

Jenniffer Nelson Clark (7947)  
Dominion Energy Utah  
333 South State Street  
P.O. Box 45360  
Salt Lake City, Utah 84145  
(801) 324-5392  
(801) 324-5935 (fax)  
jenniffer.clark@dominionenergy.com

*Attorney for Dominion Energy Utah*

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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APPLICATION FOR APPROVAL OF THE	)	
2019 YEAR BUDGET FOR ENERGY	)	Docket No. 18-057-20
EFFICIENCY PROGRAMS AND MARKET	)	APPLICATION
TRANSFORMATION INITIATIVE	)	

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1. Questar Gas Company, doing business as Dominion Energy Utah (Dominion Energy or the Company), respectfully submits this Application for Approval of the 2019 Year Budget for Energy Efficiency Programs and Market Transformation Initiative (Application). The Company submits this Application pursuant to the applicable orders of the Public Service Commission of Utah (Commission) identified in the introduction section below. Dominion Energy respectfully submits this Application seeking approval of costs associated with the delivery of the Energy Efficiency (EE) programs and associated Market Transformation Initiative.

**I. INTRODUCTION**

2. In its Order issued January 16, 2007 in Docket No. 05-057-T01 (January 16, 2007 Order), the Commission approved Questar Gas Company's Application for Expedited Approval of Demand Side Management Programs and a Market

Transformation Initiative (Original Application), and approved a three-year pilot program for Questar Gas's Demand Side Management (DSM) programs in conjunction with the Conservation Enabling Tariff (CET). On June 3, 2010, the Commission issued an Order in Docket No. 09-057-16, approving the CET as an on-going program (June 3, 2010 Order). The Commission has reviewed and approved applications for EE Programs, Budgets, and Market Transformation Initiatives each year thereafter. Most recently, on December 29, 2017 the Commission issued an Order in Docket No. 17-057-22 (December 29, 2017 Order), approving Dominion Energy Utah's Application for Approval of the 2018 Year Budget for Energy Efficiency Programs and Market Transformation Initiative.

## **II. OVERVIEW OF PROPOSED 2019 ENERGY EFFICIENCY PROGRAMS AND MARKET TRANSFORMATION INITIATIVE**

3. In the Original Application (Docket No. 05-057-T01), the Company listed seven best practices for developing successful EE programs. These seven best practices are:

- A. Develop a comprehensive energy efficiency approach;
- B. Simplify and integrate program offerings;
- C. Brand EE and focus on customer service;
- D. Develop strategic partnerships with market participants;
- E. Provide customized service, when applicable;
- F. Provide qualified, independent expertise; and
- G. Integrate program evaluation early.

Through the design, development, implementation and administration of EE programs, the Company has successfully achieved, and in many cases exceeded, each of the best practices outlined in the Original Application. The Company's ThermWise<sup>®</sup> EE

campaign is a model for natural gas utility programs nationwide. The ThermWise<sup>®</sup> rebate programs are customer friendly and cost effective.

4. In addition to the implementation and development of the ThermWise<sup>®</sup> EE campaign, the Company has made a concerted effort to maintain high levels of customer service. The Company has developed relationships with trade allies, including wholesalers, heating, ventilation and air conditioning (HVAC), weatherization contractors, dealers, and retailers. The Company has built flexibility into the implementation and marketing of its programs to allow for customized service when required.

5. Blackhawk Network Holdings, Inc. (Blackhawk), the ThermWise rebate processing contractor since mid-2012, informed the Company in June 2018 that it would terminate its rebate processing contract with the Company at the end of December 2018. Given that the previous rebate processing transition took nearly twelve months to complete, the Company requested proposals from firms it believed could complete the transition in a shortened six month timeframe. As such, the Company sought proposals from firms with either past ThermWise rebate processing experience or recent experience transitioning utilities from Blackhawk. After internal evaluation, the Company selected Nexant, Inc. (Nexant) and awarded a two year contract for rebate processing services. The Company is currently working with Nexant to transition all of the necessary customer validations, IT systems, and processes in order to be ready to fulfill customer rebates beginning January 1, 2019.

6. Based on input from the Utah DSM Advisory Group, Utah-based trade allies, program administrators and other energy efficiency stakeholders, Dominion

Energy proposes continuing the eight existing ThermWise<sup>®</sup> EE programs in 2019: 1) the ThermWise<sup>®</sup> Appliance Rebates Program; 2) the ThermWise<sup>®</sup> Builder Rebates Program; 3) the ThermWise<sup>®</sup> Business Rebates Program; 4) the ThermWise<sup>®</sup> Home Energy Plan Program; 5) the ThermWise<sup>®</sup> Weatherization Rebates Program; 6) funding for the Low-Income Efficiency Program administered by the Utah Department of Workforce Services; 7) the Market Transformation Initiative; 8) and the ThermWise<sup>®</sup> Energy Comparison Report (Comparison Report).

7. **ThermWise<sup>®</sup> Appliance Rebates.** This program offers rebates to GS customers for installing high-efficiency qualifying measures. The Company is proposing to continue this program in 2019 with the elimination of the 92% annual fuel utilization efficiency (AFUE) furnace as a rebate-eligible measure.

8. The Company first began to offer a rebate for 92% AFUE furnaces in the 2011 program year (Docket No. 10-057-15). Prior to that time, rebates for furnaces had been set at an efficiency level of 90% AFUE or above. In the 2013 ThermWise budget filing (Docket No. 12-057-14), the Company proposed eliminating the 92% AFUE furnace as a rebate-eligible measure and setting the minimum efficiency at 95% AFUE for future program years. This change was proposed by the Company in anticipation of a United States Department of Energy (DOE) promulgated rule requiring national minimum efficiency standards for furnaces to be set at 90% AFUE. However, DOE's proposed rule was never implemented and the Company sought Commission approval to reintroduce the 92% AFUE furnace and establish a four-tiered furnace rebate structure ( $\geq 92 < 95\%$ ,  $\geq 95\%$ ,  $\geq 95\%$  with electrically commutated motor (ECM), and  $\geq 98\%$  with ECM) in the 2014 ThermWise budget filing (Docket No. 13-057-14). In an effort to

continue pushing efficiency standards forward, the Company now proposes to permanently eliminate the 92% AFUE furnace as a rebate-eligible measure for 2019.

9. The Company additionally proposes to reduce the rebate for tankless water heaters by \$50 and make minor changes to Tariff language by setting the definition for rebate-qualifying single family residences at three or fewer and multifamily at four or more residences. The reduction in the tankless water heater rebate from \$350 to \$300 is proposed because of the Company's recent market research that found a significant reduction in the incremental cost between the base level storage water heater and the high efficient tankless models. The proposed changes in Tariff language would align the ThermWise programs with the Company's internal definitions of single and multifamily properties and also with Rocky Mountain Power's (RMP) Wattsmart programs. DEU Energy Efficiency Exhibit 1.1 sets forth the complete program description for 2019.

10. **ThermWise<sup>®</sup> Builder Rebates.** Under this program, the Company offers rebates to residential builders for installing qualifying energy efficiency measures and constructing homes that meet certain whole-home efficiency requirements. The ThermWise<sup>®</sup> Builder Program is currently available to all newly constructed residences receiving service on the GS rate schedule. Currently, qualifying single family residences are defined as new structures that have up to four residential dwelling units and multifamily residence as new structures having five or more residential dwelling units. The Company proposes to add Tariff language to the Builder Program in 2019 to set the definition for rebate-qualifying single family residences at three or fewer and multifamily at four or more residences. Additionally, the Company proposes to eliminate the 92% AFUE furnace as a rebate-eligible measure from the Builder Program and reduce the

rebate amount for the tankless rebate measure by \$50 in 2019. These changes are proposed for the reasons outlined in the Appliance Program discussion.

11. The Company also proposes to add Tariff language to the Builder Program in 2019 which is intended to define the version of efficiency rating software that must be used by home energy raters (HERS) and also exclude solar energy as part of the calculation for whole-home single family rebate measures. These changes are proposed to ensure consistency across the community of HERS raters and establish a baseline for modeling natural gas savings.

12. A further proposed 2019 Builder Program change is the addition of a pay-for-performance rebate measure for new multifamily properties. The proposed Multifamily Performance measure would compare the energy usage of new multifamily properties against a software-designed reference property. The reference property would be based on existing Utah building codes. Incentives for this measure would be based on the software's calculation of the difference between the natural gas usage of the reference and above-code multifamily properties. The proposed Multifamily Performance measure is similar to the Commission-approved HERS rebates for single family properties offered by the Company beginning in the 2017 ThermWise program year. The Company is proposing to add this measure in an effort to be responsive to market conditions and to increase natural gas savings. DEU Energy Efficiency Exhibit 1.2 sets forth the complete program description for 2019.

13. **ThermWise<sup>®</sup> Business Rebates.** Under this program, the Company offers rebates to commercial GS customers who purchase and install qualifying natural gas efficiency measures. The Company proposes to continue this program in 2019 with

the elimination of the 92% AFUE furnace as a rebate-eligible measure for the reasons outlined in the Appliance Program discussion.

14. The Company also proposes to increase the incentives for tier 2 and tier 3 boiler tune-ups by \$50 in 2019. If this proposal were to be approved, tier 2 tune-ups would increase to \$200 and tier 3 tune-ups to \$300. This change is proposed based on feedback from commercial customers, including several of the State's school districts, that the 2018 incentive amounts were not set at a level that would motivate them to take action triennially. The Company also proposes removing current Tariff language which sets a size limitation (<300 kBtu) on the tier 1 boiler tune-up measure. This limitation was erroneously included in the 2015 ThermWise budget filing (Docket No. 14-057-25).

15. The Company also proposes to add six types of used food service equipment (charbroilers, combination ovens, commercial fryers, convection ovens, conveyor ovens, and steam cookers) to the list of rebate-eligible measures in 2019. Used food service equipment accounts for a large percentage of annual sales in the kitchen and restaurant equipment industry. Since used equipment is not currently rebate-eligible through the Business Rebates Program, the Company believes a large portion of the restaurant industry is not benefitting from this program and the resulting natural gas savings. The rebate for used food service equipment is proposed in an effort to encourage kitchens and restaurants to select the efficient models when purchasing used equipment. The rebate amount for each type of used food service equipment is proposed to be half of the current Commission-approved rebate for the corresponding new equipment.

16. Additionally, the Company proposes to add the following equipment as rebate-eligible measures in 2019: 1) combined heat and power; 2) direct-fired heaters; 3)

prescriptive energy recovery ventilators (ERV); 4) green certified new buildings; (5) boiler O2 trim controls; (6) boiler linkageless controls; (7) commercial find-and-fix RC<sub>x</sub>; and (8) commercial high performance building envelope. DEU Energy Efficiency Exhibit 1.3 provides an explanation of the proposed new rebate measures and sets forth the complete program description for 2019.

17. **ThermWise<sup>®</sup> Home Energy Plan.** The Company continues to receive very positive customer feedback about this program. The Company proposes to continue this program with no major changes in 2019. DEU Energy Efficiency Exhibit 1.4 sets forth the complete program description for 2019.

18. **ThermWise<sup>®</sup> Weatherization Rebates.** Under this program, the Company offers residential GS customers rebates for installing qualifying weatherization measures. The Company proposes to continue this program in 2019 with changes to the Tariff to align the definition of single and multifamily residences with those outlined in the Appliance Program discussion. Additionally, the Company proposes to change the structure of the current air sealing rebate measure and create a rebate paid based on building performance in the Pilot Multifamily Program.

19. The current air sealing rebate measure, originally proposed in Docket No. 11-057-12, is intended to incent customers to seal penetrations in residential structures, thereby reducing the number of air changes per hour and the corresponding heat losses. The incentive for this measure is currently structured to provide a base incentive of \$100 per home with an additional \$.18 per square foot of area sealed. The measure is capped at a maximum rebate of \$850 per single family residence. Recent market feedback indicates that weatherization contractors are avoiding smaller square footage homes because of the



current incentive structure. In order to address this issue, the Company is proposing to increase the base incentive to \$200, reduce the per square foot portion of the incentive to \$.12, and maintain the maximum rebate limitation at \$850 per home. The Company believes these changes will incent weatherization contractors to promote this measure to all homes, regardless of size, while also ensuring positive cost-effectiveness results.

20. In 2018, the Company proposed and received Commission approval to launch a three year pilot initiative, through the 2018 Weatherization Program, designed to achieve natural gas savings in both low-income and market rate multifamily properties. This initiative, called the Pilot Multifamily Program, aims to entice multifamily property owners to implement comprehensive energy efficiency retrofits and replace energy systems across the entire property instead of waiting to replace equipment at the point of failure. The Company selected the International Center for Appropriate and Sustainable Technology (ICAST) to administer the three year pilot initiative. The Pilot Multifamily Program has seen good participation and market uptake since introduction in 2018. However, the current Tariff limits payment for natural gas savings to the prescriptive rebate measures currently included in the Appliance, Builder, and Weatherization programs. Based on feedback from ICAST, the Company believes that additional natural gas savings can be achieved with a second rebate path. Therefore, the Company proposes to add an incentive method that is paid based on the overall performance of existing multifamily properties in 2019. This path would be structured, and natural gas savings modeled, similarly to the proposed pay-for-performance measure detailed in the Builder Program discussion. DEU Energy Efficiency Exhibit 1.5 sets forth the complete program description for 2019.

21. **Low-Income Efficiency Program.** The Company proposes to maintain funding for the Low-Income Efficiency Program at \$500,000 per year. The Company will continue to disburse \$250,000 every six months, with the disbursements occurring in January and in July. The Company further proposes to eliminate the 92% AFUE furnace as a rebate-eligible measure, for the reasons outlined in the Appliance Program discussion, in 2019.

22. The Company is also proposing to add the smart thermostat as a rebate-eligible measure in the Low-Income Efficiency Program for 2019. The Utah Weatherization Assistance Program (Utah WAP), the administrator of the Low-Income assistance funds provided by the Company, has studied and tracked the performance of smart thermostats in other areas of the country. Particularly, data from a pilot program in the Colorado Weatherization Assistance Program (Colorado WAP) has shown significant natural gas savings for low income homes where a smart thermostat was installed. Utah WAP will begin installing ThermWise-qualifying smart thermostats in early 2019. The initial installations will be focused on Home Energy Assistance Target (HEAT) qualified customers in order to achieve maximum natural gas savings impact. An additional benefit of this measure is that rebate funds provided by the Company will be rolled back into Utah WAP's budget, thereby allowing them to complete additional statewide low-income work.

23. The Company will continue to allow Utah WAP and other non-profit or governmental agencies to follow an abbreviated application process and qualify for the direct-payment exemption. The non-profit or governmental organization must continue to comply with all other requirements of the Company's Natural Gas Tariff No. 500

(Tariff) and program rules to qualify for rebates. DEU Energy Efficiency Exhibit 1.6 sets forth the complete program description for 2019.

24. **Market Transformation Initiative.** In addition to the EE rebate programs outlined above, Dominion Energy is proposing to continue its comprehensive Market Transformation initiative. Market Transformation involves promoting ongoing and lasting changes to natural gas appliance penetration rates and new construction markets, as well as natural gas conservation. Dominion Energy believes that its EE programs, including its Market Transformation initiative, complement the goals of Utah's 2014 Energy Efficiency & Conservation Plan.

25. One component of the Market Transformation initiative is a market awareness campaign designed to (1) enhance the Company's involvement in energy efficiency and conservation promotion; (2) change consumer and market participation behaviors; and (3) encourage persistent demand for energy efficiency products and practices.

26. Another component of the Market Transformation initiative involves the sponsorship of building code training for stakeholders in the construction industry. The Governor's Office of Energy Development (OED) conducts building code training programs, in collaboration with and through partial funding from Dominion Energy. The purpose of the training is to support the adoption, awareness, and enforcement of building codes associated with the IECC code. Based on the success of previous training sessions, and the ongoing need in the market for more specific training sessions, the Company is proposing to continue funding these training sessions in 2019 at a level of

\$80,000. The Office of Energy Development will continue to work with an outside vendor to design and conduct these trainings in 2019.

27. The next component of the market transformation initiative is the ThermWise.com website. The Company launched an informative, interactive, easy-to-use and dedicated energy efficiency website ([www.ThermWise.com](http://www.ThermWise.com)) during 2007. The website provides consumers with EE program descriptions, rebate applications, information regarding the economics of energy efficiency, other information to help consumers reduce their energy consumption, on-line energy audit input capability, and links to other useful websites related to energy efficiency and conservation. With the exception of a minor update in 2012, ThermWise.com has remained largely unchanged since 2007. The Company proposes to update and redesign ThermWise.com in 2019. The Company anticipates that the changes will not only refresh the website but also incorporate new messaging designed to encourage customer participation and be revised for current mobile standards.

28. In its Order issued December 29, 2017 in Docket No. 17-057-22 (December 29, 2017 Order), the Commission provided guidance regarding future applications for the market transformation initiative. Specifically, the Commission supported the recommendation that the applications include strategies and justification for proposed budget amounts. Additionally, the Commission indicated support for the Advisory Group and the collaborative process originally envisioned for this group as outlined in the Joint Application filed December 16, 2005 (Docket No. 05-057-T01). The Company has sought to be responsive to this guidance throughout 2018. The Advisory Group met March 29, 2018, August 23, 2018, and September 26, 2018. At each of these

meetings, the Company or its contracted marketing firm, Faktory Inc. (Faktory), discussed aspects of the current or future ThermWise campaign. Representatives from Commission staff, the Division, and the Office were in attendance at each meeting and provided useful feedback along with other program stakeholders.

29. At the March 29 meeting, the Company discussed the 2018 ThermWise campaign strategy. The Company additionally sought input from stakeholders and dedicated a portion of the meeting to the future of the ThermWise campaign. The Company concluded the market transformation initiative discussion indicating that it would conduct the annual ThermWise customer survey in June 2018 and that the survey results would be presented at the next Advisory Group meeting.

30. The Company's contracted survey firm, Lighthouse Research (Lighthouse), presented the results of the 2018 customer survey at the August 23 meeting. Lighthouse contacted 709 customers by phone with an even split between genders and with an age profile that was similar to the Company's overall 2018 customer base. Faktory followed the Lighthouse presentation with an interpretation of the survey results. The primary conclusions drawn from the survey by the marketing experts was that the majority of Company's customers (91%) believe it's important for utilities to offer efficiency programs, that ThermWise continues to be the most recognized energy efficiency program (60%) in the State, and that television remains the most common medium where customers see ThermWise messaging. However, Faktory also recognized that an overall downward trend seemed to be emerging where customer awareness of the State's efficiency programs had decreased significantly over the past four annual surveys (48% recognition of efficiency programs in 2015 and 36% in 2018). In addition, the

survey indicated awareness of energy efficiency programs had decreased most sharply among women and younger customer demographic groups. The summary from Faktory was that while the ThermWise mass media was, for the most part, in the right places, the survey results were indicating that changes needed to be made in order to re-engage and excite customers about energy efficiency in 2019. The Company concluded the meeting with a commitment to addressing Faktory's summary findings at the next Advisory Group meeting.

31. Faktory presented a high-level vision for the 2019 ThermWise Market Transformation Initiative at the Advisory Group meeting held on September 26. The main element of Faktory's presentation was that, while saving money continues to be the main reason customers currently conserve natural gas (69% in 2018 Lighthouse survey), there is an opportunity to "lead the research" by creating another reason to conserve that is more emotionally driven and currently relevant. Faktory's messaging answer to re-engage customers in 2019: "Let's all work together to clean the air" by participating in energy efficiency. Faktory presented the following information to the Advisory Group from local newspapers and research organizations in support of the proposed new messaging: 1) Utahns lead the nation in searching the internet for ways to clean the air we breathe; 2) Utahns rate poor air quality as one of the top issues we face as a state, but we believe we're doing the worst at addressing it; 3) Utahns want to work to clean the air; 4) Utahns base air quality concerns on health reasons first, with other reasons secondary; and 5) Utahns are willing to do things in their homes to achieve better air quality. The Company concluded the market transformation portion of the meeting by announcing that, in addition to the 2019 messaging changes, it would transition away

from sports marketing and into efforts that are focused more on communities and grass-roots efforts to increase awareness and participation in the ThermWise programs.

32. The Company proposes to use both the “If You Conserve You Can Save” and “Let’s All Work Together” taglines in the 2019 market transformation campaign. More specific information on the strategies to re-engage customers in the ThermWise programs, budgets, and studies in supports of the proposed 2019 changes can be found in DEU Energy Efficiency Exhibit 1.7.

33. **ThermWise<sup>®</sup> Energy Comparison Report.** The ThermWise<sup>®</sup> Energy Comparison Report (ECR) allows customers to compare their natural gas usage with neighboring homes that are similarly sized and situated. The Comparison Report encourages customers to employ energy efficiency measures and behaviors. The Company developed the Comparison Report and first offered it to customers in November 2011. The Company initially sent the report to a small group of customers (Group A – 8,000 customers) as a pilot program. The Company has since launched larger pilot groups in 2012 (Group B – 25,000), 2013 (Group C – 100,000), 2014 (Group D – 100,000), 2017 (Group F – 50,000), and in 2018 (Group G – 50,000). In 2018 the Company sent the report, via U.S. and electronic mail, to more than 285,000 of its customers. The Company maintains an additional group of nearly 110,000 customers in order to determine natural gas savings achieved from delivery of the Comparison Report. With the exception of the control group, all customers are able to generate and view a copy of their Comparison Report through their online account at [www.dominionenergy.com](http://www.dominionenergy.com). As of the end of September 2018, the Comparison Report had been generated over 305,000 times online by nearly 120,000 unique customers.

34. The Company proposes to decrease delivery of the Comparison Report to 224,000 in 2019. The Company realizes this total number by pausing Groups B and D beginning August and December 2018 respectively, and adding Group G which will be delivered to 25,000 additional customers in 2019. Data shows that customers not only change behaviors to save natural gas as a result of the Comparison Report, but they are also more likely to participate in other ThermWise<sup>®</sup> Programs if they have received the report. The Company conducted an analysis in 2014 that showed, when contrasted against a control group of non-recipients, customers who had received their Comparison Report were more likely to participate in a ThermWise<sup>®</sup> rebates and/or request a Home Energy Plan. The Company proposes to continue to target the Comparison Report to customers with higher usage relative to conditioned square footage in 2019.

35. While proposed program participants decrease from 2018, natural gas savings are projected to increase by 34% in 2019. The Company expects savings to increase because of the projected expansion of the ECR in 2019 and because of savings persistence. The Company conducted a study in 2018 that focused analysis on all current recipients of the report (Groups B, C, D, and E). The study showed weather-normalized usage reductions per participant of 1.62 Dth/year. As a result, the Company updated the natural gas savings number from 1.22 Dth/year in the 2018 Model, to 1.62 Dth/year in the 2019 Model. DEU Energy Efficiency Exhibit 1.8 describes the methodology used in the realization studies and sets forth the complete program description for 2019.

36. **Tariff Sheets.** Tariff sheets for all programs are attached in both legislative and proposed formats as DEU Energy Efficiency Exhibit 1.9. The Company proposes that these Tariff sheets become effective January 1, 2019.



### III. PROPOSED 2019 BUDGET

37. The total 2019 projected budget for Dominion Energy's Energy Efficiency Programs and the Market Transformation Initiative is \$25.5 million and is shown in DEU Energy Efficiency Exhibit 1.10, column T, line 12. The proposed 2019 budget is a \$0.96 million increase from the 2018 budget filed with the Commission on October 17, 2017 in Docket No. 17-057-22. This projected increase is mainly due to greater expected participation in the ThermWise Appliance, Builder, and Weatherization programs. The 2019 budget is reflective of the 2018 nine (9) month (January-September) actual participation numbers; insights from retailers, distributors and other trade allies; and the market knowledge of the Company's contractor, Nexant. To the extent actual participation levels differ from projected levels, actual costs will differ from budget. The Company proposes to continue to report to the Division of Public Utilities (Division) quarterly and to provide the actual participation levels and related costs and gas savings compared to projections.

38. The Company projects that customer incentives will increase, as a percentage of the total budget, by .8% from 2018 (72.9%) to 2019 (73.7%). This increase results from the Company's continued focus on running cost-effective energy efficiency programs and the resulting efforts to minimize non-incentive costs. The most recently published American Gas Association (AGA) study of natural gas efficiency programs (Natural Gas Efficiency Programs Brief – *Investment and Savings Impacts 2016 Program Year, Report Appendices*<sup>1</sup>) showed that the average non-incentive costs for the 39 states participating in natural gas efficiency programs to be 44% of total expenditures.

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<sup>1</sup> [https://www.aga.org/sites/default/files/natural\\_gas\\_efficiency\\_programs\\_2016\\_program\\_year\\_-\\_report\\_appendices\\_0.pdf](https://www.aga.org/sites/default/files/natural_gas_efficiency_programs_2016_program_year_-_report_appendices_0.pdf)

Additionally, of the 22 states with natural gas efficiency expenditures over ten million dollars, Utah ranked fifth in terms of lowest non-incentive costs as a percentage of overall expenditures. DEU Energy Efficiency Exhibit 1.7 provides greater detail on the results of the 2016 AGA study.

39. **ThermWise<sup>®</sup> Appliance Rebates.** The Company expects participation in this program to increase in 2019 by 9%. The Company also expects the 2019 program budget to increase by 9% (DEU Energy Efficiency Exhibit 1.10, column I, line 13) and the related gas savings to increase by 16% (DEU Energy Efficiency Exhibit 1.10, column I, line 16). These changes are largely the result of higher expected participation in the smart thermostat measure. The Company also expects the proposed elimination of the 92% AFUE furnace to push some customers into higher levels of efficiency and greater participation in the 95% or above AFUE furnaces.

40. **ThermWise<sup>®</sup> Builder Rebates.** For 2019 the Company is projecting an 8% increase in program participants over 2018. The Company also projects the 2018 program budget to increase by 4% (DEU Energy Efficiency Exhibit 1.10, column G, line 13) and the related natural gas savings to increase by 8% (DEU Energy Efficiency Exhibit 1.10, column G, line 16). These changes are largely the result of greater expected participation in 95% AFUE furnaces, smart thermostats, and R-5 window measures.

41. **ThermWise<sup>®</sup> Business Rebates.** The Company projects that the 2019 program budget will increase by 2% (DEU Energy Efficiency Exhibit 1.10, column K, line 13) above the 2018 budget and that natural gas savings will increase by 1% (DEU Energy Efficiency Exhibit 1.10, column K, line 16). The Company also projects that 2019 program participation will decrease by 1%. The projected increases in program

budget and natural gas savings coupled with decreasing participation is a reflection of greater expected 2019 participation in high savings measures (e.g. infrared heaters and high efficiency boilers) versus participation in lower savings measures (e.g. food service equipment) than were projected in 2018.

42. **ThermWise<sup>®</sup> Home Energy Plan.** The Company projects 2,800 home energy plans will be performed in 2019. This projection is the same (DEU Energy Efficiency Exhibit 1.10, column C, line 14) as the 2018 home energy plan participation forecast. The Company also expects the overall program cost in 2019 to remain unchanged from 2018 (DEU Energy Efficiency Exhibit 1.10, column C, line 13).

43. **ThermWise<sup>®</sup> Weatherization Rebates.** The Company projects that participation will increase by 5% and that natural gas savings will decrease by 9% (DEU Energy Efficiency Exhibit 1.10, column E, line 16) in comparison to the 2018 budget. The projected increases in program budget coupled with decreasing natural gas savings is based on the projected rebate mix in 2019 and similar to the issue highlighted in the Business Program discussion (§ 41). In this case, the Company expects lower expected participation in measures with higher natural gas savings relative to the rebate (e.g. floor insulation), as a percentage of total participation, and higher participation in the R-5 windows which produce lower natural gas savings relative to the rebate. However, floor insulation and R-5 windows are both highly cost-effective measures (2.7 and 2.0 Utility Cost Test B/C ratios respectively in 2019) and contribute positively to the overall 2019 ThermWise results shown in paragraph 48.

44. The Company mainly attributes the projected increase in participation to market changes that began to take place with the R-5 window rebate measure beginning

in late 2017. Incremental costs came down significantly during that time, causing customer interest and participation to increase. Incremental costs for R-5 windows have remained stable in 2018, though participation has continued to increase. The Company is expecting that trend to continue into the next program year with possible reductions beyond 2019 as R-5 window see greater market adoption. The Company expects the overall costs for the program in 2019 to increase by 3% in comparison to 2018 (DEU Energy Efficiency Exhibit 1.10, column E, line 13). This change in program costs is directly attributable to greater expected rebates to be paid in 2019.

45. **Low-Income Efficiency Program.** The proposed 2019 budget for this program is \$.87 million or 5% higher (DEU Energy Efficiency Exhibit 1.10, column Q, lines 13) than 2018. The Company also projects that natural gas savings will increase by 26% (DEU Energy Efficiency Exhibit 1.10, column Q, line 16) in comparison to the 2018 budget. The projected budget and natural gas savings increase is mainly due to the smart thermostat rebate measure which is proposed to be added to this program in 2019. Funding for furnace replacements is proposed to remain at \$500,000 in 2019.

46. **Market Transformation Initiative.** The fundamentals of the ThermWise<sup>®</sup> marketing campaign are expected to remain similar to past years. Therm will continue to perform his role as the “Energy Wise Guy.” The 2019 proposed budget for Market Transformation Initiative includes \$900,000 in advertising and media purchases; \$280,000 for special marketing events, trade/consumer shows, community initiatives, and special event sponsorships; and \$50,000 for ThermWise<sup>®</sup> management and administration. The budget also includes \$10,000 for program design, and \$80,000 for State of Utah codes training. The budget for Market Transformation in 2019 is

proposed to remain the same (DEU Energy Efficiency Exhibit 1.10, column M, line 13) as 2018. A comprehensive discussion of the Market Transformation Initiative is included as DEU Exhibit 1.7.

47. **ThermWise<sup>®</sup> Energy Comparison Report.** The Company proposes to decrease the budget for the ThermWise<sup>®</sup> Energy Comparison Report by 5% (DEU Energy Efficiency Exhibit 1.10, column O, line 13) in the fifth year of the stand-alone program. The proposed decrease in funds included in this year's budget is directly attributable to reduced postage costs that arise from pausing the distribution of the ECR to Groups B and D in 2019. Natural gas savings are projected to increase by 5% (DEU Energy Efficiency Exhibit 1.10, column O, line 16) in 2019. The reason for the increase in savings has to do with greater Comparison Report distribution and realization study conducted by the Company in 2018. The 2018 study focused analysis on both fourth and fifth-year participants (Groups C & D) and showed usage reductions per participant of 1.62 Dth/year. As a result, the natural gas savings number has been updated in the 2019 Model to reflect the results of the most recent realization study.

48. The majority of the Comparison Report budget (86%) is directly attributable to the postage costs associated with delivering the report to customers. The remainder of the Comparison Report budget is necessary for programming and other labor associated with the ongoing maintenance of the Company developed system. It is important to note that the Company's internally-developed Energy Comparison Report has been delivered at significant cost savings to Utah customers. Comparable programs, delivered by third-party vendors, can cost up to six times as much annually as the Company's internally-developed program. The Company believes that it has developed a

program that will not only deliver energy savings but will also deliver those savings at a cost that is unmatched in the market.

49. **Total Budget.** The total 2019 budget is proposed to be \$25.5 million (DEU Energy Efficiency Exhibit 1.10, column T, line 12). This budget is an increase of \$0.96 million (DEU Energy Efficiency Exhibit 1.10, column V, line 12) or 4% higher than the total 2018 budget. Total savings are projected to be 1.20 million Dth/year (DEU Energy Efficiency Exhibit 1.10, column T, line 15) or 5% above projected 2018 natural gas savings estimates. The primary reasons for the expected increase in 2019 natural gas savings is the continued market uptake of the direct-install weatherization pilot, smart thermostats, R-5 windows, and the greater savings being realized by the ECR. The 2019 proposed budget reflects a concerted effort to reach all GS market segments and produce significant, persistent, and cost effective natural gas savings through a comprehensive energy efficiency campaign.

#### **IV. COST EFFECTIVENESS**

50. A summary of the cost effectiveness for each program is attached as DEU Energy Efficiency Exhibit 1.11. Page 1 of this exhibit summarizes the test results of the proposed programs along with the market transformation initiative. Although the market transformation initiative does not lend itself to the same economic analysis as the Energy Efficiency rebate programs, it has been included so that the overall impact of all programs can be measured and analyzed. A benefit-cost ratio greater than 1 is indicative of benefits exceeding costs, and therefore “passes” the test. As shown on page 1, line 9, column C of DEU Energy Efficiency Exhibit 1.11, the overall benefit-cost ratio for the Total Resource Cost (TRC) test of all programs and the market transformation activities is 1.35. And as shown on line 9, column G, the Utility Cost test (UCT) for all programs

is 1.60. Additionally, as shown on line 9, column E, the overall benefit-cost ratio for the Participant Cost test passes at 3.56, and as shown on line 9 column I, the Ratepayer Impact Measure test (RIM) for all programs equals .87. A detailed benefit-cost analysis of each program by measure has been included in pages 2-9 of DEU Energy Efficiency Exhibit 1.11. The cost-effectiveness tests included in this Application have been calculated using a 4.09% discount rate which is consistent with the Company's Integrated Resource Plan (IRP). Additionally, gas prices and GS rates have also been updated in the Model to reflect expected 2019 market conditions and to be consistent with the gas costs projected in Dominion Energy's most recent IRP.

51. An examination of the benefit-cost results at the IRP discount rate shows that a few individual measures are marginal in the current low-gas-price environment. The Company has chosen not to eliminate measures solely on the basis of failing a benefit-cost test. Most programs and individual measures are fairly low cost to maintain, but expensive to start-up. The Company feels taking the long view in this low-price environment is in the best interest of customers and the ThermWise<sup>®</sup> programs.

52. The Model, developed by the Company to measure the cost-effectiveness of the programs (Model), is based on the California Standard Practice Manual and is the same Model that was used in the 05-057-T01 docket. The Model has been reviewed by Nexant and the Utah ThermWise<sup>®</sup> Advisory Group and has been used by other utilities in the nation in program implementation and cost-effectiveness analysis.

53. The Company has relied on specific market reports, industry studies, and the expertise of Nexant to arrive at the savings levels, measure life and incremental customer cost for each measure of each program. DEU Energy Efficiency Exhibit 1.12

provides the source and/or references for the estimated gas savings (pages 1-8), measure life (pages 9-13), and incremental cost (pages 14-20) for each measure of each program.

54. Dominion Energy has successfully implemented a broad range of programs and a Market Transformation Initiative. The Company has implemented best practices to help ensure that necessary and reasonable steps have been taken to implement cost-effective programs that benefit all GS customers. This 2019 Application and Budget will continue and expand these efforts to meet the gas savings goals of customers and the State of Utah.



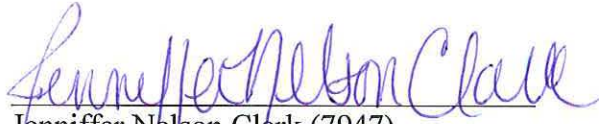
**V. PRAYER FOR RELIEF**

55. Based on the foregoing, Dominion Energy respectfully requests that the Commission issue an order: 1) approving the application for the 2019 budget for the Energy Efficiency Programs and continuation of Dominion Energy's Market Transformation Initiative for implementation on January 1, 2019; and 2) approving the proposed Tariff sheets effecting the improvements in the EE programs described herein.

DATED this 16<sup>th</sup> day of October, 2018.

Respectfully submitted,

DOMINION ENERGY



Jenniffer Nelson Clark (7947)  
Attorney for Dominion Energy  
333 South State Street  
P.O. Box 45360  
Salt Lake City, Utah 84145-0360  
(801) 324-5392

**CERTIFICATE OF SERVICE**

I, Michael Orton, certify that a true and correct copy of the foregoing

Application was served upon the following by electronic mail on October 16, 2018:

Patricia E. Schmid Justin C. Jetter Assistant Attorney Generals 500 Heber M. Wells Building 160 East 300 South Salt Lake City, UT 84111 <a href="mailto:pschmid@utah.gov">pschmid@utah.gov</a> <a href="mailto:jjetter@utah.gov">jjetter@utah.gov</a>	Sarah Wright Executive Director Utah Clean Energy 917 2 <sup>nd</sup> Avenue Salt Lake City, UT 84103 <a href="mailto:sarah@utahcleanenergy.org">sarah@utahcleanenergy.org</a>
Rex Olsen Assistant Attorney General 500 Heber M. Wells Building 160 East 300 South Salt Lake City, UT 84111 <a href="mailto:rolsen@utah.gov">rolsen@utah.gov</a>	Michelle Beck Director Office of Consumer Services 400 Heber M. Wells Building 160 East 300 South Salt Lake City, UT 84111 <a href="mailto:mbeck@utah.gov">mbeck@utah.gov</a>
Gary A. Dodge Hatch, James & Dodge 10 West Broadway, Suite 400 Salt Lake City, UT 84101 <a href="mailto:gdodge@hjdllaw.com">gdodge@hjdllaw.com</a>	Kevin Higgins Neal Townsend Energy Strategies 215 South State Street #200 Salt Lake City, UT 84111 <a href="mailto:khiggins@energystrat.com">khiggins@energystrat.com</a> <a href="mailto:ntownsend@energystrat.com">ntownsend@energystrat.com</a>
Howard Geller Southwest Energy Efficiency Project 2334 North Broadway, Suite A Boulder, CO <a href="mailto:hgeller@swenergy.org">hgeller@swenergy.org</a>	Chris Parker Division of Public Utilities 400 Heber M. Wells Building 160 East 300 South Salt Lake City, UT 84111 <a href="mailto:chrisparker@utah.gov">chrisparker@utah.gov</a>

  
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