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Office of Consumer Services

UTAH DEPARTMENT OF COMMERCE

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To: The Public Service Commission of Utah

From: The Office of Consumer Services
Michele Beck, Director
Alex Ware, Utility Analyst
Asami Kobayashi, Utility Analyst

Date: December 4, 2025

Subject: Docket 25-057-22

In the Matter of: Enbridge Gas Utah' Application for Approval of the 2026 Year Budget for Energy Efficiency Programs and Market Transformation Initiative

INTRODUCTION

On October 31, 2025, Enbridge Gas Utah ("EGU or Company") filed with the Public Service Commission of Utah ("PSC") its 2026 program-year budget for the energy efficiency ("EE") programs and Market Transformation Initiative ("MTI"). On November 5, 2025, the PSC issued a Notice of Filing and Comment Period establishing that interested parties may submit initial comments on EGU's filing on or before December 4, 2025, and reply comments on or before December 19, 2025. The Office of Consumer Services ("OCS") provides the following comments on the filing pursuant to that schedule.

BACKGROUND

In its application, EGU proposes to continue the eight existing ThermWise EE programs for the 2026 program year. These programs are:

1. Appliance Rebates Program,
2. Builder Rebates Program,
3. Business Rebates Program,
4. Home Energy Plan Program,
5. Weatherization Rebates Program,
6. Funding for the Low-Income Efficiency Program (administered by the Utah Department of Workforce Services),
7. Market Transformation Initiative, and
8. Energy Comparison Report

PROPOSED CHANGES TO ENERGY EFFICIENCY PROGRAMS

EGU's Only Proposed Incentive Change for 2026 is the Addition of a Hydronic Heating Coil to Serve as a Natural Gas Backup in a Dual Fuel Heating System

The Company proposes adding a new incentive offering, a hydronic heating coil, to the ThermWise Appliance Rebates, Builder Rebates, and Business Rebates programs. EGU states that a hydronic heating coil serves a similar purpose as a gas furnace backup to an electric heat pump in a dual fuel heating and cooling setup. Yet, instead of a forced-air gas-fired backup furnace, the hydronic heating coil is supplied with hot water from a natural-gas boiler (or modulating condensing natural-gas water-heater/boiler) to provide supplemental heating to the ducted air handler. Specifically, the coil is plumbed into the ductwork and delivers warm air via the air handler and duct system – just like a backup furnace.

EGU also states that in "recognition of the functional equivalence of this configuration to the existing dual-fuel heat pump + gas furnace measure, the Company proposes that the rebate amount for the heat pump + hydronic coil backup configuration be identical to the rebate currently offered for the dual-fuel system with forced-air gas backup" – which is currently "up to" $1,200. While the OCS does not question the purpose or potential effectiveness of the heating coil, our initial review of the technology identified questions about the cost comparability with a gas furnace backup. Unless the Company can provide additional evidence, it appears that the overall cost of the coil alone is much less than the cost of a high-efficiency gas furnace. Therefore, an "up to" rebate amount of $1,200 may be excessive or disproportionate to the actual cost of the equipment. The OCS understands the nuance of an "up to" rebate amount, but until further evidence is provided of the real costs of hydronic heating coils, it is premature to approve this measure at this time. We instead recommend that this issue be returned to the ThermWise Advisory Group to further investigate and determine the appropriate rebate amount/range for the technology.

PROPOSED BUDGET & COST-EFFECTIVENESS FOR 2026

EGU is proposing a 2026 total program budget of $36.1 million, which is an increase of $5.2 million or 17% from the 2025 budget. The Company states this increase is mainly due to higher expected participation in the ThermWise Appliance, Builder, and Weatherization programs. Also, EGU estimates that customer incentives will increase as a percentage of the total budget by 2% from program year 2025 (77.7%) to 2026 (79.7%). In addition, the Company projects that total natural gas savings from the ThermWise programs will be 1.3 million Dth/year or 21% higher than 2025 projections.

With its application in this docket, EGU provided Exhibit 1.12 that shows cost-effectiveness projections across all programs and individual program measures. The overall metric projections across all programs are:

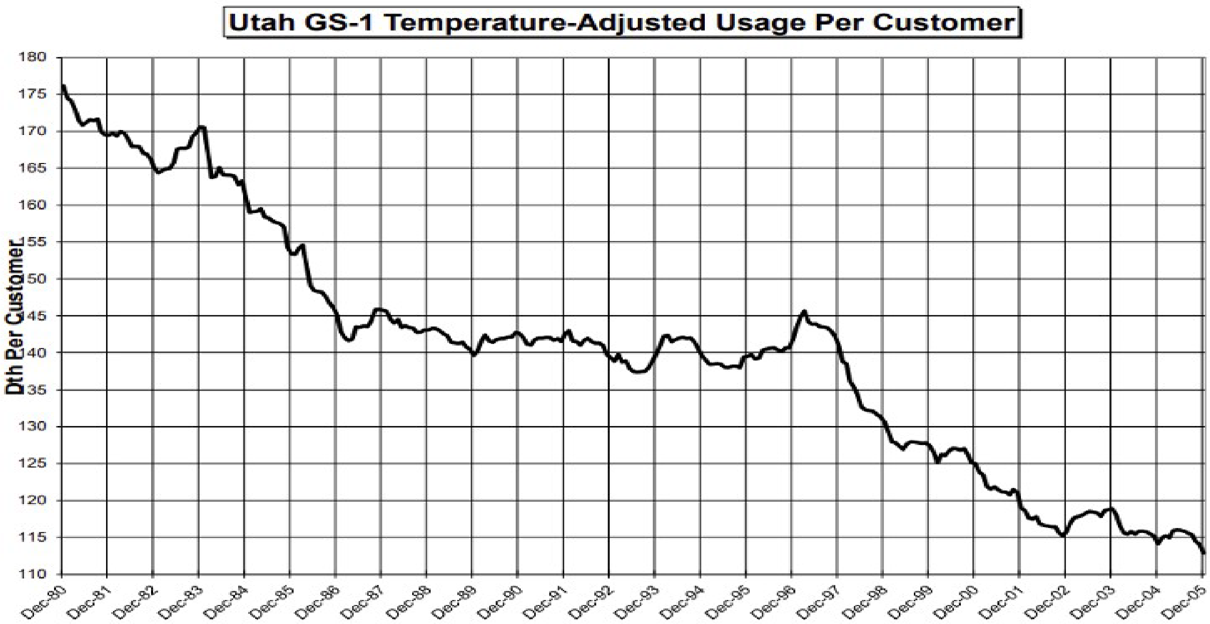
- Utility Cost Test: 1.47
- Total Resource Cost Test: 1.21
- Participant Cost Test: 3.02
- Ratepayer Impact Measure Test: 0.75

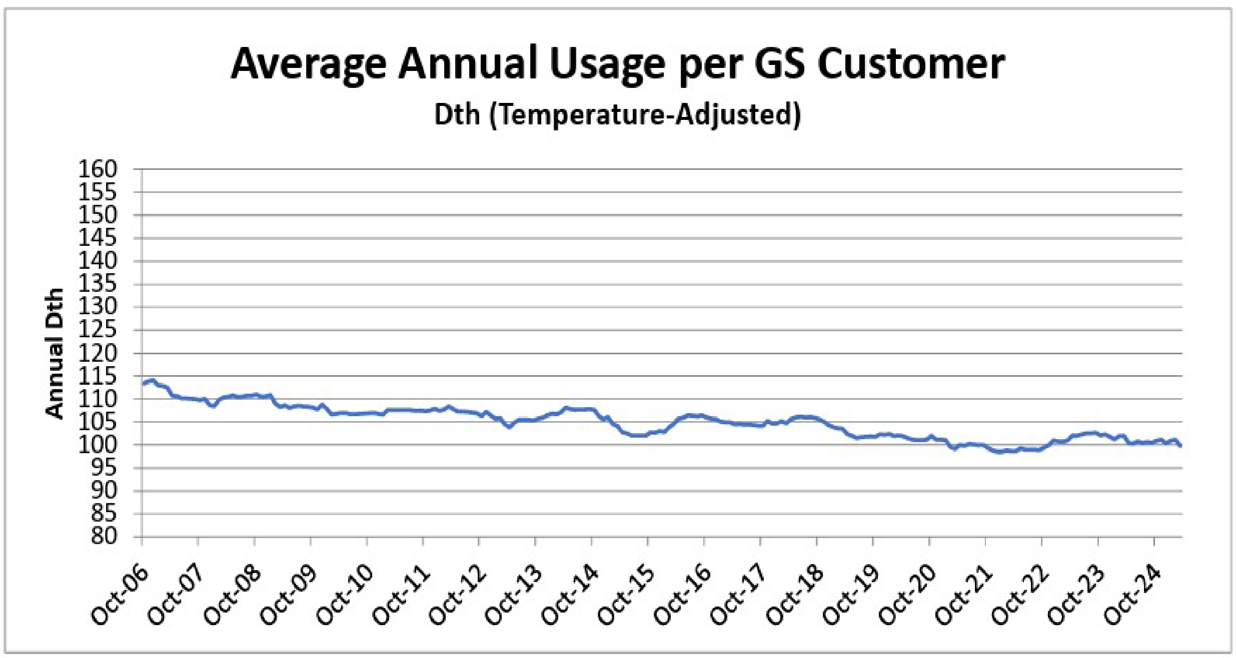
While the OCS is not recommending a change to the total forward-looking EE program budget at this time, we have significant concerns with some data trends – particularly over the past five years. We will review our concerns in the next section.

REDUCTIONS IN GAS USAGE PER CUSTOMER HAVE LEVELED OFF AND EE PROGRAM PARTICIPATION IS DOWN AND INCONSISTENT

During the last two EGU rate cases (25-057-06, 22-057-03 as Dominion Energy Utah), the OCS filed expert witness testimony challenging the effectiveness of the Company's Conservation Enabling Tariff ("CET").[1] In short, OCS Witness Daniel argues that since 2006, when the CET was approved and implemented, the rate of decline in gas usage per customer has generally leveled off. Specifically, data shows that the rate of decline over the 20 years of the CET has been lower than the rate of decline before the tariff was implemented. The 20 years before the CET saw a rate of decline in gas usage per customer of about 28%[2], yet over the life of the CET, the rate of decline has been about 11%[3] - as seen in the below figures that were included in Witness Daniel's Direct Testimony in Docket No. 25-057-06 (lines 342 to 257).

[1] Docket No. 22-057-03, Dominion Energy Utah Rate Case, Phase II Direct Testimony of OCS Witness James W. Daniel (4D Daniel) September 15, 2022, p.18-27
Docket No. 25-057-06, Enbridge Gas Utah Rate Case, Phase II Direct Testimony of OCS Witness James W. Daniel (3D Daniel) September 16, 2025, p.13-20
[2] 1986: 155 Dth/customer; 2005: 112 Dth/customer; (112-155)/155 = -28%
[3] 2006: 112 Dth/customer; 2024: 100 Dth/customer; (100-112)/112 = -11%





There are certainly factors of impact to consider over the past 40 years such as significant improvements to the energy efficiencies of natural gas equipment and appliances (about 80% efficient furnace then to at-or-above 95% efficient now), yet those considerations raise the question of how much potential remains for further material efficiency gains and the relative price tag per Dth now that the low-hanging fruit appears picked.

Also, our review of EGU's present EE budget application included a review of program outcomes from 2015 to 2024 (the last year of reported actuals). The OCS review excluded participation, cost, and energy savings numbers for the Energy Comparison Report

"ECR") because participation in that program is generally implemented not by the customer but by the Company which maintains control comparison groups.

Program Year	Estimated Participants (no ECR)	Actual Participants (no ECR)	Participation Rate (no ECR)	Actual Dth Savings (with ECR)	Commission-Approved Budget (with ECR)	Actual Program Costs (Programs Total with ECR)	ECR Costs	ECR energy savings	Adjusted Actual Costs (no ECR)	Adjusted Actual Dth Savings (no ECR)
2015	88,565	80,555	91%	761,849	$25,528,107	$24,187,461	$277,967	120,900	$23,909,494	640,949
2016	81,124	74,976	92%	827,537	$26,729,447	$23,319,412	$267,576	174,800	$23,051,836	652,737
2017	69,795	76,049	109%	892,241	$25,087,962	$22,373,837	$392,199	232,050	$21,981,638	660,191
2018	81,228	78,852	97%	872,688	$24,544,834	$23,408,281	$415,686	347,700	$22,992,595	524,988
2019	69,486	79,418	114%	960,178	$25,530,431	$23,580,797	$452,026	363,528	$23,128,771	596,650
2020	88,476	86,169	97%	1,022,618	$26,426,350	$27,070,627	$554,643	322,586	$26,515,984	700,032
2021	75,542	57,768	76%	826,644	$27,057,639	$25,028,933	$493,875	284,760	$24,535,058	541,884
2022	83,370	53,429	64%	843,751	$30,213,013	$24,894,778	$477,746	291,840	$24,417,032	551,911
2023	70,588	54,897	78%	937,926	$28,125,473	$26,630,078	$501,890	358,400	$26,128,188	579,526
2024	64,256	59,500	93%	822,061	$25,661,153	$25,508,595	$292,012	281,600	$25,216,583	540,461
10 year Total	772,430	701,613	91%	8,767,493	$264,904,409	$246,002,799	$4,125,620	2,778,164	$241,877,179	5,989,329
% Change 2015 to 2024	-27%	-26%		8%	1%	5%			5%	-16%
% Change 2020 to 2024	-27%	-31%		-20%	-3%	-6%			-5%	-23%

The primary conclusions of this ten-year review are:

- Between 2015 and 2024, actual program participation was 91% of expectations, with a low of 64% in 2022 and a high of 114% in 2019.

- Actual participation numbers peaked in 2020 at 86,169 but dropped to 59,500, or by 31%, by 2024.

- Between 2021 and 2024, participation rate forecasts have been inaccurate, resulting in inconsistent actual participation rate results of 76%, 64%, 78%, and 93%, respectively. While 2024 saw a participation rate of 93%, that year also saw the lowest participation estimate over the past 10 years – 64,256.

- Comparing the peak participation year of 2020 with 2024, estimated participation declined by 27% while the budget was set only 3% lower. Comparing those same years, actual participation declined by 31% and actual costs declined by 5%.

- While the Energy Comparison Report (ECR) was not the main focus of our analysis, the OCS notes the past five years have seen significant swings in cost/benefit results ranging from a low UCT of 1.84 in 2021 to a high of 4.72 in 2024. These swings do not appear fully explained by changes in participation or costs and we are skeptical of the results. We recommend that EGU provide a detailed explanation of these inconsistent results in reply comments.

It is clear from our review that participation rates are inconsistent and concerning – especially as program costs remain relatively stable. This trend also brings into question how effective annual media buys and advertising of the MTI really are at driving participation in the EE program. The OCS notes that participation estimates for 2025 and

2026 are higher than 2024, but the September 2025 actuals show a 73% participation rate – so we plan to keep an eye on the year-end outcomes and forward-looking projections for further trend analysis.

EGU PROPOSES FUNDING THIRD PARTY PROGRAM REVIEWS TO VERIFY THE IMPACT OF THE THERMWISE EE PROGRAM

In EGU's most recent rate case, Docket 25-057-06, OCS Witness Daniel recommended ending the CET in his direct testimony. In rebuttal, Company Witness Mendenhall stated EGU will propose an impact evaluation plan and request new funds to conduct a third-party assessment as part of its 2026 EE and MTI budget. Consequently, EGU is asking that $350,000 be added to the MTI section of the EE budget to study the impact of the 2021-2023 Appliance and Business programs. $250,000 would be allocated to evaluate the Appliance program and $100,000 to evaluate the Business program. EGU states:

> The Appliance Program evaluation will focus on verifying energy savings from residential natural gas efficiency measures such as furnaces, water heaters, smart thermostats, and other measures. The Business Program evaluation will assess commercial and industrial projects that received incentives for energy-efficient equipment and process improvements. The Company proposes to deliver the final impact evaluation report to the Commission by the end of the second quarter of 2027 and to perform evaluations of the other ThermWise programs in subsequent program years.

The OCS supports the proposal for in-depth evaluations to verify if and how the EE programs are contributing to meaningful gas usage reductions. However, we disagree with the proposal to allocate new collections from ratepayers to fund the impact assessments. We agree that such evaluations belong within the MTI budget but recommend that the Company reorganize or make cuts to MTI to fund the evaluations. For example, for the 2026 program year, media and advertising is budgeted at $900,000. We believe it is reasonable to cut these advertising efforts by about a third to put toward evaluation costs – especially given the current concerns about its effectiveness in bringing in participation. To provide additional context, we note that EGU's advertising budget is about 3% ($900,000) of total program costs while RMP's advertising budget for its DSM program is about 1.8% ($1.6 million) of total program costs – which are three times greater than EGU's total EE budget. Overall, we believe it is reasonable to require EGU to fund new program evaluations within current collections from ratepayers.

Lastly, regarding the new evaluations themselves, the OCS recommends that the PSC require EGU to include an in-depth explanation of energy savings assumptions that feed into the cost/benefit metrics. These assumptions are often supplied by market experts and external consultants, but there is little transparency about the sources or accuracy of the assumptions. Considering the inconsistent EE program participation levels over the past five years, while also maintaining a relatively consistent budget, we believe there is elevated concern to ensure reported energy savings are scrutinized, accurate, and fully understood. OCS notes that EGU generally presents favorable cost/benefit results for its

EE programs, yet we are not seeing that translate to material reductions in average gas usage per customer as would be expected with EE programs that are truly as beneficial as the cost/benefit numbers indicate. While the relationship between EE programs and the CET will continue to be addressed in the current and future rate cases, the inter-related issues of why cost-beneficial efficiency programs are not resulting in lower per-customer usage must be further explored in dockets such as this current one.

RECOMMENDATIONS

The OCS recommends that the PSC acknowledge that EGU's 2026 EE and MTI budget forecast meets reporting requirements. However, we also recommend that the PSC:

- Reject the addition of hydronic heating coil incentives at this time to allow the ThermWise Advisory Group the opportunity to further discuss equipment costs and an appropriate incentive amount,

- Approve EGU's plan for EE program impact evaluations if the Company funds them within its existing MTI budget and includes an in-depth explanation of the sources and impact of energy savings assumptions that feed into cost/benefit outcomes,

- Require the Company to provide a detailed explanation of why the ECR has been experiencing significant swings in cost/benefit outcomes.

cc:

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Chris Parker, Division of Public Utilities