

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

REPLY BRIEF OF OHIO PARTNERS FOR AFFORDABLE ENERGY

I. INTRODUCTION

Vectren Energy Delivery of Ohio (VEDO) has provided demand side management (DSM) programs to its customers, paid for by its customers, since 2005. The programs are evaluated annually, and all but the low-income weatherization programs are cost-effective under the relevant tests.¹ The portfolio has evolved through the years to reflect changes in equipment efficiency, analysis of the market and market failures, and the availability of new technologies. All parties have participated in a collaborative overseeing the programs and provided input on the individual portfolio programs and budgets. All VEDO customers have benefited from the programs whether directly or indirectly, as a result of reduced energy costs and the environmental benefits that result from efficiency investments.

Ratepayer funds that pay for the DSM programs are not a subsidy to VEDO. The Company recovers the costs of the measures provided to customers and reasonable administrative costs. As a result of the stipulation, VEDO dropped its request to share

¹ The low-income programs pass the Savings to Investment Ratio (SIR) test meaning the energy savings over the lifetime of the measure is greater than the cost. This is the standard evaluation protocol for low-income weatherization programs, and is required by the federal Weatherization Assistance Program (HWAP). The VEDO program follows DOE standards.

in the savings customers will receive from the programs, meaning 100% of the benefits will inure to VEDO customers. The stipulation filed in this docket meets the standard of review for the reasonableness of stipulations, and should be approved by the Commission.

II. THE STIPULATION CONTINUING VEDO'S DSM PORTFOLIO SHOULD BE APPROVED.

The Office of the Ohio Consumers' Counsel (OCC) is the sole party contesting the stipulation. For the last several years, OCC's has opposed the approval of and funding for natural gas DSM programs. This is a reversal of OCC's historical position on DSM. In fact, OCC supported the original VEDO portfolio but argued it was not large enough!² Times change, as does the occupant of the consumers' counsel post. But what has not changed is the efficacy of the programs VEDO manages. These programs meet the needs of customers seeking to control their energy usage, and benefit non-participants in a number of ways, as noted in OPAE's initial brief and OCC testimony filed in prior dockets.³

OCC offers a false dichotomy, attempting to frame this case so energy efficiency programs are pitted against bill payment assistance. Customers can have both. The current system provides significant funding for bill payment assistance through federal, utility shareholder, and private funding. Ohio affordable rate program, the Percentage Income Payment Plan (PIPP), is available to all customers of regulated gas and electric

² See Case No. 04-571-GA-AIR, et al., *Application for Rehearing by the Office of the Ohio Consumers' Counsel* (May 13, 2005), and Case No. 05-1444-GA-UNC, *Application for Rehearing by the Office of the Ohio Consumers' Counsel* (October 13, 2006).

³ *Testimony of David C. Rinebolt on Behalf of Ohio Partners for Affordable Energy* at 9 (July 21, 2020) quoting Case No. 05-1444-GA-UNC, *Testimony of Wilson Gonzalez on Behalf of the Office of the Ohio Consumers Counsel* (April 19, 2006)

utilities who meet the income qualifications, and riders are adjusted annually to ensure funding is adequate. Ohio also has an effective low-income weatherization program that is nationally recognized and has one of the highest level of savings per home in the country. Weatherization is a permanent solution to energy poverty, and customers wait months or years for services that reduce their natural gas consumption in the VEDO service territory an average of 20 percent. OCC would deny the elderly, disabled, high users, and those with the highest energy burdens the services that could literally change their lives.

OPAE knows well the impact of the COVID-19 pandemic. Of our 51 community-based nonprofit members, only two single-purpose agencies shut their doors temporarily while weatherization was suspended. The balance never closed, operating food pantries, providing rent and water utility assistance, offering medical services through a network of clinics, providing emergency services when furnaces or hot water tanks failed, and a host of other services needed every day, not just during a pandemic. Congress provided \$900 million in supplemental funding to community action agencies, which have allowed them to address the needs of clients. In addition, Congress provided an additional \$1.5 billion in Home Energy Assistance Program (HEAP) funding of which \$37.7 million of those funds came to Ohio. Anyone who pays attention to the news knows that at some point in the future an additional funding will be provided by Congress.

OCC wants the Commission to address what is fundamentally an unnecessary choice. Adequate funding for bill payment assistance remains available. The proposed Vectren DSM portfolio is cost-effective, provides employment for installers and

manufacturers of energy efficiency products and long-term environmental benefits by reducing emissions, including carbon dioxide and methane, two primary greenhouse gasses. Ohio consumers deserve both and they have both. We should not walk backward; we should move forward. The stipulation should be approved as filed.

A. Approval of the VEDO DSM Portfolio is Consistent with Ohio Law and Policy.

The application in the instant case was filed under O.R.C. 4905.70 and 4928.02. The former directs jurisdictional Ohio utilities to provide demand side services; a ‘shall’, not a ‘may’.⁴ The latter establishes demand side resources as a provision of distribution service the General Assembly has sought to promote. As such, the stipulation violates no important regulatory principal or practice.

The OCC makes two arguments to justify its contention that the stipulation violates regulatory principles. First, it argues that approval of the stipulation would violate the requirement that customers receive “reasonably priced natural gas services and goods.” O.R.C. 4929.02(A), simply because it is a charge on a customer’s bill. The mere fact that a charge appears on a bill, a charge that provides cost-effective service to customers, does not render it a violation of state policy.

The total cost of the program is roughly \$5.5 million per year, spread across all customer classes. Residential customers, de facto clients of OPAE and de jure clients of the OCC, pay only \$1.21 per month. Over half of all the customers directly benefit from the program and all customers can participate, though low-income programs – also

⁴ R.C. 4905.70 directs that “[t]he public utilities commission shall initiate programs that will promote and encourage conservation of energy and a reduction in the growth rate of energy consumption, promote economic efficiencies, and take into account long-run incremental costs.”

promoted by Ohio state policy – have a limited eligibility. Conservation programs are consistent with current law.⁵

Not every customer need benefit from a program for it to be consistent with Ohio law and policy. Most utilities have economic development riders. A newly opened coffee shop will not qualify for benefits under that rider, but will still pay a portion of the cost.

If the OCC was serious about addressing the pandemic situation, it would attempt to reduce the exorbitant customer charge paid by VEDO customers. That would have reduced bills significantly during the summer months. But that is not the goal of the OCC; its goal is to defund all DSM programs.

The OCC also alleges that the programs violate regulatory principle of equity, because it both fails to provide direct benefits to all customers, and because of the limited reach of the VEDO low-income program. A modest low-income program that prioritizes services to elderly and disabled customers, or those with high usage or a high energy burden, can hardly be cast as inequitable. These are the customers that need help the most and have no alternatives. A grant of \$100 or \$300 will not resolve the affordability issues they face.

The DSM portfolio also delivers benefits to all customers. As noted in testimony filed behalf of the Office of the Ohio Consumers' Counsel ("OCC") in the first Vectren DSM Portfolio case, there are numerous benefits from DSM programs including:

- 1) The potential for lower future natural gas costs due to dampened natural gas demand.
- 2) Dollar savings due to reduction in cost of natural gas used in electric generation.
- 3) Provides a hedge value for all customers.

⁵ O.R.C. 4929.02(A)(12).

- 4) Transformed market for energy services (more and better quality choices, 8 better pricing, better financing opportunities, better technologies).
- 5) Economic development benefits.
- 6) Increase taxes collected by Local and State entities from energy efficiency programs should help communities with existing budget deficits.
- 7) Environmental benefits.
- 8) Utility planning flexibility.⁶

The facts are what they are, no matter how much the OCC tries to stretch them to fit the its desire. The OCC does not dispute the cost-effectiveness of the DSM portfolio. Instead, it argues that the impact of the programs is limited to the direct participants, though this is clearly false, based on testimony it filed in a previous case. It also claims that it is inequitable for the most vulnerable customers to receive services that will directly benefit the most vulnerable customers. This makes no sense. A DSM program of the size necessary to provide every customer with direct service every year would certainly be unreasonable, but that is not what is before the Commission. A modest program, with systemwide impacts, is an appropriate investment for a utility at any time.

B. O.R.C. 4905.70, the Statutory Provision Under Which This Application was Filed Does not Authorize Fuel Funds or Bill Payment Assistance.

The OCC proposes that the balance of 2020 low-income weatherization funding – VWP-1 and VWP-2 – and the 2021 funding be “repurposed” to bill payment assistance. The 2020 funding comes from a tariff approved by the Public Utilities Commission of Ohio (“PUCO” or “Commission”) on June 17, 2020 in Case No. 20-640-

⁶ See Footnote 3.

GA RDR. That funding is to support DSM programs, not bill payment assistance. This would be analogous to repurposing the funding for the Distribution Replacement Rider to bill payment assistance. In both cases, the transfer would violate Ohio law. Had the OCC wanted new funding for bill payment assistance it should have asked in Case No. 20-649-GA-UNC, the docket that deals with VEDO's response to the pandemic. That is where the decisions on payment programs, PIPP, and disconnections have been made.⁷

The authorization for future programs, which is the focus of this docket, does not include any funds that could be repurposed. Funding will be provided through a future docket. There are no funds at issue in this docket that can assist customers. If the OCC wants additional bill payment assistance it should file a motion in the pandemic related docket. OPAE will certainly do so if and when it is determined that current resources are inadequate.

If the Commission does not approve the stipulation in this case, there is no program funding to repurpose because there is no program. As noted above, this docket deals with the authorization of a DSM portfolio. If the OCC wants to authorize a bill payment assistance program it should do so in another docket. It can continue to oppose the DSM program in this docket. Eliminating natural gas DSM is the OCC's real focus, not assisting low-income customers. OPAE urges the Commission not to fall for this ruse.

⁷ Rather than requesting new funding for assistance in Case No. 20-649-GA-UNC, OCC instead suggested the transfer low-income program funding at issue in this docket.

C. The OCC's Proposed Repurposing Would Harm Vulnerable Customers and Would Not Address the Needs of Customers Affected by the COVID-19 Pandemic.

OPAE is well aware of the economic racism that affects the population in the VEDO service territory. Our sister association, the Ohio Association of Community Action Agencies, prepares an annual State of Poverty report that documents the income and employment disparities in this State. Each of the community action agencies providing weatherization and bill payment assistance conducts an annual community assessment to determine the extent of poverty in the areas they serve and to target programs to meet this need and promote self-sufficiency. Our members are no strangers to the poverty that exists in their communities.

Does the OCC's proposal, if adopted, address the problems exacerbated by the COVID-19 pandemic? Yes and no. No in that it would eliminate all funding to provide weatherization services to vulnerable elderly and disabled people with incomes between 200-300% of the Federal Poverty Line (FPL). Those customers are over-income for traditional low-income weatherization programs, and cannot afford the customer investment to utilize VEDO's market-rate weatherization program. These clients, most of whom are on fixed incomes, would be left with no access to weatherization assistance.

Roughly 12 percent of the funding available for shell weatherization and HVAC replacements would be eliminated. The OCC is welcome to explain to a client with a broken furnace that contacts their local community action agency that the funding has been 'repurposed' to bill payment assistance. Low-income families have a variety of needs, including the need for heat and hot water. Yes, one has to be connected to utility service for both, but one also has to have working furnaces and hot water heaters,

something that VWP-1 provides. Federal Home Weatherization Assistance Program (HWAP) funds for health and safety measures such as furnace replacements are limited by statute, and agencies count on utility funds to provide those services.

The OCC also points to the additional HEAP Weatherization funding – increasing the transfer from HEAP from 15% to 20% -- to indicate that adequate funds are available to weatherize client's homes. What the OCC fails to note is that the additional 5% is being used to repair homes that otherwise would not be weatherized, and deferred until the customer can pay for repairs. The money is also being used to mitigate pests and mold, two other reasons a unit can be deferred. The additional 5% transfer is allowing the network to address issues in homes that would otherwise be a walk away. (Walk away is a term of art for a deferral.) Moreover, the 5% transfer must be spent with HWAP; it cannot be used to weatherize the units that VEDO's program is currently paying for. And, as noted by the OCC, there are a large number of single- and multi-family homes that would benefit from weatherization. The \$1.1 million matters to the clients who will otherwise not be served next year or beyond.

There may well be a need for additional bill payment assistance. If the federal or state governments are not forthcoming, and PIPP proves to be an imperfect solution for some customers, OPAE will file for additional resources in an appropriate docket.

What is concerning is that the OCC's antipathy toward OPAE and its member agencies causes it to propose that the United Way or any nonprofit other than OPAE members be responsible for the fuel fund should the funds be repurposed. OPAE members, in partnership with ODSA, handle intake for all HEAP and PIPP applications, over 350,000 per year. The agencies are full-time operations, often open on Saturday's,

and have outreach workers that can visit clients in their homes to take applications. Community action agencies also provide access to over \$190 million in HEAP funds, the largest pot of fuel assistance funding available. Working with ODSA, using the OCEAN electronic benefits transfer system, agency staff are able to prevent disconnection the day an appointment is made.

For many years, OPAE oversaw a fuel fund capitalized with funds from shareholders of the Dayton Power & Light Company. The funding was obligated through OCEAN and overnight applied to customers' bills. The system is efficient and effective. OPAE agencies work with dedicated utility call centers to speed the processing of benefits, negotiate payment plans, and directly refer to weatherization services. Why the OCC would not want to use this network can only result from a perverse distaste for OPAE and its members because the two organizations have disagreed on positions taken in other cases, not because the community action agencies are ineffective in distributing benefits. OPAE's concerns are focused on low-income families. Disagreements with the OCC do not distract us from our corporate purpose.

The OCC includes Dollar Energy, which manages AEP Ohio's fuel fund, as a potential manager for the funds. OPAE is familiar with Dollar Energy. OPAE is working with them to develop a pandemic-focused fuel assistance program in West Virginia and have worked with them to obtain funding from AEP Ohio. In addition, if one looks at a list of the local agencies that work with Dollar Energy to deliver assistance, you will find every OPAE member agency in the AEP Ohio service territory.⁸ The same is true of the United

⁸ Dollar Energy programs also have higher administrative costs than fuel funds administered through a partnership between OPAE, ODSA, and local HEAP providers because HEAP administrative funds subsidize intake and most beneficiaries are already in our system. OPAE receives no funding for managing these resources.

Way's 211 program, which OACAA assisted in developing. If you visit the website you will see all OPAE's members in the VEDO service territory listed as sources for assistance. Animosity on the part of one party should not stand in the way of using the most efficient and effective approach to originating benefits.

The OCC proposal has other flaws. The testimony of OCC Witness Williams points out that the average arrearage as of the end of July was \$471. So, why does OCC propose that benefits from the proposed fuel fund be limited to \$100 or \$300? That will not cure the arrearage on its own; the client will be forced to find additional funds elsewhere. Should we structure a program so it requires customers to go to multiple agencies in, often having to use public transportation to get there, during a pandemic? That is not good public policy. OPAE agencies have multiple resources and can get the clients what they need, not part of what they need.

Some of the OCC positions may be based on a misunderstanding of the various programs and how they operate. The OCC notes on Page 12 of its brief that it is important for PIPP customers to make payments so they can remain in the program, and because those payments reduce the cost of PIPP for all customers. Taking money from a DSM Rider, which is paid by VEDO customers, and using it to make PIPP payments, which reduces PIPP costs, does not inject additional money into the system. In addition, the Commission has already ordered natural gas utilities to allow customers to roll missed PIPP payments into the arrears and permit them to be erased through the crediting process rather than have to pay them or be dropped from the program. This approach injects more funding into the bill payment system.

The OCC also argues that benefits should be available to clients with incomes up to 300% FPL. This might make sense for a family if eligibility determinations were made based on the prior 12 months of income; a family that had a solid income but lost their job because of the pandemic could access benefits. However, eligibility is based in income for the prior 30 days. Any household where the primary wage earners are unemployed or severely underemployed will qualify for benefits. An income of 300% FPL is \$78,600 per year for a family of four, or \$6,550 per month. If a family had an income that high during the last 30 days, they can pay their utility bills. By contrast, a family at 175% FPL, the HEAP eligibility standard, brings in \$3,820 per month. That family is eligible for HEAP, but most families with that income can afford their bills. Very few families at the high end of the eligibility level use HEAP. The OCC appears to believe that paying bills for high income folks that took a hit and are now only making \$6,500 a month is good public policy. OPAE respectfully disagrees. Benefits should be focused on those that cannot pay their bills, not their bills and the country club membership.

III. Conclusion

The Stipulation in this case meets the three-part test for the reasonableness of a stipulation and OPAE respectfully requests that the Commission approve it as filed.

/s/ Robert Dove

Robert Dove (0092019)
Kegler Brown Hill + Ritter Co., L.P.A.
65 E State St., Ste. 1800
Columbus, OH 43215-4295
Office: (614) 462-5443
Fax: (614) 464-2634
rdove@keglerbrown.com

*Attorney for Ohio Partners for
Affordable Energy*

CERTIFICATE OF SERVICE

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Werner.Margard@ohioattorneygeneral.gov
andy.shaffer@ohioattorneygeneral.gov
kennedy@whitt-sturtevant.com
fykes@whitt-sturtevant.com
amy.botschner.obrien@occ.ohio.gov
ambrosia.logsdon@occ.ohio.gov
christopher.healey@occ.ohio.gov
ccox@elpc.org
bethany.allen@igs.com
michael.nugent@igs.com
joe.oliker@igs.com
msettineri@vorys.com
glpetrucci@vorys.com

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Summary: Reply Brief electronically filed by Mr. Robert Dove on behalf of Ohio Partners for Affordable Energy