State of Utah

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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

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

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Date: October 19, 2021

Re: **Docket No. 21-057-21,** Dominion Energy Utah's Application to Amortize the Energy Efficiency Deferred Account Balance.

Recommendation (Approval)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the application to amortize the Energy Efficiency (EE) Deferred Account Balance, on an interim basis, as filed on October 1, 2021. Dominion Energy Utah (Dominion) requested an effective date of November 1, 2021. The Division will further review, and audit the filing, and will make further recommendations.

Issue

The application to amortize the Account No. 182.4 balance is accompanied by six exhibits.

Exhibit 1.1 is a summary of the EE deferred expenses accounting entries for the period from September 2020 through August 2021. In paragraph 9 of the Order in Docket 05-057-T01 approving the EE programs, the Commission required Dominion to "keep detailed records of all DSM expenditures and shall track them by each separate DSM program or marketing initiative, and by expenditure type. Summary statements prepared from these records shall be presented to the Commission as part of the Account 182.4 approval process." The exhibit purports to meet this requirement.

Exhibit 1.2 is a summary of the deferred EE related expenditures by program and type from September 1, 2020, through August 31, 2021. According to this exhibit the EE balance, as of the end of August 31, 2021, is a positive $4,371,516 (which means ratepayers underpaid).

Exhibit 1.3 is the actual and projected EE balance from December 2020 through September 2022. Based on the forecasted 2021 budgeted expenditures and projected volumes for the 2021-2022 test period, Dominion needs to increase its EE collection rate. Without the proposed adjustment, the Company will continue to under collect nearly $10 million. The proposed rate will more closely match estimated collections and expenditures which will reduce the net interest expense. It is projected that Dominion will be able to collect the necessary revenue by using a $0.27767/Dth rate rather than the current rate of $0.20678/Dth.

Exhibit 1.4 includes the tariff sheets showing the proposed change in both legislative format and proposed format if the rate is approved.

Exhibit 1.5 shows the financial impact of a typical residential customers using 80 Dth/year. If approved, a typical residential customer will see an increase of $5.66 or 0.81% in their annual bills attributable to the amortization of the change in the EE Deferred Account Balance.

Exhibit 1.6 is the Combined Legislative and Proposed GS Rate Schedule tariff sheets that would be effective if all eight applications filed on the same date are approved.

In addition to this EE Application, Dominion concurrently filed:

1) a pass-through application in Docket No. 21-057-17,

2) an application for an adjustment to the Daily Transportation Imbalance Charge in Docket No. 21- 057-18,
3) an application to change the Infrastructure Rate Adjustment in Docket No. 21-057-19,
4) an application to adjust the Conservation Enabling Tariff Balancing Account (CET) amortization rate in Docket No. 21-057-20,
5) an application to modify the Sustainable Transportation and Energy Plan Surcharge in Docket No. 21-057-22,
6) a low income/energy assistance application modification in Docket No. 21-057-23, and,
7) an application to increase distribution rates and charges and tariff modifications in Docket No. 19-057-02.

Background

The original Demand Side Management programs and Market Transformation Initiative were the products of a collaborative effort of interested parties working with Dominion (at the time it was Questar Gas Company). The intent was to provide input and assist in designing programs to benefit its GS rate class by reducing their usage of natural gas through improving the efficiency of their natural gas consumption. The process began with Dominion's CET application on December 16, 2005, in Docket No. 05-057-T01. In its corresponding January 16, 2007, Order, the Commission approved the parties Settlement Stipulation.

In paragraph 15 of the Order Approving the Settlement Stipulation, the Commission authorized Dominion to establish deferred expense account 182.4 to record the costs associated with the approved EE programs and market transformation initiative. Section §2.09 of the Tariff sets forth procedures for recovering the deferred EE related expenses by means of periodic adjustments (at least annually) to rates and amortize the balance of this account.

On October 1, 2021, Dominion filed this application seeking Commission approval to amortize the EE deferred account balance. On October 1, 2021, the Commission issued its Action Request to the Division directing it to review the application and make recommendations which were due to the Commission on November 1, 2021. Also on October 4, 2021, the Commission issued a Notice of Telephonic Consolidated Scheduling Conference to be held October 5, 2021. Following that scheduling conference the Division's Action Request and initial comments became due October 19, 2021, with reply comments due October 22, 2021, and a hearing is scheduled for October 25, 2021. This memorandum represents the Division's Action Request Response and initial comments.

Dominion claims that this EE filing is in accordance with Commission orders which authorize the Company "to assess the rates and charges applicable to its Utah natural gas service territory using the amortization for the Energy Efficiency deferred account balance".

Discussion

The current financial position of the EE program shows a positive balance of $4,371,516 resulting in an under collection from ratepayers as presented in Exhibit 1.2 as follows:

	Energy Efficiency Program Expenditures by Program from September 1, 2020 to August 31, 2021		
		(A)	(B)
	Program	**Expenditures**	**Balance**
1	**August 31, 2020, Balance**		$ (424,451)
2	ThermWise Home Energy Plan	$ 402,837	
3	ThermWise Builder Rebate	$ 9,192,310	
4	ThermWise Appliance Rebate	$ 4,120,130	
5	ThermWise Business Rebates	$ 2,406,331	
6	Market Transformation	$ 921,091	
7	Low Income Efficiency	$ 686,434	
8	ThermWise Weatherization	$ 8,816,878	
9	ThermWise Energy Comparison Report	$ 378,509	
10	Total Program Expenditures (Lines 2-9)		**$ 26,924,520**
11	Total Program Expenditures & Balance (Lines 1 + 10)		$ 26,500,069
12	Interest		$ (7,935)
13	Amorization Collected		$ (22,860,075)
14	Accurals		$ 739,457
15	**August 31, 2021 Balance (Line 11 through 14)**		**$ 4,371,516**

We can see that summing each program expenditure plus the beginning balance as of August 31, 2020 ($26.92 million + ($424,451)) results in $26.50 million worth of spending in 2021 (line 1 plus line 10). We can then sum interest, amortization (income from ratepayers), and accruals (lines 11, 12, 13) which total $22.13 million. The $26.50 million less $22.13 million is the $4.37 million shown above which represents under collections.

Using this positive $4.37 million as the starting point for September 1, 2021, and adding the expected Interest, Amortization, and program Costs will result in over collection during the winter months and an under collected balance of about $3.59 million at the end of October 2022 (Exhibit 1.3 column E row 16). The 182.4 account balance is intended to fluctuate above and below $0 during the year with an intended net interest expense that is close to zero. A major objective of this exercise is to calculate a new rate which will collect enough to cover expenses but minimize the amount of interest expense collected from customers or paid by the Company. Based on the projected balances, the proposed rate will help meet this goal.

If there were no change in the current rate, it is projected that Company would significantly under collect as shown in Dominion's Exhibit 1.3 page 1. The proposed EE amortization rate is an increase from the current rate of $0.20678 to $0.27767/Dth or an increase of $0.07089/Dth. The proposed increase will collect the proper amount for the next 12 months and minimize interest expense.

The Division has examined the DEU exhibits as filed with the application. Based on the current balance, projected volumes, and the Energy Efficiency budget, Dominion believes it will collect the required revenue while minimizing interest expense with this increase to the amortization rate. The Division will continue to monitor account 182.4 and present recommendations if the actual expenses and revenues deviate significantly from Dominion's projections.

Effect on a Typical GS Customer

If the Commission approves this application, typical residential customers using 80 Dth/yr. will see an increase in their yearly bills of $5.66 or 0.81% independent of any other decrease or increase.

Conclusion

The Division recommends that the Commission approve this application as filed on an interim basis pending the Division's audit, review, and final recommendations. The Division recognizes that with the present natural gas commodity price, some of the EE measures may not pass the cost effectiveness test. Having said that, the Division still finds value in the overall program objectives. Therefore, the Division supports Dominion's request to "Amortize the Energy Efficiency Deferred Account Balance" and recommends the Commission approve the application.

The proposed changes are in the public interest and represent just and reasonable rates for Utah customers. The Division reviewed the tariff sheets provided and recommends the Commission approve the application, on an interim basis, as presented. The Division will continue to monitor the overall program and individual measures to ensure the public interest continues to be served.

Cc: Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services