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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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| APPLICATION FOR APPROVAL OF THE |) | |
| 2020 YEAR BUDGET FOR ENERGY |) | Docket No. 19-057-26 |
| EFFICIENCY PROGRAMS AND MARKET |) | DOMINION ENERGY UTAH'S |
| TRANSFORMATION INITIATIVE |) | REPLY COMMENTS |

Questar Gas Company dba Dominion Energy Utah (Dominion Energy or Company) respectfully submits these Reply Comments to the Action Request Response issued by the Division of Public Utilities (Division) on November 22, 2019, the Memorandum issued by the Office of Consumer Services (Office) on November 15, 2019, and the joint comments filed by Utah Clean Energy (UCE) and the Southwestern Energy Efficiency Project (SWEET) on November 21, 2019.

I. BACKGROUND

On October 16, 2019 Dominion Energy Utah filed an Application for Approval of the 2020 year budget for Energy Efficiency programs and Market Transformation Initiative (Application). On October 17, 2019 the Utah Public Service Commission (Commission) issued an Action Request to the Division seeking feedback on the Company's Application.

On October 17, 2019 the Commission issued a Notice of Filing and Comment Period allowing interested parties to file comments on or before Friday, November 15, 2019. On November 14, 2019 the Division filed a request for an extension time seeking to extend the comment period to Friday, November 22, 2019. On November 15, 2019 the Commission issued an Amended Notice of Filing and comment Period extending the deadline for submitting Comments to November 22, 2019, and extending the deadline for submitting reply comments to December 6, 2019. On that same day, the Office filed its Memorandum. On November 21, 2019, UCE and SWEEP filed their combined comments. On November 22, 2019, the Division filed its Action Request Response.

II. REPLY TO THE DIVISION'S ACTION REQUEST RESPONSE

The Division's Action Request Response summarized the proposed program changes and generally supported the approval of the Application. The Division did note that the Company's projected 2020 overall budget increase of 3.6%, 7.6% increase in customer rebates, 5.3% decrease in dekatherm (Dth) savings, and the projected 1.6% decrease in program participants. It is important to also note that the increase in program participants and decrease in Dth savings is mainly attributable to the result of moving from insulation-based program to the air sealing measures.

Additionally, the Division urged the Company to "always look for ways to implement administrative cost reduction steps in order to improve overall program efficiencies." The Company agrees with this recommendation and will continue to look for ways to reduce non-incentive costs. The Company appreciates and agrees with the Division's recommendation that the Commission approve of the 2020 Application and budget as filed.

III. REPLY TO THE OFFICE'S MEMORANDUM

The Office's Memorandum indicated support for the Company's proposal to eliminate the \$50 rebate for greater than 95% and greater than 98% AFUE furnaces that include an ECM in the Appliance, Builder, and Business programs. Additionally, the Office indicated that it would plan to monitor cost-benefit outcome reporting relating to the addition of a \$50 rebate for smart water heater controllers to ensure overall program Utility Cost Test remain over 1.0. The Company appreciates the Office's support and will keep the Advisory Group informed as to the cost-benefit results of all ThermWise Programs in 2020.

However, the Company disagrees with the Office's position relating to the proposed extension of the direct-install pilot program associated with the ThermWise Weatherization Rebates Program. The Office indicated that it supports the extension of the program solely for purposes of gathering post-installation data on homes that have received direct installations of weatherization measures, but that it opposes the extension of the program to continue direct-installation of such measures. The Company disagrees with this position.

It is important that the direct-install program continue both for purposes of gathering post-installation data on homes receiving direct-install measures, as well as for purposes of installing weatherization measures on additional homes. The benefits of continuing the program, even without complete data on the earlier installations, far outweighs any risk associated with continuing the program. Indeed, discontinuation of installations would result in greater harm, should the program be approved on a going forward basis.

First, costs associated with the direct-install program are limited. Because it is part of the ThermWise Weatherization Rebates Program, it does not include any incremental costs—the administrative cost to customers is the same with or without the direct-install element of

the program. Indeed, even if the Commission agreed with the Office, the elimination of going-forward installations would not change the ThermWise 2020 budget at all because the Company would expect the contractors who install these measures to continue to market, and to install the measures. The Company would not expect fewer rebates, or lower savings.

The Company *would* expect that the benefits of the program would shift away from moderate-and-low income customers, to more affluent customers. Elimination of this part of the program would remove the Company's ability to advise weatherization installation contractors of zip codes with lower participation. Those contractors would no longer have information to enable them to conduct targeted marketing in lower-income, low-participation areas. Those contractors would cast a broader net, and would likely have greater difficulty identifying qualifying home-owners. The Company believes that these contractors would also revert to targeting the more affluent areas, rather than the Moderate-and-lower-income areas identified by the Company. It is also possible that the costs for customers to install these measures would go up because contractors' collection, marketing and promotion expenses would increase.

Additionally, ceasing installations would adversely impact the positive momentum the program has achieved. Contractors have committed to the program and are actively promoting it. If the program was to cease, and based on the subsequent data, the Commission approved resuming the program, the Company would have to identify and reach out to those contractors again, and conduct another ramp-up of the program. An abrupt stop and restart of the program would also make it difficult to attract future direct-install participant contractors.

It is also important to observe that the data collected thus far also supports the continuation of the program and, based upon those results, the Company believes that

significant natural gas savings have been achieved by past direct-install participant customers and would continue to be realized by future participant customers. That said, with less than 1% of participant customers meeting the required evaluation criteria (1 year pre-participation data / 2 years post-participation data) it is premature to remove the “pilot” designation from the direct-install program for 2020 and beyond. The most prudent approach is to extend the pilot period for two additional years, continue installations under the program, and allow the evaluations to continue as more participant customers meet the minimum criteria. As stated in the Application (Page 11, ¶ 21), “...the Company expects to see the number of evaluation-ready homes increase to nearly 1,000 by the end of 2019. The Company also expects exponential growth in the number of homes that meet the evaluation criteria throughout 2020 and 2021.”

The adverse impacts of terminating future installations on moderate-to-low income customers, participating contractors, and the program itself outweighs any principle-based benefit the Office hopes to achieve. The lack of any incremental costs associated with this part of the Weatherization program is further evidence that the Commission should reject the Office’s proposal.

The Company appreciates the Office’s concern that a “pilot” program should not continue without complete result data and therefore proposes to include a natural gas savings evaluation of approximately 2,000 direct-install participants (to be available for analysis by the Company after July 2020) as part of the 2021 ThermWise budget which is anticipated to be filed with the Commission in October 2020. If those results do not support further continuation of the program, the Office and any other interested parties can address the issue in the 2021 ThermWise Budget proceeding in the Fall of 2020.

The Office further recommended that the Commission require the Company to refrain from expanding advertising messaging until agreement is made with the Advisory Group. The Company agrees with this recommendation, but wishes to clarify the terms “tagline” and “message,” and to offer additional information related to the 2019 marketing campaign.

In the marketing industry there is a distinction between a tagline (a phrase used consistently and typically as a wrap-up in all marketing communications such as Nike’s “Just Do It”) and messaging (the overall message being communicated in a specific piece of marketing). The Office inaccurately characterized the marketing pieces from 2019 saying “due to past experience in the 2019 program year when the Company also committed not to change the tagline without advisory group input, yet included new environmentally focused messaging in advertisements before such messaging was addressed by the Advisory Group.” The Office concedes, in a footnote that the Company “...technically met last year’s commitment.”

To be clear, the Company explicitly stated in its reply comments in Docket No. 18-057-20:

“The Company agrees with the Office’s recommendation that the Company not introduce a new clean air focused **tagline** without first having discussions with the Advisory Group in 2019, and commits that it will engage in such discussions before introducing the proposed **tagline**. While the Company agrees that it should wait for such meetings to launch a new tagline, it plans to include clean-air related **messaging** in advertising during 2019. For example, dialogue within advertising is expected to include statements like “I got a Home Energy Plan to help clean Utah’s air,” and “Natural gas is clean but being energy efficient is even better” (emphasis added).

In Docket No. 18-057-20, the Company drew a clear distinction between the tagline and messaging in its reply comments and regrets if that distinction was not understood by all parties.

The Company moved forward with clean-air related messaging beginning in early 2019. In order to meet its commitment on the clean-air focused tagline, the Company held an Advisory Group meeting on March 28, 2019 in which the topic was discussed. Because the Advisory Group was unable to come to a consensus in that meeting, the Company did not move forward with implementing the clean-air tagline in 2019.

In this Docket (Docket No. 19-057-26) the Company has proposed to refrain from using clean-air related **messaging** and **taglines** until a meeting of the Advisory Group is convened in early 2020 and a consensus achieved. Indeed, on page 16 of the Application the Company explicitly proposed "...to hold an Advisory Group in early 2020, prior to implementing any environmental **messaging** and/or the "Conserve, Save, Breathe" **tagline**. The Company further commits to reach an agreement with the Advisory Group at this meeting or in subsequent meetings before moving ahead with the new environmental messaging/tagline" (emphasis added).

The Company regrets any misunderstanding that may have occurred in 2019 and looks forward to working with the Office and other participants in the ThermWise Energy Efficiency Advisory Group to develop effective and accurate marketing pieces going forward.

IV. REPLY TO UCE AND SWEEP RESPONSE

While the Company appreciates UCE and SWEEP's input and involvement in this docket and in the Advisory Group, the Company responds below to several comments appearing in UCE and SWEEP's comments.

First, UCE and SWEEP expressed concern that the Company's forecasted 2020 natural gas savings were about 11% lower than 2019 and suggests that the Commission should order the Company to unilaterally increase the savings. It is important to note that this decrease in forecasted savings is not attributable to program changes or any other Company action. The Company is forecasting decreased savings because it has learned, through the direct-install pilot program, which began nearly 2.5 years ago, that the savings associated with installing measures in the targeted homes were lower than anticipated. Indeed direct-install contractors found that targeted customer homes were relatively well-insulated, but that building shells were leaking conditioned air to the outside at unexpectedly high levels. As a result of the direct-install pilot program, the Company gained a better understanding of the energy savings needs of low-to-moderate income homes (and homes of a certain age) targeted by this program. Armed with this new information, the Company expects the program to shift away from projected insulation participation to greater participation in air sealing. Its forecast reflects this expectation and the lower savings associated with this expectation.

The Company has changed the design of its program to reflect these findings, but this change comes at a cost. Insulation measures have higher observed per-square-foot savings values relative to the natural gas savings value associated with the air sealing measure. While the Weatherization Program and the direct-install pilot remain cost-effective, one consequence of the shift away from insulation to air sealing is lower projected 2020 ThermWise natural gas savings. Any suggestion that the Company could take unilateral steps to increase this forecast is arbitrary and unsupported by any evidence. The Company proposes to continue to provide accurate and market-informed estimates of participation and believes

that the proposed ThermWise budget accurately reflects the natural gas savings that are achievable in 2020.

The Company also respectfully requests that the Commission reject UCE and SWEEPS's recommendation to increase the Department of Energy (DOE) Zero Energy Ready Bonus from the proposed \$50 to \$250. There are no additional natural gas savings that result from the DOE Zero Energy Ready Bonus certification. Instead, all natural gas savings in the cost-effectiveness model for the DOE certification are attributable to the required participation in the Pay-for-Performance measure as shown in the proposed Utah Natural Gas Tariff No. 500 (Tariff) (DEU Energy Efficiency Exhibit 1.9, page 2-23). Because there are no savings associated with industry certifications, the Company has historically proposed minimal rebates. The Company notes that participation in the \$50 ENERGY STAR 3.0 certification measure started slowly when it was introduced but resulted in over 1,500 participant homes in 2018 and is on track to meet or exceed that level of participation in 2019. The Company expects the DOE Net Zero Energy Ready Bonus certification to follow a similar path. Because the DOE Net Zero Energy Ready Bonus certification is new for 2020, the Company projects lower participation in the first year (80 homes). However, the Company expects exponential growth in future years at the \$50 incentive level. The Company believes UCE's and SWEEP's proposal to increase the DOE Net Zero Energy Ready Bonus certification by 500% over the Company's recommended level is overly generous and unnecessary based on the Company's experience with certification measures.

While the Company appreciates UCE's and SWEEP's comments and support of the Energy Comparison Report (ECR), their recommendation "...that the Commission direct the utility to expand the new group to 50,000 homes" is currently unachievable due to lack of

available program-qualifying new participants. The Company requires email addresses for participation in the ECR program. The Company only has an additional 25,000 customers who have e-mail addresses and is therefore is unable to subscribe additional participates above what was proposed in the 2020 ThermWise budget.

V. CONCLUSION

The Company appreciates the input of the Office, the Division, SWEEP and UCE. Based on the foregoing, and the contents of the Application and accompanying exhibits, the Company respectfully requests that the Commission approve the Company's Application, as filed with an effective date of January 1, 2020.

DATED this 6th day of December 2019.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Application was served upon the following by electronic mail on December 6, 2019:

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