

Dominion Energy Utah's Application for Approval of the 2020 Year Budget for Energy Efficiency Programs and Market Transformation Initiative	<u>DOCKET NO. 19-057-26</u>  <u>ORDER</u>
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ISSUED: December 13, 2019

**SYNOPSIS**

The Public Service Commission of Utah (PSC) approves Dominion Energy Utah's (DEU) 2020 Energy Efficiency Programs and Market Transformation Initiative budget of \$26.426 million and revisions to its Utah Natural Gas Tariff PSCU 500 ("Tariff"), effective January 1, 2020. The PSC also approves extending DEU's Direct Install Pilot Program ("DI Pilot") through 2020, with the potential for an additional one-year extension.

**1. PROCEDURAL HISTORY**

On October 16, 2019, Dominion Energy Utah (DEU) filed its application for approval of the 2020 budget for its Energy Efficiency (EE) and Market Transformation Initiative (MTI) Programs ("Application"). On November 15, 2019, the Office of Consumer Services (OCS) submitted comments; on November 21, 2019, Utah Clean Energy and the Southwest Energy Efficiency Project ("UCE/SWEEP") filed joint comments; and on November 22, 2019, the Division of Public Utilities (DPU) filed comments. On December 6, 2019, DEU submitted reply comments. No other party filed comments or opposed the Application.

**2. DEU'S APPLICATION**

DEU seeks approval of its 2020 budget for the delivery of EE and MTI programs and associated Tariff revisions. DEU proposes a 2020 budget of \$26.426 million for the EE and MTI Programs, a \$0.918 million or 3.6% increase from the 2019 budget. (DEU Exhibit 1.10 at 3, column T, line 12.) DEU requests an effective date of January 1, 2020 for its proposed Tariff changes. (Application at 20.) DEU represents the overall benefit-cost ratio produced under the

Total Resource Cost test for all EE programs including the MTI Program is 1.23 and under the Utility Cost test for all programs is 1.41.<sup>1</sup> The Application includes individual proposals for each of DEU's eight EE/MTI programs, the changes to which we summarize below. DEU maintains it has implemented a broad range of EE/MTI programs and has adopted best practices in order to ensure the implementation of cost-effective programs that benefit all GS customers. Further, DEU states that through the Application and budget, it will continue and expand its efforts to meet the gas savings goals of customers and the state of Utah.

**a. ThermWise<sup>®</sup> Appliance Rebates Program**

The ThermWise<sup>®</sup> Appliance Rebates Program ("Appliance Rebates Program") offers rebates to GS customers for installing qualifying high-efficiency measures. DEU proposes to continue this program in 2020 with the following changes:

1. Natural Gas Furnace – 95% and 98% annual fuel utilization efficiency (AFUE) measures: Eliminate the \$50 rebate for electrically commutated motors and rebate the 95% and 98% measures at \$300 and \$350, respectively; and
2. Add smart water heater controllers for storage natural gas water heaters as a rebate-eligible measure with a rebate amount of \$50.

DEU proposes a 2020 budget of \$6.173 million for the Appliance Rebates Program, a 4% year-over-year budget increase. Natural gas savings attributable to the Appliance Rebates Program are expected to increase by 8%.

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<sup>1</sup> The cost-effectiveness tests included in DEU's Application have been calculated using a 4.37% discount rate which is consistent with its Integrated Resource Plan (IRP). Additionally, gas prices and GS rates have also been updated in DEU's energy efficiency model to reflect expected 2020 market conditions and for consistency with the gas cost projections in DEU's most recent IRP. (DEU Application at 26.)

**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 energy efficiency requirements. DEU proposes to continue the Builder Rebates Program in 2020, with the following changes:

1. Natural Gas Furnace – 95% and 98% AFUE measures: Eliminate the \$50 rebate for electrically commutated motors and rebate the 95% and 98% measures at \$300 and \$350, respectively;
2. Add smart water heater controllers for storage natural gas water heaters as a rebate-eligible measure with a rebate amount of \$50;
3. Restructure the current Home Energy Rating System (HERS) Index measures and the Pay-for-Performance multifamily measure to a single Pay-for-Performance measure. DEU proposes a Pay-for-Performance rebate of \$3 per therm (\$30 per Dth) saved, with a maximum rebate of \$1,400 per single family residence and \$800 per multifamily unit;
4. Maintain the existing \$50 bonus incentive (for current HERS tiers) for Pay-for-Performance homes which seek and receive the ENERGY STAR® 3.0 certification; and
5. Add a \$50 bonus incentive for single family homes and a \$25 bonus incentive for multifamily homes that meet the qualifications for the DOE Zero Energy Ready Home designation (“ZERH Bonus”).

DEU requests a 2020 budget of \$5.830 million for this program, a 23% increase from the 2019 budget. Based on projected participation and deemed savings estimates of this program, DEU estimates annual natural gas savings are projected to increase by 23%, year-over-year.

**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. Natural Gas Furnace – 95% and 98% AFUE measures: Eliminate the \$50 rebate for electrically commutated motors and rebate the 95% and 98% measures at \$300 and \$350, respectively;
2. Add two new tiers (Tier 1:  $\geq 300,000$  Btu/hour < 2.5 million Btu/hour; Tier 2:  $\geq 2.5$  million Btu/hour) for high efficiency boilers with thermal efficiencies of exceeding 95% with a rebate amount of \$3.50 per kBtu/hour input; and
3. Add one new tier for tankless water heaters of  $\geq 200,000$  Btu/hour with a thermal efficiency of 90% or greater with a rebate amount of \$3.00 per kBtu/hour input.

DEU also proposes to introduce a pilot midstream incentive in 2020 limited to high efficiency boilers with the goal of encouraging dealers to stock and actively sell the most efficient boilers. Under this rebate method, DEU would pay rebates to boiler distributors, rather than directly to customers, as has been done historically.

DEU also proposes minor changes to correct an error from its 2018 EE/MTI budget filing for the 2019 program year which the PSC approved on December 31, 2018.<sup>2</sup> DEU explains that while its program design proposal included seven types of used food service equipment (including used natural gas griddles), it erroneously omitted used natural gas griddles from the list of rebate-eligible measures in its Tariff. DEU proposes to correct this oversight in 2020 by adding used natural gas griddles as a rebate-eligible measure in the Tariff.

Finally DEU proposes to add Tariff language referring customers to the Business Custom Program Manual, maintained by Nexant and available at [ThermWise.com](http://ThermWise.com).

DEU's requested Business Rebates Program changes result in a proposed 2020 program budget of \$3.109 million, a 14% budget decrease from the 2019 program budget level. Based on

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<sup>2</sup> See *Dominion Energy Utah's Application for Approval of the 2019 Year Budget for Energy Efficiency Programs and Market Transformation Initiative* (DEU Application and Exhibit 1.3 - ThermWise® Business Rebates Program filed on October 16, 2018 and Order issued December 31, 2018); Docket No. 18-057-20.

projected participation and deemed savings estimates of this program, DEU estimates annual natural gas savings are projected to decrease 21%, year-over-year.

**d. 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. DEU proposes to continue this program with no major changes. DEU proposes a 2020 budget of \$0.575 million, a 16% decrease from the 2019 program budget level and a 20% decrease from the 2019 forecast natural gas savings reflecting a decrease in program participation.

**e. ThermWise<sup>®</sup> Weatherization Program**

The ThermWise<sup>®</sup> Weatherization Program (“Weatherization Program”) offers residential customers rebates for installation of qualifying weatherization measures. DEU proposes to continue this program, but requests a two-year extension of the pilot direct-install program (“DI Pilot”). The DI Pilot was first proposed and approved by the PSC as a three-year pilot in Docket No. 16-057-15<sup>3</sup> and included a provision that at the end of the pilot period DEU would use the data generated by the program to assess the combination of weatherization measures that are most effective in producing energy savings.

According to DEU, the DI Pilot has resulted in work performed on more than 12,000 homes throughout the three-year period. DEU explains that as of October 2019 less than 1% of

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<sup>3</sup> See *In the Matter of the Application of Questar Gas Company for Approval of the 2017 Year Budget for Energy Efficiency Programs and Market Transformation Initiative* (Order issued December 23, 2016); Docket No. 16-057-15.

participating homes met the evaluation criteria of one-year pre-participation and two-year post-installation data therefore DEU is proposing an extension. DEU adds that many of the participant homes required greater air sealing instead of the projected additional attic, wall, or floor insulation.

DEU's proposed 2020 Weatherization Program budget of \$7.982 million represents a 3% year-over-year budget increase. DEU forecasts that annual participation and natural gas savings will decrease by 12% and 18%, respectively, for this program. DEU attributes the decreases to moving from an insulation-based program to one based on the air sealing measure.

**f. Low-Income Efficiency Program**

DEU's Low-Income Efficiency Program consists of an annual direct contribution of \$500,000<sup>4</sup> to the Utah Department of Workforce Services, Housing and Community 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<sup>®</sup> Appliance Rebates and Weatherization programs. The low-income funds are administered by the Utah Weatherization Assistance Program.

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 2020 and in July 2020.

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<sup>4</sup> The contribution is a line item in the 2020 Year Budget for EE Programs and DEU is reimbursed for this item like all other expenses.

Consistent with other programs, DEU also proposes to modify the 95% and 98% AFUE measures for natural gas furnaces by eliminating the \$50 rebate for electrically commutated motors and rebate the 95% and 98% measures at \$300 and \$350, respectively. DEU proposes a total 2020 Low-Income Efficiency Program budget of \$0.867 million representing a 0% year-over-year budget change, and DEU forecasts annual natural gas savings to increase 2%.

**g. Market Transformation Initiative**

In addition to the energy efficiency programs addressed above, DEU proposes to continue its MTI program in 2020 with some alterations and to maintain the 2020 MTI program budget at \$1.320 million. DEU also proposes the 2020 budget amount for individual MTI categories remain unchanged from last year's program amounts, which are as follows:

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

In 2020 DEU proposes to continue its Net-Zero Homes initiative and to work with Habitat for Humanity as well to expand the initiative to other non-profits, high school building programs, and higher-education building programs. DEU proposes a 2020 budget of \$200,000 (within the overall advertising/media budget) for this effort. DEU continues to believe this initiative is a foundation for the development of a robust and self-sustaining Net-Zero Homes market in the years to come.

Based on input from its contract survey and marketing firms, DEU believes there is an opportunity to encourage greater participation in the ThermWise® Programs by creating

environmentally-focused messaging using the tagline of “Conserve, Save, Breathe” (“Environmental Tagline”). DEU proposes to use both its current conservation tagline/messaging (i.e., “If You Conserve, You Can Save”) and the proposed Environmental Tagline/messaging in 2020. DEU proposes to hold an Advisory Group meeting in early 2020 prior to implementing any environmental messaging and/or the Environmental Tagline and commits to reach an agreement with the Advisory Group before moving ahead with them.

**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 increase delivery of the Comparison Report by 25,000, to approximately 266,000 customers in 2020, with a budget of \$0.570 million, identical to the 2019 Comparison Report budget. DEU projects natural gas savings under this program will decrease by 11% in 2020.

**3. COMMENTS AND RECOMMENDATIONS**

**The DPU:** The DPU supports the 2020 EE and MTI Programs budget and recommends the PSC approve the Application and associated tariff modifications as filed. The DPU continues to urge DEU to look for ways to implement administrative cost reduction steps in order to improve overall program efficiencies. The DPU concludes it “still finds value in the overall program objectives.” (DPU Comments at 12.)

**The OCS:** The OCS states that DEU’s Application generally complies with PSC requirements. The OCS supports DEU’s proposal to eliminate the additional \$50 appliance rebate for 95% and 98% AFUE furnaces with electrically commutated motors as well as DEU’s

proposal to maintain its shift away from using MTI funds for sports marketing. The OCS does not oppose the addition of smart water heater controllers to several programs.

Pertaining to DEU's request to extend the DI Pilot, the OCS supports gathering and reporting of the DI Pilot post-installation data. The OCS however recommends the PSC deny DEU's proposed extension of the DI Pilot if DEU's intent is to continue direct-installations before all pilot program outcomes are gathered, assessed, and reported to the Advisory Group. The OCS questions if it is good practice to extend DI Pilot activities before the initial DI Pilot data is gathered and the outcomes are fully assessed.

Regarding DEU's Environmental Tagline/messaging proposal, the OCS recommends the PSC require DEU to not publicly deploy new environmental advertising messaging, including but not limited to tagline changes, until an agreement is reached with the Advisory Group. The Office asserts "this messaging must be carefully crafted in order to confirm its accuracy and not mislead the public on the factual environmental outcomes of natural gas conservation." (OCS Comments at 3-4.)

**UCE/SWEEP**: UCE/SWEEP generally support the Application and provide specific support for elements of the Builder Rebates Program, the DI Pilot, the Comparison Report, the MTI energy code training, the MTI Net-Zero Homes Initiative, and DEU's proposed effort to associate natural gas conservation with improved air quality. UCE/SWEEP recommend the PSC direct DEU to:

- 1) exceed its 2020 savings target with additional cost-effective natural gas savings, if feasible, without exceeding the approved budget by more than 10%;
- 2) increase the ZERH Bonus to at least \$250, as opposed to DEU's proposed \$50;
- 3) expand the new group of residences receiving the Comparison Report to 50,000, as opposed to 25,000 proposed by DEU; and

- 4) utilize the proposed ZERH program specifications for homes receiving support through the Net-Zero Homes initiative.

Further, relating to the DI Pilot, UCE/SWEEP: 1) request the ThermWise<sup>®</sup> program staff provide a presentation to the Advisory Group addressing the quality control strategies used by direct-install contractors to ensure high quality insulation and air sealing installations early in 2020; 2) recommend that the DI Pilot continue to install attic insulation in all homes that are under-insulated; and 3) recommend that DEU work with Rocky Mountain Power to jointly deliver the DI Pilot, if the two-year extension is approved.

**DEU's Reply Comments**

**DEU Concurrence**

DEU agrees with the DPU's recommendation that the PSC approve the Application as filed. DEU also agrees with the DPU's recommendation pertaining to administrative cost reductions and commits to continue to look for ways to reduce non-incentive costs. DEU agrees with the OCS's recommendation to refrain from changing environmental messaging and taglines until agreement is reached with the Advisory Committee.

**DEU Disagreement**

*a) DI Pilot Extension:* DEU disagrees with the OCS's recommendation pertaining to DEU's proposed two-year extension of the DI Pilot. DEU asserts the benefits of continuing the program, even without complete data on the earlier installations, outweigh the risks associated with the program because: 1) costs associated with the DI Pilot are limited; 2) absent the program, DEU would no longer have the ability to advise weatherization installation contractors of zip codes with low participation and would expect the benefits of the program

would shift from moderate- and low-income customers to more affluent customers; 3) ceasing installations would adversely impact the DI Pilot's current positive momentum; 4) if the program were ceased now, and later resumed, DEU would have to ramp up the program a second time; 5) an abrupt stop and restart of the program would make it difficult for DEU to attract future DI participant contractors; and 6) data collected thus far supports continuation of the DI Program.

To address the OCS's concerns, DEU proposes to include a natural gas savings evaluation of approximately 2,000 DI participants as part of the 2021 ThermWise<sup>®</sup> budget to be filed with the PSC in October 2020 ("October 2020 Filing"). If those results do not support further continuation of the program, DEU proposes interested parties can address the issue at that time.

**b) 2020 Savings Target:** DEU disagrees with UCE/SWEEP's recommendation requiring DEU to exceed its 2020 savings target with additional cost-effective natural gas savings. According to DEU, its forecasted decrease in natural gas savings is based on information learned through the DI Pilot, i.e., targeted customer homes were relatively well insulated, but building shells were leaking conditioned air to the outside at unexpectedly high levels. DEU proposes to continue to provide accurate and market-informed estimates of participation and asserts that the proposed ThermWise<sup>®</sup> budget accurately reflects the natural gas savings that are achievable in 2020.

**c) ZERH Bonus:** DEU requests the PSC reject UCE/SWEEP's recommendation to increase the ZERH Bonus from the proposed \$50 to \$250. DEU believes this recommendation is

overly generous and unnecessary based on its experience with certification measures.<sup>5</sup> DEU asserts there are no additional natural gas savings resulting from the ZERH Bonus certification measure because, under the current design, all natural gas savings in DEU's cost-effectiveness model for this certification are attributable to the required participation in the Pay-for-Performance measure.

**d) *Comparison Report:*** Pertaining to UCE/SWEEP's recommendation to increase distribution of the Comparison Report by 50,000 instead of the 25,000 proposed by DEU, DEU states it requires email addresses for participants in this program. DEU asserts it has only an additional 25,000 customers' email addresses and therefore is unable to subscribe additional participants above what was proposed in the 2020 ThermWise<sup>®</sup> budget. (DEU Reply Comments at 9-10.)

#### **4. FINDINGS AND CONCLUSIONS**

We find that DEU's stated intention to present environmental messaging and taglines in upcoming Advisory Group meetings before marketing deployment is reasonable.

We have considered the OCS's concerns regarding continuation of the DI Pilot before all pilot program outcomes are gathered, assessed, and reported to the Advisory Group. While ideally this issue should have been contemplated and addressed during program design, we find that considering DEU's assertion that data collected thus far supports continuation of the DI Pilot, and DEU's explanations concerning program costs, continuation of the DI Pilot through

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<sup>5</sup> According to DEU, historically initial "participation in the \$50 ENERGY STAR<sup>®</sup> 3.0 certification measure started slowly . . . but resulted in over 1,500 participant homes in 2018 and is on track to meet or exceed that level of participation in 2019. [DEU] expects the DOE Net Zero Energy Ready Bonus certification to follow a similar path." (DEU Reply Comments at 9.)

2020 with the potential for an additional one-year extension is reasonable. We find DEU's commitment to include a natural gas savings evaluation of approximately 2,000 DI Pilot participants as part of the October 2020 Filing is reasonable. DEU's commitment will help ensure that the DI Pilot is subject to appropriate transparency.

We decline to adopt UCE/SWEEP's recommendation to increase the ZERH Bonus based on (1) DEU's assertion that natural gas savings resulting from the ZERH Bonus measure are attributed to the required participation in the Pay-for-Performance measure and (2) DEU's historic experience with certification measures. To ensure a uniform understanding of this issue, we direct DEU to present and discuss these program measures' cost-effective test information and the program measure modeling assumptions during an upcoming Advisory Group meeting.

Related to increasing distribution of the Comparison Report, absent additional information (i.e., an updated budget and benefit/cost ratio using UCE/SWEEP's assumptions) we find UCE/SWEEP's proposal to increase distribution of the Comparison Report cannot be justified at this time. In light of DEU's assertion on this matter related to the limited availability of email addresses, we encourage DEU to discuss with the Advisory Group issues related to the size of each year's Comparison Report recipient group, modeling assumptions related to the various report distribution modes (i.e., regular mail versus email), and DEU's plans to increase the availability of email addresses for the program.

We find UCE/SWEEP's proposal for DEU to exceed its 2020 savings target without exceeding the approved budget by more than 10% is unsupported and arbitrary, therefore we do not adopt it.

In its reply comments, DEU did not address UCE/SWEEP's request for us to order DEU to utilize the proposed ZERH program specifications for homes receiving support through DEU's Net-Zero Homes initiative. We find this is a reasonable topic for discussion in a future DSM Advisory Group meeting and should be addressed in DEU's October 2020 Filing. We also find UCE/SWEEP's request for Advisory Group presentations/discussions on specific DI Pilot issues reasonable.

Accounting for the matters raised in the OCS's and UCE/SWEEP's comments, and based on the Application and exhibits, all filed comments, and our findings, we conclude the Application was filed in compliance with PSC requirements and the relief requested is reasonable. We approve the Application and DEU's proposed 2020 EE/MTI Program budget of \$26.426 million as filed, including a DI Pilot extension through 2020 with the potential for an additional one-year extension, consistent with our findings and conclusions above.

**ORDER**

1. We approve DEU's Application and proposed Tariff changes, consistent with the foregoing findings and conclusions, with an effective date of January 1, 2020.
2. DEU shall ensure Advisory Group discussions/presentations are conducted, consistent with the foregoing findings and conclusions.
3. DEU's October 2020 Filing shall include a natural gas savings evaluation of approximately 2,000 DI participants and information relating to utilization of the proposed ZERH program specifications for homes receiving support through DEU's Net-Zero Homes initiative.

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DATED at Salt Lake City, Utah, December 13, 2019.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg  
PSC Secretary  
DW#311467

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 13, 2019, a true and correct copy of the foregoing was served upon the following as indicated below:

By Email:

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