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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities  
Philip Powlick, Director  
Energy Section  
Marlin H. Barrow, Technical Consultant  
Artie Powell, Manager

Date: March 18, 2009

Subject: Docket No. 09-057-T04

**ISSUE:**

On March 11, 2009, Questar Gas Company (QGC) filed an application with the Utah Public Service Commission (PSC) asking for tariff changes in the Third Year Budget for Demand Side Management Programs and Market Transformation Initiative.

**RECOMMENDATION:**

The Division of Public Utilities (Division) recommends approval of the application regarding the recommended changes to the insulation incentive rebates. However, the Division also has some recommended changes to other provisions in the application. One recommended change is that customers have until June 30, 2009, instead of May 15, 2009, in order to be eligible for a rebate under current tariff incentive amounts, provided they have proof the installation of the insulation was completed before April 1, 2009. A second recommended change is not to approve at this time the increase requested in funding for the administrative costs or evaluation expenses.

## **DISCUSSION:**

The Division has reviewed the application filed with the PSC. The Division notes QGC is requesting to amend the current insulation incentives allowed under §2.12, the ThermWise Multi-Family Rebates Program and §2.15, the ThermWise Weatherization Rebates Program<sup>1</sup> to: (1) reduce the Attic Insulation incentive measure from \$0.35 per sq. ft. to \$0.20 per sq. ft.; (2) reduce the Floor Insulation incentive measure from \$0.35 per sq. ft. to \$0.20 per sq. ft.; and (3) reduce the Wall Insulation measure from \$0.45 per sq. ft. to \$0.30 per sq. ft.

QGC demonstrated in the application the rapid increase in rebates paid out during January and February of 2009 due to the influx of applications received for attic installation additions<sup>2</sup>. This influx in applications is attributed to a market transformation in the attic insulation business where contractors currently offer the insulation as a “no cost” opportunity for customers, when combined with the rebates offered by both QGC and Rocky Mountain Power. QGC has stated, and the Division agrees, that the original design of the DSM program is to “incent” customers to improve their energy efficiency by participating in offered DSM program. When those programs no longer “incent” but instead are offered as “no cost” opportunities, it is time to revise the incentives offered to bring the programs more in line with the original intent of the program’s design. By reducing the allowed incentives in the insulation programs to the requested amounts, the programs will improve their cost effectiveness ratios even more, which, as demonstrated in Exhibit 2 of the application, continue to be cost effective, even at current incentive levels.

This application also includes a request to increase the budget of the ThermWise Weatherization Rebates Program from an amount of \$615,867 to a revised budget amount of \$1,290,270 for administration costs (109.5% increase). The Division has just completed a review of the 2008 program and notes that in 2008, the administrative costs for the ThermWise Weatherization Rebates Program exceeded the 2008 plan by \$515,000 due to the costs associated

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<sup>1</sup> The current tariff has the section for the ThermWise Multi-Family Rebates Program as 2.15 and for the ThermWise Weatherization Rebates Program as 2.18. The section numbers referenced in the memo are the revised sections as updated in Docket No. 09-057-T03 now before the Commission. The Division is still reviewing the tariff filing in Docket No. 03-057-T03.

<sup>2</sup> Exhibit 1 of application, Docket No. 09-057-T04.

with processing rebate applications in all the ThermWise Weatherization program's measures.<sup>3</sup> However, the 2008 actual aggregate expenses for administrative costs for all the DSM programs are still under budget by \$378,000.<sup>4</sup> The Division feels it is appropriate to take notice that the Weatherization administrative costs will exceed plan due to the high number of rebate applications being processed but feels that it is premature to formally request the PSC to authorize this increase at this time.

Likewise, this application requests an increase in the evaluation budget of the ThermWise Weatherization Program from \$35,860 to \$200,000 (457.7% increase). This request is actually a request to increase the required expenses necessary to verify that insulation jobs were properly installed. Due to the rapid increase, in both rebate applications and the number of contractors participating in the program, QGC wants to increase the installation inspection process to ensure that customers and ratepayers are funding work that meet program requirements. The Division would like to investigate this process in more detail and for now recommends that the PSC take notice of the potential need of this increase but maintain the current budget amount at this time.

The Division notes that if the PSC approves the changes requested for the insulation rebate incentives in this application, QGC will now have, depending on the installation date, two separate verification processes in order to rebate the correct amount. The Division believes it is proper and prudent to have a date certain in which the current rebates offered will no longer be valid. This will help to reduce administrative expenses since eventually there will no longer be a need to verify the installation date to determine which incentive amount qualifies for a rebate. It also reduces to some extent, the possibility of some unscrupulous contractors gaming the system by post dating the installation date in order to incent some customers to sign up for the programs.

The Division has requested an extension of the filing deadline from May 15, 2009, as filed by QGC, to June 30, 2009. While extending the date by which applications may be made leaves a window for such gaming open for a longer period, the Division believes that an

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<sup>3</sup> The only measure in the 2008 TherWise Weatherization Rebates Program that did not exceed plan was duct sealing.

<sup>4</sup> Excludes the Market Transformation Initiative which was under plan as well as the Low Income Weatherization Funding which was at plan.

additional 45-day extension is necessary to ensure that customers have ample time to prepare an application. The program's application procedure requires a paid invoice from the contractor. The Division is aware that at least one major contractor does not provide invoices at the time a job is completed and that problems have incurred in the past with providing invoices to customers in a timely manner. Because the customer does not control this part of the process, the Division believes that a longer period should be allowed for the customer to obtain the necessary documentation.

The Division also recommended 90 days as an appropriate time frame because it is also consistent with the amount of time provided by Rocky Mountain Power's rebate application process<sup>5</sup> and, assuming the DSM pilot program is extended beyond 2009 by the PSC, that QGC, in their 2010 DSM program application, introduce a 90 day rebate application deadline as part of the DSM programs, to make them consistent with Rocky Mountain Power's current DSM program rebate application deadlines. In conjunction with formally adopting a rebate application deadline, the Division also recommends that the rebate applications make note that customers should allow for at least six weeks for rebate processing.

Cc:           Barrie McKay, Questar Gas Company  
              Dan Dent, Questar Gas Company  
              Michele Beck, Committee of Consumer Services  
              Rea Petersen, DPU Customer Service  
              Francine Giani, Department of Commerce

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<sup>5</sup> P.S.C.U. 47, Rocky Mountain Power Electric Service Schedule No. 111.2, Provisions of Service, #3.