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

INITIAL BRIEF OF VECTREN ENERGY DELIVERY OF OHIO, INC.

Dated: September 3, 2020

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I. INTRODUCTION

This proceeding determines the future funding and portfolio of demand side management (DSM) programs for Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company). A year ago, the Commission reconfirmed that VEDO's DSM programs are "cost effective" and "in the public interest." *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 18-298-GA-AIR, Opin. and Order (Aug. 28, 2019) pp 68-69. Yet now, the Office of the Ohio Consumers' Counsel (OCC) again proposes to eliminate them. The evidence in the record shows that VEDO's DSM programs contribute significant benefits to Ohio citizens and businesses—benefits that OCC's proposals put in jeopardy. The OCC offers the Commission a stark choice: indefinitely defund VEDO's DSM programs, or maintain the recently approved status quo. The decision is an easy one, and supported by the record—allow these programs to continue in 2021, fully-funded.

For the last 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 caused a significant reduction in usage and has consistently achieved its energy savings goals, even as the price of natural gas has declined. The Company, the Staff of the Public Utilities Commission of Ohio (Staff), Ohio Partners for Affordable Energy (OPAE), and Environmental Law & Policy Center (ELPC) have submitted for the Commission's approval a Stipulation and Recommendation (Stipulation) that seeks to build off VEDO's past successes.

The Stipulation introduces refinements to the Company's existing EE program portfolio and the Commission's review of annual EE spending. These refinements further benefit ratepayers and the public. But just as important, approval of the Stipulation will allow for the continuation of VEDO's EE programs, uninterrupted, and the program's already-existing benefits: decreased usage, reduced energy burden, lower utility bills, more industry jobs, more marketplace innovation, reduced utility costs, long-term environmental benefits, and improved health, working conditions, and living conditions of Ohio citizens. The Stipulation also will further the State's public policy goal of initiating programs that promote and encourage conservation of natural gas, reduce the growth rate of natural gas consumption, and align the natural gas company's interests with the consumers' interest in energy efficiency.

Despite the record, OCC continues to beat the drum to defund voluntary natural gas programs. It considers the programs "non-essential" and "unnecessary." (OCC Ex. No. 2 at 4.) It claims that there are not enough participants, the price of gas is too low, and the market for EE products is competitive. (*Id*. at 4-5, 9-13.) The Commission has repeatedly rejected these arguments. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 18-298-GA-AIR, Opin. and Order (Aug. 28, 2019) pp. 68-69. There is sufficient participation. There are demonstrable benefits. And the programs are achieving energy savings goals, even with low gas prices.

OCC also argues that the "funding is needed for a far greater purpose": bill payment assistance during COVID-19. (OCC Ex. No. 1 at 4.) No one disputes that unemployment is higher today than when VEDO filed this Application. But the termination of all EE programs is not a lever that the Commission needs to or should pull to address COVID-19. VEDO suspended disconnects and waived fees to provide immediate bill relief. Cities and counties are coordinating utility payment assistance. Payment plan offerings have been expanded. PIPP anniversary and reverification drops were paused. The Commission, the utilities, local governments—they are taking action to respond to current economic conditions. OCC falsely suggests that COVID-19 presents the Commission with an "either/or" situation, namely that the Commission must choose between offering bill payment assistance or energy efficiency programs. It does not have to make that choice. The Commission can continue to address bill impacts and arrearages. And it also can extend VEDO's cost-effective EE programs, including low-income EE programs, which will provide short and long-term benefits to the highest-use, highest energy-burdened customers.

For these reasons, the Commission should approve the Stipulation without modification.

II. BACKGROUND: THE STIPULATION

Prior to VEDO filing the Application, the Commission approved a Stipulation and Recommendation in VEDO's last base rate case, Case No. 18-298-GA-AIR (2018 Rate Case Stipulation) that introduced two major changes for the Company's DSM programs. First, VEDO agreed to the removal of EE funding from base rates. (VEDO Ex. 2.0 at 2.) Currently, the Energy Efficiency Funding Rider (EEFR) recovers 100 percent of VEDO's approved EE expenses. Second, VEDO agreed to seek Commission approval of EE program portfolios and funding beginning in 2021. (*Id*.) Prior to that change, the VEDO Collaborative approved the EE program portfolio and funding, including the 2020 portfolio and funding. As a result of its commitments in the 2018 Rate Case Stipulation, VEDO filed the Application, which initiated this proceeding, seeking approval of DSM programs for 2021 through 2023 (the 2021-2023 Plan).

The 2021-2023 Plan, as filed, requests Commission approval of 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, Multi-Family Direct Install (MFDI), Home Energy Reports, Low Income – VWP Programs, Commercial Prescriptive, and Commercial Custom. (*Id*.) The projected number of participants and/or measures for the 2021-2023 Plan, as filed, is approximately 57,400. (*Id*.) The projected energy savings is approximately 1.42M Ccf – 1.45M Ccf each year over the three-year term. (*Id*.) The projected investment annually in the proposed programs is $5.8 – $6.0 million. (*Id*.) Table 1 to Attachment A to the Application (VEDO Exhibit 1.0) provides these details on a program by program basis.

The parties to this proceeding filed comments, and then formally met to attempt to settle all issues. The result of those negotiations is the Stipulation (Joint Exhibit 1.0), which does not adopt the Application as filed. Rather, it incorporates numerous material changes to the Application as part of the overall compromise to resolve the issues in this proceeding.

One major modification to the Application agreed to in the Stipulation is VEDO's withdrawal of its proposal for an annual shared savings performance incentive. (VEDO Ex. 2.0 at 3-4.) This incentive would have been triggered, if the annual evaluation of the 2021-2023 Plan demonstrated that the Plan achieved savings at or in excess of 100% of the projected benefits. (*Id*. at 3.) This proposal was based on the same savings achievement tiers approved for Columbia Gas of Ohio, Inc. (Columbia). (*Id*.) The estimated annual average amount of the incentive, with maximum achievement, would have been approximately $450,000. (*Id*.) As Paragraph 1 of the Stipulation indicates however, the signatories recommend approval of the Application, *subject to* the findings of Staff's Review and Recommendations (Staff Report), and any other modification provided for in the Stipulation. And one finding in the Staff Report, in particular, is that VEDO's proposed shared savings incentive should not be approved. (Staff Ex. 1.0 at 4-5.)

In asking for the incentive, VEDO sought the same regulatory treatment and opportunity to earn a performance incentive that Columbia had received. It is an opportunity that at least 11 other states, in addition to Ohio, currently allow gas utilities to have for their EE programs: Arkansas, California, Colorado, Connecticut, Louisiana, Massachusetts, Michigan, Minnesota, New Hampshire, North Carolina, and Oklahoma. (VEDO Ex. 2.0 at 4 fn. 1.) The Company, however, realizes that Staff does not share the same view on the need for a shared savings incentive in this case, given VEDO's past record of managing its DSM programs successfully and exceeding annual goals without such an incentive.[1] (Staff Ex. 1.0 at 4-5.) Although VEDO disagrees with Staff on the need for shared savings, the Company has agreed to withdraw its proposal for an annual shared savings performance incentive to resolve that issue in this case, and as part of the overall compromise embodied in the Stipulation. (Joint Ex. 1.0 at ¶ 2.)

The Stipulation also resolves the issue of VEDO's overall DSM program funding. It recommends that VEDO's DSM portfolio funding for the 2021-2023 Plan will reflect the budgeted amounts set forth in Attachment A, Table 4 to the Application, except that VEDO agrees to eliminate the budgeted funding for the Multi-Family Direct Install (MFDI) program: $158,194 for 2021, $143,712 for 2022, and $129,238 for 2023. (VEDO Ex. 2.0 at 4.) As shown in Table 1 to Attachment A, the total participants and Ccf savings for the MFDI program were projected to gradually decline over the three-year term of the Plan—the only residential program where the Company projected such a decline. (*Id*.) The removal of the MFDI, a program that in VEDO's estimation was trending downward in participation, represents a minimal percent savings reduction to the overall savings projected for the 2021-2023 Plan (less than 2 percent). (*Id*.) Although VEDO continues to see value in this program based on estimates of energy savings and participation, the Company agreed in the Stipulation to reduce its total DSM funding by this amount, as another part of its effort to find common ground.[2] (Joint Ex. 1.0 at ¶ 3.) This change is also in addition to changes VEDO had already made to its proposed 2021 programs to expand the offering of Smart Wi-Fi thermostats and discontinue energy efficiency kits.

The Stipulation also recommends changes for VEDO's annual Energy Efficiency Funding Rider (EEFR) filings—changes that VEDO did not propose in the Application. First,

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[1] OCC also opposed VEDO's share savings proposal in its Initial and Reply Comments.

[2] The elimination of the MFDI program is a proposal that OCC made in its Initial Comments.

beginning in 2021, VEDO's EEFR Application will be filed annually on or before July 1 for rates effective on or before November 1. (Joint Ex. 1.0 at ¶ 6.) Currently, VEDO files its EEFR annual updates on or before March 3. Second, the EEFR will continue to reconcile VEDO's actual prudently-incurred DSM portfolio program costs for the prior calendar year, but will now include projected DSM portfolio program costs for the subsequent calendar year (e.g., the 2021 EEFR filing will reconcile actual 2020 prudently-incurred DSM portfolio program costs and project DSM portfolio program costs for 2022). (*Id.*) Third, an annual Evaluation, Measurement, and Verification (EM&V) of VEDO's DSM portfolio programs will continue to be performed, in accordance with recognized industry-standard EM&V best practices and protocols, by Cadmus, an independent, third-party auditor previously. (*Id.* at ¶ 7.) But now VEDO will file the EM&V annually with its EEFR application starting in the 2021 proceeding, and it will cover the period of prior calendar year's costs being reconciled in the EEFR proceedings. (*Id.*) Signatory Parties will be able intervene in the annual EEFR proceeding, review the EM&V, provide comments, and if the Commission sets a hearing, serve discovery and file testimony. Again, VEDO did not propose these changes in its Application, but agreed to them to reach a resolution in this case.

In addition to acknowledging changes from the Application, the Stipulation recognizes that some things will stay the same. The VEDO Collaborative will continue to review, evaluate, and monitor the DSM portfolio programs, under similar procedures that have been in place and established by the Commission in Case Nos. 05-1444-GA-UNC and 07-1080-GA-AIR, but will still no longer vote on the EE program portfolio and funding. (Joint Ex. 1.0 at ¶¶ 8, 10.) VEDO will continue to have authority to transfer funding across programs within each calendar year of the 2021-2023 Plan, but will still need to request Commission approval of future funding beyond 2023. (*Id.* at ¶¶ 9, 10.) And VEDO will continue to keep Collaborative members well-informed with monthly scorecards, annual reports for the prior calendar year, and annual operating plans for the current calendar year, similar to what VEDO previously provided members in 2019 and 2020. (*Id*. at ¶ 9.) This blend of Commission oversight, transparency with DSM costs and energy savings, and flexibility in managing DSM programs promotes accountability, while strongly supporting the availability of cost-effective programs to as many customers as possible.

III. STANDARD OF PROOF

Ohio Adm.Code 4901-1-30 authorizes parties to enter into stipulations in proceedings before the Commission. *AK Steel Corp. v. Pub. Util. Comm.*, 95 Ohio St.3d 81, 82, 765 N.E.2d 862 (2002) (affirming Commission's approval of stipulation regarding utility's transition plan to competitive service as having adequate record support). The terms of such agreements by the parties, although not binding on the Commission, are given "substantial weight." *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 125, 592 N.E.2d 1370 (1992) (appellant did not refute Commission's reasoning in adopting stipulation concerning gas transportation charges); *City of Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978) (Commission did not err in setting a rate of return based solely upon a stipulation between the utility and Staff). The stipulation, however, remains a recommendation of the parties; the Commission ultimately must determine that the terms of the agreement are just and reasonable from the evidence in the record. *In re Columbus S. Power Co.*, 129 Ohio St.3d 46, 49-50, 950 N.E.2d 164 (2011) (affirming Commission-modified stipulation regarding utility's decoupling mechanism); *Indus. Energy Consumers v. Pub. Util. Comm.*, 68 Ohio St.3d 559, 562-63, 629 N.E.2d 423 (1994) (affirming Commission's approval of stipulation to resolve utility's pending electric fuel component (EFC) cases); *Duff v. Pub. Util. Comm.*, 56 Ohio St.2d 367, 379, 384 N.E.2d 264 (1978) (appellants' complaint regarding handwritten corrections and typos in the stipulation did not show that the order was manifestly against the weight of evidence so as to justify reversal).

In reviewing and approving stipulations, the Commission employs a three part-test:

1. Is the settlement a product of serious bargaining among capable, knowledgeable parties?
2. Does the settlement, as a package, benefit ratepayers and the public interest?
3. Does the settlement violate any important regulatory practice or principle?

See, e.g., *In re Ohio Edison Co.*, 146 Ohio St.3d 222, 229, 54 N.E.3d 1218 (2016) (rejecting appellant's contention that the Commission could not approve a partial stipulation); *Consumers' Counsel v. Public Util. Comm.*, 100 Ohio St.3d 394, 398-399, 853 N.E.2d 1153 (2006) (record supported the reasonableness of approved stipulation and the Commission's finding of sufficient probative evidence to satisfy the three-part test). The Supreme Court of Ohio, in its review of challenges to Commission-approved stipulations, continues to endorse the Commission's use of these criteria to resolve cases in a manner economical to ratepayers and utilities. *See, e.g.*, *In re Ohio Power Co.*, Slip Opin. No. 2018-Ohio-4698, ¶39 (2018) (finding that the Commission did not err in approving a joint stipulation to resolve the issues in the utility's PPA Rider case). The manifest weight of the evidence in this record supports Commission approval of the Stipulation.

IV. ARGUMENT

The Commission should approve the Stipulation. It complies with all applicable criteria of the Commission's standard three-part test. It is the culmination of a Staff investigation and the product of serious settlement discussions amongst capable, knowledgeable parties. Its provisions benefit ratepayers and are in the public interest. It adopts outright the recommendations in the Staff Report, and incorporates other significant compromises and commitments, on both revenue and non-revenue issues. Its requirements do not violate any important regulatory practice or principle. It satisfied the concerns of a number of intervening parties.

The Stipulation advances natural gas policies embedded in Ohio law and recognized by the Commission that promote conservation and reduce consumption. It allows for the uninterrupted continuation of successful, cost-effective and voluntary natural gas EE programs. It encourages natural gas customers, including lower-income customers, to engage in more energy efficient behavior and invest in more energy efficient products. It will help customers decrease their natural gas usage, reduce their long-term energy burdens, and potentially lower their bills as a result of energy savings. It will support energy efficiency jobs and other economic development in Ohio. It will foster innovation in the energy efficiency marketplace. It will promote long-term environmental benefits, and contribute to reduced utility costs. It will improve the health, working conditions, and living conditions of Ohio's citizens.

OCC does not offer any credible evidence to dispute these benefits. It says that the price of gas is too low, the market for EE products is too competitive, and the participants for utility-sponsored programs are far too few. But the data does not support these claims. Year in and year out, VEDO's EE's programs consistently exceed energy savings goals. VEDO's non-low income programs continue to be cost-effective. VEDO's low-income weatherization programs continue to assist the neediest customers with the highest energy burden. Just last year, the Commission rejected OCC's proposal to eliminate VEDO's non-low-income programs. Yet, OCC makes the same proposal, even though the record on the success of VEDO's programs has not changed.

Since the emergence of COVID-19, OCC has made one change to its position—now it wants to get rid of low-income programs as well. It says that the money could be better spent on bill payment assistance. But OCC does not explain why EE programs need to be eliminated to provide assistance. And OCC does not explain how other actions taken in response to COVID-19 have not been sufficient. The Commission should not modify the Stipulation to take dollars collected from all customers for EE and "repurpose" those dollars to pay down arrearages.

A. The Stipulation is the product of serious bargaining among capable, knowledgeable parties.

The first criteria for evaluating the Stipulation is whether it is the product of serious bargaining among capable, knowledgeable parties. The unrebutted evidence shows that it was.

No party can credibly challenge that the Stipulation is the result of serious bargaining amongst capable, knowledgeable parties. The signatories represent a wide range of interests: the Company; the Commission's Staff; Ohio Partners for Affordable Energy (OPAE), an Ohio non-profit corporation with a stated purpose of advocating for affordable energy policies for low-and moderate-income Ohioans; and Environmental Law & Policy Center (ELPC), a public interest environmental legal advocacy organization. (VEDO Ex. 2.0 at 7.) In addition, Interstate Gas Supply, Inc. (IGS), an independent retail natural gas and electric supplier, does not oppose the Stipulation. The signatories—indeed, all parties to the settlement discussions—negotiated at arm's length, relied upon experienced regulatory attorneys, and had access to technical experts.

In addition, the process to reach the Stipulation was a thorough, all-inclusive negotiation. The settlement discussions that ultimately culminated in the Stipulation encompassed three formal meetings in May and June 2020. (*Id*. at 7-8.) All of the intervening parties participated in, or had the opportunity to participate in, the negotiations. They were encouraged to, and did, provide comments on VEDO's proposals. (*Id*. at 8.) They exchanged written term sheets and counterproposals before, after, and during meetings. (*Id*.) Even though not all parties signed the Stipulation, counterproposals were exchanged until an impasse was recognized. The result of the negotiations was a compromise that was materially different from VEDO's Application.

Satisfaction of the first part of the Commission's three-part test appears uncontested. Indeed, OCC, the only remaining party opposing the Stipulation, did not even file testimony that challenged this conclusion. The manifest weight of the evidence supports a Commission finding that the Stipulation is the product of serious bargaining among capable, knowledgeable parties.

B. The Stipulation, as a package, benefits ratepayers and is in the public interest.

As a package, the Stipulation also benefits ratepayers and advances the public interest, in numerous ways.

1. The Stipulation provides for many different ratepayer and public benefits.

The testimony of Rina Harris, who as Director of Energy Efficiency for CenterPoint, the parent company of VEDO, is responsible for managing VEDO's gas DSM programs, explains that the Stipulation benefits ratepayers and the public interest in numerous ways, such as:

- Advancing the natural gas policies embedded in Ohio law and recognized by the Commission;
- Allowing for the uninterrupted continuation of VEDO's successful, cost-effective voluntary natural gas EE programs;
- Encouraging VEDO's natural gas customers, including lower-income customers, to engage in more energy efficient behavior and invest in more energy efficient products to decrease their natural gas usage, reduce their long-term energy burdens, and potentially lower their bills as a result of energy savings;
- Supporting energy efficiency jobs and other economic development in Ohio;
- Fostering innovation in the energy efficiency marketplace;
- Promoting long-term environmental benefits;
- Contributing to reduced utility costs for participating customers; and
- Improving the health, working conditions, and living conditions of Ohio's citizens.

(VEDO Ex. 2.0 at 9.) Indeed, VEDO's existing gas DSM programs already produce these benefits for Ohio citizens and businesses—a successful status quo that OCC tries to attack.

In Paragraph 4 of the Stipulation, the Signatory Parties agree that the Application and the 2021-2023 Plan, as modified by the Stipulation, are consistent with R.C. 4905.70 and R.C. 4929.02(A)(12). The General Assembly has decreed that the Commission "shall initiate programs that will promote and encourage energy conservation and reduce the growth rate of energy consumption, promote economic efficiencies, and take into account long-run incremental costs." R.C. 4905.70. Further, it remains the policy of the state of Ohio to "[p]romote an alignment of natural gas company interests with consumer interests in energy efficiency and energy conservation." R.C. 4929.02(A)(12). Against the backdrop of these laws, the Commission has "long-recognized that conservation and energy efficiency should be an integral part of natural gas policy." *In re Columbia Gas of Ohio, Inc.*, Case No. 16-1309-GA-UNC, Opin. and Order (Dec. 21, 2016) p. 63. The Commission has also recognized that "DSM program designs that are cost-effective, produce demonstrable benefits, and produce a reasonable balance between reducing total costs and minimizing impacts on non-participants are consistent with Ohio's economic and energy policy objectives." *Id*. The Stipulation approves the continuation of VEDO's successful, cost-effective DSM programs, which is consistent with Ohio's natural gas policies, the Commission's mandate to promote conservation and reduce consumption, and the Commission's prior decisions to approve voluntary natural gas EE programs.

The 2021–2023 Plan, as modified by the Stipulation, continues VEDO's current DSM program offerings, with the exception of MFDI, while expanding and modifying some program designs. As testified to by Ms. Harris, below are brief descriptions of the programs that comprise VEDO's DSM program portfolio, as modified by the Stipulation, and the associated benefits. Detailed program descriptions are in Attachment A to the Application.

- Residential Prescriptive Rebate Program: The Residential Prescriptive Rebate Program is designed to influence customer purchasing decisions when replacing existing or installing new equipment. Financial incentives (online or mail-in rebates) encourage customers to purchase high efficiency products, instead of standard efficiency products. These incentives help to reduce the incremental cost of purchasing higher efficiency and higher priced products. The measures include 95% and 97% AFUE Furnaces, 95% Boilers, a variety of ENERGY STAR qualified Smart Wi-Fi Thermostats as well as Basic Wi-Fi Thermostats.

- Home Insulation and Air Sealing Program: The Home Insulation and Air Sealing Program is a trade ally driven market approach to comprehensive energy efficiency projects. The objective of the program is to deliver air sealing and insulation upgrades to serve individually metered 1-4-unit single family homes in VEDO's territory through a network of participating contractors. In 2021, the program will be expanded to include the installation of Smart Wi-Fi Thermostats.

- School Education Program: The School Education Program is designed to raise awareness about how individual actions and low-cost measures can provide significant reductions in energy and water consumption. The program is offered to 5th-12th grade students who attend school within the VEDO service territory. The program effectively educates students, families, and teachers on how to use energy efficient devices and adopt conservation and energy efficiency behaviors.

- Home Energy Reports Program: The Home Energy Reports Program provides consumers with regular mailings that combine energy usage data along with customer demographic, housing and utility data to develop specific, targeted recommendations to motivate consumers to reduce their energy consumption.

- Low Income – Vectren Weatherization Program (VWP): The VWP programs focus on shell measures such as insulation and air sealing, but also offer replacement of non-functioning natural gas furnaces and water heaters, and minor repairs intended to increase the health and safety of the occupants of the home. VWP I provides for single-family home weatherization services for customers with incomes up to 200% of federal poverty guidelines, while VWP II funds home weatherization for customers in the range of 201% up to 300% of federal poverty income guidelines. VWP II allows VEDO to reach customers who have not traditionally been eligible for weatherization assistance, yet do not have the disposable income to make needed energy efficiency improvements.

- Commercial Prescriptive Program: Like the Residential Prescriptive program, the Commercial Prescriptive Rebate Program is designed to influence commercial customers to install energy efficient technologies. Financial incentives (mail-in rebates) encourage customers to purchase high efficiency products, instead of standard efficiency products. The program targets commercial customers in rate classes 320, 321 and 325, defined as having annual usage less than 150,000 Ccf, and includes a number of product rebates, including Smart Wi-Fi Thermostats.

- Commercial Custom Program: The Commercial Custom Program offers business customers incentives for qualifying energy efficiency upgrades not covered under

> the Commercial Prescriptive program, encouraging the purchase and installation of efficient technologies or implementation of process improvements. VEDO works directly with key customers and market providers to identify potential energy savings projects and then partners with a qualified implementation subcontractor to complete applications and monitor projects until completion.

(VEDO Ex. 2.0 at 11-12.) For the past nine years (2011-2019), VEDO has exceeded its targeted gross Ccf savings each year. (*Id*. at 12.) The 2019 Scorecard (VEDO Exhibit 2.1) shows that VEDO's EE programs have helped customers save approximately 50 million cumulative Ccfs since 2009. The June 2020 Scorecard (VEDO Exhibit 2.2) shows that VEDO remains on track to meet its targeted Ccf savings for 2020. The record demonstrates that the continuation of VEDO's voluntary natural gas EE programs means that customers will continue to see these benefits.

In particular, the data below shows that VEDO's weatherization programs have consistently delivered services to low-to-moderate income households.

Vectren Weatherization Program Historical Results		
Year	**Homes Weatherized**	**Savings (ccf)**
2012	397	53,839
2013	400	73,206
2014	306	41,462
2015	386	52,470
2016	345	63,264
2017	338	95,845
2018	351	69,802
2019	297	69,579
Total	**2,820**	**519,467**

(*Id*.) This data shows that VEDO's weatherization programs have reduced overall natural gas consumption and provided customers with an increased ability to manage energy costs.

VEDO measures the cost-effectiveness of its non-low-income EE programs, and has delivered cost-effective programs since their inception in 2009. From 2009-2020, the TRC net benefits for VEDO's DSM programs exceed $35 million. (*Id*.) A year ago, in the 2018 Rate Case, the Commission found that the "evidence in the record demonstrates that VEDO's EE programs are cost-effective" and "produce demonstrable benefits" in rejecting OCC's recommendation to eliminate funding for VEDO's non-low-income programs. *In re Vectren Energy Delivery of Ohio*, *Inc.*, Case No. 18-298-GA- AIR, Opin. and Order (Aug. 28, 2019) pp 68-69. The record here supports the same finding. Table 8 in Attachment A to the Application shows that the programs included in the 2021-2023 Plan, as modified by the Stipulation, have a benefit-to-cost ratio greater than 1.0, using the Total Resource Cost (TRC) Test and Utility Cost Test (UCT), confirming that the benefits of the programs outweigh the total costs to deliver the EE programs. (*Id*. at 13.) After elimination of the MFDI program and shared savings, the net benefits over the lifetime of the measures in the 2021-2023 Plan, as modified by the Stipulation, are approximately $7.6 million for a TRC benefit-to-cost ratio of 1.45, as shown below.

Vectren Ohio 2021-2023 Gas DSM Plan Cost Effectiveness Results		
Residential Programs	**TRC**	**TRC Net Benefits**
Residential Prescriptive	1.58	$ 4,653,479
Home Insulation Program	1.63	$ 3,204,352
School Education Program	1.31	$ 249,773
Home Energy Reports	1.13	$ 36,642
Low Income - VWP Program		
Residential Programs Total	**1.45**	**$ 8,144,246**
C&I Programs	**TRC**	**TRC Net Benefits**
Commercial Prescriptive	1.83	$ 473,505
Commercial Custom	1.74	$ 381,079
C&I Programs Total	**1.78**	**$ 854,584**
Portfolio Results	**TRC**	**TRC Net Benefits**
Residential and Commercial & Industrial Combined	**1.45**	**$ 7,584,413**

(*Id*. at 14.) Thus, the record shows that VEDO's DSM programs, as designed for the 2021-2023 Plan and modified by the Stipulation, will continue to deliver cost-effective benefits.

OCC suggests that there is less of a necessity for voluntary natural gas non-low-income EE programs. That is simply not the case. The Ohio Market Potential Study (MPS), which is included with the Application as Attachment B, shows that there remains a need for efficiency that the current market for these services and products is not meeting. (VEDO Ex. 2.0 at 14-15.) The MPS included a detailed, bottom-up assessment of the market in the Dayton metropolitan area: projected baseline gas usage, forecasts of energy savings achievable through efficiency measures, and program designs and strategies to optimally deliver those savings. (*Id*.) There may be more EE products now, as compared to 20 years ago, but VEDO's well-designed programs continue to offer valuable education, choices, and incremental benefits for consumers in its service territory. 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. (*Id*.) These evaluations, which will be filed with VEDO's annual EEFR applications, 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 EE programs. (*Id*.)

As the record shows, approval of the 2021-2023 Plan, as modified by the Stipulation, will produce other qualitative benefits for Ohio citizens and business. DSM programs, for example, provide jobs. (VEDO Ex. 2.0 at 15.) The programs create jobs for auditors, installers, designers, and manufacturers of EE products, and supports a supply chain of large and small wholesalers and distributors. (*Id*.) Energy efficiency, in short, is an engine for economic development and an industry experiencing rapid growth. And employment is a large contributing factor in making energy affordable. (*Id*.) Eliminating or scaling back on existing DSM programs that provide stable employment, especially in the current economic climate, is not in the best interest of Ohio.

Utility-sponsored EE programs also contribute to the transformation and advancement of the inventory practices of the retail market and the product offerings available to all ratepayers. (VEDO Ex. 2.0 at 15-16.) VEDO's EE programs and partnerships help to steer the practices adopted by the Company's network of trained providers and distributors. (*Id.*) In turn, they gain access to the more efficient technologies made available in the enhanced marketplace. (*Id.*)

Approval of the modified 2021-2023 Plan also will promote other long-term benefits that benefit ratepayers and the public. Collective individual action to implement cost-effective, technologically feasible energy efficiency measures—whether it is installing smart thermostats, upgrading appliances, or better insulating buildings—can achieve environmental benefits from meaningful reductions to greenhouse gas emissions, which benefits all ratepayers, and not just participating customers. (VEDO Ex. 2.0 at 16.) This reduction helps states and cities achieve carbon targets and ultimately leads to economic savings in the response to climate change. (*Id.*) In addition to reductions in bills for those participating customers, to the extent that customers can lower their bills through lowered usage, they can lower accrued arrearages that are ultimately collected from all customers through rates. (*Id.*) To the extent that energy efficiency programs contribute to reduced utility costs, all ratepayers benefit. To the extent that increased efficiency collectively reduces the utility's reliance on fossil fuel power, there are improvements in air quality through reduced air pollution. (*Id.*) Individual decisions by residential and commercial customers to invest in energy efficiency can also enhance work conditions in office buildings (e.g., through better control of temperature) and improve living conditions at home (e.g., through weatherization). (*Id.*) There is added value to greener buildings whether at home or at the office.

The mission of energy efficiency programs provided by VEDO is to educate and encourage customers to make energy efficient decisions for their home and/or business. (VEDO

Ex. 2.0 at 17.) Each program is designed to incorporate education components and delivery mechanisms that best allow the programs to overcome market barriers and cost-effectively promote the relevant technologies in the marketplace. (*Id*.) The 2021-2023 Plan and the testimony of Ms. Harris explain in detail VEDO's specific education components and delivery mechanisms, including its communication channels, its engagement with local trade allies, retailers and contractors as delivery partners, and its financial incentives to encourage customer participation. (*Id*. at 17-18.) The Company also uses its EM&V and benefit-cost analysis results to help assess whether its programs deliver reasonable, impactful, and cost-effective programs. (*Id*. at 18-19) To balance total costs and minimize impacts to non-participants, this information is utilized to design programs to minimize unnecessary and undue ratepayer impact, capture lost opportunities in the marketplace, and minimize "free riders." (*Id*.)

For these reasons, approval of the 2021-2023 Plan is in the public interest and its implementation will produce demonstrable benefits for consumers in VEDO's service territory.

2. The Stipulation reflects Staff recommendations and meaningful compromises and commitments that are in the public interest.

The Stipulation, if approved, will not just benefit VEDO's customers through the continuation of the existing DSM programs in the ways discussed above. The Stipulation also captures other meaningful compromises and commitments that are in the public interest. As noted above, VEDO agreed to adopt Staff's recommendation to withdraw the Company's shared savings proposal. Although VEDO sees a need for that performance incentive, the Company acknowledges that its removal does reduce the overall costs of the 2021-2023 Plan that would have been recovered through the EEFR. The same can be said about the MFDI funding. There is added value to the program with respect to Ccf savings and increased participation. But its removal from the 2021-2023 Plan similarly lowers the costs collected through the EEFR.

In addition, as also noted above, VEDO agreed to changes to the procedures to review and adjust the EEFR that were not proposed in the Application. Specifically, VEDO agreed to make its annual EEFR filing on or before July 1 for rates effective on or before November 1. VEDO also agreed to file the EM&V annually in the EEFR proceedings beginning with the EEFR proceeding filed in 2021. The EM&V will cover the annual prior calendar year's costs being reconciled in the EEFR proceedings. Currently, VEDO files its EEFR annual updates on or before March 31 and does not include the EM&V in the filing. These commitments provide additional transparency on the EE costs being recovered—an obvious benefit of the Stipulation.

VEDO's residential customers will pay approximately $13.50 per year, or $1.12 per month, to fund the EE programs in the 2021-2023 Plan, as modified by the Stipulation. (VEDO Ex. 2.0 at 19-20.) When focusing on only VEDO's low-income EE programs, the per customer funding goes down to approximately $5.50 per year, or $0.45 per month. This amount of ratepayer funding is relatively small, given the energy savings and other benefits that these EE programs provide for customer in VEDO's service territory.

3. The Commission and VEDO are taking other significant steps to further alleviate the short-term energy burdens of VEDO's residential customers.

OCC suggests that all of VEDO's EE programs should be either eliminated outright, or indefinitely postponed. This position is simply not consistent with the General Assembly's mandate in R.C. 4905.70 or the state policy in R.C. 4929.02(A)(12). OCC advocates that the emergence of COVID-19 justify the Commission rejecting the Stipulation—and essentially denying VEDO's Application—to address the financial hardships of customers. VEDO and the Commission, however, have already taken significant actions, which augment existing energy assistance programs, to further alleviate the energy burdens that VEDO's customers face in the short-term. OCC fails to make the case that, in addition to those actions, the Commission must also terminate all of VEDO's cost-effective, beneficial EE programs. Indeed, the OCC testimony barely mentions the Commission and VEDO's on-going efforts to address COVID-19.

When the Company filed the Application in November 2019, nine months ago, the current state of emergency in Ohio did not exist. Since the onset of the COVID-19 pandemic in March 2020, however, the Commission and the Company have been taking actions that are providing material, targeted benefits to customers who need help paying their bills. The details of the Company's response to COVID-19 can be found in the pleadings in Case No. 20-649-GA-UNC. Examples of actions that the Company has taken include:

- Voluntarily suspending disconnections for non-payment through mid-August 2020;
- Not resuming the collection of late payment charges until the beginning of the 2020-2021 winter heating season in October 2020;
- Expanding payment plan offerings through the beginning of the 2020-2021 winter heating season in October 2020 to include a payment arrangement up to 12 months;
- Suspending PIPP anniversary and reverification drops through September 7, 2020; and
- Treating any missed installment payment due or billed for active PIPP customers, between March 12, 2020 and September 7, 2020 into arrearages.

In particular, the Commission found that the deferment of any charge, fee, or deposit provided VEDO customers "with immediate bill relief." *In re Vectren Energy of Ohio. Inc.*, Finding and Order, Case No. 20-649-GA-UNC (June 3, 2020) at ¶ 34. VEDO also has not filed a deferral application to recover any lost or forgone revenue from uncollected charges, fees and deposits. To suggest that VEDO is not concerned with the energy burden and arrearages of customers, including its low-income customers, during the COVID-19 crisis, is disingenuous.

To go down the road that OCC suggests would cause long-term uncertainty when, if ever, VEDO's EE programs would continue after 2020, not to mention short-term devastation to an industry hoping to rebound after the shut-down, if the Commission were to order any remaining funding in 2020 to be repurposed. And in exchange for creating that damage and that risk, the Commission would end up with a pot of EE dollars, funded by all customers, to give back to some customers. OCC asks the Commission to execute this plan, even though OCC has not explained why customer-funded EE dollars should be used as COVID-19 bill payment assistance, or how this assistance fits within the overall context of the federal and state response to COVID-19. These proposals are short-sighted and unsupported, and they disregard the value that low-income weatherization, efficiency services, and consumer education can bring to the communities in VEDO's service territory in 2021 and beyond. OCC thus does not show why repurposing low-income EE funding and indefinitely delaying approval of EE programs constitute a necessary and reasonably balanced approach to COVID-19.

C. The Stipulation does not violate any important regulatory principle or practice.

Finally, the Stipulation does not violate any important regulatory principle or practice. On the contrary, the many benefits listed tend to confirm the absence of any such violation.

For over a decade, the Commission has continued to find value in Ohio's gas distribution utilities offering DSM programs, and has consistently approved voluntary and cost-effective natural gas DSM programs that produce demonstrable benefits, reasonably balance total costs, and minimize the impact to non-participants. *In re Columbia Gas of Ohio, Inc.*, Case No. 16-1309-GA-UNC, Opin. and Order (Dec. 21, 2016) p. 63. The Commission has also found that a period of low gas prices may present a particularly appropriate time to encourage and incentivize customer participation through the DSM programs so that customers can purchase or install energy efficiency measures that will provide long-term energy conservation benefits to protect customers as a hedge against volatile spikes in prices. *Id*. at 55.

The 2021 – 2023 Plan, as modified by the Stipulation, 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—consistent with R.C. 4905.70 and R.C. 4929.02(A)(12). OCC argues that the Stipulation violates state policy that natural gas service must be "reasonably priced." (OCC Ex. 2.0 at 5, 14.) But OCC does not offer any analysis on reasonably priced natural gas service or why the inclusion of EE costs in rates suddenly makes the natural gas service not reasonably priced. 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. (VEDO Ex. 2.0 at 20.) In the Company's most recent rate case, the Commission expressly found that VEDO's EE programs are cost effective and in the public interest. There is nothing in the record in this proceeding to justify the Commission departing from those conclusions, a year later. VEDO's voluntary natural gas EE programs are still cost-effectively delivering benefits to customers, and their duration should be extended.

V. CONCLUSION

In summary, the evidence shows that the Stipulation complies with all three parts of the Commission's test. For these reasons, the Commission should approve the Stipulation as filed.

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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 upon the following individuals on September 3, 2020:

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