



State of Utah

SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

Public Service Commission

THAD LeVAR
Chair

DAVID R. CLARK
Commissioner

JOHN S. HARVEY, Ph.D.
Commissioner

September 20, 2023

Re: Report from the Public Service Commission of Utah (PSC) under Utah Code Ann. § 54-20-106

Senators and Representatives,

Under Utah Code Ann. § 54-20-106, the PSC must submit a report and recommendation to the Utah Legislature before the first day of the legislative session in the final year of a pilot period under the Sustainable Transportation and Energy Plan (STEP). The STEP Act was amended in 2019 to apply to a natural gas utility,¹ and the pilot program for Dominion Energy Utah (DEU) began on July 1, 2019, and will end on June 30, 2024.

The STEP Act requires us to recommend whether the Legislature should:

- (1) extend STEP or a portion of it as a ratepayer funded program;
- (2) implement STEP or a portion of it as a state funded program; or
- (3) discontinue STEP or a portion of it.

For the reasons described in this report we recommend that the Legislature take no action and thus discontinue DEU's STEP pilot program by allowing it to expire on June 30, 2024. This recommendation is consistent with the recommendation of each stakeholder who provided comments to the PSC. DEU's STEP pilot program has enabled a number of DEU customers to reduce long-term costs and has generated emissions reductions.

The STEP Act defines the programs that the PSC may approve to be undertaken by DEU. In August 2020, the PSC approved a settlement stipulation authorizing DEU to

¹ H.B. 107, Sustainable Transportation and Energy Plan Act Amendments (G.S. 2019).

provide \$500,000 in STEP funding per year to the Intermountain Industrial Assessment Center (IIAC), affiliated with the University of Utah. The funding would enable IIAC to perform industrial audits of DEU customers to identify energy-efficiency projects that could result in reductions in particulate emissions and greenhouse gas emissions.

After some pandemic-related delays, the program commenced on March 1, 2021, and is scheduled to conclude on February 28, 2024. As part of the associated settlement stipulations, DEU agreed not to seek from the PSC any additional funding for IIAC or for any other STEP program. DEU submitted annual reports to the PSC on its use of STEP funds in June 2022 and June 2023.

In its June 2022 report to the PSC, DEU indicated that IIAC had completed assessments on 234 potential energy-efficiency projects for DEU customers that, if undertaken, would reduce annual natural gas usage by more than 918,000 dekatherms and would reduce annual electricity consumption by nearly 40 million kilowatt hours. IIAC estimated total costs of the projects at \$79 million with annual savings of nearly \$41 million. IIAC also estimated the projects would reduce annual CO₂ emissions by 56,000 tons and reduce other annual pollutant emissions by 64.8 tons. IIAC reported implementation of 44% of these potential energy-efficiency projects by DEU customers.

In its June 2023 report to the PSC, DEU indicated that IIAC had completed additional assessments on 263 potential energy-efficiency projects for DEU customers that, if undertaken, would reduce annual natural gas usage by 969,000 dekatherms and would reduce annual electricity consumption by nearly 80 million kilowatt hours. IIAC estimated total costs of the projects at \$60.8 million with annual savings of nearly \$7.7 million. IIAC also estimated the projects would reduce annual CO₂ emissions by 72,800 tons and reduce other annual pollutant emissions by 149.2 tons. IIAC reported implementation of 45% of these potential energy-efficiency projects by DEU customers.

The PSC solicited comments from any interested person before preparing this report. Two entities provided comments: the Division of Public Utilities and the Office of Consumer Services. Both had agreed to prior settlement stipulations for STEP funding, and both recommended allowing DEU's STEP pilot program to expire on June 30, 2024.

Based on our review of DEU's STEP reports and the unanimous comments to the PSC, we recommend that the Legislature take no action and thus discontinue DEU's STEP pilot program by allowing it to expire on June 30, 2024. DEU's STEP pilot program has

enabled a number of DEU customers to reduce long-term costs and has generated emissions reductions.

Respectfully submitted,

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ John S. Harvey, Ph.D., Commissioner