

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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Dominion Energy Utah's Application for Approval of the 2018 Year Budget for Energy Efficiency Programs and Market Transformation Initiative	<u>DOCKET NO. 17-057-22</u>  <u>ORDER</u>
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ISSUED: December 29, 2017

**SYNOPSIS**

The Public Service Commission of Utah (“PSC”) approves the 2018 Year Budget for Energy Efficiency Programs and Market Transformation Initiative. The associated revisions to Section 2.09, Pages 2-19 through 2-44 of Dominion Energy Utah (“Dominion”) Utah Natural Gas Tariff PSCU 500 (“Tariff”), filed on November 17, 2017, are also approved.

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**Procedural History**

On October 17, 2017, Dominion Energy Utah (“Dominion”) filed its Application for Approval of the 2018 Year Budget for Energy Efficiency (“EE”) Programs and Market Transformation Initiative (“MTI”) Program (“Application”). Dominion filed corrections to proposed Tariff sheets filed with the Application on November 17, 2017.<sup>1</sup> In response to the PSC’s November 3, 2017 request for comments, the Division of Public Utilities (“DPU”) and the Office of Consumer Services (“OCS”) submitted comments on November 30, 2017. Dominion submitted reply comments on December 14, 2017.

**Summary of the Application**

Dominion seeks approval of its 2018 budget for the delivery of EE and MTI Programs. Dominion also requests approval of its proposed revision to the Tariff sheets, as amended, reflecting the proposed programs. Dominion proposes a 2018 budget of \$24.545 million, a

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<sup>1</sup> See Energy Efficiency Exhibit 1.9U, filed November 17, 2017.

\$0.543 million decrease from the 2017 budget of \$25.088 million, for the EE and MTI Programs. Dominion represents the overall benefit-cost ratio produced under the Total Resource Cost test of all EE programs including the MTI Program is 1.10 and under the Utility Cost test for all programs 1.29. We summarize each of these programs below.

ThermWise<sup>®</sup> Appliance Rebate Program

The ThermWise<sup>®</sup> Appliance Rebate Program (“Appliance Rebate Program”) offers rebates to GS customers for installing qualifying high-efficiency measures. Dominion proposes to continue this program in 2018 with the following changes to the program:

1. Addition of boiler reset controls and combined space and water heaters to the list of rebate-eligible equipment;
2. Eliminate the tankless tier 1 water heater as a rebate-eligible measure in an effort to align with ENERGY STAR<sup>®</sup> specifications of > 90% energy factor (“EF”);
3. Reduce the smart thermostat rebate to \$50 per device;
4. Reduce the rebate amount by \$50 for the 95% annual fuel utilization efficiency (“AFUE”) furnaces, 95% AFUE furnaces with an electrically commutated motor (“ECM”), and the 98% AFUE furnace with ECM; and
5. Make minor changes to the Tariff language to align the format with other ThermWise<sup>®</sup> programs.

According to Dominion, the changes in rebate amounts are proposed with the purpose of aligning its rebate offerings with current market conditions. Dominion proposes a 2018 budget of \$5.432 million for this program, a \$0.729 million decrease from the 2017 budget.

Dominion anticipates that participation in the Appliance Rebate Program will increase by approximately 17% in 2018 due to proposed rebate changes. Dominion proposes to decrease the budget for the Appliance Rebate Program by 12% reflecting a lower overall level of rebates.

Natural gas savings attributable to the Appliance Rebate Program are expected to decrease by 16%.<sup>2</sup>

ThermWise<sup>®</sup> Builder Rebates Program

The ThermWise<sup>®</sup> Builder Rebates Program (“Builder Rebates Program”) offers rebates to residential builders for installing qualifying energy efficiency measures and constructing homes that meet certain whole-home energy efficiency requirements. Dominion proposes a 2018 budget of \$4.559 million for this program, a \$0.774 million decrease from the 2017 budget.

Dominion projects a 4% decrease in program participants and a 9% decline in natural gas savings attributable to the Builder Rebates Program. Dominion proposes to continue this program in 2018, with the following changes:

1. Addition of a new construction multifamily high rise rebate;
2. Addition of combined space and water heaters as a rebate-eligible measure;
3. Implementation of the \$50 rebate reduction to specific furnaces and the smart thermostat measure; and
4. Elimination of the tier-1 tankless water heater as a rebate-eligible measure.

ThermWise<sup>®</sup> Business Rebates Program

The ThermWise<sup>®</sup> Business Rebates Program (“Business Rebates Program”) offers rebates to commercial GS customers that purchase and install qualifying natural gas efficiency measures. Dominion proposes a 2018 budget of \$3.564 million for this program, a \$0.657 million increase from the 2017 budget. Dominion proposes to continue the program in 2018 with the following changes:

1. Introduction of pipe insulation to the current rebate measure mix;
2. Elimination of the tankless tier 1 water heater as a rebate-eligible measure; and

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<sup>2</sup> See Application, Exhibit 1.10 at 2.

3. Reduction of the rebate amounts for the 95% AFUE, 95% AFUE with ECM, and 98% AFUE furnace with ECM by \$50 in 2018.

The rebate amount for smart thermostats was changed in the 2017 Business Program from a fixed amount per device to a rebate based on the square footage serviced by the device. As such, Dominion believes the current rebate structure is in harmony with current market conditions and, therefore, recommends no changes to the Business Program smart thermostat measure for 2018.

While Dominion projects participation to decrease by 15% in 2018, and the 2018 budget for the Business Rebates Program to increase by 23%, natural gas savings attributable to the program are forecast to increase by 3.5%. The projected increase in budget is primarily due to higher total rebate amount for the program and higher management and administration costs.

#### ThermWise<sup>®</sup> Home Energy Plan

The ThermWise<sup>®</sup> Home Energy Plan provides either on-site audits or mail-in questionnaires that assist residential customers by recommending home improvements that might result in a reduction of natural gas usage. Dominion proposes a 2018 budget of \$0.685 million for this program, a \$75,000 decrease from the 2017 budget. Dominion proposes to continue this program with no major changes. Dominion projects a 10% decrease in overall program costs, despite no changes in projected participation and no change in annual gas savings forecasted.

#### ThermWise<sup>®</sup> Weatherization Program

The ThermWise<sup>®</sup> Weatherization Program (“Weatherization Program”) offers residential customers rebates for installing qualifying weatherization measures. Dominion proposes to continue its Direct-Install Weatherization Program, add a new pipe insulation measure to the Direct-Install program, and implement a new three-year pilot initiative designed to achieve

natural gas savings in both low-income and market rate multifamily properties (“Pilot Multifamily Program”) to be administered by the International Center for Appropriate and Sustainable Technology (“ICAST”).

Dominion proposes a 2018 budget of \$7.555 million for this program, a \$0.307 million increase from the 2017 budget. Dominion projects that participation will increase by 34% and that natural gas savings will increase by 8% compared to the 2017 budget. The increase in participation is due to market changes that have taken place with the R-5 window rebate measure in 2017. Incremental costs decreased significantly over the past year, causing customer interest and participation to increase, a trend Dominion is expecting to continue into 2018. The addition of the new pipe insulation measure and the Pilot Multifamily Program are also contributors to the rise in projected participation. Dominion expects the overall costs for the program in 2018 to increase by 4% in comparison to 2017 due directly to greater expected rebates to be paid in 2018.

Low-Income Efficiency Program

Dominion's Low-Income Efficiency Program consists of an annual direct contribution of \$500,000<sup>3</sup> to the Utah Department of Workforce Services, Housing and Community Development Division to provide high-efficiency natural gas furnaces for low-income Dominion customers. This program also funds rebates for approved non-profit or governmental organizations for specific measures under Dominion’s ThermWise<sup>®</sup> Appliance Rebate and Weatherization programs. Dominion proposes to maintain the annual \$500,000 budget for the direct contribution component of the program, which will be funded in two equal payments of

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<sup>3</sup> The contribution is a line item in the 2018 Year Budget for EE Programs and Dominion is reimbursed for this item like all other expenses.

\$250,000 in January 2018 and in July 2018. Dominion also proposes to decrease the budget for rebates under this program by approximately \$24,000. Dominion proposes a 2018 budget of \$0.829 million for this program, a \$0.030 million decrease from the 2017 budget. Projected participation is expected to increase by 4% in 2018, and annual gas savings projected to increase by 13%.

Market Transformation Initiative

In addition to the energy efficiency programs addressed above, Dominion proposes to continue its MTI program. Dominion proposes a 2018 budget of \$1.320 million for this program, a \$20,000 decrease from the 2017 budget.

The proposed budget for the MTI includes the following costs:

- \$800,000 in advertising and media purchases
- \$300,000 for marketing contracts and promotions
- \$80,000 for special marketing events, trade/consumer shows, and special event sponsorships
- \$50,000 for Dominion management and administration
- \$10,000 for program design
- \$80,000 for building code training

Overall, this budget represents a decrease of 1% due to lower expected costs for advertising and media.

ThermWise<sup>®</sup> Energy Comparison Report

The ThermWise<sup>®</sup> Energy Comparison Report (“Comparison Report”) allows customers to compare their natural gas usage with neighboring homes that are similarly sized and situated. Dominion proposes a 2018 budget of \$0.600 million for this program, a \$0.120 million increase from the 2017 budget, or 25 percent. Dominion states the Comparison Report encourages

customers to employ energy efficiency measures and behaviors. Dominion proposes to deliver the Comparison Report to 285,000 customers in 2018, an increase of 30,000 from 2017, and anticipates natural gas savings attributable to the program to increase by 50% in 2018.

**Parties' Positions — Summary of Comments**

*The DPU*

The DPU supports the 2018 EE and MTI Programs budget and recommends the PSC approve the Application. The DPU calculates the total projected Decatherm (“Dth”) savings as 1,145,562 for the 2018 budget. The DPU states the savings increase from the 2017 budget can be attributed to energy comparison report and weatherization programs. “While the [DPU] recognizes that in the lower cost price environment for natural gas that continues to exist, it is more difficult to justify some measures as truly cost effective, the [DPU] still finds value in the overall program objectives.”<sup>4</sup> Thus, the DPU supports Dominion’s 2018 Energy Efficiency Budget and recommends approval of it.<sup>5</sup>

*The OCS*

The OCS supports the variety of program and measure adjustments designed to realign measures with market conditions. It also supports the proposed ThermWise<sup>®</sup> Pilot Multifamily Program to be administered by ICAST as a means of introducing added efficiency in program management. Regarding the MTI Program elements and budget, the OCS supports Dominion’s code training efforts and does not object to small events and trade shows, program design, and Dominion administration costs. According to the OCS, while the 2018 overall proposed budget

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<sup>4</sup> DPU’s Comments at 14-15, filed November 30, 2017.

<sup>5</sup> *See id.*

is lower than that proposed in 2017, the 2018 proposed budget is about \$700,000 higher than the anticipated actual expenditures for 2017.

The OCS recommends, however, that the PSC reject the proposed budget of \$1.1 million for advertising/media (\$800,000) and major sponsorships (\$300,000) included in Dominion's MTI Program. Instead, the OCS recommends the PSC approve only \$220,000 for the remaining components of the MTI Program. The OCS emphasizes it has historically been highly critical of media and sponsorship expenditures for lack of evidence proving correlation between advertising/media expenditures and brand awareness. Further, the Company does not provide any evidence that this spending level is necessary or appropriate to achieve the level of forecast savings.

In addition, according to the OCS, the \$800,000 to be allocated to advertising/media is a 10.5% increase compared to the approved budget in 2017. The OCS asserts that Dominion has not provided sufficient justification for the advertising/media proposed budget increase and that Dominion's media expenditures lack a specific strategy aside from general awareness. The OCS also questions the usefulness of the telephone survey, and does not consider the annual expense associated with that survey as a prudent use of ratepayer funds. The OCS suggests limiting the frequency of Dominion's telephone surveys to every two to three years.

The OCS concludes Dominion has not provided an adequate case in support of its proposed budget for commercials, major sponsorships and other media. Accordingly, the OCS recommends a budget of \$220,000 for the MTI Program and that future proposed advertising/media budgets should include studies and strategies that justify any proposed budget amounts.



*Dominion's Reply*

Dominion supports the DPU's recommendation to approve the 2018 EE proposed budget as filed. In response to the OCS's concern about a perceived lack of marketing strategy, Dominion asserts that promoting ThermWise<sup>®</sup> through an awareness campaign is based on long-held marketing industry standards. Also, Dominion maintains the OCS mistakenly suggests that Dominion performs no marketing segmentation analysis. Dominion points to data request OCS 1.01, which shows that Dominion is gathering demographic and other data used for market segmentation purposes.

With respect to the OCS's recommendation that Dominion reduce the frequency of telephone surveys, Dominion argues to do so would deprive Dominion of timely feedback and is contrary to industry standards. Dominion maintains that frequent surveys help Dominion to monitor the health and strength of its ThermWise<sup>®</sup> brand.

Dominion states that despite an inflation of local advertising/media costs over recent years, Dominion has acted responsibly by maintaining its advertising/media budget at approximately \$1 million since 2008. While, as the OCS points out, the \$800,000 proposed advertising/media budget amount is a 10.5% increase compared to that approved in 2017, the total MTI Program proposed budget for 2018 is a \$20,000 year-over-year decrease.

**Findings and Conclusions**

With the exception of the OCS's recommendation to reduce the MTI Program budget by \$1.1 million for advertising/media expenditures and program sponsorships, both the DPU and the OCS recommend approval of Dominion's proposed 2018 EE/MTI budget as filed. Pertaining to OCS's recommendation regarding Dominion's MTI Program budget and strategy for

advertising/media expenditures and program sponsorships, in this instance Dominion's reply comments, particularly its response addressing market segmentation studies and reference to industry standards, provide a reasonable explanation and justification for its 2018 market transformation philosophy and budget. Going forward we support the OCS's recommendation that future applications requesting MTI advertising/media budget approval should include studies and strategies that justify any proposed budget amounts.

Apparent from the OCS's comments, however, is that the collaborative nature of the Demand Side Management ("DSM") Advisory Group envisioned, stipulated to, and approved by us in our October 5, 2006 Order Approving Settlement Stipulation ("Stipulation") in Docket No. 05-057-T01<sup>6</sup> has not resolved the concerns of the OCS regarding the MTI Program budget. We acknowledge OCS's concerns regarding specific segments of Dominion's MTI Program and encourage and support efforts for ongoing evaluation of this program.

In addition, we continue to support the collaborative nature of the DSM Advisory Group envisioned in the Stipulation and the associated December 16, 2005 Joint Application filed in Docket No. 05-057-T01.<sup>7</sup> Therefore we request that the OCS first address their concerns with the DSM Advisory Group. We also encourage parties to provide comment on the status of the DSM collaboration and the prudence of Dominion's actions in future EE/MTI/DSM-related dockets including those addressing annual budget requests, setting of interim and final rates, and reports/audits of EE/MTI/DSM actions and expenditures.

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<sup>6</sup> See *Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders* (Order Approving Settlement Stipulation issued October 5, 2006), Stipulation Paragraphs 12 and 14.

<sup>7</sup> See December 16, 2005 Application in Docket No. 05-057-T01.

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Based on the Application, as amended on November 17, 2017, the recommendations of the DPU and the OCS, and the reply comments provided by Dominion, we approve the Application and Dominion's proposed 2018 EE/MTI Program budget of \$24.545 million as filed.

**ORDER**

1. Dominion's Application is approved, consistent with the foregoing findings and conclusions.
2. Dominion's proposed Tariff sheets, submitted with the Application and later amended, are approved as amended, effective January 1, 2018.

DATED at Salt Lake City, Utah, December 29, 2017.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg  
PSC Secretary  
DW#298730

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the PSC within 30 days after the issuance of this written order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on December 29, 2017, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

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