"); Case No. 18-1701-GA-UNC, Opinion & Order (Apr. 24, 2019) (rejecting Columbia's argument that the PUCO could only modify its programs in the next portfolio case instead of the annual filings).

<sup>7</sup> Case No. 16-1309-GA-UNC, Opinion & Order at 19 (Dec. 21, 2016) (\$4.5 million over six years, plus tax gross up based on 21% tax rate;  $4,500,000 / (1 - 0.21) = \$5,696,202$  over six years).

<sup>8</sup> Application, Schedule DSM-5 (Feb. 20, 2020).

<sup>9</sup> Application, Schedule DSM-6 (noting that the revenue requirement for the energy efficiency rider is paid by small general services customers).

these small businesses are shutting down or severely limited in their ability to generate revenue, again because of emergency measures taken to reduce the spread of the virus. Many can barely afford to pay for everyday necessities—they should not be paying Columbia Gas “shared savings” so that Columbia’s shareholders can profit from energy efficiency in this time of emergency.

While Columbia may assert that the charges for Columbia’s profits are not large on an individual consumer’s gas bill, the PUCO should not allow Columbia to charge customers \$583,827 for these utility profits. If the PUCO does approve charges in this amount, they should not be retained by Columbia but instead should be used to assist customers who are unable to pay their natural gas bills. Further, any energy efficiency profits that Columbia might otherwise collect for 2021 and 2022—which could be as much as \$1.9 million—should similarly be used for bill payment assistance rather than given to shareholders.

**B. To support customers during the coronavirus crisis, Columbia’s non-low-income programs and related charges should be suspended immediately-or funds from the charges should be repurposed to help consumers in need.**

OCC’s proposed repurposing of Columbia’s charges to consumers is all the more justified considering that Columbia’s programs, in the aggregate, cost more to run than they save for consumers. That is, overall, customers are *losing money* as a result of Columbia’s programs. With an abundance of cheap natural gas, and gas prices projected to stay low for decades, the aggregate shortfall of savings for consumers is no surprise. This supports canceling the programs, even under ordinary times. And, it is especially important that customers not continue to be burdened with charges for these programs during this time of crisis.

Columbia does claim that its natural gas energy efficiency programs are cost-effective (*i.e.*, that the benefits of the programs outweigh the costs) at least in the aggregate.<sup>10</sup> And, in fact, the PUCO’s energy efficiency tariff rider itself requires the programs to be cost-effective, as the tariff describes the charge as: “An additional charge, for all gas consumed, to recover the costs associated with the implementation of comprehensive, cost-effective energy efficiency programs made available to residential and commercial customers.”<sup>11</sup>

But Columbia’s programs are only cost effective if you accept its assumed discount rate (which should not be accepted) for the programs. Columbia’s use of the discount rate to claim savings is inconsistent with PUCO precedent and contrary to how professionals in the field evaluate energy efficiency savings.<sup>12</sup>

Many of Columbia’s natural gas energy efficiency programs are designed to generate benefits for consumers for several years. For example, if a customer installs a smart thermostat, it might last five years or more, and there might be benefits to that customer each year (in the form of lower usage and lower natural gas bills). But customers pay all the costs up front through the energy efficiency rider charge. That is, customers pay now, but it takes years to get all of the benefits from those costs. This imbalance—pay costs now, get the benefits (if any) later—is particularly concerning when customers need relief *now* during the coronavirus crisis, not five or ten years from now.

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<sup>10</sup> See Application, Schedule DSM-5 (claiming \$34.2 million in benefits compared to \$29.6 million in costs).

<sup>11</sup> See Application, Sixteenth Revised Sheet No. 28 (Demand Side Management Rider).

<sup>12</sup> For example, the PUCO’s rules for electric energy efficiency require the energy efficiency portfolio to be cost-effective in the aggregate and generally require programs other than low-income programs to be cost-effective on a program-by-program basis. See Ohio Adm. Code 4901:1-39-04(B).

Because costs are paid up front and benefits are received later, it is important to arrive at a “present value” of the benefits. Calculating the present value accounts for the fact that money is more valuable today than it will be in the future. Interestingly, when calculating the amount of its shared savings, Columbia uses a cost-effectiveness test called the “Utility Cost Test,” also sometimes referred to as the “Program Administrator Cost Test.”<sup>13</sup> The appropriate discount rate for the Utility Cost Test is Columbia’s weighted average cost of capital (generally assumed to be the utility’s most recent approved rate of return) of 8.12%.<sup>14</sup>

The PUCO has previously found that the utility weighted average cost of capital is the appropriate discount rate for the Utility Cost Test: “For the ... [Utility Cost Test] ... the after-tax weighted average cost of capital has generally been adopted because this is the same discount rate as is used from a utility perspective to evaluate supply-side investments.”<sup>15</sup>

But most revealing is that Columbia has *not* used its weighted average cost of capital when calculating the consumer net benefits of its energy efficiency programs under the Utility Cost Test. Tellingly, when Columbia’s most recently approved rate of return (8.12%) is used instead, Columbia’s programs *fail* the Utility Cost Test on the whole for consumers. In other words, the total net benefits from the programs for consumers are less than the total costs.

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<sup>13</sup> See Case No. 16-1309-GA-UNC, Application at 17 (June 10, 2016) (Application from Columbia’s energy efficiency portfolio case, where the shared savings mechanism was initially approved).

<sup>14</sup> See Case No. 08-72-GA-AIR, Joint Stipulation and Recommendation (Oct. 24, 2008), at 7.

<sup>15</sup> *In re Protocols for the Measurement and Verification of Energy Efficiency & Peak Demand Reduction Measures*, Case No. 09-512-GE-UNC, Finding & Order (Oct. 15, 2009).

During this time of crisis, Columbia, the PUCO, and others should ensure that customer funds are used for the highest and best purpose. The goal is to soften the blow that many residential and small business customers are taking as the coronavirus takes its toll on Ohio's economy and society. Columbia's energy efficiency programs—even if they *were* cost effective, are not designed to provide the immediate relief that customers need. And given that the programs are *losing money for consumers* in the aggregate, continuing to charge residential and small business<sup>16</sup> customers for non-low-income programs is unreasonable.

Columbia's non-low-income residential programs currently cost customers up to \$17 million per year.<sup>17</sup> Should Columbia continue spending \$17 million per year of customer money on things like furnace rebates, in-home-energy audits, energy efficient showerheads, and subsidies to home building companies? No. Consumers should keep that money by suspending the programs, thus providing direct support to consumers in this time of need.

The PUCO should order Columbia to suspend its non-low-income programs immediately stop charging consumers. Alternatively, if the charges to consumers are continued, then all funding could be repurposed to bill-payment assistance for low-income and lower-income customers in need during the coronavirus crisis. There are more than two years remaining in Columbia's approved portfolio (the remainder of 2020 plus all of 2021 and 2022). If the 2021 and 2022 energy efficiency funding, and half of the 2020 funding, are used for bill payment assistance, customers in the expansive Columbia service area

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<sup>16</sup> Columbia's non-residential energy efficiency programs are available to large business customers but paid for by small business customers.

<sup>17</sup> Case No. 16-1309-GA-UNC, Application, Appendix B, Table 3 (\$144,514,701 for residential programs minus \$43,222,246 for low-income WarmChoice). The nonresidential programs cost up to an additional \$2 million per year. *Id.*

(touching 61 counties) could receive direct relief totaling more than \$42 million.<sup>18</sup> That would certainly help Ohioans in this time of great need.

If the PUCO directs Columbia to repurpose these funds for bill payment assistance, it should order Columbia to file a plan for such assistance within ten days of any Order. That plan should incorporate input from the PUCO Staff and OCC regarding the timing of the ramp-down for energy efficiency programs, and the criteria, method, eligibility and timing for bill payment assistance payments using those funds.

Finally, at the time Columbia's low-income programs and charges were considered for renewal in 2016, OCC's recommendations included that the charges to consumers could be considered instead for low-income bill payment assistance. That recommendation should still be considered, all the more now with the current state and national emergency.

### **III. CONCLUSION**

Times change and in these extraordinary times the best approach is to end Columbia's charges to consumers for its energy efficiency profits and for the costs of subsidizing its non-low-income energy efficiency programs. If this consumer program and related charges are to continue, the best way to assist customers is to repurpose the funds for bill payment assistance to keep customers connected to natural gas service during this crisis. The PUCO has an opportunity to save a million Columbia customers tens of millions of dollars in unnecessary gas energy efficiency programs – or to use those funds to help consumers impacted by the coronavirus. The PUCO, which has already been helping consumers during the ongoing emergency, and Columbia should act on this opportunity to help Ohioans.

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<sup>18</sup> \$17 million + \$17 million + \$8.5 million.



Respectfully submitted,

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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Comments was served on the persons stated below *via* electronic transmission, this 20th day of March 2020.

/s/ Amy Botschner O'Brien  
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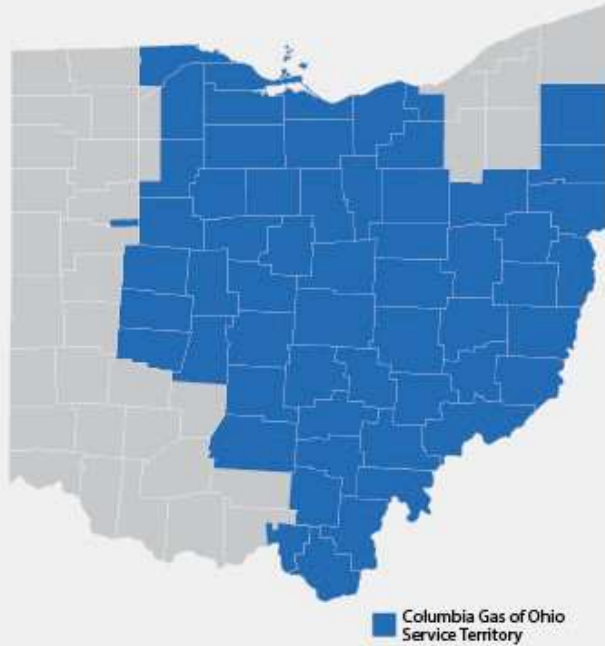
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