

ENERGY-EFFICIENCY PROGRAMS

Utah Energy-Efficiency Results 2012

The Company's 2012 Commission-approved energy-efficiency programs and measures were similar to 2011, but also included new measures, minor changes to qualifying equipment, and changes to rebate levels. The major change for the ThermWise® programs in 2012 was the transition of rebate processing from Nexant and PECEI to a new rebate processing contractor.

On June 16, 2011 the Company published an RFP to over forty rebate processing contractors as well as posted the RFP on an industry website known as ACEEE. The RFP sought proposals from contractors interested in performing work related to rebate processing for both the Utah and Wyoming ThermWise® rebate programs. The terms of the RFP required a Proposal Response Letter (PRL), stating the intent of interested contractors to submit a proposal by the due date, to be delivered to the Company on or before June 28, 2011. Of the contractors initially contacted, eight (8) returned the PRL. The eight PRL respondents were given until July 15, 2011 to send clarifying questions to the Company. The Company collected questions from all contractors up until that date and responded to all by group e-mail. Completed proposals were required to be delivered to the Company on or before July 28, 2011. Of the eight PRL respondents, seven delivered final proposals to the Company.

The Company began evaluation of the proposals in early August. During the RFP and evaluation process, the Company sought advice and support from the DSM Advisory Group. Ultimately, the Company found the proposal from Helgeson Enterprises Inc., a Minnesota based company, to be most responsive to the Company's rebate processing needs. The Company notified Helgeson on September 13, 2011 and finalized the terms of an agreement with them in early 2012.

The Company began work on the design and implementation for the transition to Helgeson in February of 2012. The new rebate processing system was launched in a phased process with the Business, Business Custom, and Weatherization programs transitioning (from Nexant) on June 4, 2012 and the Appliance and Builder programs transitioning (from PECEI) on July 2, 2012. The rebate processing transition officially concluded with the return of all uncashed rebate funds from Nexant and PECEI in October of 2012. Since that time, minor changes and adjustments have been made to further refine the Company's rebate processing operations.

ThermWise® Appliance Rebates

The Company continued this program in 2012 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 were as follows: 1) a tiered rebate for energy-efficient boilers having an efficiency rating of 85% or higher; and 2) an increased rebate for 95% AFUE furnaces, which include an electrically commutated motor (ECM). PECEI assisted with design, outreach, marketing and technical assistance for the entire 2012 program year. PECEI also

provided services related to rebate processing through July 1, 2012. Helgeson Enterprises took over rebate processing work for this program on July 2, 2012.

ThermWise® Builder Rebates

The Company continued this program in 2012 with several changes. The Company offered five (5) whole house builder options. The overriding goal of these builder options was to encourage above-code new construction. Some of the options were designed to encourage builders to begin moving towards practices that would be required if the state of Utah were to adopt the IECC 2009 Energy Code. Certain other options were directly tied to ENERGY STAR® requirements. A top tier option was also available to reward builders that exceeded ENERGY STAR® requirements. In addition, rebates continued to be offered for the installation of energy efficient stand-alone measures.

PECI assisted with design, outreach, marketing and technical assistance for the entire 2012 program year. Peci also provided services related to rebate processing through July 1, 2012. Helgeson Enterprises took over rebate processing work for this program on July 2, 2012.

ThermWise® Business Rebates

The Company continued this program in 2012 with the following improvements: 1) increased the rebate from \$0.12/sq. ft. to \$0.16/sq. ft. for retrofit roof insulation; 2) increased the rebate from \$0.08/sq. ft. to \$0.12/sq. ft. for retrofit wall insulation; and 3) elimination of the maximum size limit on high-efficiency gas furnaces. These improvements more closely aligned the program with market conditions as well as helped to ensure that program savings were achieved as desired. Nexant assisted with design, outreach, marketing and technical assistance for the entire 2012 program year. Nexant also provided services related to rebate processing through June 3, 2012. Helgeson Enterprises took over rebate processing work for this program on June 4, 2012.

ThermWise® Weatherization Rebates

The Company continued this program in 2012 with the following improvements: 1) offered a rebate for air sealing; 2) added air sealing contractors to the Authorized Contractor program; 3) increased the rebate from \$0.20/sq. ft. to \$0.25/sq. ft. for Tier 1 attic insulation; and 5) offered a rebate for high-efficiency R-5 windows.

The Company continued to administer all residential (single and multifamily) weatherization incentives under a single program in 2012. Incentives in 2012 were paid, tracked, modeled for cost effectiveness, and reported as single or multifamily. For qualifying multifamily residences, a pre-qualification inspection continued to be required.

Nexant assisted with design, outreach, marketing and technical assistance and rebate processing for this program through June 3, 2012. Helgeson Enterprises took over rebate processing work for this program on June 4, 2012.

ThermWise® Home Energy Audit

The Company continued this program in 2012 with no significant changes.

Low-Income Weatherization Assistance

The Company continued funding the LIWAP in 2012 at \$500,000 per year from the energy-efficiency budget, and an additional \$250,000 that is contributed outside of the energy-efficiency budget (\$750,000⁶⁹ total Company funding). The Company disbursed \$250,000 from the energy-efficiency budget every six months, with the disbursements occurring in January and July.

Beginning in October of 2012 the Company instituted a direct rebate payment process for approved non-profit or governmental agencies. In order to qualify for the direct payment process, the approved entities were required to satisfy certain requirements. Equipment rebated through the direct payment process was tracked, modeled for cost effectiveness, and reported through the Company's Low-Income program.

ThermWise® Business Custom Rebates

The Company continued this program in 2012 with no changes.

A summary of the projected and actual benefit-cost ratios for each of the 2012 ThermWise programs is shown below.

Table 8.1 – Utah 2012 Projected & Actual B/C ratios by program and California Standard Practice Test

Program	Total Resource Cost Test		Participant Test		Utility Cost Test		Ratepayer Impact Measure Test	
	2012 Projected B/C	2012 Actual B/C	2012 Projected B/C	2012 Actual B/C	2012 Projected B/C	2012 Actual B/C	2012 Projected B/C	2012 Actual B/C
ThermWise® Appliance Program	1.1	0.9	2.1	2.0	1.9	1.4	1.1	0.8
ThermWise® Builder Program	1.1	0.6	2.1	1.3	2.0	1.6	1.2	1.0
ThermWise® Business Custom Program	1.8	1.0	8.0	5.0	1.9	1.3	1.1	0.8
ThermWise® Business Program	1.0	1.2	2.0	3.3	1.6	1.8	1.0	1.0
ThermWise® Weatherization Program	1.3	1.2	2.7	2.6	1.5	1.4	1.0	0.9
ThermWise® Home Energy Audit	0.4	0.3	26.4	29.9	0.4	0.3	0.4	0.3
Low Income Weatherization	1.3	1.1	3.2	7.1	1.7	1.3	1.0	0.8
Market Transformation	0.0	0.0	N/A	N/A	0.0	0.0	0.0	0.0
TOTALS	1.10	.91	2.42	2.17	1.52	1.35	0.97	0.86

⁶⁹ \$500,000 of funding comes from the energy-efficiency budget. The remaining \$250,000 is funded through general rates and is disbursed in semi-annual disbursements of \$125,000 each.

While actual benefit/cost results for 2012 were lower than the corresponding budget projections, the ThermWise[®] programs as a whole passed both the Participant and Utility Cost tests. Actual cost-effectiveness results were lower than projected primarily due to lower avoided gas costs taken from the IRP (and used in cost-effectiveness modeling Q2-Q4 2012) than were forecasted and used in cost-effectiveness modeling for the 2012 ThermWise budget filing (Docket No. 11-057-12).

Customer participation in the ThermWise[®] programs remained high in 2012 (71,998 actual rebates paid) but finished the year below the Company's 2012 estimate (91,787). Actual participation (9,080) surpassed estimated participation (5,082) in the Builder program. The Weatherization and Appliance programs had the highest total number of participants (43,622 and 15,167 respectively). The prescriptive Business program was short of the 2012 participation goal (56%) yet still achieved 82% of the 2012 program savings goal.

During 2012, the DSM Advisory Group continued to meet to discuss the Company's energy-efficiency initiative. The DSM Advisory Group met four times, on the following dates: March 29, July 19, September 18 and December 13.

Wyoming Energy-Efficiency Results 2012

The Company filed for approval (Docket No. 30010-119-GT-12) of a fourth year of Wyoming ThermWise[®] programs on August 15, 2012. The Company modified the fourth year Wyoming programs to more closely align with the proposed 2013 Utah ThermWise[®] programs. The Company did so in an effort to achieve cost savings for both states while also taking current energy-efficiency and equipment standards into account. The Wyoming Public Service Commission approved the fourth year filing (ORDER February 6, 2013) and ordered the changes effective January 1, 2013.

The Wyoming energy-efficiency programs (Appliance, Builder, Business, Home Energy Audit, and Weatherization) have seen good participation and interest from customers since they were launched on July 1, 2009. In the third full program year (July 2011 through June 2012) the Wyoming ThermWise[®] programs had 659 participants or 2.4% of the Company's December 31, 2012 Wyoming residential GS customer base. In contrast, the second program year (July 2010 through June 2011) of the Wyoming programs resulted in 1,013 participants or 154% of the third year program results. The Company has forecasted 1,310 participants in the fourth year of the Wyoming ThermWise[®] programs.

Utah Energy-Efficiency Plan 2013

Based on work with the DSM Advisory Group, Utah-based trade allies, program administrators and other energy-efficiency stakeholders, the Company proposed and the Utah Public Service Commission approved the continuation of the seven energy-efficiency programs

from 2012 as well as the ThermWise[®] Market Transformation initiative. The ThermWise[®] energy-efficiency programs continuing in 2013 are: 1) the ThermWise[®] Appliance Rebates Program; 2) the ThermWise[®] Builder Rebates Program; 3) the ThermWise[®] Business Rebates Program; 4) the ThermWise[®] Weatherization Rebates Program; 5) the ThermWise[®] Home Energy Audit Program; 6) funding of \$500,000 for the Low-Income Weatherization Assistance Program administered by the Utah Department of Workforce Services; and 7) the ThermWise[®] Business Custom Rebates Program.

ThermWise[®] Appliance Rebates

The Company will continue this program in 2013 with the elimination of rebates for lower tiered furnaces and a minor clarification to the solar assisted water heating measure. The Company will eliminate the tier 1 (90% ≤ 91.9% efficient) and tier 2 (92% ≤ 94.9% efficient) furnaces from the list of eligible rebate measures in 2013. These changes anticipate the U.S. Department of Energy's (DOE) proposed May 1, 2013 increase in the furnace standard. The proposed standard would increase the minimum efficiency to 90% for furnaces sold in the climate zones covered in the Company's Utah service territory. The Company will continue to offer these programs to customers in the Company's Utah service territory. PECEI will continue to assist with design, outreach, marketing and technical assistance for this program. Helgeson Enterprises will continue work related to rebate processing for this program in 2013.

ThermWise[®] Builder Rebates

The Company will continue this program in 2013 with several changes. The Company will eliminate the lower tiers for furnaces from the Builder Program and adopt the minor solar assisted water heating clarification for the reasons listed in the 2013 Appliance Rebates section. The Company will also remove the ENERGY STAR[®] Version 2.5 whole home measure. The ENERGY STAR[®] Version 2.5 whole home measure is no longer a valid ENERGY STAR[®] tier. The Company will continue to offer this program to customers in the Company's Utah service territory. PECEI will continue to assist with design, outreach, marketing and technical assistance for this program. Helgeson Enterprises will continue work related to rebate processing for this program in 2013.

ThermWise[®] Business Rebates

The Company will continue this program in 2013 with the following changes: 1) eliminate the two lowest tiers of furnaces as eligible rebate measures for the reasons listed in the Appliance Rebates discussion; 2) eliminate rebates for the roof top furnace measure. The roof top furnace will instead be eligible for rebates under the Business Custom Program. These improvements will more closely align the program with market conditions as well as help to ensure that program savings are achieved as desired. This program will continue to be available to GS commercial customers in the Company's Utah service territory. Nexant will continue to assist with design, outreach, marketing and technical assistance for this program. Helgeson Enterprises will continue work related to rebate processing for this program in 2013.

ThermWise® Weatherization Rebates

The Company continued this program in 2013 with no significant changes. All residential weatherization incentives will continue to be administered under a single program. In 2013 the weatherization program will include all residences receiving service on the GS rate schedule. A qualifying single-family residence is defined as a new structure of up to four residential dwelling units. A qualifying multifamily residence is defined as an existing structure having five or more residential dwelling units. Incentives in 2013 will be paid, tracked, modeled for cost effectiveness, and reported as single or multifamily. For qualifying multifamily residences, a pre-qualification inspection will continue to be required.

This program will continue to be available to existing residential customers in the Company's Utah service territory. Nexant will continue to assist with design and technical assistance for this program. Helgeson Enterprises will continue work related to rebate processing for this program in 2013.

ThermWise® Home Energy Plan (formerly the Home Energy Audit Program)

The Company will continue this program in 2013 with the following changes: 1) the Company will change the name from the Home Energy Audit to the Home Energy Plan program; 2) in an effort to reach the rental market as well as make the program more cost-effective, the Company will remove the single family restriction for the Home Energy Plan program. The program will continue to provide certain low-cost energy efficiency measures at no charge for installation at single family. Multi-family properties will also be eligible to receive no charge efficiency measures; 3) in an effort to reach senior home owners the Company will implement a pilot program in which it will waive the \$25 audit fee for lower-income seniors targeted for participation in the Home Energy Plan program. The Company anticipates that waiving the \$25 fee for targeted seniors will not have a material effect on cost effectiveness, but will have a beneficial impact on the Company's ability to reach this underserved market segment.

The ThermWise® Home Energy Plan program is offered and administered by Questar Gas with periodic consulting and assistance from Nexant. This program includes two primary components: in-home energy plan performed by trained and experienced Questar Gas Auditors and "do-it-yourself" mail-in plan with on-line data input availability. This program will continue to be available to customers in the Company's Utah service territory and administered by Questar Gas.

Low-Income Weatherization Assistance

The Company will continue funding the LIWAP in 2013 at \$500,000 per year from the energy-efficiency budget (\$750,000 total Company funding). The Company will disburse \$250,000 every six months, with the disbursements occurring in January and July.

The Company will also continue the direct rebate payment process for approved non-profit or governmental agencies. In order to qualify for the direct payment process, the approved

entities must satisfy certain requirements. Equipment rebated through the direct payment process will be tracked, modeled for cost effectiveness, and reported through the Company's Low-Income program. Helgeson Enterprises will continue work related to rebate processing for this program in 2013.

ThermWise® Business Custom Rebates

The Company is continuing this program with one significant change. In 2013 the Company will begin coordinating the benchmarking of commercial customer facilities and will contribute to the initial engineering analysis for commercial customers showing the potential for large savings as a result of the benchmarking activities. The purpose of commercial benchmarking is to compare the energy intensity of a subject building with the energy intensity of buildings similarly occupied. The benchmarking results show the overall energy efficiency, or lack thereof, of a given building and can be used to identify possible energy efficiency opportunities. Nexant will continue to assist with design, outreach, marketing and technical assistance for this program. Helgeson Enterprises will continue work related to rebate processing for this program in 2013.

A summary of the cost-effectiveness used in the energy-efficiency model for each ThermWise® program as provided with the 2013 budget filing.

Table 8.2 – Utah 2013 projected NPV & B/C ratios by program and California Standard Practice Test

2013 Projections	Total Resource Cost		Participant Test		Utility Cost Test		Ratepayer Impact Measure Test	
	NPV*	B/C	NPV*	B/C	NPV*	B/C	NPV*	B/C
ThermWise® Appliance Program	1.61	1.22	13.66	2.84	2.70	1.50	-.73	.92
ThermWise® Builder Program	-1.07	0.79	3.84	1.70	.82	1.30	-.63	.85
ThermWise® Business Custom Program	.57	1.53	2.49	5.99	.82	2.00	.12	1.08
ThermWise® Business Program	.68	1.26	5.03	3.05	1.71	2.07	.32	1.11
ThermWise® Weatherization Program	1.53	1.17	16.72	2.68	2.60	1.32	-1.62	.87
ThermWise® Home Energy Plan	-.02	.97	1.83	32.17	-.03	.96	-.41	.67
Low Income Weatherization	.51	1.39	3.06	4.28	.59	1.49	-.17	.92
Market Transformation	-1.99	0	0.00	N/A	-1.99	0	-1.99	0
TOTALS	1.82	1.06	46.64	2.74	7.21	1.32	-5.11	.85

*Shown in millions

Table 3 shows the Utah cost-effectiveness results using the projections included in the budget filing updated to include the gas cost forward curve used in the SENDOUT model.

Table 3 – Utah 2013 NPV & B/C ratios using gas cost forward curve from SENDOUT model.

2013 IRP Forward Curve	Total Resource Cost		Participant Test		Utility Cost Test		Ratepayer Impact Measure Test	
	NPV*	B/C	NPV*	B/C	NPV*	B/C	NPV*	B/C
ThermWise [®] Appliance Program	1.41	1.19	13.66	2.84	2.50	1.47	-.94	.89
ThermWise [®] Builder Program	-1.18	.77	3.84	1.70	.70	1.25	-.74	.82
ThermWise [®] Business Custom Program	.55	1.52	2.49	5.99	.80	1.98	.10	1.07
ThermWise [®] Business Program	.59	1.22	5.03	3.05	1.62	2.02	.22	1.08
ThermWise [®] Weatherization Program	1.11	1.12	16.72	2.68	2.17	1.27	-2.04	.84
ThermWise [®] Home Energy Plan	.00	1.00	1.83	32.17	.00	.99	-.38	.69
Low Income Weatherization	.46	1.35	3.06	4.28	.54	1.45	-.22	.89
Market Transformation	-1.99	0	0	N/A	-1.99	0	-1.99	0
TOTALS	.94	1.03	46.64	2.74	6.34	1.28	5.98	.83

*Shown in millions

Wyoming Energy-Efficiency Plan 2013

The Company expects fourth year participation in the portfolio of Wyoming ThermWise[®] programs to increase slightly from the high of 1,013 in the second program year (July 2010 to June 2011). This projected increase is due to the expansion of eligibility from single-family and business GS customers to all customers receiving service on the GS rate schedule. This change will allow residential properties with more than four dwelling units to participate in the programs. The Company believes that multi-family dwelling represent an underserved market segment where customers could realize significant savings.

SENDOUT Model Results for 2013

Projections from the approved 2013 energy-efficiency budget were entered into the SENDOUT model in response to the Utah Commission's request. Data entries for the 2013 energy-efficiency programs included participants and deemed lifetime Dth savings per program

measure. Incentive (variable) and administration (fixed) costs for each program measure were also incorporated into the SENDOUT model.

The SENDOUT model used the projected 2013 participation and administration costs as the baseline for its analysis of each program. For each program, the model then examined what would happen if participation was reduced to as low as 25% or increased to as high as 150% of the 2013 projection. The model also examined different scenarios involving the escalation of annual administration costs per program. In these scenarios, administration costs per program were increased to 150% and 200% of the 2013 projection. SENDOUT then made the judgment as to whether a program should be “accepted” (100% on the included graph) or “rejected” (0% on the included graph) based on a given level of participation and administration costs. Please see Exhibit 8.1 for the SENDOUT results in a table format.

The 2013 ThermWise[®] Business and Weatherization programs were accepted by the model at 25% of 2013 projected participation if administration costs were increased to 200% of the 2013 budget projection. The Appliance and Builder programs were accepted at 50% of participation and 200% of projected administration costs. The Business Custom program was accepted 100% of participation if administration costs were increased to 200% of the 2013 budget projection. The Home Energy Plan program was not accepted by the model at any combination of participation and administration costs. This is not a concern to the Company at this time because the Home Energy Plan program acts as a feeder program to the rebate programs and also has other benefits which to date have not been quantified. The Company is examining options to make the Home Energy Plan program more cost-effective in the 2013 program year.

Another way to view the results of the SENDOUT model is to analyze the level that administration costs could increase to if participation was held at 100% of the 2013 projection. In this scenario, SENDOUT would suggest that the administration costs for the Business and Weatherization programs could increase by eight times the 2013 budget projection and still be accepted. The Appliance and Builder programs could increase projected administration costs by four times and the Business Custom program could double administrative costs and still be accepted by SENDOUT.

In summary, the SENDOUT model results indicate that as a gas supply resource at the approved budget and participation levels, the 2013 energy-efficiency programs are accepted as qualifying and cost-effective resources when compared to other available resources. Furthermore, this holds true when participation rates are held constant and program administrative costs are increased by as much as eight times 2013 budget levels.

In comparison to the SENDOUT model which is a comprehensive resource planning and evaluation tool, the Questar Gas Energy-Efficiency model which was developed in-house by the Company with the assistance of the Questar Gas Energy-Efficiency Advisory Group and reviewed by the Commission, is used for the sole purpose of modeling Questar Gas’ Energy-Efficiency programs. To this end, the Company relies on the Questar Gas Energy-Efficiency

model for energy-efficiency program planning purposes and more importantly energy-efficiency program cost effectiveness (based on the California Standard Practices Model).

Using the Questar Gas Energy-Efficiency model, the Company analyzed the approved 2013 energy-efficiency programs at a “break-even” benefit / cost ratio ($B/C = 1.00$) by holding participation (and incentive payments) constant and increasing all other costs in a linear manner. This analysis resulted in a projected potential total energy-efficiency spending limit of \$29.13 (UCT) million per year versus the current approved \$22.79 million per year for the 2013 projected natural gas savings of 589,606 Dth. This analysis indicates that the maximum potential spending on energy-efficiency is directly related to the cost-effectiveness of realizing each Dth saved. Therefore, as long as the Company’s energy-efficiency programs are determined cost-effective in the Questar Gas Energy-Efficiency model, accepted by the SENDOUT model when compared to other available resources and do not negatively impact company operations, energy-efficiency programs are an appropriate resource.

Avoided Costs Resulting From Energy-Efficiency

The ThermWise[®] Cost Effectiveness Model calculates the avoided cost of gas purchases as the sole benefit of the energy-efficiency programs. In 2012, the avoided gas cost attributable to energy-efficiency was calculated as \$30.44 million. For 2013, the avoided gas cost attributable to energy-efficiency is estimated to be \$29.13 million. The avoided purchased gas is valued at the same price level as used in the IRP modeling.