

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application)
of Columbia Gas of Ohio, Inc. for an) Case No. 19-1940-GA-RDR
Adjustment to Rider IRP and Rider DSM)
Rates.)

PUBLIC VERSION

**MERIT BRIEF
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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I. INTRODUCTION

Under the headline of “Stop Dawdling. People Need Money,” the editorial board of The New York Times wrote starkly about the need for money, through government programs, by a great mass of Americans as a result of the coronavirus emergency.¹ Ohioans are not an exception to the need for money, as the terrible health crisis has become compounded by the ensuing financial crisis for many citizens. Even when the emergency formally ends, the negative repercussions will continue for months and probably years for many people.

Before the coronavirus, hundreds of thousands of people in Ohio faced financial distress and poverty, and hundreds of thousands had inadequate access to food. Many of these Ohioans—and others—already struggled to pay their utility bills. The coronavirus will only make matters worse for many Ohioans, and many will face difficulties unlike any seen in their lifetimes.

This case offers the PUCO an opportunity to provide money to people who need it, about 80,000 Ohioans in Columbia’s 61 counties of service, through assistance paying their Columbia

¹ See Direct Testimony of James D. Williams on Behalf of the Office of the Ohio Consumers’ Counsel at 3 (Apr. 20, 2020) (citing The New York Times, *Stop Dawdling, People Need Money* (Apr. 15, 2020), available at <https://www.nytimes.com/2020/04/15/opinion/coronavirus-stimulus-check-payment.html>) (the “Williams Testimony”).

Gas bills. The Office of the Ohio Consumers' Counsel ("OCC") is proposing that \$14 million per year be dedicated to a new bill-payment assistance program for low and moderate income Ohioans in Columbia's service area, by repurposing funds that are already being collected from consumers for a program (weatherization) that reaches only about 2,000 low-income consumers annually. And weatherization of homes is not even happening now. Columbia's weatherization program was suspended by the PUCO because it subjects consumers to close person-to-person contact in their homes at the time of a highly transmissible and dangerous virus.

As OCC witness Williams testified, the PUCO should do the "greatest good for the greatest number of Ohioans."² That can be done by repurposing Columbia's weatherization funding for bill payment assistance to tens to thousands of Ohioans in great need.

II. BACKGROUND

A. Millions of Ohioans were suffering from poverty and lack of access to adequate food, even before the coronavirus emergency.

OCC witness Williams, an expert in low-income consumer issues, testified that pre-coronavirus, 14% of Ohioans lived in poverty.³ In cities like Athens, Bowling Green, Cleveland, Dayton, Kent, Oxford, Portsmouth, Warren, and Youngstown, poverty rates have exceeded 30%.⁴ And Mr. Williams testified that 14.5% of Ohioans do not have sufficient financial resources to maintain a healthy supply of food at their household.⁵ Again, this was *before* the coronavirus emergency—before businesses began closing in droves, and before unemployment claims in Ohio skyrocketed.

² Williams Testimony at 6.

³ Williams Testimony at 8.

⁴ Williams Testimony at 8.

⁵ Williams Testimony at 8.

In the week ending March 21, 2020, just 7,000 Ohioans filed new unemployment claims.⁶ The very next week, that number went through the roof with nearly 188,000 new claims filed in just one week.⁷ This rampant unemployment has hit every county that Columbia serves.⁸

The struggle will continue. OCC witness Williams testified to the concern that Ohio's poverty and food insecurity problems are rapidly increasing as a result of the coronavirus.⁹ Ohio families will continue to feel the financial impacts of the virus for years, not months. As OCC witness Williams explained, "consumers are suffering the health and financial pain of the coronavirus emergency—and there likely will be consumer suffering for years as a result."¹⁰ Among many other financial worries, "many Ohioans will struggle to pay their utility bills."¹¹ This includes customers "who have historically paid their bills in full and on time but who may be unable to continue doing so following the economic fallout of the coronavirus pandemic."¹²

In short, many Ohioans were already struggling before the coronavirus emergency, and their struggles will increase during and after the emergency. There will also be a whole new set of Ohioans who face new and unforeseen health and financial difficulties as a result of the coronavirus emergency. The PUCO, along with other government agencies, should be looking for any and all opportunities to help these consumers, including with the money that people need now.

⁶ Direct Testimony of Colleen Shutrump on Behalf of the Office of the Ohio Consumers' Counsel at 7 (Apr. 20, 2020) (the "Shutrump Testimony").

⁷ Shutrump Testimony at 7.

⁸ Shutrump Testimony at 9.

⁹ Williams Testimony at 8.

¹⁰ Williams Testimony at 3. *See also* Shutrump Testimony at 4 ("The coronavirus emergency is resulting in lost income and other financial difficulties for Ohioans. These difficulties could last for years.").

¹¹ Williams Testimony at 8.

¹² Williams Testimony at 8.

B. In an era of low natural gas prices (that is expected to persist for many years), energy efficiency was already a losing proposition for consumers, independent of the coronavirus emergency.

When gas prices are low, customers save less money by engaging in energy efficiency. The math is simple. If you reduce your usage by 1 Mcf when gas costs \$14 per Mcf, you save \$14. But when gas costs \$3 per Mcf, you only save \$3. As OCC witness Shutrump explained, it is “axiomatic that low natural gas prices reduce the value proposition for utility-run energy efficiency programs, such as the programs that Columbia Gas customers are subsidizing.”¹³

When Columbia’s non-low-income energy efficiency programs were first approved in 2008, natural gas cost more than \$14 per Mcf.¹⁴ But as a result of abundant shale gas, prices have dropped to \$2.70 per Mcf.¹⁵ Even in 2016 when Columbia sought renewal of the programs, the price of natural gas was 40% higher than it is now.¹⁶ And the United States Energy Information Administration reference case projects low natural gas prices through at least the year 2050.¹⁷

Natural gas energy efficiency programs may have been a winning proposition in 2008 when customers stood to save more than \$14 for each Mcf of energy efficiency reductions. But now, with low prices expected for decades, natural gas energy efficiency just doesn’t make sense. Columbia’s programs bear this out.

For 2019, Columbia spent more than \$29.5 million (which it now seeks to charge customers for)¹⁸ on programs that will result in just \$27.6 million¹⁹ in savings for consumers. That means that, in the aggregate, Columbia’s customers (who are being charged by Columbia to

¹³ Shutrump Testimony at 5-6.

¹⁴ Shutrump Testimony at 5.

¹⁵ Shutrump Testimony at 6.

¹⁶ Shutrump Testimony at 5 (\$4.34 per Mcf in June 2016).

¹⁷ Shutrump Testimony at 13-14.

¹⁸ Application, Schedule DSM-5.

¹⁹ Shutrump Testimony at 17.

subsidize the programs) will *lose \$1.9 million* as a result of Columbia's programs. Some of Columbia's programs are worse than others for cost-effectiveness. Columbia offers 11 energy efficiency programs and 5 of them are not cost-effective. The following five programs are losing money for customers: Home Performance Solutions, Residential Energy Efficiency Education for Students, EPA Portfolio Manager, Online Energy Audit, and Low-Income Weatherization.²⁰

The following summarizes just how much customers are losing as a result of these programs, based on cost figures in Columbia's Application and benefit numbers that Columbia provided through discovery (that Columbia alleges are confidential, which we dispute):²¹

Program	Costs²²	Benefits	Customer Loss (Costs – Benefits)
Home Performance Solutions	\$6,148,426	██████████	██████████
Residential Energy Efficiency Education for Students	\$349,151	██████████	██████████
EPA Portfolio Manager	\$80,697	██████████	██████████
Online Energy Audit	\$106,453	██████████	██████████
Low-Income Weatherization	\$11,406,407 ²³	██████████	██████████

Some of Columbia's programs do appear to be cost-effective. But in the aggregate, as OCC witness Shutrump testified, Columbia's programs are not cost-effective.²⁴ On the whole, therefore, the programs are causing customers to lose money.

²⁰ See Shutrump Testimony, Attachment CLS-4. Note that although Attachment CLS-4 is redacted as confidential, Columbia and OCC mutually agreed that OCC could state publicly which programs were cost-effective and which were not, as OCC has done here in this brief.

²¹ The costs and benefits are based on Columbia's calculations, which, as discussed below, are artificially inflated by the use of the wrong discount rate. When the correct discount rate is used, the programs fare even worse. See Attachment CLS-3 (showing confidential calculation of the losses from these programs using the correct discount rate).

²² Other than for WarmChoice, these cost numbers are not confidential, as they were filed publicly by Columbia in its Application, Schedule DSM-2.

²³ The cost for WarmChoice is \$4,306,407, as found on Schedule DSM-2 to the Application, plus \$7,100,000, which customers pay through base rates. See Case No. 16-1309-GA-AIR, Opinion & Order at 4, footnote 1 (Dec. 21, 2016).

²⁴ Shutrump Testimony, Attachment CLS-3.

C. Customer-funded subsidies for energy efficiency are no longer needed (if they ever were) because customers can choose how efficient they want to be by purchasing or not purchasing efficient products in the competitive market.

In a capitalist society, competitive markets work if consumers have the right to decide how to spend their own money. In a recent article, regulatory expert and OCC witness Kenneth Costello challenged the belief that the government must step in and *require* customers to pay for utility-run energy efficiency programs rather than letting customers make energy efficiency decisions for themselves in the competitive market.²⁵

According to Mr. Costello:

It seems that the rationales for [energy efficiency] programs of both electric and gas utilities are less valid today than when they were first implemented. Their customers have better information on [energy efficiency] programs, and natural gas prices are low and expect to remain so for the next several years. Presumably, the most cost-effective actions have already been exploited. Thus, market failures for [energy efficiency] have decreased over time, lessening the need to have utility or government intervention to advance [energy efficiency].

...

[S]ociety should rely more heavily on the marketplace to influence [energy efficiency] investments, or the role of utilities should be increasingly displaced by better-functioning market mechanisms that rely on the self-interest of individual customers to reduce their energy bills.²⁶

As OCC witness Shutrump explained, “there is a thriving competitive market for the provision of energy-efficient technologies, numerous manufacturers producing those technologies, and many retailers offering those technologies.”²⁷ The market for energy efficient products has developed substantially in the last 20 years. More than 80% of Americans now recognize the Energy Star label, and there are more than 70 categories of Energy Star certified

²⁵ See Kenneth W. Costello, *A Cautionary Tale About Energy Efficiency Initiatives*, attached as Attachment KWC-2 to the Costello Testimony (hereinafter referred to as “*Costello*”).

²⁶ *Costello* at 4.

²⁷ Shutrump Testimony at 11-12.

products.²⁸ Consumers “have options to choose among a variety of energy efficient options depending on how much they choose to save and at what price.”²⁹

Mr. Costello found that when utilities hire third parties to evaluate their programs, those third parties “often yield results that are much more optimistic about energy savings than subsequent academic, peer-reviewed studies of the programs once they are in place.”³⁰ Indeed, these academic studies “find that utilities grossly overstate energy savings from [energy efficiency] programs,” perhaps by as much as 50% or more.³¹ Further, benefits that do accrue result in benefit to “only a relatively few customers, most of whom can afford to pay for higher [energy efficiency] without any financial assistance.”³²

III. RECOMMENDATIONS

A. The best way to help Ohioans during and after the coronavirus emergency is through utility bill payment assistance for the many, not weatherization for the few.

1. Ohioans need money *now*, and bill payment assistance is the best way to help them get it *now*.

Customers need help now. Not next year. Not years from now. Now. The New York Times recently editorialized that the “economic shutdown caused by the coronavirus has left a growing number of American families *desperately short of money*.”³³ Dave Rinebolt, testifying as director for the special-interest weatherization group known as Ohio Partners for Affordable Energy (“OPAE”), opposes OCC’s proposal. But witness Rinebolt does concede that

²⁸ Shutrump Testimony at 12.

²⁹ Shutrump Testimony at 12.

³⁰ *Costello* at 2.

³¹ *Costello* at 2.

³² *Costello* at 3.

³³ Williams Testimony at 4 (quoting an April 15, 2020 editorial in the New York Times) (emphasis added).

“[t]housands of Ohioans have stopped paying their utility bills because of lack of funds” and that “[f]amilies are using scarce resources for expenses other than utility bills.”³⁴

The benefits of weatherization are not benefits that the customer would see right now—even if the PUCO had not suspended the program due to the health risk.³⁵ The weatherization that Columbia charges to its million consumers costs nearly \$6,000 per home³⁶ and it takes years, if not decades, for the customer to obtain that much in bill savings, if ever.³⁷ And it only helps about 2,000 customers per year.³⁸ Again, it only helps about 2,000 customers per year. Compare and contrast that to the opportunity to help about 80,000 consumers annually by repurposing the subsidy to provide bill payment assistance.

Witness Costello, a national regulatory expert, testified against making consumers pay for Columbia’s energy efficiency programs when consumers could readily buy energy efficiency measures in the competitive market.³⁹ But he did testify that it is supportable, under the regulatory principle of equity, to repurpose the low-income weatherization funds to help Columbia’s consumers with bill payment assistance now.⁴⁰

To do the greatest good for the greatest number of consumers now, OCC therefore proposes that money currently earmarked for weatherization—about \$14 million per year from 2020 through 2022—be used for bill payment assistance instead.⁴¹ Bill payment assistance

³⁴ Rinebolt Testimony at 15.

³⁵ Williams Testimony at 5 (weatherization provides benefits “in the long run”).

³⁶ *See supra* section II.B (\$11,406,407 cost in 2019 for programs); Metz Testimony at 3 (1,938 houses weatherized in 2019). $\$11,406,407 / 1,938 = \$5,886$ per home. And this could understate the total spending as additional federally funded Home Weatherization Assistance Program (HWAP) funds can be spent in these homes.

³⁷ Williams Testimony at 5 (payback period on natural gas energy efficiency can be 10 years or more).

³⁸ Metz Testimony at 3 (1,938 houses weatherized in 2019); Williams Testimony at 3, 5, 6, 10.

³⁹ Costello Testimony at 3.

⁴⁰ Costello Testimony at 4.

⁴¹ *See generally* Williams Testimony.

allows customers to obtain immediate relief from their utility bills. And unlike Columbia's weatherization program, which helps just 2,000 low-income customers per year, OCC's bill-payment assistance proposal could help up to 80,000 (or more) customers per year, including many customers who are not eligible for weatherization.⁴² And the bill payment assistance that OCC proposes would reduce what Columbia's million consumers would pay to subsidize bad debt expense when consumers cannot afford to pay their bills.⁴³

OCC's proposal is set forth in the expert testimony of James D. Williams. Mr. Williams is a regulatory expert with more than 24 years of experience protecting Ohio consumers.⁴⁴ He is an authority on protections for low-income and non-low-income customers, bill affordability and utility bill payment assistance programs.⁴⁵ He has testified as an expert witness regarding the Ohio Development Service Agency's Universal Service Fund, which funds programs for low-income Ohioans.⁴⁶ He is intimately familiar with the various types of assistance that are available to Ohio consumers. His testimony demonstrates deep knowledge of the Percentage of Income Payment Plan ("PIPP"), the Federal Low-Income Home Energy Assistance Program ("LIHEAP"), Ohio's Home Weatherization Assistance Program ("HWAP"), the PUCO's Winter Reconnection Order ("WRO"), payment plans available to consumers under the PUCO's Minimum Service Standards, and utility-specific payment assistance programs.⁴⁷

⁴² Williams Testimony at 3.

⁴³ Williams Testimony at 17.

⁴⁴ Williams Testimony at 1.

⁴⁵ Williams Testimony at 2.

⁴⁶ Williams Testimony, Attachment JDW-1.

⁴⁷ *See generally* Williams Testimony.

Witness Williams has worked with utilities on behalf of OCC to design and develop bill payment assistance programs similar to the one that he is proposing here for Columbia.⁴⁸ His experience makes him exceptionally qualified to develop a bill payment assistance program that will maximize the benefits to the residential consumers during and after the coronavirus emergency.

Mr. Williams has no financial interest in outcomes, unlike Columbia—which profits at consumer expense from energy efficiency, and unlike OPAE—whose members are weatherization providers that receive program funds.

OCC’s proposal would work as follows:

- 1) Any customer up to 300% of the Federal Poverty Guidelines would be eligible for bill payment assistance, on a first-come, first-serve basis.⁴⁹
- 2) PIPP customers could receive up to \$150 and non-PIPP customers could receive up to \$250.⁵⁰
- 3) A customer would be eligible for bill payment assistance under OCC’s proposal once per year.⁵¹ Customers who participate in other assistance programs (HEAP, PIPP, HWAP, etc.) would also be allowed to participate in OCC’s proposed program.⁵²
- 4) Customers could participate in OCC’s program even if they have not received a disconnection notice.⁵³ In contrast, this criterion must be met to obtain crisis assistance under the HEAP guidelines.⁵⁴
- 5) Columbia would work with OCC and other parties⁵⁵ to develop a system for distributing the funds, which could include:

⁴⁸ Williams Testimony at 25-26 (describing programs implemented for AEP and FirstEnergy).

⁴⁹ Williams Testimony at 6, 22.

⁵⁰ Williams Testimony at 6.

⁵¹ Williams Testimony at 6.

⁵² Williams Testimony at 7.

⁵³ Williams Testimony at 23.

⁵⁴ Williams Testimony at 23.

⁵⁵ See Williams Testimony at 27 (“Columbia should work cooperatively with OCC and others that may be interested in identifying and to establish contracts with the social service agencies that will distribute the funds.”).

- a. Distributing funds directly to consumers through social service agencies, many of which already assist low income consumers.⁵⁶ This approach has been and is being used by AEP through what is called the Dollar Energy Fund.⁵⁷
 - b. Distributing funds through a diverse network of social service agencies such as Job and Family Services, senior services, communication action, Salvation Army, and other community-based organizations.⁵⁸ A network like this was established for FirstEnergy customers who were struggling through the 2009 recession.⁵⁹ The process was “relatively straight-forward involving coordination and agreement between FirstEnergy and the social services group.”
 - c. Distributing funds to consumers through a third-party like Dollar Energy.⁶⁰
- 6) The PUCO Staff could serve in a monitoring role to assist coordinating activities with the PUCO, reviewing progress in distributing the funds, participating in outreach to inform consumers, and monitoring the overall impact that the fund is having to help consumers.⁶¹
 - 7) Columbia’s charges to consumers under its energy efficiency rider for its low-income program should be repurposed immediately for this bill payment assistance program.⁶² The costs that Columbia incurred for its 2019 weatherization program should be deferred until after the coronavirus emergency ends.⁶³
 - 8) Any funds not ultimately used for OCC’s proposed program would be used to offset Columbia’s uncollectible expense rider, which would reduce the amount that all customers pay when customers do not pay their utility bills.⁶⁴

⁵⁶ Williams Testimony at 24-25.

⁵⁷ Williams Testimony at 24-25.

⁵⁸ Williams Testimony at 25.

⁵⁹ Williams Testimony at 26.

⁶⁰ Williams Testimony at 26.

⁶¹ Williams Testimony at 27.

⁶² Williams Testimony at 29.

⁶³ Williams Testimony at 29.

⁶⁴ Williams Testimony at 7.

2. **The PUCO should help Ohio do more for Ohio families now that the coronavirus crisis has left them with less, much less. The PUCO should not give in to those in this case who seek the status quo when the status quo no longer exists for so many people in our state. OCC's proposed bill payment assistance would fill gaps that other available public assistance programs don't fill.**

OPAE witness Rinebolt suggests that OCC's proposed bill payment assistance is unnecessary because there are other assistance programs available to consumers.⁶⁵ But OCC's proposal for a new Columbia bill payment assistance program is necessary because it will supplement programs already in place and fill gaps for consumers that these programs do not fill, given that the world has changed for the worse for so many people.

One important gap filled by OCC's proposal is that it would be available to consumers up to 300% of the Federal Poverty Guidelines.⁶⁶ The other primary assistance programs do not reach these customers. As OCC witness Williams testified, "there are a substantial number of households with incomes above 175% of the federal poverty guidelines that have few (if any) available options for assistance in paying their gas bill."⁶⁷ Ohio's primary bill payment assistance program (the Federal LIHEAP program) only assists customers up to 175% of the Poverty Guidelines.⁶⁸ And Ohio's PIPP program is only available for consumers up to 150% of the Poverty Guidelines.⁶⁹

OCC's proposal fills other gaps as well. For example, the HEAP summer crisis program is only available for cooling assistance and thus does not help Columbia customers.⁷⁰ Under OCC's proposal, consumers can obtain assistance with their gas bills during warmer months

⁶⁵ Rinebolt Testimony at 18-22.

⁶⁶ Williams Testimony at 6.

⁶⁷ Williams Testimony at 20.

⁶⁸ Williams Testimony at 6.

⁶⁹ Williams Testimony at 20.

⁷⁰ Williams Testimony at 20.

when natural gas usage is lower, but gas bills can still be high. The PUCO's winter reconnect order similarly expires on May 1, 2020, but OCC's bill payment assistance would be available year-round.⁷¹

Further, some customers have already taken advantage of the winter crisis program but now have a further need for assistance as a result of the coronavirus crisis. Those customers cannot obtain a second HEAP winter crisis payment, but they would remain eligible for OCC's proposed program.⁷² Customers can only receive crisis HEAP assistance *after* they have received a disconnection notice; witness Williams testified that OCC's proposal would help those customers avoid getting to that point in the first place.⁷³

In short, any suggestion that other assistance programs will be sufficient is simply unfounded. There are many consumers who could be eligible *only* for OCC's proposed program, thus making it a potential lifeline for those consumers. And those consumers who *are* eligible for other programs will need as many options as possible to stay afloat now and even after the coronavirus emergency formally ends.

3. Columbia's weatherization is already suspended, so those funds should be put to good use.

Columbia's (and all other utilities') weatherization programs are currently suspended. In a recent Entry, the PUCO ordered all utilities to "suspend, for the duration of the emergency, any non-essential functions that would require or cause in-person contact that may create unnecessary [coronavirus] spread risks, unless otherwise directed by the Commission."⁷⁴ The PUCO clarified that such non-essential functions include "in-home energy efficiency audits,

⁷¹ Williams Testimony at 11.

⁷² Williams Testimony at 11.

⁷³ Williams Testimony at 23-24.

⁷⁴ Case No. 20-591-AU-UNC, Entry ¶ 10 (Mar. 20, 2020).

weatherization programs, in-premises inspections not prompted by an identified safety-related concern, and other similar initiatives.”⁷⁵ Money that Columbia would otherwise be spending right now on weatherization is therefore sitting idle. That money should be used for OCC’s bill-payment assistance program because people need money now (and payment assistance does not require close person-to-person contact like weatherization does).

4. OCC’s bill payment assistance program can help 80,000 or more customers compared to just 2,000 for weatherization, using the same \$14 million budget.

Under OCC’s proposal, about \$14 million per year in additional funding would be made available for bill payment assistance to consumers.⁷⁶ With this funding, about 80,000 customers per year could receive financial assistance under OCC’s proposal.⁷⁷ In contrast, Columbia’s low-income weatherization, while it helps people, only helps about 2,000 customers per year.⁷⁸ In 2019, for example, Columbia weatherized just 1,938 homes.⁷⁹

As OCC witness Williams testified, repurposing low-income weatherization money for bill payment assistance would “serve the greatest good for the greatest number of at-risk Ohioans in the Columbia area.”⁸⁰ During and after this formal health emergency, many more than 2,000 customers will need assistance and need it for much longer than the period of the formal emergency. Sadly, many more than 80,000 consumers will need more too. OCC’s proposal to increase the number of customers receiving benefits must be part of a more comprehensive approach to consumer assistance.

⁷⁵ *Id.*

⁷⁶ Williams Testimony at 3.

⁷⁷ Williams Testimony at 3, 5, 6, 10.

⁷⁸ Williams Testimony at 3, 5, 6, 10

⁷⁹ Prepared Direct Testimony of Andrew S. Metz on Behalf of Columbia Gas of Ohio, Inc. at 3 (Feb. 28, 2020).

⁸⁰ Williams Testimony at 3.

5. Others, including the PUCO Staff, have proposed repurposing funds to help residential consumers.

In AEP's pending coronavirus emergency case, the utility proposed that an intended consumer refund of \$2.1 million should instead be given to the Ohio Hospital Association "for coordination of energy-related challenges to hospitals."⁸¹ In an effort to protect consumers, the PUCO Staff disagreed with AEP and instead recommended that the money be used to help residential customers:

The Company proposed that a current regulatory liability of \$2.1 million be made accessible to the Ohio Hospital Association (OHA) for coordination of energy-related challenges to hospitals during the COVID-19 pandemic. Staff believes those funds should be used to assist residential customers due to the COVID 19 pandemic and whose energy usage may have increased due to the stay at home orders. Staff believes that this assistance could help residential customers maintain service, preventing an increase in the bad debt and/or Universal Service Fund (USF) riders.⁸²

Likewise, OCC witness Williams referenced programs in New Jersey and Washington State when he testified that programs similar to OCC's proposal "are being implemented in other parts of the country to help customers who may not income-qualify for the more common low-income assistance programs."⁸³ Ohio has an opportunity to be a leader in consumer assistance by adopting OCC's proposal.

6. Columbia's 2019 weatherization program is causing customers to *lose* money—more than [REDACTED]

In connection with this case, Columbia calculated the costs and benefits of its 2019 energy efficiency programs. OCC witness Shutrump attached Columbia's results as Attachment CLS-4 to her testimony. These are Columbia's calculations, with no modifications by OCC.

⁸¹ Williams Testimony at 18, footnote 22.

⁸² Williams Testimony at 18, footnote 22.

⁸³ Williams Testimony at 22-23.

For the low-income weatherization program (known as “WarmChoice”), Columbia found that its 2019 programs would provide benefits to customers of less than [REDACTED]⁸⁴ But according to Columbia’s calculation, the program cost customers around \$11.3 million.⁸⁵ Using Columbia’s own numbers, therefore, we know that the low-income weatherization program of the local gas monopoly (Columbia) is causing customers to *lose more than* [REDACTED].⁸⁶ As OCC witness Shutrump testified: “This simply cannot be an appropriate use of customers’ money right now in this time of health and financial crisis (or at any time).”⁸⁷

7. Under OCC’s proposal, there would still be substantial funding available for weatherizing houses, with potential increases for weatherization at the expense of bill payment assistance.

OCC is not proposing an end to weatherization in Ohio or in Columbia’s service area. Far from it. Under OCC’s proposal, if implemented, there would still be substantial funding available for weatherization in Ohio.

Ohio receives a block grant from the Federal Government for the Home Energy Assistance Program (“HEAP”). According to OPAE witness Rinebolt, Ohio received \$156.6 million for fiscal year 2020.⁸⁸ Traditionally, federal law allows 15% of this funding to be made available for weatherization, with the balance for bill payment assistance.⁸⁹ Thus, Ohio has already allocated more than \$23 million for weatherization. And that figure could increase in the next few years.

⁸⁴ Shutrump Testimony, Attachment CLS-4, line 26.

⁸⁵ Shutrump Testimony, Attachment CLS-4, line 26. Although this attachment is confidential, the cost of the program is not confidential because it can be derived from Columbia’s application, which publicly revealed the amount that Columbia spent on each program.

⁸⁶ Shutrump Testimony at 17-18.

⁸⁷ Shutrump Testimony at 18.

⁸⁸ Rinebolt Testimony at 18.

⁸⁹ 42 U.S.C. 8624(k). *See also* Williams Testimony at 28.

In recently passed House Bill 166, the Ohio General Assembly allowed the Ohio Development Services Agency to seek an increase that would enable ODSA, in its discretion, to use 20% of HEAP funding for weatherization.⁹⁰ It appears from a recent public notice⁹¹ that ODSA is seeking a waiver from the U.S. Department of Health and Human Services (“HHS”) to use 20% (up from 15%) of HEAP funds for weatherization. That change would result in a corresponding reduction in funds for helping Ohioans with utility bill payment assistance. A waiver is needed from HHS because federal law limits the amount of HEAP grant funds that can be transferred to weatherization (from bill payment assistance) to 15%.

If HHS approves the ODSA waiver request, an additional \$7.7 million of consumers’ HEAP funds will be allocated for weatherization. And starting in fiscal year 2021, House Bill 6 requires ODSA to consider taking even more money from bill payment assistance for Ohioans, by allowing a further increase to 25% of funds used for weatherization.⁹² If Ohio receives a similar amount for its block grant in fiscal year 2021 (about \$155 million), there would be approximately \$39 million available for weatherization if ODSA allocates up to 25% of HEAP funds to weatherization as enabled in H.B. 6.⁹³ This total of a \$16 million increase⁹⁴ is more than the amount that OCC is seeking to repurpose for bill payment assistance (\$14 million). Any claim that OCC’s proposal would leave weatherization out in the cold is therefore unfounded.

⁹⁰ Williams Testimony at 28.

⁹¹ *See* <https://development.ohio.gov/files/is/Draft%20HWAP%20Enhancement%20LIHEAP%20Waiver%20Request%20020.pdf>. OCC recommended that ODSA not seek or use a waiver. OPAE supports the waiver request.

⁹² Williams Testimony at 28.

⁹³ \$156.6 million * 0.25.

⁹⁴ \$39 million - \$23 million.

B. The PUCO should suspend Columbia's non-low-income programs and the charges to consumers for those programs.

The PUCO should find ways to reduce charges to consumers during and after the current health and financial emergency resulting from the coronavirus. OCC witness Shutrump outlined several reasons why customers should not be required to continue paying for Columbia's non-low-income energy efficiency programs. And OCC witness Costello testified that the programs should be ended or substantially limited.

First, the coronavirus emergency is resulting in lost income and other financial difficulties for Ohioans, which could last for years.⁹⁵ As explained above, unemployment in Ohio has exploded in the last month since the coronavirus took over, with hundreds of thousands of Ohioans filing new unemployment claims in March alone.⁹⁶ Many of these people were already struggling to pay their energy bills before the coronavirus emergency. The energy burden for lower-income customers is substantial: the poorest customers spend nearly 20% of their income on energy needs, compared to just 5% for those with incomes above the median in their area.⁹⁷ Again, this was *before* the coronavirus emergency. The emergency will only make things worse, potentially for years to come.

Second, non-low-income natural gas programs “have already achieved the regulatory objectives for which they were established.”⁹⁸ The market for energy efficient products has greatly expanded since Columbia's non-low-income programs were first approved in 2008.⁹⁹ As OCC witness Shutrump concluded, “the energy efficiency market is competitive, and consumers

⁹⁵ Shutrump Testimony at 4.

⁹⁶ Shutrump Testimony at 7-10.

⁹⁷ Shutrump Testimony at 11.

⁹⁸ Shutrump Testimony at 5.

⁹⁹ Shutrump Testimony at 5.

are making decisions on their own about whether and how to participate in that market.”¹⁰⁰ OCC witness Costello similarly concluded, in his recent article, that “[p]resumably, the most cost-effective actions have already been exploited.”¹⁰¹

Third, low natural gas prices make natural gas energy efficiency ineffective. When Columbia’s non-low-income programs were first approved, customers were paying more than \$14 per Mcf for natural gas.¹⁰² Right now they are paying just \$2.70 per Mcf.¹⁰³ “It is axiomatic that low natural gas prices reduce the value proposition for utility-run energy efficiency programs, such as the programs that Columbia Gas consumers are subsidizing.”¹⁰⁴ And low gas prices are expected to continue for decades in light of the shale boom.¹⁰⁵

Fourth, as a result of low natural gas prices and other factors, four of Columbia’s non-low-income programs are not cost-effective, meaning they cost more than the benefits they provide to consumers: Home Performance Solutions, Residential Energy Efficiency Education for Students, EPA Portfolio Manager, and Online Energy Audit.¹⁰⁶ The Home Performance Solutions program (which provides home audits to non-low-income customers) is particularly problematic. Columbia projects that despite the program costing customers \$6.1 million, it will only save ██████████ for consumers.¹⁰⁷ Customers should not pay for Columbia to lose them

¹⁰⁰ Shutrump Testimony at 5.

¹⁰¹ *Costello* at 4.

¹⁰² Shutrump Testimony at 5.

¹⁰³ Shutrump Testimony at 6.

¹⁰⁴ Shutrump Testimony at 5-6.

¹⁰⁵ Shutrump Testimony at 14; *Costello* at 28-29.

¹⁰⁶ Shutrump Testimony, Attachment CLS-4. Columbia has agreed that OCC can publicly state, qualitatively, that these programs are not cost-effective.

¹⁰⁷ Shutrump Testimony at 17.

██████████ on home audits. Columbia projects that the EPA Portfolio Manager and Online Energy Audit programs will produce ██████████ benefits.¹⁰⁸

Fifth, a substantial portion of the projected benefits from Columbia's programs are for non-residential customers, some of whom don't even pay for the programs. According to Columbia's calculations, the Innovative Energy Solutions and Energy Design Solutions programs will account for nearly ██████████—nearly ██████████ of all benefits.¹⁰⁹ Residential customers cannot participate in these programs, yet they still pay for them.

Sixth, another substantial portion ██████████ (according to Columbia) of the alleged benefits from the programs is for Columbia's New Home Solutions program. But under this program, Columbia provides rebates not to consumers but to home builders.¹¹⁰ And according to Suburban Natural Gas, Columbia uses this program—and the funding provided by its customers—to unfairly “compete” with Suburban and expand its customer base, which benefits Columbia's bottom line.¹¹¹ During this health and financial crisis, customers should not subsidize Columbia's marketing efforts.

Seventh, as OCC witness Costello testified, “natural gas energy efficiency lacks system-wide benefits for consumers such as the potential to spare consumers from having to pay for construction of more power plants, as can be possible with electric energy efficiency.”¹¹² Mr. Costello noted that this point was made by PUCO Staff member Puican in 2006.¹¹³

¹⁰⁸ Shutrump Testimony, Attachment CLS-4.

¹⁰⁹ Shutrump Testimony, Attachment CLS-4.

¹¹⁰ Direct Testimony of David L. Pemberton, Sr. on Behalf of Suburban Natural Gas Company at 6 (Apr. 20, 2020) (the “Pemberton Testimony”).

¹¹¹ Pemberton Testimony at 5-7.

¹¹² Costello Testimony at 4.

¹¹³ Costello Testimony at 4 (citing Case No. 05-1444-GA-UNC, Puican Testimony (Mar. 20, 2006)).

In short, Columbia's non-low-income programs didn't make sense, even in ordinary times. It is all the more important that these programs end as customers suffer financially during and after the coronavirus emergency.

C. Columbia should not be allowed to charge customers for utility profits (“shared savings”), especially considering that in the aggregate Columbia’s programs are not cost-effective.

When Columbia's energy efficiency programs were most recently approved, the PUCO adopted a settlement (signed by OPAE) that even allows Columbia to profit from energy efficiency by charging customers for profits known as “shared savings.”¹¹⁴ The settlement OPAE signed with Columbia brought it substantial funding (at the expense of a million Columbia consumers) for its members' weatherization services while allowing Columbia to charge consumers for profit on energy efficiency.¹¹⁵ The deal was approved over OCC's objections for consumers who would pay for it all.

Even so, Columbia is only allowed to charge customers for profits if the programs result in benefits that are greater than their costs.¹¹⁶ According to Columbia's claims, its 2019 programs cost \$29.6 million and will result in benefits of \$34.2 million, thus entitling Columbia to charge customers for profits.¹¹⁷ Columbia wants to charge customers \$461,225 for utility profits, plus Columbia's taxes on the profits, for a total of \$583,827.¹¹⁸

But contrary to Columbia's claim, its programs are not cost effective. This is because Columbia manipulated the cost-benefit calculation to overstate the benefits from its programs. Columbia's mathematical maneuvering is just what OCC witness Costello predicted, based on

¹¹⁴ Case No. 16-1309-GA-UNC, Opinion & Order at 18-19 (Dec. 21, 2016).

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ Application, Schedule DSM-5.

¹¹⁸ Application, Schedule DSM-5.

peer-review academic studies, that “utilities grossly overstate energy savings from [energy efficiency] programs.”¹¹⁹

Just as witness Shutrump testified (and consistent with OCC witness Costello’s assessment that utilities grossly overstate savings from programs), Columbia used an “unjustifiably and unrealistically low discount rate,” to inflate the savings from its programs.¹²⁰ To calculate the costs and monetary benefits of natural gas energy efficiency programs, it is necessary to apply a discount rate.¹²¹ As OCC witness Shutrump testified, the “discount rate can have a large impact on the cost-effectiveness results for energy efficiency.”¹²² The lower the discount rate used, the more beneficial the utility’s programs will appear.¹²³ Thus, it is in Columbia’s best interest to use a lower discount rate because it would make the programs appear better than they are, thus increasing the amount of profit that Columbia can charge customers. And this is precisely what Columbia did.

The PUCO has ruled that when applying the Utility Cost Test (which is the test that Columbia uses for its shared savings calculation), the appropriate discount rate is the utility’s weighted average cost of capital.¹²⁴ Columbia’s weighted average cost of capital is 8.12%.¹²⁵ But Columbia did not follow the PUCO’s guidance for using 8.12% as the discount rate when calculating the alleged benefits of its programs for consumers. Instead, Columbia used a [REDACTED] %

¹¹⁹ Costello at 2.

¹²⁰ Shutrump Testimony at 15.

¹²¹ Shutrump Testimony at 15.

¹²² Shutrump Testimony at 15.

¹²³ Shutrump Testimony at 16.

¹²⁴ *In re Protocols for the Measurement and Verification of Energy Efficiency & Peak Demand Reduction Measures*, Case No. 09-512-GE-UNC, Finding & Order (Oct. 15, 2019) (“For the ... [Utility Cost Test] ... the after-tax weighted average cost of capital has generally been adopted because this is the same discount rate as is used from a utility perspective to evaluate supply-side investments.”).

¹²⁵ Shutrump Testimony at 17.

discount rate, which coincidentally happens to give Columbia's programs the appearance of faring better for consumers than in reality.¹²⁶

Columbia did not explain anywhere in its application or testimony how it arrived at this discount rate. So, there is no way Columbia can carry its burden of proof on the issue. Indeed, as OCC witness Shutrump testified, and in light of the PUCO's prior ruling on the issue, it "would be difficult to explain such a low discount rate."¹²⁷ Ms. Shutrump is putting it politely.

When applying the correct 8.12% discount rate, Columbia's programs are not cost-effective in the aggregate. OCC witness Shutrump used Columbia's own cost-effectiveness model and changed the discount rate to 8.12%.¹²⁸ She made no other changes to the model. Changing this one input had a significant impact on the cost-effectiveness of Columbia's programs. Using Columbia's improperly low discount rate, the benefits from the programs were \$34.2 million.¹²⁹ Using the appropriate discount rate, the benefits are just \$27.6 million, a 20% decrease.¹³⁰ This shows just how important it is to use the right discount rate—and just how easy it is for a utility or other party to overstate the benefits of energy efficiency programs.

And indeed, using the correct 8.12% discount rate shows that the benefits of the programs are lower than the costs: \$29.6 million in costs compared to just \$27.6 million in benefits.¹³¹ Thus, in the aggregate, Columbia's programs are causing customers to *lose \$2 million*. Columbia is not allowed to profit from customers on programs that are causing customers to lose money.

¹²⁶ Shutrump Testimony at 16.

¹²⁷ Shutrump Testimony at 16.

¹²⁸ Shutrump Testimony, Attachment CLS-3.

¹²⁹ Application, Schedule DSM-5.

¹³⁰ Shutrump Testimony, Attachment CLS-3.

¹³¹ Shutrump Testimony at 17.

D. Columbia should not be allowed to profit from energy efficiency on the backs of its consumers while those consumers struggle to make ends meet during and after the coronavirus emergency.

Even if Columbia's programs were cost-effective (which in the aggregate they aren't), the PUCO should still deny Columbia's request to charge customers nearly \$600,000 in utility profits.

Columbia's residential and small business customers pay for these profits.¹³² Many residential and business customers are hurting. Many customers are unable to work because of emergency measures necessary to reduce the spread of the coronavirus. And many of these small businesses are shutting down or severely limited in their ability to generate revenue, again because of emergency measures taken to reduce the spread of the virus. Many can barely afford to pay for everyday necessities—they should not be paying Columbia Gas "shared savings" (profits) so that Columbia's shareholders can profit from energy efficiency in this time of emergency.

While Columbia may assert that the charges for Columbia's profits are not large on an individual consumer's gas bill, that is not cause to abandon ratemaking principles for balancing the interests of monopoly utilities and consumers. The PUCO should not allow Columbia to charge customers \$583,827 for these utility profits. It is simply unjust for customers to pay profits on energy efficiency measures that, in the aggregate, lose money for consumers and at a time when consumers are struggling through a health and financial crisis.

IV. CONCLUSION

A great many Ohioans need money and they need it now. The PUCO has an opportunity to make a positive difference for residential consumers right now. OCC's bill payment assistance

¹³² Application, Schedule DSM-6 (noting that the revenue requirement for the energy efficiency rider is paid by small general services customers).

proposal achieves the greatest good for the greatest number of Ohio families, by repurposing \$14 million of consumer funds during the coronavirus emergency and for the foreseeable future after the coronavirus emergency ends.

Customers need money to help pay their utility bills. The best way to help Ohioans during and after the coronavirus emergency is through utility bill payment assistance for the many, not weatherization for the few. The PUCO should order Columbia to use all remaining weatherization funds (about \$14 million annually for 2020, 2021, and 2022) to help about 80,000 Columbia residential customers per year.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this (Public Version) Merit Brief was served on the persons stated below *via* electronic transmission, this 4th day of May 2020.

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