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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director
Alex Ware, Utility Analyst

Date: November 23, 2020

Subject: Docket 20-057-20

In the Matter of: DEU's Application for Approval of the 2021 Year Budget for Energy Efficiency Programs and Market Transformation Initiative

INTRODUCTION

On October 23, 2020, Dominion Energy Utah (DEU) requested approval of its proposed 2021-year budget for the Energy Efficiency (EE) Programs and Market Transformation (MT) Initiative. Included in the application are a number of proposed revisions to the programs incentive offerings. On October 26, 2020, the Public Service Commission (PSC) issued a Notice of Filing and Comment Period that set a deadline of November 23, 2020 for parties to file initial comments and December 08, 2020 for reply comments.

The Office of Consumer Services (OCS) submits these comments to the PSC regarding DEU's proposal as contained in its application in this docket.

BACKGROUND

The purpose of this filing is for DEU to propose its EE and MT budget for the 2021 program year. In its application, DEU states that it "proposes continuing the eight existing ThermWise® EE programs in 2021..." These programs are:

1. Appliance Rebates Program,
2. Builder Rebates Program,
3. Business Rebates Program,
4. Home Energy Plan Program,
5. Weatherization Rebates Program,

6. Funding for the Low-Income Efficiency Program (administered by the Utah Department of Workforce Services),
7. Market Transformation Initiative, and
8. Energy Comparison Report.

Appliance Rebate Program

Regarding the Appliance Rebate Program, DEU proposes to add rebate incentives for dual-fuel heat pump systems - \$800 and \$450 for single family and multi-family homes respectively. DEU states that a dual-fuel heating system “is defined as a heat pump coupled with high efficiency natural gas combustion backup.”¹ DEU proposes that rebates only be offered to ducted heat pumps that are ENERGY STAR® Certified, have a heating seasonal performance factor (HSPF) of greater-than or equal to 9.0, and have a seasonal energy efficiency ratio (SEER) greater-than or equal to 14. In addition, to be eligible for the rebate, DEU customers must also purchase and install an ENERGY STAR Certified natural gas heating system to provide heat when the air temperatures are lower than the heat pump can serve comfortably. The OCS notes that while DEU’s application states that it will require HVAC technicians / installers to establish a changeover set point (from heat pump to the natural gas backup) of 40 degrees Fahrenheit², the accompanying draft tariff language states a set point of 40 degrees Fahrenheit or lower³. OCS has discussed this inconsistency with DEU staff who indicated the intended and correct value is 40 degrees or lower. DEU states that this technology is expected to reduce annual natural gas usage for a single-family residence and multi-family residence by about 33 and 19 percent respectively.

DEU also proposes to add energy recovery ventilation (ERV) as a new incentive to the Appliance Rebate Program. DEU explains that ERVs are devices that recover energy contained in what is normally exhausted from buildings that is used to precondition incoming air into an HVAC system. DEU states that they have studied this technology over the past few years as a “Business Custom” measure that now is ready to be expanded to other programs as it shows good potential for natural gas savings.

Builder Rebate Program

DEU states that proposed rebates for dual-fuel heat pumps and ERVs are also applicable to the Builder Rebate Program.

Business Rebates Program

DEU states that proposed rebates for dual-fuel heat pumps and ERVs are also applicable to the Business Rebates Program. In addition, DEU is proposing to add Advanced Rooftop Controls (ARCs) as a new rebate in the 2021 program year. DEU explains that ARCs are “a digital system that allows remote monitoring, and enables

¹ Application, p. 4.

² Ibid, p. 5.

³ DEU Exhibit 1.1 to the Application, p. 2.

control of fan speed, economizer functions, and a thermostat, making it easier to maintain occupant comfort and system efficiency in commercial buildings.”⁴

DEU is also proposing to add Monitoring Based Commissioning (MBCx) to the Business Rebates Program. The application states that 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.”⁵ The difference between retrocommissioning and MBCx is that MBCx adds software and analytics to provide actionable information for efficiency gains. This incentive will be limited to facilities larger than 150,000 square feet and a savings potential greater or equal to 1,000 Dth per year.

Home Energy Plan

DEU states that during the Covid-19 pandemic, it has shifted the Home Energy Plan program from in-person efficiency assessments with customers to virtual home energy assessments with the plan mailed to customers. DEU proposes to continue the virtual home assessments into 2021 until it is deemed safe to return to in-person contact with customers.

Weatherization Rebates

Following the conclusion of a three-year weatherization pilot program and an assessment of the outcomes, DEU proposes to make it a permanent program. DEU states that while the program is cost effective, achieved natural gas savings were 77.81% of its original estimates, so therefore estimates have been reduced for the 2021 program year.

Low-Income Efficiency Program

For the 2021 program year, DEU is proposing to maintain funding for this program at \$500,000 per year.

Market Transformation Initiative

DEU plans to continue this program generally unchanged for the 2021 program year which includes maintaining funding at \$80,000. DEU will make minor tweaks to its marketing strategies, based on feedback from customers obtained through its survey and marketing consultants, in order to increase the public’s awareness of the overall ThermWise program.

⁴ Application, p. 8.

⁵ Ibid, p.9.

2021 BUDGET

DEU’s total 2021 projected budget for the Energy Efficiency Program and Market Transformation Initiative is \$27.1 million.⁶ This is an increase of about \$600,000 over the 2020 budget that DEU states is mainly due to greater expected participation in the Builder and Business programs. DEU also projects that customer incentives in 2021, as a proportion of the total budget, will increase by 2.4 percent over 2020 numbers to 78.5 percent – meaning that a lesser proportion of total costs is going to administrative aspects of the EE program. DEU notes that it strives to keep administrative costs as low as possible and that its administrative costs are lower than many of its peer utilities as a proportion of total program costs.

DEU expects Appliance Rebate participation to continue to slow in 2021 due to the pandemic. However, with no major slowing in the home and business facility construction markets, DEU expects greater participation in the Business and Builder programs.

COST-EFFECTIVENESS

DEU forecasts its EE program to remain cost-effective in the 2021 program year with a Utility Cost Test (UCT) estimate of 1.63. The following chart breaks out the UCT over the different sub-programs. Each individual program is projected to remain cost-effective in 2021, except for the Market Transformation Initiative as usual.

PROGRAMS	Utility Cost Test	
	NPV	B/C
ThermWise [®] Appliance Rebate	\$3,575,529	1.74
ThermWise [®] Builder Rebates	\$5,995,656	1.77
ThermWise [®] Business Rebates	\$3,564,459	2.04
ThermWise [®] Weatherization Rebates	\$3,787,336	1.48
ThermWise [®] Home Energy Plan	\$363,565	1.73
Low Income Efficiency Program	\$582,309	1.72
Energy Comparison Report	\$418,455	1.79
Market Transformation Initiative	-\$1,320,000	0.00
Totals	\$16,967,308	1.63

DISCUSSION

The OCS generally supports the budget and changes contained in DEU’s filing – especially as they are projected to be cost effective. However, as with any offering that involves a technology that results in fuel switching, we have closely considered the impacts of the new proposed incentive for dual fuel heat pumps. Overall, after reviewing

⁶ Application Exhibit 1.10, column T, line 12.

DEU's application in this docket as well as Rocky Mountain Power's (RMP) application also proposing an incentive for dual fuel heat pumps in Docket No. 20-035-T09 (in which we also provided comments), the OCS believes there are inconsistencies between the two utilities' proposals that need to be corrected before we can recommend approval to the PSC.

We acknowledge the PSC's order in RMP's docket in which its application was approved, including the proposed addition of an incentive for dual fuel heat pumps. We acknowledge that RMP stated in its reply comments that it will coordinate with DEU to ensure the electricity to gas switchover set point is consistent to ensure there is not HVAC installer or customer confusion regarding dual fuel heat pump incentives.

However, the OCS remains concerned regarding potential market confusion as long as there is inconsistency between RMP and DEU's tariff language regarding the dual fuel heat pump technology. Specifically, as we discussed in the background section above, DEU is explicitly requiring a set point of 40 degrees Fahrenheit or less in its tariff language while RMP's tariff language does not specify a set point requirement in order to qualify for the related incentive. It should be noted here that in its reply comments in Docket No. 20-035-T09, RMP stated that industry standards indicate dual fuel heat pumps require "a set point that is 32 degrees [Fahrenheit] or higher to retain efficiency."⁷ RMP also stated in its reply comments that it modeled the cost-effectiveness of its dual fuel heat pump incentive offering using a set point of 40 degrees.⁸

During our review of DEU's application in this docket, we reached out to DEU staff to discuss the set point issue. DEU responded that after review of RMP Docket No. 20-035-04, they believe both utilities have the intent to apply industry standards and then allow HVAC contractors the opportunity to set this value based on what is most appropriate for the specific application. Therefore, the OCS believes after gathering these additional facts, that there seems to be a general range of agreement between DEU and RMP regarding the dual fuel heat pump set point issue.

Given the PSC's acceptance of RMP's proposal and RMP's reply comments commitment to coordinate this issue with DEU to prevent market confusion, as well as a recognition that RMP's tariff language does not explicitly include a set point requirement, we recommend in this docket that DEU remove reference to a set point requirement from its draft tariff language. We also recommend that DEU work with RMP to establish a consistent set point requirement, or set point range requirement, to be defined in each utilities' individual program policies and training materials for HVAC installers. The OCS believes this is the simplest solution to address our concerns about inconsistent tariff language regarding dual fuel heat pump incentive requirements between the two utilities and to avoid potential market confusion. Our intent with this recommendation is to ensure that customers are able to simultaneously qualify for incentives offered by both DEU and RMP.

⁷ Docket No. 20-035-T09, RMP Reply Comments, November 3, 2020, p. 2.

⁸ Ibid, p. 3.

RECOMMENDATION

The OCS recommends that the PSC approve DEU's proposal subject to the following:

- Require DEU to remove reference to a dual fuel heat pump set point in its draft tariff language in this docket, and coordinate with RMP to establish a consistent set point value or value range to be documented in programmatic policies and HVAC installer training materials.

cc:

Michael Orton, Dominion Energy Utah

Artie Powell, Division of Public Utilities