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Columbia Exhibit No.

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application of)
Columbia Gas of Ohio, Inc. for an Adjustment) Case No. 10-2353-GA-RDR
to Rider IRP and Rider DSM Rates)

PUCO

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**PREPARED DIRECT TESTIMONY
OF JOHN A. LAVERTY
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

COLUMBIA GAS OF OHIO, INC.

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February 28, 2011

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**PREPARED DIRECT TESTIMONY
OF JOHN A. LAVERTY**

1 **Q. Please state your name and business address.**

2 A. John A. Lavery, 200 Civic Center Drive, Columbus, Ohio 43215.

3

4 **Q. By who are you employed?**

5 A. I am employed by Columbia Gas of Ohio, Inc. ("Columbia").

6

7 **Q. Will you please state briefly your educational background and experience?**

8 A. I graduated from Ohio University in 1976 with a Bachelor of Arts in Government. I began
9 my career with Columbia in 2003 as a manager of the WarmChoice program, Columbia's
10 low-income customer weatherization program. In 2009, I assumed my current position as
11 Manager of Demand Side Management. I began my career in energy efficiency in 1979
12 and previously worked for the former Ohio Department of Economic and Community
13 Development, the Ohio Association of Community Action Agencies, and the Corporation
14 for Ohio Appalachian Development where I worked on design, implementation and
15 evaluation of energy efficiency services and programs.

16

17 **Q. What are your job responsibilities as Manager of Demand Side Management?**

18 A. As Manager of Demand Side Management, my primary responsibilities include
19 developing, managing and evaluating energy efficiency programs for Small General
20 Services customers, including low-income customers. These responsibilities include the
21 preparation and/or support of exhibits, proposed tariff changes and testimony filed by

1 Columbia in support of the Demand Side Management ("DSM") rider proposed by
2 Columbia in this case.

3
4 **Q. Have you previously testified before this Commission?**

5 A. Yes. I filed testimony in Case No. 09-1036-GA-RDR.

6
7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to provide background and support of the schedules DSM-
9 1, Revenue Requirement Calculation, and DSM-2, Expenditures by Month, filed by
10 Columbia in this proceeding on February 28, 2011, and to support the reasonableness of
11 Columbia's request for Rider DSM rates.

12
13 **EXPLANATION OF SCHEDULES:**

14 **Q. Are you familiar with Columbia's Application in Case No. 08-0833-GA-UNC, filed on**
15 **July 1, 2008, and with the Commission Order dated July 23, 2008 which approved**
16 **that Application?**

17 A. Yes. In that case Columbia's Application sought approval of several DSM programs. In its
18 Order the Commission authorized Columbia to implement all of the proposed DSM
19 programs, subject to approval of the cost recovery rider that was proposed in Columbia's
20 rate case, PUCO Case Nos. 08-0072-GA-AIR, et al.

1 **Q. Are you familiar with the stipulation and recommendation filed in Columbia's rate**
2 **case on October 24, 2008, and approved by the Commission in its Opinion and Order**
3 **dated December 3, 2008, in Case No. 08-0072-GA-AIR?**

4 **A.** Yes, I am familiar with the DSM components of the stipulation and recommendation as
5 approved by the Commission.
6

7 **Q. What are the customer benefits of the DSM program?**

8 **A.** The primary customer benefits of the DSM program are lower natural gas usage and bills as
9 a result of the implementation of energy efficiency measures. Other customer benefits may
10 include improved health, safety, housing affordability, and building durability, and reduced
11 green house gas emissions.
12

13 **Q. Please provide a brief description of each of the DSM programs for which Columbia**
14 **has incurred costs during 2010.**

15 **A.** Columbia incurred costs for several DSM programs during 2010. The Simple Energy
16 Solutions program provides rebates to customers who purchase programmable thermostats
17 and/or high-performance, energy-efficient showerheads. The program offers a \$25 rebate
18 per thermostat on up to two thermostats per gas heated home, and a \$10 rebate on up to
19 three showerheads per gas heated home. Customers may purchase eligible products from
20 Columbia's E-Store, operated by Energy Federation, Inc., and have the rebates applied
21 automatically to the purchase price, or they may purchase products at a retail establishment
22 and mail in a rebate form with the UPC and receipt and get a rebate check in the mail.
23 Customers can also have a plumbing, heating, or home improvement contractor install

1 eligible products, and mail in the rebate form with the contractor invoice and UPC code.
2 The Simple Energy Solutions program incurred costs for marketing, implementation, and
3 administration. 3,172 customers purchased 1,535 programmable thermostats and 2,923
4 showerheads through the program. Total number of issued rebates was 4,458. The program
5 was marketed by Conservation Services Group ("CSG") through bill inserts, on-bill
6 messaging, newsletter articles, press events, community events, and direct mail to Columbia
7 customers with space heating loads between 600 and 700 Ccf/year and water heating loads
8 of at least 75 Ccf/year throughout Ohio.

9 The Home Performance Solutions program provides low-cost energy audits (with
10 the cost of the audit rebated if the customer implements any of the major qualified energy
11 efficiency improvements), programmable thermostats and high-performance, energy-
12 efficient showerheads (if needed), and rebates for high-efficiency gas furnaces and boilers,
13 air sealing, and attic and wall insulation to customers with higher than average gas usage.
14 CSG is Columbia's implementation contractor for this program. CSG has both on-staff and
15 independent energy auditors located strategically throughout Columbia's service territory to
16 perform the residential customer energy audits and install the programmable thermostat and
17 showerhead, if needed. CSG also recruits, manages and trains the HVAC and insulation
18 contractor network, processes rebates, maintains a database of customers served and
19 transactions processed, and performs quality assurance inspections of completed work. The
20 Home Performance Solutions program experienced a significant increase in participation in
21 2010 and has become extremely popular. Energy audits were provided to 4,992 customers,
22 and 1,577 thermostats and 4,400 showerheads were installed during the energy audit
23 process. CSG's contact center handled 27,161 calls from customers during this period.

1 Customers completing work in 2010 totaled 1,996, although audits that were completed late
2 in the year will result in work being completed in 2011. The following rebates were paid to
3 customers in 2010: 1,869 air sealing; 1,792 attic and/or wall insulation; and, 122 high
4 efficiency furnaces. The percentage of audits resulting in work from program inception
5 through September 30, 2010 averaged 59%. We attribute the high conversion rate to the
6 lack of a previous program of this type in the marketplace, rebates that provide incentive for
7 customers to have energy efficiency improvements installed, and the introduction of
8 additional rebates through the use of a Tennessee Pipeline refund. (See PUCO Case No. 10-
9 457-GA-WVR.)

10 During 2010, the Small Business Energy Solutions program provided rebates to six
11 customers. This includes the following rebates for energy efficiency improvements: one
12 high efficiency furnace; four attic insulation, three wall insulation, three air sealing, one
13 programmable thermostat, and one infrared heater. The program was suspended in
14 consultation with Columbia's DSM Stakeholder Group and through approval by the PUCO.
15 Program funds were reserved to perform an evaluation of the program, while nearly \$3
16 million was reallocated to the Home Performance Solutions program.

17 Columbia contracted with MaGrann Associates in 2010 to implement its New
18 Home Solutions program. This program provides incentives to builders to construct homes
19 to a higher standard than Ohio's building energy code. Columbia partnered with American
20 Electric Power ("AEP"), which is also using MaGrann as its implementation contractor, to
21 combine resources and incentives for a standardized program in the counties that both
22 utilities serve. The program was renamed Energy Star® New Homes. MaGrann recruited
23 and trained home energy raters and homebuilders to participate in the program. A total of

1 105 homes were registered into the program in 2010. Columbia will also offer a gas only
2 version of the program in counties that are not shared with AEP.

3 Columbia also launched three other initiatives in 2010. The Furnace Market
4 Research project was awarded to Navigant Consulting. The purpose of the project is to
5 determine what markets are lagging in installation of high efficiency natural gas furnaces.
6 The Energy Design Solutions program provides training to architects, engineers and other
7 building design professionals on how to build commercial facilities to an energy efficiency
8 standard that is 30% better than the minimum code. Three seminars were conducted. The
9 Innovative Energy Solutions program provides funding for energy audits, rebates for energy
10 efficiency improvements, funding for building commissioning and research and
11 demonstration projects for commercial facilities. The program web site and materials were
12 developed in 2010.

13 The Small Business Energy Saver Audit program is an on-line energy audit tool
14 from Aclara Software, hosted by the Ohio Department of Development. The on-line tool
15 allows businesses with energy bills of less than \$150,000 per year to do an energy audit of
16 their facility and to identify cost-effective measures that they can install to lower their
17 energy use. Columbia pays an annual fee to Aclara in support of the audit tool for its share
18 of the software licensing costs. Businesses completed 173 on-line energy audits during
19 2010.

20
21 **Q. What are the key DSM programs on which Columbia focused its program ramp-up**
22 **and implementation efforts in 2010?**

1 A. In 2010, Columbia concentrated its efforts on continuing the ramp up of Home Performance
2 Solutions, the launch and ramp-up of the Energy Star New Homes program, and the launch
3 of the Energy Design Solutions program. Columbia partnered with the Treasurer of the
4 State of Ohio to certify CSG as an eligible contractor to perform energy audits through the
5 Home Performance Solutions program, which would qualify customers for low-interest
6 loans for energy efficiency improvements through the state of Ohio's ECO-Link program.
7 Columbia also began discussions with AEP on ways to coordinate its Home Performance
8 Solutions program with AEP's residential energy audit and rebate program.

9
10 **Q. What are some of the challenges that Columbia faced in implementing DSM programs**
11 **in 2010?**

12 A. The Home Performance Solutions program grew significantly in 2010. This required CSG
13 to hire and train additional energy auditors and to increase the number of contractors
14 approved to install energy efficiency improvements. In addition, because of unexpectedly
15 high call volumes, CSG also had to increase the capacity of its call centers to handle calls. It
16 appears that the poor economy and the low levels of rebates for the Small Business Energy
17 Solutions program resulted in little participation in that program during the year. Funds
18 from that program, and those set aside for the Energy Solutions Loan Fund, were reallocated
19 to the popular Home Performance Solutions program. Some of the other key challenges that
20 we faced in ramping up DSM programs in 2010 include: the continued negative effects of
21 the recession on customers' buying habits, lower natural gas prices and the slow market in
22 new home construction industry. There remain, however, significant opportunities to bring

1 energy efficiency to the forefront in Columbia's service territory, particularly as exemplified
2 in the Home Performance Solutions program in the existing residential buildings market.
3

4 **Q. How do actual DSM costs to date compare to the DSM Action Plan?**

5 A. Columbia allocated approximately \$8.3 Million for DSM activities in 2010. Columbia spent
6 approximately \$6.5 Million.
7

8 **Q. What are Columbia's plans for the DSM funds not invested in 2010?**

9 A. The annual budgets in the DSM Action Plan are budget projections. Our three-year DSM
10 Action Plan was created so that DSM funds not invested in a particular year would be rolled
11 forward to provide services that will help achieve the natural gas savings target.
12

13 **Q. Please describe the energy usage reduction using specified sales volume benchmark.**

14 A. The DSM programs were designed to attain approximately three-quarters to one percent of
15 Columbia's total annual residential and commercial jurisdictional tariff sales, adjusted for
16 weather. This translates to target savings of approximately 611,000 to 815,000 Mcf
17 cumulative over a three-year period following the installation of energy efficiency
18 improvements. Annual energy savings lag the installation date of the energy efficiency
19 improvements by one year when determining savings. Energy savings will be determined
20 through impact evaluations. Impact evaluations are in progress.
21

22 **Q. Please describe the treatment of administrative, marketing and educational expenses.**

1 A. Administrative, marketing, and educational expenses are limited to 20% of program
2 expenditures in total unless otherwise approved by the DSM Stakeholder Group. The
3 expenses are tracked by DSM program and by project codes. In 2010, Columbia's
4 investment in administrative, marketing and educational expenses was 18% of the total
5 amount invested.

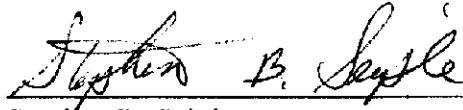
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7 **Q. Does this complete your Prepared Direct Testimony?**

8 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Direct Testimony of John A. Lavery was served upon all parties of record by regular U.S. Mail this 28th day of February 2011.



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