

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application )  
of Columbia Gas of Ohio, Inc. for an ) Case No. 14-2078-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 27, 2015**

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, 290 West Nationwide Boulevard, 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 in energy efficiency in 1979 and previous-  
11       ly worked for the former Ohio Department of Economic and Community  
12       Development, the Ohio Association of Community Action Agencies, and  
13       the Corporation for Ohio Appalachian Development where I worked on  
14       design, implementation, and evaluation of energy efficiency services and  
15       programs. I began my career with Columbia in 2003 as a manager of the  
16       WarmChoice program, Columbia's low-income customer weatherization  
17       program. In 2009, I assumed my current position as Manager of Demand  
18       Side Management.

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. Other 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. 13-2146-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 27, 2015,

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 2014.**

23 A. Columbia incurred costs for most of its DSM programs during 2014. 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 heated  
29 home, and a \$0.50 rebate on up to three faucet aerators per natural gas wa-  
30 ter 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 3,369 programmable thermostats, 5,713 ener-  
39 gy-efficient showerheads and 4,417 faucet aerators through the program in

1 2014. Conservation Services Group (“CSG”) marketed the program through  
2 on bill messages and local coupon books. The program also partnered with  
3 the Breathing Association to have programmable thermostats and energy  
4 efficient showerheads installed directly in customers’ homes.  
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. CSG performed energy audits for 5,892 cus-  
19 tomers, and installed 2,300 thermostats and 4,099 showerheads during the  
20 energy audit process. CSG’s contact center handled 18,236 calls from cus-  
21 tomers during 2014. Home Performance Solutions won third place in the  
22 2014 National Local Media Association’s Best New Local Contest for its  
23 Home Makeover Contest.  
24

25 Customers completing work in the Home Performance Solutions program  
26 in 2014 totaled 2,467, although energy audits that were completed late in the  
27 year will result in work being completed in 2015. The following rebates  
28 were paid to customers in 2014: 2,325 air sealing; 2,187 attic insulation; 1,472  
29 wall insulation; and, 78 high efficiency furnaces. The percentage of energy  
30 audits resulting in work from program inception through December 31,  
31 2014 averaged 50%. When adjusted for the fact that most audits in the last  
32 quarter of 2014 will result in work in 2015, the percentage of energy audits  
33 resulting in work increases to 51%. We attribute the high conversion rate to  
34 the lack of a previous program of this type in the marketplace, generous re-  
35 bates that provide incentive for customers to have energy efficiency im-  
36 provements installed, and the customers’ perceived value of the program.  
37

38 Columbia continued its contract with Mark MaGrann Associates, Inc.  
39 (“MaGrann”) in 2014 to implement its ENERGY STAR® New Homes pro-

1 gram. In 2014, the program underwent a re-branding effort and was re-  
2 named EfficiencyCrafted™ Homes. This program provides incentives to  
3 builders to construct homes to a higher standard than Ohio's building ener-  
4 gy code. Columbia collaborated with American Electric Power ("AEP"),  
5 which is also using MaGrann as its implementation contractor, to combine  
6 resources and incentives for a standardized program in the counties that  
7 both utilities share. MaGrann recruited and trained home energy raters and  
8 homebuilders to participate in the program. Columbia also offers the pro-  
9 gram in counties that are not shared with AEP. Twenty new Ohio home-  
10 builders and two new home energy rating firms enrolled in the program in  
11 2014 in addition to the previous eighty-nine homebuilders and twenty-two  
12 home energy rating firms who enrolled in the program prior to 2014. In  
13 2014, 1,991 homes were built to program standards and received incentives.  
14 An additional 3,035 homes enrolled in the program. We expect that nearly  
15 75% of those homes will be completed in 2015. This program received the  
16 United States Environmental Protection Agency ENERGY STAR® Sustained  
17 Excellence Partner of the Year award in 2014, the Central Ohio Building In-  
18 dustry Association Best Environmental Marketing award from the 27<sup>th</sup> An-  
19 nual Marketing and Merchandising Excellence, a 2014 Platinum MarCom  
20 award in the Website/Informational category for the program's website, and  
21 a 2014 Gold MarCom Award in the Marketing/Promo campaign/Branding  
22 Refresh category for the program's branding campaign.

23  
24 The Innovative Energy Solutions program provides funding for energy  
25 audits; rebates for energy efficiency improvements; funding for building  
26 commissioning; research and demonstration projects; and evaluation,  
27 measurement and verification projects for commercial and industrial build-  
28 ings, including those owned by not-for-profits and religious institutions. In  
29 2014, Columbia contracted with DNV GL to provide implementation ser-  
30 vices for the Innovative Energy Solutions program. Thirty energy audits  
31 were funded in 2014, and rebates were provided for thirty-four energy effi-  
32 ciency improvement projects. We anticipate that many of the remaining cus-  
33 tomers that had energy audits funded in 2014 will apply for rebates in 2015.

34  
35 Columbia re-contracted with the Ohio Energy Project ("OEP") in 2014 to  
36 operate its "Be E<sup>3</sup> Smart" Student Energy Efficiency Education program.  
37 OEP provided program orientation to schoolteachers throughout Colum-  
38 bia's service territory to offer a curriculum on energy efficiency to students  
39 in grades 4 to 12. Students received a kit of energy efficiency materials to in-

1 stall in their homes as part of the course curriculum to help lower their  
2 home energy usage. Kit contents include an energy-efficient showerhead,  
3 faucet and bathroom aerator, and weather stripping. During 2014, 21,004  
4 students were educated through the program. Columbia collaborated with  
5 AEP in school districts served by both utilities and shared the cost of the  
6 79% of the total kits distributed through the program. The remaining kits  
7 were funded solely by Columbia.

8

9 Columbia's low-income home weatherization program, WarmChoice®,  
10 served 1,971 households in 2014 through a network of four community  
11 based providers and their subcontractors. Customers receive a diagnostic  
12 energy and safety inspection and installation of attic, wall, floor, duct and  
13 pipe insulation, air leakage sealing, and replacement of defective natural gas  
14 fueled water and/or space heating appliances, when needed. WarmChoice  
15 received the Inspiring Efficiency Impact Award from the Midwest Energy  
16 Efficiency Alliance in 2014 for its exemplary achievements.

17

18 In 2014 Columbia continued its contract with CSG to implement its High  
19 Efficiency Heating System Replacement rebate program. This program pro-  
20 vides instant rebates to customers when they have a high efficiency natural  
21 gas furnace or boiler installed by a participating contractor. In 2014, 4,780  
22 instant rebates were provided to customers who installed high efficiency  
23 heating systems through the program.

24

25 Columbia continued its contract with OPOWER, Inc. ("OPOWER") to  
26 implement its Home Energy Reports program in 2014. The Home Energy  
27 Reports program utilizes a behavior based approach to change customer ac-  
28 tions as they pertain to energy efficiency. The program provides customers  
29 with their energy usage information, a comparison of their usage with simi-  
30 lar homes, and energy saving tips to help them take actions to reduce their  
31 natural gas usage. The program provided reports to 430,000 randomly se-  
32 lected customers in 2014.

33

34 Finally, Columbia continued its Residential Energy Code training pilot  
35 program in 2014. Columbia partnered with AEP for this pilot to share ex-  
36 penses and raise visibility for the program. The program consisted of three  
37 parts: an enhancement to the Ohio Energy Code Ambassador training pro-  
38 gram offered through the Alliance to Save Energy's Building Code Assis-  
39 tance Program, a mitigation pilot that provided best practice code support,

1 and a research approach which measured current residential energy code  
2 compliance with the new codes to determine a baseline against which pro-  
3 gress may be compared. The mitigation pilot was implemented by Ma-  
4 Grann and the research approach was implemented by The Cadmus Group.  
5 In 2014, six of the Ambassadors trained through the Ohio Energy Code  
6 Ambassador portion of the program provided eighteen in-person assistance  
7 visits to educate 422 code officials and other interested parties about Ohio's  
8 energy code. In addition, the mitigation portion of the pilot provided five  
9 training sessions to 125 homebuilders, contractors, and real estate agents  
10 during 2014.

11  
12 **Q. What are the key DSM programs on which Columbia focused its program**  
13 **ramp-up and implementation efforts in 2014?**

14 A. Columbia bid out the On-line Energy Audit program, the Energy Design  
15 Solutions program, and an updated Information Management System for  
16 the WarmChoice® program. Columbia continued to focus on ramping-up its  
17 High Efficiency Heating System Replacement program during 2014. Home  
18 Performance Solutions, ENERGY STAR® New Homes, Simple Energy Solu-  
19 tions, WarmChoice®, and Be E<sup>3</sup> Smart programs continued to receive a great  
20 deal of focus in 2014 due to their popularity with customers and the savings  
21 that they offer. Columbia continued to focus on implementation of its Inno-  
22 vative Energy Solutions program.

23  
24 **Q. What are some of the challenges that Columbia faced in implementing**  
25 **DSM programs in 2014?**

26 A. There were two primary challenges that Columbia faced in implementing  
27 its DSM programs in 2014. The first challenge was the time consuming pro-  
28 cess of negotiating contracts for some of the programs in the DSM Action  
29 Plan.

30  
31 Additionally, the WarmChoice® program continued to encounter issues as  
32 the low-income energy efficiency network dealt with a decrease in federal  
33 low-income Weatherization Assistance Program ("WAP") funds and a  
34 change to Ohio's WAP customer prioritization system that reduced the abil-  
35 ity to cost-share jobs. Columbia is working with the network to update their  
36 Information Management Systems to increase program efficiency.

37  
38 **Q. How do actual DSM costs to date compare to the DSM Action Plan?**

1 A. Columbia invested approximately \$20.5 million in its DSM programs in  
2 2014 of the \$22.0 million available.

3  
4 **Q. What are Columbia's plans for the DSM funds not invested in 2014?**

5 A. Columbia will carry forward un-invested 2012, 2013, and 2014 DSM  
6 program funds for use in 2015 and beyond to accommodate expanded mar-  
7 keting efforts and future program demand.

8  
9 **Q. Did Columbia earn shared savings from its DSM programs?**

10 A. Yes. Columbia achieved 158.9% of its annual natural gas savings target,  
11 making it eligible to earn 8.5% of the net benefit value of the natural gas sav-  
12 ings.

13  
14 **Q. Please describe the shared savings mechanism approved in Case 11-5028-**  
15 **GA-UNC**

16 A. Columbia's shared savings are computed on the difference between the net  
17 present value of program lifetime energy savings minus the net present  
18 value of the program costs calculated from the Utility Cost Test. The recov-  
19 ery of the shared savings incentive is based on the following tiered levels of  
20 program achievement:

- 21 1. No shared savings are earned for a program that does not meet 75%  
22 of the program impacts at its prorated budgeted cost level.
- 23 2. 5% of the savings is earned once the program meets 75% of the pro-  
24 jected program impacts at its prorated budgeted cost level up to 85%  
25 of budgeted expenditures.
- 26 3. 5.5% of the savings is earned once the program meets 80% of the pro-  
27 jected program impacts at its prorated budgeted cost level up to 90%  
28 of budgeted expenditures.
- 29 4. 6% of the savings is earned once the program meets 85% of the pro-  
30 jected program impacts at its prorated budgeted cost level up to 95%  
31 of budgeted expenditures.
- 32 5. 6.5% of the savings is earned once the program meets 90% of the pro-  
33 jected program impacts at its prorated budgeted cost level.
- 34 6. 7% of the savings is earned once the program meets 95% of the pro-  
35 jected program impacts at its prorated budgeted cost level.
- 36 7. 7.5% of the savings is earned once the program meets 100% of the  
37 projected program impacts at its prorated budgeted cost level.
- 38 8. 8.0% of the savings is earned once the program meets 105% of the  
39 projected program impacts at its prorated budgeted cost level.



1           9. 8.5% of the savings is earned once the program meets 110% of the  
2           projected program impacts at its prorated budgeted cost level.  
3

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

5   A.   Columbia developed a process to track and calculate its shared savings  
6       incentive. The process gathered and tracked data for energy conservation  
7       measures installed and/or energy savings achieved through each DSM pro-  
8       gram. Columbia, along with its evaluation consultant, Scott Pigg of the En-  
9       ergy Center of Wisconsin, used this data to calculate the projected lifetime  
10      natural gas savings estimates using the formulas identified in the State of  
11      Ohio Energy Efficiency Technical Reference Manual, except for the Warm-  
12      Choice program where historic billing analysis was used, the Home Energy  
13      Reports program where guaranteed contract savings were used, and Inno-  
14      vative Energy Solutions where the energy audit projected natural gas sav-  
15      ings were used. Columbia's shared savings were computed by taking the  
16      difference between the net present value of the program lifetime energy  
17      savings minus the net present value of the program costs calculated from  
18      the Utility Cost Test. Columbia provided the data tracking tool, including  
19      DSM program data, to its DSM evaluation consultant, Scott Pigg, to verify  
20      that the natural gas savings complied with the approved methods for de-  
21      termining savings. Mr. Pigg's testimony discusses the process used and the  
22      results of the shared savings verification process.  
23

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

25   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 27<sup>th</sup> day of February 2015.

/s/ Brooke E. Leslie

Brooke E. Leslie

Attorney for

**COLUMBIA GAS OF OHIO, INC.**

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