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UTAH DEPARTMENT OF COMMERCE
Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Artie Powell, Manager
Doug Wheelwright, Utility Technical Consultant Supervisor
Bob Davis, Utility Technical Consultant

Date: July 7, 2022

Re: **Docket No. 19-057-33,** Application of Dominion Energy Utah for Approval of a Natural Gas Clean Air Project and Funding for the Intermountain Industrial Assessment Center

Recommendation (Acknowledge with Recommendations)

The Division of Public Utilities (Division) has reviewed Dominion Energy Utah's (DEU) Natural Gas Clean Air Project and Funding for the Intermountain Industrial Assessment Center Program Annual Status Report (Report). The current Report covers the period from March 1, 2021, through February 28, 2022. The Division recommends the Commission acknowledge RMP's 2021 Report with the following recommendations:

1) Provide all the information and data to support the tables and illustrations contained in its report in Excel format with intact formulae where applicable in future reports; and
2) Provide an exhibit in Excel format with intact formulae that illustrates the revenues generated from tariff surcharges, expenses, carrying charge, and the balance going forward for the program.

Issue

On June 7, 2022, DEU filed its first annual Report in compliance with Public Service Commission of Utah (Commission) Order issued in Docket No. 19-057-33.[1] The Commission directed the Division to review the report for compliance and make recommendations and report back by July 8, 2022. On June 13, 2022, the Commission issued its Notice of Filing and Comment Period allowing any interested party to submit comments on or before July 7, 2022, with reply comments on or before July 22, 2022.

Background

Utah Code Ann. Section 54-4-13.1 titled "Natural Gas Vehicle Rate – Natural Gas Clean Air Programs," specifically Section 54-4-13.1(3), authorizes the Commission to approve a gas corporation to establish natural gas clean air programs that promote sustainability through increasing the use of natural gas or renewable natural gas that the Commission determines are in the public interest, subject to the funding limits set forth in Subsection 54-20-105(3)(d).[2]

On December 31, 2019, Dominion filed for approval of a Natural Gas Clean Air Project and Funding for the Intermountain Industrial Assessment Center (IIAC). On July 16, 2020, DEU, the Division, and the Office of Consumer Services (OCS) submitted a Settlement Stipulation. The Commission approved the Stipulation on August 31, 2020, and ordered a program start date of October 1, 2020. The terms of the Stipulation included funding for the IIAC at a level of $500,000 annually for a pilot-period of two years.[3] In return for the funding, the IIAC is required to perform 20 energy efficiency assessments (in addition to the 20 Department of Energy funded energy efficiency assessments) and 40 clean air assessments in each of the pilot-period program years.

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[1] Dominion Energy Utah's Natural Gas Clean Air Project and Funding for the Intermountain Industrial Assessment Center Program annual status report, Docket No. 19-057-33, June 7, 2022, https://pscdocs.utah.gov/gas/19docs/1905733/324376RdctdDEU2021ARprtStnblTrnsprtnEnrgyPln6-7-2022.pdf.

[2] *See* https://le.utah.gov/xcode/Title54/Chapter20/54-20-S105.html?v=C54-20-S105_2016051020160510.

[3] Id. Subsection 54-20-105(3)(d), Upon commission approval, the commission may authorize the large-scale natural gas utility to allocate on an annual basis up to $10,000,000 to a specific sustainable transportation and energy plan as described in Subsections (3)(a)(i) through (vii) or a specific natural gas clean air program as provided in Section 54-4-13.1.

The Stipulation also included a temporary suspension feature, which could be invoked by DEU and IIAC for COVID-19 pandemic-related restrictions. As a result of the COVID-19 pandemic, DEU and the IIAC initially experienced difficulties and setbacks related to performing the assessments contemplated in the Stipulation. Consequently, the Company sought, and the Commission approved, an adjusted IIAC program year of March 1, 2021 – February 28, 2022. Since March 1, 2021, DEU and the IIAC have resolved all COVID-19 related issues.[4]

DEU has provided informal quarterly status updates to the Division and OCS since the program officially got underway in March of 2021.[5] The Division, OCS, and DEU have worked together to create a general template that provides an update of the program on a quarterly basis. The quarterly updates are a work in progress and the information provided in the quarterly reports are the basis for this annual report.

Discussion

DEU reports that the IIAC has performed 20 Stepwise-related energy efficiency assessments and 40 clean air assessments at qualifying business facilities located throughout Utah. The Report provides details on the completed assessments including specifics on the 234 potential energy efficiency projects that the IIAC identified which, if undertaken by the assessed businesses, would result in estimated natural gas usage reductions of more than 918,000 dekatherms annually and reduced electricity consumption of nearly 40 million kilowatt hours per year. The IIAC estimated that these energy efficiency projects would cost $79 million to complete but would save the assessed businesses nearly $41 million annually, resulting in a simple collective payback period of 1.9 years. In addition to the financial benefits, the IIAC estimated that full implementation of the 234 potential energy efficiency projects would result in an annual reduction in CO2 emissions of 56,000 tons and criteria pollutant emissions reductions of 64.8 tons.[6]

[4] *Supra* n1,
[5] The Commission's approved Stipulation directed DEU to update interested parties quarterly and annually on the status of its clean air programs approved by the Commission, Docket No. 19-057-33, August 31, 2020, section 15(B) and (C) of the Stipulation.
[6] *Supra* n1, cover letter, pages 1-2.

The quarterly reports have been informative and compliment DEU's annual report in this filing. Utah Code Ann. Section 54-4-13.1(6) provides the Commission the means to review the expenditures made by a gas corporation for a natural gas clean air program to determine if the gas corporation made the expenditure prudently and in accordance with the purposes of the program.[7]

The Division is tasked with reviewing the annual status of the program for prudency. This review includes the references and calculations used to develop the tables and graphs in the report, an accounting of expenditures, carrying charges, cost and benefit analysis, and future plans and accomplishments for the program as an example. DEU's first annual report only provided accomplishments supported with numerous tables and graphs with no supporting exhibits and vague references that are difficult to vet.

The Division relies on these types of supporting exhibits to determine the prudency of the monies spent on the program. The Division asked DEU to provide supporting evidence for this year's program status filing in DPU Data Request Set 5. DEU's responses to the Division's data requests are included in Exhibit 1 (attached to these comments).

The Division understands that the quarterly reports and annual reports are a work in progress. DEU and IIAC have cooperated in developing its reports to provide stakeholders with needed information and data to support the status of the program. The Division concludes that DEU and IIAC have complied with the Commission's Order in its first filing. However, the original Report lacked the necessary documentation for an in-depth review of the program's prudence and recommends that DEU and IIAC include in future filings the necessary exhibits with intact formulae and references to support the tables and illustrations contained in the reports. Additionally, the Division recommends that DEU provide a detailed illustration of the balancing account in Excel format with intact formulae and references that provide an accounting of the surcharge revenues, all expenses of the program, carrying charge (including the calculation of the surcharge), and accumulated balance going forward.

[7] *See* https://le.utah.gov/xcode/Title54/Chapter4/54-4-S13.1.html?v=C54-4-S13.1_2019051420190514.

The Division recommends that DEU meet with interested parties at its earliest convenience to discuss the balancing account.

Conclusion

The Division has reviewed Dominion Energy Utah's Natural Gas Clean Air Project and Funding for the Intermountain Industrial Assessment Center Program Annual Status Report for March 1, 2021, through February 28, 2022. The Division concludes DEU, on behalf of IIAC, followed the Commission's Orders at a high-level for the quarterly and annual filing requirements of the approved Stipulation. However, the Division needs more in-depth support to review the report for prudency. At this time, the Division recommends the Commission acknowledge DEU's 2021 Annual Status Report with the recommendations stated above. The Division appreciates DEU's and IIAC's commitment to the program and adhering to the reporting requirements to keep stakeholders informed.

cc: Michael Orton, DEU
Travis Willey, DEU
Michele Beck, OCS
Service List

Exhibit 1

DPU 5.01: In reference to page one of the report, Introduction, please provide the balancing account including the carrying charge and outreach expense detail in Excel format with intact formulae. Please include any references to assumptions for calculations that supports the Financial Summary on page 11.

Answer: The Sustainable Transportation and Energy Plan (STEP) surcharge is assigned to each rate class based on the Commission-approved total pro-rata share of the DNG tariff revenue ordered in the most recent general rate case. The Surcharge assigned to each class will be collected based on a percentage change to the demand charge, if applicable, and each block of volumetric rates of the respective rate schedules. Program surcharge and expense are accounted for in the FERC balancing account 182.45.

An annual interest rate, as described in the Utah Tariff, § 8.07 Calculation of Carrying Charge, shall be applied monthly to the STEP Account balance, as adjusted for the corresponding tax deferral balance in Account 283. The STEP Account will be increased by the carrying charge.

"DPU 5.01 Attachment 1", details the balancing account surcharge, carrying charge, and administrative expense. The Financial Summary on page 11 is a summary of the IIAC's administrative expense, which includes labor and labor overhead, travel expense, and facilities and administration expense. The Company does not reference the IIAC's Financial Summary in calculating the balancing account surcharge, carrying charge, or administrative expense.

Prepared by: Travis Willey, Supervisor, Energy Efficiency

DPU 5.02: Please provide clarification of the relationship to this report and the Stipulation, paragraph 9, for the 40 energy efficiency and 40 clean air assessment requirement. The opening letter states that "*In return for the funding, the IIAC is required to perform 20 energy efficiency assessments (in addition to the 20 Department of Energy funded energy efficiency assessments) and 40 clean air assessments in each of the pilot-period program years.*" Page 1 of the report states "In the first year of the program, the IIAC team has successfully competed 20 energy and clean air assessments at facilities all around Utah – from MOAB to Promontory." The report illustrates the results of the 20 StepWise and 20 DOE Clean Air assessments in Table 1. Table 2 illustrates the potential cost and energy savings.

(1) Are the energy efficiency assessments and clean air assessments performed on the same entity or separate entities?

Answer: Through the Stepwise program, the IIAC is required to perform 20 energy assessments and 40 clean air assessments during a program year. In the first program year, the IIAC performed 20 energy and 20 clean air assessments on the same business/entity. To meet the remaining contractually required quantity, the IIAC performed 20 clean air assessments while they were at businesses to perform DOE-funded energy assessments.

Prepared by: Travis Willey, Supervisor, Energy Efficiency

DPU 5.03: In reference to the EPA's AP-42 emission factor at page 15, Natural Gas Combustion, please verify that the most recent version was completed in 1998. If so, please explain how this dated resource is beneficial in 2022.

Answer: The Utah Division of Air Quality and the Environmental Protection Agency view AP-42 as the only verified source of emission data for stationary natural gas combustion. The most recent version of AP-42 for natural gas combustion was completed in 1998. AP-42 is accepted as the industry standard for estimating air emissions. Consequently, the Intermountain Industrial Assessment Center used AP-42 for analysis.

Prepared by: Travis Willey, Supervisor, Energy Efficiency

DPU 5.04: Please provide the analysis in Excel format with intact formulae and assumptions that support Tables 1, 2, 3, 6, 7, and A-2.

Answer: The tables provided in the Intermountain Industrial Assessment Center's (IIAC) annual report is a summary of the potential energy and emissions savings for each of the assessments completed. Because each assessment is unique, no two facilities are the same, the assumptions used to determine the potential energy and emissions impact are also specific to the facility being assessed. "DPU 5.04 Attachment 1" contains the potential energy and emissions calculations for each of the assessments completed during the period March 2021 and February 2022.

Table 1 in DPU 5.04 Attachment 1 details the total potential annual emissions reductions for equivalent carbon dioxide (Eq CO2), nitrogen oxides (NOx), sulfur dioxide (SO2), particulate matter 2.5 (PM2.5), volatile organic compounds (VOCs), and ammonia (NH3) in pounds per year for each assessment.

Table 2 in DPU 5.04 Attachment 1 details the total number of recommendations identified, potential energy and cost savings,

implementation costs, and total simple payback period of each assessment.

Table 3 in DPU 5.04 Attachment 1 details the natural gas usage of each qualifying facility assessed under the StepWise program using Sustainable Transportation and Energy Plan funding.

Table 6 in DPU 5.04 Attachment 1 details the recommended equipment type of each assessment

Table 7 in DPU 5.04 Attachment 1 details the implementation percentages for recommendations provided in Department of Energy assessments. The implementation percentages were obtained through phone surveys with the respective facility owner/manager.

Table A-2 in DPU 5.04 Attachment 1 is a conversion of the emissions for CO2, NH3, and kWH as listed in Table A-1.

Prepared by: Travis Willey, Supervisor, Energy Efficiency

DPU 5.05: Please provide the analysis in Excel format with intact formulae, assumptions, and references, as to how the EPA AVERT and EPA eGRID tools were used in the preparation of this report and findings reported in Table A-1.

Answer: In the annual Sustainable Transportation and Energy Plan report to the Commission, table A-1 summarized electricity generation emission factors used to calculate emissions savings, which are reported to customers who received the energy assessment and clean air assessment. As agreed to in a meeting with the Division of Public Utilities and the Office of Consumer Services on November 18, 2021, the Intermountain Industrial Assessment Center (IIAC) utilizes two EPA regional emissions tools, AVERT and eGRID. These tools are used to calculate the regional electricity emission associated with electricity produced from the grid. AVERT 2021 (Northwest) captures the dynamics of electricity dispatch based on the historical patterns of actual generation, whereas eGRID captures annual emissions.

"DPU 5.05 Attachment 1" represents the regional emissions data taken directly from both AVERT and eGRID's database. In addition, since eGRID does not contain NH3 and VOC emissions data, as noted on page 15, paragraph 1 of the annual report, the IIAC used the 2017 National Emission Inventory data and adjusted to 2019 emissions based on electricity generation. These adjusted calculations are included within DPU 5.05 Attachment 1.

While responding to this data request, a formula error was identified, which calculated the eGRID emissions for VOC and NH3. The impact of this formula error reduced total VOC lb/MWhr and NH3 lb/MWhr emissions. DPU 5.05 Attachment 1 represents the updated emissions values.

Prepared by: Travis Willey, Supervisor, Energy Efficiency

DPU 5.06: In reference to Emissions Equivalents on page 15, please explain how this information relates to the energy efficiency or clean air assessments in this year's report. Were there any assessments competed on EVs or residential homes?

Answer: The Emissions Equivalents data represented on page 15 of the annual report was included to provide context and comparison for the emissions savings. The categories of miles driven and homes heated are common categories that are more easily quantified and are included for comparison purposes only. EVs are beyond the scope of energy and clean air assessments and were not included in any evaluation. Likewise, residential homes were not evaluated due to the minimum decatherm usage requirement, 2,500 dth annual usage.

Prepared by: Travis Willey, Supervisor, Energy Efficiency