

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

IN THE MATTER OF APPLICATION OF
DOMINION ENERGY UTAH FOR APPROVAL OF
A NATURAL GAS CLEAN AIR PROJECT AND
FUNDING FOR THE INTERMOUNTAIN
INDUSTRIAL ASSESSMENT CENTER

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DOCKET NO. 19-057-33
Exhibit No. DPU 1.0 DIR
Testimony of Robert A. Davis

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Direct Testimony of

ROBERT A. DAVIS

June 15, 2020

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1 **I. INTRODUCTION**

2 **Q: Please state your name and occupation.**

3 A: My name is Robert A. Davis. I am employed as a Utility Technical Consultant at the
4 Utah Department of Commerce-Division of Public Utilities (“Division”).

5 **Q: What is your business address?**

6 A: My business address is 160 East 300 South, Heber Wells Building-4th Floor, Salt Lake
7 City, Utah, 84111.

8 **Q: On whose behalf are you testifying?**

9 A: The Division.

10 **Q: Do you have any exhibits that you would like to add to the record?**

11 A: No.

12 **Q: Does the Division have any other witnesses for this proceeding?**

13 A: No.

14 **Q: Please summarize your educational and professional experience.**

15 A: I earned a Master’s Degree in Business Administration with Master’s Certificates in
16 Finance and Economics from Westminster College in May of 2005. I have attended the
17 NARUC Rate School, MSU/IPU Advanced Regulatory Studies Program, and
18 Depreciation Fundamentals by the Society of Depreciation Professionals. I am a member
19 of the LBNL/WIEB Technical Advisory Committee for Utility Rate Design, a member of
20 the NREL DER-PV Ratepayer Impact Tool Advisory Committee, and have attended

21 several regulatory seminars and conferences. I have been employed by the Division since
22 May of 2012.

23 **Q: Please describe your current position responsibilities.**

24 A: My current position is Utility Technical Consultant. My responsibilities include financial,
25 economic, and accounting analysis of regulated utility matters with an emphasis towards
26 renewable energy and storage. I have also been directly involved in the STEP program
27 for the primary electric utility since its inception.

28 **Q: Have you previously testified before this Commission?**

29 A: Yes. I have testified before the Public Service Commission of Utah (“Commission”) on
30 several occasions.

31 **II. PURPOSE OF TESTIMONY**

32 **Q: What is the purpose of your testimony in this proceeding?**

33 A: My testimony summarizes and offers the Division’s conclusions and recommendations of
34 its review of Dominion Energy Utah (“DEU”) proposed Natural Gas Clean Air Project
35 and funding for the Intermountain Industrial Assessment Center (“IIAC”).

36 **Q: Can you offer a brief summary of the legislation giving rise to this docket?**

37 A: Yes. The STEP Act, Utah Code Ann. § 54-7-12.8, authorizes a utility to collect funds
38 from ratepayers for the exploration of innovative projects and programs to further
39 efficient use of energy and improve air quality for utility customers. Research projects
40 under the Act may provide the opportunity for local universities and colleges to

41 participate in such projects whereby staff and students gain knowledge and skills to
42 enhance the workforce.

43 The Division has reviewed the proposals set forth by DEU and IIAC. The Division does
44 not support the IIAC funding proposal as it is presented in the Application but would
45 support an IIAC program with certain modifications and reporting requirements as
46 discussed herein.

47 **III. RECOMMENDATION**

48 **Q: Please summarize the Division's recommendations in this case.**

49 A: The Division recommends the Commission approve the funding for the IIAC proposal
50 with the modifications and reporting requirements discussed below. The Division
51 recommends the IIAC be funded initially as a pilot program with an option to seek
52 extension and additional funds if the initial term of the pilot demonstrates that the
53 program is in the public interest. The Division recommends that the IIAC receive
54 \$800,000 for eighteen months in order to allow sufficient time to get the program running
55 and complete twenty assessments. These assessments are incremental to the twenty
56 assessments IIAC plans to conduct under funding from the Department of Energy
57 ("DOE"). Before the conclusion of the eighteen month pilot period, DEU and IIAC
58 should report its progress to the parties, at which time, DEU may apply for possible
59 extension of the program.

60 The Division recommends the Commission direct DEU to open its STEP Program to all
61 universities and colleges in the State of Utah. The Division also recommends that the

62 Commission direct DEU to file a summary of the progress of its STEP Program on a
63 quarterly basis including IIAC activities.

64 **IV. DOCKET BACKGROUND**

65 **Q: Can you provide a brief history of this docket?**

66 A: Yes. On December 31, 2019, DEU filed its application requesting the Public Service
67 Commission approve two proposals for funding pursuant to Utah Code Ann. § 54-4-13.1
68 and Utah Code Ann. § 54-20-105.

69 The first proposal provides a \$13.5 million incentive over three years to one of DEU's
70 industrial customers to replace its existing natural gas boilers with a combined heat and
71 power unit ("CHP"). The second proposal seeks Commission approval to fund the
72 University of Utah's IIAC in the amount of \$800,000 annually for at least the next three
73 years to analyze projects (assessments) for advancement under House Bill 107.

74 On January 2, 2020, the Commission issued its Notice of Scheduling Conference. On
75 January 10, 2020, the Commission issued its Scheduling Order, Notice of Technical
76 Conference and Notice of Hearing.

77 On February 14, 2020, the Office of Consumer Services ("OCS") filed a Motion to
78 Dismiss Application, or in the Alternative, Motion for Summary Judgement Denying
79 Application ("Motion").¹ On the same day, the Division filed a Joinder in the Motion.²

¹ See <https://pscdocs.utah.gov/gas/19docs/1905733/312101OCSMtnDsmsApplorMtnSmryJdgmntDnyngAppl2-14-2020.pdf>.

² See <https://pscdocs.utah.gov/gas/19docs/1905733/312102DPUJndrOCSMtnDsmisApplAltrntvMtnSmryJdgmntDnyAppl>

80 On March 2, 2020, DEU filed an Opposition to the Motion. On March 13, 2020, OCS
81 filed a Reply in Support of Motion. On March 16, 2020, DEU filed a Motion to Vacate
82 Scheduling Order, Stay Discovery and ask for a Scheduling conference. On March 19,
83 2020, the Commission issued its Order Granting Motion to Vacate Scheduling Order and
84 Stay Discovery. On April 27, 2020, the Commission issued its Order denying OCS's
85 Motion.

86 On May 1, 2020, DEU filed a Motion to Reschedule the Scheduling Conference, which
87 was to be held later that day. On the same day, the Commission issued its Order Granting
88 Motion, Cancelling the Scheduling Conference, and Notice of Telephonic Scheduling
89 Conference. On May 14, 2020, the Commission issued its Scheduling Order and Notice
90 of Hearing to resume the docket.

91 On June 12, 2020, DEU filed its Amended Application with the Commission. DEU
92 recognizes that greater specificity and a more thorough analysis related to the CHP
93 described in its original Application are desirable. Therefore, DEU requests leave to
94 amend its Application and accompanying exhibits to remove information pertaining to
95 that project, as well as the request for approval and funding for the CHP project.³

96 V. IIAC FUNDING PROPOSAL

97 **Q: Does the Division support the funding proposal for the IIAC?**

[2-14-2020.pdf](#).

³ See <https://pscdocs.utah.gov/gas/19docs/1905733/314244AmendedDirTestKellyMendenhallDEU6-12-2020.pdf>.

98 A: Not as filed. The Division understands the purpose of the STEP Act as a means for
99 natural gas and electric utilities to research and develop programs and projects that
100 further energy efficiency and improve air quality. DEU's request of \$800,000 per year, or
101 a total of \$2.4 million for at least three years to support IIAC's scope of work is not
102 sufficiently detailed or limited to meet DEU's burden of proof that the project is in the
103 public interest.

104 **Q: What is your understanding of how the IIAC Program will work?**

105 A: The IIAC currently performs twenty assessments per year in compliance with its
106 Department of Energy ("DOE") yearly grant of \$370,000. Under the DOE guidelines, a
107 typical assessment is a single day on-site visit followed up with a set of
108 recommendations. The Division understands that IIAC's contract with the DOE began in
109 2016 and is a five-year contract. In this docket, DEU is proposing that IIAC conduct 20
110 additional assessments per year and would include air quality assessments that are not
111 provided under DOE's guidelines.

112 **Q: Does the IIAC's testimony and exhibits support its proposal?**

113 A: No. The Division is concerned that DEU's proposal calls for more than doubling the
114 DOE's funding level for approximately the same amount of industrial assessments. The
115 justification provided by DEU for the additional funding is that it will expand the
116 assessments to include air quality analysis that is not otherwise included in the DOE
117 assessment and that the IIAC would be expanding its role by providing project support
118 beyond the initial assessments for STEP funded projects. In response to the Division's

119 multiple data requests (CONF DPU Exhibit 1.1-Appendix A),⁴ DEU and IIAC failed to
120 respond to the Division's questions with sufficient detail on the proposed program.
121 IIAC's preliminary analysis uses National averages exclusively as opposed to Utah
122 specific data and information.

123 The Division recognizes that the air quality analysis is incremental to the assessments and
124 can be reasonably ascertained. The Division is less confident about the time and expense
125 required for project support roles. To the extent that STEP funded projects involve
126 vendors installing commercially available products, the amount of support needed, and
127 the value of additional support is questionable. To the extent that new technologies are
128 being developed, the assistance of the IIAC team may be of greater value. For this reason,
129 the Division does not recommend approval of the full funding without more detail on the
130 project support roles. The Division recommends that support funding be included in the
131 request for each specific STEP project.

132 The Division understands that some of the lack of response is related to the fact that the
133 assessments and future support for implementation are unknown. The process requires
134 some level of funding to research potential projects and fully develops the program.
135 However, the Division expects at a minimum a reasonable projected accounting of
136 budget assumptions for the anticipated use of customer funds prior to approval. As of
137 now, that detail has not been provided. The proposal as provided in the Application lacks

⁴ See 19-057-33_DPU Exhibit 1.1_Davis Dir_Appendix A-Responses to DPU Data Requests_CONF_6-15-20.

138 sufficient detail to reach a conclusion on whether the proposed budget is reasonable or in
139 the public interest.

140 **Q: Does the Division have a recommendation of how IIAC's Program might be**
141 **modified such that it warrants Commission approval?**

142 A: Yes. Based on its current understanding of DEU's IIAC proposal, the Division
143 recommends funding \$800,000 for a pilot period of eighteen months to allow IIAC to
144 complete twenty assessments directly tied to natural gas customers, renewable natural gas
145 projects, or natural gas fueled transportation including air quality attributes relating to
146 any of the assessments.

147 Before the conclusion of the eighteen months, the Division recommends that DEU and
148 IIAC file a report with the Commission and the parties, in a format agreeable to the
149 parties, including at a minimum:

- 150 • A summary of assessments completed;
- 151 • Potential STEP funded projects resulting from those assessments;
- 152 • A detailed accounting of funds spent; and
- 153 • Potential future assessments.

154 With this information, the Commission can determine whether to extend the program,
155 and if so, at what funding level.

156 **Q: Does the Division have any additional conditions on the IIAC assessments?**

157 A: Yes. The Division believes that there is a public policy interest in ratepayers being
158 informed about what ratepayer dollars are paying for. The conditions of eligibility for

159 DOE funded assessments include a requirement that the customer receiving the
160 assessment be disclosed as a program participant. This is a reasonable requirement and
161 the Division recommends that a similar eligibility requirement be imposed on the IIAC
162 assessments under this program.

163 Additionally, the Division recommends that assessments not duplicate similar
164 assessments that were paid for by either publicly funded programs such as the DOE or by
165 other utility ratepayer programs. The DOE eligibility requirements include a restriction
166 on assessments if a similar assessment has been performed in the past five years. The
167 Division recommends that the Commission include a similar restriction on IIAC
168 assessments funded by DEU ratepayers that the customer may not have had an energy
169 assessment performed either by a publicly funded program, or a ratepayer funded
170 program by DEU or another utility in the prior five years.

171 VI. SUMMARY

172 **Q: Will you summarize your analysis and findings for this docket and offer your**
173 **recommendations?**

174 **A:** Yes. The Division recommends that the Commission approve the IIAC Funding proposal
175 in part with the following conditions. The Division recommends the IIAC receive
176 \$800,000 for eighteen months to allow it to get its program running and complete twenty
177 (additional) assessments. Before the conclusion of the eighteen month pilot period, the
178 Division recommends that the DEU and IIAC report on its research, at which time, the
179 parties can make recommendations for further funding.

180 The Division further recommends that the IIAC program include similar public
181 information requirements as are required by the DOE including a requirement for
182 assessment eligibility that customers seeking an assessment must be willing to participate
183 in a reasonable follow-up implementation review, be willing to have the Customer's
184 name listed as a program participant, and that the Customer may not have had an
185 assessment performed by RMP or DEU or any other comparable public or ratepayer
186 funded entity in the prior five years.

187 Per DEU's amended application to withdraw the CHP project, the Division reserves its
188 right to review that project or any future CHP project at the time such a project is filed.

189 The Division also recommends DEU open its STEP Program opportunities to all
190 universities and colleges in the State of Utah. The Division recommends that DEU file a
191 summary of the progress of its STEP Program with the Commission on a quarterly basis
192 including IIAC activities.

193 **Q: Does this conclude your direct testimony?**

194 A: Yes it does.

195 **VII. APPENDIX A – DEU Responses to Division Data Requests**

196 **CONFIDENTIAL – Subject to Utah Public Service Commission Rules R746-1 602 and 603**

197 **Filed Under Separate Cover**

CERTIFICATE OF SERVICE

I certify that on June 15, 2020, I caused a true and correct copy of the foregoing Direct Testimony of Robert A. Davis to be filed with the Public Service Commission and served by the Utah Division of Public Utilities to the following in Utah Docket 19-057-33 as indicated below:

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