

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	
Dominion Energy Utah for Approval)	
of a Natural Gas Clean Air Project and)	Docket No. 19-057-33
Funding for the Intermountain Industrial)	
Assessment Center)	

DIRECT TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

JUNE 15, 2020

1 **Q. WHAT IS YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?**

2 A. My name is Béla Vastag. My business address is 160 East 300 South Salt
3 Lake City, Utah 84111. I am a Utility Analyst for the Utah Office of
4 Consumer Services (OCS).

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. My testimony addresses Dominion Energy Utah's (DEU) request to fund the
7 Intermountain Industrial Assessment Center (IIAC) using funds authorized
8 by 2019 House Bill 107 (HB 107) which amended the Sustainable
9 Transportation and Energy Plan Act (STEP). HB 107 allows natural gas
10 utilities, in addition to electric utilities, to pursue STEP-funded projects. I do
11 not address DEU's request to fund the Combined Heat and Power (CHP)
12 project that was also included in DEU's application. DEU has recently made
13 a motion to amend its application and withdraw the CHP project from
14 consideration at this time. The OCS supports DEU's request to remove the
15 CHP project from consideration and does not oppose DEU's motion to
16 amend.

17 **Q. PLEASE SUMMARIZE THE OCS' POSITION ON DEU'S REQUEST TO**
18 **FUND THE IIAC WITH STEP FUNDS.**

19 A. The OCS opposes the IIAC program as proposed by DEU because DEU
20 has not sufficiently shown it is in the public interest. Thus, the OCS
21 recommends that the Public Service Commission of Utah (PSC) deny
22 DEU's application. If the PSC were to approve STEP funding of the IIAC
23 program, it should only be for a pilot period and a lower funding level and

24 should include specific criteria for operations and oversight more
25 appropriate to the standards of regulated utility programs. A pilot program
26 would allow DEU to demonstrate if the use of the IIAC to manage DEU's
27 STEP program is a feasible approach and to flesh out the details on how
28 the IIAC would operate to meet the requirements of the STEP Act. The PSC
29 should not authorize any amount near the very large sum of ratepayer funds
30 requested by DEU unless and until such a demonstration is made. The
31 OCS' position is that the PSC should proceed cautiously in allowing STEP
32 funding for the IIAC because:

- 33 1. It is unclear if it is cost-effective or even appropriate to use a
34 significant portion of STEP funds solely for the uses of identifying
35 projects that qualify for STEP funding and then for the managing
36 and reporting of those projects.
- 37 2. DEU's application is missing significant details on guidelines for
38 how the IIAC will identify potential customers and projects, what
39 criteria will be used to evaluate projects to determine if they are
40 appropriate for STEP funding, and the milestones and goals IIAC
41 is expected to meet.
- 42 3. DEU's application is lacking in any financial detail on its proposed
43 \$800,000 per year budget for the IIAC.
- 44 4. DEU is proposing to collaborate with only one of Utah's
45 universities without explaining when or how other Utah
46 universities might be able to participate in STEP. I would also

47 note that Rocky Mountain Power has collaborated with multiple
48 Utah universities in its STEP program.

49 5. DEU does not explain how the IIAC, whose focus is
50 manufacturing companies, would offer its services equally and
51 non-discriminately to all classes and types of natural gas
52 customers.

53 **Q. PLEASE PROVIDE SOME BACKGROUND ON THE AMOUNT OF**
54 **FUNDING ALLOWED AND THE TYPE OF PROJECTS DEU MAY**
55 **PURSUE UNDER THE STEP ACT.**

56 A. The STEP Act in Utah Code Section 54-20-105(3)(d) says:

57 *Upon commission approval, the commission may authorize the large-scale*
58 *natural gas utility to allocate on an annual basis up to \$10,000,000 to a*
59 *specific sustainable transportation and energy plan as described in*
60 *Subsections (3)(a)(i) through (vii) or a specific natural gas clean air program*
61 *as provided in Section 54-4-13.1.*
62

63 Therefore, DEU is authorized to spend \$10 million per year on its STEP
64 program.¹ Utah Code Section 54-20-105, subsections (3)(a)(i) through (vii)
65 describe the types of projects and programs that are allowed:

66 (a) *The commission may authorize a large-scale natural gas utility to*
67 *implement and fund programs that the commission determines are*
68 *in the public interest of large-scale natural gas utility customers to*
69 *provide for the investigation, analysis, and implementation of:*
70 (i) *an economic development incentive rate;*
71 (ii) *research and development of other efficiency technologies;*
72 (iii) *an acquisition of nonresidential natural gas infrastructure behind the*
73 *large-scale natural gas utility's meter;*

¹ Utah Code Section 54-20-102(b) provides that for a large-scale natural gas utility, the term of its STEP program will be a "pilot program period" which is a period of five years beginning on July 1, 2019.

- 74 (iv) *the development of communities that can reduce greenhouse gases*
75 *and NOx emissions;*
76 (v) *a natural gas renewable energy project;*
77 (vi) *a commercial line extension program; or*
78 (vii) *any other technology program.*
79

80 In addition, Section 54-4-13.1(3) and (4) allows for “natural gas clean air
81 programs” under STEP:

- 82 (3) *The commission may authorize a gas corporation to establish natural*
83 *gas clean air programs that promote sustainability through*
84 *increasing the use of natural gas or renewable natural gas that the*
85 *commission determines are in the public interest, subject to the*
86 *funding limits set forth in Subsection 54-20-105(3)(d).*
87 (4) *For purposes of this section, and as pertaining to the transportation*
88 *sector, "natural gas clean air program" means:*
89 (a) *an incentive or program to support the use of natural gas, including*
90 *renewable natural gas;*
91 (b) *a program to improve air quality through the use of natural gas or*
92 *renewable natural gas; and*
93 (c) *does not include any program under Section 54-4-13.4.*
94

95 **Q. UNDER WHICH SECTIONS OF THE STEP ACT IS DEU SEEKING**
96 **AUTHORIZATION TO FUND THE IIAC?**

97 A. Part III, page 7, of DEU’s December 31, 2019 application, and Part II, page
98 6 of DEU’s June 12, 2020 proposed amended application, states that DEU
99 is seeking authorization for the IIAC under Section 54-20-105(3)(a) which
100 states that a STEP program will “provide for the investigation, analysis, and
101 implementation” of projects. DEU’s application further qualifies that the
102 IIAC’s efforts will involve “research and development of other efficiency
103 technologies” and that the IIAC is an “other technology program” (per
104 Sections 54-20-105(ii) and (vii)).

105 It is unclear whether DEU is also seeking authorization to fund the
106 IIAC under Utah Code Section 54-4-13.1. Previously, in DEU's March 2,
107 2020 opposition to the OCS' motion to dismiss, on pages 15-17 DEU takes
108 the position that "the IIAC Program is a 'natural gas clean air program under
109 [Utah Code Section] 54-4-13.1.'" However, Part II of DEU's June 12, 2020
110 amended application makes no reference to Utah Code Section 54-4-13.1.
111 Because of this, I do not address whether the proposed IIAC funding
112 satisfies Utah Code Section 54-4-13.1 in this testimony. If, contrary to Part
113 II of DEU's amended application, DEU clarifies that it is seeking approval
114 under Utah Code Section 54-4-13.1, the OCS will address this in surrebuttal
115 testimony.

116 **Q. DOES THE OCS BELIEVE THAT THE IIAC CAN BE FUNDED WITH**
117 **STEP FUNDS UNDER THE SECTIONS OF THE STATUTE THAT DEU**
118 **REFERENCES?**

119 A. Maybe. The terms "other technology program" and "provide for the
120 investigation, analysis and implementation" allow for a very broad range of
121 programs. However, using ratepayer-provided STEP funds for a program
122 whose purpose is to find projects is not what the OCS expected would
123 result from the STEP legislation and would need to be clearly
124 demonstrated to be in the public interest. For example, in Rocky Mountain
125 Power's STEP program, there is no project such as DEU has proposed
126 with the IIAC where the primary goal is to discover what STEP funds can
127 be spent on. In contrast, DEU appears to be outsourcing all project

128 development and oversight. In fact, the details, oversight and selection
129 criteria for this proposed IIAC program fall vastly short of standard
130 regulated utility program oversight.

131

132 **IIAC Program Details**

133 **Q. WHAT DETAIL AND JUSTIFICATION DOES DEU PROVIDE FOR ITS**
134 **PROPOSED ANNUAL BUDGET OF \$800,000 FOR THE IIAC?**

135 A. Page 10 of Mr. Michael Orton's original testimony, and pages 6-7 of his
136 amended testimony, state that the U.S. Department of Energy (DOE) funds
137 the IIAC \$370,000 annually to perform 20 assessments of manufacturing
138 companies and that DEU would match those funds with STEP funding to
139 allow the IIAC to perform 20 additional assessments to discover projects
140 that could qualify for DEU's STEP program. In other words, DEU would
141 fund the IIAC with \$370,000 of STEP funds to increase its annual
142 assessments to a total of 40. Mr. Orton states that these 40 annual
143 assessments would be a STEP "project generator".²

144 Mr. Orton further states that DEU would provide the IIAC with an
145 additional \$430,000 of STEP funds annually to do project and market
146 development. Mr. Orton also says that these additional funds would be
147 used for "project commissioning" and to "monitor, track, and report" on
148 projects.³

² Orton original testimony, line 211; Orton amended testimony, line 129.

³ Orton original testimony, lines 222 – 223 and line 228; Orton amended testimony, lines 140 and lines 146-147.

149 Therefore, with the \$370,000 of matching funds and the \$430,000
150 project development funds, DEU proposes paying the IIAC \$800,000 of
151 STEP funds per year for 3 years or a total of \$2.4 million.

152 **Q. IN ITS APPLICATION OR TESTIMONY, DID DEU PROVIDE A DETAILED**
153 **BUDGET ON HOW THE \$800,000 ANNUAL FUNDING WOULD BE**
154 **SPENT?**

155 A. No. In fact, the budget provided by DEU gave only four general categories
156 aggregated for a year.⁴ DEU did not provide any details. For example,
157 personnel costs did not indicate how many FTE would be covered or an
158 estimate of costs per position type (i.e. students, professors,
159 administrative). This level of detail was missing for all categories of the IIAC
160 budget. Further, DEU designated this high-level, aggregate information as
161 Highly Confidential, making it difficult to reference in this public proceeding.

162 **Q. IN ITS APPLICATION OR TESTIMONY, DID DEU PROVIDE A SPECIFIC**
163 **SET OF CRITERIA ON HOW POTENTIAL PROJECTS WILL BE**
164 **SELECTED AND EVALUATED?**

165 A. No.

166 **Q. IN ITS APPLICATION OR TESTIMONY, DID DEU PROVIDE SPECIFIC**
167 **GOALS OR MILESTONES FOR IIAC'S WORK ON DEU'S STEP**
168 **PROGRAM?**

⁴ Highly confidential response to discovery request DPU 3.06. Note: DEU provided some additional information on the proposed \$800,000 per year budget for the IIAC in response to DPU 4.01 on June 15, 2020. This new DR response arrived the same day this testimony is due and the OCS has not yet been able to fully review the information.

169 A. Other than performing 40 assessments per year, no.

170 **Q. IN ITS APPLICATION OR TESTIMONY, DID DEU PROVIDE ANY**
171 **SPECIFIC GUIDELINES, ASSURANCES OR CONTRACT TERMS THAT**
172 **CERTIFY THE IIAC WILL SPEND THE MONEY WISELY AND**
173 **GENERATE PROJECTS THAT ARE IN THE PUBLIC INTEREST AS**
174 **REQUIRED BY THE STEP STATUTE?**

175 A. No.

176

177 **Public Interest Factors**

178 **Q. DOES THE PSC'S APRIL 27, 2020 ORDER IN THIS DOCKET INDICATE**
179 **THAT THE PSC DESIRES PARTIES TO FULLY DEVELOP THE**
180 **RECORD ON WHETHER THE PROPOSED IIAC PROGRAM IS IN THE**
181 **PUBLIC INTEREST?**

182 A. Yes. On page 13 of that Order, the PSC states:

183 *The OCS raises important questions about the IIAC Program, and*
184 *these considerations are likely to be relevant in determining whether*
185 *the IIAC Program is in the public interest. We encourage the parties*
186 *to fully develop the record on these issues before hearing.*
187

188 **Q. ACCORDING TO THE STEP ACT, WHAT FACTORS MUST THE PSC**
189 **CONSIDER IN DETERMINING WHETHER THE PROPOSED IIAC**
190 **PROGRAM IS IN THE PUBLIC INTEREST?**

191 A. Utah Code Section 54-20-105(3)(c) states the PSC shall consider five
192 factors in determining whether the IIAC or any DEU STEP-funded program
193 or project is in the public interest. These factors are:

- 194 (i) to what extent the use of renewable natural gas is facilitated or
195 expanded by the proposed project;
- 196 (ii) potential air quality improvements associated with the proposed
197 project;
- 198 (iii) whether the proposed project could be provided by the private sector
199 or would be viable without the proposed incentives;
- 200 (iv) whether any proposed incentives were offered to all similarly situated
201 potential partners and recipients; and
- 202 (v) potential benefits to ratepayers.

203 **Q. FOR THE FIRST FACTOR, THE EXTENT TO WHICH THE USE OF**
204 **RENEWABLE NATURAL GAS IS FACILITATED OR EXPANDED, DOES**
205 **THE PROPOSED IIAC PROGRAM MEET THIS CONDITION?**

206 A. There is not substantial evidence that the IIAC efforts will expand the use
207 of RNG. Lines 154 – 156 and 161 – 163 of Mr. Orton’s original testimony,
208 and lines 73-74 and 80-81 of his amended testimony, state (1) “[t]he
209 Company also expects to engage the IIAC in the assessment of potential
210 projects that could advance the development of renewable natural gas
211 (RNG) in Utah” and (2) “[t]he IIAC has investigated a handful of potential
212 RNG projects and have found them to have longer payback periods of 10+
213 years” [emphasis added]. However, DEU testimony indicates that the IIAC
214 actually has a very narrow focus on the types of projects it pursues. For
215 example, on lines 167 – 168 of his original testimony and lines 85-86 of his
216 amended testimony, Mr. Orton states “the IIAC as currently constituted is

217 primarily focused on providing energy assessments for manufacturing
218 facilities.” Furthermore, nothing in DEU’s application or testimony
219 demonstrates that the IIAC has a track record of developing or
220 implementing RNG projects and it is unknown if they will be able to develop
221 any RNG projects for DEU’s STEP program.

222 **Q. FOR THE SECOND FACTOR, THE POTENTIAL AIR QUALITY**
223 **IMPROVEMENTS, DOES THE IIAC PROGRAM ACHIEVE THIS?**

224 A. Lines 236 – 238 of Mr. Orton’s original testimony, and lines 154-156 of his
225 amended testimony, state “...the Company is proposing to partner with and
226 seek funds for the IIAC to perform the essential functions of ‘investigation,
227 analysis, and implementation’ related to Natural Gas Clean Air projects....”
228 This sounds like a promising new direction for the IIAC. The problem is that
229 it appears that the IIAC’s only mission has been to save money for
230 companies by finding ways to reduce their energy usage and to increase
231 their productivity. Specifically, on the IIAC’s website, it states:⁵

232 *“We provide no-cost energy consulting services to manufacturers in the*
233 *Intermountain Region. Our assessments typically require one day on site in*
234 *your facility and we typically identify 10-20% energy and productivity*
235 *savings.*

236
237 *As part of our services, we will deliver a detailed, professional report*
238 *outlining several ways that your facility can save energy and money. Our*
239 *analysis includes detailed engineering and economic calculation of potential*
240 *energy saving ideas. We typically only target recommendations that result*
241 *in a 2-year financial payback for our clients.”*
242

⁵ <https://www.energy.utah.edu/>, University of Utah IIAC website homepage as of June 12, 2020.

243 I searched the IIAC's website and nowhere could I find the term "air quality".
244 To be fair, the IIAC is part of the University of Utah's Chemical Engineering
245 Department. As indicated in the testimony of Dr. Kerry Kelly, the
246 department has some involvement in air quality issues. However, the IIAC
247 itself does not have experience in air quality work. Therefore, at this time it
248 is unknown if the IIAC meets the second factor, "potential air quality
249 improvements".

250 **Q. FOR THE THIRD PUBLIC INTEREST FACTOR, WHETHER THE IIAC**
251 **PROJECT COULD BE PROVIDED BY THE PRIVATE SECTOR OR**
252 **WOULD BE VIABLE WITHOUT THE PROPOSED INCENTIVES, DOES**
253 **THE PROPOSED IIAC FUNDING MEET THIS CONDITION?**

254 A. It is unknown if the work DEU proposes for the IIAC can be done by the
255 private sector or another public entity because DEU did not provide an
256 analysis of the alternatives it reviewed before selecting the IIAC. As for the
257 IIAC being viable without STEP funding, the IIAC has been operating for
258 many years using funding from the DOE and producing 20 assessments
259 per year. The OCS asserts that the IIAC was already a viable program
260 before DEU proposed providing it STEP funding.

261 **Q. FOR THE FOURTH PUBLIC INTEREST FACTOR, WHETHER ANY**
262 **PROPOSED INCENTIVES WERE OFFERED TO ALL SIMILARLY**
263 **SITUATED POTENTIAL PARTNERS AND RECIPIENTS, DOES DEU'S**
264 **PROPOSED FUNDING FOR THE IIAC MEET THIS REQUIREMENT?**

265 A. No, DEU's proposed IIAC funding does not meet this public interest factor.
266 DEU did not offer funding to other universities in Utah. In addition, the IIAC
267 currently and for many years has been targeting its services to
268 manufacturing companies and it is unclear if the IIAC will have the ability to
269 provide services to all "potential recipients", i.e. all of DEU's natural gas
270 customers and potential natural gas customers.

271 **Q. FOR THE FIFTH PUBLIC INTEREST FACTOR, POTENTIAL BENEFITS**
272 **TO RATEPAYERS, DOES STEP FUNDING FOR THE IIAC PROVIDE**
273 **ANY RATEPAYER BENEFITS?**

274 A. In its application and testimony, DEU focuses primarily on potential air
275 quality benefits and does not identify any direct ratepayer benefits that the
276 IIAC would provide. Rather, the proposal is for IIAC to try to find projects to
277 bring forward for STEP funding that may have ratepayer benefits. As Mr.
278 Orton states in his testimony, DEU will quantify benefits, if possible, in future
279 written testimony.⁶

280

281 **Q: *How will future Natural Gas Clean Air projects be evaluated by***
282 ***the Company and the IIAC?***

283

284 A: *Consistent with statutory requirements, the Company and IIAC will*
285 *consider the following factors before filing a future Natural Gas Clean*
286 *Air project to the Commission:*

287

288 *1. The extent to which the use of RNG is facilitated or expanded by*
289 *the project*

290 *2. Potential air quality improvements associated with the project*

291 *3. Whether the proposed project could be provided by the private*
292 *sector or would be viable without the proposed incentives*

⁶ Original direct testimony of Michael A. Orton, lines 263 – 276.

293 4. *Whether any proposed incentives were offered to all similarly*
294 *situated potential partners and recipients; and*
295 5. *Potential benefits to ratepayers*

296
297 *The Company will address each of these factors in future written*
298 *testimony and, where possible, quantify the potential benefits.*
299

300 Therefore, it is unknown if the proposed STEP funding for the IIAC will
301 provide any ratepayer benefits until DEU makes a future filing.
302 Furthermore, based on the IIAC's stated mission from its website and the
303 information provided by DEU, it does not appear to the OCS that potential
304 benefits to ratepayers has been, or likely will be, the focus of the IIAC
305 Program.

306 **Q. IN ITS APRIL 27, 2020 ORDER, WHAT OTHER CONSIDERATIONS DID**
307 **THE PSC IDENTIFY AS POTENTIALLY RELEVANT TO WHETHER THE**
308 **PROPOSED FUNDING FOR THE IIAC IS IN THE PUBLIC INTEREST?**

309 A. The PSC indicated that the questions OCS raised in the OCS' Motion to
310 Dismiss concerning the lack of specificity in DEU's proposed funding and
311 use of the IIAC "are likely to be relevant in determining whether the IIAC
312 Program is in the public interest."⁷ The PSC also stated that "the public
313 interest standard of the statute will ultimately place factual evaluation
314 around any specific technology program."⁸ The PSC further noted that "the
315 PSC would be reluctant ... to conclude a program that does nothing more
316 than deploy pre-existing technology in a manner in which it has long been

⁷ Utah PSC April 27, 2020 Order, page 13.

⁸ Id., page 15.

317 commonly employed is in the public interest.”⁹ Finally, the PSC described
318 that “[i]t is possible we could find that a lack of innovation in a proposal
319 supports a determination that the proposal is not in the public interest.”¹⁰

320 **Q. DOES THE LACK OF SPECIFICITY IN THE PROPOSED IIAC PROGRAM**
321 **RAISE QUESTIONS ABOUT HOW THE PSC CAN PERFORM A**
322 **FACTUAL EVALUATION OF WHETHER THE PROGRAM IS IN THE**
323 **PUBLIC INTEREST?**

324 A. Yes, it raises important questions. As described in the OCS’ February 14,
325 2020 Motion to Dismiss, the OCS is concerned about the lack of specificity
326 in the proposed IIAC program, including:

- 327 • undefined geographic area;
- 328 • unspecified types of projects that would be the focus of the IIAC’s
329 work;
- 330 • lack of developed criteria for selection of projects;
- 331 • unsupported, conclusory statements about possible renewable
332 gas projects and research into technologies and technology
333 applications; and
- 334 • lack of benchmarks for the number of projects to be generated
335 from IIAC assessments.¹¹

⁹ Utah PSC April 27, 2020 Order, page 15.

¹⁰ Id., page 17.

¹¹ Docket No. 19-057-33, Office of Consumer Services’ Motion To Dismiss Application or, in the Alternative, Motion for Summary Judgment Denying Application, February 14, 2020.

336 At this time, it is unknown what specific technology projects the IIAC will find
337 and it is unknown if these projects would qualify for STEP funding. This
338 raises a critical question: How can the PSC factually evaluate the proposed
339 IIAC funding using the “public interest” factors outlined in Section 54-20-
340 105(3)(c)(i) through (v) when the IIAC has yet to generate a specific STEP-
341 related project and it is unknown at this time what specific projects it will
342 bring forward for approval of STEP funding? The OCS questions whether
343 it is workable to apply the five public interest factors to the IIAC Program
344 under such circumstances.

345 **Q. DOES THE OCS SUPPORT THE IIAC PROGRAM AS BEING IN THE**
346 **PUBLIC INTEREST?**

347 A. Not at this time. In order to accept that the use of funds in the manner
348 proposed by DEU is in the public interest, the OCS would need more
349 information and details than what DEU has provided in its application and
350 testimony. To be clear, both the DPU and OCS submitted technical
351 conference questions and formal discovery to DEU. I reviewed all of the
352 information and responses. The questions were carefully written and
353 expected to have yielded more detailed responses, but the responses
354 were disappointing in their lack of details. The OCS believes this calls into
355 question how well developed the IIAC program is and certainly indicates it
356 does not meet the typical standards for regulated utility programs.

357

358 **Q. SHOULD THE PSC APPROVE DEU'S REQUESTED 3-YEAR \$2.4**
359 **MILLION FUNDING FOR THE IIAC WITHOUT THE MISSING DETAILS**
360 **THAT YOU JUST DESCRIBED ABOVE?**

361 A. No. Before any consideration of approval of this application moves forward,
362 DEU should supplement its application with this missing information.
363 Important factors such as evaluation criteria, goals, milestones and
364 measurable deliverables should be incorporated as part of the approval for
365 the IIAC to receive funding, including budget details. If DEU provides a
366 significant amendment to its application, parties may need additional time
367 to review the updated portions. If DEU does not supplement its application,
368 the PSC should not approve the funding unless it also imposes significant
369 additional oversight and operational criteria. I provide recommendations for
370 such requirements in the next section of this testimony.

371 **Q. EVEN IF DEU PROVIDES THE MISSING DETAILS, DOES THE OCS**
372 **BELIEVE THE IIAC SHOULD BE FUNDED UP FRONT FOR 3 YEARS?**

373 A. No. The OCS believes that the PSC should proceed cautiously and only
374 approve IIAC funding for a pilot period. This way the IIAC can prove that it
375 can be a "project generator" for STEP and verify whether it is cost effective
376 to have a stand-alone program that finds STEP eligible projects, manages
377 those projects and provides reporting to DEU. Near the end of the pilot
378 period, DEU could re-apply to the PSC for additional funding over an
379 extended term. To determine if an extension is warranted for the IIAC, the
380 pilot period should be evaluated based on the work performed and the

381 benefits achieved to date, including expected air quality improvements and
382 benefits to ratepayers.

383 **Q. DO YOU HAVE SPECIFIC RECOMMENDATIONS FOR A PILOT**
384 **PERIOD?**

385 A. Yes. While the OCS' primary position is that the IIAC program has not been
386 demonstrated to be in the public interest, if the PSC were to approve it, I
387 recommend that it only approve a budget amount for one year. After a year
388 of operation, DEU could come back to the PSC and further demonstrate the
389 benefits. If DEU is concerned about having continuous operations of the
390 IIAC, it could spread the one-year budget across 18 months. This would
391 allow DEU time to petition the PSC for an extension during the last six
392 months with the evidence compiled during the first twelve months.

393

394 **Recommended Requirements for IIAC Operation as a STEP-Funded Entity**

395 **Q. DOES THE OCS HAVE A RECOMMENDATION ON SPECIFIC**
396 **REQUIREMENTS THAT THE IIAC SHOULD ADHERE TO?**

397 A. Yes, as part of any funding approval for the IIAC, the PSC should order the
398 following elements be incorporated as part of the IIAC pilot program:

- 399
- 400 • Adopt guidelines similar to those required by the DOE for the IIAC
 - 401 • Provide a detailed budget
 - 402 • Put in place measurable goals
 - 403 • Develop assessment pre-screening criteria
 - Develop project evaluation criteria

- 404 • Provide for oversight and quarterly reports
- 405 • Incorporate some non-discrimination requirements
- 406 • Restrict what project information can be confidential
- 407 • Address concerns related to the COVID-19 pandemic

408 **Q. WHAT GUIDELINES SHOULD THE IIAC USE TO GOVERN THEIR**
409 **WORK ON STEP-RELATED PROJECTS?**

410 A. The OCS has reviewed the DOE's guidelines¹² for the IIAC and
411 recommends the following:

- 412 ○ For DOE-funded assessments, I presume that IIAC will comply
413 with all DOE guidelines and other requirements, including, but not
414 limited to, the DOE's IAC program guidelines;
- 415 ○ IIAC and DEU should develop reasonable written modifications
416 and additions to the DOE Guidelines that apply to the portions of
417 the pilot program funded using STEP funds (STEP Guidelines).
- 418 ○ Among other things, the STEP Guidelines should include specific
419 written pre-screening criteria for assessments outside the
420 manufacturing sector, including in the commercial, waste
421 facilities, and institutional sectors, and for aggregated residential
422 and small business assessments.

¹² Please see: "[Guiding Principles for Successfully Implementing Industrial Energy Assessment Recommendations](#)" Also, the OCS understands that in addition to these Guiding Principles, the DOE has very specific and detailed guidelines for the IAC assessments it funds.

- 423 ○ The PSC should specifically prohibit the use of STEP funds for
424 scholarly publications or presentations and related travel or other
425 expenses, which should be expressly declared outside the scope
426 of the pilot program and IIAC's STEP reporting obligations.
- 427 ○ The PSC should require the following eligibility requirements:
- 428 ○ Customers must be willing to participate in reasonable
429 follow-up implementation reviews;
- 430 ○ Customers must be willing to have the customer's name
431 listed as a program participant; and
- 432 ○ Customers may not have had an assessment performed
433 by RMP or DEU or any other comparable public or
434 ratepayer funded program in the past 5 years.
- 435 ○ The PSC should require DEU to provide copies of the draft STEP
436 Guidelines to DPU and OCS and an opportunity to comment on
437 them before they are finalized.

438 **Q. SHOULD DEU PROVIDE A DETAILED BUDGET FOR THE WORK**
439 **PROPOSED FOR THE IIAC?**

440 A. Yes. As I indicated above, the budget detail provided to the OCS through
441 discovery was very high level, with little detail. The IIAC has been
442 performing its work for the DOE for years and should easily be able to
443 provide a budget to parties with sufficient detail and transparency to
444 understand exactly how the proposed STEP funds would be spent.

445 **Q. WHAT STEP-RELATED GOALS SHOULD BE PUT IN PLACE FOR THE**
446 **IIAC?**

447 A. The OCS recommends the following goals:

- 448 ○ 20 assessments completed during pilot program period
449 (identifying air quality benefits, greenhouse gas benefits,
450 energy and cost savings);
- 451 ○ 20 supplemental evaluations during pilot program period of
452 DOE-funded projects (identifying air quality and greenhouse
453 gas benefits);
- 454 ○ All assessments will include an analysis of whether to pursue
455 PSC approval for a STEP incentive.

456 **Q. WHAT STEP-RELATED PROJECT PRE-SCREENING CRITERIA**
457 **SHOULD BE PUT IN PLACE FOR THE IIAC?**

458 A. Before the IIAC conducts an assessment, the OCS recommends the
459 following pre-screening criteria:

- 460 ○ A determination that the customer utilized, or would utilize
461 natural gas equipment in such volumes that the benefits are
462 reasonably likely to be greater than the expense of the
463 assessment and any additional STEP funded costs or
464 subsidies;
- 465 ○ A determination that the customer is a current DEU customer
466 or is located within the DEU service territory and could
467 become a customer without significant investment; and

- 468 ○ A determination that the customer meets the other applicable
469 sector-specific customer eligibility requirements to be
470 developed and included in the STEP Guidelines

471 **Q. WHAT PROJECT EVALUATION CRITERIA SHOULD THE IIAC USE TO**
472 **DETERMINE IF POTENTIAL PROJECTS SHOULD BE CONSIDERED**
473 **FOR ADDITIONAL STEP FUNDING?**

474 A. The OCS recommends that project evaluation criteria for IIAC be defined to
475 include the following:

- 476 ○ Funding (\$) per air quality impact, including;
- 477 ▪ \$/ton of greenhouse gases, criteria pollutants and/or air
478 toxic pollutants; and
- 479 ▪ Emphasis on reductions within non-attainment areas
480 and in the state of Utah;
- 481 ○ Project size and installed cost;
- 482 ○ Feasibility of implementation (e.g., timeline);
- 483 ○ Customer criteria (buy-in, financial solvency, etc.);
- 484 ○ Ability to serve as demonstration project for further replication;
- 485 ○ Availability of ongoing data;
- 486 ○ Use of new technologies or novel application of existing
487 technologies;
- 488 ○ Benefits to ratepayers, including residential and small
489 business customers;

- 490 ○ Use of natural gas to replace higher-emitting fuels (e.g., coal,
491 gasoline, diesel, wood, etc.) to improve air quality;
492 ○ Evidence that private sector could not advance the project
493 without funding; and
494 ○ Ability to contribute to research and market growth for clean
495 use of natural gas;

496 **Q. WHAT OVERSIGHT AND REPORTING REQUIREMENTS DOES THE**
497 **OCS RECOMMEND FOR DEU ON IIAC'S WORK?**

- 498 A. The OCS recommends the following oversight and reporting:
499 ○ DEU should provide progress reports to the DPU and OCS on
500 a quarterly basis.
501 ○ Reports (where practicable) should include actual Utah
502 specific numbers and evaluations.

503 **Q. WHAT NON-DISCRIMINATION REQUIREMENTS SHOULD BE PLACED**
504 **ON THE IIAC FOR STEP PROJECTS?**

- 505 A. The OCS recommends the following non-discrimination requirements to
506 ensure that all customers have the opportunity to benefit from DEU's STEP
507 program:
508 ○ DEU should be required to promote the STEP program to
509 businesses through local organizations (i.e. UAE, UMA, cities,
510 counties, OED).
511 ○ Upon identifying a project that meets the pre-screening
512 criteria for an assessment, prior to conducting the assessment

513 IIAC and DEU should be required to apply the following
514 procedures to provide similarly situated customers an
515 opportunity to be considered for the assessment:

- 516 ▪ Provide reasonable notice of the assessment
517 opportunity, including through its website, which
518 identifies the geographic region, sector, and other
519 relevant factors targeted for the assessment;
- 520 ▪ Provide similarly situated customers 10 days to apply
521 for the assessment, including through an online
522 application procedure;
- 523 ▪ Conduct the pre-screening procedure for the
524 applicant, if an application for assessment is received;
- 525 ▪ Select the customer to be assessed, based on the pre-
526 screening factors, evaluation criteria, and other
527 reasonable information; and
- 528 ▪ Notify customers in writing whether they have been
529 selected for an assessment within a reasonable time
530 after selecting the customer to be assessed.

531 **Q. WHAT PROJECT INFORMATION SHOULD NOT BE LABELED**
532 **CONFIDENTIAL AND MADE AVAILABLE TO THE PUBLIC?**

533 A. The OCS believes that since ratepayers are providing the STEP funding,
534 ratepayers should know what the money is being spent on. Therefore, the
535 OCS recommends that the PSC require certain project information to be

536 non-confidential and available to all ratepayers and members of the public.
537 Any project developed through the IIAC process and proposed for approval
538 of STEP funds should include an agreement by the customer to a limited
539 waiver of confidentiality of the customer's participation in STEP funding with
540 respect to the customer's name, the amount of STEP funding for the project,
541 expected benefits of the project, and the nature of the project (e.g., a co-
542 generation boiler replacement, renewable natural gas capture project, etc).

543 **Q. HOW SHOULD DEU HANDLE CONCERNS RELATED TO THE IIAC'S**
544 **OPERATION DURING THE CURRENT COVID-19 PANDEMIC?**

545 A. The OCS recommends the PSC order the following to address COVID-19
546 concerns:

- 547 ○ Prior to receiving funding the IIAC should be required to
548 provide written confirmation to DEU, which notifies the OCS
549 and DPU, demonstrating the IIAC is appropriately staffed and
550 has measures in place that will allow IIAC to fully conduct
551 assessments under pandemic conditions.
- 552 ○ In the event IIAC does not perform the assessments and
553 evaluations set forth above for any reason, IIAC should be
554 required to refund to DEU funds paid to IIAC in an amount
555 proportionate to the amounts budgeted for the assessments
556 or evaluations IIAC did not perform. All refunded amounts
557 would be credited to ratepayers.

558

559 **Conclusions and Recommendations**

560 **Q. PLEASE SUMMARIZE THE OCS' RECOMMENDATIONS REGARDING**
561 **DEU'S PROPOSED FUNDING OF THE IIAC.**

562 A. The OCS recommends that the PSC deny DEU's application as it did not
563 provide sufficient evidence to demonstrate that the proposed funding of the
564 IIAC is in the public interest. If the PSC does approve DEU's proposal, it
565 should impose significant operational and oversight provisions as I have
566 recommended. Absent these requirements, DEU's proposal falls far short
567 of the standard level of detail and oversight for regulated utility programs.

568 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

569 A. Yes it does.