***OCC EXHIBIT NO. \_\_\_\_\_\_***

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan. | )  )  ) | Case No. 18-0049-GA-ALT |
| In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Increase in Gas Rates.  In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan. | )  )  )  )  )  ) | Case No. 18-0298-GA-AIR  Case No. 18-0299-GA-ALT |

**DIRECT TESTIMONY**

**OF**

**COLLEEN SHUTRUMP**

**On Behalf of**

**The Office of the Ohio Consumers' Counsel**

*65 East State Street, 7th Floor*

*Columbus, Ohio 43215-4213*

**November 7, 2018**

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# I. BACKGROUND

Q1. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

***A1.*** My name is Colleen Shutrump. I am employed as the Energy Resource Planning Advisor for the Office of the Ohio Consumers' Counsel ("OCC"). My business address is 65 East State Street, Suite 700, Columbus, Ohio 43215.

Q2. Please briefly summarize your education and professional experience.

***A2.*** I have a Bachelor of Science in Business Administration from the Youngstown State University with a major in Management and a Master of Business Administration from Baldwin Wallace College with emphasis in International Business. I have worked over eight years in electric utility regulation with emphasis on customer-funded energy efficiency programs. I started as a Utility Analyst at the Indiana Utility Regulatory Commission in 2009. I was promoted to Senior Utility Analyst in 2015. While there, I attended the Institute of Public Utilities Michigan State University Advanced Regulatory Studies Program and Camp NARUC. I began work as an Energy Resource Planning Advisor with OCC in August 2015. In spring 2016, I completed a graduate-level course on Utility Regulation and Deregulation at the Ohio State University, John Glenn College of Public Affairs.

q3. what are your duties at THE OHIO CONSUMERS' COUNSEL?

***A3***. I provide analytical support on energy resource planning issues impacting Ohio consumers' interests. I serve as the Analytical Department's lead analyst and policy advisor for the OCC on cases and issues relating to customer-funded energy efficiency and demand side management programs. This includes, among other things, advocating for (i) consumer options to reduce their energy use and save money on their utility bills and (ii) developing agency policy that addresses consumer-protection issues. I was extensively involved in each of the four 2016 electric energy efficiency portfolio cases before the Public Utilities Commission of Ohio ("PUCO"). My involvement included providing testimony in the Dayton Power & Light[[1]](#footnote-2) and Duke Energy Ohio[[2]](#footnote-3) portfolio cases affecting consumers, as well as the 2016 energy efficiency portfolio case of Columbia Gas of Ohio and its consumers. I participate in energy efficiency collaborative meetings for utility-led electric and gas programs.

# **II. PURPOSE OF TESTIMONY AND SUMMARY OF** RECOMMENDATIONS

**Q4**. **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

***A4.*** The purpose of my testimony is to address and support OCC’s position protecting residential customers as it relates to the Application for an Increase in Gas Rates (Application”) filed by Vectren Energy Delivery of Ohio (“VEDO”), PUCO Case No. 18-0298. I will explain and support OCC’s Objection No 17 to the Staff Report[[3]](#footnote-4) filed in this proceeding. This objection addresses energy efficiency programs.

Q5. DO YOU agree with any of THE PUCO staff’s recommendations?

***A5.*** Yes. The PUCO Staff properly recommended the following items:

1. VEDO’s shared savings (profit) proposal be denied. A shared savings mechanism increases the charge to consumers on top of what they pay for program and administrative costs. As the PUCO Staff recommended, VEDO should not be allowed to charge customers for profit on energy efficiency programs. Gas energy efficiency programs in Ohio are voluntary. There are no mandated savings benchmarks that Vectren must achieve to reach compliance with a rule or law. VEDO is not obligated to pursue energy efficiency.
2. The collaborative process involving VEDO and stakeholders should not include collaborative members approving the energy efficiency program portfolio. An energy efficiency collaborative should not displace the authority of the PUCO to approve energy efficiency programs, approve additional funding for programs and evaluate the reasonableness of programs and whether continuation of customer-funded programs is in the public interest.
3. VEDO must file an application with the PUCO if VEDO wants to amend or continue its energy efficiency program portfolio. In such a filing, OCC recommends that an amendment should include the Residential Behavior Program that Vectren is delaying for implementation until 2019, if cost effective.[[4]](#footnote-5) If VEDO believes the program is cost effective, it should file an amended plan with the PUCO. In such a plan VEDO should have the burden of presenting program parameters to prove that the program’s benefits to customers outweigh the costs to implement the program. And other stakeholders would be able to participate in the case.
4. VEDO may not charge customers more than $5.6 million/year for energy efficiency programs.

# III. NON-LOW-INCOME PROGRAMS

Q6. do you have any concerns about vedo’s proposal that the staff report did not address?

***A6.*** Yes. The Staff Report does not address whether consumer subsidies to fund non-low-income gas energy efficiency programs over the next five years is necessary and reasonable for utility service to consumers. VEDO proposes that consumers fund $17.5 million in subsidies to fund **non**-low-income gas energy efficiency programs over the next five years.[[5]](#footnote-6) My concerns focus on the following three issues:

1. VEDO’s programs have low participation rates. The relatively fewer participating customers (compared to non-participating customers) may benefit from reduced gas usage and reduced bills. But given natural gas prices are expected to remain low for the foreseeable future, those that participate in programs receive fewer benefits and fewer opportunities to save money on their bills. And non-participating customers—which include customers who take their own actions outside the utility program to reduce their gas usage—pay higher rates to fund the participation of others in the programs without receiving benefits from VEDO’s programs. The lack of benefits for non-participating customers is because natural gas energy efficiency programs do not provide system-wide benefits (as distinguished from system-wide benefits from electric energy efficiency), such as reduced energy costs for all. This is true regardless of the price of natural gas.
2. Gas utilities (unlike electric utilities) are not required to offer energy efficiency programs. And the market for energy efficient products has transformed. As it relates to energy efficiency, market intervention (*i.e.*, subsidies) is not necessary at this point to initiate energy efficiency.

Q7. DO ALL CUSTOMERS BENEFIT FROM NON-LOW-INCOME NATURAL GAS ENERGY EFFICIENCY PROGRAMS?

***A7***. No. The Staff Report did not address whether subsidies for non-low-income energy efficiency programs are reasonable and should continue given that natural gas DSM programs do not provide benefits to non-participating customers, regardless of the price of natural gas. All VEDO customers pay for its energy efficiency programs. But most customers do not participate in the programs. For those that participate, these programs help customers reduce their gas consumption and save money on their bills. For those customers that do not participate, these programs increase the charge on their bills without any program benefit for savings.

**Q8. DO MANY OF VEDO’S CUSTOMERS PARTICIPATE IN THE NON-LOW-INCOME PROGRAMS?**

***A8.*** No. VEDO’s programs have very low participation rates. In the first nine months of 2018, fewer than 11,000 residential customers participated in VEDO’s non-low-income programs.[[6]](#footnote-7) This means that more than *96% of VEDO’s residential customers*have not participated in programs this year (2018). For 2017 the same is true. Only 10,317 residential customers participated in programs.[[7]](#footnote-8) All VEDO customers are subsidizing programs for the relatively few that participate.

Q9. HOW DO LOW GAS PRICES AFFECT YOUR OPINION REGARDING VEDO’S NON-LOW-INCOME NATURAL GAS ENERGY EFFICIENCY PROGRAMS?

***A9.*** It is important to remember that regardless of the price of natural gas, non-participating customers do not benefit from the programs. In 2006, even with gas prices significantly higher than they are now, PUCO Staff member Stephen Puican testified in opposition to natural gas DSM as follows:

I don’t believe charging customers for the cost of implementing natural gas DSM programs is justified. This is not to say such programs can’t benefit individual customers, but rather as a general proposition, they do not provide the type of system-wide benefits that justify a rider attached to all customer bills.

Reductions in consumption would help the individual consumers that were in a position to take advantage of a DSM program, but it does not necessarily follow that there is a reduction in the cost of gas. Thus, there are minimal, if any, benefits to customers other than those that can participate in a particular DSM program.[[8]](#footnote-9)

Today with natural gas prices lower than they were in 2006, the benefits of natural gas energy efficiency programs (to the relatively few residential customers who actually participate) are even smaller.

Q10. SHOULD VEDO CONTINUE TO CHARGE CUSTOMERS FOR NON-LOW-INCOME NATURAL GAS ENERGY EFFICIENCY PROGRAMS?

***A10.*** No. Energy efficiency subsidies are designed to correct market failures. And decades of marketing the benefits of energy efficiency programs, including VEDO’s efforts, have resulted in much better information on energy efficiency programs and more consumer awareness. There now is a competitive presence of energy-efficient technologies, manufacturers producing those technologies, and retailers selling those technologies. Education and information through utility programs and state and federal programs has also reduced market barriers over time. One example is the ENERGY STAR program, an information and branding campaign that for the last 20 years has revolutionized the market for energy-consuming products. More than 80% of American consumers now recognize the ENERGY STAR label.[[9]](#footnote-10) And more than 70 product categories are ENERGY STAR certified.[[10]](#footnote-11) This would suggest that consumers have options to choose among a variety of energy efficient options depending on how much they choose to save and at what price. Making consumers subsidize natural gas energy efficiency programs is not necessary or reasonable given that the competitive market for energy efficient products is strong and consumers are taking action on their own to learn how being efficient can achieve bill savings.

Q11. Does this conclude your testimony?

***A11.*** Yes. However, I reserve the right to supplement my testimony if additional testimony is filed, or if new information or data in connection with this proceeding becomes available.

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing Direct Testimony of Colleen Shutrump, on Behalf of the Office of the Ohio Consumers' Counsel was served via electronic transmission upon the parties below this 7th day of November 2018.

*/s/ William J Michael*

William J Michael

Assistant Consumers' Counsel

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1. http://dis.puc.state.oh.us/CaseRecord.aspx?Caseno=16-0649&link=PDC. [↑](#footnote-ref-2)
2. http://dis.puc.state.oh.us/CaseRecord.aspx?CaseNo=16-0576-EL-POR. [↑](#footnote-ref-3)
3. Case No. 18-0298-GA-AIR, Staff Report (October 1, 2018). [↑](#footnote-ref-4)
4. Direct testimony of Rina Harris, at 10. [↑](#footnote-ref-5)
5. Non-low-income programs represent $3.5 million/year of the total maximum funding of $5.6/year recommended by Staff to be collected through the Energy Efficiency Funding Rider (EEFR) Staff report page 15. [↑](#footnote-ref-6)
6. *See* VEDO 2018 Scorecard, attached hereto as CLS Exhibit 1. [↑](#footnote-ref-7)
7. Vectren Energy Delivery of Ohio DSM Program Year 9 Annual Report January 2017-December 2017, attached hereto as CLS Exhibit 2. [↑](#footnote-ref-8)
8. Prefiled Testimony of Stephen E. Puican, March 20, 2006, Case No. 05-1444-GA-UNC. [↑](#footnote-ref-9)
9. Energy Star® Products 20 Years of Helping America Save Energy Save Money and Protect the Environment; https://www.energystar.gov/ia/products/downloads/ES\_Anniv\_Book\_030712\_508compliant\_v2.pdf [↑](#footnote-ref-10)
10. https://energystar.zendesk.com/hc/en-us/articles/212112307-I-was-shopping-for-appliances-and-a-lot-of-models-were-ENERGY-STAR-I-thought-it-was-supposed-to-be-hard-to-get- [↑](#footnote-ref-11)