BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio for Approval of an Alternative Form of Regulation.	))))	Case No. 21-1109-GA-ALT

OBJECTION TO THE STAFF REPORT OF THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO

In accordance with the Commission's January 31, 2022 Entry in this proceeding and Ohio Adm.Code 4901:1-19-07(F), The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or the Company) hereby submits its Objection to the Staff Report. DEO's lack of objection to any particular proposal or treatment recommended in the Staff Report should not be construed as indicating DEO's affirmative support for such proposal or treatment.

OBJECTION TO STAFF REPORT

I. REQUEST TO EXPAND DSM PORTFOLIO AND INCREASE DSM SPENDING

Objection No. 1: Reasonableness of DEO's Application. DEO objects to the Staff Report's finding that the Company's alternative rate plan is not reasonable. The applicable law and Commission precedent support the approval of DEO's Application. In addition, DEO's testimony and exhibits demonstrate that DEO's alternative rate plan, which proposes energy efficiency (EE) / demand side management (DSM) programs similar to programs that the Commission has approved for other natural gas companies, is reasonable. That the Commission held EE workshops—which will be completed months before any decision is rendered in this case—is not a credible basis for delaying a decision on the merits of DEO's Application and denying DEO's customers the chance to participate in DSM/EE programs and enjoy the associated benefits available elsewhere in the state.

In DEO's last rate case, the Commission approved funding for DEO's existing DSM programs. *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 07-829-GA-AIR, *et al.*, Opin. & Order (Oct. 15, 2008) at 7, 12. That prior authorization allows DEO to recover $4.0 million in DSM funding annually through its DSM rider and $5.5 million through base rates. *In re The East Ohio Gas Co., d/b/a Dominion Energy Ohio*, Case No. 21-1096-GA-RDR, Finding & Order (Feb. 9, 2022) ¶ 4. This $9.5 million in funding, which has remained flat since the last rate case, has allowed DEO to successfully operate two relatively small DSM/EE programs: the Home Performance with ENERGY STAR Program and the Housewarming Program (low-income).

Since DEO's last base rate case, the Commission has approved the applications of other natural gas companies to expand their DSM/EE funding and program offerings for their customers. For example, Columbia Gas of Ohio, Inc. (COH) operates 11 programs with a Commission-approved 2022 budget of over $35 million. (Case No. 16-1309-GA-UNC, App. (June 10, 2016) at 25 (2017-2022 budgets).) Likewise, CenterPoint Energy of Ohio (CEOH) operates seven programs with a Commission-approved budget of approximately $6 million. (Case No. 21-820-GA-RDR, App. (June 30, 2021) at Ex. A.) And just this month PUCO Staff recommended continuing Columbia's $35 million funding level (nearly four times greater than DEO's) in Columbia's pending rate case. (Case No. 21-637-GA-ALT, *et al.*, Staff Report (Apr. 6, 2022) at 20.) Consequently, as the chart below shows, DEO's current approved annual funding per customer is considerably lower than annual funding levels approved for COH and CEOH.

Natural Gas Company	Annual DSM Spend	Customers	Spend Per Customer
Columbia Gas of Ohio, Inc.	$35.0 million	1,400,000	$25
CenterPoint Energy of Ohio	$6.0 million	330,000	$18
Dominion Energy Ohio (current)	$9.5 million	1,200,000	$8
Dominion Energy Ohio (proposed)	$18.0 million	1,200,000	$15

In short, DEO seeks to offer a level of programs that is well within the bounds of what has been deemed reasonable in the last year, and to better align its offerings with those available to other natural gas customers in the state.

R.C. 4929.05(A) provides that the Commission "shall authorize the applicant to implement the alternative rate plan," if three conditions have been met. First, the natural gas company must comply with section 4905.35 of the Revised Code and be in substantial compliance with the state policy specified in section 4929.02 of the Revised Code. Second, the natural gas company must be expected to continue to be in substantial compliance with the state policy specified in section 4929.02 of the Revised Code after implementation of the alternative rate plan. And third, the natural gas company's alternative rate plan must be just and reasonable.

The Staff Report finds that DEO's application meets the first two conditions, but not the third. The Report states, "Staff does not find the Company's request to increase spending and DSM rider rates to be reasonable *at this time*." (Staff Rep. at 3 (emphasis added).) The only reason provided is that "currently, the Commission is in the process of conducting workshops to discuss and evaluate the role of energy efficiency in the state of Ohio." (*Id*. at 2-3.) Based only on that fact, Staff does not recommend approval of DEO's alternative rate plan. Staff does not otherwise offer any substantive policy or legal reason to reject DEO's proposed expanded portfolio, which was developed with industry experts and is supported by market-specific research. Nor does Staff take issue with the design of any of DEO's proposed programs, the budgeted costs, or the expected benefits. Nor does Staff explain how any of the presentations or issues under review in the workshops could affect review of DEO's application.

DEO therefore objects to the Staff Report's finding that the Company's alternative rate plan is not reasonable. The existence of an informational EE workshop process, in the absence of any identified substantive problem with DEO's application, is not an appropriate basis for denying or delaying DEO's customers the opportunity to participate in DSM/EE programs and benefits available elsewhere in the state.

A. Ohio law and Commission precedent support approval of DEO's Application.

Ohio law requires the Commission to introduce and support programs that conserve energy. Under R.C. 4905.70, the Commission "*shall* initiate programs that will promote and encourage conservation of energy and a reduction in the growth rate of energy consumption, promote economic efficiencies, and take into account long-run incremental costs." (emphasis added). And under R.C. 4929.02(A)(12), it is state policy to "[p]romote an alignment of natural gas company interests with consumer interests in energy efficiency and conservation."

Historically, the Commission has fulfilled this mandate and furthered state policy by authorizing utility-sponsored natural gas DSM/EE programs. In doing so, the Commission has regularly recognized the importance of such programs in educating and encouraging customers to conserve energy. Just last year, the Commission confirmed that "there can be no doubt that, in recent history, Ohio regulatory policy has embraced natural gas DSM programs." *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 19-2084-GA-UNC, Opin. & Order (Feb. 24, 2021) ¶ 73 (2021 CEOH DSM Order). The Commission also recently stressed "the importance of including [non-low-income] programs that educate consumers about energy conservation and that encourage consumers to participate in energy conservation measures to more readily achieve long-term energy conservation benefits." *In re Columbia Gas of Ohio, Inc.*, Case No. 19-1940-GA-RDR, Opin. & Order (Dec. 2, 2020) ¶ 53 (2020 COH DSM). The Commission has held these consistent positions, since at least DEO's last base rate case. *In re The East Ohio Gas Co.*

d/b/a Dominion East Ohio, Case No. 07-829-GA-AIR, et al., Opin. & Order (Oct. 15, 2008) at 22-23.

The Commission has also made clear the standard for approving utility-sponsored natural gas DSM/EE programs. It has regularly approved natural gas companies' "voluntary, cost-effective programs that produce demonstrable benefits, reasonably balance total costs, and minimize the impact to non-participants." 2021 CEOH DSM Order ¶ 74. The Commission has found that that such programs "comport[] with Ohio's stated public policy of encouraging conservation of energy, as well as innovation and market access for demand-side natural gas services and goods, and promoting the alignment of utility and consumer interests in energy efficiency and energy conservation." *Id*.; 2020 COH DSM Order ¶ 54 ("well-designed and cost-effective DSM programs are consistent with Ohio's economic and energy policy objectives").

Consistent with the Commission's standard and state policy, DEO has designed an expanded DSM/EE portfolio, with eight new programs and modifications to the existing programs that will promote the efficient use of energy and provide customers a wider array of cost-effective options to help reduce their consumption. (App. at 7.) To accommodate these changes, DEO proposes to increase the level of DSM/EE funding authorized for recovery annually through the DSM Rider. (*Id*. at 2.) DEO's Application, with its supporting testimony and exhibits, demonstrates how the expanded DSM/EE portfolio's offerings will be cost-effective and produce significant customer benefits. (App. at 7-11; DEO Ex. 1 at 8-9; DEO Ex. 2.2.) The analysis included with the Application also demonstrates that DEO's proposals reasonably balance total costs and minimize the impact to non-participants. (DEO Ex. 1.0 at 6; DEO Ex. 3.0 at 6-7.) For these reasons, the Commission should approve the Application consistent with its prior decisions.

B. The Company's testimony and exhibits demonstrate that DEO's alternative rate plan is reasonable.

Although the Staff Report correctly finds that DEO's Application meets the first two conditions of R.C. 4929.05(A), it incorrectly finds the Application "not … to be reasonable *at this time*." (Staff Rep. at 3 (emphasis added).) The Company's testimony and exhibits, however, demonstrate that DEO's alternative rate plan is entirely reasonable.

DEO's Application describes the significant energy conservation benefits that the proposed DSM/EE programs will offer customers. Supported by three witnesses, the Application contains detailed program descriptions, annual budgets by program, annual energy savings projections by program, and the results of the applicable cost effectiveness tests. (DEO App. at 7-8; DEO Exs. 2.1 & 2.2.) The expanded portfolio is projected to significantly increase participation in DEO's DSM/EE programs, from approximately 6,400 participants to 212,000 to 256,000, which the Staff Report recognizes. (Staff Rep. at 2.) The Staff Report also recognizes that the expanded portfolio would significantly increase annual energy savings, from 558,000 therms in 2021 to 3.3 million therms in Year One of the program and 5.4 million therms in Year Five of the program. (*Id*.) In addition, the Application explains how the cost-effectiveness of the expanded portfolio was evaluated and that the proposed programs passed three different cost-effectiveness tests: the Total Resource Cost Test (TRC), the Utility Cost Test (UCT), and the Participant Cost Test (PCT). (DEO Ex. 2.0 at 11; DEO Ex. 2.2.)

As set forth in the Application, the proposed programs will increase awareness of EE measures, educate customers on their own consumption, and provide financial incentives to help offset the incremental costs of purchasing higher efficiency equipment. (DEO Ex. 1.0 at 7-9.) They will offer customers opportunities to reduce usage, avoid commodity costs, and lower gas bills, which in turn may assist with the affordability of service and the reduction of customer arrearages and bad debts. (App. at 9-10; DEO Ex. 1.0 at 8-9; DEO Ex. 2.0 at 12-13.) And they will produce numerous other environmental, safety, reliability, and economic benefits for participants and non-participants. These benefits include improved safety and reliability of gas heating equipment and gas appliances; reduction in pollution and greenhouse gas emissions; better working and living conditions; and the creation of jobs and support for the supply chain of EE vendors. (*Id*.) The Staff Report does not dispute any of these assertions in the Application.

Moreover, DEO's existing DSM/EE offerings are among the smallest in the state for natural gas companies. (DEO Ex. 1.0 at 6.) While the expanded portfolio will better align DEO's programs with the offerings of other natural gas companies, the average monthly bill impact of DEO's increased DSM funding will remain lower than the impact of comparable programs. (DEO Ex. 3.0 at 6-7.) For these reasons, the Company's proposed alternative rate plan is reasonable.

C. That the Commission held energy efficiency workshops is not a credible basis for denying or delaying a decision on the merits of DEO's application.

PUCO must issue decisions based on the applicable laws and the record before it in each proceeding, *Ideal Transportation Co. v. Pub. Util. Comm'n of Ohio*, 42 Ohio St.2d 195, 199 (1975), not on undocketed stakeholder discussions occurring outside of the proceeding. Although workshops may inform the Commission policy making process on a specific issue, their mere existence is not a valid basis to reject or delay a decision on the merits of a properly filed application.

Since it announced the EE workshops in February 2021, the Commission has recognized that the workshop process would run outside of and parallel to any individual utility applications that were filed. At the outset, the Commission "signal[ed] [its] intent to continue to monitor program development and the sustained evolution of the competitive marketplace in order to determine to what extent the competitive marketplace may provide a more efficacious delivery mechanism for a particular EE product or service." 2021 CEOH DSM Order ¶ 73. To accomplish that monitoring, the Commission "plan[ned] to have future discussions and welcome stakeholder input during [the] upcoming EE workshops." *Id*. But at the same time, it approved increases to CenterPoint's DSM funding. *Id*. ¶ 28. And it confirmed that there is "no compelling reason to abandon [natural gas DSM] programs at this time," acknowledging its "continued issuance of orders authorizing EE activity by and through natural gas utilities." *Id*. ¶ 73.

The Commission subsequently verified in the fall of 2021, after the workshops had been postponed and rescheduled, that the point of the EE workshops was to "fully consider" the issues surrounding DSM/EE programs and Ohio's competitive retail electric and natural gas markets "in a broader context than" the application of a single utility. *In re Ohio Power Co.*, Case No. 20-585-EL-AIR, *et al.*, Opin. & Order (Nov. 17, 2021) ¶ 173. The Commission gave no indication that by monitoring DSM/EE programs and engaging stakeholders, it intended to reject or pause approval of utility applications during the workshop process, which is what the Staff Report essentially recommends.

Moreover, the EE workshops were not a docketed proceeding and have now concluded. And although the Commission has welcomed additional comments, it has not announced that there will be additional workshops or a future docketed proceeding. This suggests that the Commission will continue to address DSM/EE issues on a case-by-case basis, whenever applications have been filed. This is exactly what happened with the cost of capital forum. *In re The East Ohio Gas Co. d/b/a Dominion Energy Ohio*, Case No. 19-468-GA-ALT, 2d Entry on Reh'g (Feb. 23, 2022) ¶ 20 (acknowledging the forum when affirming the use of the rate of return authorized in DEO's last base rate case in the calculation of the revenue requirement for the CEP Rider). And in the context of an alternate rate plan application, like DEO's, a prompt decision is expected under the law. *See* R.C. 4929.07(D) (permitting utility to place rates and charges in effect if no order issued within 275 days).

Making a delay even less appropriate, the workshop comments largely concerned questions about the future of utility-sponsored *electric* DSM/EE programs after HB6.[1] They also showed widespread non-utility stakeholder support or non-opposition to natural gas DSM/EE programs:

- "Natural gas utilities should offer demand-side programs to all customers regardless of their shopping status. … The Commission should encourage the development of future programs for both electric and gas customers." (ELPC Cmts. at 7, 9.)

- "OPAE does not agree that the competitive market is equipped to be the primary source of energy efficiency programs. Natural gas companies such as Columbia and Dominion Energy Ohio have done an excellent job providing energy efficiency and demand side programs for years with costs partially recovered through base rates." (OPAE Cmts. at 10.)

- "Demand-side management programs offered by both electric utilities and natural gas companies should be offered to all customers, as all customers fund and see the benefits of such programs. EDUs and natural gas utilities have a unique infrastructure and economy of scale that results in efficient program delivery, assuming proper planning, reporting, and oversight by the PUCO." (OEC Cmts. at 4.)

- "[E]xisting efficiency programs implemented by natural gas utilities should not be offered only to non-shopping customers (and/or at-risk populations). … [T]here is no evidence to suggest competitive gas providers would promote efficiency at levels necessary to produce anything close to the levels of efficiency improvements, savings and energy bill reductions that Ohio's gas distribution utilities could and in some cases have achieved. Moreover, there are compelling, structural market reasons why they are ill-equipped to do so." (NRDC Cmts. at 10.)

- "There is no evidence that the existing demand side management programs implemented by Ohio's natural gas utilities have been unsuccessful in meeting the goals they set forth before the Commission. Throughout the Midwest, natural gas

[1] Available at https://puco.ohio.gov/utilities/electricity/resources/ee-workshops (last visited April 28, 2022).

utilities deliver cost-effective and prudent energy efficiency programs for their customers, often in direct collaboration with electric utilities in overlapping territories. If anything, PUCO ought to be looking for ways to expand utility-offered natural gas energy efficiency programs in the state and to encourage cross-utility collaboration to provide more holistic whole-building approaches to generate deeper energy savings." (MEEA Cmts. at 10.)

- "The Commission should continue to endorse and approve natural gas utility energy efficiency programs. Energy efficiency offered by retail suppliers should complement, not replace, utility-run programs. … [T]he Commission should not rely exclusively on CRNGS providers or others to offer natural gas energy efficiency to customers. Currently, neither CRES nor CRNGS providers alone can meet the demand for efficient products in a competitive market. … Without utility-run programs, customers could be left with no energy efficiency programs at all." (Enervee Cmts. at 13.)

- "I doubt strongly that the PUCO's research can find a solid base of successful efforts to retain scale and effectiveness by transitioning [from utility-sponsored natural gas DSM programs] to market-based programs. With four decades of US demand-side program experience, most or all of which has been intensively evaluated, why should Ohio consider reinventing that wheel for Ohio?" (Sachs Cmts. at 3.)

In contrast, OCC has been the only stakeholder to publicly oppose natural gas DSM programs, which is entirely consistent with OCC's recent positions in natural gas docketed proceedings and cannot be considered new or unexpected information. The Commission has also twice recently rejected OCC's positions to eliminate natural gas DSM programs. 2021 CEOH DSM Order ¶¶ 75-77; 2020 COH DSM Order; 2020 COH DSM Order ¶¶ 50-56.

Thus, to the extent the EE workshops have any bearing on DEO's application, they support DEO's proposed expansion of its DSM/EE portfolio. Now is an ideal time to proceed with DEO's case and expand opportunities to DEO customers. DEO's Application should not be put on hold, especially now that the workshops have concluded. The Application should be timely ruled upon and approved, so that DEO's customers may enjoy the DSM/EE programs and benefits available to other natural gas customers in the state.

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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 April 28, 2022:

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