

CCS Data Request 1.3

Reference Page 4, Advice Filing. The Company states that expenditures for insulation measures at this level (\$10,000,000 for 2009) will negatively impact the cost effectiveness of the Home Energy Savings program as a whole. Please provide the expected level of the negativity. Would the Program no longer be cost effective?

Response to CCS Data Request 1.3

In addition to the measure level economic analysis provided in the filing, the company has analyzed three scenarios to illustrate the impact of insulation participation on the overall Home Energy Savings (HES) program economics. The program provides incentives and delivers energy savings from multiple technologies, but this filing proposes to adjust just one measure - insulation. To isolate the impact of the proposed changes to insulation incentives on the overall program's economics, the Company varied participation assumptions (through changing the timing of program changes) and incentive levels (by providing for scenarios with and without changes in incentive levels) against a stable or reference case set of economics. For the analysis, 2008 Home Energy Savings program actual results were selected as the reference year against which the alternative scenarios are evaluated for their economic impacts. A memo from Cadmus which presents the cost effectiveness findings of this scenario is provided as Attachment CCS 1.3 -1. The spreadsheet model containing the inputs to this scenario is provided as Attachment CCS 1.3 -2. The following three scenarios were prepared to compare against the 2008 reference case scenario:

- Proposed insulation incentives change on April 1 (aligns with original filing). The cost effectiveness memo from Cadmus for this scenario is provided as Attachment CCS 1.3 -3 and the spreadsheet model containing the inputs to this scenario is provided at Attachment CCS 1.3 -4.
- Insulation incentives change on May 2 (aligns with revised effective date). The cost effectiveness memo from Cadmus for this scenario is provided as Attachment CCS 1.3 -5 and the spreadsheet model containing the inputs to this scenario is provided at Attachment CCS 1.3 -6.
- Insulation Incentive unchanged for 2009 (but Questar changes are effective on May 2). The cost effectiveness memo from Cadmus for this scenario is provided as Attachment CCS 1.3 -7 and the spreadsheet model containing the inputs to this scenario is provided at Attachment CCS 1.3 -8.

In each of these scenarios, non-insulation related measure participation costs and savings are assumed to be equal to 2008 program results to create a stable set of assumptions for the comparisons. The insulation assumption changes are based on the program administrator's estimates of customer participation. It should be recognized that estimating program participation in a dynamic market such as the one that has developed around insulation in Utah is very difficult. In fact, upon reviewing the participation forecasts for this data response, the program administrator revised its original forecast that insulation measure expenditures will be in excess of \$10 million if insulation incentives are not changed. The program administrator now forecasts that insulation measure incentives may exceed \$20 million absent Commission approval of the Company's proposed changes to insulation measures. The scenario provided in Attachments CCS 1.3 -7 and CCS 1.3 -8 reflect this updated forecast. Since the HES program has other measures that may fluctuate over the coming year, and the insulation market is proving to be too dynamic to accurately assess with any certainty, the primary value of these analyses is to test the impacts of trends in participation. The table below provides the estimated impacts of the economic analysis of the three pro-forma scenarios on the program's overall economics.

Test	2008 Reference Case	April 1 Incentive Change	May 2 Incentive Change	No Incentive Change
PTRC	1.605	1.411	1.315	1.077
TRC	1.459	1.283	1.196	0.979
UCT	2.294	2.067	1.978	1.041
RIM	1.690	1.638	1.583	0.924
PCT	6.014	4.664	4.163	22.398

Delays in adjustments to the current insulation measure incentive levels, all other factors remaining stable, lowers the benefit costs ratios when compared to the reference case. While increased savings delivered from other measures may offset these declines, any decline in other savings could make the program even less economic.