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## UTAH DEPARTMENT OF COMMERCE

### Division of Public Utilities

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## Action Request Response

**To:** Public Service Commission of Utah

**From:** Utah Division of Public Utilities

Chris Parker, Director  
Brenda Salter, Assistant Director  
Doug Wheelwright, Utility Technical Consultant Supervisor  
Bob Davis, Utility Technical Consultant

**Date:** July 20, 2023

**Re:** **Docket No. 19-057-33**, Application of Dominion Energy Utah for Approval of a Natural Gas Clean Air Project and Funding for the Intermountain Industrial Assessment Center

## Recommendation (Acknowledge)

The Division of Public Utilities (Division) has reviewed Dominion Energy Utah's (DEU) Natural Gas Clean Air Project and Funding for the Intermountain Industrial Assessment Center Program Annual Status Report (Report).<sup>1</sup> The current Report covers the period from March 1, 2022, through February 28, 2023. The Division recommends the Public Service Commission of Utah (Commission) acknowledge DEU's 2022 Report.

## Issue

On June 20, 2023, DEU filed its Report in compliance with the Commission's Order issued in Docket No. 19-057-33.<sup>2</sup> On June 20, 2023, the Commission issued an Action Request asking the Division to review DEU's filing for compliance and to make recommendations. The Commission asked the Division to report back by July 20, 2023. On June 21, 2023, the

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<sup>1</sup> Docket No. 19-057-33, *Dominion Energy Utah's Annual Report on 2022 Sustainable Transportation & Energy Plan* filed June 20, 2023, <https://pscdocs.utah.gov/gas/19docs/1905733/328461RdctdDEU2022SstnblTrnsprtnEnrgyPln6-20-2023.pdf>.

<sup>2</sup> Docket No. 19-057-33, *Order*, August 31, 2020, <https://pscdocs.utah.gov/gas/19docs/1905733/3152031905733oass8-31-2020.pdf>.

Commission issued its Notice of Filing and Comment Period and asked any interested person to file comments by July 20, 2023.

## Background

Utah Code Ann. Section 54-4-13.1 authorizes the Commission to approve a gas corporation to establish natural gas clean air programs that promote sustainability through increasing the use of natural gas or renewable natural gas that the Commission determines are in the public interest, subject to the funding limits set forth in Subsection 54-20-105(3)(d).<sup>3</sup>

On December 31, 2019, Dominion filed for approval of its Natural Gas Clean Air Project and Funding for the Intermountain Industrial Assessment Center (IIAC). On July 16, 2020, DEU, the Division, and the Office of Consumer Services (OCS) submitted a Settlement Stipulation to the Commission. The Commission approved the Stipulation on August 31, 2020, and ordered a program start date of October 1, 2020. The terms of the Stipulation included funding for the IIAC at a level of \$500,000 annually for a pilot period of two years.<sup>4</sup> In return for the funding, the IIAC is required to perform 20 energy efficiency assessments (in addition to the 20 Department of Energy funded energy efficiency assessments) and 40 clean air assessments in each of the pilot-period program years.

The Stipulation also included a temporary suspension feature, which could be invoked by DEU and IIAC for COVID-19 pandemic-related restrictions. As a result of the COVID-19 pandemic, DEU and the IIAC initially experienced difficulties and setbacks related to performing the assessments contemplated in the Stipulation. Consequently, the Company sought, and the Commission approved, an adjusted IIAC program year of March 1, 2021, through February 28, 2022. Since March 1, 2021, DEU and the IIAC have resolved all COVID-19 related issues.<sup>5</sup>

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<sup>3</sup> Utah Code Annotated § 54-20-105, [https://le.utah.gov/xcode/Title54/Chapter20/54-20-S105.html?v=C54-20-S105\\_2016051020160510](https://le.utah.gov/xcode/Title54/Chapter20/54-20-S105.html?v=C54-20-S105_2016051020160510).

<sup>4</sup> *Id.* § 54-20-105(3)(d), Upon commission approval, the commission may authorize the large-scale natural gas utility to allocate on an annual basis up to \$10,000,000 to a specific sustainable transportation and energy plan as described in Subsections (3)(a)(i) through (vii) or a specific natural gas clean air program as provided in Section 54-4-13.1.

<sup>5</sup> Docket No. 19-057-33, *Supra* note 1, page 10.

The Division supported the Settlement Stipulation between the Parties and the modified term of the IIAC assessment program that concluded on February 28, 2023.<sup>6</sup> The Parties agreed that DEU may extend funding to the IIAC for an additional year beginning on March 1, 2023, and proceed through February 28, 2024, with the same terms and conditions approved by the Commission in its original Order.<sup>7</sup>

In the Settlement Stipulation, DEU agreed to not seek Commission approval for any additional funding for the IIAC at the conclusion of the extended program. The Parties also agree that DEU will not make any additional funding requests under Utah Code Subsection 54-20-105(3)(a)(vii) through the sunset of the Sustainable Transportation and Energy Plan Act (STEP) legislation on July 1, 2024.

DEU has provided informal quarterly status updates to the Division and OCS since the program officially got underway in March of 2021.<sup>8</sup>

## **Discussion**

DEU reports that the IIAC has performed the required 20 Stepwise-related energy efficiency assessments and 40 clean air assessments at qualifying business facilities located throughout Utah. The Report provides details on the completed assessments including specifics on the 263 potential energy efficiency projects that the IIAC identified. If all of the projects were implemented by the assessed businesses, it would result in estimated natural gas usage reductions of more than 969,000 dekatherms annually and reduced electricity consumption of nearly 80 million kilowatt hours per year. The IIAC estimated that these energy efficiency projects would cost \$60.8 million to complete but would save the assessed businesses nearly \$7.7 million annually, resulting in a simple collective payback period of 7.9 years. In addition to the financial benefits, the IIAC estimated that full implementation of the 263 potential energy efficiency projects would result in an annual

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<sup>6</sup> Docket No. 22-057-24, *Comments from the Division of Public Utilities* filed January 18, 2023, <https://pscdocs.utah.gov/gas/22docs/2205724/326625DPUCmnts1-18-2023.pdf>.

<sup>7</sup> Docket No. 19-057-33, *supra* note 2.

<sup>8</sup> The Commission's approved Stipulation directed DEU to update interested parties quarterly and annually on the status of its clean air programs approved by the Commission, Docket No. 19-057-33, August 31, 2020, section 15(B) and (C) of the Stipulation.

reduction in CO<sub>2</sub> emissions of 72,800 tons and criteria pollutant emissions reductions of 149.2 tons.<sup>9</sup>

The quarterly reports have been informative and compliment DEU's annual report in this filing. Utah Code Ann. Section 54-4-13.1(6) provides the Commission the means to review the expenditures made by a gas corporation for a natural gas clean air program to determine if the gas corporation made the expenditure prudently and in accordance with the purposes of the program.<sup>10</sup>

The Division is tasked with reviewing the annual status of the program for prudence. This review includes the references and calculations used to develop the tables and graphs in the report, an accounting of expenditures, carrying charges, cost and benefit analysis, and future plans and accomplishments for the program. DEU's first annual report only provided accomplishments supported with numerous tables and graphs with no supporting exhibits and vague references that are difficult to vet.

The Division relies on these types of supporting exhibits to determine the prudence of the monies spent on the program. The Division asked DEU to provide supporting evidence for its 2021 program balance status and support for its tables in DPU Data Request 5. DEU provided its STEP Balance Detail and support for the Tables presented throughout its annual report in this year's filing. However, the Division requests that DEU provide a detailed illustration of the balancing account in Excel format with intact formulae and references in future filings that provide an accounting of the surcharge revenues, all expenses of the program, and carrying charge (including the calculation of the surcharge).

The DEU reports that the IIAC follows up with its assessments approximately 300 days after Department of Energy (DOE) report delivery to check on implementation. Table 7 of DEU's report illustrates the percent of recommendations that are in progress or implemented is 45 percent since 2021 or roughly 57 percent historically.<sup>11</sup>

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<sup>9</sup> *Supra* note 1, *Cover Letter*, pages 1-2.

<sup>10</sup> Utah Code Annotated § 54-4-13.1, [https://le.utah.gov/xcode/Title54/Chapter4/54-4-S13.1.html?v=C54-4-S13.1\\_2019051420190514](https://le.utah.gov/xcode/Title54/Chapter4/54-4-S13.1.html?v=C54-4-S13.1_2019051420190514).

<sup>11</sup> Docket No. 19-057-33, *Supra* note 1, page 8, Table 7.

The Division joined the OCS in opposition to the implementation of the program in which the OCS questioned whether the IIAC funding was a prudent use of ratepayer funding and not in the spirit of the STEP Act.<sup>12</sup> The Commission denied the OCS's motion. The Division filed direct testimony on June 15, 2020, offering several recommendations for the Commission to consider before approving the program.<sup>13</sup> The IIAC Program is scheduled to sunset in 2024. The Division is unconvinced that a 45 percent implementation rate is sufficiently high to have made the expenditure a prudent use of ratepayer funds.<sup>14</sup> Nevertheless, the expenditures were approved and the Commission need take no further action.

## Conclusion

The Division has reviewed DEU's Report for March 1, 2022, through February 28, 2023. The Division concludes DEU, on behalf of IIAC, followed the Commission's Orders for the quarterly and annual filing requirements of the approved Stipulation(s). The Division recommends the Commission acknowledge DEU's 2022 Annual Status Report. The Division appreciates DEU's and IIAC's commitment to the program and adhering to the reporting requirements to keep stakeholders informed.

cc: Michael Orton, DEU  
Travis Willey, DEU  
Michele Beck, OCS  
Service List

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<sup>12</sup> Docket No. 19-057-33, *Division of Public Utilities' Joinder in Office of Consumer Services' Motion to Dismiss Application Or, In The Alternative, Motion for Summary Judgement Denying Application* filed February 14, 2020, <https://pscdocs.utah.gov/gas/19docs/1905733/312102DPUJndrOCSMtnDsmisApplAltrntvMtnSmryJdgmntDnyAppl2-14-2020.pdf>.

<sup>13</sup> Docket No. 19-057-33, *Direct Testimony of Robert A. Davis* filed June 15, 2020, lines 97-192, <https://pscdocs.utah.gov/gas/19docs/1905733/314274DirTestRobertADavisDPU6-15-2020.pdf>.

<sup>14</sup> Docket No. 19-057-33, *Supra* note 1, page 9.