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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
Brenda Salter, Assistant Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
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**Date:** December 15, 2023

**Re:** **Docket No. 23-057-20,** Application of Dominion Energy Utah to Amortize the Energy Efficiency Deferred Account Balance.

## Recommendation (Approve)

The Division of Public Utilities (Division) recommends 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. Dominion Energy Utah (Dominion or Company) requested an effective date of January 1, 2024. The Division will further review, conduct an audit, and make final recommendations at a later date.

## Issue

On December 1, 2023, Dominion filed its application seeking Commission approval to amortize the over-collected EE deferred account balance. On December 1, 2023, the Commission issued its Action Request to the Division, directing it to review the application and make recommendations. On December 4, 2023, the Commission issued a Notice of Virtual Consolidated Scheduling Conference. On December 8, 2023, the Commission issued a consolidated scheduling order for four Dockets Nos. 23-057-19, 20, 21, and 22.

The scheduling order requested that initial comments be filed with the Commission by December 15, 2023, with a virtual hearing scheduled for December 19, 2023.

## Application Description

As of the end of September 2023, the EE program has an over-collected balance of $2,482,566. The Company proposes decreasing the amortization rate from $0.20321 to $0.15907 per Dth to minimize interest costs. The application to amortize the Account No. 182.4 balance is accompanied by eight exhibits as follows:

- DEU Exhibit 1.1 summarizes the EE deferred expenses accounting entries from September 1, 2022, through September 30, 2023. 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.” Exhibits 1.1 and 1.2 purport to meet this requirement.

- DEU Exhibit 1.2 summarizes the deferred EE-related expenditures by program and type from September 1, 2022, through September 30, 2023. According to the exhibit, the EE balance, as of the end of September 30, 2023, is a negative $2,482,566 balance (which means ratepayers overpaid).

- DEU Exhibit 1.3, page 1, is the actual and projected EE balance from December 2022 through September 2024, illustrated graphically. The graph demonstrates that should the rate remain at $0.20321, the EE deferred account balance would continue to be over-collected through August 2024. The chart also presents a projected account balance after the rate changes to $0.15907. Projections gradually decrease to zero by June 2024 and an under-collected balance through September 31, 2024. 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 August 2023 and September 2023 expenditures, the forecasted 2024 budgeted expenditures, and projected volumes for October 1, 2023, to December 31, 2024. With the proposed adjusted rate, Dominion will over-collect for nine months and under-collect for three months. At the end of the summer season, Dominion will be under-collected and have a balance of $ 3,649,471 by the end of August 31, 2024 (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 October 2023 through December 2024 is forecasted to be $471. It is projected that Dominion will be able to collect the necessary revenue by using $0.15907 per Dth as the amortization rate rather than the current rate of $0.20321 per Dth.

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

- DEU Exhibit 1.5 shows the financial impact of typical residential customers using 70 Dth a year. If approved, a regular residential customer will see a $3.09 or 0.32% decrease 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:

- the Conservation Enabling Tariff (CET) Balancing Account amortization rate in Docket No. 23-057-19.
- the low-income/energy assistance rate in Docket No. 23-057-21; and

- the Infrastructure Rate Adjustment Docket No. 23- 057-22.

The Division’s response to the other three dockets will be in separate memos.

## 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, Questar Gas Company). The intent was to provide input and assist in designing programs to benefit its GS rate class by reducing its natural gas usage and improving its 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, 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 financial position of the EE program shows a negative balance of $2,482,566 (over-collected) as of September 30, 2023.

Adding all the program expenditures with the beginning balance as of August 31, 2022 ($24,984,064 -1,356,487) results in $23,627,586 of total obligations in the base year of 2022-2023 (line 1 plus line 10). Interest, amortization (income from ratepayers), and accruals (lines 12, 13, 14) equal $26,110,152. When $23,627,586 is subtracted from $26,110,152, the result is a negative $2,482,566, representing more revenue than expense. Please refer to Table 1.

**Table 1**

| | Energy Efficiency Program Expenditures<br>by Program<br>Actual for Sept 1, 2022 to September 30, 2023 | | $ 0.20321 |
|---|---|---|---|
| | **Program** | **(A)<br>Expenditures** | **(B)<br>Balance** |
| 1 | **August 31, 2022, Balance** | | **$ (1,356,478)** |
| 2 | ThermWise Home Energy Plan | $ 425,072 | |
| 3 | ThermWise Builder Rebate | $ 7,169,135 | |
| 4 | ThermWise Appliance Rebate | $ 5,015,155 | |
| 5 | ThermWise Business Rebates | $ 1,980,270 | |
| 6 | Market Transformation | $ 1,271,659 | |
| 7 | Low Income Efficiency | $ 674,627 | |
| 8 | ThermWise Weatherization | $ 7,943,987 | |
| 9 | ThermWise Energy Comparison Report | $ 504,159 | |
| 10 | Total Program Expenditures (Lines 2-9) | | **$ 24,984,064** |
| 11 | Total Program Expenditures & Balance (Lines 1 + 10) | | **$ 23,627,586** |
| 12 | Interest | | $ (198,404) |
| 13 | Amorization Collected (Sept 22 t0 Aug 2023) | | $ (25,881,674) |
| 14 | Accurals | | $ (30,074) |
| 15 | **September 30, 2023 Balance (Line 11 through 14)** | | **$ (2,482,566)** |

The negative balance results from over-collecting from ratepayers and receiving $198,404 in interest income. The EE program results met the objectives of covering expenses and minimizing interest income. Projects are being built during the spring, summer, and fall weather, with paperwork being completed later.

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

- Scenario 1, no change to the amortization rate remaining at $0.20321,
- Scenario 2, a change to the amortization rate of $0.15907, and

- Scenario 3 with a change to the amortization rate of $0.18110.

Scenario 1 – Beginning with the negative balance of $2,482,566 as of September 1, 2023, not changing the amortization rate, adding the forecasted program costs of $26,753,368, expected interest income of $157,847, and amortization income of $23,277,885, the deferred account would result in a positive balance of $835,070 at the end of August 2024. If there were no changes in the current rate, it is projected that Dominion's program expenses would be covered. Revenue would be over-collected, and interest income would be $157,847. This would harm the ratepayers.

Scenario 2 – Again, beginning with the negative balance of $2,482,566 as of September 1, 2023, changing the proposed rate to $0.15907, adding the forecasted program costs of $26,753,368, expected interest income of $44,759, and amortization income of $19,064,132, the projected deferred account would result in a positive balance of $5,161,911 at the end of August 2024. As indicated in Table 2, ratepayers would not be harmed. Amortization income would be at break-even, interest income would be minimized, and the amortization rate would be reviewed the following year.

Scenario 3 – Beginning with the negative balance of $2,482,566 as of September 1, 2023, changing the rate to $0.18110 (medium range), adding the forecasted program costs of $26,753,368, expected interest income of $100,132, and amortization income of $21,167,584, the projected deferred account would result in a positive balance of $3,003,086 at the end of August 2024. This rate would wholly pay for program expenses, interest income would decrease above the current year, and the amortization rate would increase. 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 will 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 December 1, 2023, to November 30, 2024.

**Table 2**

**Energy Efficiency Proposed Rates**
**Scenarios A, B & C**
**Forecasting for Sept 2023 to Aug 31, 2024**

| | | (A) | (B) | (C) |
|---|---|---|---|---|
| | | Current Rate | DEU Rate | DPU Rate |
| | | $ 0.20321 | $ 0.15900 | $ 0.18110 |
| | | No Rate Change | Proposed | What-if |
| 1 | **September 1, 2023, Balance** | **$ (2,482,566)** | **$ (2,482,566)** | **$ (2,482,566)** |
| 2 | Total Program Expenditures (Oct to Sept) | $ 26,753,368 | $ 26,753,368 | $ 26,753,368 |
| 3 | Total Program Expenditures & Balance (Lines 1 + 2) | **$ 24,270,802** | **$ 24,270,802** | **$ 24,270,802** |
| 4 | Interest | $ (157,847) | $ (44,759) | $ (100,132) |
| 5 | Amortization Collected (Oct to Sept) | $ (23,277,885) | $ (19,064,132) | $ (21,167,584) |
| 6 | Accurals | $ - | $ - | |
| 7 | **August 31, 2024 Balance (Line 4 through 6)** | **$ 835,070** | **$ 5,161,911** | **$ 3,003,086** |

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 $0.20321 per Dth to $0.15907 per Dth. In the Division's example, Scenario C, the amortization rate of $0.18110 will over-collect the revenue needed and increase the interest income. Scenario A will also over-collect revenue and increase interest income. Scenarios A and C are not in the public interest, given the better alternative. Scenario B is reasonable and 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 2024 of $25.7 million, Dominion believes it will collect the required revenue while minimizing interest income with its proposed decrease to a $0.15907 amortization rate. The Division will continue monitoring account 182.4 and present recommendations if the 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 $3.09 or 0.32%, independent of any other reduction or increase.

## Conclusion

The Division recommends the Commission approve this application 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 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