State of Utah

Department of Commerce
Division of Public Utilities

CHRIS PARKER
Executive Director

ARTIE POWELL
Director, Division of Public Utilities

GARY HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Action Request Response

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Artie Powell, Director

Doug Wheelwright, Utility Technical Consultant Supervisor

Eric Orton, Utility Technical Consultant

Date: October 19, 2020

Re: **Docket No. 20-057-18,** Application of Dominion Energy Utah Company to Amortize the Energy Efficiency Deferred Account Balance.

Recommendation (Approve)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the application to amortize the Energy Efficiency (EE) Deferred Account Balance as filed on September 30, 2020 by Dominion Energy Utah (Dominion) with an effective date of November 1, 2020, on an interim basis pending the Division's final review.

Issue

The application to amortize the Account No. 182.4 balance is accompanied by six exhibits.

> Exhibit 1.1 is a summary of the EE deferred expenses accounting entries for the period from October 2019 through August 2020. In paragraph 9 of the Order in Docket 05-057-T01 approving the EE programs, the Commission required Dominion to "keep detailed records of all DSM expenditures and shall track them by each separate DSM program or marketing initiative, and by expenditure type. Summary statements prepared from these

records shall be presented to the Commission as part of the Account 182.4 approval process". The exhibit purports to meet this requirement.

Exhibit 1.2 is a summary of the deferred EE related expenditures by program and type from October 2019 through August 2020. According to this exhibit the EE balance, as of the end of August 2020, is a negative $424,451 (which means ratepayers overpaid).

Exhibit 1.3 is the actual and projected EE balance from July 2020 through December 2021. Based on the forecasted 2021 budgeted expenditures and projected volumes for the 2020-2021 test period, Dominion needs to reduce its EE collection rate. Without the proposed adjustment, the Company will over collect nearly $6 million. The proposed rate will more closely match estimated collections and expenditures which will reduce the net interest expense. It is projected that Dominion will be able to collect the necessary revenue by using a $0.20678/Dth rate rather than the current rate of $0.26120/Dth.

Exhibit 1.4 includes the tariff sheets showing the proposed change in both legislative format and proposed format, if the rate is approved.

Exhibit 1.5 shows the financial impact of a typical residential customers using 80Dth/year. If approved, a typical residential customer will see a decrease of $4.36 or 0.68% in their annual bills attributable to the amortization of the change in the EE Deferred Account Balance.

Exhibit 1.6 is the Combined Legislative and Proposed GS Rate Schedule tariff sheets that would be effective if all six applications filed on the same date are approved. In addition to this EE Application, Dominion concurrently filed a Pass-Through Application in Docket No. 20-057-14, an Application for an adjustment to the Daily Transportation Imbalance Charge in Docket No. 20- 057-15, an Application to adjust the CET amortization rate in Docket No. 20-057-16, a Low Income/Energy Assistance Application in Docket No. 20-057-17, and an Application to implement a sustainable transportation energy plan surcharge in Docket No. 20-057-19.

Dominion claims that this filing is in accordance with Commission orders which authorize the Company “to assess the rates and charges applicable to its Utah natural gas service territory using the amortization for the Energy Efficiency deferred account balance”.

Background

The original Demand Side Management programs and Market Transformation Initiative were the products of a collaborative effort of interested parties working with Dominion (at the time it was Questar Gas Company). The intent was to provide input and assist in designing programs to benefit its GS rate class by reducing their usage of natural gas through improving the efficiency of their natural gas consumption. The process began with Dominion’s CET application on December 16, 2005 in Docket No. 05-057-T01. In its corresponding January 16, 2007 Order, the Commission approved the parties Settlement Stipulation.

In paragraph 15 of the Order Approving the Settlement Stipulation, the Commission authorized Dominion to establish deferred expense account 182.4 to record the costs associated with the approved EE programs and market transformation initiative. Section §2.09 of the Tariff sets forth procedures for recovering the deferred EE related expenses by means of periodic adjustments (at least annually) to rates and amortize the balance of this account.

On September 30, 2020, Dominion filed this application seeking Commission approval to amortize the EE deferred account balance. On October 1, 2020, the Commission issued its Action Request to the Division directing it to review the application and make recommendations which were due to the Commission on October 30, 2020. Also on October 1, 2020 the Commission issued a Notice of Telephonic Consolidated Scheduling Conference to be held October 8, 2020. Following that Scheduling conference the Division’s Action Request and initial comments became due October 19, 2020 with reply comments due October 23, 2020 and a hearing is scheduled for October 27, 2020. This memorandum represents the Division’s Action Request Response and initial comments.

Discussion

The current financial position of the EE program shows a negative balance of $424,451 resulting in an over collection from ratepayers as presented in Exhibit 1.2 as follows:

	ENERGY EFFICIENCY PROGRAM EXPENDITURES by Program from October 2019 through August 2020		
		(A)	(B)
	Program	**Expenditures**	**Balance**
1	**September 30, 2019 Balance**		**$2,424,450**
2	ThermWise® Home Energy Plan	$324,368	
3	ThermWise® Builder Rebate	$7,898,416	
4	ThermWise® Appliance Rebates	$3,577,028	
5	ThermWise® Business Rebates	$3,509,875	
6	Market Transformation	$666,759	
7	Low Income Efficiency	$633,802	
8	ThermWise® Weatherization	$8,293,127	
9	ThermWise® Energy Comparison Report	$452,017	
10	**Total Program Expenditures (Lines 2 - 10)**		**$25,355,393**
11	Interest		($80,156)
12	Amortization		($27,787,430)
13	Accruals		($336,709)
14	**August 31, 2020 Balance (Lines 1 + 10 through 12)**		**($424,451)**

We can see that summing each program expenditure plus the beginning balance as of September 30, 2019 ($25.4 million + $2.4 million) results in $27.8 million worth of spending in 2019 (line 1 plus line 10). We can then sum interest, amortization (income from ratepayers) and accruals (lines 11, 12, 13) which will result in $28.2 million. The $28.2 million less $27.8 million is the negative $0.4 million shown above which represents an over collection. This account would typically be under collected in August and supports a reduction in the amortization rate.

Using this negative $0.4 million as the starting point for September 2020 and adding the expected Interest, Amortization and program Costs will result in over collection during the winter months and an under collected balance of about $6 million at the end of October 2021 (Exhibit 1.3 column E row 16). The 182.4 account balance is intended to fluctuate above and below $0 during the year with an intended net interest expense that is close to zero. A major objective of this exercise is to calculate a new rate which will collect a sufficient amount to cover expenses but minimize the amount of interest expense collected from customers or paid by the Company. Based on the projected balances, the proposed rate will help meet this goal.

If there were no change in the current rate, it is projected that Company would significantly over collect as shown in Dominion's Exhibit 1.3 page 1. The proposed EE amortization rate is a decrease from the current rate of $0.26120 to $0.20678/Dth or a reduction of $0.05441/Dth. The proposed decrease will collect the proper amount for the next 12 months and minimize interest expense.

The Division has examined the DEU exhibits as filed with the application. Based on the current balance, projected volumes, and the Energy Efficiency budget, Dominion believes it will collect the required revenue while minimizing interest expense with this decrease to the amortization rate. The Division will continue to monitor account 182.4 and present recommendations if the actual expenses and revenues deviate significantly from Dominion's projections.

Effect on a typical GS Customer

If the Commission approves this application, typical residential customers using 80 Dth/yr will see a decrease in their yearly bills of $4.36 or 0.68% independent of any other decrease or increase.

Conclusion

The Division recommends that the Commission approve this application as filed on an interim basis pending the Division's final review. The Division recognizes that with the present natural gas commodity price, some of the EE measures may not pass the cost effectiveness test. Having said that, the Division still finds value in the overall program objectives. Therefore the Division supports Dominion's request to "Amortize the Energy Efficiency Deferred Account Balance" and recommends the Commission approve the application.

The proposed changes are in the public interest and represent just and reasonable rates for Utah customers. The Division reviewed the tariff sheets provided and recommends the Commission approve the application as presented. The Division will continue to monitor the overall program and individual measures to ensure the public interest continues to be served.

Cc: Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services