

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application)
of Columbia Gas of Ohio, Inc. for an) Case No. 15-1918-GA-RDR
Adjustment to Rider IRP and Rider)
DSM Rates)

**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 26, 2016

Attorneys for
COLUMBIA GAS OF OHIO, INC.

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

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

2 A. John A. Laverty, 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 Man-**
21 **agement?**

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. 14-2078-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, Ex-
36 penditures by Month, filed by Columbia in this proceeding on February

1 26, 2016, and to support the reasonableness of Columbia’s request for Rid-
2 er DSM 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
15 gas usage and bills as a result of the implementation of energy efficiency
16 measures. Other customer benefits include improved health, safety, hous-
17 ing affordability, and building durability, as well as reduced greenhouse
18 gas emissions, moderation of Percentage of Income Payment Plan arrear-
19 ages, and job creation and economic development, among others.

20

21 **Q. Please provide a brief description of each of the DSM programs for**
22 **which Columbia has incurred costs during 2015.**

23 A. Columbia incurred costs for most of its DSM programs during 2015.

24

25 Columbia’s low-income customer home weatherization program,
26 WarmChoice®, served 2,085 households in 2015 through a network of four
27 community based providers and their subcontractors. Customers receive a
28 diagnostic energy and safety inspection and installation of attic, wall,
29 floor, duct and pipe insulation, air leakage sealing, and replacement of de-
30 fective natural gas fueled water and/or space heating appliances, when
31 needed. Customers served during 2015 received the following services:
32 1,462 customers received attic insulation, 877 customers received wall in-
33 sulation, 443 customers received floor insulation, and 737 customers re-
34 ceived a heating system replacement. All customers who received services
35 through WarmChoice received a quality assurance inspection by their
36 WarmChoice provider after all heating work was completed, and again af-
37 ter all weatherization work was completed. Additionally, seven percent of
38 homes that received WarmChoice services in 2015 also had a quality as-
39 surance inspection completed by Columbia staff which includes a com-

1 plete inspection of all heating and weatherization work completed at the
2 home.

3
4 The Home Performance Solutions program provides low-cost energy
5 audits, programmable thermostats and high-performance, energy-efficient
6 showerheads installed during the energy audit (if needed), and rebates for
7 high-efficiency gas furnaces and boilers, air sealing, and attic and wall in-
8 sulation targeted to customers with higher than average natural gas us-
9 age. CLEAResult, formerly Conservation Services Group, is Columbia's
10 implementation contractor for this program. CLEAResult has on-staff and
11 independent energy auditors located strategically throughout Columbia's
12 service territory to perform the residential customer energy audits and in-
13 stall the programmable thermostat and energy-efficient showerheads, if
14 needed. CLEAResult also recruits, manages, and trains the HVAC and in-
15 sulation contractor network, processes rebates, maintains a database of
16 customers served and transactions processed, and performs quality assur-
17 ance inspections of completed work. CLEAResult performed energy au-
18 dits for 4,792 customers, and installed 1,618 programmable thermostats
19 and 3,065 showerheads during the energy audit process. CLEAResult's
20 contact center handled 15,529 calls from customers during 2015.

21
22 Customers completing work in the Home Performance Solutions program
23 in 2015 totaled 1,886, although energy audits that were completed late in
24 the year will result in work being completed in 2016. The following re-
25 bates were paid to customers in 2015: 1,719 air sealing; 1,609 attic insula-
26 tion; 1,100 wall insulation; and, 144 high efficiency furnaces. The percent-
27 age of energy audits resulting in work from program inception through
28 December 31, 2015 averaged 49%. We attribute the high conversion rate to
29 the lack of a previous program of this type in the marketplace, rebates that
30 provide incentive for customers to have energy efficiency improvements
31 installed, and the customers' perceived value of the program.

32
33 Columbia continued its contract with Mark MaGrann Associates, Inc.
34 ("MaGrann") in 2015 to implement the EfficiencyCrafted™ Homes pro-
35 gram. This program provides incentives to builders to construct homes to
36 a higher standard than Ohio's building energy code. Columbia collaborat-
37 ed with American Electric Power ("AEP"), which is also using MaGrann
38 as its implementation contractor, to combine resources and incentives for a
39 standardized program in the counties that both utilities share. MaGrann

1 recruited and trained home energy raters and homebuilders to participate
2 in the program. Columbia also offers the program in counties that are not
3 shared with AEP. Eleven new Ohio homebuilders and three new home
4 energy rating firms enrolled in the program in 2015 in addition to the pre-
5 vious one hundred nine homebuilders and twenty-four home energy rat-
6 ing firms who enrolled in the program prior to 2015. In 2015, 2,140 homes
7 with an average Home Energy Rating System (“HERS”) score of 57 were
8 built to program standards and received incentives, of which 827 were
9 ENERGY STAR Certified. During 2015, 2,409 homes enrolled in the pro-
10 gram. We expect that nearly 75% of those homes not completed in 2015 to
11 be completed in 2016. This program received the United States Environ-
12 mental Protection Agency ENERGY STAR® Sustained Excellence Partner
13 of the Year award in 2015, the Central Ohio Building Industry Association
14 Exceptional Digital Media Campaign and Most Successful One-Time
15 Event awards from the 28th Annual Marketing and Merchandising Excel-
16 lence, and a 2015 ENERGY STAR Certified Homes Market Leader Award.

17
18 The Simple Energy Solutions program provides rebates to customers who
19 purchase programmable thermostats; high-performance, energy-efficient
20 showerheads; and/or energy-efficient faucet aerators. Customers may
21 purchase eligible products from our E-Store, operated by Energy Federa-
22 tion, Inc., and have the rebates applied automatically to the purchase
23 price, or they may purchase products at a retail establishment and mail in
24 a rebate form with the UPC and receipt and get a rebate check in the mail.
25 Customers obtained 4,365 programmable thermostats, 6,802 energy-
26 efficient showerheads and 5,287 energy-efficient faucet aerators through
27 the program in 2015.

28
29 Columbia re-contracted with the Ohio Energy Project (“OEP”) in 2015 to
30 operate the “Be E³ Smart”, renamed “e³ smart” in 2015, Student Energy Ef-
31 ficiency Education program. OEP provided program orientation to school-
32 teachers throughout Columbia’s service territory to offer a curriculum on
33 energy efficiency to students in grades 4 to 12. Students received a kit of
34 energy efficiency materials, including an energy-efficient showerhead,
35 faucet and bathroom aerator, and weather stripping, to install in their
36 homes as part of the course curriculum to help lower their home energy
37 usage. During 2015, 21,011 students were educated through the program.
38 Columbia collaborated with AEP in school districts served by both utilities

1 and shared the cost of the 79% of the total kits distributed through the
2 program. The remaining kits were funded solely by Columbia.

3
4 Columbia continued its contract with CLEAResult to implement the High
5 Efficiency Heating System Replacement rebate program. This program
6 provides instant rebates to customers when they have a high efficiency
7 natural gas furnace or boiler installed by a participating contractor. In
8 2015, 5,860 instant rebates were provided through participating sub-
9 contractors to customers who installed high efficiency heating systems
10 through the program.

11
12 Columbia continued its contract with OPOWER, Inc. (“OPOWER”) to
13 implement the Home Energy Reports program in 2015. The Home Energy
14 Report is an engaging, user-friendly customer experience tool that anon-
15 ymously compares customers’ energy usage to that of their neighbors of
16 similar size homes and demographics, tapping into the behavioral science
17 insight that social pressure is a driving factor in motivating behavioral
18 change around energy usage. The program provides customers with their
19 energy usage information, a comparison of their usage with similar
20 homes, and energy saving tips to help them take actions to reduce their
21 natural gas usage. The program provided reports to approximately
22 410,000 randomly selected customers in 2015.

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
28 buildings, including those owned by not-for-profits and religious institu-
29 tions. In 2015, Columbia continued its contract with DNV GL to provide
30 implementation services for the Innovative Energy Solutions program.
31 Twenty-five energy audits were funded in 2015, and rebates were provid-
32 ed for fifty-two energy efficiency improvement projects, with some of the
33 energy efficiency improvement projects not requesting funding for the en-
34 ergy audit through the IES program. We anticipate that some of the re-
35 maining customers that had energy audits funded in 2015 will apply for
36 rebates in 2016.

37
38 In 2015, Columbia contracted with MaGrann to operate its Energy Design
39 Solutions program. The Energy Design Solutions program, branded the

1 Small Commercial Construction program, provides education and train-
2 ing to building industry professionals and owners on the benefits of build-
3 ing energy efficient small buildings. During 2015, the program provided
4 15 training sessions to 121 attendees.
5

6 During 2015, Columbia supported the Environmental Protection Agency's
7 Portfolio Manager tool for commercial and industrial buildings to track
8 energy consumption over time and compare energy consumption of their
9 building with that of similar building types to identify energy saving op-
10 portunities. Columbia is working with the city of Columbus' Green Team
11 to promote benchmarking within the city, and is working with the Ohio
12 Hospital Association to assist in the benchmarking of its member hospital
13 buildings. Columbia is also partnering with Ohio Interfaith Power and
14 Light to promote benchmarking and energy efficiency for houses of wor-
15 ship.
16

17 Finally, in 2015 Columbia launched its Home Energy Checkup program
18 which is a simple, easy-to-use on-line audit for customers who want to de-
19 termine how efficient their homes are and provides information on low-
20 cost actions as well as DSM programs that are appropriate for them to par-
21 ticipate in. During 2015, 241 households completed the Home Energy
22 Checkup.
23

24 **Q. What are the key DSM programs on which Columbia focused its**
25 **program ramp-up and implementation efforts in 2015?**

26 **A.** Columbia focused on launching its Home Energy Checkup and its Small
27 Commercial Construction programs in 2015. Columbia also focused on the
28 development of an updated Information Management System for its
29 WarmChoice® program. The High Efficiency Heating System Replace-
30 ment, Home Performance Solutions, ENERGY STAR® New Homes, Sim-
31 ple Energy Solutions, WarmChoice®, Innovative Energy Solutions, and e³
32 Smart programs continued to receive a great deal of focus in 2015 due to
33 their popularity with customers and the savings that they offer.
34

35 **Q. What are some of the challenges that Columbia faced in implementing**
36 **DSM programs in 2015?**

37 **A.** There were three primary challenges that Columbia faced in implement-
38 ing its DSM programs in 2015. The first challenge was the withdrawal of
39 one major builder from the EfficiencyCrafted program (and Energy Star

1 nationwide) in 2015, but the program identified and recruited new build-
2 ers into the program during the year to help overcome this challenge.

3

4 The second challenge that Columbia faced was the time consuming,
5 complex process of implementing the Home Energy Checkup program,
6 including the customization of the vendor's software to meet Columbia's
7 needs.

8

9 Additionally, the WarmChoice® program continued to deal with a change
10 to Ohio's Weatherization Assistance Program customer prioritization sys-
11 tem that reduced the ability to coordinate customer services. Columbia is
12 working with the WarmChoice network to implement a new Information
13 Management System in 2016 to increase program efficiency.

14

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

16 A. Columbia invested approximately \$20.5 million in its DSM programs in
17 2015 of the \$23.0 million available.

18

19 **Q. What are Columbia's plans for the DSM funds not invested in 2015?**

20 A. Columbia will carry forward un-invested 2012, 2013, 2014, and 2015 DSM
21 program funds for use in 2016 to accommodate expanded marketing ef-
22 forts and future program demand.

23

24 **Q. Please describe the shared savings mechanism approved in Case 11-
25 5028-GA-UNC**

26 A. Columbia's shared savings are computed on the difference between the
27 net present value of program lifetime energy savings minus the net pre-
28 sent value of the program costs calculated from the Utility Cost Test. The
29 recovery of the shared savings incentive is based on the following tiered
30 levels of program achievement:

31 1. No shared savings are earned for a program that does not meet

32 75% of the program impacts at its prorated budgeted cost level.

33 2. 5% of the savings is earned once the program meets 75% of the pro-
34 jected program impacts at its prorated budgeted cost level up to
35 85% of budgeted expenditures.

36 3. 5.5% of the savings is earned once the program meets 80% of the
37 projected program impacts at its prorated budgeted cost level up to
38 90% of budgeted expenditures.

- 1 4. 6% of the savings is earned once the program meets 85% of the pro-
2 jected program impacts at its prorated budgeted cost level up to
3 95% of budgeted expenditures.
- 4 5. 6.5% of the savings is earned once the program meets 90% of the
5 projected program impacts at its prorated budgeted cost level.
- 6 6. 7% of the savings is earned once the program meets 95% of the pro-
7 jected program impacts at its prorated budgeted cost level.
- 8 7. 7.5% of the savings is earned once the program meets 100% of the
9 projected program impacts at its prorated budgeted cost level.
- 10 8. 8.0% of the savings is earned once the program meets 105% of the
11 projected program impacts at its prorated budgeted cost level.
- 12 9. 8.5% of the savings is earned once the program meets 110% of the
13 projected program impacts at its prorated budgeted cost level.

14
15 **Q. Please describe the process used to track and verify shared savings.**

16 A. Columbia developed a process to track and calculate its shared savings
17 incentive. The process gathered and tracked data for energy conservation
18 measures installed and/or energy savings achieved through each DSM
19 program. Columbia, along with its DSM evaluation consultant, Scott Pigg
20 of Seventhwave (formerly the Energy Center of Wisconsin) used this data
21 to calculate the projected lifetime natural gas savings estimates using the
22 formulas identified in the State of Ohio Energy Efficiency Technical Refer-
23 ence Manual, except for the WarmChoice program where historic billing
24 analysis was used, the Home Energy Reports program where guaranteed
25 contract savings with adjustments for measured actual savings were used,
26 and Innovative Energy Solutions where the energy audit projected natural
27 gas savings were used. Columbia's shared savings were computed by tak-
28 ing the difference between the net present value of the program lifetime
29 energy savings minus the value of the program costs calculated from the
30 Utility Cost Test. Columbia provided the data tracking tool, including
31 DSM program data, to Mr. Pigg, to verify that the natural gas savings
32 complied with the approved methods for determining savings. Mr. Pigg's
33 testimony discusses the process used and the results of the shared savings
34 verification process.

35
36 **Q. Did Columbia earn shared savings from its DSM programs?**

37 A. Yes. Columbia exceeded 110% of its annual natural gas savings target,
38 making it eligible to earn 8.5% of the net benefit value of the natural gas
39 savings.

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Q. Are there any anomalies associated with this year’s filing that are noteworthy?

A. Yes. The rate developed for Rider DSM is based on projected annual throughput. Actual recoveries vary based on the difference between actual and projected throughput for the year. In last year’s filing, the actual recoveries from the rate effective May 2015 – April 2016 were less than projected due to a decline in Columbia’s Small General Service rate schedule annual throughput from what was forecasted when the rate was developed. This decline in volumes was due to weather and an increase in transfers from Columbia’s Small General Service to General Service rate schedule. The use of estimated collection year volumes by Columbia in its development of rates is consistent with its PIPP and UEX trackers. Under normal weather conditions this results in a better matching of recoveries with expenses. However, variations in weather and transfers will result in imbalances, with the purpose of the reconciliation adjustment being to ensure no overpayment by customers which is similar to what happens under the PIPP rider. Actual DSM expenditures in 2015 were within 1% of actual 2014 DSM expenditures, but the rate effective May 2016 will appear slightly higher to recover for investments made in preceding years which have not yet been recovered.

Q. Does this complete your Prepared Direct Testimony?

A. Yes.

CERTIFICATE OF SERVICE

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/s/ Stephen B. Seiple _____

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Summary: Testimony of Jack Laverty electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.