

Dominion Energy Utah's Application for Approval of the 2019 Year Budget for Energy Efficiency Programs and Market Transformation Initiative	<u>DOCKET NO. 18-057-20</u> <u>ORDER</u>
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ISSUED: December 31, 2018

SYNOPSIS

The Public Service Commission of Utah ("PSC") approves Dominion Energy Utah's ("DEU") 2019 Energy Efficiency Programs and Market Transformation Initiative budget and proposed revisions to its Utah Natural Gas Tariff PSCU 500 ("Tariff").

1. PROCEDURAL HISTORY

On October 16, 2018, Dominion Energy Utah ("DEU") filed its Application for Approval of the 2019 Year Budget for Energy Efficiency ("EE") Programs and Market Transformation Initiative ("MTI") Program ("Application"). In response to the PSC's November 20, 2018 amended notice of request for comments, the Division of Public Utilities ("DPU"), and the Office of Consumer Services ("OCS") submitted comments on December 4, 2018. On December 18, 2018, DEU submitted reply comments, and Utah Clean Energy and the Southwest Energy Efficiency Project ("UCE/SWEEP") filed joint reply comments. No other party filed comments or opposed the Application.

2. DEU'S APPLICATION

DEU seeks approval of its 2019 budget for the delivery of EE and MTI Programs and proposed revisions to its PSCU 500 Tariff Pages 2-19 through 2-44. DEU proposes a 2019 budget of \$25.508 million for the EE and MTI Programs, a 3.9 percent increase from the 2018

budget.¹ DEU requests an effective date of January 1, 2019 for its proposed Tariff changes. DEU represents the overall benefit-cost ratio produced under the Total Resource Cost test of all EE programs including the MTI Program is 1.35 and under the Utility Cost test for all programs is 1.60. We summarize each program below. According to DEU, through the Application and budget, DEU will continue and expand its efforts: (1) to implement a broad range of EE/MTI programs; (2) to adopt best practices to help ensure that necessary and reasonable steps have been taken to implement cost-effective programs that benefit all cost GS customers; and (3) to meet the gas savings goals of customers and the State of Utah.

a. ThermWise® Appliance Rebates Program

The ThermWise® Appliance Rebates Program (“Appliance Rebates Program”) offers rebates to GS customers for installing qualifying high-efficiency measures. DEU proposes to continue this program in 2019 with the following changes:

1. Eliminate the 92% annual fuel utilization efficiency (“AFUE”) furnace as a rebate-eligible measure;
2. Reduce the rebate amount for tankless water heaters from \$350 to \$300 per device; and
3. Add Tariff language defining a qualifying single family residence as three or fewer units and multi-family as four or more units.

In order to continue advancing efficiency standards, DEU proposes elimination² of the 92% AFUE furnace as an eligible Appliance Rebates measure, leaving in place a three-tiered furnace rebate structure.³ DEU proposes a 2019 budget of \$5.915 million for the Appliance Rebates

¹ See *Dominion Energy Utah’s Application for Approval of the 2018 Year Budget for Energy Efficiency Programs and Market Transformation Initiative* (Order, issued December 29, 2017); Docket No. 17-057-22.

² This proposed elimination would also apply under the Builder Rebates, Business Rebates, and Low-Income Efficiency Rebate programs.

³ Under the proposed change, eligible furnaces must meet one of the following conditions: $95\% \leq \text{AFUE rating}$

Program, a 9 percent year-over-year budget increase. Natural gas savings attributable to the Appliance Rebates Program are expected to increase by 16 percent.⁴

b. ThermWise® Builder Rebates Program

The ThermWise® 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. DEU proposes to continue the Builder Rebates Program in 2019, with the following changes:

1. Eliminate the 92% AFUE furnace as a rebate-eligible measure;
2. Reduce the rebate amount for tankless water heaters from \$350 to \$300 per device;
3. Add Tariff language defining a qualifying single family residence as three or fewer units and multi-family as four or more units;
4. Add Tariff language defining the version of efficiency rating software that must be used by home energy raters and excluding solar energy as part of the calculation for whole-home single family rebate measures; and
5. Add a pay-for-performance rebate measure for new multi-family properties.

DEU requests a 2019 budget of \$4.749 million for this Program, a 4 percent increase from the 2018 budget. Based on this projected participation and deemed savings estimates of this program, DEU estimates annual natural gas savings are projected to increase by 8 percent, year-over-year.

< 97.5%; have an electrically commutated motor and $95\% \leq$ AFUE rating < 97.5%; or have an electrically commutated motor and AFUE \geq 97.5%. See DEU Exhibit 1.1 at 2.

⁴ See DEU Exhibit 1.10 at 2.

c. ThermWise® Business Rebates Program

The ThermWise® Business Rebates Program (“Business Rebates Program”) offers rebates to commercial GS customers that purchase and install qualifying natural gas efficiency measures. DEU proposes to continue this program with the following modifications:

1. Eliminate the 92% AFUE furnace as a rebate-eligible measure;
2. Increase incentives for tier 2 and tier 3 boiler tune-ups;
3. Remove Tariff language setting a size limitation for the tier 1 boiler tune-up measure;
4. Add six types of used food service equipment to the list of rebate-eligible measures;
5. Add eight new types of equipment as rebate-eligible measures;
6. Add six additional measures to the list of simplified analysis measure eligibility; and
7. Add a new “Green Certified New Buildings” business rebate measure.

DEU’s requested changes result in a proposed 2019 budget of \$3.619 million, a 2 percent budget increase from 2018.

d. ThermWise® Home Energy Plan

The ThermWise® 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. DEU proposes to continue this program with no major changes, and to maintain the last year’s 2019 program budget level, resulting in no forecasted changes in projected program participation, level, and annual forecasted gas savings for the program in 2019.

e. ThermWise® Weatherization Program

The ThermWise® Weatherization Program⁵ (“Weatherization Program”) offers residential customers rebates for installation of qualifying weatherization measures. DEU proposes to continue this program, incorporating the following changes to the Tariff:

1. Add Tariff language defining a qualifying single family residence as three or fewer units and multi-family as four or more units;
2. Adjust the structure of the current air sealing rebate measure by maintaining the overall air sealing rebate limitation at \$850 per home, while:
 - a. increasing the base incentive amount from \$100 to \$200; and
 - b. reducing the per-square-foot rate portion of the incentive from \$0.18 to \$0.12;
3. Add a pay-for-performance measure as a second rebate path under the Pilot Multifamily Program.⁶

Based on recommendations from the Pilot Multifamily Program administrator,⁷ DEU believes additional natural gas savings can be achieved with the proposed second rebate path. DEU also believes the proposed air sealing rebate changes will incent weatherization contractors to promote the measure in homes of all types, irrespective of size, while also ensuring positive cost-effective results. DEU’s proposed 2019 Weatherization Program represents a 3 percent year-over-year budget increase, and forecasts annual natural gas savings to decrease by 9 percent.

f. Low-Income Efficiency Program

DEU’s Low-Income Efficiency Program consists of an annual direct contribution of \$500,000⁸ to the Utah Department of Workforce Services, Housing and Community

⁵ See DEU Energy Efficiency Exhibit 1.5 for the complete program description for 2019.

⁶ DEU notes the proposed rebate would be similar to the proposed pay-for-performance measure detailed in the Business Program discussion of the Application.

⁷ International Center for Appropriate and Sustainable Technology, or ICAST.

⁸ The contribution is a line item in the 2019 Year Budget for EE Programs and DEU is reimbursed for this item like all other expenses.

Development Division to provide high-efficiency natural gas furnaces for low-income DEU customers. This program also funds rebates for approved non-profit or governmental organizations for specific measures under DEU's ThermWise[®] Appliance Rebates and Weatherization programs. The low-income funds are administered by the Utah Weatherization Assistance Program (Utah WAP).

DEU proposes to maintain the annual \$500,000 budget for the direct contribution component of the program, to be funded in two equal payments of \$250,000 in January 2019 and in July 2019. DEU proposes to add the smart thermostat as a rebate-eligible measure under the Low-Income Efficiency Program on the recommendation from Utah WAP;⁹ Utah WAP will begin installing smart thermostats in early 2019, initially focusing on customers qualifying under the Home Energy Assistance Target (HEAT) program to maximize the impact to natural gas savings.¹⁰ As an added benefit, the rebate funds provided by DEU will be rolled back into Utah WAP's budget to complete additional statewide low-income work.¹¹ DEU proposes a 2019 program budget of \$0.869 million, a \$0.040 million decrease from the 2018 budget. Based on projected participation and deemed savings estimates under the program, DEU estimates annual gas savings to increase by 5%.

g. Market Transformation Initiative

In addition to the energy efficiency programs addressed above, DEU proposes to continue its MTI program with no significant alterations and to maintain the 2019 MTI program

⁹ See Application at 10, ¶ 22.

¹⁰ See DEU Energy Efficiency Exhibit 1.6 for a program overview.

¹¹ *Id.*

budget at \$1.320 million. DEU also proposes the 2019 MTI budget levels included in the 2019 MTI program remain unchanged from last year's program administration, which are as follows:

- \$1,100,000 in advertising and media purchases;
- \$80,000 for marketing contracts and promotions;
- \$50,000 for DEU management and administration;
- \$10,000 for program design;
- \$80,000 for state building code training.

DEU's MTI efforts include plans to partner with Habitat for Humanity organizations throughout Utah in 2019 to promote Net Zero Homes. According to DEU, this initiative will serve as a foundation for the development of a robust and self-sustaining Net Zero Homes market in the years to come. DEU also will partner with higher education institutions, local trade schools, contractors, and other interested parties to implement this initiative.

During 2019, DEU will adjust the ThermWise[®] MTI campaign focus to include a "Let's All Clean the Air" message intended to re-engage customers in energy efficiency. DEU proposes to test this message with the general public to create a message that resonates with customers. Community leaders will receive this message through educational materials and DEU will explore partnerships with other parties.

In addition, according to Exhibit 1.7 of the Application, "As part of the 2019 messaging, new taglines will be explored that broaden the message to encapsulate the entirety of reasons to conserve rather than simply focusing on one. Research to test taglines will be done with both the general public and community leaders."¹²

¹² See DEU Energy Efficiency Exhibit 1.7 at 19.

h. ThermWise[®] Energy Comparison Report

The ThermWise[®] Energy Comparison Report (“Comparison Report”) allows customers to compare their natural gas usage with neighboring homes that are similarly sized and situated. DEU proposes to decrease delivery of the Comparison Report from approximately 285,000 customers to 224,400 customers for 2019, resulting in a 5 percent decrease in the 2019 budget for this program. DEU proposes to continue to target the Comparison Report to customers with higher usage relative to conditioned square footage in 2019. Projected natural gas savings under this program will increase by 5% in 2019.

3. PARTY COMMENTS AND RECOMMENDATIONS

The DPU: The DPU supports the 2019 EE and MTI Programs budget and recommends the PSC approve the Application as filed.¹³ The DPU indicates DEU’s requested 2019 EE and MTI Programs budget is \$25.508 million, a 3.9 percent increase over the 2018 budget. The DPU also notes that while the total number of expected participants is 14.3 percent below the 2018 expected level (attributable to the decrease in Energy Comparison Report participants), this does not appear to affect the expected decatherm savings of 1,203,471, a year-over-year projected increase of 5.1 percent. The DPU concludes that while it “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.”¹⁴

The OCS: The OCS supports the proposal to change the qualifying definitions of “single-family” and “multi-family” residence under the Appliance Rebates, Weatherization

¹³ See DPU Comments (filed December 4, 2018) at 12.

¹⁴ *Id.*

Rebates, and the Builder Rebates Program, and notes doing so would align with internal DEU definitions, and also with Rocky Mountain Power's *Wattsmart* Programs. The OCS states it sees the benefit to encouraging the purchase of more efficient used food service equipment as a new offering under the Business Rebates Program, despite some concerns. If approved, the OCS recommends this measure should be carefully followed with updates presented at Advisory Group meetings to consider whether continuation of the measure is appropriate and beneficial.

Under the MTI, the OCS states, the proposed addition of a new tagline in promotion of environmental benefits is a significant shift in strategy, which could trigger complex issues (*e.g.*, comparisons of which energy sources are better for the environment), and should not be made solely by DEU without input from key stakeholders. Thus, the OCS recommends that the PSC require DEU to consult with the Advisory Group on the new tagline before it is implemented.

The OCS states that DEU's Application generally complies with PSC requirements, and recommends that the PSC require DEU to take the following actions before approving DEU's 2019 Energy Efficiency budget application:

1. Consult with the Advisory Group before the adoption and implementation of DEU's [proposed] new clean-air related marketing tagline;
2. Correct the footnote on Tariff page 2-30 to include the word "is";
3. Correctly identify the Table of no-charge measures in DEU Exhibit 1.4; and
4. Provide a corrected Table 2 in DEU Exhibit 1.7 that includes the key for the information on that Table.

DEU's Reply Comments: DEU states it agrees with the DPU's recommendation that the PSC approve the Application as filed, with an effective date of January 1, 2019. In reply to the DPU's indication that overall program participation is expected to decrease 14.3 percent,

year-over-year, DEU notes the reduction is mainly attributable to the proposed pause in delivery of the Energy Comparison Report to two recipient groups, totaling 125,000 customers in 2019.¹⁵

Regarding the OCS's recommendation on a proposed new clean-air focused tagline, DEU notes that it plans to include clean-air related messaging in 2019 and commits to engaging in Advisory Group discussions before introducing such taglines. DEU also agrees with the OCS's recommendation to correct the Tariff language in the footnote on page 2-30 of the Tariff (Section 2.12) to include the omitted word "is" and requests PSC approval to correct the omission.

Regarding the OCS's comments pertaining to DEU Exhibits 1.4 and 1.7, DEU states the proposed Tariff sheets contain the correct reference for no-charge measures related to EE Exhibit 1.4 in Tariff Section 2.13 – ThermWise® Home Energy Plan Program. Also, DEU explains, the MTI Table identified in EE Exhibit 1.7 was included in the Application to provide historical participation information for regulators and other program stakeholders. As such, DEU suggests that formally filing corrected EE Exhibits 1.4 and 1.7 may be unnecessary. However, DEU will submit corrected exhibits if the PSC deems it appropriate.

UCE/SWEEP's Reply Comments: UCE/SWEEP supports the increased level of natural gas savings proposed by DEU and asserts that the annual EE/MTI planning and budget development process promotes transparency and public confidence in natural gas efficiency planning. UCE/SWEEP also supports DEU's sponsorship of energy code training in Utah through the MTI, the continuation of the ThermWise® Home Energy Plan Program, the continuation of the ThermWise® Appliance Rebates Program, and DEU's proposal for the

¹⁵ DEU December 18, 2018 Reply Comments at 2.

elimination of the rebate for furnaces with a 92% Annual Fuel Utilization Efficiency in various EE Programs. UCE/SWEEP also provides recommendations on four elements of DEU's 2019 EE/MTI Program:

- 1) **MTI:** UCE/SWEEP supports the development of a net zero homes initiative (instead of funding sports sponsorships) and provides recommendations on the development and review of this initiative.
- 2) **ThermWise® Home Energy Plan:** UCE/SWEEP recommends DEU coordinate with Rocky Mountain Power to capitalize on cost-sharing opportunities that would allow DEU to include basic electric efficiency upgrades, such as upgrading LED lighting, in the Home Energy Plan. UCE/SWEEP believes not offering basic electricity-saving upgrades while a home energy professional is already visiting utility customers' homes is a lost-opportunity.
- 3) **ThermWise® Appliance Rebates Program:** UCE/SWEEP recommends that DEU add a requirement that qualifying smart thermostats must also be ENERGY STAR® certified, as these thermostats are required to utilize optimization software that meets minimum energy savings criteria. UCE/SWEEP asserts adding this requirement will help ensure persistent energy savings from these devices.
- 4) **ThermWise® Business Rebates:** UCE/SWEEP voices its concern regarding DEU's decision to include Combined Heat and Power (CHP) units as an eligible rebate measure due to the likely increase in local air emissions resulting from an increase in natural gas combustion and to details associated with quantifying the costs and benefits for implementing incentives for CHP units. UCE/SWEEP states it is important that a facility receiving a rebate for installation of a CHP unit ensures that it is correctly sized. In addition, UCE/SWEEP states the facility should also invest in other natural gas energy efficiency measures to maximize the reduction of overall natural gas consumption. UCE/SWEEP states it looks forward to working with DEU to ensure that any CHP measures are following best practices and meet cost-effectiveness requirements. Regarding the Commercial Benchmarking component of the Business Rebates Program, UCE/SWEEP encourages DEU to work with Rocky Mountain Power's Strategic Energy Management program to identify and implement potential additional energy savings at a low cost.

Findings and Conclusions

We find DEU's December 18, 2018 reply comments adequately explain and sufficiently resolve the OCS's request that clean-air taglines be presented in upcoming Advisory Group

meetings before marketing deployment. Furthermore, we accept DEU's request to submit revised Tariff Page 2-30 correcting the omission identified by the OCS. Pertaining to the corrections suggested by the OCS regarding EE Exhibits 1.4 and 1.7, we find the OCS's recommendation reasonable and appropriate in support of ensuring an accurate and complete record in this docket; accordingly, we require DEU to file corrected pages as requested by the OCS relating to DEU Exhibits 1.4 and 1.7 when submitting corrected Tariff Page 2-30 as proposed.

With respect to UCE/SWEEP's reply comments, absent the opportunity for DEU to respond, we find UCE/SWEEP's recommendations reasonable topics for discussion at a future Advisory Committee meeting.

We find DEU's proposed 2019 EE/MTI program and budget reasonably supports DEU's efforts to implement a broad range of EE/MTI programs, adopt best practices to help ensure the programs are cost effective, and meet the gas savings goals of customers and the State of Utah. Accounting above for the matters raised in the OCS's and UCE/SWEEP's comments, and based on the Application and exhibits, all filed comments, and given no opposition to the Application, we conclude the Application was filed in compliance with PSC requirements; thus we approve the Application and DEU's proposed 2019 EE/MTI Program budget of \$25.508 million as filed, consistent with our findings and conclusions above.

ORDER

1. DEU's Application is approved, consistent with the foregoing findings and conclusions, with an effective date of January 1, 2019.
2. DEU shall file updated Exhibits 1.4 and 1.7.

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3. DEU shall file an updated Tariff Page 2-30 to reflect the corrected footnote language on page 2-30 as requested in DEU's December 18, 2018 reply comments, with an effective date of January 1, 2019.
4. DEU shall facilitate discussion on UCE/SWEEP's recommendations at future Advisory Group meetings.

DATED at Salt Lake City, Utah, December 31, 2018.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#306106

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 31, 2018, a true and correct copy of the foregoing was served upon the following as indicated below:

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