

**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       ) Case No. 19-2084-GA-UNC  
for its Residential, Commercial, and Industrial     )  
Customers.   )

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

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**I. INTRODUCTION**

Now and for the foreseeable future, Dayton-area consumers will need help getting through the coronavirus pandemic and financial emergency resulting from it. They need lower natural gas bills, not higher ones.

Vectren's proposed Settlement, which would allow Vectren to charge customers \$18 million over three years for energy efficiency, is ill-timed and poorly designed. It would require customers to continue subsidizing natural gas energy efficiency programs that benefit the few who choose to participate, leaving other customers with nothing more than a higher utility bill to subsidize the program participants when they can least afford it.

The Office of the Ohio Consumers' Counsel ("OCC"), in contrast, proposes a higher purpose and better use for this money: bill payment assistance. While Vectren's weatherization program is projected to help just 334 customers per year, that same money could be used to help 10,000 customers with bill payment assistance. This should not be a hard choice. Help 334? Or help 10,000? The PUCO should do the right thing and reject the Settlement.

## II. REPLY

### A. The Settlement does not benefit customers or the public interest because it does not put money to the best possible use: bill payment assistance.

In their initial briefs, Vectren, OPAE, and the PUCO Staff largely miss the point by focusing on the potential benefits of energy efficiency programs. No one disputes that energy efficiency programs provide *some* benefits to customers. The question the PUCO should be answering is whether natural gas energy efficiency is the *best* use of customer-provided funds. It isn't.

Vectren's low-income weatherization program is expensive. Let's consider what customers are really getting for their money with Vectren's natural gas weatherization program. Vectren expects to spend \$6,200 per home on low-income weatherization.<sup>1</sup> The average low-income customer whose home is weatherized will reduce usage by 208 ccf.<sup>2</sup> Vectren's current standard choice offer rate is \$0.35095 per ccf.<sup>3</sup> This means that the average low-income customer will save \$73 per year as a result of weatherization (208 ccf \* \$0.35095). At that rate, it would take 85 years for the weatherization investment to pay off (longer once you account for time-value of money).<sup>4</sup> Is spending \$6,200 per home to help a customer save \$73 per year the best use of money?

As OCC expert James Williams explained, bill payment assistance is far more beneficial to customers.<sup>5</sup> Instead of spending \$2.1 million on weatherization to help just 334 customers,

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<sup>1</sup> Application at 8, Table 1 (\$2,102,145 in 2021 to weatherize 334 homes).

<sup>2</sup> Application at 8, Table 1 (69,531 ccf saved by 334 customers; 69,531 / 334 = 208 ccf per customer).

<sup>3</sup> See <http://www.energychoice.ohio.gov/ApplesToApplesComparison.aspx?Category=NaturalGas&TerritoryId=11&RateCode=1> (accessed Sept. 8, 2020).

<sup>4</sup> \$6,200 / \$73 = 84.9 years. Vectren conveniently omits the weatherization program from its cost-effectiveness calculations when touting the benefits of the programs. See Vectren Brief at 14-16.

<sup>5</sup> Williams Testimony at 7.

that same money could be used to help 10,000 customers pay their natural gas bills.<sup>6</sup> And this type of bill payment assistance is especially critical during and after the coronavirus pandemic and financial emergency. Most notably, because OCC's proposed bill payment assistance would be available to customers up to 300% of the Federal Poverty Guidelines, there are some customers for whom it would be the *only* available option. The Federal LIHEAP program only assists customers up to 175% of the Poverty Guidelines, and Ohio's PIPP program is only available for customers up to 150% of the Poverty Guidelines, for instance.<sup>7</sup> And of course, customers who are eligible for other programs would still be eligible for OCC's proposed assistance program because customers should be allowed any opportunity for help paying their bills during the coronavirus pandemic and financial fallout.

As OCC explained in detail in its initial brief, the PUCO should find that bill payment assistance is a far better use of money right now than continuing customer-funded energy efficiency programs.

**B. OCC is asking the PUCO to end customer-funded subsidies for energy efficiency programs. Vectren and others can continue the programs at their own cost.**

Vectren and OPAE each accuse OCC of calling for the end of Vectren's energy efficiency programs. According to Vectren, OCC "proposes to eliminate them."<sup>8</sup> Vectren similarly comments in its initial brief that "OCC does not explain why EE programs need to be eliminated to provide assistance."<sup>9</sup> OPAE likewise states that OCC "proposes the elimination of all non-low-income programs."<sup>10</sup> This is not OCC's position at all.

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<sup>6</sup> *Id.* at 6-7.

<sup>7</sup> Williams Testimony at 20-21.

<sup>8</sup> Vectren Brief at 1.

<sup>9</sup> Vectren Brief at 9.

<sup>10</sup> OPAE Brief at 4.

As OCC explained in its initial brief, “If Vectren wants to run an energy efficiency program for its corporate sustainability efforts, it should do so—on its own dime. But Vectren should not ask its customers to pay for it.”<sup>11</sup> This is an important distinction.

Notably, the signatory parties to the settlement vigorously support nearly \$18 million in energy efficiency programs—as long as someone else pays for it, that someone else being captive distribution customers who have no choice. Vectren goes so far as to claim that the “amount of ratepayer funding is relatively small,” casually suggesting that it is no big deal for customers to pay these charges against their will.<sup>12</sup>

The PUCO should ask itself: if these programs are so successful and so important, then why aren’t Vectren’s shareholders paying for them? If the cost of the programs is “relatively small, given the energy savings and other benefits that these EE programs provide for customer [sic] in VEDO’s service territory,” as Vectren claims,<sup>13</sup> then why aren’t Vectren’s shareholders willing to pay these “relatively small” costs? Why isn’t OP&A using its own money to run programs if it believes in them so strongly? It is easy to tout the benefits of a program and claim that it is money well spent when that money is someone else’s money. Here, that someone else is all consumers, including residential consumers—whose interests OCC represents.

OCC takes no position on whether the programs should continue. Vectren’s shareholders, OP&A, and the other signatory parties can run any and all energy efficiency programs that they want if customers are not paying for them. OCC’s opposition is to customers paying for the gas energy efficiency programs against their will.

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<sup>11</sup> OCC Initial Brief at 2.

<sup>12</sup> Vectren Brief at 19.

<sup>13</sup> Vectren Brief at 19.

**C. The Settlement violates regulatory principles and practices.**

OPAE and Vectren argue that the continuation of customer-funded natural gas energy efficiency programs supports regulatory principles, citing R.C. 4905.70 and 4929.02(A)(12). But these statutes do not offer the support that OPAE and Vectren seem to suggest.

R.C. 4905.70 says only that the PUCO “shall initiate programs that will promote and encourage conservation of energy and a reduction in the growth rate of energy consumption, promote economic efficiencies, and take into account long-run incremental costs.” Based on this language, OPAE and Vectren claim that the Settlement (and its continuation of customer-funded energy efficiency programs) is consistent with state policy. But R.C. 4905.70 does not require such programs to be offered by every utility,<sup>14</sup> nor does it require customers to pay for them. It simply says that such programs shall exist. Rejecting the settlement would not violate R.C. 4905.70 because the law does not require Vectren’s customers to pay for energy efficiency.

OPAE’s and Vectren’s reliance on R.C. 4929.02(A)(12) is also misplaced. R.C. 4929.02(A)(12) provides that it is state policy to “[p]romote an alignment of natural gas company interests with consumer interest in energy efficiency and energy conservation.” Though the signatory parties claim that this policy supports the Settlement, it does the opposite. Requiring customers to pay for Vectren’s energy efficiency programs does not align customers’ and the utility’s interests. It is not in customers’ interests to be required to subsidize energy efficiency programs for other customers. The Settlement therefore drives a wedge between Vectren, which wants customers to pay for the programs, and customers, who would be better off not paying for them. Thus, it does not “align” the two interests.

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<sup>14</sup> See, e.g., *In re Suburban Natural Gas Co.*, Case No. 11-5846-GA-SLF, Opinion & Order (Aug. 15, 2012) (denying natural gas distribution utility’s request to offer energy efficiency programs).

OPAE and Vectren also omit reference to other state policies found in R.C. 4929.02(A) that do not support the continuation of customer-funded subsidies for energy efficiency. R.C. 4929.02(A)(1), for example, provides that it is state policy to “[p]romote the availability to consumers of adequate, reliable, and reasonably priced natural gas services and goods.” OCC witness Shutrump explained that the Settlement violates this policy by charging customers subsidies for natural gas energy efficiency. R.C. 4929.02(A)(4) provides that it is state policy to “[e]ncourage innovation and market access for cost-effective ... demand-side natural gas services and goods.” The Settlement does not support this state policy because it encourages monopoly-customer-funded demand-side gas services, which is the opposite of “market access.” R.C. 4929.02(A)(7) provides that it is state policy to “[p]romote an expeditious transition to the provision of natural gas services and goods in a manner that achieves effective competition and transactions between willing buyers and willing sellers....” The Settlement contradicts this regulatory principle because it turns customers into *unwilling* buyers of energy efficiency. R.C. 4929.02(A)(8) provides that it is state policy to “[p]romote effective competition in the provision of natural gas services and goods by avoiding subsidies flowing to or from regulated natural gas services and goods.” Again, the Settlement does not do this—instead it promotes more subsidies flowing from customers to their natural gas utility.

In sum, the PUCO should find that the Settlement is inconsistent with regulatory policies and it should reject the Settlement on that basis.

**D. The PUCO should reject the many false statements found in OPAE’s initial brief.**

OPAE’s brief contains various statements that the record does not support. The PUCO should reject OPAE’s misstatements.



First, OPAE states that “it is the duty of the local utility to help its customers hedge against high prices and price volatility.”<sup>15</sup> OPAE cites no support for this bold statement because there is none. And there is none because this statement is false. Statutory policy says precisely the opposite: that it is state policy to “encourage innovation and *market access* for cost-effective ... demand-side natural gas services and goods.”<sup>16</sup> Having a monopoly utility use its captive customers’ funds to subsidize its efforts in the market for energy efficiency services is the opposite of encouraging market access.

Second, OPAE claims in its brief that “it is uncontroverted that the programs in the proposed DSM portfolio are cost-effective and address market failures.”<sup>17</sup> This too is false. The low-income weatherization is likely not cost-effective, as explained above. Further, OCC witness Shutrump explicitly contradicted the claim that energy efficiency is needed to “address market failures.” As Ms. Shutrump explained, the market for energy efficiency is robust and thriving, thus signaling an absence of market failures.<sup>18</sup>

Third, OPAE claims that Vectren’s portfolio of energy efficiency programs “does not increase a customer bills [sic].”<sup>19</sup> It is not clear how OPAE arrives at this conclusion, given that (i) the programs will cost customers nearly \$18 million, (ii) the weatherization program is likely not cost-effective, thus resulting in a net loss for consumers, and (iii) non-participating customers will subsidize the programs but not receive any benefits.

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<sup>15</sup> OPAE Brief at 2.

<sup>16</sup> R.C. 4929.02(A)(4) (emphasis added).

<sup>17</sup> OPAE Brief at 4.

<sup>18</sup> Shutrump Testimony at 12-13.

<sup>19</sup> OPAE Brief at 4.

Fourth, OPAE falsely accuses OCC of “ignor[ing] the benefits to customers” of natural gas energy efficiency programs.<sup>20</sup> This is also false. OCC has never stated that energy efficiency provides zero benefits to customers. Indeed, customers who choose to participate in the programs can save money over time. OCC’s position in this case is that (i) the money spent on these programs is better spent on bill payment assistance, and (ii) someone other than customers should pay for energy efficiency programs. Neither of these positions “ignores the benefits to customers” of energy efficiency.

### **III. CONCLUSION**

The Settlement does not benefit customers because it requires them to continue subsidizing Vectren’s energy efficiency programs. The money that would be charged to customers—without their consent—under the Settlement, is better left in their pockets or used for bill payment assistance. The PUCO should reject the Settlement and end the subsidies that Vectren customers have been paying for a decade.

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<sup>20</sup> OPAE Brief at 5.

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I hereby certify that a copy of this Reply Brief was served on the persons stated below *via* electronic transmission, this 17th day of September 2020.

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