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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The)	Case No. 08-1094-EL-SSO
Dayton Power and Light Company for)	
Approval of Its Electric Security Plan)	
)	
In the Matter of the Application of the)	Case No. 08-1095-EL-ATA
Dayton Power and Light Company for)	
Approval of Revised Tariffs)	
)	
In the Matter of the Application of the)	
Dayton Power and Light Company for)	Case No. 08-1096-EL-AAM
Approval of Certain Accounting Authority)	
Pursuant to Ohio Rev. Code § 4905.13)	
)	
In the Matter of the Application of The)	Case No. 08-1097-EL-UNC
Dayton Power and Light Company for)	
Approval of Its Amended Corporate)	
Separation Plan)	

**DIRECT TESTIMONY
of
DANIEL J. SAWMILLER**

**ON BEHALF OF THE
OFFICE OF THE OHIO CONSUMERS' COUNSEL**
10 West Broad St., Suite 1800
Columbus, OH 43215

January 26, 2009

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Attachment DJS-1

Attachment DJS-2

1 **I. INTRODUCTION**

2 **Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.**

3 **A1.** My name is Daniel J. Sawmiller. My business address is 10 West Broad Street,
4 Suite 1800, Columbus, Ohio, 43215. I am employed by the Office of the Ohio
5 Consumers' Counsel ("OCC" or "Consumers' Counsel") as a Regulatory Analyst.

6
7 **Q2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE.**

9 **A2.** In December 2006, I received a Bachelor's of Science degree from Bowling
10 Green State University in Finance. I have been employed by the OCC since July
11 of 2007.

12
13 **Q3. PLEASE DESCRIBE YOUR EXPERIENCE DIRECTLY RELATED TO THE**
14 **TOPICS DISCUSSED IN YOUR TESTIMONY.**

15 **A3.** Since being hired at OCC as a member of the Analytical Services department, I have
16 been a member of the Resource Planning Team, the Electric Industry Team, and the
17 Gas Industry Team. While participating on these teams, I have been involved in a
18 number of gas and electric cases before the Public Utilities Commission of Ohio
19 ("PUCO" or "Commission") in a research and team support capacity. I provided
20 assistance in preparing testimony presented by the Ohio Consumers' Counsel, Ms.
21 Janine L. Migden-Ostrander, before the Ohio Legislature regarding Energy
22 Efficiency ("EE") and Renewable Energy components of House Bill 357, House Bill
23 487, and Amended Substitute Senate Bill No. 221 ("SB 221"). I participated in the
24 PUCO's rulemaking process following the passage of SB 221 by reviewing and

1 drafting comments on the proposed rules. I represent OCC on numerous Demand
2 Side Management ("DSM") collaborative groups including:

- 3 • Columbia Gas of Ohio ("COH") (Case No. 08-72-GA-AIR): This
4 collaborative helped design and evaluate potential demand side
5 management programs;
- 6 • American Electric Power ("AEP"): This collaborative is providing input
7 to AEP on proposed programs that will be used to meet benchmarks
8 established by SB 221 for energy efficiency and peak load reduction;
- 9 • The Duke Energy Community Partnership Collaborative ("DECP"): In
10 2008 this group evaluated DSM programs contained in Duke Energy-
11 Ohio's filing in Case No. 08-1227-EL-UNC and will continue to monitor
12 and provide feedback on programs used to meet SB 221 benchmarks;
- 13 • Dominion East Ohio ("DEO") (Case No. 07-829-GA-AIR): This
14 collaborative is just beginning and has a similar purpose to the other
15 collaboratives of which I am a member.
- 16 • Vectren Energy Delivery of Ohio ("VEDO"): In February 2009, the
17 VEDO collaborative will begin meeting to discuss DSM programs
18 offered by VEDO.

19
20 In August 2008, I attended the American Council for an Energy Efficient Economy
21 ("ACEEE") summer study on Energy Efficiency in Buildings where leaders in the
22 Energy Efficiency and Demand Side Management areas presented white papers on

1 current and exemplary programs and technologies. I also represent the OCC by
2 attending quarterly meetings of the Ohio Wind Working Group.

3
4 **Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
5 **PUBLIC UTILITIES COMMISSION OF OHIO?**

6 **A4.** No, I have not.

7
8 **Q5. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF**
9 **YOUR TESTIMONY?**

10 **A5.** I have reviewed Book II of Dayton Power and Light's ("Company" or "DP&L")
11 Electric Security Plan Application ("Application") filed on October 10, 2008. I
12 have also reviewed relevant Company responses to OCC discovery and
13 Commission Staff data requests. I have reviewed other Ohio utility DSM filings
14 as well as previous Commission orders regarding Natural Gas and Electric
15 utilities in Ohio. I have read sections of documents published by the National
16 Action Plan for Energy Efficiency titled *Understanding Cost-Effectiveness of*
17 *Energy Efficiency Programs*,¹ and *Vision for 2025: A Framework for Change*.² I
18 have also reviewed the relevant sections of SB 221 and the draft PUCO rules
19 concerning energy efficiency and integrated resource planning.

20

¹ Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods and Emerging Issues for Policy-Makers, November 2008. <http://www.epa.gov/cleanenergy/documents/cost-effectiveness.pdf>.

² National Action Plan for Energy Efficiency – A Vision for 2025: A Framework for Change, November 2008. <http://www.epa.gov/cleanenergy/energy-programs/napee/resources/vision2025.html>.

II. PURPOSE OF TESTIMONY

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A6. The purpose of my testimony is to (A) recommend that the eligibility requirement for the proposed low-income affordability program be lowered to customers whose income is at or below 150% of the Federal Poverty Line ("FPL") as opposed to the Company's proposal of 200%; (B) recommend a comprehensive home performance program be evaluated for all residential customers whose income is above 150% of the FPL; (C) recommend DP&L embrace the expertise and experience that can be gained through implementing an Energy Efficiency and Demand Response collaborative; and (D) propose that DP&L be required to keep marketing and administration costs associated with the various programs below 25% of each program's total expenditures proposed for the Energy Efficiency ("EE") and Demand Response ("DR") programs.

III. DAYTON POWER AND LIGHT'S ENERGY EFFICIENCY AND DEMAND RESPONSE PROPOSAL

Q7. PLEASE DESCRIBE DP&L'S RESIDENTIAL ENERGY EFFICIENCY AND DEMAND RESPONSE PROPOSAL.

A7. DP&L proposes a variety of programs that will be used to meet the EE and DR requirements set forth by SB 221. The Company has titled these programs the Customer Conservation and Energy Management programs ("CCEM"). These programs can be found in Book II of the Company's Application, specifically in

1 the direct testimony of DP&L Witness Maria W. Bulp.³ DP&L's CCEM filing
2 includes energy efficiency and demand response programs for residential
3 customers as well as commercial customers along with energy education
4 programs. The proposed residential CCEM programs are:

- 5 ▪ Lighting
- 6 ▪ HVAC Diagnostic & Tune-Up
- 7 ▪ HVAC Rebates
- 8 ▪ Appliance Recycling
- 9 ▪ Appliance Rebates
- 10 ▪ Low-Income Affordability
- 11 ▪ Direct Load Control
- 12 ▪ Time-Of-Use Pricing
- 13 ▪ Peak-Time Rebate Pricing
- 14 ▪ Education and Awareness

15 In its Application, DP&L proposed the majority of these residential programs to
16 commence in January 2009. The only programs commencing after 2009 are those
17 requiring infrastructure enhancements, which consist of the Direct Load Control,
18 Time-Of-Use Pricing and Peak Time Rebate Pricing.⁴
19

³ Direct Testimony of Maria W. Bulp, pages 8-23.

⁴ Direct Testimony of Maria W. Bulp, pages 18-22.

A. Low-Income Affordability Program

Q8. PLEASE DESCRIBE THE COMPANY'S PROPOSED LOW-INCOME AFFORDABILITY PROGRAM.

A8. The Company proposed a residential low-income affordability program for which customers with household income at or below 200% of the FPL would be eligible. An eligible home will include single or multi-family homes where 80% or more of the tenants meet the income requirements of the program. This program will provide an energy audit for the qualifying customer and will fund cost-effective energy efficiency measures up to \$5,000 for a single family home and \$50,000 for a multi-family home.⁵

Q9. DO YOU HAVE ANY RECOMMENDATIONS REGARDING THIS PROGRAM AS PROPOSED?

A9. Yes. It is my recommendation that this program be limited to customers whose income is at or below 150 percent of the FPL at this time. The Home Weatherization Assistance Program ("HWAP") as administered by the Ohio Department of Development currently sets the target at 150 percent of the FPL. Setting the demand side management ("DSM") programs at the same level provides an efficient way to leverage dollars from HWAP and the DSM programs so that energy efficiency measures are delivered in the most cost-effective and comprehensive manner. By defining the poverty level at 200 percent of the FPL for DP&L customers would mean that customers in the 151 to 200 percent of the

⁵ Direct Testimony of Maria W. Bubb, page 16.

1 FPL range would only get the dollars associated with the DSM and not the
2 HWAP program. Moreover, if the pool of eligible customers is enlarged without
3 an increase in overall funding, that may translate into some of the neediest
4 customers (below 150 percent of the FPL) not getting help. We need to have
5 statewide uniformity to achieve the highest level of efficiency by encouraging
6 joint gas and electric program measures in conjunction with the HWAP program.
7 That being said, OCC would be open to discussing changes to the income
8 eligibility level as long as it promotes consistency around the state as there are
9 many different programs with different income target levels. Moreover, the issue
10 of assuring that the neediest are served would have to be addressed. If the way of
11 addressing this problem is to increase the ratepayer funds available to serve low-
12 income programs, then an assessment would need to be done on the rate impact of
13 any increase on the lowest income non-eligible customers.

14
15 **B. Home Performance Program**

16 ***Q10. DOES DP&L PROPOSE A HOME PERFORMANCE PROGRAM THAT***
17 ***WILL PROVIDE BENEFITS TO CUSTOMERS WHOSE INCOME IS***
18 ***ABOVE 200% OF FPL?***

19 ***A10.*** No. DP&L proposed in its filing to limit programs that will provide audits and
20 ultimately energy efficiency improvements for residential customers to those with
21 incomes at or below 200% of the FPL.

**Q11. WHAT DO YOU RECOMMEND AS AN APPROPRIATE HOME
PERFORMANCE PROGRAM?**

A11. I recommend that a comprehensive home performance program should be evaluated for cost-effectiveness. This comprehensive program would be available to customers whose income exceeds the eligibility requirements (150% of FPL) of the low-income affordability program as I proposed above. I believe that the Commission's directives regarding natural gas programs in the most recent DEO gas rate case Opinion and Order also should be considered in the design of this electric program since those directives provide needed benefits to consumers. For example, DP&L's home performance program should "minimize unnecessary and undue ratepayer impacts, minimize non-participant impacts and minimize 'free-ridership.'"⁶ Some of these directives could be accomplished through sliding scale contributions from customers based on their income level and the services received.⁷ Customer contributions could be made in a variety of ways. For example, the customer could make a lump sum up-front payment, there could be a shared savings mechanism, billing innovations or other creative means which could be determined through the collaborative I propose. If the program is found to be cost-effective it should be competitively bid-out through third party contractors for delivery. Furthermore, I recommend that DP&L work cooperatively with VEDO, the gas utility within the majority of DP&L's service territory, to develop a more comprehensive, cost-effective gas and electric home

⁶ Dominion East Ohio Case No. 07-829-GA-AIR, Opinion and Order, October 15, 2008, pages 22-23.

⁷ See pages 21-23 of the COH DSM filing. Case No. 08-0833-GA-UNC, Dated July 1, 2008.

1 performance program where program participants would be able to receive whole-
2 house weatherization through one program.

3

4 **C. EE & DR Collaborative**

5 ***Q12. DOES DP&L PROPOSE A COLLABORATIVE TO HELP EVALUATE***
6 ***DIFFERENT ASPECTS OF ITS PROPOSED ENERGY EFFICIENCY AND***
7 ***DEMAND RESPONSE PROGRAMS?***

8 ***A12.*** No. DP&L has not included a proposal for an EE and DR collaborative in its
9 Application and in response to OCC Interrogatory 137 DP&L states that
10 "DP&L's filing does not contemplate a collaborative process."⁸

11

12 ***Q13. DO YOU RECOMMEND THAT A COLLABORATIVE GROUP FOR DP&L'S***
13 ***EE AND DR PROGRAMS BE FORMED?***

14 ***A13.*** Yes. It is unclear to me how the company's specific sources and methods
15 identified in the filing support the proposed program budgets. I believe DP&L
16 and its customers would benefit by forming a collaborative to provide DP&L with
17 additional expertise and experience with energy efficiency and demand response
18 programs going forward. This collaborative group would consist of the
19 Company, PUCO Staff, OCC, and other interested stakeholders. The purpose of
20 this collaborative would be to monitor existing programs and provide input on
21 whether or not to continue offering a program based on participation and energy
22 savings levels.

⁸ DP&L Response to OCC Interrogatory No.137 and appended as Attachment DJS-2.

1
2 The collaborative would also make recommendations to DP&L for new programs
3 or technology that may become available in the future and offer program design
4 ideas. The Duke Energy Ohio ("DE Ohio") and COH collaborative groups
5 identified above have been successful in developing programs. Since many
6 parties to this DP&L case, as well as other interest groups, are participating in
7 other Ohio utilities' collaborative groups, a DP&L collaborative would benefit
8 from their experience and would help facilitate developing the programs that have
9 the best track record to be used throughout the state. It would be less efficient if
10 DP&L did not take advantage of these available and valuable resources for the
11 purpose of monitoring and evaluating existing programs and proposing new
12 programs in the future. Moreover, given that it is the customers' money that
13 DP&L will be spending to implement these programs; the collaborative would
14 give customers a voice in how it is spent.

15
16 In November 2008, the National Action Plan for Energy Efficiency ("NAPEE")
17 published a study titled "Vision for 2025: A Framework for Change." In this
18 document, NAPEE notes the importance of engaging all stakeholders when trying
19 to realize long-term goals of achieving energy efficiency in saying:

20 To achieve the full potential for energy savings and the related
21 societal benefits, many parties need to work together toward the
22 Vision. Energy efficiency policies and programs affect
23 numerous parties, including local, state, and federal
24 governments; utilities; customers; energy efficiency product and
25 service providers; manufacturers; builders; architects;
26 environmental groups; energy system operators; labor advocates;
27 the financial community; and economic development groups.
28 Educating and soliciting input from all key parties, either through

1 local, state, and regional collaboratives or through other outreach
2 efforts, will greatly increase the economic and environmental
3 benefits achieved through energy efficiency.⁹
4

5 Through OCC's deposition of Company witness Bubp on the proposed CCEM
6 programs, it became apparent to me that the Company sees benefit in reaching out
7 to stakeholders. The Company did reach out to some of the interested
8 stakeholders while deciding on a suite of programs. Policies and procedures for
9 programs however have not been developed and the programs will need to be
10 monitored and evaluated on an ongoing basis. A collaborative process will help
11 to ensure that programs and the associated policies and procedures will work for
12 all stakeholders and that the optimal level of benefits will be reached.
13

14 **D. Marketing and Administration Costs**

15 ***Q14. WHAT IS DP&L'S PROPOSAL FOR MARKETING AND***
16 ***ADMINISTRATION COSTS FOR EE AND DR PROGRAMS?***

17 ***A14.*** The marketing and administration costs for residential programs range from 21 to
18 100 percent of each individual program's total cost. This results in DP&L's
19 proposal to spend 39 percent of total residential program costs on marketing and
20 administration expenses.¹⁰ When Evaluation, Monitoring and Verification ("E, M
21 & V") costs are added, the percentage increases to 44 percent of total program
22 costs.
23

⁹ National Action Plan for Energy Efficiency – A Vision for 2025: A Framework for Change, November 2008, page 5-3. <http://www.epa.gov/cleanenergy/energy-programs/napee/resources/vision2025.html>.

¹⁰ Attachment DJS-1.

1 **Q15. HOW DO YOU DEFINE MARKETING AND ADMINISTRATION COSTS AS**
2 **THEY RELATE TO DP&L'S PROPOSED EE AND DR PROGRAMS?**

3 **A15.** For purposes of this testimony, I define marketing and administration costs as
4 labor costs to administer programs, costs to communicate programs to potential
5 participants, costs to develop systems to capture and report program impacts and
6 costs, and E, M & V costs.
7

8 **A16. HAS THE COMPANY ALLOCATED THE PROPER LEVEL OF PROGRAM**
9 **COSTS TOWARDS MARKETING AND ADMINISTRATION?**

10 **A16.** No. DP&L's proposed level of marketing and administration costs are too high.
11 The Company's filing has structured program costs in a way that, in total, 44
12 percent of total residential program costs will be allocated towards marketing and
13 administration as illustrated in Attachment DJS-1. This is well above levels for
14 marketing and administration that other Ohio utilities have been able to achieve
15 for similar programs. In Duke Energy of Ohio's 2006 DSM filing, the overall
16 administration and marketing costs for their residential and small business
17 customer programs averaged 23.0 percent.¹¹ The Columbia Gas of Ohio energy
18 efficiency filing approved by the Commission on July 23, 2008, kept total
19 marketing and administration costs for residential programs to less than 8.3
20 percent for five of its six programs.¹² Another NAPEE document identifies four
21 best practice programs to highlight cost effectiveness. Three of the four programs

¹¹ DE Ohio, Case No. 06-91-EL-UNC, dated January 24, 2006, Appendix A, page 2 of 7 and Appendix B, page 7b of 7.

¹² Case No. 08-833-GA-UNC, Application of Columbia Gas of Ohio, Inc. to Establish Demand Side Management Programs for Residential and Commercial Consumers, dated July 1, 2008, pages 21-23.

1 identified were able to keep marketing and administration costs at or below
2 25% as well.¹³

3
4 I recommend the Commission require DP&L to lower their marketing and
5 administration costs to be below 25% of each individual program's total costs,
6 unless otherwise modified by the collaborative I am proposing, allowing more
7 dollars to be spent on implementing energy efficiency measures. If the
8 percentages on marketing and administration are not significantly lowered,
9 customers will end up spending a disproportionate amount on costs that do not
10 provide direct program benefits.

11
12 **IV. CONCLUSION**

13 ***Q17. DOES THIS CONCLUDE YOUR TESTIMONY?***

14 ***A17.*** Yes. However, I reserve the right to incorporate new information that may
15 subsequently become available. I also reserve the right to supplement my
16 testimony in response to positions taken by the PUCO Staff.

¹³ Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods and Emerging Issues for Policy-Makers, November 2008, Appendix C.
<http://www.epa.gov/cleanenergy/documents/cost-effectiveness.pdf>.

DP&L ESP
CASE NO. 08-1094-EL-SSO
Residential Energy Efficiency and Demand Response Program Costs

Residential Program	Total Cost of Program (\$ million)	Marketing and Administration (\$ million)	Incentive Totals (\$ million)	% of costs for Marketing and Administration	Cummulative Energy Reductions (GWh)	Cummulative Demand Reductions (MW)	Incentive
Lighting	\$ 20.10	\$ 8.00	\$ 12.10	40%	195.00	16.60	\$2.92 per CFL
HVAC Diagnostic & Tune-Up	\$ 8.40	\$ 2.80	\$ 5.60	33%	20.00	17.80	\$100
HVAC Rebates	\$ 11.00	\$ 4.50	\$ 6.50	41%	10.80	9.60	\$188 per Central Air Conditioner
Appliance Recycling	\$ 2.50	\$ 1.70	\$ 0.77	68%	24.00	3.90	\$50 for fridge or freezer, \$25 for window AC
Appliance Rebate	\$ 1.40	\$ 0.53	\$ 0.88	38%	6.20	0.74	\$30 per appliance
Low Income Affordability	\$ 7.70	\$ 1.62	\$ 6.08	21%	11.90	0.90	\$5,000 for single family, \$50,000 for multi-family
Direct Load Control	\$ 7.10	\$ 1.67 (a)	\$5.40	24%	6.20	23.10	\$324 per household
Time of Use Pricing	\$ 1.30	\$ 1.30	\$ -	100%	-	6.00	N/A
Peak Time Rebate Pricing	\$ 1.30	\$ 1.30	\$ -	100%	-	8.50	N/A
Totals	\$ 60.80	\$ 23.42	\$ 37.33	44% (b)	274.10	87.15	N/A

(a) includes operating and maintenance expense

(b) An additional 5% was added for the cost of EM&V as stated in Company witness Maria W. Bubb's testimony at page 34. It does not include costs associated with a \$12.3 million Education and Awareness Program.

Source:

- Direct Testimony of Company Witness Maria W. Bubb.

INT-137. Is DP&L willing to agree to a collaborative process including interested parties to discuss the design and implementation of the following programs:

a. Residential Lighting;

RESPONSE: General Objections No. 10. This interrogatory is vague in that the term "collaborative process" is undefined. Without waiving this objection, DP&L states that DP&L's filing does not contemplate a collaborative process.

b. Residential HVAC Diagnostic & Tune-Up;

RESPONSE: General Objections No. 10. See response to INT-137(a) above.

c. Residential HVAC Rebates;

RESPONSE: General Objections No. 10. See response to INT-137(a) above.

d. Residential Appliance Recycling;

RESPONSE: General Objections No. 10. See response to INT-137(a) above.

e. Residential Appliance Rebate;

RESPONSE: General Objections No. 10. See response to INT-137(a) above.

f. Residential Low Income Affordability;

RESPONSE: General Objections No. 10. See response to INT-137(a) above.

g. Residential Direct Load Control;

RESPONSE: General Objections No. 10. See response to INT-137(a) above.

h. Residential Time-of-Use Pricing; and

RESPONSE: General Objections No. 10. See response to INT-137(a) above.

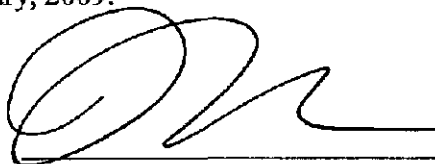
i. Residential Peak Time Pricing.

RESPONSE: General Objections No. 10. See response to INT-137(a) above.

Witness Responsible: Maria Bulp

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing the *Direct Testimony of Daniel J. Sawmiller on Behalf of the Office of the Ohio Consumers' Counsel* has been served via electronic transmission this 26th day of January, 2009.



Jacqueline Lake Roberts,
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