

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren)
Energy Delivery of Ohio, Inc. 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.)

**MOTION TO REDUCE THE REBATE AND SUBSIDY FOR THE VECTREN
WI-FI THERMOSTAT ENERGY EFFICIENCY PROGRAM
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

The Office of the Ohio Consumers' Counsel ("OCC") moves the Public Utilities Commission of Ohio ("PUCO" or "Commission") to decrease the \$100 rebate that 314,000 customers of Vectren Energy Delivery of Ohio, Inc. ("Utility" or "Vectren") pay (subsidize) for the participants (customers) in the Utility's Wi-Fi thermostat rebate program. The rebate program is part of the Utility's proposed natural gas Demand-Side Management ("DSM")¹ Program Portfolio for 2016. The program allows up to three \$100 thermostat rebates (\$300 in total) per household.

For reasons explained in the attached Memorandum in Support, the \$100 rebate is not a properly designed efficiency incentive for other customers to subsidize, and should be reduced. And there should be a limit of one rebate per household. Moreover, customer-funded DSM programs created years ago in a period of higher natural gas prices should be considered now in the context of historically low gas prices and plentiful supply.

¹ Demand Side Management programs typically aim to modify consumer demand for energy through various methods such as financial incentives and behavioral change.

The Ohio Consumers' Counsel, a voting member of the DSM Collaborative,² proposed a decrease in the amount of the Wi-Fi thermostat rebate and proposed a two-tiered rebate system for Wi-Fi thermostats according to technology differences affecting efficiency. Good-faith efforts to resolve the above issues ensued. Ultimately, the majority of the voting members of the Collaborative approved Vectren's proposed program for 2016, meaning that (given OCC's proposal to reduce the rebates) there is not consensus as to the appropriate rebate amount and structure for the Wi-Fi thermostat program for 2016. OCC's Motion for a PUCO resolution is limited to this one program out of the total number of programs Vectren offers as part of its Prescriptive Rebate Program.

This Motion should be granted for the reasons more fully set forth in the accompanying memorandum in support.

² "DSM Collaborative" as referred to herein, is referencing the DSM Collaborative members that meet to discuss Vectren's DSM programs. The voting members are Vectren, the Consumers' Counsel, the PUCO Staff, and the Ohio Providers of Affordable Energy ("OPAE").

Respectfully submitted,

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MEMORANDUM IN SUPPORT

I. INTRODUCTION

Ohio consumers pay for the Demand Side Management (“DSM”) programs offered by Vectren. Especially at a time when natural gas prices are at historic lows, Vectren’s proposal to offer \$100 rebates that would be used by a very small subset of customers is unreasonable, for reasons explained below. And Vectren’s proposal to allow up to three \$100 rebates per household,³ to be subsidized by other customers, is unreasonable.

The PUCO should reduce the Wi-Fi thermostat rebate below \$100.⁴ Also, the PUCO should require Vectren implement a two-tiered rebate system for Wi-Fi thermostat rebates. For one tier, customers who purchase an adaptive⁵ Wi-Fi thermostat (like the Nest, Echobee3, and Honeywell Lyric) would receive a \$50-dollar rebate. For the other

³ See https://www.vectren.com/Save_Energy/Residential_Rebates_&_Incentives/Residential_Rebates.jsp, attached.

⁴ Ohio Adm. Code 4901-1-12 provides that a party may file a motion for the PUCO’s consideration.

⁵ An “adaptive” Wi-Fi thermostat may have sensors to detect whether the consumer is home or away. These adaptive thermostats offer the prospect of greater efficiency by, for example, learning about the customer’s need for heating.

tier, customers who purchase a non-adaptive Wi-Fi thermostat would receive a \$20 dollar rebate.

OCC further proposed to the Collaborative that the rebate for non-Wi-Fi programmable thermostats be reduced from \$20 to \$10. But OCC is not asking the PUCO to resolve this issue now.

Currently, Vectren offers one rebate level (\$100 dollars) to customers, regardless of the type of Wi-Fi thermostat a customer purchases. Many Wi-Fi thermostats on the market are priced around \$100.⁶ This pricing means that, instead of being an incentive for a consumer to invest in efficiency, the rebate can essentially defray the *entire* cost of a thermostat (or thermostats plural, considering that Vectren allows a household to obtain up to three rebates).

II. BACKGROUND

Vectren is in its eighth year of offering energy efficiency natural gas DSM programs to customers. These programs are entirely customer-funded, meaning customers are charged (through both base rates and through Vectren's Energy Efficiency Funding Rider "EEFR")⁷ by the Utility in order to pay for the programs.⁸

Vectren's DSM portfolio includes programs for residential, commercial, and low-income customers. One of the Utility's specific residential program offerings is the

⁶ For example, the Honeywell Wi-Fi 7-Day Programmable Thermostat retails for \$100 <http://www.homedepot.com/p/Honeywell-Wi-Fi-7-Day-Programmable-Thermostat-Free-App-RTH6580WF/203556922>.

⁷ See Case No. 07-1080-GA-UNC, Opinion and Order, at 12 (January 7, 2008).

⁸ Case No. 07-1080-GA-UNC, Stipulation and Recommendation at 6 (September 8, 2008).

Residential Prescriptive Rebate Program, which targets single-family residential homes and multi-family properties.

The Residential Prescriptive Rebate Program is designed to influence customer purchasing decisions when replacing existing or installing new equipment. Financial incentives are designed to spur investment by the consumer in energy efficient products that, but for the rebate, would otherwise be inhibitive because of up-front costs. Vectren offers the \$100 Wi-Fi thermostat rebate as part of the Residential Prescriptive Rebate Program.

Vectren's DSM Collaborative originated in Case No. 05-1444-GA-UNC.⁹ In that case, it was determined that the voting Collaborative members would be Vectren, OCC, the PUCO Staff, and the Ohio Partners for Affordable Energy ("OPAE").¹⁰ The Collaborative members are asked to vote on issues. In the event of non-consensus among Collaborative members, there is a dispute resolution process applicable here (also established in Case No. 05-1444-GA-UNC).

Members of the Collaborative shall make a good faith effort to resolve any disputes through the Collaborative. If a dispute remains after good faith efforts to resolve the dispute, any member of the Collaborative may bring the dispute to the Commission's attention and seek such informal or formal action as the member deems necessary to resolve the dispute. The judgment of a majority of the Collaborative shall control unless and until such judgment is abrogated or modified by the Commission.¹¹

⁹ See Case No. 05-1444-GA-UNC, Stipulation and Recommendation at 5 (April 10, 2006).

¹⁰ Interstate Gas Supply and Stand Energy Corporation were later added as non-voting members in Case No. 07-1080-GA-UNC, Stipulation and Recommendation, footnote 4 at 6 (September 8, 2008).

¹¹ Case No. 05-1444-GA-UNC, Stipulation and Recommendation at 5 (April 10, 2006).

Subsequently, in Case No. 07-1080-GA-AIR, the parameters for the DSM Collaborative were further established. In this regard, it was determined that the Collaborative will monitor the implementation of Vectren's energy efficiency programs.

In addition, the Collaborative, at least annually, "will consider and make recommendations regarding additional program funding as well as reallocation of funding among the programs included in the Application, programs that may be funded through the EEFR [Energy Efficiency Funding Rider] and other programs, after review, evaluation and recommendation by the Collaborative."¹² In a key point for our purposes here, the PUCO expounded on program objectives in its Opinion and Order adopting the settlement from Case 07-180-GA-AIR. There, the PUCO found that "As part of its review, the collaborative should develop energy efficiency program design alternatives and should consider those alternatives in a manner that strikes a **balance** between cost savings and any negative ratepayer impacts." (Emphasis added) The PUCO also found that the Collaborative should consider how to best ensure that "programs are implemented efficiently."¹³

Vectren proposed its DSM Operating Plan for 2016 at the December 2, 2015 Collaborative Meeting. One component of the proposed Operating Plan included the \$100 rebate for Wi-Fi thermostats.¹⁴ Subsequently, OCC became aware that Vectren allows up to three \$100 rebates (\$300 total) per household and subsidized by other customers. Vectren asked the Collaborative members to provide a "vote" on Vectren's

¹² Case No. 07-1080-GA-UNC, Stipulation and Recommendation at 6 (September 8, 2008).

¹³ Case No. 07-1080-GA-UNC, Opinion and Order at 13 (January 7, 2009).

¹⁴ Vectren's Wi-Fi thermostat rebate program began in 2015.

Operating Plan. Vectren later advised that the majority of the Collaborative members had voted in favor of its proposal.¹⁵

On December 18, 2015, OCC provided its vote on the Utility's proposal to the Collaborative. Specifically, OCC voted to reduce the Wi-Fi thermostat rebate amount below \$100. And OCC recommended that Vectren implement a tiered rebate system for Wi-Fi thermostats to reflect the differing technologies and differing energy savings potential of the technologies—being \$50 for higher technology and \$20 for lesser technology. OCC also recommended reducing the rebate amount for non-programmable thermostats from \$20 to \$10 (but OCC is not asking the PUCO to reach this issue, while reserving its rights for the future).¹⁶

Further, OCC, in its letter of December 18, 2015, proposed transitioning to a competitive procurement of DSM programs for low-income customers to ensure minimizing costs to customers paying the program subsidy.¹⁷ Vectren responded that it will make this issue a Collaborative topic in April 2016, and OCC will await the resolution of that discussion topic before seeking a PUCO resolution, if needed. OCC did not propose to amend or decrease the amount of the Vectren DSM program budget allocated towards programs for low-income customers.

On December 23, 2015, Vectren responded by email to OCC's proposals. Vectren rejected OCC's Wi-Fi thermostat proposal stating that it would be "premature and

¹⁵ The PUCO Staff indicated no opposition to Vectren's 2016 Proposed Operating Plan. OPAE also supported the 2016 portfolio and budget as proposed by Vectren. OPAE did indicate in its December 22, 2015 correspondence to the Collaborative that it does not believe that programmable thermostats require incentive support.

¹⁶ OCC's Motion for a PUCO resolution is limited to this one program out of the total number of programs Vectren offers as part of its Prescriptive Rebate Program.

¹⁷ See, e.g., Testimony of PUCO Staff witness Scheck at 3-5, in *FirstEnergy*, Case No. 14-1297-EL-SSO (September 18, 2015).

somewhat arbitrary to make the recommended changes prior to the evaluation of the 2015 Wi-Fi Thermostat program.” Ultimately, Vectren informed OCC that a majority of the collaborative had voted for Vectren’s proposal (though OPAE does not believe that programmable thermostats require support). On December 31, OCC referenced the need for a PUCO resolution, in an email. And on January 7, 2016, OCC informed the Collaborative members of its intention to promptly ask the PUCO to modify Vectren’s Wi-Fi thermostat rebate program. OCC also asked Vectren to confirm whether its intention is to allow a household to obtain up to three customer-funded \$100 rebates for up to three Wi-Fi programmable thermostats per household in 2016. OCC advised that, if so, OCC would ask the PUCO to limit the \$100 Wi-Fi rebate to one per household. Vectren then confirmed its intention to offer three \$100 Wi-Fi rebates per household.

III. ARGUMENT

A. The \$100 Wi-Fi rebate program should be brought into balance for customers subsidizing the rebate, by reducing the rebate and subsidy.

1. The context for the PUCO’s decision should include that natural gas prices are at historic lows and the benefits to non-participating customers (who subsidize the programs) are not as prevalent as in the electric industry.

OCC supports reasonable DSM programs for providing energy savings to participating consumers. But OCC’s support (whether for natural gas or electric programs) is not unlimited. DSM programs should be properly designed. And OCC is cognizant that Ohio consumers pay a subsidy to fund these programs. Further, it is relevant that natural gas prices are at historic lows.

Natural gas is an industry where benefits to the many consumers who are non-participants in the efficiency programs (but who pay the subsidy) are not nearly as prevalent as in the electric industry. In this regard, PUCO Staff witness Puican testified, regarding Vectren's early program proposals, that "as a general proposition, [natural gas DSM programs] do not provide the type of system-wide benefits that justify a rider attached to all customer bills."¹⁸

When Vectren's gas DSM program was first implemented, DSM had more significance because consumers were paying high prices for natural gas. The price Vectren's consumers paid for gas (the Gas Cost Recovery ("GCR") price) even had some spikes as high as \$1.25392/ccf in 2005¹⁹ and \$1.40774/ccf in 2008.²⁰ But the price of natural gas has significantly decreased. And as of December 2015, Vectren was charging consumers \$0.34884/ccf.²¹ Thus, the justification for having consumers subsidize natural gas DSM programs was stronger some years ago, when customers could avoid paying the higher natural gas prices.²²

2. A rebate should be an incentive and not a "giveaway."

Vectren's Wi-Fi thermostat rebate is, at \$100, too high. Consider that a consumer can purchase a non-adaptive Wi-Fi thermostat ranging in price from \$99.98-\$265.00 at the Home Depot, and pay \$109.14 for White Rodgers Model # 1F86U-42WF on

¹⁸ Case No. 05-1444-GA-UNC, Puican Testimony (March 20, 2006).

¹⁹ Case No. 05-0220-GA-GCR, October 2005 Monthly EGC Filing, (September 15, 2005).

²⁰ Case No. 08-0220-GA-GCR, July 2008 Monthly EGC Filing, (June 17, 2008).

²¹ Case No. 15-0220-GA-EXR, Tariff Page No. 3 Standard Choice Offer/SCO Rider for December 2015, (November 25, 2015).

²² See, e.g., "Columbia Gas of Ohio Customers to see Lowest January Natural Gas Price in 20 Years" <https://www.columbiagasohio.com/about-us/news-room/news/2016/01/12/columbia-gas-of-ohio-customers-to-see-lowest-january-natural-gas-price-in-20-years>

Amazon.²³ With Vectren's rebate, a consumer can choose to be reimbursed for the entire cost of a thermostat. This approach of making the efficiency device free to the customer is contrary to the idea of a rebate, which is to encourage a consumer to make a purchase where the customer uses some of his or her own money. It is not reasonable for the rebate amount to be at or nearly 100% of the full price of a thermostat.

The Wi-Fi thermostat rebate is also unreasonably high when compared to some of Vectren's other rebate offerings, where the incentive approach is apparent. For instance, Vectren offers a \$300 rebate²⁴ for a furnace that costs \$3,881 (or, 7% of the cost of the furnace). Vectren offers a \$300²⁵ rebate to consumers who purchase a new boiler (which can cost around \$3,200) – about 9% of the cost of the boiler. But Vectren's Wi-Fi thermostat rebate (of \$100) can cover up to 100% of the cost of the technology.²⁶ This is unreasonable.

3. A tiered rebate structure is appropriate and should be implemented as an appropriate mechanism for efficiency programs and to limit the subsidy charges to consumers.

The PUCO should order Vectren to implement a two-tiered rebate system for Wi-Fi thermostat. For one tier, customers who purchase an adaptive Wi-Fi thermostat (like the Nest, Echobee3, and Honeywell Lyric) would receive a \$50-dollar rebate. For the other tier, customers who purchase a non-adaptive Wi-Fi thermostat would receive a \$20-dollar rebate.

²³ <http://www.amazon.com/Sensi-Wi-Fi-Programmable-Thermostat-1F86U-42WF/dp/B00HHE60CE>.

²⁴ https://www.vectren.com/Save_Energy/Residential_Rebates_&_Incentives/Residential_Rebates.jsp.

²⁵ Id.

²⁶ For example, if a consumer purchases a more expensive Wi-Fi thermostat, like the Nest Learning Thermostat with built in Wi-Fi (which retails for \$249),²⁶ Vectren is providing a rebate that is 40% of the cost of the equipment.

And the Vectren/Collaborative allowance of up to three rebates (\$300 in total) per household should be limited to a single rebate per household. Here, the reasons stated for achieving a properly designed incentive and ensuring that the subsidy paid by other customers is put to its best use are all the more applicable.

OCC's recommendation is consistent with the definition of the Residential Prescriptive Rebate Program that is designed to influence customer purchasing decisions (through the use of rebates) for energy efficiency products. The recommendation also reflects that adaptive Wi-Fi thermostats have the potential to capture more energy savings for customers than non-adaptive models.²⁷ The program should promote these adaptive thermostats by using a higher level rebate than for non-adaptive thermostats.

IV. CONCLUSION

The Ohio Consumers' Counsel supports reasonable DSM programs for providing energy savings. And OCC appreciates the opportunity to work with the Collaborative on consumer issues. But the PUCO, as it stated by Order, should balance the interests of program participants with the interests of the customers who are subsidizing the rebates to program participants.

Therefore, the PUCO should grant OCC's Motion. Vectren's proposal for a Wi-Fi thermostat rebate of \$100 is unreasonable and should be reduced. A two-tiered rebate system (reflecting the higher efficiency of adaptive Wi-Fi thermostats) should be

²⁷ T. Galvin and P Goodman, "Don't Be Fooled Again with Thermostats: Market Review, Design Considerations, and Early Findings of Savings Potential for Smart Thermostats," September 22, 2015. http://aceee.org/sites/default/files/pdf/conferences/eeer/2015/Pace_Goodman_Session6D_EER15_9.22.15.pdf. Also, see table 3 on page 11 of J. Woolley et al, "Why Occupancy-Responsive Adaptive Thermostats Do Not Always Save - and the Limits for When They Should," <http://aceee.org/files/proceedings/2014/data/papers/3-490.pdf>

implemented because it is consistent with appropriate design of efficiency incentives, because it will minimize subsidy payments from customers and because it will put customer funding (subsidies) to the best use. These reasons are all the more applicable to Vectren's allowance of three \$100 rebates per household, and therefore rebates should be limited to one per household.

Here, the PUCO should strike a reasonable balance for consumers by reducing the rebates and thereby reducing what consumers subsidize for the rebates.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Motion has been served upon the below-named persons via electronic service this 12th day of January, 2016.

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Residential Rebates

Select the button below to apply for rebates. Before purchasing new equipment, please ensure you meet all eligibility guidelines outlined on the rebate form. [View Complete Eligibility Guidelines](#)

Apply Online

* The online application is for residential account holders only. Contractors submitting rebates on behalf of a residential account holder will need to utilize the printable rebate forms.

Equipment Rebates

\$100 - Wi-Fi Enabled Thermostat [List of Qualifying Products](#)

Must have Wi-Fi capability for programming and adjusting remotely. See list of qualifying products.

\$20 - Programmable Thermostat (Existing Homes Only) [List of Qualifying Products](#)

See list of known pre-qualified models. Newly constructed homes are not eligible for rebate. Home must use natural gas for all space heating needs. Programmable thermostats must be digital and have the following features:

- Wake, day, evening and sleep daily settings
- Week day vs. weekend setting (5-2, 5-1-1)
- Override or hold setting

\$350 - Natural Gas Furnace [List of Qualifying Products](#)

Must have AFUE rating of at least 97%. Dual fuel systems are not eligible. Home must use natural gas for all space heating needs.

\$250 - Natural Gas Furnace [List of Qualifying Products](#)

Must have AFUE rating of 95-96.99%. Dual fuel systems are not eligible. Home must use natural gas for all space heating needs. Rebate not available to new construction homes.

\$500 - Natural Gas Boiler [List of Qualifying Products](#)

Must have an AFUE rating of at least 95%. Primary use must be for space heating.

Home Insulation & Air Sealing Rebates

All work must be completed by a participating contractor who has been program-trained and approved. Choose one of the program-approved participating contractors to get started.

[Program Approved Contractor List](#)

If you are a contractor who would like to become program-trained and approved, please contact 1-855-785-3080 for more information.

Rebate Details	Instant Discount	Bonus Discount	Maximum Discount
Air Sealing	\$40 / Hr.	\$10 / Hr.	\$250
Wall Insulation	\$0.40 / ft²	\$0.20 / ft²	\$700
Attic Insulation R-32+	\$0.50 / ft²	\$0.30 / ft²	\$600
Attic Insulation R-25 to R-31.9	\$0.40 / ft²	\$0.20 / ft²	\$600
Attic Insulation R-19.5 to R-24.9	\$0.30 / ft²	\$0.15 / ft²	\$600

To qualify for bonus discounts, the homeowner must complete more than one qualified improvement. Bonus discounts are offered in addition to the instant discount, up to the maximum discount amount.

Added Value Bonus

As an added value to insulation and air sealing improvements; a package of additional energy saving products is available for only \$25. The following will be installed as part of the low cost add on package:

- Programmable thermostat
- Up to two energy efficient showerheads*
- Up to three faucet aerators*
- Pipe wrap *

*Available to gas water-heating customers

Printable Rebate Forms

Print, complete and submit the rebate form corresponding with the date of equipment purchase and installation. Please use separate forms for each rebate request.

[Equipment Rebates \(2016\)](#)
[Equipment Rebates \(2015\)](#)

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