

**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        )  
Increase the Rates and Charges for Gas)  
Service and Related Matters.                    )

Case No. 07-1080-GA-AIR

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**OHIO PARTNERS FOR AFFORDABLE ENERGY’S  
MEMORANDUM CONTRA  
THE OFFICE OF THE OHIO CONSUMERS’ COUNSEL’S  
MOTION TO REDUCE THE REBATE AND SUBSIDY FOR THE  
VECTREN WI-FI THERMOSTAT ENERGY EFFICIENCY PROGRAM**

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**INTRODUCTION**

Ohio Partners for Affordable Energy (“OPAE”), a party in the above-referenced docket and a member of the Vectren Collaborative, hereby submits this memorandum contra the motion filed by the Office of the Ohio Consumers’ Counsel (“OCC”) on January 12, 2016.

The Public Utilities Commission of Ohio (“Commission”) issued an initial Opinion and Order on September 13, 2006 in Case No. 05-1444-EL-UNC, approving with modifications a stipulation filed by parties on April 10, 2006. The Staff of the Commission did not support the stipulation. The original application filed by Vectren Energy Delivery of Ohio (“VEDO”) and the subsequent stipulation included a two-year Conservation Program, and authorized creation of the Vectren Collaborative to monitor the efficiency

programs. VEDO committed to filing a case within the next two years to continue the programs.

The Commission altered the stipulation in the Opinion and Order. The modifications eliminated the bulk of the Conservation Program and the ratepayer funding supporting the initiative, instead increasing Vectren's contribution to the program from \$970,000 to \$2 million and targeting the funding to programs for low-income customers. The Commission also approved a decoupling rider

After a round of applications for rehearing, the Commission affirmed its decision on November 8, 2006. OCC exercised its right to withdraw per the terms of the stipulation, scuttling the initial agreement on December 8, 2006. Thereafter, a second stipulation was filed on December 21, 2006, which embodied the terms approved by the Commission in the April 10, 2006 Opinion and Order. After a series of filings, an amended stipulation was filed on January 12, 2007 ("January Stipulation"). On June 27, 2007 the Commission issued an Opinion and Order approving the January Stipulation. The Vectren Collaborative was established as a result of the decision.

Subsequently, VEDO filed the instant case. The majority of parties, including OPAE and OCC, filed a stipulation on September 8, 2008, which was approved by the Commission on January 7, 2009. Among the

provisions of the approved stipulation, an Energy Efficiency Funding Rider (“EEFR”) was authorized, as were a series of energy efficiency programs as included in the application and negotiated among the parties, hereinafter referred to as the Demand-Side Management (“DSM”) Portfolio.

The Vectren Collaborative, established in Case No. 05-1444-GA-UNC, was tasked with monitoring the implementation of the energy efficiency programs. The Commission provided direction to the Collaborative as follows:

At least annually, the Collaborative will consider and make recommendations regarding additional program funding as well as reallocation of funding among the programs included in the Applications, programs that may be funded through the EEFR and other programs, after review, evaluation and recommendation by the Collaborative. Stipulation at 8.

Over time, the DSM Portfolio has evolved but has always included a Residential Prescriptive Rebate Program (“Rebate Program”) which now includes Wi-Fi enabled thermostats as an eligible measure. The Rebate Program and most other programs have met or exceeded the projected savings, and the DSM Portfolio has consistently performed well. VEDO regularly conducts industry-standard monitoring, verification, and evaluation of the programs, providing these results to the Vectren Collaborative. The Collaborative also reviews the annual Portfolio, which has been consistently approved.

OPAE has extensive experience in the development and delivery of efficiency programs, and based on that experience and third-party evaluations, has determined that the portfolio as managed by Vectren has benefitted customers in a cost-effective manner. OPAE supports the programs included in the 2016 DSM Portfolio as proposed by Vectren and approved by a majority of the Collaborative. OPAE opposes the motion filed by OCC to modify the thermostat rebate program as proposed by Vectren and urges it be rejected.

## **ARGUMENT**

### **I. OCC fails to demonstrate that the rebate levels included for Wi-Fi thermostats in the 2016 DSM Portfolio are unreasonable.**

OCC's opposition to continuing the rebate levels for Wi-Fi thermostats included in the 2015 DSM Portfolio into 2016 appear based on three arguments: 1) current natural gas prices are low; 2) natural gas DSM programs provide fewer benefits to non-participating customers when compared to electric programs; and, 3) the rebate is too high. None of these arguments undermine the efficacy of VEDO's DSM Portfolio, the Rebate Program, or the level of the rebate for Wi-Fi thermostats.

It is indisputable that natural gas prices are low, especially when compared to the natural gas prices paid by customers at the time the Commission originally authorized VEDO to implement low income and other DSM programs. This does not, however, justify eliminating the

programs. Investment in DSM when natural gas prices are low makes tremendous sense because efficiency is insurance against future price increases. OCC has advocated for natural gas DSM for some time, withdrawing from the original stipulation in Case No. 15-1444-GA-UNC only when the Commission removed the non-low income programs from the Conservation Program agreed to by parties. VEDO worked with OCC, OPAE and other parties in the Vectren Collaborative to develop and subsequently submit a DSM Portfolio that the Commission approved and in which the majority of program funding targets non-low income customers.

The argument against natural gas DSM made by Staff Witness Puican in Case No. 15-1444-GA-UNC has since been rejected by the Commission per guidance from the General Assembly. Electricity programs save customers kilowatt hours and reduce capacity needs, both of which provide benefits to customers. Mr. Puican then believed, and now OCC apparently agrees, that absent a reduction in capacity costs which benefits all customers, including non-participants, DSM programs do not benefit all customers. Factually this is incorrect. Reductions in demand by virtue of simple economics reduce prices, particularly if the DSM programs are operated at scale. The fact that an enormous decrease in natural gas

prices in this region dwarfs the impact of DSM does not mean that DSM has no impacts that benefit all customers.

Natural gas DSM, like all utility efficiency programs, promotes market transformation by increasing the market penetration of new technologies. This benefits all customers. Low income programs were key to creating the market for compact fluorescent lighting. Utility programs have been demonstrated to increase the market share of high efficiency furnaces, measures that reduce hot water usage, and the use of programmable or Wi Fi thermostats. Market transformation ultimately benefits all customers by reducing technology costs, increasing availability, developing a network of installers, and making customers aware of higher efficiency options. The market transformation impacts of gas utility programs are well documented.<sup>1</sup>

The General Assembly has recognized the importance of natural gas DSM programs. R.C. 4929.02(4) makes it the policy of the State of Ohio to "[e]ncourage innovation and market access for cost-effective supply- and

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<sup>1</sup> NEEA's Definition of Market Transformation, [https://docs.google.com/viewer?url=http%3A%2F%2Fneea.org%2Fdocs%2Fdefault-source%2Fmarketing-toolkits%2Fneea\\_definition\\_of\\_markettransformation.pdf%3Fsvrsn%3D2](https://docs.google.com/viewer?url=http%3A%2F%2Fneea.org%2Fdocs%2Fdefault-source%2Fmarketing-toolkits%2Fneea_definition_of_markettransformation.pdf%3Fsvrsn%3D2); Nadel, Steven, Jennifer Thorne, Harvey Sachs, Bill Prindle, and R. Neal Elliott, *Market Transformation: Substantial Progress from a Decade of Work*, ACEEE Report No. A036 (April 2003), [https://docs.google.com/viewer?url=http%3A%2F%2Fwww.qualenergia.it%2FUserFiles%2FFiles%2FEf\\_Ge\\_01\\_Market\\_transformation\\_2003.pdf](https://docs.google.com/viewer?url=http%3A%2F%2Fwww.qualenergia.it%2FUserFiles%2FFiles%2FEf_Ge_01_Market_transformation_2003.pdf). See also, *Residential Heating and Cooling Systems: Initiative Description*, Consortium for Energy Efficiency (May 28, 2015) for the details of a market transformation program that is currently being implemented. [https://docs.google.com/viewer?url=http%3A%2F%2Flibrary.cee1.org%2Fsites%2Fdefault%2Ffiles%2Flibrary%2F12006%2FCEE\\_ResidentialHeatingAndCoolingSystemsInitiative\\_May2015.pdf](https://docs.google.com/viewer?url=http%3A%2F%2Flibrary.cee1.org%2Fsites%2Fdefault%2Ffiles%2Flibrary%2F12006%2FCEE_ResidentialHeatingAndCoolingSystemsInitiative_May2015.pdf)

demand-side natural gas services and goods.” O.A.C. 4901:1-19-13(B) requires that an application for a revenue decoupling mechanism, which was granted to VEDO in Case No. 05-1444-GA-UNC, “establishes, continues, or expands an energy efficiency or energy conservation program.” The State Policy and Commission rules apply whether gas prices are high or low, and whether all customers directly benefit. The General Assembly has made a policy determination that investments in natural gas DSM are required because it is in the public interest.

That leaves the final argument advanced by OCC, that the rebates are too high. First, OCC fails to demonstrate that the rebates are higher than other gas utility programs in and out of Ohio. There is no evidence provided by OCC that this is the case. OCC simply points to the fact that the rebates are equal to the price of some of the thermostats stocked in hardware stores. However, information provided to the Collaborative indicated that a large percentage of the rebates went for Wi Fi thermostats installed by contractors. That raises the cost far above what a do-it-yourselfer pays for a unit. In advance of the evaluation, there is no data on the number of customers that bought the thermostats but never claimed the rebate, an aspect of a market transformation program. Those customers still benefited by the product being available in the store. Rebate programs advertise new technologies, make sure stores stock

them, and result in contractors learning how to install and sell the device. It is more than a subsidy.

VEDO will be evaluating the rebate program and the rebate levels as a part of its 2016 evaluation plan. OPAE supports keeping the rebates at current levels until an evaluation is completed that provides information on the market in the VEDO service territory, the effectiveness of the program, and recommendations on the size of rebates in the future. VEDO has consistently altered programs based on recommendation from third-party evaluations. For example, the furnace rebate program has changed over the years in recognition of increases in efficiency standards. A good evaluation requires a year of pre-installation data and a year of post-installation data, along with an in-depth review of market conditions and discussions with vendors and the contractors that install the measures. With the upcoming evaluation, it will be possible to determine the effectiveness of the rebates. OCC ignores the impact that changing rebates midstream can have on the evaluation process.

OCC also argues that because a customer can qualify for up to three rebates, the program is somehow inherently flawed. Most low income families are renters. OPAE would love to see landlords purchasing and installing new technology thermostats that support efficiency in multiple homes. Curiously, Collaborative members were provided with a complete



dataset on the Wi Fi thermostat program, yet OCC points to no examples of a customer receiving more than one rebate.

OCC fails to demonstrate the incentives are out of line with other programs or inappropriate in the VEDO service territory. It provides no information on the market penetration of Wi Fi thermostats and no analysis of how current rebates affect market transformation. All customers ultimately benefit from hastening the market penetration of new efficiency technologies. The upcoming evaluation will provide the information necessary for VEDO and the Collaborative to make a rational decision.

Nothing in OCC's motion supports the contention that the Wi Fi rebate or any other component of VEDO's Portfolio is inappropriate. The programs in VEDO's DSM Portfolio are all cost-effective, even at the low natural gas prices customers are paying. Natural gas utilities with alternative rate plans are required to have DSM programs. A majority of the Collaborative supports the 2016 Plan as proposed. OPAE recommends the motion be denied.

## **II. Low Income Weatherization**

OCC references a letter sent to VEDO and repeats a bald assertion that VEDO's low income weatherization program should be bid out to insure costs are minimized. This indicates a lack of understanding of what constitutes best practices in delivering low income weatherization

programs and how they operate. Utility programs for vulnerable customers, particularly natural gas weatherization, are combined with the federal funding provided to the Home Weatherization Assistance Program (HWAP) managed by the State. Ohio pioneered this approach in the mid-1980s. The program design of the VEDO and Dominion East Ohio programs are based on Warm Choice®, the Columbia Gas low income weatherization program that has twice been recognized by the American Council for an Energy Efficient Economy as an exemplary program.<sup>2</sup> All the nonprofit agencies delivering services under the Vectren program are subgrantees under HWAP, consistent with the Warm Choice model. Delivering the programs in combination provides multiple benefits, including increasing the number of units weatherized and the level of savings above what two separate programs could achieve. The VEDO program is able to take advantage of the extensive training provided by HWAP, the Standard Work Specification (“SWS”) which govern the work of HWAP agencies, and a host of other technical and safety requirements that many for-profit contractors ignore. OPAE looks forward to the

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<sup>2</sup> Nowak, Seth, Martin Kushler, Patti Witte, and Dan York, *Leaders of the Pack: ACEEE's Third National Review of Exemplary Energy Efficiency Programs*, American Council for an Energy Efficiency Economy Report No. U132 (June 2013) at 19, 173. <http://aceee.org/research-report/u132>; Kushler, Martin, Dan York, and Patti Witte, *Meeting Essential Needs: The Results of a National Search for Exemplary Utility-Funded Low-Income Efficiency Programs*, American Council for an Energy Efficiency Economy Report No. U053 (September 2005) at 47. <http://aceee.org/sites/default/files/publications/researchreports/U053.pdf>.

opportunity to educate Collaborative members on what are state-of-the-art programs.

Bidding will not minimize the cost of the VEDO programs, if for no other reason that the funding levels were agreed to by the parties, including OCC, and approved by the Commission in prior cases. For-profit providers have to make a profit; every dime a nonprofit agency takes in is spent for charitable purposes. Ultimately, the question is what kind of bang do ratepayers get for their buck. The information that OPAE is developing for the Collaborative in April will clearly demonstrate that bidding is no panacea, and the best way to deliver low income weatherization is to use the most experienced providers, agencies that have demonstrated a long-term commitment to moving clients out of poverty and ameliorating the impacts of poverty on those on fixed incomes or with disabilities that prevent them from effectively participating in the job market.

The nonprofit agencies serving VEDO's low income customers are committed to providing the best services. It is not a job, it is a mission. Best practice in the industry is to combine federal, state and utility programs to provide comprehensive services. Combining programs ensures ratepayers get more than they pay for utility programs alone.

## CONCLUSION

The Commission should reject OCC's motion to modify rebates for new technology thermostats. The motion lacks any information supporting the contention that the rebates are too high. The motion implies that DSM programs should not be funded by ratepayers when gas prices are low and when all customers do not directly benefit from the programs. State law requires utilities operating under alternative regulation to offer ratepayers DSM opportunities because it is good public policy. Nothing in the statute or implementing rules conditions this requirement on natural gas prices or the impact on non-participants. VEDO programs are cost-effective and well run. Until the planned evaluation of the rebate program is completed it would be premature to make any changes.

Respectfully submitted,

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### **Certification of Service**

The undersigned hereby certifies that the forgoing Memorandum Contra was served upon the parties of record identified below in this case on this 27<sup>th</sup> day of January, 2016.

*David C. Rinebolt*\_\_\_\_\_

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Summary: Memorandum Memorandum Contra the Office of the Ohio Consumers' Counsel's Motion to Reduce the Rebate and Subsidy for the Vectren Wi-Fi Thermostat Energy Efficiency Program. electronically filed by Mr. David C Rinebolt on behalf of Ohio Partners for Affordable Energy