

APPLICATION FOR APPROVAL OF)
THE 2023 YEAR BUDGET FOR ENERGY) Docket No.
EFFICIENCY PROGRAMS AND MARKET) 22-057-18
TRANSFORMATION INITIATIVE)

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APPLICATION
AND
EXHIBITS
October 31, 2022

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

APPLICATION FOR APPROVAL OF THE)	
2023 YEAR BUDGET FOR ENERGY)	Docket No. 22-057-18
EFFICIENCY PROGRAMS AND MARKET)	
TRANSFORMATION INITIATIVE)	APPLICATION

1. Questar Gas Company, doing business as Dominion Energy Utah (Dominion Energy or the Company), respectfully submits this Application for Approval of the 2023 Year Budget for Energy Efficiency Programs and Market Transformation Initiative (Application). The Company submits this Application pursuant to the applicable orders of the Public Service Commission of Utah (Commission) identified in the introduction section below. Dominion Energy respectfully submits this Application seeking approval of the 2023 budget associated with the delivery of the Energy Efficiency (EE) programs and associated Market Transformation Initiative.

I. INTRODUCTION

2. In its Order issued January 16, 2007 in Docket No. 05-057-T01 (January 16, 2007 Order), the Commission approved the Company's Application for Expedited Approval of Demand Side Management Programs and a Market Transformation Initiative

(Original Application) and approved a three-year pilot program for the Company's Demand Side Management (DSM) programs in conjunction with the Conservation Enabling Tariff (CET). On June 3, 2010, the Commission issued an Order in Docket No. 09-057-16, approving the CET as an on-going program (June 3, 2010 Order). The Commission has reviewed and approved applications for EE Programs, Budgets, and Market Transformation Initiatives each year thereafter. Most recently, on December 20, 2021, the Commission issued an Order in Docket No. 21-057-25 (December 20, 2021, Order), approving Dominion Energy Utah's Application for Approval of the 2022 Year Budget for Energy Efficiency Programs and Market Transformation Initiative.

II. OVERVIEW OF PROPOSED 2023 ENERGY EFFICIENCY PROGRAMS AND MARKET TRANSFORMATION INITIATIVE

3. In the Original Application (Docket No. 05-057-T01), the Company listed seven best practices for developing successful EE programs. These seven best practices are:

- A. Develop a comprehensive energy efficiency approach;
- B. Simplify and integrate program offerings;
- C. Brand EE and focus on customer service;
- D. Develop strategic relationships with market participants;
- E. Provide customized service, when applicable;
- F. Provide qualified, independent expertise; and
- G. Integrate program evaluation early.

Through the design, development, implementation and administration of EE programs, the Company has successfully achieved, and in many cases exceeded, each of the best practices outlined in the Original Application. The Company's ThermWise[®] EE campaign is a model

for natural gas utility programs nationwide. The ThermWise® rebate programs are customer friendly and cost effective.

4. In addition to the implementation and development of the ThermWise® EE campaign, the Company has made a concerted effort to maintain high levels of customer service. The Company has developed relationships with trade allies, including wholesalers; heating, ventilation and air conditioning (HVAC), weatherization contractors; dealers; and retailers. The Company has built flexibility into the implementation and marketing of its programs to allow for customized service when required.

5. Based on input from the Utah DSM Advisory Group, Utah-based trade allies, program administrators and other energy efficiency stakeholders, Dominion Energy proposes continuing the eight existing ThermWise® EE programs in 2023: 1) the ThermWise® Appliance Rebates Program; 2) the ThermWise® Builder Rebates Program; 3) the ThermWise® Business Rebates Program; 4) the ThermWise® Home Energy Plan Program; 5) the ThermWise® Weatherization Rebates Program; 6) funding for the Low-Income Efficiency Program administered by the Utah Department of Workforce Services; 7) the Market Transformation Initiative; 8) and the ThermWise® Energy Comparison Report (Comparison Report).

6. **ThermWise® Appliance Rebates.** This program offers rebates to GS customers for installing high-efficiency qualifying measures. The Company is proposing to continue this program with the addition of new tiers of rebate-qualifying smart thermostats and dual-fuel heating systems in 2023.

7. The Company first proposed to add smart thermostats to the mix of rebate eligible equipment in the 2015 program year (Docket No. 14-057-25). At the time, the

Company proposed to limit rebate eligibility to smart thermostats that had a specific onboard technology known as an occupancy sensor. This was done to ensure natural gas savings could be achieved, without any required action by the homeowner, by cycling the furnace off when the home's occupants hadn't walked past the thermostat (thereby triggering the sensor) after a certain amount of time. The other predominant smart thermostat technology that existed at the time, that the Company proposed to exclude from rebate eligibility, was something known as geofencing. Geofencing is defined as a virtual perimeter covering a geographic area. In the case of smart thermostats, geofencing is required to be enabled and configured by the homeowner to establish the boundaries of the home. Natural gas savings are achieved through geofencing technology when the customer, or more accurately the customer's cell phone, leaves the boundaries of the home and the furnace then cycles off after a certain amount of time.

8. Though the Company has not previously recommended offering a rebate for geofencing-enabled smart thermostats, it has continued to monitor and track research on their energy savings capabilities since 2015. As a result, the Company believes that natural gas savings can be achieved through geofencing-enabled smart thermostats, at a lower level than occupancy sensor thermostats, and proposes to add them to the rebate mix beginning in 2023. The Company proposes a tiered rebate structure with tier 1 smart thermostats, equipped with qualifying geofencing technology, eligible for a \$50 rebate per device. Tier 2 smart thermostats, equipped with qualifying occupancy sensor technology, are proposed to be eligible for a \$75 rebate per device beginning in 2023.

9. The Company also proposes to introduce a tiered rebate structure for dual-fuel heating systems beginning in 2023. The Company first proposed adding dual-fuel

heating systems as a rebate eligible measure as part of the 2021 energy efficiency budget filing (Docket No. 20-057-20). At the time, the Company proposed to define rebate qualifying dual-fuel systems as a heat pump coupled with high efficiency natural gas combustion backup. Specifically, that meant a $\geq 95\%$ annual fuel utilization efficiency (AFUE) natural gas backup paired with an ENERGY STAR[®] certified ducted heat pump with a heating seasonal performance factor (HSPF) of ≥ 9.0 and seasonal energy efficiency ratio (SEER) ≥ 14 . The Company proposes to continue incentivizing this equipment in 2023 as the Tier 1 dual-fuel heating system and at a rebate amount of \$1,000 for single family residences and \$500 for multifamily residences, which would be an increase of \$200 and \$100 respectively over 2022 levels.

10. Additionally, the Company proposes to introduce a Tier 2 dual-fuel heating system rebate in 2023, at an incentive level of \$1,200 for single family residences and \$600 for multifamily residences, for a system that includes $\geq 97.5\%$ AFUE natural gas backup paired with a minimum 18 SEER, 10 HSPF, and 11.5 energy efficiency ratio (EER) heat pump. This proposed Tier 2 rebate is designed to align with equipment specifications contained within the Inflation Reduction Act (IRA) which was passed by the United States Congress and signed into law by the President on August 16, 2022. The energy efficiency provisions of the IRA would allow homeowners to receive a federal tax credit of up to \$2,000, for installing a system like the proposed Tier 2 dual-fuel heating system rebate, for equipment installed after December 31, 2022.

11. Specific requirements for the proposed smart thermostats and dual-fuel heating system tiers are outlined in the Legislative and Proposed Tariff sheets (DEU Energy Efficiency Exhibit 1.9). In addition to the new measures, the Company proposes

to make several minor Tariff changes for purposes of accuracy. DEU Energy Efficiency Exhibit 1.1 sets forth the complete Appliance Program description for 2023.

12. **ThermWise® Builder Rebates.** Under this program, the Company offers rebates to residential builders for installing qualifying energy efficiency measures and constructing homes that meet certain whole-home efficiency requirements. The ThermWise® Builder Program is available to all newly constructed residences receiving service on the GS rate schedule. The Company proposes to add the tiered rebates for smart thermostats and dual-fuel heating systems in 2023 for the same reasons as described in the Appliance Program discussion.

13. The Company also proposes to add a \$200 bonus to the single and multifamily Pay-for-Performance rebate measures for new construction projects which install a qualifying dual-fuel heating system while also meeting the existing minimum efficiency standards shown in DEU Energy Efficiency Exhibit 1.9. If approved, this would make the maximum allowable rebate for the Pay-for-Performance measure \$1,600 for single family homes (\$1,400 Pay for Performance + \$200 dual-fuel heating system bonus) and \$1,000 for multifamily units (\$800 Pay for Performance + \$200 dual-fuel heating system + \$200 bonus) beginning in 2023.

14. Specific requirements for the smart thermostats and dual-fuel heating system tiers as well as the proposed dual-fuel heating system bonus for Pay for Performance measures are outlined in the Legislative and Proposed Tariff sheets (DEU Energy Efficiency Exhibit 1.9). In addition to the updated measures, the Company proposes to make several minor Tariff changes for purposes of accuracy. DEU Energy Efficiency Exhibit 1.2 sets forth the complete Builder Program description for 2023.

15. **ThermWise® Business Rebates.** Under this program, the Company offers rebates to commercial GS customers who purchase and install qualifying natural gas efficiency measures. The Company proposes to continue this program with the addition of High-Performance New Construction rebate measure in 2023. This measure would be similar to the existing Pay-for-Performance rebate measure in the ThermWise® Builder Program in the sense that rather than paying out rebates on prescriptive pieces of high efficiency equipment, the rebate a customer qualifies for would be determined by evaluating the entire expected natural gas savings in the building to include an analysis of the space heating, domestic hot water, and the building envelope. Construction drawings would be required to be provided by the customer and reviewed by the Company. Specific equipment and building shell performance would be input into simplified energy modeling software to estimate the level of natural gas savings and compared to the appropriate energy code baseline. The Company proposes a rebate of \$2.50 per Dekatherm saved for this measure.

16. In addition to the High-Performance New Construction measure, the Company proposes to add the tiered rebates for dual-fuel heating systems in 2023 for the same reasons as described in the Appliance Program discussion. Additionally, the Company proposes to make several minor Tariff changes for purposes of accuracy. DEU Energy Efficiency Exhibit 1.3 provides an explanation of the proposed new rebate measure and sets forth the complete program description for 2023.

17. **ThermWise® Home Energy Plan.** Under this program, the Company offers residential GS customers the opportunity to have an in-home, mail-in, or virtual home energy assessment performed by a trained representative. The Company proposes

to continue this program with no major changes in 2023. DEU Energy Efficiency Exhibit 1.4 sets forth the complete program description for 2023.

18. **ThermWise® Weatherization Rebates.** Under this program, the Company offers residential GS customers rebates for installing qualifying weatherization measures. The Company proposes to continue this program with no major changes in 2023. DEU Energy Efficiency Exhibit 1.5 sets forth the complete program description for 2023.

19. **Low-Income Efficiency Program.** The Company proposes to maintain funding for the Low-Income Efficiency Program at \$500,000 per year. The Company will continue to disburse \$250,000 every six months, with the disbursements occurring in January and in July. The Company also proposes to add the tiered dual-fuel heating system and smart thermostat rebate structures, previously described in the Appliance Program discussion, beginning in 2023. DEU Energy Efficiency Exhibit 1.6 sets for the complete program description for 2023.

20. **Market Transformation Initiative.** In addition to the energy efficiency rebate programs outlined above, Dominion Energy is proposing to continue its comprehensive Market Transformation Initiative. Market Transformation involves promoting ongoing and lasting changes to natural gas appliance penetration rates and new construction markets, as well as natural gas conservation.

21. One component of the Market Transformation Initiative is a market awareness campaign designed to (1) enhance the Company's involvement in energy efficiency and conservation promotion; (2) change consumer and market participation behaviors; and (3) encourage persistent demand for energy efficiency products and practices.

22. Another component of the Market Transformation Initiative involves the sponsorship of building code training for stakeholders in the construction industry. The Governor's Office of Energy Development (OED) conducts building code training programs, in collaboration with and through partial funding from Dominion Energy. The purpose of the training is to support the adoption, awareness, and enforcement of building codes associated with the IECC code. Based on the success of previous training sessions, and the ongoing need in the market for more specific training sessions, the Company is proposing to continue funding these training sessions in 2023 at a level of \$80,000. The Office of Energy Development will continue to work with an outside vendor to design and conduct these trainings in 2023.

23. The next component of the Market Transformation Initiative is the ThermWise.com website. The Company launched an informative, interactive, easy-to-use and dedicated energy efficiency website (www.ThermWise.com) during 2007. The website provides consumers with EE program descriptions, rebate applications, information regarding the economics of energy efficiency, other information to help consumers reduce their energy consumption, on-line energy audit input capability, and links to other useful websites related to energy efficiency and conservation. With the exception of a minor update in 2012, ThermWise.com has remained largely unchanged since 2007. The Company proposes to make several changes to the look and functionality of ThermWise.com, in order to optimize performance, as well as make the necessary updates for annual programmatic changes in 2023.

24. In its Order issued December 29, 2017 in Docket No. 17-057-22 (December 29, 2017 Order), the Commission provided guidance regarding future applications for the

market transformation initiative. Specifically, the Commission supported the recommendation that the applications include strategies and justification for proposed budget amounts. Additionally, the Commission indicated support for the Advisory Group and the collaborative process originally envisioned for this group as outlined in the Joint Application filed December 16, 2005 (Docket No. 05-057-T01). The Company has sought to be responsive to this guidance throughout 2022. The Advisory Group met April 13, 2022, August 18, 2022, and September 27, 2022. At each of these meetings, the Company or its contracted marketing firm, Faktory Inc. (Faktory), discussed aspects of the current or future ThermWise campaign. Representatives from Commission staff, the Utah Division of Public Utilities (Division), and the Utah Office of Consumer Services (Office) participated in the meetings and provided useful feedback along with other program stakeholders.

25. The Company's contracted survey firm, Lighthouse Research (Lighthouse), conducted 2022 customer survey and Faktory presented the results at the August 18, 2022 Advisory Group meeting. The survey was conducted by phone in April of 2022 and customers were contacted. Respondents were evenly split between genders and with an age profile that was similar to the Company's overall 2022 customer base. Faktory followed the presentation of Lighthouse survey results with recommendations. The primary conclusion drawn from the survey by the marketing experts was that the majority of the Company's customers (91%) believe it's important for utilities to offer efficiency programs.

26. In 2021, Faktory recognized that an overall downward trend seemed to be emerging where customer unaided awareness of the State's efficiency programs has

decreased significantly between 2016 and 2020, however the declining trend seems to have reversed. Overall awareness in 2021 and 2022 has gradually gone up from a low of 56% in 2020 to 61% in the 2022 survey. In 2023 the Company plans to continue to use traditional media, such as TV and radio, while also working to connect with customers through digital media. The Company will continue to develop and enhance digital strategies in efforts to reach a broad audience and ensure the ThermWise® website is optimized to address consumer needs. The 2023 campaign will target the groups with lower historical awareness as well as continue with a testimonial approach to the advertising campaign, spotlighting various energy efficiency measures and the potential benefits to customers. This will involve highlighting participation in energy efficiency measures and the individual ThermWise® Programs.

27. In addition to the annual survey, the Company partnered with Faktory to conduct two focus groups of Dominion Energy customers. This was done to gain a better understanding of customer sentiment and attitudes toward Therm, the Company's longtime spokesperson. The Company presented the results of the focus groups at the Advisory Group meeting held on August 18, 2022. The result of the focus group was that customer sentiment toward Therm was neutral to positive, with only one participant voting he should be kept and the remaining indicating it does not matter either way. The focus group also concluded that Therm is recognized but ultimately not a contributing influence on consumer behavior.

28. Beginning in 2019, the Company proposed to collaborate with Habitat for Humanity organizations throughout Utah to promote advanced building techniques by supporting the construction of Net-Zero Homes. This collaboration was focused on

building homes that meet Net-Zero energy and Net-Zero energy ready standards. A Net-Zero Home is defined as an energy-efficient building where, on a source energy basis, the actual annual consumed energy is less than or equal to the onsite generated or subscriber renewable energy procured.

29. The Company has funded a total of four Net-Zero energy ready projects between 2019 and 2022. Those projects have been constructed in Ogden, Layton, Syracuse, and Park City in collaboration with regional Habitat for Humanity organizations (Ogden and Park City) and high school building programs in Davis School District (Layton and Syracuse). While this program has seen strong interest in 2022, participation has lagged due, at first, to lack of available land and supporting professional tradesfolk to assist in these projects. In the latter half of 2022, increases in interest rates and other financing issues have also contributed to the slowdown in project interest. As a result, the Company anticipates that the majority of the \$200,000 Net-Zero energy ready homes budget will remain unspent in 2022.

30. The Company proposes to continue the Net-Zero energy ready homes initiative with a budget of \$200,000 in 2023. The Company believes that provisions contained within the previously mentioned IRA could help address the interest rate and financing issues previously discussed and lead to projects in 2023. The Company proposes to continue to work with Habitat for Humanity organizations, other non-profits, high school building programs, and higher education building programs throughout Utah in 2023. The goals of the 2023 Net-Zero Homes initiative remain the same as those first proposed in the 2019 budget: To advance highly efficient natural gas and electric technologies, promote above-code building shell construction techniques, and train the upcoming generations of

trades in advanced building practices. More specific information on the strategies to engage customers in the ThermWise® Programs, budgets, and studies in support of the proposed 2023 changes to the Market Transformation Initiative can be found in DEU Energy Efficiency Exhibit 1.7.

31. **ThermWise® Energy Comparison Report.** The ThermWise® Energy Comparison Report (ECR) allows customers to compare their natural gas usage with neighboring homes that are similarly sized and situated. The Comparison Report encourages customers to employ energy efficiency measures and behaviors. The Company developed the Comparison Report and first offered it to customers in November 2011. The Company initially sent the report to a small group of customers (Group A – 8,000 customers) as a pilot program. The Company has since launched larger pilot groups in 2012 (Group B – 25,000), 2013 (Group C – 100,000), 2014 (Group D – 100,000), 2016 (Group E – 55,000), 2017 (Group F – 50,000), 2018 (Group G – 50,000), 2019 (Group H – 25,000), 2020 (Group I – 25,000), and in 2022 (Group J – 50,000). In 2022 the Company sent the report, via U.S. and electronic mail, to more than 228,000 of its customers. The Company maintains an additional control group of more than 100,000 customers who do not receive the report, for comparison purposes to determine natural gas savings achieved from delivery of the Comparison Report. With the exception of the control group, all customers are able to generate and view a copy of their Comparison Report through their online account at www.dominionenergy.com. As of the middle of October 2022, the Comparison Report had been generated over 373,000 times online by over 140,000 unique customers.

32. The Company proposes to increase delivery of the Comparison Report to 280,000 in 2023. The Company reaches this total number by realizing the full restart of Group E, and the first full year of Group K. Data shows that customers not only change behaviors to save natural gas as a result of the Comparison Report, but they are also more likely to participate in other ThermWise[®] Programs if they have received the report. The Company conducted an analysis in 2019 that showed, when contrasted against a control group of non-recipients, customers who had received their Comparison Report were more likely to participate in a ThermWise[®] rebates and/or request a Home Energy Plan. The Company proposes to continue to target the Comparison Report to customers with higher usage relative to conditioned square footage. DEU Energy Efficiency Exhibit 1.8 sets for the complete program description for 2023.

33. **Tariff Sheets.** Tariff sheets for all programs are attached in both legislative and proposed formats as DEU Energy Efficiency Exhibit 1.9. The Company proposes that these Tariff sheets become effective January 1, 2023.

III. PROPOSED 2023 BUDGET

34. The total 2023 projected budget for Dominion Energy's Energy Efficiency Programs and the Market Transformation Initiative is \$28.1 million and is shown in DEU Energy Efficiency Exhibit 1.10, column T, line 12. The proposed 2023 budget is a \$2.1 million decrease from the 2022 budget (Docket No. 21-057-25). This projected decrease is mainly due to lower expected participation in the ThermWise[®] Appliance, Builder, and Business programs. The 2023 budget is reflective of the 2022 nine (9) month (January-September) actual participation numbers; insights from retailers, distributors and other trade allies; and the market knowledge of the Company's contractor, Resource Innovations (previously Nexant). To the extent actual participation levels differ from projected levels,

actual costs will differ from budget. The Company proposes to continue to provide the actual participation levels and related costs and gas savings compared to projections to the Division quarterly.

35. The Company projects that customer incentives will decrease, as a percentage of the total budget, by 1.6% from 2022 (79%) to 2023 (77.4%). The most recently published American Gas Association (AGA) study of natural gas efficiency programs (Natural Gas Efficiency Programs Brief – *Investment and Savings Impacts 2019 Program Year, Report Appendices*¹) showed that the average non-incentive costs for the 40 states participating in natural gas efficiency programs to be 39% of total expenditures. Additionally, of the 23 states with natural gas efficiency expenditures over ten million dollars, Utah ranked fourth in terms of lowest non-incentive costs as a percentage of overall expenditures. DEU Energy Efficiency Exhibit 1.7 provides greater detail on the results of the 2019 AGA study.

36. **ThermWise® Appliance Rebates.** The Company expects participation in this program to decrease in 2023 by 31%. The Company also expects the 2023 program budget to decrease by 5% (DEU Energy Efficiency Exhibit 1.10, column I, line 13) and the related gas savings to decrease by 18% (DEU Energy Efficiency Exhibit 1.10, column I, line 16). These projected decreases are a result of Company’s expectation that the United States and Utah will continue to experience a slowing economy as a result of inflation and rising interest rates. However, the Company believes that some of the factors impacting

¹ The American Gas Association’s Natural Gas Efficiency Program Brief - *Investment and Savings Impacts 2019 Program Year* has not yet been published. Dominion Energy Utah was able to obtain a copy of the raw data, directly from AGA, that will be contained in the published Report Appendices.

the economy and participation in energy efficiency measures could be mitigated in 2023 by provisions contained within the IRA.

37. **ThermWise® Builder Rebates.** For 2023 the Company is projecting a 17% decrease in program participants over 2022. The Company also projects the 2023 program budget to decrease by 13% (DEU Energy Efficiency Exhibit 1.10, column G, line 13) and the related natural gas savings to decrease by 19% (DEU Energy Efficiency Exhibit 1.10, column G, line 16). These projected decreases are largely the result of realized and expected increases in interest/mortgage rates.

38. **ThermWise® Business Rebates.** The Company projects that the 2023 program budget will decrease by 5% (DEU Energy Efficiency Exhibit 1.10, column K, line 13) in comparison to the 2022 budget and that natural gas savings will decrease by 8% (DEU Energy Efficiency Exhibit 1.10, column K, line 16). The primary reason for the lower proposed budget and expected natural gas savings relates to continuing economic challenges as well as the changing mix of projected rebate measure participation from 2022 to 2023.

39. **ThermWise® Home Energy Plan.** The Company projects 2,240 virtual/in-home energy plans will be performed in 2023. This projection is the same as the 2022 home energy plan participation forecast. The Company also expects the overall program cost in 2022 to increase by 2% in comparison to 2022 (DEU Energy Efficiency Exhibit 1.10, column C, line 13). These increases are due to higher expected operating costs in 2023.

40. **ThermWise® Weatherization Rebates.** The Company projects that participation will decrease by 5% and that natural gas savings will decrease by 4% (DEU Energy Efficiency Exhibit 1.10, column E, line 16) in comparison to the 2022 budget. The

Company also expects the overall program budget in 2023 to decrease by 4% in comparison to 2022 (DEU Energy Efficiency Exhibit 1.10, column E, line 13).

41. **Low-Income Efficiency Program.** The proposed 2023 budget for this program is \$.73 million or 2% lower (DEU Energy Efficiency Exhibit 1.10, column Q, lines 13) than 2022. The Company also projects that natural gas savings will decrease by 5% (DEU Energy Efficiency Exhibit 1.10, column Q, line 16) in comparison to the 2022 budget. Funding for furnace replacements is proposed to remain at \$500,000 in 2023.

42. **Market Transformation Initiative.** The fundamentals of the ThermWise[®] marketing campaign are expected to remain similar to past years. Therm will continue to be the program spokesperson. The 2023 proposed budget for Market Transformation Initiative includes \$900,000 in advertising and media purchases; \$280,000 for special marketing events, trade/consumer shows, community initiatives, and special event sponsorships; and \$50,000 for ThermWise[®] management and administration. The budget also includes \$10,000 for program design, and \$80,000 for State of Utah codes training. The budget for Market Transformation in 2023 is proposed to remain the same (DEU Energy Efficiency Exhibit 1.10, column M, line 13) as 2022. A comprehensive discussion of the Market Transformation Initiative is included as DEU Exhibit 1.7.

43. **ThermWise[®] Energy Comparison Report.** The 2023 budget for the ThermWise[®] Energy Comparison Report is proposed to increase by 1% (DEU Energy Efficiency Exhibit 1.10, column O, line 13) and natural gas savings to increase by 23% (DEU Energy Efficiency Exhibit 1.10, column O, line 16). These increases are anticipated as a result of the 52,000 new recipients of the ECR proposed for 2023.

44. The majority of the ECR budget (91%) is directly attributable to the postage costs associated with delivering the report to customers. The remainder of the Comparison Report budget is necessary for programming and other labor associated with the ongoing maintenance of the Company developed system. It is important to note that the Company's internally developed Energy Comparison Report has been delivered at significant cost savings to Utah customers. Comparable programs, delivered by third-party vendors, can cost significantly more than the Company's internally developed program. The Company believes that it has developed a program that will not only deliver energy savings but will also deliver those savings at a cost that is unmatched in the market.

45. **Total Budget.** The total 2023 budget is proposed to be \$28.1 million (DEU Energy Efficiency Exhibit 1.10, column T, line 12). This budget is a decrease of \$2.1 million (DEU Energy Efficiency Exhibit 1.10, column V, line 12) or 7% lower than the total 2022 budget. Total savings are projected to be 1.10 million Dth/year (DEU Energy Efficiency Exhibit 1.10, column T, line 15) or 4% below projected 2022 natural gas savings estimates. The primary reasons for the expected decrease in 2023 natural gas savings are the lower expected participation levels in the Appliance, Builder, and Business programs. The 2023 proposed budget reflects a concerted effort to reach all GS market segments and produce significant, persistent, and cost-effective natural gas savings through a comprehensive energy efficiency campaign.

IV. COST EFFECTIVENESS

46. A summary of the cost effectiveness for each program is attached as DEU Energy Efficiency Exhibit 1.11. Page 1 of this exhibit summarizes the test results of the proposed programs along with the market transformation initiative. Although the market transformation initiative does not lend itself to the same economic analysis as the Energy

Efficiency rebate programs, it has been included so that the overall impact of all programs can be measured and analyzed. A benefit-cost ratio greater than 1 is indicative of benefits exceeding costs, and therefore “passes” the test. As shown on page 1, line 9, column C of DEU Energy Efficiency Exhibit 1.11, the overall benefit-cost ratio for the Total Resource Cost (TRC) test of all programs and the Market Transformation Initiative is 1.55. And as shown on line 9, column G, the Utility Cost test (UCT) for all programs is 1.91. Additionally, as shown on line 9, column E, the overall benefit-cost ratio for the Participant Cost test passes at 3.61, and as shown on line 9 column I, the Ratepayer Impact Measure test (RIM) for all programs equals 0.92. A detailed benefit-cost analysis of each program by measure has been included in pages 2-9 of DEU Energy Efficiency Exhibit 1.11. The cost-effectiveness tests included in this Application have been calculated using a 3.05% discount rate which is consistent with the Company’s Integrated Resource Plan (IRP). Additionally, gas prices and GS rates have also been updated in the Model to reflect expected 2023 market conditions.

47. The Model, developed by the Company to measure the cost-effectiveness of the programs (Model), is based on the California Standard Practice Manual and is the same Model that was used in the 05-057-T01 docket. The Model has been reviewed by Nexant and the Utah ThermWise[®] Advisory Group and has been used by other utilities in the nation in program implementation and cost-effectiveness analysis.

48. The Company has relied on specific market reports, industry studies, and the expertise of Resource Innovations (previously Nexant) to arrive at the savings levels, measure life and incremental customer cost for each measure of each program. DEU

Energy Efficiency Exhibit 1.12 provides the source and/or references for the estimated gas savings, measure life, and incremental cost for each measure of each program.

49. Dominion Energy has successfully implemented a broad range of programs and a Market Transformation Initiative. The Company has implemented best practices to help ensure that necessary and reasonable steps have been taken to implement cost-effective programs that benefit all GS customers. This 2023 Application and Budget will continue and expand these efforts to meet the gas savings goals of customers and the State of Utah.

V. PRAYER FOR RELIEF

50. Based on the foregoing, Dominion Energy respectfully requests that the Commission issue an order: 1) approving the Application for the 2023 budget for the Energy Efficiency Programs and continuation of Dominion Energy's Market Transformation Initiative for implementation on January 1, 2023; 2) approving the program changes described herein; and 3) approving the proposed Tariff sheets effecting the improvements in the EE programs described herein.

DATED this 31st day of October, 2022.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Ginger Johnson, certify that a true and correct copy of the foregoing Application was served upon the following by electronic mail on October 31, 2022:

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