

PART 2

211220150

Frost

WITNESS DIRECT TESTIMONY SUMMARY

Witness: Nathan J. Frost

Title: Director of New Technology and Energy Conservation

Summary:

Company Witness Nathan J. Frost presents the Company's proposal in the current Application. He explains the Company's policy and approach towards DSM, particularly in light of the passage of the Virginia Clean Economy Act ("VCEA"). He addresses the recommendations from Cadmus in the DSM Long-Term Plan and the Company's path towards VCEA compliance. He provides an overview of the Company's request for approval of DSM Phase X, as well as an overview of the Company's cost recovery request for the rate year period of September 1, 2022 through August 30, 2023, through Riders C1A, C2A, C3A, and C4A. Mr. Frost also describes the Company's compliance with the Commission's order and directives in the 2020 DSM Update proceeding, the 2020 evaluation, measurement, and verification ("EM&V") proceeding (as applicable to this proceeding), and the Preliminary Order issued in this proceeding.

More specifically, Mr. Frost explains how the Company has conducted DSM Programs in Virginia and how the VCEA relates to the Company's DSM Programs. He explains how the VCEA amended which customers are required to pay for costs of, and by extension participate in, energy efficiency programs, by removing the automatic exemption under Subsection A 5 c for large commercial and industrial customers. The VCEA, through Va. Code § 56-596.2, further directs that at least 15% of costs be for programs designed to benefit low-income and elderly, disabled individuals, or veterans. The VCEA also specifies total annual energy savings targets, starting in year 2022 through 2025, with savings targets to be set by the Commission thereafter.

Mr. Frost discusses the Company's participation in the independent moderator-led stakeholder group, which the VCEA extended the scope of the group to include feedback and input on, for example, compliance with total annual energy savings targets and effect on integrated resource plans. He next addresses the Company's DSM Long-Term Plan required by the Commission to present DSM sufficient to comply with the total energy savings targets in the VCEA and investment levels in the Grid Transformation and Security Act ("GTSA").

Finally, Mr. Frost introduces the Phase X Programs and associated cost caps. He also explains the Company's shift to eliminate predetermined end dates for the Phase X programs. Mr. Frost provides an overview of the Company's cost recovery request, compliance with prior DSM orders and directives, and introduces the other witnesses presenting direct testimony in support of the Company's Application.

**DIRECT TESTIMONY
OF
NATHAN J. FROST
ON BEHALF OF
VIRGINIA ELECTRIC AND POWER COMPANY
BEFORE THE
STATE CORPORATION COMMISSION OF VIRGINIA
CASE NO. PUR-2021-00247**

1 **Q. Please state your name, position with Virginia Electric and Power Company**
2 **(“Dominion Energy Virginia” or the “Company”), and business address.**

3 A. My name is Nathan J. Frost and my business address is 600 East Canal Street, Richmond,
4 Virginia 23219. I am Director of New Technology and Energy Conservation for the
5 Company. A statement of my background and qualifications is included as Appendix A.

6 **Q. Please describe your areas of responsibility with Dominion Energy Virginia.**

7 A. I am responsible for delivering Demand-Side Management (“DSM”) programs
8 (individually, “DSM Program” or “Program,” collectively, “DSM Portfolio” or
9 “Portfolio”) for the Company. In addition, my responsibilities include developing
10 initiatives related to electric transportation, and expanding development of regulated
11 small-scale renewable energy facilities.

12 **Q. Please describe the purpose of your testimony in this proceeding.**

13 A. My testimony supports the Company’s petition for approval to (1) implement DSM
14 “Phase X,” which includes new Programs to supplement the overall Portfolio, as well as
15 requests for additional funding and extension for existing Programs; (2) increase funding
16 for Portfolio marketing to drive increased participation in the Company’s DSM
17 Programs; and (3) update and continue rate adjustment clauses (“RACs”) designated
18 Riders C1A, C2A, C3A, and C4A (collectively, the “Application”).

1 Specifically, the purpose of my testimony is to:

2 (1) Explain the Company’s approach towards DSM, particularly as it relates to the
3 energy efficiency savings targets instituted by the Virginia Clean Economy Act,
4 (the “VCEA”);

5 (2) Address the recommendations from Cadmus in the DSM Long-Term Plan (“LTP”
6 or “DSM LTP”) and the Company’s path towards VCEA compliance;

7 (3) Present an overview of the Company’s request for approval of DSM Phase X and
8 additional requests related to its DSM Portfolio;

9 (4) Provide an overview of the Company’s cost recovery request for the rate year
10 period of September 1, 2022 through August 30, 2023 (“Rate Year”) through
11 Riders C1A, C2A, C3A, and C4A;

12 (5) Describe the Company’s compliance with the Virginia State Corporation
13 Commission’s (the “Commission”) order and directives in the 2020 DSM Update
14 proceeding, the 2020 evaluation, measurement, and verification (“EM&V”)
15 proceeding, and the Commission’s Preliminary Order issued in this instant
16 proceeding; and

17 (6) Introduce the other witnesses presenting testimony and summarize the requests
18 presented by the Company with this Application.

19 **Q. How is your testimony organized?**

20 A. My testimony is organized as follows:

21 Section I – DSM Overview

22 Section II – DSM Long-Term Plan

23 Section III – Request for Approval of Proposed Phase X Programs, Enhancements
24 and Extensions

25 Section IV – Cost Recovery

26 Section V – Additional Compliance with the Commission’s Orders

27 Section VI – Introduction of Company Witnesses and Summary of Requests

1 **Q. Are you sponsoring an exhibit in this proceeding?**

2 A. Yes. Company Exhibit No. __, NJF, consisting of Schedules 1-3, which was prepared
3 under my direction and supervision, and is accurate and complete to the best of my
4 knowledge and belief.

5 **I. DSM OVERVIEW**

6 **Q. Please provide background on how the Company has conducted DSM Programs in**
7 **Virginia.**

8 A. In March 2007, a voluntary energy efficiency goal of 10% electricity savings was enacted
9 by the Virginia General Assembly. To achieve this goal, Dominion Energy Virginia
10 launched its DSM Programs, consisting of energy efficiency and peak shaving programs.
11 Dominion Energy Virginia offers voluntary energy conservation programs and useful
12 information to help residential and non-residential customers make energy efficient
13 improvements and reduce demand during peak periods.

14 Customers are required to meet specific eligibility criteria described in the terms and
15 conditions and program materials for each DSM Program. The terms and conditions,
16 Frequently Asked Questions, as well as other program materials, are developed post-
17 Commission approval to assist customers in understanding eligibility and program
18 expectations. The field implementation and administration services for the DSM
19 Programs are provided by third-party implementation vendors, which currently include
20 Bidgely, ClearResult, EnergyHub, Honeywell, ICF, Itron, Nexant, and PowerSecure.
21 Each vendor is under contract with Dominion Energy Virginia to implement and operate
22 certain field-service-level functions for each DSM Program. Dominion Energy
23 Virginia's Energy Conservation Department program managers have oversight

1 responsibility to ensure the third-party implementation vendors are operating in
2 accordance with the Commission's approval and contracted responsibilities.

3 Energy savings associated with the Company's DSM Programs are determined by
4 EM&V each year by the Company's independent, third-party EM&V vendor, DNV. The
5 Company continues to file annual EM&V reports detailing energy and demand
6 reductions, as well as spending, participation, and other performance indicators, by
7 program.

8 In 2020, approximately 91,000 residential and non-residential customers participated in
9 the Company's DSM Programs and over 2.9 million LED bulbs were discounted.

10 Overall, approximately \$24.4 million was disbursed in rebate payments across the active
11 programs. This resulted in Dominion Energy Virginia customers saving 148 gigawatt-
12 hours of energy last year.

13 My Schedule 1 provides an executive summary of the Company's 2020 DSM Portfolio
14 performance and is provided as part of this filing, consistent with the Commission's
15 Order in Case No. PUR-2020-00156. This executive summary or "dashboard" was
16 created based on comments from stakeholder regarding which metrics were of most
17 interest to them. The data is for the prior calendar year—here 2020—and has been fully
18 audited via the Company's processes and EM&V.

19 **Q. Please provide an overview of the VCEA as it relates to the Company's DSM**
20 **Programs.**

21 A. The VCEA became effective on July 1, 2020, and contains several provisions that
22 amended the laws related to DSM programs. According to Subsection A 5 c of the

1 VCEA, a petition for energy efficiency programs shall include a “proposed budget for the
2 design, implementation, and operation of the energy efficiency program, including
3 anticipated savings from and spending on each program, and the Commission shall grant
4 a final order on such petitions within eight months of initial filing.” This Subsection also
5 includes provisions that the Commission shall allow a margin for recovery on operating
6 expenses for energy efficiency programs until January 1, 2022, after which a margin is
7 dependent on what the Company has proposed, what the Commission has approved, and
8 whether the Company has met its total annual savings targets.

9 The VCEA also amended which customers are required to pay for costs of, and by
10 extension participate in, energy efficiency programs, by removing certain automatic
11 exemption language, redefining the definition of Large General Service (“LGS”)
12 Customer, and directing the Commission to establish an opt-out procedure for eligible
13 customers implementing energy efficiency on their own. This change allowed the
14 Company to offer its DSM Programs to a broader group of non-residential customers. In
15 its Final Order in the 2020 DSM proceeding, the Commission approved expanding
16 eligibility for existing programs to the LGS Customers.

17 Also, as part of the VCEA, Virginia Code § 56-596.2 indicates that at least 15% of
18 energy efficiency program costs should be designed to benefit low-income and elderly,
19 disabled individuals, or veterans. Moreover, the VCEA specified total annual energy
20 savings targets for the Company to accomplish, starting in year 2022 through 2025, with
21 savings targets to be set by the Commission thereafter. I will address these savings
22 targets later in my testimony.

1 Lastly, the VCEA expanded the scope of the stakeholder group to include feedback and
2 input on (i) the development of energy efficiency programs and portfolios of programs;
3 (ii) compliance with total annual energy savings targets and effect on integrated resource
4 plans; (iii) recommended policy reforms to ensure maximum and cost-effective energy
5 efficiency; and (iv) best practices for EM&V services. Section 56-596.2 also provides
6 that a utility must use a third party evaluator to perform EM&V on total annual savings
7 targets, and requires a third party evaluator to provide reports on its findings concurrently
8 to the Commission and the utility.

9 **Q. Can you further comment on the Company's participation in the independent**
10 **moderator-led DSM stakeholder group process?**

11 A. Yes. As discussed in the direct testimony of Company Witness Michael T. Hubbard, the
12 Company has participated thus far in 13 stakeholder group meetings led by the
13 Commission-hired independent moderator since January 1, 2019, the latest of which was
14 a meeting that took place on November 17, 2021, as well as numerous subgroup meetings
15 on a variety of subject areas most of interest to stakeholders. During the meetings,
16 stakeholders provided input on areas of focus for energy efficiency programs and specific
17 conservation measures. The Company incorporated stakeholder input into its requests for
18 proposals, and has made adjustments to the DSM process and planned administration of
19 ("RFP") Programs in line with stakeholder feedback. Company Witness Hubbard
20 addresses the RFP process further in his testimony and schedules, including the process
21 of moving from stakeholder idea to program proposal.

1 **Q. Earlier you referenced the energy efficiency savings targets the VCEA established**
2 **for 2022 through 2025 and beyond. Could you please explain what those targets**
3 **are?**

4 A. With the passage of the VCEA, the General Assembly has set aggressive carbon
5 reduction targets through the expansion of renewable generation resources, storage, and
6 energy efficiency. Specifically with respect to energy efficiency, the General Assembly
7 established the following total annual energy savings targets:

8 a. In calendar year 2022, at least 1.25 percent of the average
9 annual energy jurisdictional retail sales by that utility in
10 2019;

11 b. In calendar year 2023, at least 2.5 percent of the average
12 annual energy jurisdictional retail sales by that utility in
13 2019;

14 c. In calendar year 2024, at least 3.75 percent of the average
15 annual energy jurisdictional retail sales by that utility in
16 2019;

17 d. In calendar year 2025, at least 5.0 percent of the average
18 annual energy jurisdictional retail sales by that utility in
19 2019; and

20 For the time period 2026 through 2028, and for every
21 successive three-year period thereafter, the Commission
22 shall establish new energy efficiency savings targets.

23 It is unclear, at this time, whether the targets should apply to “gross” savings or “net”
24 savings. Gross savings account for all energy efficiency savings achieved by all program
25 participants; whereas net savings are gross savings adjusted for market effects, including
26 reductions for any energy efficiency savings that are attributed to “free riders,” who
27 would have achieved the energy savings regardless of the DSM Program.

1 **Q. In its Final Order in the 2020 DSM proceeding, Case No. PUR-2020-00274, and as**
2 **restated in the Commission’s Preliminary Order in this instant proceeding, the**
3 **Commission directed that the Company’s next DSM filing include “[an] exhibit**
4 **measuring Dominion’s actual and projected compliance or noncompliance with the**
5 **total energy savings requirements in Code § 56-596.2, using both net and gross**
6 **savings metrics.” Has the Company done so?**

7 A. Yes. Similar to the presentation included in my rebuttal testimony in the prior DSM
8 proceeding, in my Schedule 2 the Company is presenting its current estimation of energy
9 efficiency savings. It should be noted that this information reflects a snapshot in time and
10 it does not yet incorporate the improvements to energy efficiency savings that will come
11 from the many recommendations in the DSM LTP. We will continue to work with
12 stakeholders to identify additional programs and process improvements that will be
13 needed to achieve the Commonwealth’s goals and public policy goals in the 2023 to 2025
14 time period. Additionally, as I will discuss later in my testimony, the Company is
15 actively working to implement and plan for short-, medium-, and long-term
16 improvements and action items identified by Cadmus, the Company’s third-party vendor
17 hired to develop the Company’s LTP, in the DSM LTP that will set Dominion Energy
18 Virginia on the path towards reaching the VCEA energy efficiency savings targets and
19 will be incorporated into future versions of my Schedule 2.

20 As shown in my Schedule 2, the Company is currently on track to achieve the energy
21 efficiency savings target established for 2022 of 1.25% on either a net or gross basis. I
22 believe this is indicative of the Company’s long-standing commitment to DSM, as well as
23 collaboration with stakeholders. While I am not a lawyer, it is my understanding that the

1 Commission's review of whether the Company actually has met the 2022 target,
2 however, will not occur until the Company's 2023 DSM update filing.

3 **Q. Separate from the VCEA energy efficiency savings targets, the GTSA requires the**
4 **Company to propose a minimum of \$870 million towards energy efficiency between**
5 **2018-2028. With the filing of this Application, what level of energy efficiency**
6 **specific spending has the Company proposed?**

7 A. As detailed by Company Witness Jarvis E. Bates, and inclusive of the programs proposed
8 in this Application, the Company has proposed approximately \$605 million of spending
9 on energy efficiency programs since the passage of the GTSA, meaning the Company is
10 well on its way to meeting the proposed spending target.

11 II. DSM LONG-TERM PLAN

12 **Q. Please introduce the DSM Long-Term Plan being filed as part of this proceeding.**

13 A. In the 2020 DSM Final Order (Case No. PUR-2020-00274), the Commission directed the
14 Company to present a long-term plan for DSM sufficient to comply with the total energy
15 savings targets in the VCEA and investment levels in the GTSA. The Commission
16 required that the long-term plan should include: (i) proposed program savings and
17 budgets for the five-year period beginning January 1, 2022, sufficient to comply with the
18 total energy savings targets in the VCEA and investment levels in the GTSA; (ii) a
19 proposed plan and framework for consolidating, streamlining, and marketing the public-
20 facing aspects of the Company's approved and proposed DSM Programs to facilitate
21 participation at the levels required to achieve the VCEA targets; and (iii) a detailed
22 project management plan and risk management strategy demonstrating that the Company
23 has identified and planned for deployment of the resources required to implement its

1 revised Programs. The Commission also required that the strategic plan should reflect
2 short-term, medium-term, and long-term recommendations for improvement of the
3 Company's DSM Portfolio.

4 With the passage of the VCEA and after discussions with stakeholders, the Company
5 believed getting an external industry informed perspective to assist the Company with
6 developing a DSM LTP in light of the VCEA's ambitious energy efficiency targets
7 would be prudent. Accordingly, in 2020, the Company issued an RFP for consulting,
8 planning and technical support services in support of the Company's DSM portfolio.
9 More specifically, the Company requested that the successful supplier/consultant provide
10 ongoing support of the Company's participation in the Virginia DSM stakeholder
11 process; develop a strategic long-term plan for the Company's DSM program portfolio;
12 develop recommendations for optimizing the customer experience with respect to DSM
13 program participation; provide technical support regarding DSM data review and cost-
14 benefit analysis, and provide a comparative analysis of the Company's DSM portfolio
15 with other utilities across the United States.

16 Cadmus was the successful bidder in the RFP process and the Company contracted with
17 Cadmus to undertake a deep-dive into DSM in Virginia. In particular, Cadmus was
18 charged with developing a LTP for DSM that could chart the Company's path towards
19 achieving the VCEA goals and beyond.

20 Throughout the development of the LTP, Cadmus consulted with the Company, its DSM
21 contractors, and numerous internal and external stakeholders for input and feedback. The

1 result is a comprehensive plan, which is provided in this proceeding with the testimony of
 2 Company Witness Terry M. Fry of Cadmus.

3 The LTP provides a path forward for the Company's DSM program portfolio with the
 4 end goal of setting forth an achievable strategy for meeting the VCEA energy efficiency
 5 goals. It provides a vision and pathways for making every practicable effort to achieve
 6 the legislative goals over short-, medium-, and long-term time timeframes. The plan
 7 addresses:

- 8 • Strategic vision;
- 9 • Achievability of GTSA and VCEA energy efficiency goals;
- 10 • Risks, challenges, and opportunities stemming from legislative and
 11 regulatory changes;
- 12 • Sector profiles, program design recommendations, and implementation
 13 pathways aligned with goals and high-level timelines;
- 14 • Approaches for adapting to an evolving customer market and
 15 advancements in technology; and
- 16 • High level forecast of energy and demand impacts, program costs, and
 17 cost-effectiveness.

18 **Q. How is the Company addressing the recommendations contained within the LTP?**

19 A. The DSM LTP indicates that there are a lot of opportunities in front of us, and the
 20 Company is excited to embark on this new path of success. Areas of immediate focus
 21 from the plan include:

- 22 (i) driving greater awareness and enrollment of our DSM Programs;
- 23 (ii) reorganizing the DSM Portfolio and planning for future restructuring; and
- 24 (iii) strengthening the continuous improvement framework.

1 With respect to driving greater awareness and enrollment of the Company's DSM
2 Programs, the Company has already begun working on opportunities to streamline the
3 customer experience, as outlined in direct testimony of Company Witness Michael
4 Hubbard. We want to ensure that we offer a broad and diverse portfolio of programs,
5 while also catering our offerings to specific customer categories and meeting customers'
6 energy needs. We recognize that we need to get more participation and more savings out
7 of the Programs we already have, and that awareness and a streamlined pathway to
8 participation is the key to doing so.

9 To this end, the Company is planning to significantly increase its customer awareness
10 efforts and has included the proposed necessary funding to do so as part of Common
11 costs in this proceeding. Company Witness Jarvis E. Bates addresses Common costs and
12 presents the proposed rate year budgets as part of his testimony.

13 **Q. Please elaborate on the Company's planned customer awareness efforts.**

14 A. The Company's goal is for customers to think of Dominion Energy Virginia when they
15 want to improve the energy efficiency of their home or business or when they need to
16 replace energy consuming equipment. To cultivate this top-of-mind awareness, the
17 Company proposes deployment of a marketing strategy that addresses both the program
18 and portfolio levels, where program-level marketing is focused on a specific program's
19 value proposition and targets the appropriate customer population while portfolio-level
20 marketing is focused on increasing customers' general awareness of programs and the
21 benefits of energy efficiency, as well as actions they can take to conserve energy
22 (including by participating in programs). To create broad awareness across customer
23 segments, both strategies will rely on multiple outreach channels, targeted messaging

1 based on primary research and industry best practices, and cross-promotion that
2 encourages customers to take a holistic approach to efficiency.

3 The DSM LTP highlights recent market research conducted within the Company's
4 service territory finding a lack of program awareness. Among non-residential survey
5 participants, only 15% had heard about Dominion Energy Virginia's energy conservation
6 programs in the last year and only 9% were "somewhat familiar" or "very familiar" with
7 the Company's programs, while 12% said they had participated in the past. According to
8 Cadmus, these findings are indicative of a historical under-investment in general energy
9 efficiency awareness advertising and education. Clearly, as a company we can do a
10 better job to improve customer awareness of our extensive DSM program efforts, and we
11 will.

12 Informed by this primary research and the need to reach new aggressive energy savings
13 targets, the Company plans to develop and execute a comprehensive portfolio-level
14 marketing strategy and energy education initiative to supplement its existing program-
15 level marketing and outreach efforts. In addition, as trade allies and partners are critical
16 in championing programs, the Company will put additional emphasis on expanding and
17 coordinating its trade ally network across programs in the coming years to ensure that
18 customers are able to find qualified contractors and access eligible equipment. Section 5
19 of the LTP outlines a framework for an overarching campaign that reflects Cadmus
20 primary customer research, stakeholder input, and industry best practices for customer
21 marketing, education, and outreach.

1 **Q. What specific tactics will the Company employ for outreach to Income and Age**
2 **Qualified (“IAQ”), residential, and non-residential customers?**

3 A. As outlined in the LTP, the IAQ sector encompasses multiple hard-to-reach audiences.
4 Cadmus’ research indicates IAQ customers have low levels of awareness of Dominion
5 Energy Virginia’s programs or ways to make their homes more efficient. Their most
6 significant barrier to adopting energy efficient technologies is perceived cost. Therefore,
7 a broad messaging strategy centered on reducing energy costs, highlighting the program
8 as a no-cost offering, and positioning Dominion Energy Virginia as a trusted resource for
9 energy efficiency information and support will be critical to reaching these customer
10 groups.

11 Cadmus provides additional suggested tactics under each of seven consolidated program
12 categories, which I will also address, as shown in the *Marketing Strategy* sections listed
13 below.

- 14 • Residential Energy Services Program - *Section 2.3.1.5*
- 15 • Residential Efficient Products Program - *Section 2.3.2.5*
- 16 • Residential New Construction Program - *Section 2.3.3.5*
- 17 • Income and Age Qualifying Program - *Section 3.3.1.5*
- 18 • Large Business Solutions Program - *Section 4.3.1.5*
- 19 • Small Business Solutions Program - *Section 4.3.2.5*
- 20 • Non-residential New Construction Program - *Section 4.3.3.5*

21 The Company will use a tailored approach when communicating with these different
22 communities and customer types and many of these multi-channel tactics will also be
23 considered when developing the portfolio-level marketing plan as well.

1 **Q. What is the timing and total incremental cost of implementing a portfolio-level**
2 **marketing and outreach plan as outlined above, and how did the Company arrive at**
3 **this cost estimate?**

4 A. To drive the higher participation needed to meet VCEA savings targets, Cadmus
5 projected an adoption rate tied to expanding the Company's investment into marketing
6 and outreach beyond what is already planned. To address customers' limited program
7 awareness, the Company plans to issue an RFP in early 2022 to solicit bids from
8 experienced marketing and advertising firms specializing in DSM program customer
9 awareness and outreach. Once selected, the firm (or firms) will be tasked with
10 developing and executing a portfolio-level customer awareness strategy to complement
11 the Company's existing program-level marketing efforts; this will be key to increasing
12 customer awareness of Dominion Energy Virginia's DSM programs and the benefits of
13 energy efficiency generally and in driving participation to meet goals.

14 The Company plans to invest \$2.5 million annually (approximately 1.5% to 4% of the
15 portfolio budget) over the years 2022 to 2026 in portfolio-level marketing. This amount,
16 as noted above, would be a component of Common costs allocated to all DSM Programs.
17 This level of marketing investment is prudent and on par with peer utility DSM programs
18 with greater awareness among their customers.

19 **Q. Why is this additional investment in marketing and outreach necessary?**

20 A. Historically, the Company utilized its implementation vendors to conduct program-level
21 marketing, including management of program-specific trade ally networks; but to date,
22 the Company has not implemented an overarching portfolio-level marketing strategy nor
23 a coordinated trade ally management initiative. Cadmus' survey results indicated a

1 significant opportunity to increase customer awareness of the Company's DSM
2 programs.

3 For example, only 19% of surveyed residential customers were "somewhat familiar" or
4 "very familiar" with Dominion Energy programs and even fewer (13%) reported
5 participating in a program in the last three years. Through benchmarking research,
6 Cadmus found that general population program awareness is higher among customers in
7 peer utility jurisdictions, ranging from 47% to 81%.

8 Cadmus' survey also revealed considerable interest among our customers to engage with
9 efficiency. Among surveyed residential customers, 84% would be "somewhat interested"
10 or "very interested" in program participation, with IAQ respondents expressing the
11 strongest interest. Non-residential customers are also very interested in participating,
12 with 49% of respondents indicating they were "very likely" or "somewhat likely" to
13 participate in a Dominion Energy Virginia program in the next three years. Both
14 residential and non-residential customers said that reducing energy bills was a strong
15 motivator to participate. These survey results indicate a significant opportunity to
16 increase program awareness and engagement among all customer segments as one
17 avenue to increase program participation and savings. Developing and executing a
18 portfolio-level customer awareness strategy to complement the Company's existing
19 program-level marketing efforts will be key to increasing customer awareness of
20 Dominion Energy's DSM programs and the benefits of energy efficiency generally and in
21 driving participation.

1 **Q. Any final comments as it relates to marketing and customer awareness?**

2 A. Dominion Energy Virginia is committed to partnering with an experienced DSM
3 marketing and strategy firm to develop and execute an overarching and comprehensive
4 portfolio marketing and outreach strategy. This strategy will expand participation in
5 DSM programs to achieve VCEA goals—while simplifying participation in the
6 Company’s streamlined DSM program portfolio by improving the overall customer
7 experience—from awareness to rebate/incentive fulfillment.

8 Furthermore, the Company is committed to continue robust stakeholder engagement as it
9 pursues a much-needed, more comprehensive approach to DSM marketing. General
10 awareness, supported by portfolio marketing, will help raise the Company’s DSM
11 programs to the forefront of customers’ minds as they consider decisions that may impact
12 their energy use. The proposed targeted marketing approach will help residential and
13 non-residential customers find and participate in a DSM program that is tailored to their
14 specific needs while taking advantage of monetary savings for years to come as they
15 achieve deeper energy savings through home and building upgrades.

16 **Q. Returning to the LTP areas you noted that were of immediate focus, you stated that**
17 **reorganizing the DSM Portfolio and planning for future restructuring is a priority.**
18 **Please explain.**

19 A. Cadmus determined that the Company should restructure its DSM Portfolio by
20 consolidating the existing 37 DSM Programs into seven overarching programs designed
21 around a logical customer journey (“7 Program Areas”). Cadmus recommends offering
22 three residential programs, one income- and age-qualified program, and three
23 nonresidential programs, each with multiple ways in which customers can engage with

1 efficiency. This structure is outlined in Table ES-3 within the LTP and copied below.

2 **Table ES-3. Proposed Demand-Side Management Portfolio Structure**

Sectors	Programs	Components	Pathways
Residential	Residential Efficient Products program	Efficient Products	<ul style="list-style-type: none"> • Upstream/Marketplace • Midstream Incentives • Downstream Rebates
	Residential Energy Services program	Energy Efficient Kits	
		Home Assessments and Direct Install	<ul style="list-style-type: none"> • Online Assessment • Walk-through Assessment • Diagnostic Audit
Income and Age Qualified	Residential New Construction program Income and Age Qualified program	Appliance Recycling	
		Customer Engagement	
		Home Assessments and Direct Install	
		Customer Engagement	
Nonresidential	Small Business Solutions program	Nonresidential Facilities	
		Audit, Direct Install, and Enhanced Rebates	
		Prescriptive Rebates	<ul style="list-style-type: none"> • Downstream Rebates • Midstream Rebates
	Large Business Solutions program	Building Optimization	
		Customer Engagement	
		Custom Rebates	<ul style="list-style-type: none"> • Feasibility Assessment • Custom Projects • Strategic Energy Management • Building Optimization
Nonresidential New Construction program	Facility Audit		
	Prescriptive Rebates	<ul style="list-style-type: none"> • Downstream Rebates • Midstream Rebates 	

Note: In addition to the customer-facing programs outlined, Dominion Energy will propose a Voltage Optimization program in its Phase X DSM filing as part of its strategy to achieve VCEA goals.

3 This recommendation from Cadmus appears to be in alignment with testimony submitted
 4 in recent years by Appalachian Voices Witness James Grevatt, as well as the
 5 Commission’s Order in the prior DSM proceeding wherein it directed that the Company’s
 6 next annual DSM filing shall include a proposed plan and framework for consolidating,
 7 streamlining, and marketing the public-facing aspects of the Company’s approved and
 8 proposed DSM Programs to facilitate participation at the levels required to achieve the
 9 VCEA targets. Specifically, in the 2020 DSM Final Order, the Commission directed the
 10 Company to provide the most current results of the Company’s investigation (and

1 implementation, if appropriate) of opportunities to streamline its audit programs going
2 forward. (2020 DSM Final Order at 12). The 7 Program Areas recommendation
3 proposed by Cadmus presents the Company's investigation of opportunities to streamline
4 its audit programs going forward, as directed by the Commission, which are all listed in
5 the third column of the Residential Energy Services Program in the table above.
6 Accordingly, I believe we have complied with the Commission's directive.

7 **Q. Is the Company proposing to make this realignment as part of its Application in this**
8 **proceeding?**

9 A. Yes. The Company fully intends for the customer-facing DSM interface to reflect this
10 consolidated approach and is working through the details of doing so. I agree that
11 consolidating, organizing, and streamlining the DSM Portfolio into 7 Program Areas—
12 which will grow even further with the Phase X updates proposed in this proceeding—is
13 in everyone's best interest. Realignment should simplify options for customers, support
14 marketing efforts, and could improve future reporting.

15 Challenges to full scale realignment, however, remain. The Company's existing 37 DSM
16 Programs are supported by 37 different contracts with the vendors that deliver those
17 Programs. The Programs each have unique start and end dates per Commission
18 approvals and program-specific cost caps. As such, it will take some time to align the
19 important contracts underlying the DSM Programs, as well as work through program run
20 time and budgets as part of these DSM update proceedings.

1 Q. The final area of immediate focus you noted was to strengthen the continuous
2 improvement network. Could you please elaborate?

3 A. Yes. Strengthening the continuous improvement framework will require the Company to
4 assess, improve, and track the effectiveness of our Programs' design and delivery. This
5 will help the Company optimize Programs over time. Cadmus suggests that engaging
6 with an objective evaluator to conduct targeted process evaluations of the Programs with
7 the greatest impact, uncertainty, and customer effects is a best practice that can lead to
8 actionable recommendations for program improvement.

9 The Company sees the continuous improvement framework as a major area where
10 increased energy efficiency savings can be achieved over the next several years and
11 beyond, and we are excited to embark upon a more comprehensive review and feedback
12 process regarding our DSM Programs. The first step will be to identify Programs for
13 process evaluation. The Company believes stakeholders, including the vendor network
14 delivering Programs, will be vital to the identification process.

15 That said, Cadmus, based on their extensive industry experience in the DSM program
16 area informs us that the current regulatory framework for Program updates or
17 amendments makes the type of "continuous improvement" that could be achieved from
18 this process challenging. In particular, the Company's ability to make dynamic or
19 market-reaction changes to Programs is limited based on the Commission's historic
20 requirements for explicit approval of all measure-level incentives within each Program,
21 which can only occur during the annual filing. This means, should an opportunity for
22 enhanced savings be identified, the Company must wait until its next annual update filing
23 to propose to include the new measure in a Program, and then wait eight months to

1 receive such approval. This is time lost when valuable energy savings could be realized
2 by customers.

3 **Q. Does the Company have a proposal to remedy this situation?**

4 A. Yes. With this Application, the Company requests the Commission approve an
5 administrative process to make amendments to existing DSM Programs when such
6 amendments do not affect the approved Program cost.

7 Specifically, the Company proposes the administrative process to provide the flexibility
8 needed to adjust to changing market conditions but still maintain the Commission's
9 approval and cost caps. See my Schedule 3, which presents details of the Company's
10 proposed administrative process, as recommended by the LTP.

11 I am aware that the Company made a similar proposal in its 2012 DSM update filing,
12 Case No. PUE-2012-00100, which the Commission ultimately rejected at that time.
13 Given the findings of Cadmus review, as reflected in the DSM LTP, the Company
14 believes this issue merits revisiting.

15 Moreover, the Company is aware that peer utilities in other jurisdictions benefit from
16 processes such as that proposed by the Company in this proceeding. For example,
17 regulated utilities in California, Colorado, Georgia, Iowa, Michigan, North Carolina, and
18 Ohio, among other states, have developed frameworks that allow for flexible mid-course
19 corrections to portfolio and program budgets within Commission-approved guidelines.
20 Common elements of these frameworks include provisions to:

- 1 • Define limits to the amount by which the overall portfolio budget could be
2 modified up or down (usually established in percentage terms);
- 3 • Ensure cost-effectiveness would not deteriorate below pre-established thresholds;
- 4 • Allow shifts among budget categories (*e.g.*, program marketing, education and
5 outreach, incentives) within a program, and within pre-established limits;
- 6 • Restrict budget shifts among programs to those within a given customer class; and
- 7 • Identify exceptions for selected programs that might warrant narrower thresholds
8 for budget shifting.

9 In concert, the common elements serve to establish a framework to allow flexibility to
10 manage programs adaptively—responding to market conditions and customer and
11 stakeholder feedback—to achieve higher savings rates, and at the same time, ensure
12 appropriate levels of investment and cost-effectiveness. Two elements in particular,
13 portfolio-level budget and cost-effectiveness, correlate directly to savings levels when
14 considered in tandem. Ensuring the stability of those two elements ensures the stability
15 of portfolio level savings. Other common framework elements identified above are
16 designed to address a variety of customer equity, market efficiency, and other issues.

17 **Q. Will you please summarize the items identified within the DSM LTP that the**
18 **Company is bringing forth as part of this Application?**

19 A. Certainly. This Phase X filing contains some key requests related to the items I have
20 noted above. First, we are requesting funding for enhanced customer awareness and we
21 are reorganizing the 37 existing Programs (as well as adding in the proposed Phase X
22 Programs) into the seven streamlined Program Areas. Next, we are requesting a targeted
23 regulatory flexibility via the proposed administrative process, which I outlined above.
24 Relatedly, the Company believes removing the predetermined expiration dates on all
25 DSM Programs would be an additional area of regulatory flexibility that will unlock
26 additional energy efficiency savings and support the future restructuring of the

1 Company's DSM portfolio. Eliminating program end dates will allow the Company to
2 lean-in and continue successful programs without the risk of a start-stop situation, which
3 greatly hampers customer trust and willingness to participate. Also, the Company is
4 asking for the ability to allow spending flexibility up to 15% above the proposed budgets,
5 as I discuss further below.

6 Additionally, as I will discuss below, our Phase X proposal fills the remaining gaps in the
7 DSM Portfolio Cadmus identified, and also requests expansion of the existing Phase VII
8 Residential Energy Efficiency Marketplace and the Non-residential Lighting Systems
9 Programs (via increased funding and extension of the Program timeline, respectively),
10 which is another area identified by Cadmus.

11 In sum, the Company is taking immediate actions on all short-term areas of focus that
12 could reasonably be completed in time for this filing. We believe this is in line with the
13 DSM LTP and the many valuable suggestions by stakeholders for the Company to begin
14 to implement elements of the LTP *now*, without any delay. The Company expects that
15 medium- and long-term areas of focus identified by Cadmus will be the subject of future
16 proposals in later DSM update proceedings. The Company's proposals are all in
17 furtherance of extracting more energy savings from the Company's DSM Portfolio, as we
18 must do to achieve the VCEA efficiency savings targets.

III. REQUEST FOR APPROVAL OF PROPOSED PHASE X PROGRAMS, ENHANCEMENTS, AND EXTENSIONS

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Q. What are the Programs for which the Company is seeking approval through this Application?

A. The Company is seeking approval of the following as its DSM Phase X:

- Residential Income and Age Qualifying Home Energy Report (EE)
- Non-residential Income and Age Qualifying Program for Health Care and Rental Property Owners (EE)
- Small Business Behavioral (EE)
- Non-residential Data Centers and Server Rooms (EE)
- Non-residential Health Care (EE)
- Non-residential Hotel and Lodging (EE)
- Voltage Optimization (EE)
- Enhancement of the Residential Income and Age Qualifying Home Improvement (EE)
- Extension of the Non-residential Lighting Systems & Controls Program (EE)

The direct testimony and schedules of Company Witness Hubbard provide additional detail regarding these Programs and the measures included therewith, as well as the projected participation and energy and demand savings. The direct testimony of Company Witness Robert S. Wright, Jr. address the specifics of the proposed Voltage Optimization Program. Additionally, the direct testimony of Company Witness Edmund

1 J. Hall provides additional detail regarding the cost/benefit modeling and scores for these
2 Programs.

3 **Q. What are the proposed cost caps for the Phase X Programs?**

4 A. The proposed five-year cost cap for the Phase X Programs in the aggregate is
5 approximately \$140 million. Information regarding the individual proposed cost caps for
6 each Program, and the associated details, are provided by Company Witness Jarvis E.
7 Bates.

8 Historically, the Company has proposed and the Commission has approved, consistent
9 with previous DSM applications, the Company requests ability to exceed the spending
10 cap by no more than 5%. With this Application and in recognition of the DSM LTP
11 recommendations regarding regulatory flexibility, the Company requests the Commission
12 allow spending flexibility up to 15% above the proposed caps. Doing so would allow the
13 Company to embrace popular and successful Programs and unlock greater energy
14 efficiency savings in those instances than may have otherwise been achieved.

15 **Q. Is the Company proposing specific program approval timelines for the Phase X**
16 **Programs?**

17 A. No. As noted above, and consistent with the Virginia Code and discussions with
18 stakeholders and other industry experts, the Company believes that elimination of
19 Program predetermined end dates will be in the best interest of customers and future
20 energy efficiency savings. Thus, the Phase X Programs would begin at the beginning of
21 calendar year 2023, following Commission approval, but then not be subject to a
22 predetermined end date. Instead, the Commission could annually review the going-

1 forward cost-benefit scores of the DSM Programs and determine what actions should be
2 taken. The Company would also still be required to seek Commission approval for
3 funding above approved budgetary levels. For instance, though the Company is
4 requesting the Commission not set an end date for the Phase X Programs, the cost caps
5 presented in this filing continue to represent projected costs over a five-year period. This
6 approach will also assist the Company in the formation and timing of the program
7 categories envisioned in the LTP.

8 The Company further requests the elimination of the Program predetermined end dates
9 previously prescribed for approved DSM Programs, which will facilitate the Company's
10 effort to restructure the DSM Portfolio through alignment of the contracts underlying the
11 DSM Programs.

12 **Q. Are there any additional programmatic requests you wish to comment on?**

13 A. As addressed by Company Witness Hubbard, with this Application, the Company seeks
14 to close its Phase I AC Cycling Program following the 2022 cooling season, with final
15 payments for participation in the 2022 cycling season wrapped up by no later than
16 Quarter 1 of 2023. This Program's useful life has officially waned as it has been replaced
17 by newer and more beneficial technologies, such as the Company's Smart Thermostat
18 Programs. In short, as the Program may require additional time to handle the removal of
19 units in the field and the associated customer communications, the Company seeks to
20 continue to recover these costs through 2023 in base rates, which would allow the
21 Company to assess its progress by the next DSM update filing.

IV. COST RECOVERY REQUEST

1
2 **Q. Please provide an overview of the Company's cost recovery request.**

3 A. With this Application, the Company requests recovery through Riders C1A, C2A, C3A,
4 and C4A of (i) Rate Year costs associated with its Phase II, III, IV, V, VI, VII, VIII, IX,
5 and X Programs; and (ii) True-up of actual costs and revenues for the period of January
6 1, 2020 through December 31, 2020, for eligible programs through a Monthly True-Up
7 Adjustment.

8 The total revenue requirement requested in this proceeding is \$90,660,518, and is
9 detailed in Company Witness Justin A. Wooldridge's pre-filed direct testimony.

10 Company Witness Christopher C. Hewett addresses the proposed allocation methodology
11 for the revenue requirement, which is consistent with the methodology previously
12 approved by this Commission. Lastly, Company Witness Emilia L. Catron presents the
13 Riders C1A, C2A, C3A, and C4A and associated estimated customer bill impacts.

14 V. ADDITIONAL COMPLIANCE WITH THE COMMISSION'S ORDERS

15 **Q. Please discuss the Commission's Final Order in the 2020 DSM proceeding, Case No.**
16 **PUR-2020-00274, and how the Company has complied with all directives.**

17 A. In the 2020 DSM Update Final Order, the Commission directed the Company to comply
18 with numerous requirements in this proceeding. Please see the table below for a
19 summary of how the Company complied with each filing requirement relevant to this
20 instant filing.

Filing Requirement	Company Compliance
Present a LTP to comply with the total energy savings targets in the VCEA and investment levels in the GTSA ¹	As noted above, please see the LTP created by Cadmus for the requested information. Company Witness Terry Fry sponsors the LTP, which is provided as his Schedule 1.
Provide an exhibit measuring the Company's actual and projected compliance or noncompliance with the total energy savings requirements in Va. Code § 56-596.2, using both net and gross savings metrics	As mentioned above, my Schedule 2 provides the requested information.
Provide the most current results of the Company's investigation (and implementation, if appropriate) of opportunities to streamline its audit programs going forward	As noted above, please see the Company's LTP for the requested information, which is sponsored by Company Witness Terry Fry as his Schedule 1.
Provide information reflecting how EM&V plans are developed in conjunction with DSM program design rather than after such DSM programs are implemented	Please see the direct testimony of Company Witness Dan Feng.
Provide with its next DSM filing a chart that summarizes the following for all active programs through the end of the True-up period: (i) total incentives; (ii) incentive cost per participant; (iii) non-incentive cost per participant; (iv) margin cost per participant; (v) total cost per participant; and (vi) the percentage of margin and non-incentive costs in relation to total costs	Please see the direct testimony of Company Witness Jarvis Bates for the requested information and his related schedules.

¹ As directed by the 2020 DSM Update Final Order and Preliminary Order, the Company's LTP shall address the following requirements: (i) proposed Program savings and budgets for the five-year period beginning January 1, 2022, sufficient to comply with the total energy savings targets in the VCEA and investment levels in the GTSA; (ii) a proposed plan and framework for consolidating, streamlining, and marketing the public-facing aspects of the Company's approved and proposed DSM Programs to facilitate participation at the levels required to achieve the VCEA targets; and (iii) a detailed project management plan and risk management strategy demonstrating that the Company has identified and planned for deployment of the resources required to implement its revised Programs. This strategic plan shall reflect short-term, medium-term, and long-term recommendations for improvement of the Company's DSM Portfolio.

Filing Requirement	Company Compliance
Provide detailed supporting cost information for the measures included in its IAQ Programs going forward	Please see the direct testimony of Company Witness Michael Hubbard for the requested information. Specifically, please see his Schedules 1-4 for the supporting costs of the IAQ Programs.
Calculate return on equity ("ROE") only for purposes of the True-Up and do not include margin as part of the calculation for the Projected Cost Recovery Factor; exclude margin for Company's operations and maintenance ("O&M") costs until the Commission determines the Company has met its annual energy efficiency standards and margin will be applied as part of the future true-up	Please see the direct testimony of Company Witness Justin Wooldridge for the requested information and his related schedules.

1 **Q.** **In Case No. PUR-2020-00156, which reviewed the Company's EM&V practices, the**
2 **Commission directed additional filing requirements with respect to the Company's**
3 **DSM updates. Has the Company adhered to these requirements or actively working**
4 **to do so by the next EM&V report?**

5 **A.** Yes. Company Witness Dan Feng addresses the additional filing requirements issued by
6 the Commission in the EM&V proceeding and how the Company complied with, or in
7 the process of actively working to comply with, the necessary requirements for this DSM
8 Update filing. Please see the table below for a summary of how the Company complied
9 with each filing requirement relevant for this instant filing.

Filing Requirement	Company Compliance
Provide an executive summary dashboard in the December filing and in May with the EM&V Report, which will present a summary of the Company's 2020 DSM Portfolio performance	As noted above, please see my Schedule 1 for the requested information.
Provide a sample data chart for existing and proposed programs, which will present a mix of verified persistent savings and projections for future years	Please see the direct testimony of Company Witness Michael Hubbard for the requested information. The data chart is provided as his Schedule 8.
File the EM&V Report in the Company's December DSM filing (in electronic form for the December filing) and in May of the docket of the prior complete DSM update case	Please see the direct testimony of Company Witness Dan Feng. Ms. Feng sponsors the EM&V Report as her Appendix C. The EM&V Report is provided electronically on an eRoom designated for this proceeding.

- 1 **Q. Finally, on October 18, 2021, the Commission entered a Preliminary Order**
2 **applicable to this 2021 DSM Update filing wherein it required the Company to**
3 **include with its Application, a “long-term plan that includes proposed Program**
4 **savings and budgets for the five-year period beginning January 1, 2022, sufficient to**
5 **comply with the total energy savings targets in the VCEA and investment levels in**
6 **the GTSA” using both a net savings metric and a gross savings metric, for purposes**
7 **of better developing the record.” Has the Company done so?**
- 8 **A. Yes. The DSM LTP, developed by Cadmus and included with this filing, addresses the**
9 **projected necessary spending levels to reach the VCEA savings targets in each year on**
10 **the basis of gross savings achievements. For that Plan, and as reflected on pages 22-23 of**
11 **the LTP document, Cadmus projects the following estimated gross (see Table 7 below)**
12 **and net savings (see Table 8 below) on an annual basis.**

Table 7. Long-Term Plan Gross Savings: Estimated Portfolio Savings Summary by Year

	2022	2023	2024	2025	2026	Total
Estimated Incremental Electric Gross Savings (MWh/yr)						
Residential Sector Incremental Savings	267,414	282,984	155,459	160,780	167,305	1,015,634
Residential Energy Services Program	111,494	106,935	93,300	90,423	89,455	478,680
Residential Efficient Products Program	149,069	168,717	54,314	62,513	70,006	499,239
Residential New Construction Program	6,851	7,331	7,844	7,844	7,844	37,715
Income-Qualified Incremental Savings	10,106	10,600	10,591	10,591	10,591	43,990
IAQ Program	10,106	10,600	10,591	10,591	10,591	43,990
Nonresidential Incremental Savings	58,848	101,632	95,777	96,736	96,749	955,740
Large Business Solutions Program	37,387	90,737	129,970	147,288	157,457	547,456
Small Business Solutions Program	58,848	101,632	95,777	96,736	96,749	376,997
Nonresidential New Construction Program	2,589	5,233	7,822	7,822	7,822	31,287
Self-Directed Incremental Savings	57,654	57,654	57,654	57,654	57,654	288,270
Voltage Optimization Incremental Savings	81,205	498,733	650,896	715,190	730,020	730,020
Total Incremental Gross Savings	475,227	951,602	970,376	1,040,950	1,062,319	3,033,653
Estimated Cumulative Lifetime Electric Gross Savings (MWh/yr)						
Program Cumulative Savings, Phase I through Long-Term Plan	1,652,175	2,079,356	2,352,764	2,647,837	2,770,756	N/A
Self-Directed Cumulative Savings	115,308	172,962	230,616	288,270	345,924	N/A
Voltage Optimization Cumulative Savings	81,205	498,733	650,896	715,190	730,020	N/A
Total Cumulative Electric Gross Savings	1,848,688	2,751,051	3,234,276	3,651,298	3,846,700	N/A
Progress to VCEA (%)	217%	161%	126%	107%	N/A	N/A
Total Cumulative Gross GHG Reduction (MCO2e)	1,585,323	2,359,135	2,773,520	3,131,132	3,298,698	N/A

Note: Totals may not sum due to rounding.

Table 8. Long-Term Plan Net Savings: Estimated Portfolio Savings Summary by Year

	2022	2023	2024	2025	2026	Total
Estimated Incremental Electric Net Savings (MWh/yr)						
Residential Sector Incremental Savings	205,900	218,980	129,320	134,760	140,760	814,565
Residential Energy Services Program	92,700	90,290	79,740	78,010	77,430	407,165
Residential Efficient Products Program	107,240	122,310	42,760	49,930	56,510	374,589
Residential New Construction Program	5,960	6,380	6,820	6,820	6,820	32,812
Income-Qualified Incremental Savings	8,330	8,720	8,710	8,710	8,710	35,433
IAQ Program	8,330	8,720	8,710	8,710	8,710	35,433
Nonresidential Incremental Savings	87,200	162,460	188,610	203,140	210,410	766,952
Large Business Solutions Program	31,800	73,280	102,180	116,100	123,530	433,186
Small Business Solutions Program	53,070	84,470	79,390	80,000	79,840	305,608
Nonresidential New Construction Program	2,330	4,710	7,040	7,040	7,040	28,158
Self-Directed Incremental Savings	57,654	57,654	57,654	57,654	57,654	288,270
Voltage Optimization Incremental Savings	81,205	498,733	650,896	715,190	730,020	730,020
Total Incremental Net Savings	440,289	946,547	1,035,190	1,119,454	1,147,554	2,635,241
Estimated Cumulative Lifetime Electric Net Savings (MWh/yr)						
Program Cumulative Savings, Phase I through Long-Term Plan	1,279,716	1,623,876	1,857,203	2,110,259	2,204,378	N/A
Self-Directed Cumulative Savings	115,308	172,962	230,616	288,270	345,924	N/A
Voltage Optimization Cumulative Savings	81,205	498,733	650,896	715,190	730,020	N/A
Total Cumulative Electric Net Savings	1,476,229	2,295,571	2,738,715	3,113,719	3,280,322	N/A
Progress to VCEA (%)	173%	135%	107%	91%	N/A	N/A
Total Cumulative Net GHG Emission Reductions (MCO₂e)	1,265,925	1,968,543	2,348,557	2,670,137	2,813,007	N/A

Note: Totals may not sum due to rounding.

1 As recommended by the Company's LTP, the Company respectfully requests the
2 Commission to approve only the use of the gross savings metric to measure the
3 Company's actual and projected compliance or noncompliance with the total energy
4 savings requirements mandated by the VCEA. Moving forward, all parties would benefit
5 from the Commission establishing, in this proceeding, which savings metric is the best
6 and most consistent way to measure and determine whether the Company has achieved
7 compliance with the VCEA's savings requirements.

1 The Company's requested revenue requirement, while not on a calendar year basis, is
2 aligned with the requisite spending levels for 2022 and the applicable portion of 2023.
3 Accordingly, I believe we have complied with the Commission's directive.

4 **Q. Lastly, in the 2017 DSM Final Order, the Commission directed the Company to (i)**
5 **conduct biennial internal audits of the controls surrounding incentive and rebate**
6 **payments with regard to each of the Company's DSM programs, and (ii) provide to**
7 **Staff the audit report with supporting documentation, including a detailed**
8 **description of how the audit findings have been addressed. Please comment.**

9 A. The Company completed the most recent internal audit this year and results are being
10 finalized. Once available, the Company will meet with Staff to review the findings.
11 Company Witness Jarvis Bates briefly describes the Company's compliance with this
12 directive.

13 VI. INTRODUCTION OF COMPANY WITNESSES AND SUMMARY OF REQUESTS

14 **Q. What other Company witnesses are filing direct testimony in this proceeding?**

15 A. The Company is pre-filing direct testimony of the following nine witnesses in addition to
16 my own:

- 17 • Company Witness Terry M. Fry of Cadmus will sponsor the DSM LTP.
- 18
- 19 • Company Witness Michael T. Hubbard will present testimony regarding the status
20 of the Company's approved and active DSM Programs and address the
21 Company's efforts to bring forward cost-effective program designs in our current
22 case. Company Witness Hubbard will also provide an update on the Company's
23 quality assurance and quality controls process for its DSM Programs.
- 24 • Company Witness Robert S. Wright, Jr. will detail the investments associated
25 with the proposed Voltage Optimization Program, including explaining the
26 interplay between investments presented as part of this DSM proceeding and
27 those proposed for Commission approval within the Company's Grid
28 Transformation Plan proceeding.

- 1 • Company Witness Edmund J. Hall will discuss the Company's processes for
2 screening and selecting DSM Programs, including screening criteria for
3 evaluation of DSM Programs. Company Witness Hall will also present the results
4 of the cost/benefit test results for the Phase X Programs and provide updated
5 cost/benefit test results for the ongoing DSM Programs.
- 6 • Company Witness Jarvis E. Bates will provide cost projections for the Rate Year
7 and proposed cost caps for the Phase X Programs. Mr. Bates will also present the
8 actual costs of the approved DSM Programs.
- 9 • Company Witness Justin A. Wooldridge will present the revenue requirement for
10 Riders C1A, C2A, C3A, and C4A over the Rate Year, including the True-up for
11 calendar year 2020.
- 12 • Company Witness Christopher C. Hewett will explain the Company's allocation
13 and assignment of costs for its DSM Programs to the Virginia Jurisdiction and
14 customer classes.
- 15 • Company Witness Emilia L. Catron will present the calculation of Riders C1A,
16 C2A, C3A, and C4A.
- 17
18 • Company Witness Dan Feng of DNV will sponsor the EM&V Plans for the
19 proposed Phase X Programs.

20 **Q. Please summarize the requests the Company is making with this 2021 DSM**
21 **Application.**

22 **A. The Company's Application in this proceeding requests the following approvals from the**
23 **Commission:**

- 24 • Authorization to offer new Phase X DSM Programs and Program enhancements
25 to eligible customers;
- 26
27 • Authorization to operate the Phase X DSM Programs, as well as all previously-
28 approved DSM Programs without a predetermined closure date;
- 29 • Approval of the aggregate Phase X DSM Program cost cap of \$140 million, the
30 individual cost caps presented by Company Witness Bates, and the ability to
31 exceed the cost cap by no more than 15%;
- 32 • Approval of additional funding for the Company's Residential Efficiency
33 Products Marketplace Programs;

- 1 • Approval to extend the Company's Non-residential Lighting Systems and
2 Controls Program;
- 3 • Approval of the future closure of the AC Cycling Program, with the ability to
4 continue to recover costs for program wind down through base rates through
5 2023;
- 6 • Approval of increased funding for customer awareness and marketing;
- 7 • Approval of an administrative process by which to make amendments to approved
8 DSM Programs in between annual update proceedings;
- 9 • Approval to use only the gross savings metric to measure the Company's actual
10 and projected compliance or noncompliance with the total energy savings
11 requirements in Va. Code§ 56-596.2, as recommended by the Company's LTP;
- 12 • Approval of the Rate Year beginning September 1, 2022 and ending August 31,
13 2023;
- 14 • Approval of a revenue requirement of \$90,660,518 to be recovered through
15 revised Riders C1A, C2A, C3A, and C4A over the Rate Year;
- 16 • Approval of the same allocation methodology as previously-approved in 2020
17 DSM proceeding;
- 18 • Approve the Company's request to continue Riders C1A, C2A, C3A, and C4A to
19 be effective for billing purposes on the latter of September 1, 2022, or the first
20 day of the month which is at least 15 days following the date of any Commission
21 order approving Riders C1A, C2A, C3A, and C4A; and
- 22 • Approval of Phase X Program EM&V Plans.

23 **Q. Does this conclude your pre-filed direct testimony?**

24 **A.** Yes, it does.

**BACKGROUND AND QUALIFICATIONS
OF
NATHAN J. FROST**

Nathan J. Frost graduated from James Madison University with a Bachelor of Business Administration in Finance. He joined Dominion Energy in 2005 and has held numerous positions in the areas of Enterprise Risk Management, Producer Services, Investor Relations, and Power Delivery. Mr. Frost assumed his current position as Director – New Technology and Energy Conservation for Dominion Energy Virginia in January 2019. In this position, Mr. Frost is responsible for delivering demand side management solutions, developing initiatives related to electric transportation, and expanding development of regulated small-scale renewable energy facilities.

Mr. Frost has previously testified before the State Corporation Commission of Virginia.

DEV DSM Dashboard



2020 at a Glance

Total Programs
 Residential: 4
 Business: 8

**Note - Phase VIII Programs Launch 21*

Total Participants
 Residential: 4,757
 EE Products - Bulbs/Appliances: 2,346,682
 Business: 1,374

kWh Saved - Portfolio
 Net: 107,825,550
 Gross: 172,587,299

** Annualized Savings*

kW Saved - Portfolio
 Net: 120,356
 Gross: 164,387

Progress Towards \$870M GTSA Goal
 \$475.7 M Proposed

Progress Towards VCEA Savings Targets

As a percentage of 2019 sales
 2020 Net MWh: 726,122 (1.1%)
 2020 Gross MWh: 973,067 (1.4%)
 2019 VA Jurisdictional Sales MWh: 68,984,017

Annual Spend
 Portfolio: \$37.8 M
 IAQ Programs: \$1.9 M

Total Customer Bill Savings
 Residential: \$9,482,486
 Business: \$7,749,412

DSM Related Emission Reductions (MWh/yr, tons co₂e)
 Total: 185,550

Energy Saved Since Inception
 Portfolio
 Net MWh: 4,131,977
 Gross MWh: 5,923,685



YEAR	VCEA Target	VCEA Target	VCEA Target	DSM1-8	DSM9	DSM10	DSM11	DSM12	Total DSM	DSM
	MWh	MWh	%	MWh	MWh	MWh*	MWh**	MWh**	Forecast	Target
2022	852,892	852,892	1.25%	947,069	31,995	99,261			1,078,325	1.6%
2023	1,705,783	1,705,783	2.50%	1,112,639	92,217	272,791			1,477,647	2.2%
2024	2,558,675	2,558,675	3.75%	1,196,025	156,589	501,834	31,995		1,886,443	2.8%
2025	3,411,567	3,411,567	5%	1,196,705	224,149	718,208	92,217	31,995	2,263,274	3.3%

YEAR	VCEA Target	Target %	DSM1-8	DSM9	DSM10	DSM11	DSM12	Total DSM	DSM
	MWh		MWh	MWh	MWh*	MWh**	MWh**	Forecast	Target
2022	852,892	1.25%	1,232,949	41,304	165,435			1,439,687	2.1%
2023	1,705,783	2.50%	1,443,309	117,833	407,085			1,968,227	2.9%
2024	2,558,675	3.75%	1,544,424	198,070	678,991	41,304		2,462,788	3.6%
2025	3,411,567	5%	1,530,522	280,955	910,427	117,833	41,304	2,881,040	4.2%

* DSM Phase 10 savings in 2022 are attributable to the Residential Efficient Products Marketplace.

** DSM Phases 11-12 assumes same forecast as DSM Phase 9, with only one additional year in future.

This schedule does not reflect savings attributable to self-direct (opt-out) customers.

**PROPOSED ADMINISTRATIVE APPROVAL PROCESS FOR MODIFYING
APPROVED DEMAND-SIDE MANAGEMENT PROGRAMS**

Purpose: The “Demand-Side Management Long-Term Plan” (“LTP”), prepared by Cadmus on behalf of Virginia Electric and Power Company (the “Company”), recommended that the Company “[r]equest approval to make program design adjustments that address changing market dynamics . . . —within approved budget caps and with appropriate stakeholder and regulatory oversight—using an administrative process such as an explanatory letter or other filing.”¹ Following this recommendation, the Company proposes the following process for State Corporation Commission (“Commission”) Staff (“Staff”) to administratively review limited modifications to the Company’s approved demand-side management (“DSM”) programs (“DSM Programs or Programs”) to optimize performance of the Program portfolio.

As new information becomes available, Program and Program portfolio adjustments need to be made in order to enhance Program offerings to maximize opportunities for customers to increase energy efficiency, and to ensure the DSM Programs are implemented effectively. Flexibility is needed to make necessary DSM Program design adjustments and Program portfolio adjustments in a timely manner to reflect changing market availability of specific products and changes in codes, standards, and technology. This process will apply to Programs that are comprised of multiple measures, which are sensitive to market or other conditions, that may change more rapidly than an annual cycle of DSM Rider update applications can readily accommodate. An administrative approval process to accommodate adjustments in a timely manner will ensure that the Company’s portfolio of Programs consists of efficiency measures that are both attractive and relevant to customers, and that encourage them to take actions which will result in energy savings and demand reductions. This process is not aimed at measures unrelated to the underlying process to which a particular Program is targeted. The proposed administrative approval process is designed to provide flexibility to the Program portfolio by being conducted in conjunction with the annual DSM filing cycle while retaining sufficient Commission protocols to ensure appropriate regulatory oversight and stakeholder participation, consistent with the recommendations of the plan.

Proposed Process:

1. The Company may seek administrative approval from the Commission’s Division of Public Utility Regulation (the “Division”) of certain limited modifications to its approved DSM Programs pursuant to this process. In order to seek administrative review under this process, the Company shall file its request and supporting documentation (the “Request”) with the Commission’s Director of Public Utility Regulation, as detailed below, and simultaneously serve a copy of the Request on all parties to the Company’s DSM proceeding in which the Program was approved.
2. Any confidential or extraordinarily sensitive information contained in that filing shall be handled pursuant to the terms of the protective order or ruling entered in the Company’s DSM proceeding in which the Program was approved.

¹ *Demand-Side Management Long-Term Plan* at 122, Case No. PUR-2021-00247 (Dec. 14, 2021).

3. If a proposed modification to an approved Program or an existing measure of an approved Program, a proposed additional measure to an approved Program, or proposed removal of an existing measure from an approved Program does not reduce the Total Resource Cost test results to below 1.00 or greater, with the exception of low-income programs, and does not increase the overall Program direct costs to more than 15% over the Program cost cap approved by the Commission, the Company shall file supporting documentation that includes the following:
 - a. A statement as to the basis for the request;
 - b. Documentation showing the projected direct costs of the Program, including the source of the documentation;
 - c. Documentation showing the projected energy and/or capacity savings associated with the Program, including the source of the documentation;
 - d. For a modification of an existing measure or an addition of a measure to an approved Program, documentation showing expected payback periods, including the source of the documentation; and
 - e. A statement that the changes do not change the target customer groups or reassign costs or benefits from one customer class to another.
4. Similarly, if a proposed shift of funds from one approved Program to one or more approved Programs within a given customer class does not reduce the Program portfolio's Total Resource Cost test results to below 1.00 or greater and does not change a single Program's budget by more than 15% or the overall Program portfolio direct costs by more than 5% of the aggregate Program portfolio budget approved by the Commission, the Company shall file supporting documentation that includes the following:
 - a. A statement as to the basis for the request;
 - b. Documentation showing the projected direct costs of the Program portfolio, including the source of the documentation;
 - c. Documentation showing the projected energy and/or capacity savings associated with the Program portfolio, including the source of the documentation; and
 - d. A statement that the changes do not change the target customer groups or reassign costs or benefits from one customer class to another.
5. The Company and Staff shall exchange information informally as needed to facilitate Staff's review of the Request.

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6. Parties wishing to comment on the Request shall have 30 days from the date of filing to submit any comments to the Division, a copy of which should be sent to the Company. The Staff shall approve or disapprove Request(s) within 60 days of the administrative filing thereof, and notify the Company and all parties to the Company's DSM proceeding in which the Program was approved of its decision. In the event Staff does not approve the Request, it shall notify the Company of the basis for the denial and the Company may seek Commission approval of the proposed modification in a current or future DSM Rider update proceeding or other appropriate proceeding.