

In the Matter of the Annual Application of)
Columbia Gas of Ohio, Inc. for an Adjustment to) Case No. 18-1701-GA-RDR
Rider IRP & Rider DSM Rates)

There is a proposal recommending Columbia Gas of Ohio, Inc. (“Columbia”) to increase the budget for its smart thermostat energy efficiency program, which customers pay for.¹ Smart thermostat programs can provide benefits to customers by allowing them to reduce their natural gas usage and lower their natural gas bills. But a smart thermostat program must be cost-effective, and it must aim to minimize the subsidy that customers pay to fund the program.

The record in this case does not show that increasing the smart thermostat budget (an additional \$3.6 million per year) would be cost-effective, and it does not show that it would minimize the subsidy that customers pay to fund the program. Thus, while the Office of the Ohio Consumers' Counsel ("OCC") supports the goal of maximizing the number of customers that participate in Columbia's energy efficiency programs per dollar spent, the smart thermostat proposal appears to be premature at this time.

It *might* make sense, as suggested, to increase the smart thermostat budget (though not necessarily by \$3.6 million). But before Columbia does so, a more robust record would be necessary wherein parties had an opportunity to make recommendations

¹ ELPC Brief at 4-5.

about, among other things, (i) the proper amount of spending, (ii) whether the expanded program would be cost-effective, (iii) the proper smart thermostat rebate, and (iv) which program budget should be reduced to accommodate the increased smart thermostat spending, among other potential issues. Until that occurs, it would be unfair to ask consumers to pay additional amounts for smart thermostat rebates, increasing the costs that customers pay to the utility for energy efficiency programs.

I. RECOMMENDATIONS

A. The PUCO should approve the adjustments to Riders IRP and DSM as provided in the Settlement.

In its initial brief, Columbia argues that there is no dispute regarding the proposed rider rates for Rider IRP and Rider DSM.² No Parties have challenged Columbia's 2018 Rider IRP and Rider DSM charges.³ OCC does not oppose Columbia's request that the PUCO approve Columbia's proposed rates so that they may become effective May 1, 2019.⁴

B. This proceeding is an appropriate venue for ELPC or other parties to raise concerns regarding Columbia's thermostat or other programs.

ELPC argues in its initial brief that Columbia should be required to spend additional funds on its smart thermostat program.⁵ At the hearing in this case, Columbia attempted to prohibit ELPC from pursuing this issue, arguing that ELPC could *only* address whether Columbia's 2018 spending was reasonable and prudent, and not whether

² Columbia Brief at 5 ("nor is any party challenging the reasonableness of the rate adjustments to Riders IRP and DSM to capture 2018 investment").

³ See generally ELPC Brief.

⁴ Columbia Brief at 5.

⁵ See generally ELPC Brief.

Columbia should make any changes to its programs going forward.⁶ The Attorney Examiner overruled Columbia's objection,⁷ but later sustained a similar objection regarding a subsequent question.⁸

In its initial brief, ELPC argues that this case is the appropriate venue for the PUCO to consider ELPC's proposal.⁹ OCC agrees that ELPC's request is within the scope of what can be considered in this docket (but disagrees that ELPC has demonstrated, through record evidence, that its proposal should be adopted). And apparently so does the PUCO. In its most recent Entry on Rehearing in the portfolio case, the PUCO ruled: "The Commission may also consider additions, revisions, or amendments to Columbia's DSM Program as part of Columbia's DSM Program renewal application *or the annual DSM rider proceedings*."¹⁰ This settles the issue.

C. To maintain the integrity of the PUCO's administrative process, if the PUCO orders Columbia to implement the smart thermostat proposal, it must do so in a manner that is consistent with the Order approving Columbia's programs in Case No. 16-1309-GA-UNC.

In its initial brief, ELPC argues that Columbia should "increase its budget for smart thermostat education, marketing, and rebates in compliance with the Commission's 2016 Order."¹¹ Under the 2016 Order, the PUCO ruled as follows:

⁶ Tr. at 15.

⁷ Tr. at 17.

⁸ Tr. at 20-21.

⁹ ELPC Brief at 6-10.

¹⁰ Case No. 16-1309-GA-UNC, Entry on Rehearing ¶ 19 (Apr. 10, 2019).

¹¹ ELPC Brief at 4.

[A]s Columbia determines any other DSM program within the DSM portfolio is not performing as projected and the program budget should be reduced or the program discontinued, the funds should be transferred to the Simple Energy Solutions program to first develop an education and marketing campaign, in conjunction with electric distribution utilities and gas marketers operating in Columbia's service territory, and then, if participation in Simple Energy Solutions exceeds Columbia's projections, to increase the number of rebates available from Columbia for smart thermostats.¹²

Under this Order, several threshold requirements must be met before ELPC's proposed increase in the number of thermostat rebates could be accomplished. First, the PUCO must find that one or more of Columbia's DSM programs "is not performing as projected."¹³ ELPC seems to suggest that because Columbia did not spend its entire Home Performance Solutions budget, the Home Performance Solutions program is "underperforming."¹⁴ Implicit in this argument is that *underspending* and *underperforming* are the same thing—but they aren't. In fact, in some instances, they can be quite the opposite. If Columbia were to underspend its budget on a particular program but still achieve the projected savings for consumers, then that program would be *overperforming*, and this is a good result for consumers. Indeed, in its recent Entry on Rehearing, the PUCO clarified that "underperforming" means "a customer participation rate that is 25 percent or more below the projected customer participation level."¹⁵ Thus, underspending is not the same as underperforming.

¹² Case No. 16-1309-GA-UNC, Opinion & Order ¶ 71 (Dec. 21, 2016).

¹³ *Id.*

¹⁴ ELPC Brief at 3.

¹⁵ Case No. 16-1309-GA-UNC, Entry on Rehearing ¶ 23 (Apr. 10, 2019).

Further, it does not appear that ELPC's proposal is consistent with the Order that ELPC cites. ELPC seems to propose that Columbia increase its thermostat budget *now*.¹⁶ But that is not what the 2016 Order provides. Instead, it provides that before increasing the thermostat budget, Columbia is required to develop an education and marketing campaign, together with electric utilities and marketers.¹⁷ Then, if based on that marketing campaign, participation in Simple Energy Solutions increases, Columbia could increase the number of smart thermostat rebates. So even if the PUCO were to agree with ELPC's view that one of Columbia's programs is underperforming, it would be premature to order Columbia to increase the number of available thermostat rebates.

Finally, although Columbia witness Metz testified that Columbia's *current* smart thermostat offering is cost-effective,¹⁸ there is no record evidence that expanding thermostat spending by \$3.6 million per year¹⁹ would continue to be cost-effective. In its initial brief, ELPC calculates that an additional 45,000 customers per year could receive thermostats if an additional \$2.6 million is used for rebates and \$1.0 million for marketing.²⁰ But because ELPC did not provide a witness in this case, there is no direct evidence that \$1 million is a reasonable amount for marketing, no witness testified that 45,000 thermostats per year is feasible, and no witness testified that 45,000 thermostats per year would be cost-effective. Without evidence on cost-effectiveness, the PUCO

¹⁶ ELPC Brief at 4.

¹⁷ Case No. 16-1309-GA-UNC, Opinion & Order ¶ 71 (Dec. 21, 2016).

¹⁸ Tr. at 24.

¹⁹ ELPC Brief at 5.

²⁰ ELPC Brief at 5.

should not authorize a \$3.6 million increase in charges to consumers.²¹ Indeed, it is precisely on these grounds that the PUCO rejected this smart thermostat proposal for additional spending in Columbia's portfolio case.²²

D. If the PUCO orders Columbia to expand its thermostat offering, then parties should have an opportunity to make additional recommendations for the program.

Because the smart thermostat proposal was made in ELPC's brief based on cross-examination of Columbia witnesses, and not through an ELPC witness, parties have not had any opportunity to evaluate the parameters of ELPC's proposal. The only thing we know about the proposal is that ELPC wants Columbia to transfer \$3.6 million from its Home Performance Solutions program to its Simple Energy Solutions program (which provides thermostat rebates).²³

But many other issues must be considered in deciding whether to increase thermostat spending. First, Columbia's current smart thermostat rebate is \$75.²⁴ To provide for additional thermostat rebates to customers, it might make more sense to reduce the rebate to \$50, for example, rather than increasing the budget. By way of example, a \$750,000 thermostat rebate budget could provide 10,000 rebates at \$75 each, or 15,000 rebates at \$50 each—a 50% increase. Further, as the PUCO noted in Columbia's portfolio case, customers likely have options for additional thermostat

²¹ See Columbia Tariff Fourteenth Revised Sheet No. 28, referring to “comprehensive, *cost-effective* energy efficiency programs” (emphasis added).

²² Case No. 16-1309-GA-UNC, Opinion & Order ¶ 71 (Dec. 21, 2016) (“the record does not include sufficient information of the cost effectiveness of the Simple Energy Solutions program if revised as opposing intervenors recommend”).

²³ ELPC Brief at 4-5.

²⁴ Case No. 16-1309-GA-UNC, Opinion & Order ¶ 71 (Dec. 21, 2016).

rebates from their electric distribution utility.²⁵ The PUCO should ensure that the total rebate a customer receives is reasonable and limits subsidies. While thermostat rebates can encourage customers to make energy efficient choices, customers should not receive free or nearly free thermostats, paid by other customers. This factor should be addressed in any proposal to increase Columbia's spending on smart thermostat programs.

Second, ELPC proposes that funds be shifted from Home Performance Solutions to allow for more thermostat rebates.²⁶ It is possible that it makes more sense to reduce a different program's budget. For example, Columbia might consider a low-income smart thermostat program that uses some of the funding currently provided for low-income weatherization. This could help increase participation in energy efficiency among Columbia's low-income population while also advancing ELPC's goal of increasing the number of smart thermostats in Columbia's territory.

In short, even if the PUCO believes that more money should be spent on thermostat rebates, it is not as simple as "spend \$3.6 million more on thermostats." There are other factors that must be considered, and there is no record evidence in this case addressing those other factors. It would thus be premature to order Columbia to substantially increase the amount available for thermostat rebates.

II. CONCLUSION

Smart thermostat programs can provide benefits to many natural gas customers if they are cost effective and the rebate amounts are set to minimize subsidies paid by other customers. In this case, however, it is not clear that the smart thermostat proposal to

²⁵ Case No. 16-1309-GA-UNC, Opinion & Order ¶ 71 (Dec. 21, 2016).

²⁶ ELPC Brief at 4-5.

increase the thermostat budget will accomplish these goals. The PUCO should not authorize Columbia to charge customers additional amounts for smart thermostat rebates until this proposal (or any other proposal) is more fully developed and can be vetted to provide maximum benefits to customers at least cost.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Reply Brief was served on the persons stated below via electric transmission this 12th day of April 2019.

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