**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 Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Service and Related Matters. | )  )  )  )  )  )  ) | Case No. 07-1080-GA-AIR |

**MEMORANDUM CONTRA OF INTERSTATE GAS SUPPLY, INC. THE MOTION OF THE OFFICE OF THE OHIO**

**CONSUMERS’ COUNSEL**

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**CONSUMERS’ COUNSEL**

1. **INTRODUCTION**

On January 12, 2016, the Office of the Ohio Consumers’ Counsel (“OCC”) filed a Motion requesting that the Public Utilities Commission of Ohio (“Commission”) issue an order requiring Vectren Energy Delivery of Ohio (“VEDO”) to decrease the $100 Wi-Fi thermostat rebate available in its service territory. OCC alleges that the rebate should be cut in half and should be limited to one thermostat per household. As discussed below, Interstate Gas Supply, Inc. (“IGS”) urges the Commission to deny OCC’s request and uphold the recommendation of the majority of the collaborative members.

1. **BACKGROUND**

VEDO’s demand side management (“DSM”) program is driven largely by the decisions of a collaborative. The collaborative meets at least annually and votes on recommendations regarding the addition of new programs and allocations of funds within programs.[[1]](#footnote-1) The collaborative consists of VEDO, Commission Staff, Ohio Partners for Affordable Energy (“OPAE”), the OCC, IGS, and Stand Energy.[[2]](#footnote-2) If a majority of collaborative members vote in favor of an aspect of the DSM, it becomes part of the DSM plan, unless the Commission orders differently following the motion of a party.[[3]](#footnote-3)

As OCC notes in its Motion, the majority of collaborative members voted in favor of establishing a $100 Wi-Fi thermostat rebate, with a limit of three rebates per household.[[4]](#footnote-4) OCC seeks to reduce the size of the maximum allowable rebate to $50 for adaptive thermostats such as Nest, Ecobee 3, and Honeywell Lyric.[[5]](#footnote-5) For non-adaptive thermostats, OCC would reduce the rebate to $20.[[6]](#footnote-6)

OCC claims that many Wi-Fi thermostats on the market are priced around $100,[[7]](#footnote-7) so a rebate will cover “up to 100% of the cost of the technology.”[[8]](#footnote-8) OCC claims this is unreasonable given that VEDO offers $300 rebates for more expensive furnace and boiler replacements.[[9]](#footnote-9)

Additionally, OCC recommends that the Commission limit the availability of the rebate to one per household.

1. **ARGUMENT**

First, OCC’s claim that a $100 rebate will cover 100% of the cost of a Wi-Fi thermostat is not true. As OCC recognizes (in a footnote) in its Motion, adaptive thermostats such as Nest cost approximately $250 at retail, which does not include installation costs or tax.[[10]](#footnote-10) The EcoBee 3 and Honeywell Lyric have similar retail costs exclusive of installation costs.[[11]](#footnote-11) Thus, a $100 rebate for an adaptive thermostat will still fall far short of the total cost of the technology.

Second, OCC claims that in the current low price environment for natural gas, the rebate is not cost effective. While IGS agrees that natural gas prices are currently low, that is all the more reason to incentivize technologies that will effectuate a long-term reduction in customer usage. Without such incentives, customers may be *less* likely to modify their behavior or invest in these technologies.

Moreover, while the commodity of natural gas may currently be priced at low levels, OCC ignores the fact that reducing usage may also reduce the need for additional pipeline capacity and storage in the long-term. Thus, reducing customer usage has the potential to reduce both the price for the commodity and delivery of natural gas.

OCC also neglects to recognize that the electric industry is currently undergoing a shift from coal to natural gas. IGS is confident that natural gas production can keep up with that demand. But any additional reduction in residential demand for the commodity and capacity on the interstate pipeline and storage system will further enhance the reliability of electric and gas transmission systems while mitigating price pressure that generally accompanies an increase in demand. As discussed further below, the installation of adaptive smart thermostats will go great lengths to reducing demand at reasonable cost.

OCC’s comparison of the adaptive thermostat rebate to a furnace or boiler rebate misses the bigger picture: the total savings that a technology can achieve. The approved DSM operating plan conservatively assumes that a Wi-Fi thermostat (which would include adaptive thermostats such as Nest) can reduce a customer’s natural gas usage by approximately 69 ccf per unit. That is more than half of the reduction that a new furnace or boiler can achieve (at most 127 ccf), but at 20%-40% of the rebate cost per unit.[[12]](#footnote-12)



Thus, adaptive thermostats represent low hanging fruit. The Commission should reject OCC’s request to place these thermostats further from customer’s reach.

Third, the Commission should reject OCC’s request to limit each household to one rebate. While IGS does not oppose verification requirements to ensure that a thermostat is in fact installed at the household using the rebate, there is no reason to limit each household to one rebate when more than one thermostat may be necessary to manage different zones of an HVAC system.

1. **CONCLUSION**

Adaptive thermostats provide meaningful reductions to customers’ total energy intensity. This technology provides cost-effective savings for both electric and gas customers, while enhancing the reliability of both the gas and electric transmission systems. Therefore, IGS recommends that the Commission deny OCC’s motion.

Very truly yours,

***/s/ Joseph Oliker***

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**CERTIFICATE OF SERVICE**

I certify that the *Memorandum Contra of Interstate Gas Supply, Inc. the Motion of the Office of the Ohio Consumers’ Counsel* was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 27th day of January, 2016 and electronically served to the following parties:

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***/s/ Joseph Oliker***

Counsel for Interstate Gas Supply, Inc.

1. *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Service and Related Matters*, Case Nos. 08-1070-GA-AIR, *et al.*, Stipulation and Recommendation at 6 (Sep. 8, 2008) (hereinafter “*VEDO Rate Case*”); *See* OCC Motion at 4. [↑](#footnote-ref-1)
2. While IGS and Stand Energy do not have voting rights, either company may, upon request of their company representative, seek status as a voting member. *VEDO Rate Case*, Stipulation and Recommendation at FN 4 (Sep. 8, 2008). [↑](#footnote-ref-2)
3. *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval, Pursuant to Revised Code Section 4929.11 of a Tariff to Recover Conservation Expenses and Decoupling Revenues Pursuant to Automatic Adjustment Mechanisms and for such Accounting Authority as May be Required to Defer Such Expenses and Revenues for Future Recovery Through Such Adjustment Mechanisms*,Case No 05-1444-GA-UNC, Stipulation and Recommendation at 5 (Apr. 10, 2006) (hereinafter “*Conservation Case*”). [↑](#footnote-ref-3)
4. OCC Motion at 5-6. [↑](#footnote-ref-4)
5. *Id.* at 1. [↑](#footnote-ref-5)
6. OCC Motion at 1-2. IGS takes no position regarding the level of rebate that should be provided for non-adaptive thermostats.

   [↑](#footnote-ref-6)
7. OCC Motion at 2, 8. [↑](#footnote-ref-7)
8. *Id.* at 8. [↑](#footnote-ref-8)
9. OCC Motion at 8. [↑](#footnote-ref-9)
10. OCC Motion at 8 FN 26. OCC also cites at FN 6 to a $100 figure for a Honeywell Wi-Fi 7-day Programmable Thermostat—this should not be mistaken with the Honeywell Lyric, which has a $250 retail cost prior to installation costs.

    <http://www.homedepot.com/p/Honeywell-Lyric-Round-Wi-Fi-Programmable-Thermostat-RCH9310WF5003/206587686?cm_mmc=Shopping%7cTHD%7cG%7c0%7cG-BASE-PLA%7c&gclid=COjYuZfSx8oCFdAXHwodIdoHzg&gclsrc=aw.ds> [↑](#footnote-ref-10)
11. *See Id;*  <https://www.homedepot.ca/en/home/p.ecobee3-homekit-enabled-wifi-thermostat.1000842103.html> [↑](#footnote-ref-11)
12. Savings for a furnace or boiler range from 112 ccf to 127 ccf per units, while savings from a Wi-Fi enabled thermostat are listed as 69 ccf per unit. See Operating Plan at p. 6, Figure 3 (attached as Exhibit 1). The Operating Plan contains a conservative estimate of savings for an adaptive thermostat, such as Nest. “[O]n average the Nest Thermostat saved 10-12% on heating . . . .” <https://nest.com/thermostat/real-savings/>; see also <https://nest.com/downloads/press/documents/energy-savings-white-paper.pdf> Given that a typical residential customer uses approximately 80-100 ccf per month, a 69 ccf reduction is conservative. *See Trends in U.S. Residential Natural Gas Consumption*, at 6 (Table 1 referencing the Midwest)

    [*https://www.eia.gov/pub/oil\_gas/natural\_gas/feature\_articles/2010/ngtrendsresidcon/ngtrendsresidcon.pdf*](https://www.eia.gov/pub/oil_gas/natural_gas/feature_articles/2010/ngtrendsresidcon/ngtrendsresidcon.pdf)In reality, an adaptive thermostat provides savings per unit on par with a furnace or boiler replacement, but at significantly lower cost. [↑](#footnote-ref-12)