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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director
Béla Vastag, Utility Analyst

Date: August 17, 2021

Subject: Docket 21-057-14

Application of Dominion Energy Utah for a Subscription-Based Carbon Offset Program

INTRODUCTION

On June 30, 2021, Dominion Energy Utah (“DEU”) filed with the Utah Public Service Commission (“PSC”) an application to add section 8.10 to DEU’s Utah Natural Gas Tariff to implement a new voluntary carbon offset program. On July 9, 2021, the PSC issued a Scheduling Order that set a deadline of August 17, 2021 for parties to file initial comments and September 14, 2021 for reply comments on DEU’s proposed carbon offset program. Pursuant to the PSC’s ordered schedule, the Utah Office of Consumer Services (“OCS”) submits these initial comments on DEU’s proposed new program.

OCS COMMENTS ON THE PROPOSED CARBON OFFSET PROGRAM

DEU’s proposed carbon offset program would provide a mechanism, through their monthly gas billing, for DEU customers to offset the CO₂ production from their home or business use of natural gas. According to DEU’s testimony, the typical residential customer burns 80 Dths of natural gas per year which produces 4.24 metric tons of CO₂. Under this new program, customers can buy one block of carbon offsets per month for \$5 each. A block is equivalent to .3533 tons of CO₂ which means a typical natural gas customer can offset 100% of their CO₂ production over the course of a year by buying one block per month.¹ Customers can buy more than one block of carbon offsets per month to offset higher natural gas usage or to offset CO₂ production from other personal activities, such as their use of cars with internal combustion engines.

¹ .3533 tons X 12 months = 4.24 tons (equivalent to 80 Dth of burned natural gas)

DEU's carbon offset program will be a voluntary program and the program costs will be tracked separately in a deferred account to ensure that ratepayers who do not participate in the program do not bear any of its costs. Holding non-participating ratepayers harmless for the costs of a utility's voluntary program is an important requirement.

Before submitting this application to the PSC, DEU reached out to the OCS and the Division of Public Utilities ("DPU") to receive feedback on the proposed program. Several meetings took place between December 2020 and April 2021. In these meetings, the OCS voiced some concerns about the proposed carbon offset program including:

- Will customers be confused by DEU offering both a renewable natural gas (RNG) program and a carbon offset program,
- Will DEU be completely transparent and clearly communicate to potential program participants exactly what participating customers would be paying for with their \$5 per month per block payment,
- Can DEU verify that purchased carbon offsets are legitimate and will be retired after DEU purchases them, and
- Will there be any double counting between carbon offsets, RNG green attributes and renewable energy credits ("RECs"), depending on the source of the carbon offsets.

Through discussions with DEU and from their testimony in this proceeding, the OCS is satisfied that DEU has addressed all of the concerns listed above. For example, DEU is only procuring offsets that are validated by nationally recognized carbon offset registries – Climate Action Reserve and the American Carbon Registry in this case. According to DEU, these registries provide legitimacy and verification for the offsets being purchased for this program as well as ensuring there is not double counting of claimed carbon reductions.

As for customer communication, DEU, OCS and DPU have experience working together to develop marketing materials for the RNG program in Docket No. 19-057-T04. Therefore, the OCS is comfortable that DEU will continue to work with the OCS and DPU to provide transparent and non-confusing marketing materials and other information to customers for this proposed carbon offset program.

Finally, the costs associated with DEU's carbon offsets program appear to be reasonable. The OCS notes that the proposed customer charge for offsets is similar to or less than what customers pay at other utilities² and DEU conducted an RFP to ensure that the prices they are paying for offsets are competitive and reasonable.

² DEU provided prices for NW Natural, Puget Sound and DTE, see page 7 of the presentation from the July 13, 2021 Carbon Offset Program Technical Conference.

OCS PROPOSED CHANGES TO DEU'S NEW TARIFF SECTION

The OCS proposes changes to the new Section 8.10 of DEU's tariff that DEU submitted as "Exhibit 1.2B – Proposed Tariff Sheets" in this docket. The OCS proposes these changes in order to add clarity and detail so that the tariff provides complete information about how this voluntary program will operate. The proposed changes are included in redline format in an attachment to these comments. The changes include the following:

- Additional wording in the Applicability section for consistency with the special conditions.
- Changes to the Surcharge section to highlight upfront the costs participating customers must pay, with the remainder of the information merged into a second paragraph. This includes language previously included as Special Condition #2 which directly relates to the surcharge and adds clarity by being included in that section rather than as a special condition.
- A new sentence at the end of Special Condition #3 (formerly #4) to describe that there will be a review of the costs included in the balancing account.
- A change of wording in the Balancing Account section to remove marketing costs which for consistency are already included with the description of administrative costs under the Administration section.

RECOMMENDATION

The OCS recommends that the PSC approve DEU's application for a carbon offset program including incorporating the proposed changes to DEU's new tariff, Section 8.10, that are described above and included in the attachment to these comments.

cc:

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