

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application )  
of Columbia Gas of Ohio, Inc. for an ) Case No. 12-2923-GA-RDR  
Adjustment to Rider IRP and Rider )  
DSM Rates

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

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**COLUMBIA GAS OF OHIO, INC.**

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February 28, 2013

Attorneys for  
**COLUMBIA GAS OF OHIO, INC.**

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

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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 experi-**  
8       **ence?**

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

19

20   **Q.   What are your job responsibilities as Manager of Demand Side Manage-**  
21       **ment?**

22   A.   As Manager of Demand Side Management, my primary responsibilities  
23       include developing, administering, and evaluating energy efficiency pro-  
24       grams and services for Columbia Gas of Ohio customers, including low-  
25       income customers. These responsibilities include the preparation and/or  
26       support of exhibits, proposed tariff changes and testimony filed by Co-  
27       lumbia in support of the Demand Side Management ("DSM") rider pro-  
28       posed by Columbia in this case.

29

30   **Q.   Have you previously testified before this Commission?**

31   A.   Yes. I provided written testimony last year in Case No. 11-5803-GA-RDR.

32

33   **Q.   What is the purpose of your testimony?**

34   A.   The purpose of my testimony is to provide background and support of the  
35       schedules DSM-1, Revenue Requirement Calculation, and DSM-2, Expendi-  
36       tures by Month, filed by Columbia in this proceeding on February 28, 2013,

1 and to support the reasonableness of Columbia's request for Rider DSM  
2 rates.

3  
4 **EXPLANATION OF SCHEDULES:**

5  
6 **Q. Are you familiar with Columbia's Application in Case No. 11-5028-GA-**  
7 **UNC, filed on September 9, 2011, and with the Commission Order dated**  
8 **December 14, 2011 which approved that Application?**

9 A. Yes. In that case, Columbia's Application sought continuation, expansion,  
10 and approval of various DSM programs. In its Order the Commission au-  
11 thorized Columbia to implement all of the proposed DSM programs.

12  
13 **Q. What are the customer benefits of the DSM programs?**

14 A. The primary customer benefits of the DSM programs are lower natural gas  
15 usage and bills as a result of the implementation of energy efficiency  
16 measures. Other customer benefits can include improved health, safety,  
17 housing affordability, and building durability, as well as reduced green-  
18 house gas emissions, moderation of Percentage of Income Payment Plan ar-  
19 rearages, and job creation and economic development.

20  
21 **Q. Please provide a brief description of each of the DSM programs for which**  
22 **Columbia has incurred costs during 2012.**

23 A. Columbia incurred costs for most of its DSM programs during 2012. The  
24 Simple Energy Solutions program provides rebates to customers who pur-  
25 chase programmable thermostats; high-performance, energy-efficient  
26 showerheads; and/or energy-efficient faucet aerators. The program offers a  
27 \$25 rebate per thermostat on up to two thermostats per natural gas heated  
28 home, a \$10 rebate on up to three showerheads per natural gas water heat-  
29 ed home, and a \$0.50 rebate on up to three faucet aerators per natural gas  
30 water heated home. Customers may purchase eligible products from our E-  
31 Store, operated by Energy Federation, Inc., and have the rebates applied au-  
32 tomatically to the purchase price, or they may purchase products at a retail  
33 establishment and mail in a rebate form with the UPC and receipt and get a  
34 rebate check in the mail. Customers can also have a plumbing, heating, or  
35 home improvement contractor install eligible products, and mail in the re-  
36 bate form with the contractor invoice and UPC code. The Simple Energy So-  
37 lutions program incurred costs for marketing, implementation, and admin-  
38 istration. Customers obtained 3,745 programmable thermostats, 7,431 ener-  
39 gy-efficient showerheads and 344 faucet aerators through the program in

1 2012. Conservation Services Group (“CSG”) marketed the program through  
2 community events, email, newspaper advertisements, local coupon books,  
3 and direct mail to Columbia customers with space heating loads less than  
4 700 Ccf/year.

5  
6 The Home Performance Solutions program provides low-cost energy  
7 audits, programmable thermostats and high-performance, energy-efficient  
8 showerheads installed during the energy audit (if needed), and rebates for  
9 high-efficiency gas furnaces and boilers, air sealing, and attic and wall insu-  
10 lation targeted to customers with higher than average natural gas usage.  
11 CSG is Columbia’s implementation contractor for this program. CSG has  
12 on-staff and independent energy auditors located strategically throughout  
13 Columbia’s service territory to perform the residential customer energy au-  
14 dits and install the programmable thermostat and energy-efficient shower-  
15 heads, if needed. CSG also recruits, manages, and trains the HVAC and in-  
16 sulation contractor network, processes rebates, maintains a database of cus-  
17 tomers served and transactions processed, and performs quality assurance  
18 inspections of completed work. The Home Performance Solutions program  
19 experienced a significant increase in participation in 2011 and has become  
20 extremely popular. CSG performed energy audits for 5,847 customers, and  
21 1,259 thermostats and 3,363 showerheads were installed during the energy  
22 audit process. CSG’s contact center handled 18,746 calls from customers  
23 during this period.

24  
25 Customers completing work in 2012 totaled 2,812, although audits that were  
26 completed late in the year will result in work being completed in 2013. The  
27 following rebates were paid to customers in 2012: 2,624 air sealing; 2,536 at-  
28 tic insulation; 1,820 wall insulation; and, 271 high efficiency furnaces. The  
29 percentage of energy audits resulting in work from program inception  
30 through December 31, 2012 averaged 53%. When adjusted for the fact that  
31 most audits in the last quarter of 2012 will result in work in 2013, the per-  
32 centage of energy audits resulting in work increases to 58%. We attribute  
33 the high conversion rate to the lack of a previous program of this type in the  
34 marketplace, generous rebates that provide incentive for customers to have  
35 energy efficiency improvements installed, and the customers’ perceived  
36 value of the program.

37  
38 Columbia contracted with Mark MaGrann Associates, Inc. (“MaGrann”) in  
39 2012 to implement its ENERGY STAR® New Homes program. This program

1 provides incentives to builders to construct homes to a higher standard  
2 than Ohio's building energy code. Columbia collaborated with American  
3 Electric Power ("AEP"), who is also using MaGrann as its implementation  
4 contractor, to combine resources and incentives for a standardized program  
5 in the counties that both utilities share. In addition, Columbia and MaGrann  
6 coordinated with builders participating under FirstEnergy's Energy Effi-  
7 cient New Homes program to provide incentives for natural gas heated  
8 homes built to program standards. MaGrann recruited and trained home  
9 energy raters and homebuilders to participate in the program. Columbia al-  
10 so offers the program in counties that are not shared with AEP. Eighteen  
11 new Ohio homebuilders and two new home energy rating firms enrolled in  
12 the program in 2012 in addition to the previous sixty-one homebuilders and  
13 nineteen home energy rating firms who enrolled in the program prior to  
14 2012. In 2012, 1,438 homes were built to program standards and received in-  
15 centives. An additional 1,322 homes enrolled in the program in 2012. We  
16 expect that nearly 75% of those homes will be completed in 2013.

17  
18 The Innovative Energy Solutions program provides funding for energy  
19 audits; rebates for energy efficiency improvements; funding for building  
20 commissioning; research and demonstration projects; and evaluation,  
21 measurement and verification projects for commercial and industrial build-  
22 ings, including those owned by not-for-profits and religious institutions.  
23 Seven energy audits were funded in 2012, and rebates were provided for 11  
24 energy efficiency improvement projects. We anticipate that most of the re-  
25 maining customers that had energy audits funded in 2012 will apply for re-  
26 bates in 2013.

27  
28 Columbia contracted with the Ohio Energy Project ("OEP") in 2012 to  
29 operate its "Be E<sup>3</sup> Smart" Student Energy Efficiency Education program.  
30 OEP provided program orientation to schoolteachers throughout Colum-  
31 bia's service territory to offer a curriculum on energy efficiency to students  
32 in grades 5 to 12. Students received a kit of energy efficiency materials to in-  
33 stall in their homes as part of the course curriculum to help lower their  
34 home energy usage. Kit contents include an energy-efficient showerhead,  
35 faucet and bathroom aerator, and weather stripping. During 2012, 19,267  
36 students were educated through the program. Columbia collaborated with  
37 AEP in school districts served by both utilities and shared the cost of the  
38 70% of the total kits distributed through the program. The remaining kits  
39 were funded solely by Columbia.

1  
2 Columbia's nationally recognized low-income household weatherization  
3 program, WarmChoice, received additional funding through the DSM Ac-  
4 tion Plan. The program served 2,052 households in 2012.

5  
6 **Q. What are the key DSM programs on which Columbia focused its program**  
7 **ramp-up and implementation efforts in 2012?**

8 A. Home Performance Solutions, ENERGY STAR New Homes, Simple Energy  
9 Solutions, and Be E3Smart programs received a great deal of attention in  
10 2012 due to their popularity with customers and the savings that they offer.  
11 Columbia worked with its WarmChoice providers to begin ramping up  
12 services to additional low-income households and continued to focus on  
13 implementation of its Innovative Energy Solutions program. Columbia also  
14 bid out its Home Energy Report/Behavioral program in 2012. Negotiations  
15 with a potential vendor began late in 2012 and are currently nearing com-  
16 pletion. In addition, a few other smaller DSM programs will be bid out  
17 and implemented in 2013.

18  
19 **Q. What are some of the challenges that Columbia faced in implementing**  
20 **DSM programs in 2012?**

21 A. There were two primary challenges that Columbia faced in implementing  
22 its DSM programs in 2012. Due to the potential implementation of a new  
23 furnace efficiency rule by the United States Department of Energy ("DOE")  
24 that would have mandated 90% as the minimum Annual Fuel Utilization  
25 Efficiency in northern states, including Ohio, Columbia delayed bidding its  
26 High Efficiency Furnace Rebate program until negotiations of the DOE final  
27 rule were complete. However, the DOE standards are now likely to be nul-  
28 lified by U.S. courts under terms of a final settlement agreement between  
29 the DOE and the American Public Gas Association submitted to the D.C.  
30 Circuit Court of Appeals on Jan. 11, 2013. This settlement should enable  
31 Columbia to move forward with bidding out this program.

32  
33 In addition, the WarmChoice program encountered unexpected ramp up  
34 issues as the low-income energy efficiency network dealt with a massive  
35 decrease in federal low-income Weatherization Assistance Program funds  
36 previously provided by DOE through the American Recovery and Rein-  
37 vestment Act. This led to instability and uncertainty in the program deliv-  
38 ery network's capacity to provide needed services since fewer resources  
39 were available to operate robust weatherization programs. Columbia is

1 working with its WarmChoice providers to determine how to create capaci-  
2 ty to meet the need for services.  
3

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

5 A. Columbia invested nearly \$14.1million in its DSM programs in 2012 of the  
6 \$20.2 million available.  
7

8 **Q. What are Columbia's plans for the DSM funds not invested in 2012?**

9 A. Columbia will carry forward uninvested 2012 DSM program funds for use  
10 in 2013 and beyond as programs continue to ramp up.  
11

12 **Q. Did Columbia earn shared savings from its DSM programs?**

13 A. Yes. Columbia achieved 85% of its annual natural gas savings target,  
14 making it eligible to earn 6% of the net benefit of the value of the natural  
15 gas savings.  
16

17 **Q. Please describe the shared savings mechanism approved in Case 11-5028-**  
18 **GA-UNC**

19 A. Columbia's shared savings are computed on the difference between the net  
20 present value of program lifetime energy savings minus the net present  
21 value of the program costs calculated from the Utility Cost Test. The energy  
22 estimates of savings are calculated using the formulas identified in the State  
23 of Ohio Energy Efficiency Technical Reference Manual, except where his-  
24 toric billing analyses provide well-documented savings of program perfor-  
25 mance (such as in the case of WarmChoice) and except for the Innovative  
26 Energy Solutions program, which may use energy audit calculations to de-  
27 termine savings. The recovery of the shared savings incentive is based on  
28 the following tiered levels of program achievement:

29 1. No shared savings are earned for a program that does not meet 75%  
30 of the program impacts at its prorated budgeted cost level.

31 2. 5% of the savings is earned once the program meets 75% of the pro-  
32 jected program impacts at its prorated budgeted cost level up to 85%  
33 of budgeted expenditures.

34 3. 5.5% of the savings is earned once the program meets 80% of the pro-  
35 jected program impacts at its prorated budgeted cost level up to 90%  
36 of budgeted expenditures.

37 4. 6% of the savings is earned once the program meets 85% of the pro-  
38 jected program impacts at its prorated budgeted cost level up to 95%  
39 of budgeted expenditures.

- 1           5. 6.5% of the savings is earned once the program meets 90% of the pro-
- 2           projected program impacts at its prorated budgeted cost level.
- 3           6. 7% of the savings is earned once the program meets 95% of the pro-
- 4           projected program impacts at its prorated budgeted cost level.
- 5           7. 7.5% of the savings is earned once the program meets 100% of the
- 6           projected program impacts at its prorated budgeted cost level.
- 7           8. 8.0% of the savings is earned once the program meets 105% of the
- 8           projected program impacts at its prorated budgeted cost level.
- 9           9. 8.5% of the savings is earned once the program meets 110% of the
- 10          projected program impacts at its prorated budgeted cost level.
- 11

12   **Q. Please describe the process used to track and verify shared savings.**

13   A. Columbia developed a process to track and calculate its shared savings  
14   incentive. The process gathered and tracked data for energy conservation  
15   measures installed through each DSM program. Columbia, along with its  
16   evaluation consultant, Michael Blasnik, used this data to calculate the pro-  
17   jected lifetime natural gas savings estimates using the formulas identified in  
18   the State of Ohio Energy Efficiency Technical Reference Manual, except for  
19   the WarmChoice program where historic billing analysis was used and ex-  
20   cept for Innovative Energy Solutions where the energy audit projected nat-  
21   ural gas savings were used. Columbia's shared savings were computed by  
22   taking the difference between the net present value of the program lifetime  
23   energy savings minus the net present value of the program costs calculated  
24   from the Utility Cost Test. Columbia provided the data tracking tool, in-  
25   cluding DSM program data, to its DSM evaluation consultant, Michael  
26   Blasnik, to verify that the natural gas savings complied with the approved  
27   methods for determining savings. Mr. Blasnik's testimony discusses the  
28   process used and the results of the shared savings verification process.

29  
30   **Q. Does this complete your Prepared Direct Testimony?**

31   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 electronic mail this 28<sup>th</sup> day of February 2013.

/s/Stephen B. Seiple

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