

FILE

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EXHIBIT No. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Vectren Energy Delivery of Ohio, for)
Authority to Amend its Filed Tariffs to) Case No. 07-1080-GA-AIR
Increase the Rates and Charges for)
Gas Service and Related Matters.)

In the Matter of the Application of)
Vectren Energy Delivery of Ohio, for)
Approval of an Alternative Rate Plan) Case No. 07-1081-GA-ALT
For a Distribution Replacement Rider)
To Recover the Costs of a Program for)
The Replacement of Cast Iron Mains)
And Service Lines, a Sales)
Reconciliation Rider to Collect)
Differences between Actual and)
Approved Revenues, and Inclusion on)
Operating Expenses of the Cost of)
Certain System Reliability Programs.)

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**DIRECT TESTIMONY OF JOHN T. DONNELLAN
ON BEHALF OF
OHIO PARTNERS FOR AFFORDABLE ENERGY**

Filed: July 23, 2008

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JOHN T. DONNELLAN
Case No. 07-1080-GA-AIR

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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF JOHN T. DONNELLAN
ON BEHALF OF
OHIO PARTNERS FOR AFFORDABLE ENERGY
Case No. 07-1080-GA-AIR

Personal Data

Q. Please state your name and business address.

A. My name is John T. Donnellan and my business address is 719 South Main Street, Dayton, Ohio, 45402-2709.

Q. Please indicate by whom you are employed and in what capacity.

A. I am employed as the President and Chief Executive Officer of the Community Action Partnership of the Greater Dayton Area ("CAP Dayton"). CAP Dayton is a nonprofit community action agency serving Butler, Darke, Greene, Montgomery, Preble and Warren Counties in northeastern Ohio. We employ 200 people and act as coordinator for a number of programs designed to provide weatherization and energy efficiency services, and utility bill payment assistance to low income Ohioans including program funded by Vectren Energy Delivery of Ohio (VEDO).

Q. Please briefly describe your educational background and business experience.

A. I have a Bachelor of Arts degree and am also a licensed social worker. I spent four years on active duty with the United States Army and sixteen

1 years with the Ohio National Guard, retiring in 1995 as a Full Colonel. I
2 have been the President and CEO of CAP Dayton since 1978. In addition,
3 I serve as Chairman of the Board of the National Community Action
4 Partnership.

5
6 Q. Have you previously submitted testimony in any regulatory proceedings?

7 A. Yes. I testified in Case No. 05-04-571-EL-AIR.

8
9 **Purpose of Testimony**

10 Q. What is the purpose of your testimony in this proceeding?

11 A. The purpose of my testimony is to establish the need for low- and
12 moderate-income customer assistance programs, both in the area of bill
13 assistance, and energy efficiency, weatherization, and health and safety
14 services. I recommend that the Company provide \$2.1 million per year to
15 fund energy efficiency, weatherization and health and safety services for
16 low-income customers. I also recommend that VEDO continue to fund the
17 weatherization program targeted to households with incomes between 201
18 and 300 percent of the federal poverty line at \$2 million per year. My
19 testimony also traces the history of our experience with low income energy
20 efficiency programs funded by VEDO and its predecessor The Dayton
21 Power and Light Company (DP&L).

1 **Need for Low Income Assistance Programs**

2 Q. Can you describe the general affordability problem faced by low income
3 families in meeting their energy needs?

4 A. One basic measure of the impact of energy prices on families of all types
5 is called the energy burden. Basically, for the average family the energy
6 burden is approximately 5.9 percent; the family must spend 5.9 percent of
7 its household income to pay for the costs of heating, cooling and operating
8 lights and appliances. Low income families, on the other hand, have
9 much higher energy burdens. Looking at the given income levels, prior to
10 the application of any utility assistance or payment programs the numbers
11 are staggering. For a household with an income under 50 percent of the
12 federal poverty line, the home energy burden is 65.4 percent, meaning
13 that well over half of the household's income must be used to pay for
14 home energy bill. For those with incomes between 50 and 74% of the
15 federal poverty line, the energy burden is 26.2 percent; for households
16 with incomes between 75 and 99 percent, the energy burden is 18.7
17 percent; for those with incomes between 100 and 124 percent of poverty,
18 the home energy burden is 14.6 percent; and, for families with incomes
19 between 125 percent of the poverty line, the home energy burden is 12
20 percent. A complete summary is attached.

21

22 This data is based on energy expenditures that include the 2006-2007
23 winter heating season. Given the huge projected increases in the price of

1 natural gas, fuel oil and propane during this past winter and currently, this
2 burden will undoubtedly increase. Current data from the Short-Term
3 Energy Outlook, published by the Energy Information Administration
4 ("EIA") on July 8, 2008, projects average price increase from \$13 per Mcf
5 in 2007 to \$15.11 per Mcf in 2008, climbing further to \$17.64 per Mcf in
6 2009. The price increases that will result from this application will
7 increase the burden for customers, but particularly for low- and moderate-
8 income customers in the VEDO service territory.

9
10 Q. Have agencies you are involved with seen in increased demand for bill
11 assistance and weatherization and energy efficiency services?

12 A. Absolutely. As I will detail below, we have seen consistent increases in
13 the need for assistance in obtaining essential energy services since 2000,
14 when the first wave of the recession began to be felt in Ohio. Combining
15 the impact of the recession with the increases in natural gas, fuel oil and
16 propane prices, many families have been forced to turn to community
17 action agencies and other nonprofits for assistance in order to maintain
18 essential energy services. We try to provide permanent assistance in the
19 form of weatherization and energy efficiency services to reduce a
20 household's use of energy. Even with the current contributions from
21 VEDO and its ratepayers, our resources for this purpose are limited. We
22 also provide households with bill payment assistance and enroll

1 customers in the Percentage Income Payment Plan when they are served
2 by regulated utilities or assist in arranging other payment plans.

3
4 Q. Can you indicate the number of customers throughout the VEDO system
5 who received bill payment assistance in Program Year 2007, the winter of
6 2006-2007?

7 A. Yes. In Program Year 2007, 23,285 customers received Regular Home
8 Energy Assistance Program (Regular HEAP) grants. In the same period,
9 9,954 received Winter Crisis benefits, also known as Emergency – Home
10 Energy Assistance Program grants (E-HEAP). In addition, on average
11 19,319 households participated in the Percentage Income Payment Plan
12 (“PIPP”). These numbers have been growing consistently since Program
13 Year 2000.

14
15 Q. How would you characterize the situation faced by these households
16 regarding the affordability of essential energy services?

17 A. Clearly, these households are unable to pay their bills and have been
18 forced to turn to public sources of funds and/or payment programs in order
19 to continue to receive electric service. In my experience, there are a
20 number of other households that are eligible for these services but do not
21 avail themselves of them either from lack of knowledge, a desire not to
22 accept public assistance, or other factors. Given current energy prices,

1 more of these families are being forced by their situation to seek
2 assistance.

3

4 Q. Can weatherization and energy efficiency programs benefit these low
5 income households by reducing demand of energy?

6 A. Absolutely. A number of studies have validated the fact that the
7 weatherization services delivered by Ohio's nonprofit providers reduce the
8 total energy used for heating purposes when homes are heated by natural
9 gas, propane or fuel oil by 30 percent. The program design used in
10 Project TEEM I and Project TEEM II (Teaching Energy Efficiency
11 Measures) provide comparable savings and pass the Total Resource Cost
12 Test (TRC). Clearly, the services we provide have a savings to
13 investment ratio of much greater than 1; in other words, the installation of
14 the measures will pay for itself and will then deliver additional savings in
15 the form of lower bills. The programs also reduce the arrearages of
16 customers served and minimize the costs of PIPP. This directly benefits
17 ratepayers as well as the customer.

18

19 **History of Vectren Low Income Energy Efficiency Programs**

20 Q. Has Vectren Energy Delivery of Ohio and its predecessor, The Dayton
21 Power & Light Company, provided funding to assist low income customers
22 use energy as efficiently as possible?

1 A. Yes. Beginning in 1992, The Dayton Power & Light Company agreed to
2 provide funding for three programs, the Personal Energy Profile Survey,
3 Operation Volunteer Insulation Program, and the Helping Hands Program.
4 Funding continued through calendar year 1999 when funding was
5 terminated. Funding during the last year amounted to \$500,000. Vectren
6 initiated funding of a low income weatherization program modeled on the
7 Columbia Gas of Ohio Warm Choice® Program in 2003 in the amount of
8 \$175,000 in shareholder funds annually for a period of five years pursuant
9 to an agreement entered into with Ohio Partners for Affordable Energy,
10 the Community Action Partnership of the Greater Dayton Area and the
11 Appalachian Peoples' Action Coalition.

12
13 This agreement was superseded by a Commission-approved stipulation in
14 Case No. 04-571-GA-AIR, which provided \$1.1 million of funding to the
15 TEEM I Program, which continues to utilize the program design modeled
16 on Warm Choice®. The program, reviewed and approved by a
17 collaborative created under the stipulation, serves customers with income
18 up to 200 percent of the federal poverty line.

19
20 Subsequently, in Case No. 05-1444-GA-UNC, the Commission modified
21 and approved a stipulation filed by the Company and OPAE to provide \$2
22 million in shareholder funds to support an innovative program providing

1 comprehensive weatherization services for customers up to the regional
2 median income.

3
4 Q. Do you see a need for new utility funding of energy efficiency programs
5 and what level of funding would you suggest?

6 A. Our agency and our subcontracting agencies throughout the VEDO
7 service territory – primarily SOURCES in Auglaize and Mercer Counties;
8 Tri-County Community Action of Champaign-Logan-Shelby Counties;
9 Clinton County Community Action Program; Highland County Community
10 Action Organization, and the Community Action Commission of Fayette
11 County -- see a clear need for additional funding. We are seeing an
12 increase in demand for services. When the TEEM II Program was
13 announced we received over 3,000 applications though we had funding for
14 only 300. Our low-income waiting lists continue to grow. In the fall, the
15 lists will grow at a more rapid pace.

16
17 I recommend funding Project TEEM I at \$2.1 million per year. I
18 recommend that Project TEEM II be funded at \$2 million per year. There
19 is ample opportunity to expand services and CAP-Dayton has the capacity
20 to deliver services at this funding level. I should also note that we
21 subcontract work to over 30 heating, ventilation, and air Conditioning
22 (HVAC) contractors who are trained to our standards developed in Ohio
23 which are the equivalent to certification under the national Building

1 Performance Institute standards. As a result, these contractors have the
2 training to provide other customers with the same high quality services we
3 provide to our clients.
4

5 Q. Is funding at the \$2.1 and \$2 million level, for Project TEEM I and TEEM II,
6 respectively, reasonable given the funding available from other
7 weatherization programs?

8 A. Yes. The State traditionally transfers 15 percent of the funding it
9 receives from the federal government for Low Income Home Energy
10 Assistance Program into weatherization services. Two years ago that
11 funding was cut by \$1 billion. Ohio's share of that funding is roughly \$50
12 million, so weatherization programs statewide absorbed approximately a
13 \$7.5 million cut or roughly 20 percent. Federal funding through the
14 Department of Energy was cut last year resulting in a funding reduction of
15 \$1.5 million statewide.
16

17 Currently there are no other funding sources to serve customers with
18 incomes above 150 percent of the federal poverty line. We anticipate that
19 the recent passage of SB 221 which includes energy efficiency
20 requirements that must be met by electric utilities will result in funding for
21 electric efficiency services that would complement the heating measures
22 we currently provide to all the customers we serve.
23

1 Q. Do you have any additional recommendations?

2 Yes. I believe that the cost effectiveness of Project TEEM II would be
3 enhanced by targeting services to high users and payment troubled
4 customers. This would increase the benefits to ratepayers. I also believe
5 the advertising associated with the current program increased awareness
6 of the importance of weatherization investments for VEDO customers.

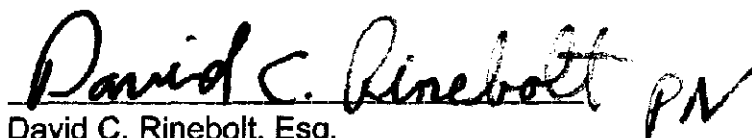
7

8 Q. Does this conclude your testimony?

9 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Direct Testimony of John T. Donnellan on behalf of Ohio Partners for Affordable Energy was served by electronic transmission and by First Class Mail upon the parties of record in this case on this 23rd day of July, 2008.

Handwritten signature of David C. Rinebolt in black ink, with the initials "PN" written to the right of the signature.

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