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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

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Date: March 19, 2026

Re: **Docket No. 24-057-22**, Enbridge Gas Utah's Application for Approval of the 2025 Year Budget for Energy Efficiency Program and Market Transformation Initiative.
Docket No. 25-057-05, Enbridge Gas Utah's Energy Efficiency Reports, 2025; AND
Docket No. 26-057-01, Enbridge Gas Utah's Energy Efficiency Reports, 2025

Recommendation (Acknowledge with Recommendation)

The Division of Public Utilities (Division or DPU) recommends that the Public Service Commission of Utah (Commission or PSC) acknowledge Enbridge Gas Utah's (Company or EGU) Report with the recommendation that the EGU DSM Advisory Group review and evaluate following:

1. EGU should begin limiting incentives when it reports reaching 90% of its budget, especially if the Company expects to exceed its overall budget by year-end.
2. EGU should provide actual cost/benefit results at the incentive level, compared to the forecasted amounts provided in the budget proposal.¹

¹ Application for Approval of the 2025 Year Budget for Energy Efficiency Programs and Market Transformation Initiative, Docket No. 24-057-22, EGU Exhibit 1.11



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In the Company's January 14, 2026, report on expenditures, the Company requested, "To the extent the increased spending for the Builder rebate program needs Commission approval, Enbridge Gas Utah respectfully requests that the Commission approve the higher program budget levels." The Commission's February 24, 2026, Acknowledgement Letter indicates "the PSC acknowledges the Builder, Low-Income, and ECR Programs expenses exceeded 90% of their respective PSC-approved 2025 budgets." The Division is unsure that the increased spending was approved by the Commission. Therefore, the Division offers the following options:

1. Approve the \$1,999,319 and increase the deferred amortization rate to cover the excess, with safeguards in place for the future,
2. Disapprove the amount, and allow the Company to recommend a solution,
3. Approve the \$1,999,319 but decrease the 2026 budget to make up the difference, with safeguards in place for the future.

Issue

On February 17, 2026. EGU filed its EE Report for the year ending December 31, 2025. The Commission issued an Action Request on February 18, 2026, requesting the Division to review the report for compliance and to make any recommendations by March 19, 2026. This memorandum represents the Division's response to the Commission's Action Request.

Background

EGU filed an application on October 31, 2024, with the Commission to approve its 2025 EE Programs and Market Transformation Initiative (MTI) Budget. The Commission approved the Company's 2025 EE tariff revisions and the 2025 EE Programs budget of \$30.880 million on January 9, 2025, effective January 1, 2025. In the Company's 2025 year-end report, filed February 17, 2026, it reported actual expenditures at \$32.879 million. This was the first time in the history of the Energy Efficiency Programs that the actual expenditures exceeded the budget.

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Discussion

The Commission's Order issued in Docket No. 05-057-T01 dated January 16, 2007, stated that the Company was required to report to the Commission when "any program reaches ninety percent of the budgeted amount, with an estimate of the projected spending needed for the remainder of the year. To the extent the projected spending exceeds the original budgeted amount, [Enbridge] must seek Commission approval for the higher projected levels of spending."² Additionally, the Commission Order issued in Docket No. 09-057-15, dated January 12, 2010, stated that the Company was required to report to the Commission when any DSM program costs reached ninety percent (90%) of its budget, and if any DSM program costs reached fifty percent (50%) of its budget before June 30 each year, or eighty percent (80%) of the budget by August.

Although the Company has been meeting its reporting requirements per the Commission's orders, the Division was surprised to see the overall budget was overspent by \$1,999,319. After further analysis, the Division identified discrepancies in some programs related to forecasted and actual participants and rebates paid for certain measures.

These findings suggest the need for a procedural review to ensure the ongoing integrity, equity, and cost-effectiveness of the ThermWise® portfolio. Thus, a more granular assessment of individual program performance is requisite, particularly where budget variances exceed acceptable thresholds.

Portfolio Trends

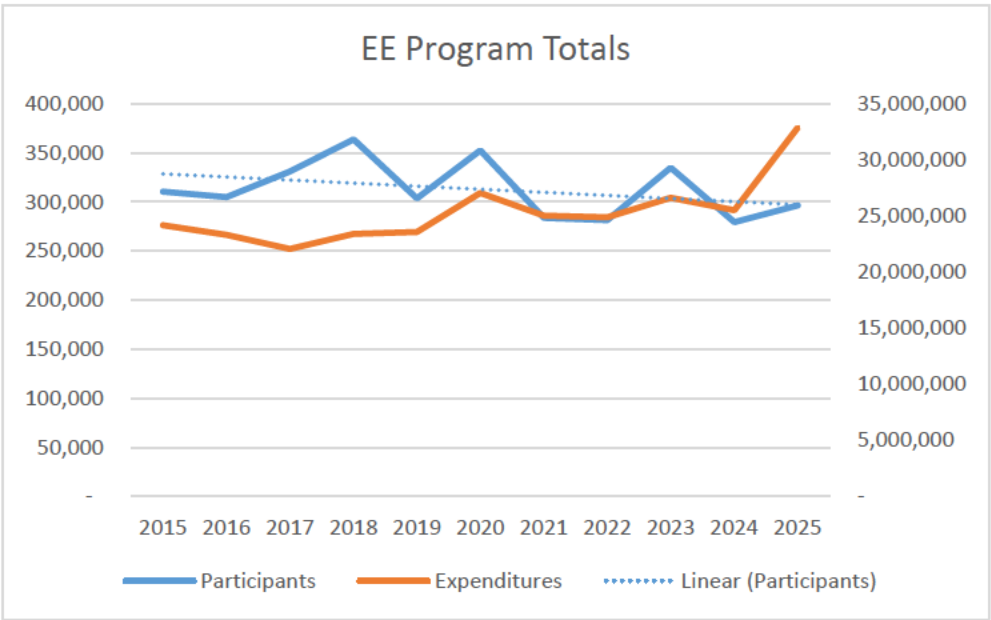
The following graphs synthesize the aggregate performance of the ThermWise® portfolio over a ten-year period, illustrating total participation, gross expenditures, and aggregate dekatherm savings. The trajectory of the total participant count demonstrates a long-term contraction, falling from a peak of 363,852 in 2018 to 296,551 in 2025. Conversely, total programmatic expenditures have expanded, culminating in a historical peak of \$32,879,713 in 2025.

² Docket No. 05-057-T01, Commission Order.

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Graph 1³ illustrates the relationship between total program participants and expenditures over time.

Graph 1. EE Total Participants vs Expenditures

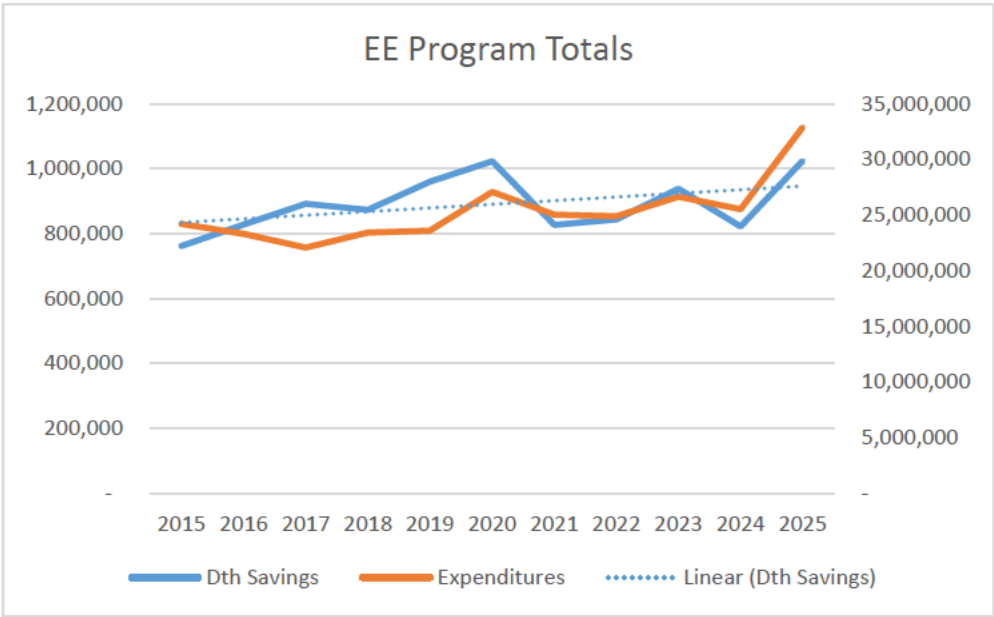


The second graph illustrates the correlation between total program expenditures and Dth saved across the reporting period. While program expenditures have outpaced Dth saved in recent years, Graph 2 shows that Dth savings still closely track program expenditures.

³ All graphs provided in this document are created by the Division using information from the Company's yearly EE filings.

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Graph 2. EE Total Dth Saved vs Expenditures



Between 2024 and 2025, the Division notes a 15.2% increase in participants, while program costs increased by 28.9% and Dth savings increased by 24.6%. Given that the Company counts the number of rebates given per program, rather than households participating in the program, it appears that program participation has increased at a slower rate than program expenditures and energy savings. This suggests that program measures have increased costs, and fewer measures are being implemented for higher total energy savings.

Performance vs. Stated Targets

The 2025 operational year represents a period of significant budgetary expansion authorized by the PSC. EGU concluded 2025 having spent \$32.87 million (106.5% of the approved \$30.88 million budget), achieving 1,024,126 Dth in net savings (compared with a forecasted 1,032,033) across 296,551 participants (compared with a forecasted 298,067). Analysis of individual ThermWise® programs reveal some discrepancies between utility forecasting and actual outcomes.

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ThermWise® Builder Rebates

The Builder Rebates program emerged as the primary catalyst for the portfolio's aggregate budget overrun, highlighting an underestimation of the regional construction sector's appetite for subsidies. Originally allocated \$9.82 million, the program consumed \$12.91 million—132% of its authorized budget.

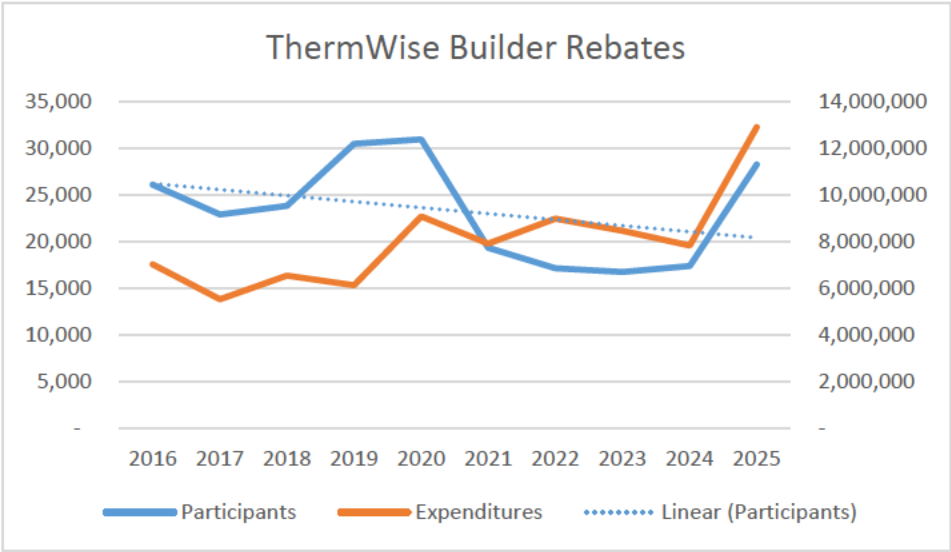
2025 Q4 data confirm that this surge accelerated through the end of the year:

- In Q4 2025 alone, the Builder program recorded 10,716 actual participants, expending \$5.21 million in just three months.
- The Multi-Family Pay for Performance tier added 2,136 participants and with an additional \$1.58 million in Q4.
- Single-Family Pay for Performance added 2,119 participants and \$2.59 million in Q4 costs.

This over-performance suggests that real estate developers and high-volume homebuilders have systematically integrated EGU's Pay-for-Performance incentive into their baseline project financing models, transforming a marginal incentive into a standard operational subsidy. The sharp increase in program participants between 2024 and 2025 is illustrated in Graph 3 below.

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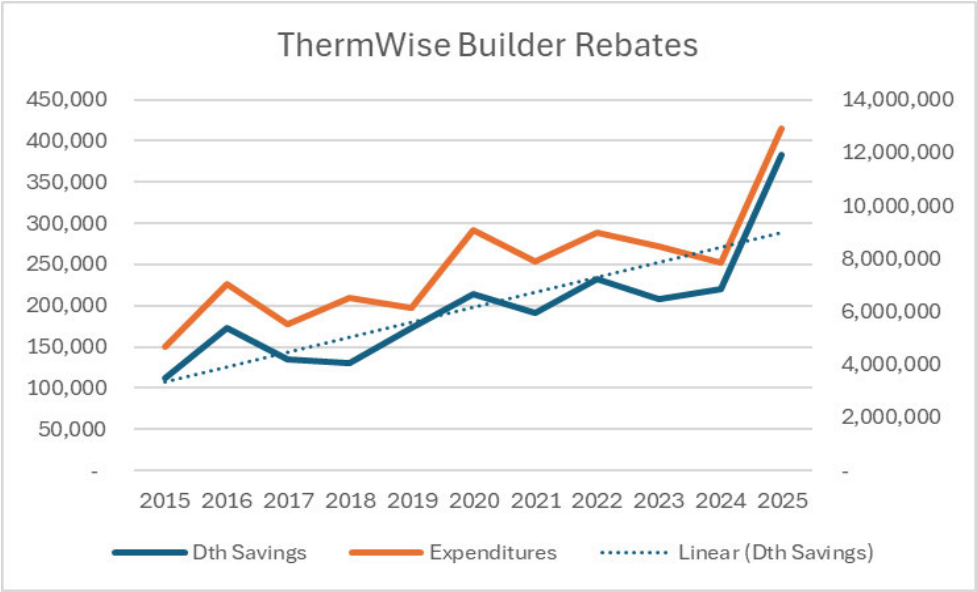
Graph 3. Builder Program Participants vs. Expenditures



The Division notes that Dths saved closely correlated with expenditures within the Builder program and have generally increased over time. While the Company initially forecasted Dth savings at 293,609, it reported actual Dth savings at 383,746. This increase in both expenditures and Dth savings is illustrated in Graph 4.

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Graph 4. Builder Program Participants vs. Expenditures



Despite the budget overage, the Division finds that the program appears to be functioning as intended. Table 1 below shows that program participants, expenditures, and Dth savings all increased at a relatively similar rate.

Table 1. Builder Program 2024-2025 Comparisons

	2024 (Actual)	2025 (Actual)	% Change
Participants	17,384	28,266	62.6
Expenditures	7,823,673	12,907,702	65.0
Dth Savings	220,271	383,746	74.2

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The Company's significant budget increase for 2026 (\$12.157 million⁴) may demonstrate a more accurate forecast of rebate payouts for the coming year; however, the Division still recommends that the Company implement program backstops to prevent budget overruns in the future.

ThermWise® Weatherization Rebates

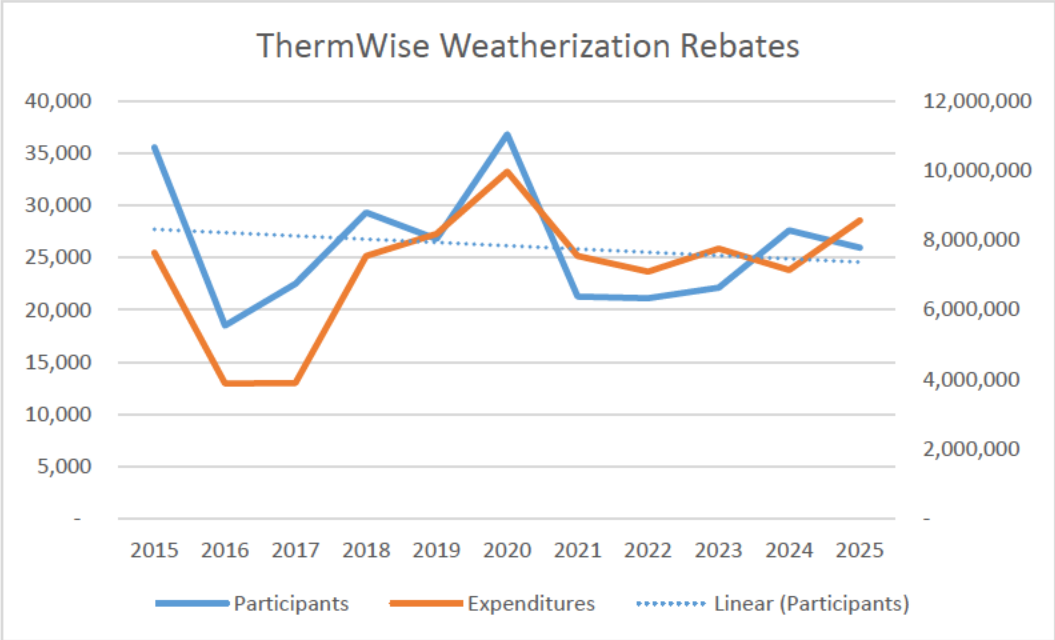
The Weatherization program also exhibited volatility. In November 2025, EGU formally notified the PSC that the program was projected to reach 128% of its budget. However, final year-end reconciliation placed total expenditures at \$8.56 million, a smaller overage at 103% of the budget.

Graph 7 provides a year-over-year comparison of program participants versus expenditures, while Graph 8 provides a comparison of Dth savings versus expenditures. The juxtaposition of these graphs shows a general, albeit slight, decline in participants and decoupling of Dth savings, despite consistent program spending. This may signal a need to address rebate offerings.

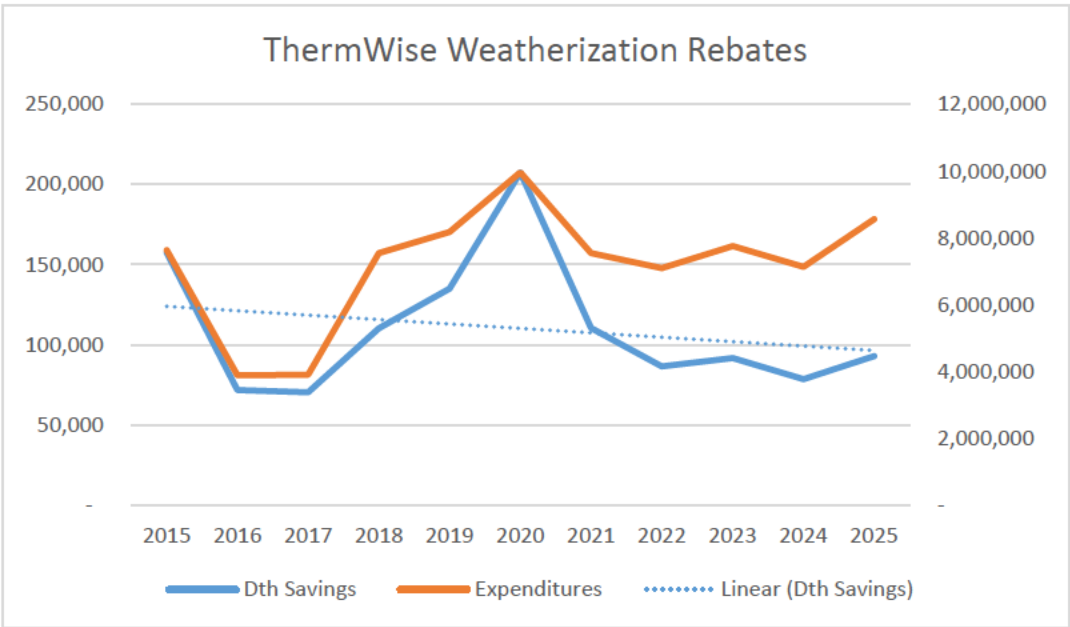
⁴ *Application for Approval of the 2026 Year Budget for Energy Efficiency Programs and Market Transformation Initiative*, Docket No. 25-057-22, EGU Exhibit 1.11

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Graph 7. Weatherization Program Participants vs. Expenditures



Graph 8. Weatherization Program Dth Savings vs. Expenditures



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ThermWise® Appliance Rebates

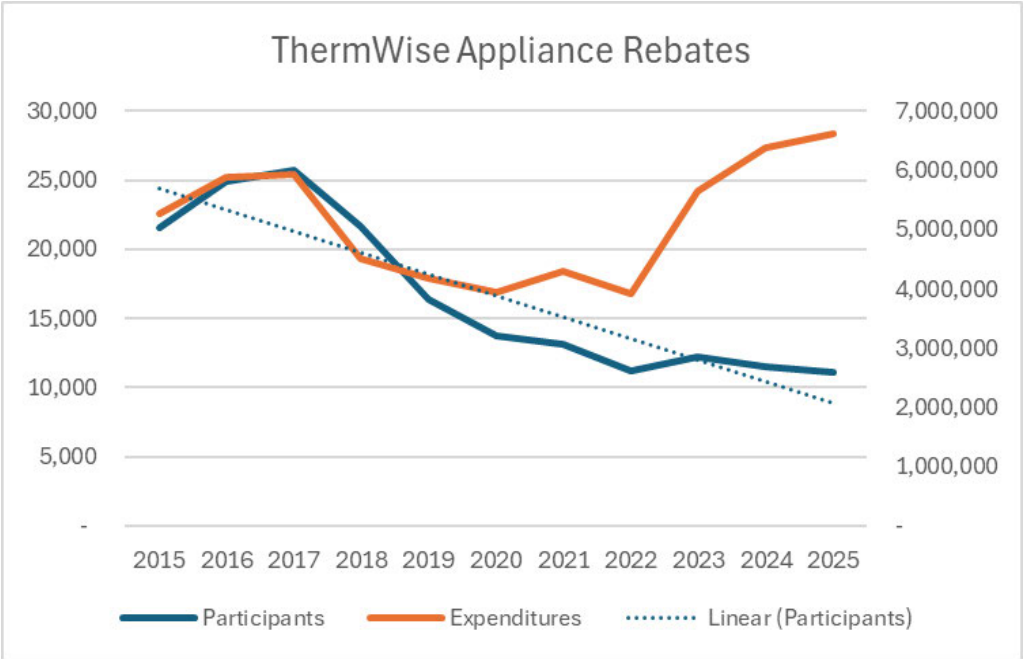
The Appliance Rebates program completed the year within acceptable fiscal boundaries but missed its participation target by a notable margin (securing 11,068 participants against a forecast of 14,085). The decoupling of participation from total expenditure is explained by a shift in the measure mix toward premium, high-rebate equipment. This shift in appliance rebates aligns with general industry trends, according to the American Gas Association.⁵

While this is becoming an industry trend, the Division is concerned by the increasing divergence between program costs versus participants and Dth savings. These are exemplified in the following two graphs. Graph 9 shows the trend of program participants and expenditures, while Graph 10 shows the trend of Dth savings and expenditures. Participants and Dth savings have both trended downward, while program expenditures have continued to increase. The inverse relationship in both graphs may demonstrate that the Company should re-evaluate the rebate offerings available within the Appliances Program.

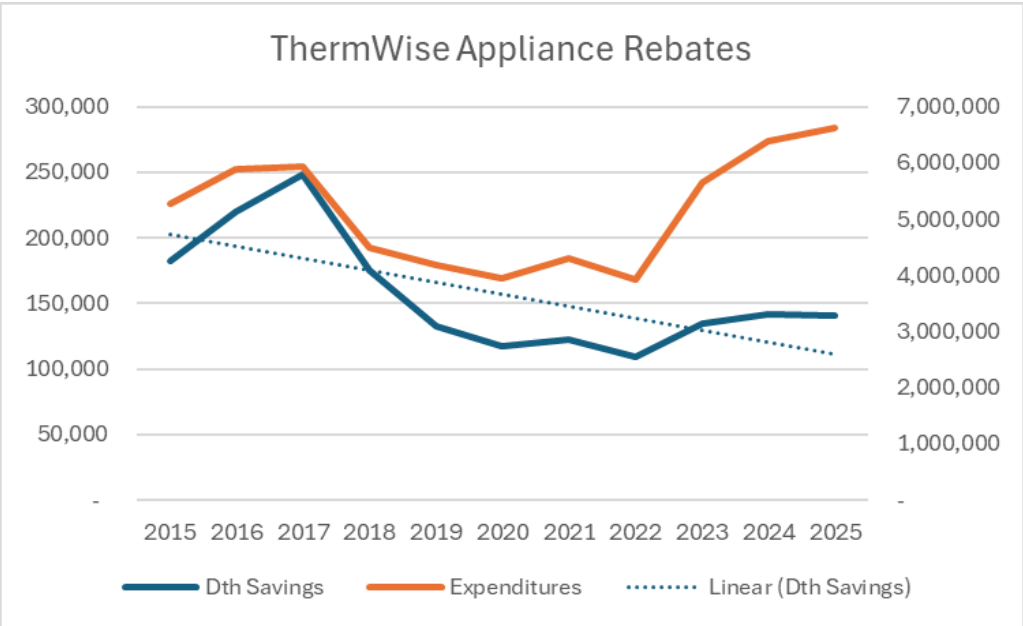
⁵ The Growing Imperative for Natural Gas Energy Efficiency, American Gas Association (last visited March 3, 2026) <https://gasfoundation.org/wp-content/uploads/2025/02/2024-AGF-The-Growing-Imperative-for-Nat-Gas-Energy-Efficiency-1.pdf>

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Graph 9. Appliance Program Participants vs Expenditures



Graph 10. Appliance Program Dth Savings vs Expenditures



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Cost Effectiveness

Regulatory approval of energy efficiency portfolios is contingent upon passing the UCT cost-effectiveness test. The 2025 actual outcomes yielded positive results across the UCT and other primary tests. Table 2 delineates the forecast versus actual B/C ratios for the entire ThermWise® portfolio. Notably, the actual scores for the UCT and TRC both exceeded the forecasted score.

Table 2. 2025 Forecasted vs. Actual B/C Ratios

Benefit/Cost Test	Forecasted	Actual
Total Resource Cost (TRC)	████	████
Utility Cost Test (UCT)	████	████
Participant Test (PT)	████	████
Ratepayer Impact Measure (RIM)	████	████

Further, the Company provided B/C ratios for each program in its portfolio. All programs, besides the Weatherization program, passed the requisite UCT. Scores for each program varied, with the Weatherization program scoring the lowest at █████ and the Builder program scoring the highest at █████. However, the Appliance, Builder, Business, Weatherization, and ECR programs all experienced decreases in their UCT scores compared with 2024.

The Company does not provide an explanation for the decreasing UCT scores, and it did not provide actual measure-level B/C ratios in its filing. While this is common for the Q4 filing, the Division finds this omission detrimental for its ability to analyze program offerings.

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Regional Comparisons

Builder Program

Other regional companies have implemented program norms to prevent budget overruns. The new construction program for Black Hills Energy gas company in Colorado has a strict deadline to submit applications for rebates. Further, the application explicitly states that, “Applications will be processed on a first-come, first-served basis. The program will end when the budget is depleted. Funds are limited.”⁶ This clear expectation for new construction rebates may help reduce budget overruns.

Appliances Program

Other companies have begun addressing the divergence between program costs, participation, and energy savings. Intermountain Gas Company (IGC) in Idaho has undergone the process of updating appliance rebate offerings to reduce free ridership. Several rebates for appliances with lower efficiency standards were retired in the 2024 budget proposal. Additionally, the Idaho Public Utilities Commission (IPUC) has required the IGC to conduct ongoing evaluation, measurement, & verification (EM&V) studies to evaluate the efficacy of current rebate offerings.⁷

Likewise, the Black Hills Energy gas company in Wyoming has temporarily halted its residential and commercial rebate offerings “so that future programs can be redesigned to provide maximum customer benefits.”⁸

⁶ 2026 Residential New Construction Program Application, Black Hills Energy Company (last visited March 4, 2026) <https://www.blackhillsenergy.com/sites/blackhillsenergy.com/files/COG-EE-2026-Residential-New-Construction.pdf>

⁷ *Application of Intermountain Gas Company for a Determination of 2023 Energy Efficiency Expenses as Prudently Incurred and Approval of Rate Schedule EE-RS*, Case No. INT-G-24-05, Order at 13 (Oct. 14, 2025). https://puc.idaho.gov/Fileroom/PublicFiles/GAS/INT/INTG2405/OrdNotc/20251014Final_Order_No_36797.pdf

⁸ Residential rebates for Wyoming LLC, Black Hills Energy Company (last visited March 4, 2026) <https://www.blackhillsenergy.com/efficiency-and-savings/residential-rebates/residential-rebates-wyoming-gas-llc>

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Recommendations

Given the various concerns the Division has raised, it recommends that the following issues be discussed in a future Thermwise® Advisory Group meeting:

1. EGU should begin limiting incentives when it reports reaching 90% of its budget, especially if the Company expects to exceed its overall budget by year-end. The specific mechanism of curtailing program incentives may be better addressed by the Company, but the Division recommends that the Thermwise® Advisory Group be allowed to weigh the benefit of: completely stopping incentive payouts when the budget is reached, reducing incentive amounts as the program nears its Commission-approved budget, or requesting Commission approval to transfer funds from another underspent program.
2. EGU should provide actual cost/benefit results at the incentive level, compared to the forecasted amounts provided in the budget proposal.⁹

When the Company filed the end-of-year report, it requested that the over-expenditure of the budget in the amount of \$1,999,319 be approved. Because there is no precedent or policy for this situation, the Division offers the following:

1. Approve the \$1,999,319 and increase the deferred amortization rate to cover the excess, with safeguards in place for the future,
2. Disapprove and allow the Company to recommend a solution,
3. Approve the \$1,999,319 but decrease the 2026 budget to make up the difference, with safeguards in place for the future.

⁹ *Application for Approval of the 2025 Year Budget for Energy Efficiency Programs and Market Transformation Initiative*, Docket No. 24-057-22, EGU Exhibit 1.11

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Conclusion

The Division recommends that the Commission acknowledge EGU's Report. However, because this is the first year the Company has exceeded its Commission approved budget, the Division provides the following options for the Commission to consider regarding the overage:

1. Approve the \$1,999,319 and increase the deferred amortization rate to cover the excess, with safeguards in place for the future;
2. Disapprove the amount, and allow the Company to recommend a solution;
3. Approve the \$1,999,319 but decrease the 2026 budget to make up the difference, with safeguards in place for the future.

With regard to safeguards, the Division recommends that the following are addressed in a future Thermwise® Advisory Group meeting:

1. EGU should begin limiting incentives when it reports reaching 90% of its budget, especially if the Company expects to exceed its overall budget by year-end.
2. EGU should provide actual cost/benefit results at the incentive level, compared to the forecasted amounts provided in the budget proposal.

cc: Michael A. Orton, Enbridge Gas Utah
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