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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

APPLICATION FOR APPROVAL OF THE)
2014 YEAR BUDGET FOR ENERGY) Docket No. 13-057-14
EFFICIENCY PROGRAMS AND MARKET)
TRANSFORMATION INITIATIVE)

1. Questar Gas Company (Questar Gas or Company) respectfully submits this Application for Approval of the 2014 Year Budget for Energy Efficiency Programs and Market Transformation Initiative (Application). The Company submits this Application pursuant to the applicable orders of the Public Service Commission of Utah (Commission) identified in the introduction section below. Questar Gas respectfully submits this Application seeking approval of costs associated with the delivery of the Energy Efficiency (EE) programs and associated Market Transformation Initiative.

I. INTRODUCTION

2. In its Order issued January 16, 2007 in Docket No. 05-057-T01 (January 16, 2007 Order), 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 Demand Side Management (DSM) programs in conjunction with the Conservation Enabling Tariff (CET). 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). The Commission has reviewed and approved applications for EE Programs, Budgets, and Market Transformation Initiatives each year thereafter. Most recently, on January 9, 2013 the Commission issued an Order in Docket No. 12-057-14 (January 9, 2013 Order), approving Questar Gas' Application for Approval of the 2013 Year Budget for Energy Efficiency Programs and Market Transformation Initiative.

II. OVERVIEW OF PROPOSED 2014 ENERGY EFFICIENCY PROGRAMS AND MARKET TRANSFORMATION INITIATIVE

3. In the Original Application (Docket No. 05-057-T01), the Company listed seven best practices for developing successful EE programs. These seven best practices are:

- A. Develop a comprehensive energy efficiency approach;
- B. Simplify and integrate program offerings;
- C. Brand EE 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 EE 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[®] EE

campaign is a model for natural gas utility programs nationwide. The ThermWise[®] rebate programs are customer friendly and cost effective.

4. In the 2013 budget filing, Questar Gas proposed three initiatives aimed at reaching market segments which had previously been under-represented (in terms of participation) in the ThermWise[®] programs. The first initiative was an increased effort to reach the Hispanic market through diversification of the market transformation budget, including sponsorship of REAL Salt Lake Soccer. The second initiative was an effort to reach renters. In order to do so, Questar Gas expanded eligibility for the Home Energy Plan to customers living in multifamily residential units. The third initiative was a proposed pilot designed to actively reach out to lower income senior home owners to participate in the Home Energy Plan program. The REAL Salt Lake sponsorship and eligibility expansion of the Home Energy Plan to multifamily residents were successfully completed and the Company proposes to continue both in 2014, with minor adjustments.

5. The lower income senior pilot was not accomplished in 2013 due to the higher than historical demand for Home Energy Plans and the scheduling constraints of the Company's five full-time energy experts. However, the Company believes that the lower income senior pilot is a program which has value and can be completed at a small cost. As a result, the Company is proposing to implement this pilot in 2014. The Company proposes to work with interested parties to identify individuals from this demographic and to actively market the Home Energy Plan program to qualifying customers.

6. In addition to the implementation and development of the ThermWise[®] 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), 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 contractors, Nexant, Inc. (Nexant) and Portland Energy Conservation, Inc. (PECI) and the rebate processing expertise of Parago, Inc. (formerly known as Helgeson Enterprises, Inc.).

7. Based on input from the Utah DSM Advisory Group, Utah-based trade allies, program administrators and other energy efficiency stakeholders, Questar Gas proposes continuing the seven existing ThermWise[®] EE programs: 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 Plan Program; 6) the ThermWise[®] Business Custom Rebates Program; 7) and funding for the Low-Income Assistance Program administered by the Utah Department of Workforce Services.

8. **ThermWise[®] Appliance Rebates.** This program offers rebates to GS customers for installing high-efficiency qualifying measures. The Company is proposing to continue this program with the reinstatement of a 92% \leq 94.9% annual fuel utilization efficiency (AFUE) natural gas furnace to the rebate measure mix. In the 2013 budget filing (Docket No. 12-057-14), the Company proposed elimination of the two lower AFUE furnace tiers (Tier 1 - 90% \leq 91.9%, Tier 2 - 92% \leq 94.9%) as eligible rebate measures for two reasons. First, by mid-2009 the 95% efficient furnaces had become the

dominant furnaces rebated in the program. Second, the Department of Energy (DOE) had promulgated a direct final rule (DFR) in 2011 to move the minimum efficiency standards for furnaces from 80% and to make 90% AFUE furnaces the minimum allowed to be sold in the Company's service territory. This rule was scheduled to become effective on May 1, 2013. However, due to a lawsuit and a resulting settlement, the U.S. Court of Appeals vacated the DFR concerning furnace efficiency standards (*American Public Gas Ass'n v. Department of Energy*, D.C. Cir. No 11-1485). As a result of this settlement, 80% AFUE furnaces remain the baseline efficiency for furnaces sold across all of the Company's service territory. The Company expects 80% AFUE furnaces to maintain a strong local market share for the foreseeable future. Recent market research performed by the Company found that one manufacturer had shipped nearly 16% more 80% AFUE furnaces to the Utah marketplace in the second quarter of 2013 than in the second quarter of 2012.

9. The Company believes that energy efficiency goals are advanced by offering customers a mid-level (92% AFUE) efficiency option rather than forcing them to make a choice between the baseline and highest efficiency furnaces in the marketplace. The Company also proposes to add a higher tier furnace rebate (\geq 98% AFUE with ECM) in 2014. QGC Energy Efficiency Exhibit 1.1 sets forth the complete program description for 2014.

10. **ThermWise® Builder Rebates.** This program offers rebates to residential builders for installing qualifying energy efficiency measures and constructing homes that meet whole house requirements. The Builder program currently includes 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.

11. The Company proposes to reinstate the 92% AFUE furnace as a rebate measure in 2014 for the reasons listed in the Appliance program discussion. The Company expects that the Builder program will see the largest benefit/increase in participation (1,909 single and multifamily projected participants) from the re-introduction of the 92% AFUE furnace rebate measure. The Company surveyed several distributors concerning the potential reintroduction of a lower tier furnace rebate. Most distributors indicated that a 92% AFUE rebate would be particularly beneficial in moving new construction projects from 80% AFUE furnaces. The Company also proposes to add a higher tier furnace rebate (\geq 98% AFUE with ECM) in 2014. In addition, the Company proposes to implement a new rebate method for certain Builder Program measures. The new rebate method is discussed in greater detail in Section V. (2014 Rebate Processing) paragraph 50 of this application. The Company also proposes some clarifying changes to the tariff including removal of obsolete information. QGC Energy Efficiency Exhibit 1.2 sets forth the complete program description.

12. **ThermWise[®] Business Rebates.** This program offers rebates to commercial GS customers who purchase and install qualifying natural gas efficiency measures. The Company proposes to continue this program in 2014 with a few changes. The Company believes that significant savings are available to business customers through the high-efficiency pre-rinse spray valve rebate measure. However, this measure

has had no participation since it was first introduced in 2007. In order to promote market adoption of the pre-rinse spray valve, the Company proposes to implement a direct-install program in early 2014. The program will be aimed at overcoming the barriers that businesses have historically faced in purchasing and installing the valves. The Company also proposes to reinstate the 92% AFUE furnace as a rebate measure for the reasons listed in the Appliance program discussion. The Company also proposes to add a higher tier furnace rebate (\geq 98% AFUE with ECM) in 2014. QGC Energy Efficiency Exhibit 1.3 sets forth the complete program description for 2014.

13. **ThermWise[®] Home Energy Plan.** This program continues to receive very positive customer feedback. The Company is proposing to continue this program with no major changes in 2014.

14. The Company expanded program eligibility to previously ineligible multifamily customers in 2013. The Company also transitioned the program name from Home Energy Audit to Home Energy Plan in the early part of 2013. This name change was undertaken based on the research and recommendation from the Company's ThermWise[®] advertising and media contractor (Faktory) and after consultation with the DSM Advisory Group (December 13, 2012). Both changes have produced positive results through the second quarter of 2013. At the end of June 2013, 1,497 home energy plans had been completed (or 60% of the 2013 energy plan participant goal) and cost-effectiveness results were higher than originally projected (1.8 TRC and 1.7 UCT actual versus .97 TRC and .96 UCT budget). QGC Energy Efficiency Exhibit 1.5 sets forth the complete program description for 2014.

15. **ThermWise® Weatherization Rebates.** This program offers residential GS customers rebates for installing qualifying weatherization measures. The Company proposes to continue to administer all residential weatherization incentives under a single program. Incentives will continue to be paid, tracked, and reported as single and multifamily but administration of the programs will remain combined. For qualifying multifamily residences, pre-qualification and post-installation inspections will continue to be required. The Company will continue to emphasize contractor education and training along with customer marketing and awareness. QGC Energy Efficiency Exhibit 1.4 details the complete program requirements for 2014.

16. **Low-Income Assistance Program.** The Company proposes to maintain funding for the Low-Income Assistance Program at \$500,000 per year. Strong demand for furnace replacements from the program continues to drive a need for funding. The Company will continue to disburse \$250,000 every six months, with the disbursements occurring in January and in July. The Company proposes removing the word “Weatherization” from the title of the program because the program is not solely focused on weatherization. The Company also proposes some clarifying changes to the tariff including removal of obsolete information.

17. The Company will continue to allow non-profit or governmental agencies to follow an abbreviated application process and qualify for the direct-payment exemption. The non-profit or governmental organization must continue to comply with all other requirements of the Company’s Natural Gas Tariff No. 400 (Tariff) and program rules to qualify for rebates. QGC Energy Efficiency Exhibit 1.7 sets forth the complete program description for 2014.

18. **ThermWise® Business Custom Rebates.** The Company proposes to continue this program for 2014. 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. This program allows business customers to apply for rebates that are not otherwise available through the 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.

19. The Company is proposing to implement a strategic energy management service as part of the Business Custom program in 2014. Business Custom projects are typically complex and diverse in nature and require highly technical analysis including calculations of occupancy rates, seasonality, and varying levels of usage depending on the type of business. The strategic energy management service would be available to all commercial GS customers seeking to participate in the Business Custom program. The Company would actively market the service to customers (using the 2012 Commercial Customer Segmentation study and current billing analysis) with the greatest opportunity for natural gas savings. A detailed commercial energy plan would be conducted as part of the service and an informational report would be generated using a tablet based analysis tool. The commercial energy plan would be conducted by a qualified energy expert contracted by the Company to perform the analysis. Businesses would be required to contract with the Company to implement the findings from the energy management service before analysis and support would be provided. QGC Energy Efficiency Exhibit 1.6 sets forth the complete program description for 2014.

20. **Market Transformation.** In addition to the EE rebate 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 EE 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.

21. One component of the Market Transformation initiative is a market awareness campaign designed to (1) enhance the Company's involvement in energy efficiency and conservation promotion; (2) change consumer and market participation behaviors; and (3) encourage persistent demand for energy efficiency products and practices.

22. Another component of the Market Transformation initiative involves the sponsorship of building code training for stakeholders in the construction industry. The Office of Energy Development within the Governor's Office, in collaboration with, and through partial funding from Questar Gas, conducts the building codes training sessions. The purpose of the training is to support the adoption, awareness and enforcement of building codes associated with the current International Energy Conservation Code (IECC 2012), which are expected to become effective in Utah in late 2013. 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 continue funding these training sessions in 2014 at a level of \$50,000. The State Energy Program will continue to work with an outside vendor to design and conduct the training.

23. The next component of the market transformation initiative is the ThermWise.com website. The Company launched an informative, interactive, easy-to-use and dedicated energy efficiency website (www.ThermWise.com) during 2007. The website provides consumers with EE program descriptions, rebate 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 completed a comprehensive redesign of the ThermWise.com website in early 2013 in an effort to be responsive to customer feedback, keep the website up-to-date, and to reduce costs. The Company reduced costs by aligning ThermWise.com with the Questar corporate website template. The Company proposes to continue developing, enhancing and operating this website to increase customer awareness, education and participation in energy efficiency and conservation.

24. The Company also proposes to continue funding for Salt Lake Community College's (SLCC) Associate Degree program in 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 2014 to support the continued development and implementation of the program.

25. The Company also proposes to continue in 2014 a program which was first introduced in 2013 as a pilot and was administered by the Office of Sustainability at the University of Utah. This program involves student ambassadors (who are identified

and hired by the Office of Sustainability) providing peer to peer energy audits. The Company's contribution to the program is proposed to continue to be in the form of funding and will expand to include a demonstration of an in-home energy plan by one of the Company's Home Energy Experts. The Company hopes to gain further insight into the rental market from this effort as well as train and educate future Utah home buyers on the efficient use of natural gas.

26. The Company proposes to continue encouraging both energy efficient behaviors and participation in ThermWise[®] Programs with the ThermWise[®] Energy Comparison Report (Comparison Report) in 2014. The Comparison Report allows customers to compare their natural gas usage with neighboring homes that are similarly sized and situated, and will encourage customers to employ energy efficiency measures and behaviors. The Company initiated a large pilot group (100,000 GS customers) in the third quarter of 2013 which targeted customers with higher usage relative to conditioned square footage. The Company believes these customers have greater potential for participation in other ThermWise[®] Programs. The Company proposes to launch a larger pilot group of the report to customers in the fall of 2014.

27. Finally, 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. The Company proposes to continue the sponsorship of REAL Salt Lake in 2014. This sponsorship was added to the 2013 marketing mix in an effort to increase exposure of the ThermWise[®] Programs and the message of energy efficiency to the State's Hispanic population. This particular

demographic has historically participated at levels below other demographic groups. QGC Energy Efficiency Exhibit 1.8 sets forth the complete program description for 2014.

28. **Tariff Sheets.** Tariff sheets for all programs are attached in both legislative and proposed formats as QGC Energy Efficiency Exhibit 1.9. The Company proposes that these Tariff sheets become effective January 1, 2014.

III. PROPOSED 2014 BUDGET

29. The total 2014 budget for Questar Gas's Energy Efficiency Programs and the Market Transformation Initiative is estimated at \$27.4 million and is shown in QGC Energy Efficiency Exhibit 1.10, column T, line 12. The proposed 2014 budget is an increase from the 2013 budget filed with the Commission on October 17, 2012 in Docket No. 12-057-14. This projected increase is due to increased demand for incentives for 2014 (36% or \$5.3 million). The 2014 budget is reflective of the 2013 eight (8) month (January-August) actual participation numbers, which were higher than originally projected in Docket No. 12-057-14. Total 2013 ThermWise[®] participation has been higher than originally anticipated because, in part, a high volume attic insulation contractor who left Utah in 2011 returned at the end of the 2012 program year. Through the first quarter of 2013, this contractor accounted for nearly thirty-five percent (35%) of attic insulation measure volume. Additionally, insulation companies have been more aggressive in marketing attic insulation rebates to customers in 2013, in an environment of declining rebate-eligible homes. The Company expects contractors to continue to aggressively market their services in 2014. The Company will continue to monitor sales tactics and installation quality, and to take appropriate action as necessary. The Company projects that 2014 attic insulation measures will be the primary driver in the increased ThermWise[®] incentive budget. However, the Company anticipates that

participation in 2014 attic insulation measures will be below the levels seen through the first eight (8) months of 2013.

30. The Company is projecting that administrative or non-incentive costs will shrink as a percentage of the overall budget from 2013 (36%) to 2014 (27%). This decrease results from reduced reliance on third party program administrators and continuing efforts to reduce rebate processing costs. The projected participation in the ThermWise® programs are based on actual participation in the first eight (8) months of 2013 as well as other available market information. 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 of Public Utilities (Division) quarterly and to provide the actual participation levels and related costs and gas savings compared to projections.

31. **ThermWise® Appliance Rebates.** Participation is expected to increase in 2014 in comparison to the 2013 Budget. The Company expects the 2014 program budget to increase by 10% (QGC Energy Efficiency Exhibit 1.10, column I, line 13) and the related gas savings to increase by 24% (QGC Energy Efficiency Exhibit 1.10, column I, line 16). The differing percentages of increase from 2013 are primarily due to a change in the projected mix of rebates measures. For example, in 2013 the high-natural-gas-savings furnace measures made up 21% of the appliance program rebate mix. In the 2014 participation projections, the same furnace rebate measures accounted for a significantly higher percentage of the total appliance rebate measure mix (46%).

32. **ThermWise® Builder Rebates.** For 2014 the Company is projecting a 1% increase in program costs due primarily to higher expected participation and resulting

incentives (16% higher) over 2013. Non-incentive costs are expected to be 5% lower than budgeted in 2013. The Company projects a 13% increase in natural gas savings under the program for 2014 (QGC Energy Efficiency Exhibit 1.10, column G, line 16). The larger increase in savings relative to spending results from higher projected participation in high savings measures such as high-efficiency furnaces (56% of projected participation in 2014, 36% of participation in the 2013 Budget).

33. **ThermWise® Business Rebates.** The Company projects that the 2014 program budget will increase by 24% (QGC Energy Efficiency Exhibit 1.10, column K, line 13) over the 2013 budget and that natural gas savings will also increase by 38% (QGC Energy Efficiency Exhibit 1.10, column K, line 16). As with other ThermWise® programs, increased customer participation is driving budget increases. This program has the potential to result in the highest gas savings measures per rebate paid. Therefore, the Company expects to continue and enhance its targeted marketing strategy (such as through the introduction of the proposed high-efficiency spray valve direct install program) in an effort to increase participation and program cost-effectiveness.

34. **ThermWise® Home Energy Plan.** This program is expected to have few operational changes in 2014. Questar Gas budgeted for a redesign of the program's energy plan platform in 2013. The Company's investigation of market-ready platforms revealed that, while there were some very good products in the market, the costs associated with these products were prohibitive. The Company believes that an internally developed solution could be completed at a fraction of the cost of a third-party vendor. In the event the Company develops a new energy plan platform, the Company

will present the specifics of the platform and associated costs to the Utah DSM Advisory Group.

35. The Company is projecting that 2,510 home energy plans will be performed in 2014. This projection is an increase over the 2013 home energy plan forecast. The Company projects that gas savings will remain the same as projected in the 2013 budget. The Company expects the overall costs for the program in 2014 will decrease by 7%, as compared to 2013 (QGC Energy Efficiency Exhibit 1.10, column C, line 13). This is mainly due to lower expected development costs for the energy plan platform and decreases in other administrative costs.

36. **ThermWise® Weatherization Rebates.** The Company projects 2014 participation will increase over 2013 budget levels but remain below 2013 actual participation levels. The rebate for the Air Sealing measure is proposed to decrease from \$0.20 to \$0.18 per square foot in 2014. This proposed Air Sealing rebate decrease is an effort to increase customer's share of total project costs. All other rebate amounts are proposed to remain unchanged in 2014. The Company expects the overall costs for the program in 2014 will increase by 55%, as compared to 2013 (QGC Energy Efficiency Exhibit 1.10, column E, line 13). Although the incentive budget is projected to increase in 2014, the Company expects that administrative costs will decrease by 7% when compared to 2013 budget.

37. **Low-Income Assistance Program.** The 2014 proposed budget for this program is \$877,000 which is 28% lower than the 2013 budget (QGC Energy Efficiency Exhibit 1.10, column Q, line 13). The projected decrease is due to outstanding 2012 rebates which were expected to be paid in 2013 but which are not forecasted for 2014.

38. **ThermWise® Business Custom Rebates.** The Company expects the 2014 program budget to decrease by 8% (QGC Energy Efficiency Exhibit 1.10, column M, line 13) and gas savings to remain unchanged (QGC Energy Efficiency Exhibit 1.10, column M, line 16) from 2013 budgeted levels. The decrease in program budget is primarily a result of the Company's continuing efforts to reduce administrative costs.

39. **Market Transformation.** The fundamentals of the ThermWise® marketing campaign are expected to remain similar to past years in 2014. Therm will continue to perform his role as the "energy wise guy." The 2014 proposed budget for Market Transformation includes \$725,000 in advertising and media purchases; \$450,000 for sports marketing and promotions (Larry H. Miller Group, REAL Salt Lake, major university sponsorship); \$200,000 for the ThermWise® Energy Comparison Report; \$135,000 for special marketing events, trade/consumer shows and special event sponsorships (includes but is not limited to the Utah State Fair, Days of '47 rodeo, home and garden shows, University of Utah peer-to-peer audit program); and \$69,000 for Questar Gas management and administration (includes national and regional industry association participation for the purpose of advancing energy efficiency in the state). The budget also includes \$10,000 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 a decrease of 17% (QGC Energy Efficiency Exhibit 1.10, column O, line 13) over 2013. The decrease in budget is mainly due to a reduction in the marketing budget as well as the expected costs to evaluate and refine the ThermWise® Energy Comparison Report for 2014. A comprehensive discussion of the Market Transformation initiative is attached as QGC Exhibit 1.08.

40. Work on the ThermWise[®] Energy Comparison Report began in 2010 and resulted in an online version of the report being offered to most of the Company's residential customers with an online account beginning July 25, 2011. In 2014, the Company plans to continue this pilot program.

41. **Total Budget.** The total 2014 budget is proposed to be \$27.4 million (QGC Energy Efficiency Exhibit 1.10, column T, line 12). This budget is an increase of \$4.6 million (QGC Energy Efficiency Exhibit 1.10, column V, line 12) or 20% above the total 2013 budget. Total projected savings are projected to be 759,280 Dth/year (QGC Energy Efficiency Exhibit 1.10, column T, line 15) or 29% above projected 2013 natural gas savings estimates. The 2014 proposed budget reflects a concerted effort to reach all GS market segments and produce significant, persistent and cost effective natural gas savings through a comprehensive energy efficiency campaign.

IV. COST EFFECTIVENESS

42. A summary of the cost effectiveness for each program is attached as QGC Energy Efficiency Exhibit 1.11. Page 1 of this 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. A benefit-cost ratio greater than 1 is indicative of benefits exceeding costs, and therefore "passes" the test. As shown on page 1, line 9, column C of QGC Energy Efficiency Exhibit 1.11, the overall benefit-cost ratio for the Total Resource Cost (TRC) test of all programs and the market transformation activities is 1.09. And as shown on column G, the Utility Cost test (UCT) for all programs is 1.41. Additionally, as shown on line 9, column E, the overall benefit-cost ratio for the

Participant Cost test passes at 2.88, and as shown on column I, the Ratepayer Impact Measure test (RIM) for all programs equals .80. A detailed benefit-cost analysis of each program by measure has been included in pages 2-9 of QGC Energy Efficiency Exhibit 1.11.

43. An examination of the benefit-cost results shows that a few individual measures are marginal in the current low-price environment. The Company has used traditional sources for gas price projections in all of the analyses. All of the gas price forecasts used show moderate increases from the current low-price levels. The Company has chosen not to eliminate measures solely on the basis of failing a benefit-cost test. Most programs and individual measures are fairly low cost to maintain, but expensive to start-up. The Company feels taking the long view in this low-price environment is in the best interest of customers and the ThermWise[®] programs.

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 Utah DSM Advisory Group and has been used by other utilities in the nation in program implementation and cost-effectiveness analysis.

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 which is consistent with the Company's Integrated Resource Plan (IRP). Additionally, gas prices and GS rates have also been updated in the Model to reflect

expected 2014 market conditions, and to be consistent with the gas costs projected in Questar Gas' most recent IRP.

46. The Company has relied on specific market reports, industry studies, and the expertise of PECCI and Nexant to arrive at the savings levels, measure life and incremental customer cost for each measure of each program. QGC Energy Efficiency Exhibit 1.12 provides the source and/or references for the estimated gas savings (pages 1-6), measure life (pages 7-10), and incremental cost (pages 11-15) for each measure of each program.

V. 2014 REBATE PROCESSING

47. The Company will continue work to refine and improve its rebate processing system in 2014. The Company had anticipated that an electronic rebate submittal option would be available to customers by the end of the first quarter of 2013. Unfortunately, due to other rebate processing transition issues and other ThermWise[®] information technology projects, the electronic submittal option could not be completed in 2013. The Company now anticipates that the electronic rebate submittal option will be available (in addition to the currently offered paper rebate application) for Appliance and Weatherization Program participants by mid-year 2014. These programs typically experience the highest volumes of participants and therefore stand to achieve the highest rebate processing cost savings from the electronic rebate submittal option. The Company expects that the inclusion of these types of technologies will benefit customers through improved reporting capabilities, increased customer service, and reduced costs. The Company may explore implementation of the electronic rebate submittal option for the other ThermWise[®] rebate programs after successful implementation in the Appliance and Weatherization programs.

48. In addition to the electronic rebate proposal, the Company proposes to implement a new rebate method for certain measures in the Builder Program for 2014. This new rebate method would provide builders with a rebate in the form of a credit (rather than in the form of a check) to offset up-front costs for meter and service line contributions. The credit would be given to builders for installing high efficiency furnace (92%, 95%, and 95% or 98% AFUE with ECM) and storage water heating measures (Tier 1 - $.62 \geq .66$ energy factor, or Tier 2 - $.67$ or greater energy factor). In the case where the rebate credit exceeds the meter charge and service line contribution, a rebate check would be issued to the builder for the overage. Credits would be calculated using the established furnace (\$200, \$350, \$400, \$450) and/or storage water heater (\$50, \$100) rebate amounts. The Company would require model and serial numbers of credited equipment and would verify installations in order to minimize the potential for fraud. The Company believes that this new rebate method would be beneficial because it would increase builder awareness of energy efficiency at the critical stage where the decision is made between code required equipment and the energy efficient option. The Company is currently developing internal processes to launch the builder credit option and expects that, with this Commission's approval, the process will be implemented sometime in 2014. The option of a credit would become available to builders at that time. The traditional application and rebate check processes are proposed to continue in 2014 for the Builder Program's non-furnace and storage water heater rebate measures.

49. 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 2014 Application and Budget will continue and expand these efforts to meet the gas savings goals of customers and the State of Utah.

VI. PRAYER FOR RELIEF

50. Based on the foregoing, Questar Gas respectfully requests that the Commission issue an order: 1) approving the application for the 2014 budget for the Energy Efficiency Programs and continuation of Questar Gas' Market Transformation Initiative for implementation on January 1, 2014; and 2) approving the proposed Tariff sheets effecting certain improvements in the EE programs.

DATED this 16th day of October, 2013.

Respectfully submitted,

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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 October 16, 2013:

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