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*Attorneys for Questar Gas Company*

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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APPLICATION FOR APPROVAL OF THE )  
2011 YEAR BUDGET FOR ENERGY ) Docket No. 10-057-15  
EFFICIENCY PROGRAMS AND MARKET )  
TRANSFORMATION INITIATIVE )

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**I. INTRODUCTION**

1. In its Order issued January 16, 2007 in Docket No. 05-057-T01 (January 16, 2007 Order), the Public Service Commission of Utah (the Commission) approved Questar Gas Company's Application for Expedited Approval of Demand-Side Management Programs and a Market Transformation Initiative (Original Application), and approved a three-year pilot program for Questar Gas Company's (Questar Gas or Company) Demand Side Management (DSM) programs in conjunction with the Conservation Enabling Tariff (CET). On June 24, 2009, the Commission extended the CET/DSM Pilot Program until December 31, 2010. (Order Extending Conservation Enabling Tariff/Demand Side Management Pilot Program to December 2010, Docket No. 05-057-T01). On June 3, 2010, the Commission issued an Order in Docket No. 09-057-

16 approving the CET as an on-going program (June 3, 2010 Order). Questar Gas now respectfully submits this Application for Approval of its Budget for the 2011 Energy Efficiency Programs and Market Transformation Initiative to seek approval of costs associated with the ongoing administration of the Energy Efficiency Programs and associated Market Transformation Initiative.

## **II. OVERVIEW OF PROPOSED 2011 ENERGY EFFICIENCY PROGRAMS AND MARKET TRANSFORMATION INITIATIVE**

2. In the Original Application, the Company listed seven best practices for developing successful (DSM) programs. These seven best practices are:

- A. Develop a comprehensive energy-efficiency approach;
- B. Simplify and integrate program offerings;
- C. Brand DSM and focus on customer service;
- D. Develop strategic partnerships with market participants;
- E. Provide customized service, when applicable;
- F. Provide qualified, independent expertise; and
- G. Integrate program evaluation early.

Through the design, development, implementation and administration of DSM programs, the Company has successfully achieved, and in many cases exceeded, each of the best practices outlined in the Original Application. The Company's ThermWise<sup>®</sup> energy-efficiency campaign is a model for natural gas utility programs nationwide. The ThermWise<sup>®</sup> rebate programs are customer friendly and cost effective.

3. In addition to the implementation and development of the ThermWise<sup>®</sup> energy-efficiency campaign, the Company has made a concerted effort to maintain high levels of customer service. The Company has developed relationships with trade allies, including wholesalers, heating, ventilation and air conditioning (HVAC), and

weatherization contractors, dealers and retailers. The Company has built flexibility into the implementation and marketing of its programs to allow for customized service when required. The Company continues to utilize the independent and experienced knowledge base of its program administrators, Nexant, Inc. (Nexant) and Portland Energy Conservation, Inc. (PECI). Pursuant to the January 16, 2007 Order, the Company has worked closely with the Division of Public Utilities (Division) and DSM Advisory Group to develop a timely and meaningful DSM evaluation plan implemented by its consultant, The Cadmus Group. The Company used the information and findings of the final draft of the report to adjust deemed savings values and make other modifications to programs.

4. Based on input from the DSM Advisory Group, Utah-based trade allies, program administrators and other energy-efficiency stakeholders, Questar Gas proposes continuing seven of the eight existing DSM programs under a new moniker of “ThermWise<sup>®</sup> Energy Efficiency Programs.”

5. The ThermWise<sup>®</sup> Energy Efficiency Programs proposed to continue in 2011 are: 1) the ThermWise<sup>®</sup> Appliance Rebates Program; 2) the ThermWise<sup>®</sup> Builder Rebates Program; 3) the ThermWise<sup>®</sup> Business Rebates Program; 4) the ThermWise<sup>®</sup> Weatherization Rebates Program; 5) the ThermWise<sup>®</sup> Home Energy Audit Program; 6) funding of \$500,000 for the Low-Income Weatherization Assistance Program administered by the Utah Department of Community and Economic Development; and 7) the ThermWise<sup>®</sup> Business Custom Rebates Program.

6. In an effort to improve administrative efficiency, the ThermWise<sup>®</sup> Multifamily Rebate Program is proposed to be discontinued as a stand-alone program. Questar Gas proposes to continue offering the multifamily measures as part of other

related programs. The Multifamily appliance measures, for example, are proposed to be included in the ThermWise<sup>®</sup> Appliance Rebates program, the Multifamily weatherization measures will be included in the ThermWise<sup>®</sup> Weatherization Rebates program, and the Multifamily new construction measure is proposed to be included in the ThermWise<sup>®</sup> Builder Rebates program.

7. **ThermWise<sup>®</sup> Appliance Rebates.** This program offers rebates to customers for installing high-efficiency qualifying measures. The Company is proposing to continue this program with a few changes relating to appliance efficiency and the addition of new equipment to the overall offerings of rebates for customers. Those changes and additions are as follows: 1) eliminate the rebate for clothes washers with modified energy factor (MEF) of 1.80 to 1.99, and increase the MEF for ENERGY STAR clothes washers to 2.60 or greater; 2) offer a rebate for high-efficiency condensing gas storage water heaters with an energy factor (EF) of 0.90 or greater; 3) offer a rebate for high-efficiency hybrid gas water heaters with a thermal efficiency (TE) of 90% or greater; 4) offer a tiered rebate for tankless gas water heaters, Tier 1 with an EF of 0.82-0.89 and a Tier 2 with an EF of 0.90 or greater; 5) offer a tiered rebate structure for high-efficiency furnaces, (Tier 1 with an annual fuel utilization efficiency (AFUE) of 90% - 91.9%, a Tier 2 with an AFUE of 92% - 94.9%, and a Tier 3 with an AFUE of 95% or greater); 6) increasing the efficiency rating of residential gas boilers to 95% AFUE or greater; 7) update the specifications for solar requirements on equipment from OG-100 to OG-300; 8) eliminate the rebate for clothes dryers; and 9) and offer a rebate for energy-efficient fireplaces, that are direct-vented, have energy-efficiency of 70% or greater, are thermostatically controlled, have intermittent ignition and have a

blower included with the product. PEGI will continue to administer the program. QGC Energy Efficiency Exhibit 1.1 sets forth the complete program description for 2011.

8. **ThermWise® Builder Rebates.** This program offers rebates to residential builders for installing qualifying energy-efficiency measures. The Company is proposing to continue this program with several changes. The Company recommends the consolidation of the multifamily new construction measures into the builder rebates program for the purpose of reducing overall program costs. The builder program will now include all newly constructed residences receiving service on the GS rate schedule. A qualifying single-family residence is a new structure that has up to four residential dwelling units. A qualifying multifamily residence is a new structure having five or more residential dwelling units. Incentives will continue to be paid, tracked, and reported as single-family and multifamily. Administration of the programs will be combined.

9. During 2011 the EPA will be transitioning to a more stringent version of ENERGY STAR certification. Depending on the stage of construction during 2011, builders will be required to comply with different versions of the ENERGY STAR certification process, transitioning from version 2.0 (current ENERGY STAR verification standard) to version 3.0 (the final upgraded standard).

10. To recognize the impact of the transition taking place in the ENERGY STAR program, Questar Gas proposes to offer a tiered approach to ENERGY STAR home certification for builders. Each tier will also require increased efficiency in space and water heating requirements. This tiered approach will allow continued builder participation while at the same allowing education on the more stringent standards to take place with the end goal of continued energy-efficient improvements in the new residential

building stock. The Company will continue to offer residential builders energy efficient gas appliance as stand-alone measures that mirror the appliance rebate program. This program will continue to be administered by PECL. QGC Energy Efficiency Exhibit 1.2 sets forth the complete program description for 2011.

11. **ThermWise® Business Rebates.** This program offers rebates to commercial customers who purchase and install qualifying natural gas efficiency measures. The Company is proposing to continue this program with the following improvements: 1) offer rebates for GS residential single family and multifamily units with qualifying boilers over 300,000 Btu's; 2) slightly increase rebate amounts for retrofit weatherization measures, specifically, attic and wall insulation; 3) add a rebate for high-efficiency condensing gas storage water heater and a rebate for hybrid gas storage water heaters; 4) remove gas clothes dryers and programmable thermostats from the program; and 5) eliminate the rebates for clothes washers with an MEF below 2.6. These improvements more closely align the program with market conditions and will help to ensure that program savings are achieved as desired. QGC Energy Efficiency Exhibit 1.3 sets forth the complete program description for 2011.

12. **ThermWise® Weatherization Rebates.** This program offers residential customers rebates for installing qualifying weatherization measures. The Company is proposing to continue this program with several improvements. The most substantial proposed change is to require attic insulation, floor insulation, wall insulation, duct insulation and duct sealing to be performed by an authorized contractor (Authorized Contractor). This program change will help protect utility customers from fraud and ensure that program dollars are spent prudently for measures that achieve savings. These

changes also advance the State of Utah's goal of promoting cost effective energy efficiency. The recommended program changes and minimum criteria for Authorized Contractors are set forth in the Tariff Section 2.17 shown in QGC Energy Efficiency Exhibit 1.8.

13. The Company discussed these issues and its proposed requirement that eligible work be performed by Authorized Contractors with the DSM Advisory Group on August 26 and September 20, 2010. Questar Gas received positive feedback from the DSM Advisory Group and believes it has the group's support for this change. The feedback from the DSM Advisory Group strongly encouraged the Company to institute a comprehensive outreach effort to inform the installation contractors and Questar Gas customers of this proposed change. The Company will begin this process immediately after the filing of this Application.

14. In addition to the above change, the Company proposes to administer all residential weatherization incentives under a single program. In 2011 the weatherization program will include all residences receiving service on the GS rate schedule. A qualifying single-family residence will be an existing structure with up to four dwelling units. A qualifying multifamily residence will be an existing structure with five or more dwelling units. Incentives will continue to be paid, tracked, and reported as single-family and multifamily but administration of the programs will be combined. For qualifying multifamily residences, a pre-qualification inspection will continue to be required.

15. In 2011 the Company will adjust the one-time insulation per premise restriction to allow previous participants in Tier 1 attic insulation to receive a Tier 2 attic insulation rebate. In order to qualify for this expanded eligibility, customers will be

required to have a recommendation for additional attic insulation from either an in-home ThermWise® Home Energy audit or a Home Performance with ENERGY STAR audit.

16. Customers performing self-installed weatherization will be eligible for rebates if the work is verified by an in-home ThermWise® Home Energy Audit.

17. Additional program changes include increasing the energy efficiency of qualifying replacement windows to the 2011 ENERGY STAR standard of a .30 U factor. Rebates will continue to be offered for programmable thermostats that meet minimum requirements.

18. Finally, the Company proposes to combine the duct-sealing and duct insulation measures in 2011. Participants in the combined measure will be required to seal and insulate all ductwork in unconditioned spaces. The rebate structure for this measure will be a fixed payment of \$100 per qualifying job plus \$5.25 per linear foot of ductwork sealed and insulated. The total rebate available for this measure will be capped at \$450 per job for single family dwellings and \$250 per job for qualifying multifamily dwellings. Emphasis will continue to be placed on contractor education and training along with customer marketing and awareness. Nexant will continue to administer this program. QGC Energy Efficiency Exhibit 1.4 details the complete program requirements for 2011.

19. **ThermWise® Home Energy Audit.** This program continues to receive very positive customer feedback and was identified in the Cadmus Phase II draft report as a significant contributor to participation in other ThermWise® Energy Efficiency Programs. The Company is proposing to continue this program with the following improvements: 1) remove water heater blankets from the list of no-cost measures; and 2)



add kitchen sink aerators to the list of no-cost measures. Questar Gas offers and administers the ThermWise<sup>®</sup> Home Energy Audit Program with Nexant and Fundamental Objects providing periodic consulting and assistance, as needed. This program includes two primary components: 1) in-home energy audits performed by trained and experienced Questar Gas Auditors, and 2) “do-it-yourself” mail-in audits with on-line data input availability. The in-home energy audit requires the customer to pay a \$25 fee per service. This fee is added to the customer’s gas bill. This fee is fully refundable by way of a credit on the customer’s gas bill, upon participation in any ThermWise<sup>®</sup> energy-efficiency rebate program. The do-it-yourself mail-in audit is offered at no charge. Customers participating in either home energy audit will receive a customized report recommending home improvements that can be implemented to reduce natural gas usage. In addition, the program will provide certain low-cost energy-efficiency measures at no charge for installation at the customer’s residence. QGC Energy Efficiency Exhibit 1.5 sets forth the complete program description for 2011.

20. **Low-Income Weatherization Assistance.** The Company is proposing to maintain funding for the Low-Income Weatherization Assistance Program at \$500,000 per year. Strong demand for furnace replacements from the program continues to drive a need for funding. The Company proposes to disburse \$250,000 every six months, with the disbursements occurring in January and in July. QGC Energy Efficiency Exhibit 1.6 sets forth the complete program description for 2011.

21. **ThermWise<sup>®</sup> Multifamily Rebates.** This program offered rebates for installing qualifying measures in multifamily projects. The Company is proposing the consolidation of these measures into the appliance, builder and weatherization programs.

The consolidation of the multifamily measures will allow the company to decrease administrative costs, increasing the cost effectiveness of the programs. The multifamily measures will continue to be available to Questar Gas Utah service territory property owners/managers, home owner associations, and tenants, through the new appliance, builder, and weatherization programs. PECEI will continue to administer the appliance and builder measures. Nexant will begin to administer the multifamily weatherization measures.

22. **ThermWise® Business Custom Rebates.** The Company is proposing to continue this program for 2011. This program targets new and existing Utah GS commercial customers. This program augments the existing ThermWise® Business Rebates program by offering rebates to business customers for energy savings resulting from more customized energy system improvements that are not otherwise available through a rebate from ThermWise® programs. The rebate would be in the form of one or more payments to the customer upon successful completion and savings verification of the project. Nexant will continue to administer this program. QGC Energy Efficiency Exhibit 1.7 sets forth the complete program description for 2011.

23. **Tariff Sheets.** Tariff sheets for all programs are attached in both legislative and proposed formats as QGC Energy Efficiency Exhibit 1.8. The Company proposes that these tariff sheets become effective January 1, 2011.

### **III. MARKET TRANSFORMATION**

24. In addition to the Energy Efficiency programs outlined above, Questar Gas is proposing to continue its comprehensive market transformation initiative. Market transformation involves promoting ongoing and lasting changes to natural gas appliance penetration rates and new construction markets, as well as natural gas conservation.

Questar Gas believes that its Energy Efficiency programs, including its market transformation initiative, will continue to complement the State of Utah's goal of a 20% reduction in energy consumption by 2015.

25. The market transformation initiative has five distinct components. The first component is a market awareness campaign designed to continue the Company's involvement in energy efficiency and conservation promotion.

26. The second component is a market awareness campaign designed to change consumer and market participant behaviors and to encourage persistent demand for energy efficient products and practices.

27. The third component involves offering training related to building codes. The State Energy Program, a sub-division of the Utah Geological Survey, in collaboration with and through partial funding from Questar Gas, conducted over sixty building codes training sessions since 2007. The purpose of the training was to support the adoption, awareness and enforcement of more stringent building codes associated with the current International Energy Conservation Code (IECC 2006), which became effective in Utah on January 1, 2007. Based on the success of previous training sessions, and the ongoing need in the market for additional and more specific training sessions, the Company is proposing to fund training sessions for 2011 at \$50,000. The training sessions will be scheduled beginning early-to mid-year 2011. The State Energy Program will continue to work with an outside vendor to design and conduct the training.

28. The fourth component is the ThermWise.com website. The Company launched an informative, interactive, easy-to-use and dedicated energy-efficiency website ([www.ThermWise.com](http://www.ThermWise.com)) during 2007. The website provides consumers with Energy

Efficiency program descriptions and applications, information regarding the economics of energy efficiency, resources available to consumers to help them reduce their energy consumption, on-line energy audit input capability and links to other useful websites related to energy-efficiency and conservation. The Company proposes to continue developing, enhancing and operating this website to increase customer awareness, education and participation in energy-efficiency and conservation.

29. As a fifth component, the Company proposes to continue to provide funding to Salt Lake Community College (SLCC) in support of its Associate Degree program for Energy Management. The Company previously proposed to pay \$40,000 over three years (beginning in 2009) with a match by Rocky Mountain Power. The funding provided thus far has enabled SLCC to secure grant money to develop and implement the program. Questar Gas proposes continuing this funding by paying \$13,300 in 2011 to support the continued development and implementation of the program.

30. As part of its Market Transformation initiative, the Company will continue to pursue strategies to influence each market segment in the GS rate class to adopt higher levels of energy efficiency. Initial market transformation goals include: 1) achieving higher penetration of high efficiency furnaces and water heaters in new and existing residential and commercial buildings; 2) recruiting trade allies to promote and deliver a complete line of energy efficiency products; 3) encouraging trade allies to price the higher efficiency products competitively with lower efficiency products; 4) positioning energy efficiency products as the market leaders; and 5) working with code enforcement

officials to ensure energy efficiency aspects of the building codes are understood and adopted by builders.

#### IV. PROPOSED 2011 BUDGET

31. The total 2011 budget for Questar Gas Energy Efficiency Programs and the Market Transformation Initiative is estimated at \$32.2 million and is shown in QGC Energy Efficiency Exhibit 1.9. The proposed 2011 budget is a decrease from 2010. This is primarily due to an increase in many of the qualifying equipment efficiency levels. Questar Gas anticipates paying approximately \$3.9 million less in rebates than projected in the 2010 budget. QGC Energy Efficiency Exhibit 1.9 includes the 2010 budget for reference. The budget estimate is predicated on participation levels projected by each program administrator. Twelve month actual customer participation, ending June 30, 2010 serves as a basis for projecting 2011 customer participation. To the extent actual participation levels differ from projected levels, actual costs will differ from budget. The Company will continue to report to the Division quarterly and to provide the actual participation levels and related costs and gas savings compared to projections.

32. **ThermWise® Home Energy Audit.** This program will have very few operational changes from previous years. The systems and program created in the first four years of the program will continue to provide value to the energy efficiency effort and produce natural gas savings for customers. The Company is projecting that the number of audits performed and the associated gas savings for this program will be the same as the forecasted 2010 audit participation. It is expected that the overall costs for the program in 2011 will decrease by 1%, as compared to 2010 as shown on QGC Energy Efficiency Exhibit 1.9, column c, line 21.

33. **ThermWise® Weatherization Rebates.** The Company projects that 2011 customer participation will decrease by 27% from 2010 but will continue to produce the strongest customer participation of the ThermWise® portfolio of programs. The Company expects a 27% decrease in overall weatherization program costs for 2011 from the 2010 budget. The projected natural gas savings for this program for 2011 are expected to decrease by 44% from 2010 projections (QGC Energy Efficiency Exhibit 1.9, column E, line 24). The majority of the decrease in savings can be attributed to lower participation and the reduced deemed savings per measure.

34. **ThermWise® Builder Rebates.** For 2011 the Company is projecting a 3% increase in program costs. This increase is primarily due to the addition of multifamily new construction measures and administration. Fewer new residences will likely result in lower program participation and less gas savings. The Company projects a 20% decrease in natural gas savings under the program for 2011 (QGC Energy Efficiency Exhibit 1.9, column G, line 24). While overall program costs, participation and natural gas savings are projected to be lower for 2011, the Company still intends to continue cost-effective program marketing and implementation as reflected in the program budget.

35. **ThermWise® Appliance Rebates.** This program has been very well received by customers since program inception in 2007. The Company expects the 2011 program budget to increase by 27% (QGC Energy Efficiency Exhibit 1.9, column I, line 21) and the related gas savings to increase by 72%. This projected participation and natural gas savings increase is primarily due to high levels of projected participation in

high efficiency furnaces and the addition of multifamily participants to this program in 2011. Rebates account for approximately 76% of the annual costs for this program.

36. **ThermWise® Business Rebates.** The Company projects that the 2011 program budget will increase by 37% (QGC Energy Efficiency Exhibit 1.9, column M, line 21) over the 2010 budget and that natural gas savings will increase by 18% (QGC Energy Efficiency Exhibit 1.9, column M, line 24). As identified by the Cadmus evaluation, this program has the potential to result in the highest gas savings per measure. Therefore, the Company expects to increase the focus on targeted marketing to increased program participation and cost-effectiveness in 2011.

37. **ThermWise® Multi-family Rebates.** The Company is proposing to consolidate these measures into the 2011 appliance, builder, and weatherization programs and has restated the 2010 budget for these three programs to make year-over-year budgets comparable.

38. **ThermWise® Business Custom Rebates.** Due to the nature of this program there is often a substantial lag between the time of customer awareness, coordination, implementation, suggested project/program improvement and rebate funding. After two years of low participation, this program has experienced an increasing level of uptake in the marketplace. Customer awareness and interest in this program has also increased. The Company expects the 2011 program budget to increase by 10% (QGC Energy Efficiency Exhibit 1.9, column O, line 21) and gas savings to increase by 33% (QGC Energy Efficiency Exhibit 1.9, column O, line 24) over the 2010 budgeted levels. Rebates account for approximately 22% of the annual costs for this program but, due to the nature of this program, Questar Gas will not incur many of the

program administrative costs unless it finds natural gas savings and if a rebate is paid. Natural gas savings from customer participation in this program are verifiable and are usually substantial.

39. **Market Transformation.** The Company is proposing to build upon the success and momentum created in the previous four years with its ThermWise® energy-efficiency education and awareness campaign. The 2011 proposed budget for Market Transformation includes \$800,000 in media purchases for year round and targeted advertising (same as 2010); \$95,000 for special marketing events, trade/consumer shows and special event sponsorships; \$75,000 for sports marketing and promotions with the three major universities in the state; and \$30,000 for national and regional industry association participation to leverage outside resources to advance energy efficiency in the state. The budget also includes \$30,000 for program design, \$13,300 for the SLCC Energy Management program, and \$50,000 for State of Utah codes training. The projected budget for Market Transformation shows an increase of 29% (QGC Energy Efficiency Exhibit 1.9, column Q, line 21) over 2010. The increase in budget is important as the ThermWise® programs mature and it becomes more difficult to reach and educate potential participants.

40. **Low-Income Weatherization.** The 2011 proposed budget for this program is \$500,000, which is the same as the 2010 budget. This funding level for Low-income Weatherization is a result of recommendations by the QGC DSM Advisory Group, including the Division of Public Utilities, Salt Lake Community Action Program, Utah Clean Energy and the State of Utah Department of Community and Economic



Development and will be used for high-efficiency furnace replacements in low-income households.

41. During 2010 the Company evaluated several options for behavioral based programs and determined that potential Dth savings could be achieved. The 2011 budget includes \$188,000 to evaluate and implement a pilot behavioral program. The Company expects to launch the behavior based pilot program by mid 2011.

42. The total 2011 budget is expected to decrease by \$3.88 million. Total projected savings are expected to decrease by 188,757 Dth/year. The 2011 proposed budget reflects a concerted effort to incorporate the Cadmus Phase II evaluation findings into the program design, reach all GS market segments and produce significant, persistent and cost effective natural gas savings through a comprehensive energy efficiency campaign.

## **V. COST EFFECTIVENESS**

43. A summary of the cost effectiveness for each program is attached as QGC Energy Efficiency Exhibit 1.10. Page 1 of the exhibit summarizes the test results of the proposed programs along with the market transformation initiative. Although the market transformation initiative does not lend itself to the same economic analysis as the Energy Efficiency rebate programs, it has been included so that the overall impact of all programs can be measured and analyzed. As shown on page 1, line 10, column C of QGC Energy Efficiency Exhibit 1.10, the overall benefit-cost ratio for the Total Resource Cost (TRC) test of all programs and the market transformation activities is 1.3. And as shown on column G, the Utility Cost test (UCT) for all programs is 1.8. A benefit-cost ratio greater than 1 is indicative of benefits exceeding costs, and therefore “passes” the test. Additionally, as shown on line 10, column E, the overall benefit-cost ratio for the

Participant Cost test passes at 2.7, and as shown on column I, the Ratepayer Impact Measure test (RIM) for all programs passes at 1.2. A detailed benefit-cost analysis of each program by measure has been included in pages 2-11 of this exhibit.

44. The model developed by the Company to measure the cost effectiveness of the Programs (Model) is based on the California Standard Practice Manual and is the same model that was used in the 05-057-T01 docket. The Model has been reviewed by Nexant and the DSM Advisory Group.

45. The Model has the capability of running sensitivity analyses on various inputs and assumptions such as the discount rate and participation levels. The cost-effectiveness tests included in this application have been calculated using a 6% discount rate. Additionally, gas prices and GS rates have also been updated in the Model to reflect current market conditions.

46. The Company has relied on specific market reports, industry studies, the DSM Advisory Group, and the expertise of PECEI and Nexant to arrive at the savings levels, measure life and incremental customer cost for each measure of each program. QGC Energy Efficiency Exhibit 1.11 provides the source and/or references for the estimated gas savings (pages 1-5), measure life (pages 6-9), and incremental cost (pages 10-14) for each measure of each program.

## **VI. PROGRAM EVALUATION**

47. During the summer of 2007, the Company worked with the Division to develop a comprehensive and cost-effective DSM Evaluation Plan for natural gas DSM programs. The Commission gave approval to the DPU Evaluation Plan November 20, 2007. The Company began work on the Commission approved evaluation plan shortly after the order related to docket 07-57-05 was issued.

48. The Company published a request for proposal (RFP) from third-party evaluation firms on February 1, 2008. The Company sent the RFP to over forty evaluation firms and posted it on an industry website in an effort to obtain strong evaluation plans and competitive bids. As the Company conducted analysis of proposals, it also sought the support and advice of the DSM Advisory Group. Ultimately, the Company selected the proposal from the team of The Cadmus Group (formerly Quantec) and TechMarket Works. The Company announced the winning proposal on April 11, 2008.

49. The Cadmus Group/TechMarket Works (Cadmus) began work on the evaluation plan after contracts were finalized in early June 2008. The plan required Cadmus to submit an evaluation in two phases with a deliverable report due to the Company at the end of each phase. Phase I of the evaluation looked at program processes and included but was not limited to the following: energy-efficiency programs and measures offered, accounting procedures, rebate funding process, general work flow, rebate process time-frame and safeguards such as fraud prevention and auditing procedures, scheduling and customer interface, and research and evaluation.

50. The Phase I Evaluation Report was completed and submitted by Cadmus to the Division and the Company on October 31, 2008. In addition, Cadmus presented the summary findings of the Phase 1 report to the DSM Advisory Group on November 20, 2008 and the full report was filed with the Commission November 30, 2008.

51. The overriding goal of the Phase II evaluation was to verify program cost effectiveness through impact analysis, natural gas savings verification, customer participation and overall program performance. Cadmus began data collection for the

Phase II report in 2009 and continued through March of 2010. A final draft copy of the Phase II evaluation was completed June 30, 2010 and submitted to the DSM Advisory Group for review and comment. Cadmus presented the preliminary findings of the report to the DSM Advisory Group on July 12, 2010. Initial feedback from the Advisory Group was provided. On July 16, 2010 the Company provided comments to Cadmus that included input from the DSM Advisory Group, PECI and Nexant. The comments were sent to the DSM Advisory Group at that time. Cadmus delivered the final report to the Company and the Division on September 29, 2010.

52. The Company expects that the findings included in the final Phase II report did not materially change from the June 30, 2010 final draft. As a result, the Company has used the findings of the June 30, 2010 final draft to inform 2011 ThermWise<sup>®</sup> program design. Deemed savings in the Appliance, Builder, and Weatherization programs have been adjusted downward in most cases for qualifying equipment that has been held over from 2010. This was done in response to the Cadmus-calculated natural gas savings realization rates of 90% (Appliance), 25.5% (Builder), and 78% (Weatherization) for the respective programs. The Company held the 2010 deemed savings numbers constant for measures that continued in the 2011 Business program. This was done in an effort to keep natural gas savings estimates conservative even though Cadmus calculated the Business program realization rate at 120% of deemed savings. New higher efficiency equipment has also been added to each of the prescriptive rebate programs.

## **VIII. PRAYER FOR RELIEF**

53. Questar Gas has successfully implemented a broad range of programs and a Market Transformation Initiative. The Company has implemented best practices to

help ensure that necessary and reasonable steps have been taken to implement cost-effective programs that benefit all GS customers. This 2011 application and budget will continue and expand these efforts to meet the gas savings goals of customers and the State of Utah.

54. Therefore, Questar Gas respectfully requests that the Commission issue an order: 1) approving the application for the 2011 budget for the Energy Efficiency Programs and continuation of Questar Gas' Market Transformation Initiative for implementation on January 1, 2011; and 2) approving the proposed tariff sheets effecting certain improvements in the Energy Efficiency Program.

DATED this 6th day of October, 2010.

Respectfully submitted,

QUESTAR GAS COMPANY

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**CERTIFICATE OF SERVICE**

I, Evelyn Zimmerman, certify that a true and correct copy of the foregoing

Application was served upon the following by electronic mail on September 30, 2010:

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