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UTAH DEPARTMENT OF COMMERCE
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
Shauna Benvegnu-Springer, Utility Technical Consultant

Date: October 19, 2022

Re: **Docket No. 22-057-14,** Application of Dominion Energy Utah 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 or DSM) deferred account balance on an interim basis, as filed on September 30, 2022. Dominion Energy Utah (Dominion or Company) requested an effective date of November 1, 2022. The Division will further review, conduct an audit, and make final recommendations later.

Issue

On September 30, 2022, Dominion filed its application seeking Commission approval to amortize the EE deferred account balance. The Company proposes decreasing the amortization rate from $0.27767 to $020321 per/Dth. On September 30, 2022, the Commission issued its Action Request to the Division directing it to review the application and make recommendations due to the Commission on October 31, 2022. On September 30, 2022, the Commission issued a Notice of Virtual Consolidated Scheduling Conference on October 6, 2022. On October 7, 2022, the Commission issued a consolidated scheduling order for five Dockets Nos. 22-057-13, 22-057-14, 22-057-15, 22-057-16, and 22-057-17. The scheduling order requested that initial comments be filed with the Commission by October 19, 2022. The intervention deadline and reply comments are due October 21, 2022. A hearing is scheduled for October 24, 2022.

Application Description

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

- DEU Exhibit 1.1 summarizes the EE deferred expenses accounting entries for September 1, 2021, through August 31, 2022. 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 expenditures type. Summary statements prepared from these records shall be presented to the Commission as part of the Account 182.4 approval process." Exhibit 1.1 purports to meet this requirement.

- DEU Exhibit 1.2 summarizes the deferred EE-related expenditures by program and type from September 1, 2021, through August 31, 2022. According to the exhibit, the EE balance, as of the end of August 31, 2022, is a negative $1,356,478 balance (which means ratepayers overpaid).

- DEU Exhibit 1.3, page 1, is the actual and projected EE balance from December 2021 through September 2023, illustrated graphically. The graph demonstrates that should the rate remain at $0.27767, the EE deferred account balance would continue to be over-collected. The chart also presents a projected account balance after the rate change to $0.20321. Projections gradually decrease to zero by June 2023 and an under-collected balance through September 31, 2023. Interest expense and interest income would be offset over the months eliminating interest to zero.

- DEU Exhibit 1.3, page 2, presents the data model based on actual July and August 2022 expenditures, the forecasted 2022 budgeted expenditures, and projected volumes for Sept 1, 2022, to December 31, 2023. With the proposed adjusted rate, Dominion will over-collect for six months and under-collect for six months. At the end of the summer season, Dominion will have under-collected and have a balance of $4,436,130 by the end of August 31, 2023 (at this point in the 12-month cycle). The under-collected balance will be covered as Dominion heads into the heating season when natural gas Dth usage escalates. The proposed rate will more closely match estimated collections and expenditures. The net interest expense from November 1, 2022, through October 31, 2023, is forecasted to be zero. It is projected that Dominion will be able to collect the necessary revenue by using $0.20321Dth as the amortization rate rather than the current rate of $0.27767/Dth.

- DEU Exhibits 1.4A, and 1.4B include the tariff sheets, red lined, and final tariff, respectively, showing the proposed change in both legislative formats and proposed formats if the rate is approved.

- DEU Exhibit 1.5 shows the financial impact of typical residential customers using 70 Dth/year. If approved, a typical residential customer will see a decrease of $5.23 or 0.69% in her annual bill attributable to the amortization rate change in the EE deferred account balance.

- DEU Exhibit 1.6A and 1.6B are the red-lined and final Combined Legislative and Proposed GS Rate Schedule tariff sheets that would be effective if all five applications are approved.

In addition to this EE Application, Dominion concurrently filed the following:

- an application for an adjustment to the low-income/energy assistance rate in Docket No. 22-057-13,

- an application to adjust the Conservation Enabling Tariff (CET) Balancing Account amortization rate in Docket No. 22-057-15,

- an application for an adjustment in rates and charges for natural gas services for Utah in Docket No. 22-057-16, and,

- an application for an adjustment to the Daily Transportation Imbalance Charge in Docket No. 22- 057-17.

Background

The original Demand Side Management (DSM) programs and Market Transformation Initiative (MTI) 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 natural gas usage and improving their natural gas consumption efficiency. 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 a deferred expense account 182.4 to record the costs associated with the approved EE programs and MTI. Section §2.09 of the Tariff sets forth procedures for recovering the deferred EE-related expenses using periodic adjustments (at least annually) to rates and amortizing the balance of this account.

Dominion claims that this EE deferred account filing is by Commission order, which authorizes Dominion "to assess the rates and charges applicable to its Utah natural gas service territory using the amortization for the EE deferred account balance."

Discussion

The financial goal of the EE program is to cover expenses and minimize interest income/expense. As a result, it works to keep the balance of the program where neither the ratepayer nor the utility provider is harmed. A primary objective of the data model (see DEU

Exhibit 1.3) is to calculate a new rate that will collect enough to cover expenses but minimize the amount of interest expense/income collected.

The current financial position of the EE program shows a negative balance of $1,356,478. Summing all the program expenditures with the beginning balance as of August 31, 2021 ($24,978,125 + 4,371,516) results in $29,349,641 of total obligations in the base year of 2021-2022 (line 1 plus line 10). Totaling interest, amortization (income from ratepayers), and accruals (lines 12, 13, 14) equals $30,706,119. When $29,349,641 is subtracted from $30,706,119, the result is a negative $1,356,478 representing more revenue than expense. Please refer to Table 1.

Table 1

	Energy Efficiency Program Expenditures by Program Forecasting for Sept 1, 2021 to Aug 31, 2022		$ 0.27767
		(A)	(B)
	Program	**Expenditures**	**Balance**
1	**August 31, 2021, Balance**		$ 4,371,516
2	ThermWise Home Energy Plan	$ 317,382	
3	ThermWise Builder Rebate	$ 8,861,987	
4	ThermWise Appliance Rebate	$ 4,092,044	
5	ThermWise Business Rebates	$ 2,703,855	
6	Market Transformation	$ 1,010,094	
7	Low Income Efficiency	$ 698,845	
8	ThermWise Weatherization	$ 6,665,208	
9	ThermWise Energy Comparison Report	$ 628,710	
10	Total Program Expenditures (Lines 2-9)		**$ 24,978,125**
11	Total Program Expenditures & Balance (Lines 1 + 10)		$ 29,349,641
12	Interest		$ (53,102)
13	Amorization Collected (Sept 22 t0 Aug 2023)		$ (29,978,151)
14	Accurals		$ (674,866)
15	**August 31, 2022 Balance (Line 11 through 14)**		**$ (1,356,478)**

The negative balance results from over-collecting from ratepayers and paying $53,102 in interest income. The EE programs expenses covered were, and interest income was minimized. The EE program expenditures were 17% less than anticipated. The reduction in spending is a timing issue. Projects are being built during the good weather, with paperwork completed later in the year.

The Division presents three different scenarios regarding the proposed new rate. They are:

- Scenario 1, with no change to the amortization rate,
- Scenario 2 with a change to the amortization rate of $0.20321, and
- Scenario 3 with a change to the amortization rate of $0.23000.

Scenario 1 – Beginning with the negative balance of $1,356,478 as of September 1, 2022, not changing the amortization rate, adding the forecasted program costs of $28,932,126, expected interest income of $157,454, and amortization income of $30,651,671, the deferred account would result in a negative balance of $3,233,477 at the end of August 2023. If there were no changes in the current rate, it is projected that Dominion's program expenses would be covered. Still, revenue would be over-collected, and interest income would be $157,454, as shown in Table 2, Column C, Row 7, and Row 4. This would harm the ratepayers.

Scenario 2 – Again, beginning with the negative balance of $1,356,478 as of September 1, 2022, changing the proposed rate to $0.20321, adding the forecasted program costs of $28,932,125, expected interest income of $25,455, and amortization income of $23,1114,063, the projected deferred account would result in a positive balance of $4,436,130 at the end of August 2023. As indicated in Table 2, ratepayers would not be harmed. Because amortization income would be at break-even, interest income would be minimized to zero for November 1, 2022, to October 31, 2023, and the amortization rate would be reviewed the following year.

Scenario 3 – Beginning with the negative balance of $1,356,478 as of September 1, 2022, changing the rate to $0.23000 (medium range), adding the forecasted program costs of $28,932,125, expected interest income of $71,008, and amortization income of $25,826,123, the projected deferred account would result in a positive balance of $1,678,517 at the end of August 2023. This rate would not wholly pay for program expenses, interest income would increase above the current year, and the amortization rate would see a minor increase in the following year. This rate was used to illustrate the up-and-down nature of the EE program. For most of the year, the account balance would be over-collected, thus harming the ratepayer.

The 182.4 account balance is intended to fluctuate above and below $0 during the year, with a planned net interest income close to zero. Using the Dominion proposed rate and Dominion's model, interest income is projected to be at zero (-0-) from November 1, 2022, to October 31, 2023.

Table 2

Energy Efficiency Proposed Rates
Scenarios A, B & C
Forecasting for Sept 1, 2022 to Aug 31, 2023

		(A)		(B)		(C)	
		Current Rate		**DEU Rate**		**DPU Rate**	
		$	**0.27767**	**$**	**0.20321**	**$**	**0.23000**
		No Rate Change					
1	**September 1, 2022, Balance**	$	(1,356,478)	$	(1,356,478)	$	(1,356,478)
2	Total Program Expenditures	$	28,932,126	$	28,932,126	$	28,932,126
3	Total Program Expenditures & Balance (Lines 1 + 2)	$	27,575,648	$	27,575,648	$	27,575,648
4	Interest	$	(157,454)	$	(25,455)	$	(71,008)
5	Amortization Collected (Sept 22 t0 Aug 2023)	$	(30,651,671)	$	(23,114,063)	$	(25,826,123)
6	Accurals	$	-				
7	**August 31, 2023 Balance (Line 4 through 6)**	**$**	**(3,233,477)**	**$**	**4,436,130**	**$**	**1,678,517**

Dominion's proposed rate will closely meet the EE deferred account's financial goals based on the projected balances and forecasted interest income. Dominion's recommended amortization rate decreases from the current rate of $0.27767/Dth to $0.20321/Dth. The Division's example amortization rate of $0.23000 will over-collect the revenue needed and increase the interest. Scenario A will also over-collect revenue and increase interest. Both Scenario A and C are not in the public interest. Scenario B is in the public interest.

The Division has examined the Dominion exhibits as filed with the application. Based on the current balance, projected volumes, and the Dominion EE budget for 2023 of $30,213,013, Dominion believes it will collect the required revenue while minimizing interest income with its proposed decrease to a $0.20310 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 70 Dth/year will see a decrease in their yearly bills of $5.23 or 0.69%, 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 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 that the Commission approve the tariff sheets on an interim basis, as presented.

cc: Kelly Mendenhall, Dominion Energy of Utah
Travis Willey, Dominion Energy of Utah
Michele Beck, Office of Consumer Services