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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

APPLICATION FOR APPROVAL OF THE)	
2021 YEAR BUDGET FOR ENERGY)	Docket No. 20-057-20
EFFICIENCY PROGRAMS AND MARKET)	APPLICATION
TRANSFORMATION INITIATIVE)	

1. Questar Gas Company, doing business as Dominion Energy Utah (Dominion Energy or the Company), respectfully submits this Application for Approval of the 2020 Year Budget for Energy Efficiency Programs and Market Transformation Initiative (Application). The Company submits this Application pursuant to the applicable orders of the Public Service Commission of Utah (Commission) identified in the introduction section below. Dominion Energy respectfully submits this Application seeking approval of costs associated with the delivery of the Energy Efficiency (EE) programs and associated Market Transformation Initiative.

I. INTRODUCTION

2. In its Order issued January 16, 2007 in Docket No. 05-057-T01 (January 16, 2007 Order), the Commission approved Questar Gas Company's Application for

Expedited Approval of Demand Side Management Programs and a Market Transformation Initiative (Original Application), and approved a three-year pilot program for Questar Gas's Demand Side Management (DSM) programs in conjunction with the Conservation Enabling Tariff (CET). On June 3, 2010, the Commission issued an Order in Docket No. 09-057-16, approving the CET as an on-going program (June 3, 2010 Order). The Commission has reviewed and approved applications for EE Programs, Budgets, and Market Transformation Initiatives each year thereafter. Most recently, on December 13, 2019 the Commission issued an Order in Docket No. 19-057-26 (December 13, 2019 Order), approving Dominion Energy Utah's Application for Approval of the 2020 Year Budget for Energy Efficiency Programs and Market Transformation Initiative.

II. OVERVIEW OF PROPOSED 2021 ENERGY EFFICIENCY PROGRAMS AND MARKET TRANSFORMATION INITIATIVE

3. In the Original Application (Docket No. 05-057-T01), the Company listed seven best practices for developing successful EE programs. These seven best practices are:

- A. Develop a comprehensive energy efficiency approach;
- B. Simplify and integrate program offerings;
- C. Brand EE and focus on customer service;
- D. Develop strategic relationships with market participants;
- E. Provide customized service, when applicable;
- F. Provide qualified, independent expertise; and
- G. Integrate program evaluation early.

Through the design, development, implementation and administration of EE programs, the Company has successfully achieved, and in many cases exceeded, each of the best practices

outlined in the Original Application. The Company's ThermWise® EE campaign is a model for natural gas utility programs nationwide. The ThermWise® rebate programs are customer friendly and cost effective.

4. In addition to the implementation and development of the ThermWise® EE campaign, the Company has made a concerted effort to maintain high levels of customer service. The Company has developed relationships with trade allies, including wholesalers, heating, ventilation and air conditioning (HVAC), weatherization contractors, dealers, and retailers. The Company has built flexibility into the implementation and marketing of its programs to allow for customized service when required.

5. Blackhawk Network Holdings, Inc. (Blackhawk), the ThermWise rebate processing contractor since mid-2012, informed the Company in June 2018 that it would terminate its rebate processing contract with the Company at the end of December 2018. Given that the previous rebate processing transition took nearly twelve months to complete, the Company requested proposals from firms it believed could complete the transition in a shortened six-month timeframe. As such, the Company sought proposals from firms with either past ThermWise rebate processing experience or recent experience transitioning utilities from Blackhawk. After internal evaluation, the Company selected Nexant, Inc. (Nexant) and awarded a two-year contract for 2019 and 2020 rebate processing services.

The Company published an RFP on May 18, 2020 seeking rebate processing proposals for work to be performed between 2021 and 2023. The RFP was sent to fourteen contractors with previous rebate processing experience. Of the fourteen firms contacted, four responded to the Company with detailed proposals. Ultimately, the Company selected

the proposal from Nexant and awarded them a new three-year rebate processing contract that extends their services to December 31, 2023.

6. Based on input from the Utah DSM Advisory Group, Utah-based trade allies, program administrators and other energy efficiency stakeholders, Dominion Energy proposes continuing the eight existing ThermWise® EE programs in 2021: 1) the ThermWise® Appliance Rebates Program; 2) the ThermWise® Builder Rebates Program; 3) the ThermWise® Business Rebates Program; 4) the ThermWise® Home Energy Plan Program; 5) the ThermWise® Weatherization Rebates Program; 6) funding for the Low-Income Efficiency Program administered by the Utah Department of Workforce Services; 7) the Market Transformation Initiative; 8) and the ThermWise® Energy Comparison Report (Comparison Report).

7. **ThermWise® Appliance Rebates.** This program offers rebates to GS customers for installing high-efficiency qualifying measures. The Company is proposing to continue this program with the addition of dual-fuel heating systems and energy recovery ventilation (ERV) to the mix of rebate-eligible equipment in 2021.

8. The Company proposes an \$800 rebate for single family homes and a \$450 rebate for multifamily properties that purchase and install a qualifying air source (also referred to as air-to-air) dual-fuel heating system beginning in 2021. A dual-fuel heating system is defined as a heat pump coupled with high efficiency natural gas combustion backup. For the purposes of the rebate, the Company proposes to define qualifying dual-fuel systems as an ENERGY STAR® Certified ducted heat pump, heating seasonal performance factor (HSPF) ≥ 9.0 , and seasonal energy efficiency ratio (SEER) ≥ 14 . Further, the customer must purchase and install an ENERGY STAR® Certified natural

gas heating system to provide heat at low ambient outside air temperatures. The Company also proposes to require the installer to establish the changeover set point, from heat pump to the natural gas backup, for the dual-fuel heating system to be set at 40° F.

9. While heat pumps can provide both space heating and cooling, for the purposes of the ThermWise® programs and natural gas savings, the Company is solely focused on the high efficiency performance of the heating operations. Operating in heating mode, an air source heat pump can deliver space heat at efficiency levels nearing 300% under the right conditions. This is accomplished by stripping heat from the ambient air outside of a building's envelope and, using the basic refrigeration cycle with a reversing valve, deliver heat to condition the inside of a home.

10. Because of the process by which air source heat pumps generate heat, heating capacity and efficiency performance are greatly impacted by the temperature of outside air. As the outside air temperature drops, the heating capacity and efficiency performance of the typical air source system also drops because it cannot remove as much heat from the air. If the outside air temperature drops enough, the typical air source heat pump loses capacity to provide a structure's necessary heating load. For this reason, typical air source heat pumps have auxiliary heating systems, usually provided by electric strip heaters, at a certain outside air temperature. This type of auxiliary heating is inefficient, particularly in Utah's climate zones, and can be especially costly to operate in the coldest months of the year. For this reason, air source heat pumps with auxiliary electric heat have traditionally seen the greatest uptake in the United States in climate zones 3-5 where heating degree days average less than 5,500 annually. For contrast, the majority of Utah

is situated in climate zones 1 and 2 (with only Washington County located in climate zone 4) where heating degree days ranged between 5,500 and more than 8,600 in 2019.

11. The Company believes that the most cost-effective and most efficient air source heat pump system is a dual-fuel system that includes natural gas for supplemental heat. The Company estimates that the kind of dual-fuel system outlined above, installed in a typical single-family home using 80 dekatherms (Dth) annually, would reduce their natural gas usage related to space heating by 26 Dth. For the typical existing multifamily unit, the Company estimates that annual natural gas usage would be reduced by 15 Dth annually. The Company expects that most natural gas usage reductions, resulting from the installation of a dual-fuel system, to occur in the shoulder months of the heating season. Additionally, the Company expects that even with substantial customer uptake and installations of dual-fuel systems (which is not forecasted for 2021), peak day usage would remain unchanged assuming outside air temperatures didn't rise above 40°F in that specific 24-hour period.

12. The Company also proposes to add energy recovery ventilation (ERV) to the mix of rebate-eligible equipment in 2021. ERVs are devices which are used to recover energy contained in normally exhausted building or space air and is then used to treat (or precondition) the incoming outdoor ventilation air in residential and commercial HVAC systems. The Company's first experience with ERVs was as a Business Custom measure for several years. This gave the Company a chance to evaluate performance and observe natural gas savings before it introduced the ERV as a prescriptive rebate measure in the Business Program (Docket No. 18-057-20). The Company now believes there is good potential for natural gas savings from the use of ERVs in existing homes.

13. Additionally, the Company proposes to change the rebate efficiency standard for the current fireplace rebate measure from annual fuel utilization efficiency (AFUE) to fireplace efficiency (FE) in 2021. FE is a Canadian standard that was recently put in place and is beginning to be more widely adopted by manufacturers and other utility efficiency programs.

14. Specific requirements for the proposed dual-fuel heating system, ERVs, and the FE efficiency standard are outlined in the Legislative and Proposed Tariff sheets (DEU Energy Efficiency Exhibit 1.9). DEU Energy Efficiency Exhibit 1.1 sets forth the complete Appliance Program description for 2021.

15. **ThermWise® Builder Rebates.** Under this program, the Company offers rebates to residential builders for installing qualifying energy efficiency measures and constructing homes that meet certain whole-home efficiency requirements. The ThermWise® Builder Program is available to all newly constructed residences receiving service on the GS rate schedule. The Company proposes to add the dual-fuel heating system and ERVs rebates and make the change from AFUE to FE for fireplaces in 2021 for the same reasons as described in the Appliance Program discussion.

16. The Company also proposes to eliminate the builder rebate credit, first proposed in the 2014 ThermWise® budget (Docket No. 13-057-14), beginning in 2021. The builder rebate credit was introduced as a new streamlined rebate method that was intended to replace a large percentage of traditional paper rebate application. This rebate method has been successful over the years and has seen good participation. However, beginning in 2019, the Company began to encourage builders to shift from receiving rebates through the rebate credit to participation in pay-for-performance measures. The

pay-for-performance measures have a higher requirement for documentation and testing by builders that does not function well with the builder rebate credit. The pay-for-performance model has seen good market uptake to this point, and the Company sees this as the future direction, in 2021 and beyond, for the Builder Program.

17. Specific requirements for the dual-fuel heating system, ERVs, changing fireplace rating, and elimination of the Builder Rebate Credit are outlined in the Legislative and Proposed Tariff sheets (DEU Energy Efficiency Exhibit 1.9). DEU Energy Efficiency Exhibit 1.2 sets forth the complete Builder Program description for 2021.

18. **ThermWise® Business Rebates.** Under this program, the Company offers rebates to commercial GS customers who purchase and install qualifying natural gas efficiency measures. The Company proposes to continue this program with the addition of the dual-fuel heating system rebate for the reasons outlined in the Appliance Program discussion.

19. The Company also proposes to add Advanced Rooftop Controls (ARCs) as a new rebate measures in the 2021 Business Program. ARCs are a digital system that allows remote monitoring, and enables control of fan speed, economizer functions, and a thermostat, making it easier to maintain occupant comfort and system efficiency in commercial buildings. ARC rebates are proposed to be divided into three tiers: 1) Advanced Rooftop Control ≥ 5 tons and ≤ 10 tons; 2) Advanced Rooftop Control > 10 tons and ≤ 15 tons; 3) Advanced Rooftop Control < 15 tons. The proposed rebate and expected annual natural gas savings are \$500 and 34 Dth for ARC tier 1; \$650 and 42 Dth for ARC tier 2; and \$800 and 76 Dth for ARC tier 3.

20. Additionally, the Company proposes to add Monitoring Based Commissioning (MBCx) to the list of simplified analysis rebates as part of the Business Custom measure beginning in 2021. Monitoring-Based Commissioning (MBCx) is an evolution of the energy efficiency industry standard measure, known as retrocommissioning, whereby major building components and equipment are tuned up after a period of time in order to achieve efficiency gains. The difference between retrocommissioning and MBCx is that MBCx introduces software and analytics into the process to provide actionable information that can be used to optimize facility operations. For example, the software might identify a fan in an HVAC system that is cycling defectively and notify the customer of the performance issue. The customer would then remedy the issue and achieve efficiency gains. The Company proposes to limit MBCx eligibility to large facilities (>150k square feet) and facilities that have savings potential \geq 1,000 Dth per year. Additional MCBx participation requirements will be kept in the Business Custom Program Manual, available at ThermWise.com. The Company has had early discussions with the State of Utah facilities group and various school districts and expects them to be among the early participants if the MCBx measure is approved. DEU Energy Efficiency Exhibit 1.3 provides an explanation of the proposed new rebate measures and sets forth the complete program description for 2021.

21. **ThermWise® Home Energy Plan.** The Company will continue to offer customers the opportunity to receive a Home Energy Plan that will provide them with information about other energy-saving opportunities. In Docket No. 20-057-T03, the Commission granted Dominion Energy permission to temporarily suspend in-home Home Energy Plans in response to COVID-19. The Company has instead utilized virtual home

energy assessments, beginning in March 2020. These have been conducted by one of the Company's Energy Experts who, through a video call, directs customers to areas of their home in order to collect the information necessary to complete an assessment. The Company then mails the customized report to the customer as is done with in-home energy plans. The Company has seen good interest and participation in the virtual assessments through nine months of 2020 and expects to meet the year's goal of 2,240. The Company proposes to continue virtual assessments in 2021 until it is deemed safe to return to customer homes, at which time it will provide the Commission with notice of its intent to do so pursuant to the Commission's Order in Docket No. 20-057-T03. DEU Energy Efficiency Exhibit 1.4 sets forth the complete program description for 2021.

22. **ThermWise® Weatherization Rebates.** Under this program, the Company offers residential GS customers rebates for installing qualifying weatherization measures. The Company proposes to continue this program in 2021 and to move the direct-install program, first proposed and approved by the Commission as a three-year pilot in Docket No. 16-057-15, from pilot status to an ongoing initiative beginning in 2021. This recommendation is made based on the findings of an evaluation of the pilot initiative conducted in 2020. The detailed findings and descriptions of the methodologies used in the evaluation are included as part of this filing as DEU Energy Efficiency Exhibit 1.13. At a summary level, the evaluation found that the natural gas savings achieved by the sample of direct-install program participant was 77.81% of the Company's estimated savings. The Company has adjusted natural gas savings in its 2021 cost effectiveness model to match the realization rate found in the evaluation. DEU Energy Efficiency Exhibit 1.5 sets forth the complete program description for 2021.

23. **Low-Income Efficiency Program.** The Company proposes to maintain funding for the Low-Income Efficiency Program at \$500,000 per year. The Company will continue to disburse \$250,000 every six months, with the disbursements occurring in January and in July. DEU Energy Efficiency Exhibit 1.6 sets for the complete program description for 2021.

24. **Market Transformation Initiative.** In addition to the EE rebate programs outlined above, Dominion Energy is proposing to continue its comprehensive Market Transformation initiative. Market Transformation involves promoting ongoing and lasting changes to natural gas appliance penetration rates and new construction markets, as well as natural gas conservation. Dominion Energy believes that its EE programs, including its Market Transformation initiative, complement the goals of Utah's 2014 Energy Efficiency & Conservation Plan.

25. One component of the Market Transformation initiative is a market awareness campaign designed to (1) enhance the Company's involvement in energy efficiency and conservation promotion; (2) change consumer and market participation behaviors; and (3) encourage persistent demand for energy efficiency products and practices.

26. Another component of the Market Transformation initiative involves the sponsorship of building code training for stakeholders in the construction industry. The Governor's Office of Energy Development (OED) conducts building code training programs, in collaboration with and through partial funding from Dominion Energy. The purpose of the training is to support the adoption, awareness, and enforcement of building codes associated with the IECC code. Based on the success of previous training sessions,

and the ongoing need in the market for more specific training sessions, the Company is proposing to continue funding these training sessions in 2021 at a level of \$80,000. The Office of Energy Development will continue to work with an outside vendor to design and conduct these trainings in 2021.

27. The next component of the market transformation initiative is the ThermWise.com website. The Company launched an informative, interactive, easy-to-use and dedicated energy efficiency website (www.ThermWise.com) during 2007. The website provides consumers with EE program descriptions, rebate applications, information regarding the economics of energy efficiency, other information to help consumers reduce their energy consumption, on-line energy audit input capability, and links to other useful websites related to energy efficiency and conservation. With the exception of a minor update in 2012, ThermWise.com has remained largely unchanged since 2007. The Company expects to make only the necessary updates for annual programmatic changes to ThermWise.com in 2021.

28. In its Order issued December 29, 2017 in Docket No. 17-057-22 (December 29, 2017 Order), the Commission provided guidance regarding future applications for the market transformation initiative. Specifically, the Commission supported the recommendation that the applications include strategies and justification for proposed budget amounts. Additionally, the Commission indicated support for the Advisory Group and the collaborative process originally envisioned for this group as outlined in the Joint Application filed December 16, 2005 (Docket No. 05-057-T01). The Company has sought to be responsive to this guidance throughout 2020. The Advisory Group met July 14, 2020 and September 24, 2020. At each of these meetings, the Company or its contracted

marketing firm, Faktory Inc. (Faktory), discussed aspects of the current or future ThermWise campaign. Representatives from Commission staff, the Utah Division of Public Utilities (Division), and the Utah Office of Consumer Services (Office) participated in the meeting by phone and provided useful feedback along with other program stakeholders.

29. The Company's contracted survey firm, Lighthouse Research (Lighthouse), conducted 2020 customer survey and Faktory presented the results at the September 24, 2020 Advisory Group meeting. The survey was conducted by phone in April of 2020 and 707 customers were contacted. Respondents were evenly split between genders and with an age profile that was similar to the Company's overall 2020 customer base. Faktory followed the presentation of Lighthouse survey results with recommendations. The primary conclusion drawn from the survey by the marketing experts was that the majority of the Company's customers (93%) believe it's important for utilities to offer efficiency programs. In 2020, several questions were added to the survey about the Company's use of the character "Therm," as its energy efficiency spokesperson. Of those customers surveyed, 48% recognized Therm and, of that group, 74% had a positive impression, 24% a neutral reaction, and only 2% had a somewhat negative reaction. The Company plans to continue asking questions related to its spokesperson over the coming years and tracking the favorability numbers over time.

30. However, Faktory also recognized that an overall downward trend seemed to be emerging where customer unaided awareness of the State's efficiency programs had decreased significantly over the past five annual surveys (48% unaided awareness of efficiency programs in 2015 and 33% in 2020). The survey indicates that combined aided

and unaided awareness of energy efficiency programs also decreased in 2020, most noticeably in the age group of 34 years old and younger. Additionally, awareness decreased in 2020 among customers with annual income levels of \$89,000 and below, renters, and residents of non-Wasatch front counties. The Company believes that some of these 2020 declines may be related to the onset of COVID-19 coinciding with the timing (mid-March through mid-April) of the 2020 Lighthouse survey. However, in 2021 the Company plans to address the awareness issue by changing from the historical advertising message of encouraging customers to schedule a home energy plan to a testimonial approach. This would involve highlighting customers who have participated in energy efficiency measures, specific high efficiency technologies, and the individual ThermWise® Programs.

31. Beginning in 2019, the Company proposed to collaborate with Habitat for Humanity organizations throughout Utah to promote advanced building techniques by supporting the construction of Net-Zero Homes. This collaboration will be focused on building homes that meet Net-Zero energy standards. A Net-Zero Home is defined as an energy-efficient building where, on a source energy basis, the actual annual consumed energy is less than or equal to the onsite generated or subscriber renewable energy procured. In addition to renewables, the Company proposed to support advanced building shell technologies and inclusion of highly efficient natural gas and electric appliances. This initiative is a foundation for the development of a robust and self-sustaining Net-Zero Homes market in the years to come.

32. The Company proposed in 2019 and 2020 to collaborate with higher education building programs, High School building programs, local trade schools,

contractors, Habitat for Humanity, and other interested parties to implement the Net-Zero Homes initiative. An additional goal of this initiative was to train the next generation of contractors and tradesfolk in the production of Net-Zero Homes. The first project broke ground in Ogden in the Spring of 2019, was completed in July of that year and finished in time to be included in the Northern Wasatch Parade of Homes. The building shell of the home achieved a home energy rating score (HERS) of 41. The systems of the home included advanced technologies such as an electric heat pump, a 95% efficient natural gas combination space and water heating system, and an ERV which is intended to reuse rather than vent waste heat.

33. In 2020 the Company began working on five separate Net-Zero Homes projects. In Davis County, the Company is working with High School building programs on two separate single-family homes. The Company's is collaborating with Habitat for Humanity in Summit County to build a single-family home and on a multifamily project. The final project is located in Utah County and is a single-family home that will be built entirely by women-contractors and tradeswomen to Net-Zero standards. Each of these projects are in the early building stages and are expected to be completed in 2021. The Company anticipates that the majority of the \$200,000 Net-Zero Homes budget will remain unspent in 2020.

34. The Company proposes to continue the Net-Zero Homes initiative with a budget of \$150,000 in 2021. The Company proposes to continue to work with Habitat for Humanity organizations, other non-profits, High School building programs, and higher-education building programs throughout Utah in 2021. The goals of the 2021 Net-Zero Homes initiative remain the same as those first proposed in the 2019 budget: To advance

highly efficient natural gas and electric technologies, promote above-code building shell construction techniques, and train the upcoming generations of tradesfolk in advanced building practices. The Company further proposes to repurpose the \$50,000 removed from the Net-Zero Homes initiative and put it toward working with trade schools throughout the State of Utah to promote the correct installation of dual-fuel heating systems in 2021. More specific information on the strategies to engage customers in the ThermWise® Programs, budgets, and studies in support of the proposed 2021 changes to the Market Transformation Initiative can be found in DEU Energy Efficiency Exhibit 1.7.

35. **ThermWise® Energy Comparison Report.** The ThermWise® Energy Comparison Report (ECR) allows customers to compare their natural gas usage with neighboring homes that are similarly sized and situated. The Comparison Report encourages customers to employ energy efficiency measures and behaviors. The Company developed the Comparison Report and first offered it to customers in November 2011. The Company initially sent the report to a small group of customers (Group A – 8,000 customers) as a pilot program. The Company has since launched larger pilot groups in 2012 (Group B – 25,000), 2013 (Group C – 100,000), 2014 (Group D – 100,000), 2016 (Group E – 55,000), 2017 (Group F – 50,000), 2018 (Group G – 50,000), 2019 (Group H – 25,000), and in the Fall of 2020 (Group I – 25,000). In 2020 the Company sent the report, via U.S. and electronic mail, to more than 266,000 of its customers. The Company maintains an additional control group of more than 100,000 customers who do not receive the report, for comparison purposes in order to determine natural gas savings achieved from delivery of the Comparison Report. With the exception of the control group, all customers are able to generate and view a copy of their Comparison Report through their online

account at www.dominionenergy.com. As of the middle of October 2020, the Comparison Report had been generated over 355,000 times online by over 135,000 unique customers.

36. The Company proposes to decrease delivery of the Comparison Report to 226,000 in 2021. The Company reaches this total number by discontinuing Group B beginning May 2020 and Group D in November 2020, while adding Group J which will be delivered to 50,000 additional customers in 2021. For Group J, some customers from discontinued groups may be considered in the selection process. Data shows that customers not only change behaviors to save natural gas as a result of the Comparison Report, but they are also more likely to participate in other ThermWise® Programs if they have received the report. The Company conducted an analysis in 2019 that showed, when contrasted against a control group of non-recipients, customers who had received their Comparison Report were more likely to participate in a ThermWise® rebates and/or request a Home Energy Plan. The Company proposes to continue to target the Comparison Report to customers with higher usage relative to conditioned square footage in 2021.

37. While proposed program participants decrease from 2020, natural gas savings per customer increases moderately by 4% in 2020. The Company-conducted study in 2020 that focused savings analysis on all current recipients of the report (Groups E and F). As a result, the Company updated the natural gas savings number from 1.21 Dth/year in the 2020 Model, to 1.26 Dth/year in the 2021 Model. Throughout the life of the ECR Program, the Company has observed that peak decatherm savings occur approximately in years two through four, and then slightly decrease and moderate. DEU Energy Efficiency Exhibit 1.8 describes the methodology used in the realization studies and sets forth the complete program description for 2021.

38. **Tariff Sheets.** Tariff sheets for all programs are attached in both legislative and proposed formats as DEU Energy Efficiency Exhibit 1.9. The Company proposes that these Tariff sheets become effective January 1, 2021.

III. PROPOSED 2021 BUDGET

39. The total 2021 projected budget for Dominion Energy's Energy Efficiency Programs and the Market Transformation Initiative is \$27.1 million and is shown in DEU Energy Efficiency Exhibit 1.10, column T, line 12. The proposed 2021 budget is a \$600,000 increase from the 2020 budget (Docket No. 19-057-26). This projected increase is mainly due to greater expected participation in the ThermWise® Builder and Business programs. The 2021 budget is reflective of the 2020 nine (9) month (January-September) actual participation numbers; insights from retailers, distributors and other trade allies; and the market knowledge of the Company's contractor, Nexant. To the extent actual participation levels differ from projected levels, actual costs will differ from budget. The Company proposes to continue to provide the actual participation levels and related costs and gas savings compared to projections to the Division quarterly.

40. The Company projects that customer incentives will increase, as a percentage of the total budget, by 2.4% from 2020 (76.1%) to 2021 (78.5%). This increase results from the Company's continued focus on running cost-effective energy efficiency programs and the resulting efforts to minimize non-incentive costs. The most recently published American Gas Association (AGA) study of natural gas efficiency programs (Natural Gas Efficiency Programs Brief – *Investment and Savings Impacts 2018 Program*

*Year, Report Appendices*¹) showed that the average non-incentive costs for the 41 states participating in natural gas efficiency programs to be 39% of total expenditures. Additionally, of the 21 states with natural gas efficiency expenditures over ten million dollars, Utah ranked sixth in terms of lowest non-incentive costs as a percentage of overall expenditures. DEU Energy Efficiency Exhibit 1.7 provides greater detail on the results of the 2018 AGA study.

41. **ThermWise® Appliance Rebates.** The Company expects participation in this program to decrease in 2021 by 45%. The Company also expects the 2021 program budget to decrease by 21% (DEU Energy Efficiency Exhibit 1.10, column I, line 13) and the related gas savings to decrease by 41% (DEU Energy Efficiency Exhibit 1.10, column I, line 16). These decreases are largely a result of Company's expectation that the negative impacts of COVID-19 will continue into the 2021 program year. Of the ThermWise® Programs, the Appliance Program has experienced the greatest negative impact from the global pandemic.

42. **ThermWise® Builder Rebates.** For 2021 the Company is projecting a 17% increase in program participants over 2020. The Company also projects the 2021 program budget to increase by 34% (DEU Energy Efficiency Exhibit 1.10, column G, line 13) and the related natural gas savings to increase by 25% (DEU Energy Efficiency Exhibit 1.10, column G, line 16). These changes are largely the result of the sustained high-level of new construction occurring in the State of Utah despite the ongoing global pandemic.

43. **ThermWise® Business Rebates.** The Company projects that the 2020 program budget will increase by 11% (DEU Energy Efficiency Exhibit 1.10, column K,

¹ https://www.aga.org/sites/default/files/natural_gas_efficiency_programs_2018_program_year_-_report_appendices_0.pdf

line 13) above the 2020 budget and that natural gas savings will increase by 13% (DEU Energy Efficiency Exhibit 1.10, column K, line 16). The Company also projects that 2021 program participation will remain steady from 2020 levels. The Company observed a slowing of participation in the Business Program in mid-2020. Feedback from distributors and retailers indicated that supply chain interruptions due to the global pandemic were the cause, not a lack of business investment in capital projects. The Company anticipates continued strong participation in the 2021 Business Program.

44. **ThermWise® Home Energy Plan.** The Company projects 2,240 virtual/in-home energy plans will be performed in 2021. This projection is the same as the 2020 home energy plan participation forecast. The Company also expects the overall program cost in 2021 to decrease by 13% in comparison to 2020 (DEU Energy Efficiency Exhibit 1.10, column C, line 13). These decreases are due lower expected operating costs in 2021.

45. **ThermWise® Weatherization Rebates.** The Company projects that participation will decrease by 5% and that natural gas savings will decrease by 22% (DEU Energy Efficiency Exhibit 1.10, column E, line 16) in comparison to the 2020 budget. The Company also expects the overall program budget in 2021 to decrease by 2% in comparison to 2020 (DEU Energy Efficiency Exhibit 1.10, column E, line 13). The projected decrease in natural gas savings is related to the realization study of the Direct-Install Weatherization Pilot Program and the Company's adoption of the observed savings rate.

46. **Low-Income Efficiency Program.** The proposed 2021 budget for this program is \$.81 million or 6% lower (DEU Energy Efficiency Exhibit 1.10, column Q, lines 13) than 2020. The Company also projects that natural gas savings will decrease by

22% (DEU Energy Efficiency Exhibit 1.10, column Q, line 16) in comparison to the 2020 budget. The projected natural gas savings decrease is mainly due to lower expected installations of the smart thermostat rebate measure. The Company budgeted incentive money for 800 smart thermostats in 2020. However, actual installed smart thermostats through 9 months of 2020 have been significantly lower and the Company expects that trend to continue through 2021. Funding for furnace replacements is proposed to remain at \$500,000 in 2021.

47. **Market Transformation Initiative.** The fundamentals of the ThermWise® marketing campaign are expected to remain similar to past years. Therm will continue to perform his role as the “Energy Wise Guy.” The 2021 proposed budget for Market Transformation Initiative includes \$900,000 in advertising and media purchases; \$280,000 for special marketing events, trade/consumer shows, community initiatives, and special event sponsorships; and \$50,000 for ThermWise® management and administration. The budget also includes \$10,000 for program design, and \$80,000 for State of Utah codes training. The budget for Market Transformation in 2021 is proposed to remain the same (DEU Energy Efficiency Exhibit 1.10, column M, line 13) as 2020. A comprehensive discussion of the Market Transformation Initiative is included as DEU Exhibit 1.7.

48. **ThermWise® Energy Comparison Report.** The 2021 budget for the ThermWise® Energy Comparison Report is proposed to decrease by 7% (DEU Energy Efficiency Exhibit 1.10, column O, line 13) and natural gas savings to decrease by 12% (DEU Energy Efficiency Exhibit 1.10, column O, line 16). These decreases are anticipated as a result of the 40,000 fewer recipients of the ECR in 2021.

49. The majority of the ECR budget (92%) is directly attributable to the postage costs associated with delivering the report to customers. The remainder of the Comparison Report budget is necessary for programming and other labor associated with the ongoing maintenance of the Company developed system. It is important to note that the Company's internally developed Energy Comparison Report has been delivered at significant cost savings to Utah customers. Comparable programs, delivered by third-party vendors, can cost up to six times as much annually as the Company's internally developed program. The Company believes that it has developed a program that will not only deliver energy savings but will also deliver those savings at a cost that is unmatched in the market.

50. **Total Budget.** The total 2021 budget is proposed to be \$27.1 million (DEU Energy Efficiency Exhibit 1.10, column T, line 12). This budget is an increase of \$600,000 million (DEU Energy Efficiency Exhibit 1.10, column V, line 12) or 2% higher than the total 2020 budget. Total savings are projected to be 1.00 million Dth/year (DEU Energy Efficiency Exhibit 1.10, column T, line 15) or 12% below projected 2020 natural gas savings estimates. The primary reasons for the expected decrease in 2021 natural gas savings is the projected decreased participation in the Appliance Program and lower forecasted participants in the ECR Program. The 2021 proposed budget reflects a concerted effort to reach all GS market segments and produce significant, persistent, and cost-effective natural gas savings through a comprehensive energy efficiency campaign.

IV. COST EFFECTIVENESS

51. A summary of the cost effectiveness for each program is attached as DEU Energy Efficiency Exhibit 1.11. Page 1 of this exhibit summarizes the test results of the proposed programs along with the market transformation initiative. Although the market

transformation initiative does not lend itself to the same economic analysis as the Energy Efficiency rebate programs, it has been included so that the overall impact of all programs can be measured and analyzed. A benefit-cost ratio greater than 1 is indicative of benefits exceeding costs, and therefore “passes” the test. As shown on page 1, line 9, column C of DEU Energy Efficiency Exhibit 1.11, the overall benefit-cost ratio for the Total Resource Cost (TRC) test of all programs and the market transformation activities is 1.40. And as shown on line 9, column G, the Utility Cost test (UCT) for all programs is 1.63. Additionally, as shown on line 9, column E, the overall benefit-cost ratio for the Participant Cost test passes at 3.73, and as shown on line 9 column I, the Ratepayer Impact Measure test (RIM) for all programs equals 0.80. A detailed benefit-cost analysis of each program by measure has been included in pages 2-9 of DEU Energy Efficiency Exhibit 1.11. The cost-effectiveness tests included in this Application have been calculated using a 3.88% discount rate which is consistent with the Company’s Integrated Resource Plan (IRP). Additionally, gas prices and GS rates have also been updated in the Model to reflect expected 2021 market conditions.

52. An examination of the benefit-cost results at the IRP discount rate shows that a few individual measures are marginal in the current low-gas-price environment. The Company has chosen not to eliminate measures solely based on failing a benefit-cost test. Most programs and individual measures are low cost to maintain, but expensive to start-up. The Company feels taking the long view in this low-price environment is in the best interest of customers and the ThermWise® programs.

53. The Model, developed by the Company to measure the cost-effectiveness of the programs (Model), is based on the California Standard Practice Manual and is the

same Model that was used in the 05-057-T01 docket. The Model has been reviewed by Nexant and the Utah ThermWise® Advisory Group and has been used by other utilities in the nation in program implementation and cost-effectiveness analysis.

54. The Company has relied on specific market reports, industry studies, and the expertise of Nexant to arrive at the savings levels, measure life and incremental customer cost for each measure of each program. DEU Energy Efficiency Exhibit 1.12 provides the source and/or references for the estimated gas savings (pages 1-8), measure life (pages 9-16), and incremental cost (pages 17-24) for each measure of each program.

55. Dominion Energy has successfully implemented a broad range of programs and a Market Transformation Initiative. The Company has implemented best practices to help ensure that necessary and reasonable steps have been taken to implement cost-effective programs that benefit all GS customers. This 2021 Application and Budget will continue and expand these efforts to meet the gas savings goals of customers and the State of Utah.

V. PRAYER FOR RELIEF

56. Based on the foregoing, Dominion Energy respectfully requests that the Commission issue an order: 1) approving the application for the 2021 budget for the Energy Efficiency Programs and continuation of Dominion Energy's Market Transformation Initiative for implementation on January 1, 2021; 2) approving the program changes described herein; and 3) approving the proposed Tariff sheets effecting the improvements in the EE programs described herein.

DATED this 23rd day of October, 2020.

Respectfully submitted,

DOMINION ENERGY



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CERTIFICATE OF SERVICE

I, Ginger Johnson, certify that a true and correct copy of the foregoing

Application was served upon the following by electronic mail on October 23, 2020:

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/s/ Ginger Johnson