BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval to Continue Demand Side Management Program for its Residential, Commercial, and Industrial Customers	)))))	Case No. 19-2084-GA-UNC

REPLY COMMENTS OF VECTREN ENERGY DELIVERY OF OHIO, INC. TO CONTINUE ITS DEMAND SIDE MANAGEMENT (DSM) PROGRAM FOR RESIDENTIAL AND COMMERCIAL AND INDUSTRIAL CUSTOMERS

In accordance with the Commission's January 10, 2020 Entry in this proceeding, Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company), a CenterPoint Energy Company, hereby submits reply comments in support of its Application requesting that the Commission approve its proposed portfolio of demand side management (DSM) programs for 2021 through 2023 (the 2021-2023 Plan). For the reasons identified herein, VEDO asks the Commission to approve the Application as filed and not accept the changes to the 2021-2023 Plan proposed in the initial comments of the Commission Staff and the Office of the Ohio Consumers' Counsel (OCC).

I. INTRODUCTION

For the past decade, VEDO has successfully delivered cost-effective natural gas energy efficiency (EE) programs to consumers in its service territory. The Company's portfolio of EE programs has helped to contribute to a significant reduction in usage and has consistently achieved energy savings goals, despite the price of natural gas declining over time. The 2021-2023 Plan proposed in this Application builds off of that success, with refinements that will further the State's goals of initiating programs that promote and encourage conservation of energy, a reduction in the growth rate of energy consumption, and an alignment of the natural gas company's interests with the consumers' interest in energy efficiency.

Staff has recommended approval of the 2021-2023 Plan with one change: the elimination of VEDO's proposed utility performance incentives based on a shared savings approach. OCC makes a similar recommendation, but also proposes significant changes to the portfolio that would eliminate or significantly curtail VEDO's existing EE programs, in particular its successful, cost-effective non-low-income programs. The Commission should reject these changes. VEDO's shared savings incentive adopts what the Commission has already approved for the implementation of voluntary natural gas EE programs. And OCC offers no credible reason to discontinue, in their entirety, VEDO's residential non-low-income EE programs or the recovery of the costs of such programs in rates. The other changes or criticisms that OCC offers are similarly unsupported and would limit the available benefits for VEDO's customers. For the reasons identified below, the Commission should approve VEDO's Application as filed.

II. BACKGROUND

Since 2005, when the Commission originally approved the Vectren Weatherization Program, or VWP, in Case No. 04-571-GA-AIR, VEDO has provided funding for low-income conservation programs resulting in more efficient use and conservation of natural gas for qualifying customers in Ohio. Since 2009, when VEDO's DSM Programs were established in Case No. 07-1080-GA-AIR, VEDO has provided funding for residential and small business EE and conservation programs. Subsequently, as part of VEDO's most recent rate case, Case No. 18-298-GA-AIR, the Commission approved a Stipulation and Recommendation (the 2018 Rate Case Stipulation) that provided for the approval of EE programs and funding via a separate application; removed all EE funding from VEDO's base rates; and provided all approved EE expenses would be recovered through the Energy Efficiency Funding Rider (EEFR). Until the Commission approves VEDO's application, the VEDO Collaborative, which was originally

established by the Commission in Case No. 05-1444-GA-UNC, continues to monitor the implementation of EE programs, including the programs currently funded through the EEFR.

The 2021-2023 Plan, which is described in detail in Attachment A to the Application, recommends the following gas EE programs for the residential and commercial & industrial (C&I) sectors in VEDO's service territory: Residential Prescriptive, Home Insulation, School Education, Multifamily Direct Install, Home Energy Reports, Low Income – VWP Programs, Commercial Prescriptive, and Commercial Custom. The Plan is projected to attract approximately 57,000 annual participants; proposes to invest approximately $5.8 – $6 million annually in the proposed programs; and is designed to cost effectively reduce energy use by approximately 1.4M Ccf – 1.45M Ccf each year over the three-year term. The Plan is guided by VEDO's 2017 Ohio Market Potential Study (2017 MPS), which is included as Attachment B to the Application; experience within VEDO's territory; input from vendors with experience operating EE Programs for other utilities; and technical data on estimated plan participation, implementation costs, program changes, and enhancements. In particular, the 2017 MPS evaluated gas EE resources in the residential and commercial sectors for calendar years 2018-2023. The study included a detailed, bottom-up assessment of the VEDO market in the Dayton metropolitan area to deliver a projection of baseline gas energy use, forecasts of the energy savings achievable through efficiency measures, and program designs and strategies to optimally deliver those savings. VEDO's Application with Attachments provides detailed descriptions of each program, including the expansions, modifications, and other refinements that VEDO proposes to the existing portfolio of programs being offered in 2019 and 2020.

VEDO has been successful in delivering cost-effective gas EE programs for the past 10 years, consistently achieving and exceeding its overall savings goal (see Attachment C to the

Application); and helping customers save approximately 48 million cumulative Ccfs since 2009 (see Attachment D to the Application). Approval of the 2021-2023 Plan is in the public interest and its implementation is projected to continue VEDO's record of producing demonstrable benefits for the consumers within its service territory. The Plan promotes energy conservation and encourages reduced energy consumption by providing opportunities for customers to reduce their energy usage and make more educated choices about how they consume energy in support of the State's policies in R.C. 4905.70 and R.C. 4929.02. VEDO urges the Commission to authorize VEDO to implement the EE programs in the 2021-2023 Plan at the proposed EE funding levels, and reject the changes proposed by Staff and OCC.

III. RESPONSE TO STAFF AND OCC ON SHARED SAVINGS

A. VEDO's shared savings incentive adopts what the Commission has already approved for the implementation of voluntary natural gas EE programs to encourage cost-effective energy efficiency investments.

Staff believes that VEDO's proposed three-year DSM EE program portfolio is consistent with state policy and in the public interest. (Staff Rev. at 4.) In its review of VEDO's Application, Staff verified the accuracy of the projected expenditures and found the "proposed costs as they relate to projected natural gas savings" to be prudent. (*Id*.) For these reasons, Staff recommends approval of the Application.

Staff recommends approval of VEDO's application with one change, however: Staff proposes to eliminate VEDO's proposed implementation of a shared savings incentive. (*Id*. at 4-5.) Staff offers two reasons why the Commission should not approve VEDO's shared savings proposal. First, Staff does not believe that a shared savings incentive program is needed to encourage effective and efficient management of DSM EE programs because VEDO "has consistently demonstrated its ability to exceed the annual goals without a shared savings incentive in place." (*Id*. at 4.) Second, Staff argues that because of the Company's straight fixed

variable (SFV) rate design, VEDO "is neutral to the implementation of programs designed to reduce consumption of natural gas." (*Id*.)

The Commission previously approved the opportunity for a natural gas company to earn a shared savings incentive based on prescribed levels of program savings achievement, as measured by recognized cost effectiveness tests. *In re Columbia Gas of Ohio, Inc.*, Case Nos. 16-1309-GA-UNC and 16-1310-GA-UNC, Opin. and Order (Dec. 21, 2016), ¶¶ 98-119. In approving Columbia's shared savings provision, the Commission specifically noted that it required Columbia to achieve 100 percent of the savings target. *Id*. at ¶ 117. On rehearing, the Commission continued to uphold the amount of shared savings received by Columbia, finding "the shared savings, as reflected in the Stipulation, to be a reasonable balance of the benefits of the DSM Program to Columbia's customers and for Columbia, to incent the Company to deliver quality energy efficiency programs." *Id*., Second Entry on Rehearing (Apr. 10, 2019), ¶ 56.

VEDO's proposal is based on the same savings achievement tiers approved for Columbia's DSM program. (VEDO App. at ¶ 21.) VEDO only asks the Commission to treat it similarly and provide it with the same opportunity as Columbia: the opportunity to earn a performance incentive to the extent such evaluation demonstrates that VEDO's Plan achieves savings at or in excess of 100 percent of the projected Plan benefits. (*Id*.)

As explained in VEDO's Application, shared savings provides the Company with the proper incentive to effectively and efficiently manage its programs to meet or exceed program goals. (*Id*. at ¶ 22.) VEDO's performance incentive models, unlike some other incentive models, encourages the Company to maximize cost effectiveness when making investments in DSM, to achieve the maximum savings within its budget. (*Id*.) VEDO's proposed incentive mechanism rewards the Company for performance by progressively rewarding the utility for achieving

increased savings. The use of energy savings to calculate the incentive level is appropriate because cost-effective energy savings is the overarching goal of comprehensive energy efficiency programs.

It also cannot be overlooked that VEDO's energy savings goals will increase over time. (*Id*.) At the same time, some of the more traditional gas energy efficiency measures are no longer part of VEDO's portfolio due to market transformation or free ridership. (*Id*.) As an example, VEDO plans to remove EE Kits and phase out 95 percent AFUE furnaces and Wi-Fi Thermostats over the Plan period, which removes 13 percent of savings, relative to prior offerings. These challenges will require VEDO to identify new opportunities to reduce energy in customer residences and businesses.

VEDO appreciates that Staff believes that the Company has successfully managed its DSM program portfolio in the past. But VEDO's prior successes do not guarantee that the Company will continue to exceed its annual goals without a shared savings incentive in place, as Staff suggests. The changes that VEDO proposes to program design will challenge its ability to meet and exceed similar levels of savings achieved. An incentive will encourage VEDO to seek innovative, cost-effective ways to continue to help customers reduce energy usage.

VEDO recognizes Staff's observation that the Commission's Order in the Company's most recent base rates order found that SFV rate design removes the incentive for the gas utility not to promote conservation and efficiency. But the incentive that SFV rate design eliminates is the incentive for the natural gas company to try and increase revenues through increased sales. The purpose of the shared savings incentive, in contrast, is to encourage VEDO to increase its customers' participation in the programs. By giving the utility a stake in the reduction in the

consumption of natural gas by its customers, the intent is to encourage participation and make the programs more cost effective.

OCC is aligned with Staff on this one issue, namely that VEDO should not be allowed to include shared savings on energy efficiency programs in rates. (OCC Cmts. at 2-3.) But OCC's chief concern is that VEDO is "voluntarily" implementing these programs and there are no state mandates that require natural gas energy efficiency. (*Id.*) That the programs are voluntary has no bearing on whether it is appropriate and reasonable to approve a shared savings provision.

What does have bearing, however, are the pertinent state policies embedded in Ohio law. Pursuant to R.C. 4905.70, the Commission "shall initiate programs that will promote and encourage conservation of energy and a reduction in the growth rate of energy consumption, promote economic efficiencies, and take into account long-run incremental costs." And pursuant to R.C. 4929.02(A)(12), it is the policy of the state of Ohio to "[p]romote an alignment of natural gas company interests with consumer interests in energy efficiency and conservation." The very purpose of the shared savings provision is to satisfy these state policies by implementing cost-effective energy efficiency programs that increase conservation and decrease consumption.

And the other thing that has bearing is the Commission's approval of a substantially similar proposal by another gas company. Less than a year ago, the Commission affirmed the reasonableness of Columbia's shared savings provision "to incent the Company to deliver quality energy efficiency programs." *In re Columbia Gas of Ohio, Inc.*, Case Nos. 16-1309-GA-UNC and 16-1310-GA-UNC, Second Entry on Rehearing (Apr. 10, 2019), ¶ 56. Neither Staff nor OCC has explained why VEDO does not deserve the same opportunity as Columbia.

The shared savings that VEDO proposes is neither unique nor unusual. The policies of a broad array of state commissions have supported the importance of a gas utility incentive in

engaging consumers to reduce consumption. The Company is aware of at least 11 other states, including Michigan and Minnesota, which allow utilities to collect gas performance incentives for their EE programs.[1] VEDO's proposed incentive model, with its requirement that the Company achieve 100 percent of its portfolio savings target, is aligned with the Columbia model that the Commission has already approved and upheld on rehearing. This structure is consistent with VEDO's overall objective to deliver cost-effective programs while maximizing benefits to customers. Staff's and OCC's recommendations to eliminate VEDO's proposed shared savings provision are inconsistent with the Commission's prior rulings and industry consensus. The Commission should reject their recommendations and approve VEDO's shared savings.

IV. RESPONSE TO OCC ON NON-LOW INCOME AND LOW-INCOME PROGRAMS

Consistent with its approach in other DSM proceedings before the Commission and its interactions with the Collaborative, OCC seeks to defund and dismantle VEDO's non-low-income programs. OCC argues generally for the discontinuation of non-low-income programs and the disallowance of their costs. In addition, OCC argues for specific changes to VEDO's proposals that would weaken or eliminate existing non-low-income programs, overburden the existing low-income weatherization program, and severely reduce VEDO's spending on planned programs. The Commission should not accept any of these recommendations, and should continue to allow VEDO to recover the costs of its successful, cost-effective EE portfolio.

A. OCC offers no credible reason to discontinue VEDO's residential non-low-income EE programs or the recovery of the costs of such programs in rates.

OCC urges the Commission to end "legacy residential non-low-income programs by gas utilities." (OCC Cmts. at 1.) In support of this recommendation, OCC offers three rationales:

[1] The 11 other states besides Ohio are: Arkansas, California, Colorado, Connecticut, Louisiana, Massachusetts, Michigan, Minnesota, New Hampshire, North Carolina, and Oklahoma.

First, OCC argues that non-low-income EE programs have already achieved their regulatory objective: to mitigate high gas bills and high gas prices. (*Id*. at 1, 5-6.) Second, OCC argues that these programs provide no benefits for non-participating customers. (*Id*. at 2, 6.) Third, OCC argues that consumers already have sufficient information to make informed choices without utility-run non-low-income EE programs. (*Id*. at 7-8.) Indeed, OCC recommends that, if these programs are offered at all, they "should be very limited and focused on education." (*Id*. at 2, 8.) None of these rationales, however, are credible or sufficiently supported by OCC's comments.

It is simply not sound regulatory policy to discontinue, for future use, cost-effective non-low-income EE programs based on the current supply price of the commodity. There is no guarantee that the price of natural gas today will be the same in 2021, 2022, or 2023. The reality is that commodity costs are volatile and outside both the utility's and the customer's control. Regardless of the price of natural gas however, VEDO's non-low-income EE programs help to reduce energy consumption, which translates to lower energy bills. The expected energy savings of these programs continues to support Ohio's state policies, which encourage programs that promote the efficient use of energy and align VEDO's interest in efficiency with its customers. According to the American Council for an Energy-Efficient Economy (ACEEE):

> Considerable opportunities remain for additional cost-effective savings, with the achievable savings averaging around 1% of gas sales each year for the next decade or more. Recent studies have found that these savings remain cost effective, even at the relatively low natural gas prices that currently prevail.[2]

The ACEEE believes that incremental annual gas savings of about 1 percent of sales can be achieved over the next 10–20 years, even if the price of natural gas remains low, because many

[2] "Steven Nadel, Natural Gas Energy Efficiency: Progress and Opportunities, pp. 15, 24 (July 2017), https://www.aceee.org/sites/default/files/publications/researchreports/u1708.pdf

efficiency measures cost less per cubic foot of gas than the current price of natural gas. In addition, it is important to maintain non-low-income EE programs during times of low gas prices, as these investments can protect customers from gas price volatility and higher prices. VEDO's 2021-2023 Plan recognizes the incremental benefits from the energy savings of its non-low-income programs. Indeed, over the last decade in VEDO's service territory, average usage declined, and annual energy savings goals were still met, even as the price of the commodity went down. Thus, VEDO's cost-effective non-low-income programs should continue to be offered, no matter what the price of gas. Trying to align the timing of these programs with the current price of commodity is an unnecessary and imprudent effort.

Contrary to OCC's assertions, the reduction in consumption from utility-sponsored cost-effective EE programs provide benefits for all ratepayers, not just participating customers. There are long-term environmental benefits from lower greenhouse gas emissions and other pollutants. There are long-term economic benefits from the reduced need for additional transmission assets. And there are market benefits, in the shortterm and longterm, which flow from utility-sponsored EE programs transforming and advancing inventory practices and product offerings in retail stores. VEDO's EE programs and partnerships help to steer the practices adopted by the Company's network of trained providers and distributors. In turn, they gain access to the efficient technologies made available in the enhanced marketplace.

OCC contends that the "market" for EE technologies today offers so many options for consumers that utility-sponsored EE programs for non-low-income customers are no longer needed. (OCC Cmts. at 8.) The only non-low-income programs that OCC claims are worthwhile are VEDO's school programs and its energy efficiency website. (*Id.*) This is not true. Granted, there are more EE products now, as compared to 20 years ago. But the availability of third-party

EE measures in stores and online does not make utility-sponsored programs any less essential or any less beneficial. Indeed, the presence of utility-sponsored programs have helped to transform the market. All of VEDO's non-low-income programs offer valuable education and choices to consumers in its service territory. OCC offers no analysis to show how VEDO's customers would be better off without this information and these additional products. If that were true, there would be no incremental benefit from utility-run low-income EE programs, which OCC has not claimed. To discontinue the majority of VEDO's non-low-income EE programs would make customers less informed, provide them with less incentives, and give them less options.

There are a number of reasons why utility incentives and programs can help customers make cost-effective energy efficiency choices they would not have otherwise made. First, customers may not understand all of the system and societal value of energy efficiency. Even a well-informed, rational customer without any capital constraints may not pick the most cost-effective equipment. This is true because there are certain systematic and societal benefits that will not be relevant for the customer's decision. For example, one customer's choice of equipment will not have a measurable impact on natural gas prices. However, cumulatively all customers' choices can move demand up or down to an extent that will impact prices, particularly during periods of high demand, such as the colder than normal weather experienced during the 2014 polar vortex. These lower (or higher) prices will be passed on to all customers. In areas with infrastructure constraints, energy efficiency can also delay upgrades, thus saving all customers money. This "non-pipe alternative" would not be factored into an individual customer's decision. The customer may also not factor in other societal impacts either, such as air quality or greenhouse gas emissions, which are not captured and quantified in VEDO's cost-benefit analysis.

Customers may also not make the most long-term cost-effective equipment choice based on capital constraints or lack of education. For example, let us imagine a residential customer's natural gas furnace breaks and the customer needs to purchase a new one. Assuming the contractor has an energy-efficient model in stock, the customer may not have the cash available to purchase a more expensive model, even if it proves cheaper over the life of the product. Energy-efficiency education and utility incentives, however, shrink the price difference between the efficient and non-efficient models, thus making it more likely that customers will be able to choose the more efficient option. This price difference between the more efficient equipment helps drive market transformation overtime, benefiting all customers.

Additionally, VEDO's EE programs undergo a routine process and impact evaluation to assess, in part, whether its customers are properly incentivized to take action to enroll in EE programs on their own. These evaluations, which members of the Collaborative receive,[3] help VEDO to verify savings and improve the delivery design of its EE programs to ensure that the Company will continue to reach customers who would not otherwise act on their own without the availability of utility-sponsored programs. OCC offers no competing analysis that the need for utility-run gas EE programs has been "greatly diminished." (OCC Cmts. at 8.)

OCC offers no credible reason to discontinue VEDO's residential non-low-income EE programs or the recovery of the costs of such programs in rates. Thus, the Commission should reject OCC's proposal to defund and dismantle VEDO's non-low-income programs.

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[3] *See* Cadmus, 2017-2018 Vectren Ohio Demand-Side Management Impact Evaluation (2019) (emailed to VEDO DSM Collaborative Members on October 24, 2019).

B. The availability of VEDO's Residential Prescriptive and Home Insulation programs should not be limited to only low-income customers in certain counties.

OCC argues that the Residential Prescriptive and Home Insulation programs should be targeted to only counties in VEDO's service territory "where consumers are experiencing higher energy burdens." (OCC Cmts. at 9.) OCC suggests that these counties would include Preble, Darke, Logan, Clinton, and Champaign, relying on average energy burden (*i.e.*, the percentage of income spent on energy costs) from the Department of Energy (DOE) Low-Income Energy Affordability Data (LEAD) Tool data. OCC also suggests that the Dayton area of Montgomery County should also be targeted, based on recent poverty level data and food insecurity rates. (*Id.*) OCC further argues that eligibility for these programs should be limited to "low-income and consumers experiencing higher than average energy burdens." (*Id.*) OCC, however, offers no persuasive basis for restricting successful, cost-effective programs by geography or by income.

VEDO appreciates OCC's concern for residential customers in VEDO's service territory that may face higher than average energy burdens during the term of the 2021-2023 Plan. But artificially restricting the eligibility of a program based on the geographic lines of Ohio's counties is not an appropriate way to encourage participation and reduce consumption. Such a restriction would automatically disqualify customers in other counties with higher than average energy burdens, simply because they happen to live in a county that has an average energy burden lower than the state average. That is not a reasonable measure for excluding customers, who otherwise are eligible and would benefit from the program, from participating. Nor should these residential programs be converted into exclusively low-income programs. The point of these programs is to encourage residential customers to purchase high efficiency products who would have otherwise purchased standard efficiency products in the absence of the programs. If a non-low-income customer is incentivized to take advantage of this program to make his or her

premises more energy efficient, the energy savings and reduction in consumption are benefits to the individual customer and the community. OCC has not justified the restriction of these programs to just low-income customers. These programs should be available to any eligible customers in VEDO's service territory who could take advantage of these programs to improve the efficiency of their homes, reduce consumption, and lower bills. The Commission should reject OCC's recommendation and approve these programs as designed.

C. OCC's speculation concerning the VEDO and Dayton Power and Light (DP&L) Multifamily Direct Install program is not a legitimate basis for discontinuation of the program.

In addition, OCC argues that the Multifamily Direct Install program, on which VEDO partners with DP&L, should be discontinued, given that the Commission ordered the winding down of *mandated* EE programs by the end of 2020, after the passage of House Bill 6. *See* Case No. 16-574-EL-POR, *et al.*, Finding and Order (Feb. 26, 2020). (OCC Cmts. at 10-11.) This speculation is not a legitimate basis for ending an otherwise successful, cost-effective program.

Nowhere in its February 26, 2020 Order does the Commission state that electric utilities cannot continue to offer *voluntary* EE programs beyond 2020. In fact, the Commission's Order notes Senator Sandra Williams's "support for individual utilities' continuation of *voluntary* energy efficiency programs appropriately designed to benefit customers." *Id*. at ¶ 26 (emphasis added). OCC offers no evidence that DP&L will not voluntarily continue existing, cost-effective programs beyond 2020 that are popular and providing benefits to customers. Absent DP&L publicly stating its intention to end its partnership with VEDO in the Multifamily Direct Install program, it is premature to discontinue this program at this time. The Commission should reject OCC's recommendation and approve the continued inclusion of the program and the related funding in VEDO's 2021-2023 Plan. If the VEDO and DP&L partnership on this program were

to dissolve during the 2021-2023 Plan, VEDO would work through the Collaborative to appropriately adjust its program portfolio.

D. OCC's criticism of the cost per home of VEDO's residential low-income weatherization program and its tracking proposal are unsupported and unfounded.

OCC also takes issue with VEDO's low-income weatherization program. Specifically, OCC claims that the program "is reaching too few low-income households for the money it is spending." (OCC Cmts. at 3.) The only evidence that OCC puts forward to support this claim, however, is an EIA average cost that OCC claims shows that VEDO's "expenditure per home is high." (*Id*.) Based on that lone cost comparison, OCC recommends that VEDO "track" the cost savings or bill impact of the weatherization program, including its impact on debt write-offs, collections and related uncollectable riders and its impact on the PIPP and PIPP Plus programs. (*Id*. at 3-4.) This tracking, OCC argues, will allow the Commission to determine whether the weatherization program is helping to achieve the goal of affordable utility service. (*Id*. at 3.)

OCC's criticism about VEDO's low-income weatherization program is unsupported and unfounded. For starters, OCC cherry picks one Department of Energy (DOE) figure ($4,695) for average weatherization cost per unit from a 2018 fact sheet without providing any context whatsoever for the analysis. There is no indication of what the source data may be and what data was considered or excluded. There is no description of how the cost data was compiled or how the average cost was calculated. There is no explanation of the underlying weatherization work or the conditions of the housing. It is a number that OCC did not produce and cannot defend.

In addition, there is other more recent data available that is more closely aligned with the proposed average cost per home ($6,302) in the 2021-2023 Plan. Weatherization cost data from

energy.gov presently shows the average expenditure per home to be approximately $6,500.[4] This amount is consistent with weatherization costs from other cold weather states, such as New Hampshire, where the average weatherization cost per home is also around $6,500.[5] Moreover, national evaluations of weatherization assistance conducted by DOE as part of the American Recovery and Reinvestment Act of 2009 shows that the average cost per weatherized home increased to $6,800, as the country dealt with the aftermath of the 2008-2009 financial crisis.[6]

OCC cannot demonstrate that the cited DOE data is a reliable and reasonable comparison to the weatherization work being performed in VEDO's service territory. There is no recognition given in the DOE fact sheet relied upon by OCC to the advanced measures in VEDO's low-income weatherization program that address the home as a whole-home system where both insulation and HVAC installations must be sized appropriately. Furthermore, it cannot be overlooked that VEDO's weatherization program produces a much higher annual heating energy savings (20 to 30 percent) than the average home in the DOE fact sheet (18 percent).[7]

OCC has not adequately supported its suggestion that VEDO should spend, on average, less per home. The one data point that OCC cites does not demonstrate that VEDO's weatherization cost projections are imprudent or excessive. Indeed, the weight of the evidence shows that VEDO's weatherization program compares favorably with other cost estimates for

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[4] https://www.energy.gov/eere/wipo/where-apply-weatherization-assistance

[5] https://www.nh.gov/osi/energy/programs/weatherization/faq.htm#value

[6] https://weatherization.ornl.gov/wp-content/uploads/2018/06/WAPNationalEvaluationWxWorksv14blue8515.pdf

[7] *See* Cadmus, 2017-2018 Vectren Ohio Demand-Side Management Impact Evaluation (2019), Figure 1, p. 43 (emailed to VEDO DSM Collaborative Members on October 24, 2019).

weatherization and has produced significant customer benefits. OCC has not shown that any particular assumption or cost input underlying the design of this program is unreasonable.

Nor has OCC properly defined the tracking that it proposes. There is no consideration given to the cost of the tracking, or the burden imposed upon the utility and its vendors. There is no explanation of the methodologies that OCC believes should be used to track the impacts of the program. Given the limited information that OCC offers, VEDO cannot assess whether OCC's proposal is cost prohibitive or even plausible. The Commission could not know either.

This lack of detail alone would be sufficient for the Commission to reject OCC's recommendations for this program. In this case however, OCC cannot even prove that there is a problem with VEDO's projected cost per home. Without reliable, comparable cost data or other evidence of unreasonableness, the Commission must reject OCC's recommendations.

E. OCC's administrative cost analysis should be disregarded as unreliable.

OCC recommends that the Commission should require VEDO to lower its administrative costs to a level that OCC claims is "consistent with the national average." (OCC Cmts. at 11-12.) In the alternative, OCC asks the Commission "disallow charges to consumers above that level." (*Id*.) In making its recommendation, OCC appears to rely on a pie chart (Figure 11, p. 35) in the 2018 CEE Annual Industry Report. (OCC Cmts. at 11 n. 21.) The graph purports to analyze one year of data, "2017 US Natural Gas Expenditures by Category," to suggest that "Administrative, Marketing, and Other Implementation" spending represents approximately 38 percent of total 2017 DSM expenditures. OCC has not performed this analysis, and has not explained the underlying assumptions made by CEE to categorize data. And OCC offers no credible reason why the comparison of this pie chart data to VEDO's 2021-2023 Plan spending is reasonable.

VEDO's 2021-2023 Plan dedicates 75 to 78 percent of the total portfolio costs, including both implementation and incentive costs, to delivering programs directly to the customer that

result in energy efficiency savings. (*See* Attachment A, VEDO 2021-2023 Gas Energy Efficiency Plan, Tables 5-7.) The 2021-2023 Plan identifies the administrative, implementation, and incentive costs for each residential and non-residential program. Parties to this proceeding could have asked for further detail in discovery on any of the 2021-2023 Plan estimates for the programs identified in Tables 5-7. Indeed, OCC, who has sent a set of discovery requests in this proceeding, asked for the 2021-2023 cost-benefit analysis assumptions and inputs, and all parties received this detail. But OCC has not relied on this data to challenge the reasonableness of the cost estimates for any of the programs identified in Tables 5-7.

In contrast, OCC's comments provide no detail on the source data for the CEE pie chart, how CEE collected and compiled its data, or what specific costs CEE considered incentive, implementation, or administrative. For example, it is unknown whether the CEE analysis treats weatherization, education and kit programs as incentive or implementation costs, which is an important consideration when comparing DSM costs across jurisdictions. VEDO's "incentive" costs represents cash rebates paid to customers to reduce their higher up front cost for efficient technologies (i.e., residential prescriptive, commercial prescriptive and custom rebate programs). Programs that provide or deliver efficient technologies at no additional cost to the customer (i.e., weatherization, education, home energy reports, etc.) are treated as an implementation cost. OCC has not explained how the various utilities in the CEE source data may have treated substantially similar costs, provided they even had comparable programs to VEDO in the first place.

The Commission cannot disallow costs based on one pie chart for one year of data in one study that a party to this proceeding did not even perform. The 38 percent figure does not come close to being reliable evidence that could support OCC's disallowance. And even if there were a reasonable basis for comparison between the CEE pie chart and the 2021-2023 Plan, if VEDO's

low-income programs (approximately $2.1 million a year) were excluded from the analysis, VEDO's cost to implement and administer programs decreases to 31 percent of the total costs, a lower percentage than the CEE pie chart. Simply put, OCC has not presented an apples-to-apples analysis that demonstrates that the 2021-2023 Plan administrative and implementation costs are unreasonable. For these reasons, the Commission should disregard OCC's proposed adjustment.

F. OCC offers no cost allocation methodology to support a transition away from the current uniform rate design of the Energy Efficiency Funding Rider (EEFR).

The EEFR will recover VEDO's costs of funding EE programs and will continue to be adjusted annually. (P.U.C.O No. 4, Sheet No. 46.) As OCC notes, the EEFR Rate is applicable to all customers and is uniform across the residential and non-residential customer classes. OCC claims that this uniform rate is contrary to the principle of cost causation. (OCC Cmts. at 12.) But OCC does not offer any cost allocation methodology and does not propose any changes to the EEFR tariff. OCC only argues that residential customers should "pay for residential programs that directly benefit residential customers," and non-residential customers should cover the costs associated with the Commercial Prescriptive and Commercial Custom program." (*Id*.)

OCC offers no support for its proposal to move away from a uniform EEFR rate towards differentiated rates for the residential and non-residential classes. Notably, Columbia has a uniform rate across its residential and non-residential classes for its Demand Side Management (DSM) Rider. (P.U.C.O. No. 2, Sheet No. 28 (SGS); Sheet No. 73 (SGTS); Section VII Sheet No. 29 (Full Requirements Small General Transportation Service); *see also* Attachment A, Summary of Rates by Rate Schedule, to Columbia's February 28, 2020 Application in Case No. 19-1940-GA-RDR.) OCC does not explain why VEDO should be treated differently. OCC also offers no methodology for allocation of indirect common costs, which constitute more than half of the budgeted amounts for each year in VEDO's 2021-2023 Plan. (*See* Attachment A, VEDO

2021-2023 Gas Energy Efficiency Plan, Tables 5-7.) The OCC proposal, all else being equal, would allocate more costs to residential customers, based on VEDO's projected costs for the residential and non-residential programs. (*Id*.) As discussed earlier, all customers in VEDO's service territory benefit from the overall reduction in consumption that results from the implementation of cost-effective EE programs. Therefore, the costs of such programs should be spread equally across all customer classes. OCC's reallocation proposal should not be adopted.

V. CONCLUSION

For the reasons stated herein, the Commission should not accept the Staff and OCC recommendations and should approve VEDO's 2021-2023 Plan as proposed so that consumers in its service territory can continue to enjoy the benefits of its cost-effective EE programs.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a courtesy copy of the foregoing pleading was served by electronic mail on this 3rd day of April, 2020, to the following:

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Summary: Comments Reply Comments in Support of its Application for Approval of Demand Side Management (DSM) Programs electronically filed by Mr. Christopher T Kennedy on behalf of Vectren Energy Delivery of Ohio, Inc.