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DEPARTMENT OF COMMERCE  
Office of Consumer Services

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To: Public Service Commission of Utah

From: Office of Consumer Services  
Michele Beck, Director  
Cheryl Murray, Utility Analyst  
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Date: December 4, 2018

Subject: Office of Consumer Services Comments for Docket No. 18-057-20: Dominion Energy Utah's Application for Approval of the 2019 Year Budget for Energy Efficiency Programs and Market Transformation Initiative.

### Background

On October 16, 2018, Dominion Energy Utah (Company) filed with the Public Service Commission of Utah (Commission) an Application for Approval of its 2019 Year Budget for Energy Efficiency Programs and Market Transformation Initiative (Application). On October 22, 2018, the Commission issued a Notice of Comment Period establishing November 27 and December 11, 2018 as the dates by which parties could submit comments and reply comments, respectively. On November 20, 2018, the Commission approved the Office's Motion to Amend the Comment Period with a new comments deadline of December 4, 2018 and a new reply comments deadline of December 18, 2018.

### Discussion

The Office has reviewed the Company's Application and finds it generally complies with Commission requirements. The Company proposes to continue all eight existing ThermWise® Energy Efficiency Programs in 2019.

### *Proposed Budget*

The total 2019 projected budget for Dominion Energy's Energy Efficiency Programs and the Market Transformation Initiative is \$25.5 million. This is a \$0.96 million increase from the 2018 budget. The Company explains that the increase is mainly due to an expected increase in participation in the ThermWise® Appliance, Builder, and Weatherization programs.

*Program Modifications, Eliminations and Deletions*

The Company proposes a number of modifications to its current energy efficiency programs such as adding measures, removing measures and modifying certain incentive offerings. The Company's filing details each proposed change, and the Office will not reiterate each proposed change, however we do discuss a few of those items below.

The Company proposes to change the definition of rebate-qualifying single-family residence. Previously, four or fewer units qualified as a single-family residence. DEU now proposes to define a single-family residence as three or fewer units. Likewise, the definition of a multi-family residence is proposed to change from five or more units to four or more units. These definitions would apply to appliance rebates, weatherization rebates, as well as the Builder Rebate Program. The Company explains that these changes would align with internal Company definitions and also with Rocky Mountain Power's Wattsmart Programs. The Office supports this change, particularly in light of matching the two utility company program definitions.

The Company's proposes to eliminate the appliance rebate for 92% AFUE furnaces due to the availability of higher efficiency models and as an effort to continue to push efficiency standards forward. This change also applies to the builder rebate program. The Office supports elimination of this rebate offering.

In the Business Rebate category, the Company proposes to add a rebate offering for certain used food service equipment.<sup>1</sup> The incentive offering would be 50% of the incentive paid for new equipment. The Company explains that "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 Company offers no discussion regarding the cost of used equipment or what percent of the cost would be covered by the proposed incentive payments or what percent of over-all food service equipment purchases used equipment represents. In response to OCS data request 1.5 the Company provided additional information as follows:

"Market prices for used equipment can vary significantly, especially when compared to new equipment. The prices paid for used equipment may depend on, among other things, the condition, age, demand, location, and financing of the equipment, to name a few of the variable[s] that effect price.

The Company performed a quick survey of two local restaurant equipment suppliers that sell both new and used equipment. These suppliers were asked to provide an estimate of the average cost for the used equipment as listed in Exhibit 1.3, page 3. In OCS Attachment A, the Company has provided the survey results and has averaged the cost estimates of the two respondents. As a result, the total incentives provided through the ThermWise® program are estimated to cover approximately 14% of the total used equipment cost. At the measure level, the incentives generally cover between 7% and 42% of used equipment costs."

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<sup>1</sup> The Company proposes to add eight additional measures to this category.

Although the Office has some concerns with the new offering we do see the benefit to encouraging the purchase of more efficient used equipment. If approved, this measure should be carefully followed with updates presented at Advisory Group meetings to consider whether continuation in the next year plans is appropriate and beneficial.

In the Home Builder Program, the Company proposes to establish a pay for performance rebate program for new multifamily properties, similar to rebates available to single family residences since 2017. Such rebates are based on scores issued by home energy raters (HERS). In conjunction, the Company is proposing tariff language to standardize HERS software and exclude solar energy as part of the calculation for whole home single-family rebate measures. Excluding solar energy will allow the establishment of a baseline for modeling natural gas savings and ensure consistency across the community of HERS raters.

### *Market Transformation Initiative*

The Company's recent survey found an overall downward trend of customer awareness of EE programs. Based on the results of market research and customer surveys, the Company's 2019 marketing plans will include a focus on reaching women and younger customers. Also, DEU's 2019 marketing plans include a transition away from sports marketing and into efforts that focus more on communities and grass roots efforts to increase awareness and participation in the ThermWise® programs. The Company's response to OCS data request 1.06 states:

“The 2019 marketing plan does not include any budget for sports sponsorships. However, because some major university contracts were structured to span the academic year rather than a calendar, some advertisements will continue to run in stadiums and at events in 2019. The funds for those advertisements will be paid, or accrued as part of the year end closing process, out of the Commission-approved 2018 Market Transformation Initiative budget.”

For some time the Office has questioned the value of using customer dollars for sports sponsorships and we believe that the decision to eliminate them from the marketing budget is appropriate. The Office commends the Company for utilizing the results of its annual marketing survey to assess the efficacy of such sponsorships and make program improvements. The Office has raised concerns in the past regarding the value of the survey in general. Efforts by DEU to utilize the resulting data to improve its marketing strategies is an improvement in the overall use of the market transformation budget and the Office recommends that DEU continue to work with the Advisory Committee to find additional improvements.

Also based on the results of its marketing survey, DEU plans to adjust its advertising slogan. While the main customer interest in the Company's energy efficiency programs remains saving money, improving the environment is also identified as an issue customers care about. Marketing efforts will continue to use the tag line “If You Conserve, You Can Save” and anticipates adding a second tagline, yet to be determined, promoting the concept that by participating in energy efficiency programs customers can save money and it is good for the environment.

Adding a new tagline to tout environmental benefits may be a good idea, but it is a significant shift in strategy and could trigger complex issues such as comparisons of which energy sources is better for the environment. Such a significant change in approach should not be made solely by DEU without input from key stakeholders. Thus, we recommend that the Commission require the Company to consult with the Advisory Group on the new tagline before it is implemented. In last year's order on DEU's 2018 EE program budget, the Commission requested that the Office utilize the Advisory Group process to address our concerns with the Company. We report that we have (in the case of the sporting sponsorships and the marketing survey) utilized the advisory process to help foster program improvements, and we will continue to do so. The Office believes the Advisory Group process is the correct venue to review a potential new marketing tagline.

### *Report Corrections*

The Office notes that in DEU's Energy Efficiency Exhibit 1.7, on page 3, Table 2 does not include a key for the reader to interpret the information presented. The Office recommends that the Company provide a corrected Table 2 with the key as provided in response to OCS data request 1.8. Additionally, in Tab 1.4 page 1 reads in part, "During the process and based on need, Dominion Energy will offer certain energy efficiency measures identified in Table 1 at no charge." However, Table 1 on page 2 does not identify any measures. The Company has clarified in response to OCS data request 1.7 that the Company misidentified the Table of no-charge measures and the reference list of no-charge measures is actually shown in Table 2 on Page 3.

As a very minor issue, on page 2-30 footnote 2 the word "is" should be added between it and one so that the sentence will read: In order to qualify for a rebate, equipment must be purchased new and may not be leased. Used equipment will also not qualify for a rebate, unless it **is** one of the food service items specifically listed in the ThermWise® Business Rebates Table.

### **Office Recommendations**

The Office recommends that the Commission require the Company to take the following actions or make the following corrections before approving DEU's 2019 Energy Efficiency budget application:

1. consult with the Advisory Group before the adoption and implementation of a new marketing tagline;
2. provide a corrected Table 2 that includes the key for the information on that Table;
3. correctly identify the Table of no-charge measures in Tab 1.4; and
4. correct the footnote on page 2-30 to include the word "is".

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