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
Doug Wheelwright, Utility Technical Consultant Supervisor
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Date: October 21, 2024

Re: **Docket No. 24-057-18,** Application of Enbridge Gas 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) Deferred Account Balance on an interim basis, as filed. Enbridge Gas Utah (Enbridge or Company) requested an effective date of November 1, 2024. The Division will further review, audit, and make final recommendations at a later date.

Issue

On October 1, 2024, Enbridge filed its application seeking Commission approval to amortize the under-collected EE deferred account balance. On October 1, 2024, the Commission issued its Action Request to the Division, requesting it to review the application and make recommendations by October 31, 2024. On October 2, 2024, the Commission issued a Notice of Virtual Consolidated Scheduling Conference for October 7, 2024. On October 9, 2024, the Commission issued a consolidated scheduling order for the following six dockets:

Docket Nos. 24-057-16, 17, 18, 19, 20, and 21. The scheduling order requested that initial comments be filed with the Commission by October 21, 2024, with a virtual hearing scheduled for October 25, 2024.

Application Description

As of the end of August 2024, the EE program had a positive (under-collected) balance of \$3,662,978. The Company proposes increasing the amortization rate from \$0.15907 to \$0.24543 per dekatherm (Dth) to minimize interest costs and provide the necessary revenue for the 2024-2025 program year. The following eight exhibits accompanied the application:

- EGU Exhibit 1.1 summarizes the EE deferred expenses accounting entries from September 1, 2023, through August 31, 2024. In paragraph nine of the Docket 05-057-T01 Order approving the EE programs, the Commission required Enbridge to "keep detailed records of all Demand Side Management (DSM) expenditures and shall track them by each separate DSM program or marketing initiative, and by expenditure type. Summary statements 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.

- EGU Exhibit 1.2 summarizes the deferred EE-related expenditures by program and type from September 1, 2023, through August 31, 2024. According to the Exhibit, the EE balance, as of the end of August 2024, is a positive \$3,662,978 balance, meaning ratepayers are underpaying. The Exhibit has two labeling errors. "September 31, 2023, Balance" should read "September 1, 2023", and the "October 31, 2024, Balance" should read "August 31, 2024".

- EGU Exhibit 1.3, page 1, is the actual and projected EE balances from December 2023 through September 2025, illustrated graphically. The graph demonstrates what will happen if the rate should remain at \$0.15907. The EE deferred account balance would continue to be under-collected through September 2025. The chart also presents a projected account balance after the rate changes to $0.24543. The under-collected balance will gradually decrease to zero by January 2025, and the over-collected balance will continue through June 2025 and become under-collected through September 2025. Interest expense and interest income will offset each other over the months, resulting in no interest.

- EGU Exhibit 1.3, page 2, presents the data model based on actual July 2024 and August 2024 expenditures, the forecasted 2025 budgeted expenditures for September 2024 to December 2025, and actual/projected Dth volumes for July 1, 2024, to December 31, 2025. Enbridge will over-collect for six months with the proposed adjusted rate and under-collect for six months. Enbridge will be under-collecting by the end of the summer season because of lower Dth usage and have a balance of $ 2,425,921 by the end of August 2025. The under-collected balance will be recovered as Enbridge 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 2024 through December 2025 is forecasted to be $37,589. It is projected that Enbridge will be able to collect the necessary revenue by using $0.24543 per Dth as the amortization rate rather than the current rate of $0.15907 per Dth.

- EGU Exhibit 1.4 presents the red-lined legislative tariff sheets if the rate is approved.

- EGU Exhibit 1.5 presents the proposed tariff if the rate is approved.

- EGU Exhibit 1.6 shows the financial impact of typical residential customers using 70 Dth a year. If approved, a typical residential customer will see a $6.04 or a 0.91% increase from their current annual bill rate attributable to the amortization rate change in the EE deferred account balance.

- EGU Exhibit 1.7 is the red-lined Combined Legislative GS Rate Schedule tariff sheets that would be effective if all six applications are approved.

- EGU Exhibit 1.8 is the final Proposed GS Rate Schedule tariff sheets that would be effective if all six applications are approved.

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

- Pass-Through Application of Enbridge for an Adjustment in Rates and Charges for Natural Gas Service in Utah in Docket No. 24-057-16,
- Application of Enbridge for an Adjustment in the Daly Transportation Imbalance Charge in Docket No. 24-057-17,
- Application of Enbridge to Amortize the Conservation Enabling Tariff (CET) Balancing Account amortization rate in Docket No. 24-057-19,
- Application of Enbridge to Adjust the Low Income/Energy Assistance Rate in Docket No. 24-057-20 and
- Application of Enbridge to Change the Infrastructure Rate Adjustment in Docket No. 24- 057-21.

The Division's response to the other five dockets will be provided in separate memos.

Background

The original DSM programs and Market Transformation Initiative (MTI) were the products of a collaborative effort of interested parties working with Enbridge (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 Enbridge'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 Enbridge 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. Enbridge claims that this EE deferred account filing is by Commission order, which authorizes Enbridge “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 or interest expense. As a result, it works to keep the program balanced, where neither the ratepayer nor the utility provider is harmed. A primary objective of the data model (see Enbridge Exhibit 1.3) is to calculate a new rate that will collect enough to cover expenses but minimize the amount of interest expense or interest income collected to zero. Table 1 illustrates the financial status of the EE program.

Table 1

Energy Efficiency Expenditures by Program
Actual for October 1, 2023 to August 31, 2024

	(A) **Program**	(B) **Expenditures**	(C) **Balance**
1	**October 1, 2023 Balance**		**$ (2,482,566)**
2	ThermWise® Home Energy Plan	$267,338	
3	ThermWise® Builder Rebate	$9,341,642	
4	ThermWise® Appliance Rebates	$5,918,876	
5	ThermWise® Business Rebates	$1,393,097	
6	Market Transformation	$1,119,339	
7	Low Income Efficiency	$641,201	
8	ThermWise® Weatherization	$7,360,733	
9	ThermWise® Energy Comparison Report	$335,671	
10	**Total Program Expenditures (Lines 2 - 10)**		**$ 26,377,897**
11	**Total Program Expenditures & Balance (lines 1 + 10)**		**$ 23,895,330**
12	Interest		**$ (71,731)**
13	Amortization		**$ (20,126,104)**
14	Accruals		**$ (34,517)**
15	**Total Program Revenue (Lines 12 + 14)**		**$ (20,232,352)**
16	**August 31, 2024 Balance (Lines 1 + 10 through 13)**		**$ 3,662,978**

The EE program's financial position shows a positive balance of $3,662,978 (over-collected) as of August 31, 2024. Adding all the program expenditures with the beginning balance as of September 30, 2023 ($26,377,897 minus $2,482,566) results in $23,895,330 of total obligations in the base year of 2023-2024 (Table 1, line 1 plus line 10 equals line 11). Interest, amortization (income from ratepayers), and accruals (add lines 12, 13, and 14) equal ($20,232,352). When $20,232,352 of revenue is subtracted from $23,895,330 of expense, the result is a positive $3,662,978, representing more expense than revenue.

The positive balance results from under-collecting from ratepayers and receiving $71,731 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 $0.15907,
- Scenario 2, a change to the amortization rate of $0.24543, and
- Scenario 3, a change to the amortization rate of $0.26000.

Scenario 1 – Beginning with the positive balance of $3,662,978 as of August 31, 2024, not changing the amortization rate, adding the forecasted budgeted program costs of $27,020,254, expected interest expense of $249,596, and amortization income of $18,881,471, the deferred account would result in a positive balance of $12,051,357 at the end of August 2025. If there were no changes in the current rate, it is projected that Enbridge's program expenses would be covered. Revenue would be under-collected, and interest expense would be $249,596. This would harm the ratepayers.

Scenario 2 – Beginning with the positive balance of $3,662,978 as of August 31, 2024, changing the proposed rate to $0.24543, adding the forecasted program costs of $27,020,254, expected interest expense of $9,214, and amortization income of $28,266,666, the projected deferred account would result in a positive balance of $2,425,780 at the end of August 2025. As indicated in Table 2, ratepayers would not be harmed. Amortization income would be near break-even, interest expense would be minimized, and the amortization rate would be reviewed the following year.

Scenario 3 – Beginning with the positive balance of $3,662,978 as of August 31, 2024, changing the rate to $0.26000 (estimated to lowest positive balance), adding the forecasted program costs of $27,020,254, expected interest income of $38,288, and amortization income of $29,850,064, the projected deferred account would result in a positive balance of $794,880 at the end of August 2025. 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 seven months of the year, the account balance would be over-collected, thus harming the ratepayer.

Table 2

Energy Efficiency Proposed Rates
Scenarios A, B & C
Forecasting for September 1, 2024 through August 31, 2025

		(A) Current Rate	(B) DEU Rate	(C) DPU Rate
1	**Proposed Rate**	**$ 0.15907**	**$ 0.24543**	**$ 0.26000**
		No Rate Change		
2	**September 1, 2024, Balance**	$ 3,662,978	$ 3,662,978	$ 3,662,978
3	Total 2025 Budgeted Program Expenditures	$ 27,020,254	$ 27,020,254	$ 27,020,254
4	Total Program Expenditures & Balance (Lines 1 +	$ 30,683,232	$ 30,683,232	$ 30,683,232
5	Interest	$ 249,596	$ 9,214	**$ (38,288)**
6	Amortization Collected	**$ (18,881,471)**	**$ (28,266,666)**	**$ (29,850,064)**
7	Accurals	$ -		
8	**August 31, 2025 Balance (Lines 4 through 6)**	**$ 12,051,357**	**$ 2,425,780**	**$ 794,880**

Using Enbridge's proposed rate and data model, the 182.4 account balance will fluctuate above and below $0 during the year (six months under-collected and six months over-collected), with a planned interest income close to zero between the effective period of November 2024 through October 2025. Based on the projected balances and forecasted interest income, the proposed rate will closely meet the EE deferred account's financial goals. Enbridge's recommended amortization rate increases from $0.15907 to $0.24543 per Dth. In the Division's example, Scenario C, the amortization rate of $0.26000 will over-collect the revenue needed and increase the interest income. Scenario A will also under-collect revenue and increase interest expense. 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 Enbridge exhibits as filed with the application. Based on the current balance, projected volumes, and the Enbridge EE budget 2025 of $28.5 million, Enbridge believes it will collect the required revenue while minimizing interest income with its proposed increase to a $0.24543 amortization rate. The Division will continue monitoring account 182.4 and present recommendations if the expenses and revenues deviate significantly from Enbridge's projections.

Effect on a Typical GS Customer

If the Commission approves this application, typical residential customers using 70 Dth/year will see an increase in their yearly bills of $6.04 or 0.91%, independent of any other reduction or increase.

Conclusion

The Division recommends the Commission approve this application on an interim basis, pending its 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 them on an interim basis, as presented.

cc: Kelly Mendenhall, Enbridge Gas of Utah
Travis Willey, Enbridge Gas of Utah
Michele Beck, Office of Consumer Services