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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 ) |                      |
| 2015 YEAR BUDGET FOR ENERGY )     | Docket No. 14-057-25 |
| EFFICIENCY PROGRAMS AND MARKET )  | APPLICATION          |
| TRANSFORMATION INITIATIVE )       |                      |

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1. Questar Gas Company (Questar Gas or Company) respectfully submits this Application for Approval of the 2015 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 2, 2014 the Commission issued an Order in Docket No. 13-057-14 (January 2, 2014 Order), approving Questar Gas' Application for Approval of the 2014 Year Budget for Energy Efficiency Programs and Market Transformation Initiative.

## **II. OVERVIEW OF PROPOSED 2015 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<sup>®</sup> EE campaign is a

model for natural gas utility programs nationwide. The ThermWise<sup>®</sup> rebate programs are customer friendly and cost effective.

4. In addition to the implementation and development of the ThermWise<sup>®</sup> EE 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 CLEAResult, Inc. (which acquired Portland Energy Conservation, Inc. (PECI) September 2014) and the rebate processing expertise of Parago, Inc. (which will be officially acquired, pending regulatory approval, by Blackhawk Network Holdings, Inc. effective October 31, 2014).

5. 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<sup>®</sup> EE programs: 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 Plan Program; 6) the ThermWise<sup>®</sup> Business Custom Rebates Program; 7) and funding for the Low-Income Efficiency Program administered by the Utah Department of Workforce Services. The Company additionally proposes to separate the ThermWise<sup>®</sup> Energy Comparison Report (Comparison Report) from the Market Transformation Initiative and launch it as a stand-alone program in 2015.

In addition, the Company proposes to claim natural gas savings from the delivery of the Comparison Report beginning in 2015. The methodology and results of a 2014 natural gas savings study conducted by the Company are discussed in greater detail in QGC Energy Efficiency Exhibit 1.09.

6. **ThermWise® Appliance Rebates.** This program offers rebates to GS customers for installing high-efficiency qualifying measures. The Company is proposing to continue this program in 2015 with the addition of smart thermostats to the rebate measure mix and a minor Tariff adjustment for one of the furnace rebate measures.

7. The Company believes that natural gas savings can be achieved through a smart thermostat with features such as the ability to cycle a furnace based on an occupancy sensor (tied to a homeowner's smart phone) or to change a home's temperature remotely through an online dashboard and/or internet connected application. In addition to those features, the Company will require rebate qualifying smart thermostats to have Wifi capability. The Company proposes to rebate smart thermostats at \$100 per device and limit lifetime participation to two per premise. The Company has identified five smart thermostat models which currently meet the proposed rebate qualifications. The Company will continue to monitor and evaluate rebate qualifying models in 2015 and will add them to a qualified products list (available to customers at [ThermWise.com](http://ThermWise.com)) as necessary.

8. In 2014, the AFUE requirement for 98% efficient furnace measure was set by the Company precisely at that level. The Company has since found that only one manufacturer and model are available exactly at 98% AFUE. However, several other manufacturers make models at 97.5% AFUE which essentially function at the 98% AFUE

level. The Company proposes to continue to market the rebate for this measure as 98% AFUE but to adjust the minimum AFUE requirement in the Tariff to 97.5% AFUE.

9. The Company is currently monitoring United States Department of Energy (DOE) proposed 2015 changes to water heating standards. These proposed changes will likely require higher minimum Energy Factor (EF) ratings on all residential gas, electric, and oil fired water heaters. Natural gas models may require additional insulation, incorporate newer flue baffling technologies (including flue dampers), incorporate electronic ignition in lieu of a standing pilot, or any combination of these. These proposed changes are currently expected to go into effect for manufacturers beginning April 2015. Final DOE manufacturing standards are not known at this time but are expected to be finalized in the first quarter of 2015. Though manufacturing standards are expected to increase in April 2015, the Company expects that customers will continue to have a choice between lower efficiency models and the currently proposed rebate-eligible water heating measures for all of 2015. This change has the potential to impact not only the Appliance program but also the Builder, Business, and Low-Income Efficiency programs. The Company will continue to monitor changes to water heating manufacturing standards and proposes to inform the Advisory Group as additional information becomes available. QGC Energy Efficiency Exhibit 1.1 sets forth the complete program description for 2015.

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 eliminate the Builder Option Package (BOP) rebates in 2015 as the rebate qualifications became code-required with the State's recent adoption of the 2012 International Energy Conservation Code (IECC). The Company proposes to introduce a 10% above-code rebate in place of the BOP rebates in 2015. The Company believes that the State's new home market will benefit from the inclusion of a "reach" measure designed to encourage above-code construction.

12. The Company proposes to introduce the smart thermostat rebate for new homes in 2015 with the same rebate amount and requirements outlined in the Appliance Program discussion. The Company also proposes to make the same Tariff adjustment for 98% AFUE furnaces as discussed in the Appliance program. QGC Energy Efficiency Exhibit 1.2 sets forth the complete program description.

13. **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 2015 with the following changes: 1) introduce smart thermostats, combined space/water heat, condensing infrared (IR) heaters, and condensing indirect-fired roof top units (RTU) to the current rebate measure mix; 2) eliminate new construction windows ( $\leq .30$  U value) as eligible rebate measures because they have become the baseline window in the marketplace; 3) add eligibility restrictions to the Tariff to ensure natural gas savings for boiler tune-ups; 4) adjust the AFUE qualification for the 98% efficient furnace measure for the reasons listed

in the Appliance Program discussion. These changes are proposed to 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 2015.

14. **ThermWise® Home Energy Plan.** This program continues to receive very positive customer feedback. The program name change from Home Energy Audit to Home Energy Plan coupled with the expanded program eligibility to multifamily customers (both completed in 2013) have continued to produce positive results through the second quarter of 2014. At the end of June 2014, 1,383 home energy plans had been completed (or 55% of the 2014 energy plan participant goal) and cost-effectiveness results were higher than originally projected (1.89 TRC and 1.87 UCT actual versus 1.09 TRC and 1.08 UCT budget).

15. The Company is proposing to continue this program with one change in 2015. When this program was launched in 2007 the customized reports, which are left with each homeowner and detail natural gas usage and ways to improve efficiency, were generated using contractor developed software. Since that time the software has become outdated and in need of rebuild or replacement for future program years. The Company explored both contractor developed and Company built options in 2012 and 2013 but found costs and other issues which made both solutions prohibitive. Recently however the Company was introduced to a new software product that meets the Company's cost and efficacy requirements. Therefore, the Company proposes to replace the current software in 2015 with a third-party developed application. The Home Energy Experts would use the new application through a Wifi enabled device thus allowing for an efficient delivery of

the customized energy plan. QGC Energy Efficiency Exhibit 1.5 sets forth the complete program description for 2015.

16. **ThermWise® Weatherization Rebates.** This program offers residential GS customers rebates for installing qualifying weatherization measures. The Company proposes to continue this program with one change in 2015. This program has incented the purchase and installation of windows with a U-value of .30 or lower since 2008. That measure has seen increasing levels of participation and market adoption since that time. The Company believes that the windows market has now transformed and that .30 windows have become the standard in the marketplace. The Company therefore proposes to eliminate .30 U-value windows as a rebate-eligible measure in 2015. The Company proposes to continue incenting in 2015, along with the remaining 2014 rebate measures, .22 or lower U-value windows in an effort to continue the advancement of energy efficiency in the State of Utah.

17. The Company proposes to continue to pay, track, and report single and multifamily incentives separately in 2015. However, administration for both customer segments will remain combined as they have been since 2011. 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 2015.

18. **Low-Income Efficiency Program.** The Company proposes to maintain funding for the Low-Income Efficiency Program at \$500,000 per year. The Company will continue to disburse \$250,000 every six months, with the disbursements occurring in



January and in July. The Company proposes to eliminate the .30 U-value windows and programmable thermostats from the program in 2015 for the reasons previously discussed in the Appliance and Weatherization Program discussions. Additionally, this program could be affected by the water heating manufacturing standard changes. The Company will keep the program stakeholders informed in 2015 as additional information becomes available.

19. 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 2015.

20. **ThermWise<sup>®</sup> Business Custom Rebates.** The Company proposes to continue this program in 2015 with the addition of a new simplified analysis rebate measure as well as the reorganization of some Tariff language. The reorganized Tariff language was undertaken in an effort to clarify the overall program description, standard and simplified measure eligibility, and participation requirements. This program allows business customers to apply for rebates that are not otherwise available through the prescriptive ThermWise<sup>®</sup> Business program. The Company proposes no changes to the underlying structure or requirements of the Business Custom program. The rebate is proposed to continue to be in the form of one or more payments to the customer upon successful completion and savings verification of the project.

21. The Company proposes to add steam traps to the list of simplified analysis rebate measures in 2015. A steam trap is a device which is used to discharge condensate and non-condensable gases with a negligible consumption or loss of live steam. Most steam traps are valves which open, close, or modulate automatically. For energy efficiency purposes, it is important to ensure that steam traps function correctly in order for a system to generate only the steam needed, thereby achieving optimal natural gas consumption. This measure is designed to achieve savings through the replacement of failed steam traps. The Company will identify replacement candidates through site-specific audits. QGC Energy Efficiency Exhibit 1.6 sets forth the complete program description for 2015.

22. **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 complement the stated goal of Utah's 2014 Energy Efficiency & Conservation Plan to "promote energy efficiency, conservation and peak consumption reductions."

23. 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.

24. Another component of the Market Transformation initiative involves the sponsorship of building code training for stakeholders in the construction industry. The Governor's Office of Energy Development conducts building code training programs, in collaboration with and through partial funding from Questar Gas. 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 became effective in Utah in July 2014. 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 2015 at a level of \$50,000. The State Energy Program will continue to work with an outside vendor to design and conduct the training.

25. 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](http://www.ThermWise.com)) during 2007. The website provides consumers with EE program descriptions, rebate applications, information regarding the economics of energy efficiency, other information to help consumers 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, to 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.

26. 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. Questar Gas proposes continuing this funding by paying \$13,300 in 2015 to support the continued development and implementation of the program.

27. The Company also proposes to continue in 2015 a program which was first introduced in 2013 as a pilot program 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 proposes to continue its contribution to the program by providing funding and demonstrating an in-home energy plan. The Company hopes to gain further insight into the rental market and to train and educate future Utah home buyers on the efficient use of natural gas.

28. 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 2015. 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 2015.

29. **ThermWise<sup>®</sup> Energy Comparison Report.** The ThermWise<sup>®</sup> Energy Comparison Report allows customers to compare their natural gas usage with neighboring homes that are similarly sized and situated. Additionally, the Comparison Report encourages customers to employ energy efficiency measures and behaviors. The Company developed the Comparison Report and first offered it to customers in November 2011. The Company initially sent the report to a small group of customers (Group A – 8,000 customers) as a pilot program. The Company has since launched larger pilot groups in 2012 (Group B – 25,000), 2013 (Group C – 100,000), and 2014 (Group D – 100,000). Currently the Company sends the report, via U.S. and electronic mail, to more than 230,000 of its customers. The Company maintains an additional group of nearly 50,000 customers in order to determine natural gas savings achieved from delivery of the Comparison Report. With the exception of the control group, all customers are able to generate and view a copy of their Comparison Report through their online account at [www.questargas.com](http://www.questargas.com). To date over 57,000 customers have generated and viewed their Comparison Report online.

30. The Company proposes to continue encouraging both energy efficient behaviors and participation in ThermWise<sup>®</sup> Programs with the Comparison Report in 2015. The Company believes that customers not only change behaviors to save natural gas as a result of the Comparison Report, but they are also more likely to participate in other ThermWise<sup>®</sup> Programs if they've received the report. A comparison between data for those receiving the report and the control group showed that, during the three-year period ending August 30, 2014, customers who had received their Comparison Report were more likely to participate in a ThermWise<sup>®</sup> rebate and/or request a Home Energy Plan. The Company proposes to continue to target the Comparison Report to customers with higher

usage relative to conditioned square footage and to launch another report group in 2015. QGC Energy Efficiency Exhibit 1.9 sets forth the complete program description for 2015.

31. **Tariff Sheets.** Tariff sheets for all programs are attached in both legislative and proposed formats as QGC Energy Efficiency Exhibit 1.10. The Company proposes that these Tariff sheets become effective January 1, 2015.

### **III. PROPOSED 2015 BUDGET**

32. The total 2015 projected budget for Questar Gas's Energy Efficiency Programs and the Market Transformation Initiative is \$28.5 million and is shown in QGC Energy Efficiency Exhibit 1.11, column V, line 13. The proposed 2015 budget is an increase from the 2014 budget filed with the Commission on October 16, 2013 in Docket No. 13-057-14. This projected increase is due to increased demand for incentives in 2015 (7% or \$1.4 million). The 2015 budget is reflective of the 2014 eight (8) month (January-August) actual participation numbers, insights from retailers, distributors and other trade allies, as well as the market knowledge of the Company's contractors, CLEAResult and Nexant. To the extent actual participation levels differ from projected levels, actual costs will differ from budget. The Company proposes to 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.

33. The Company projects that administrative or non-incentive costs will shrink as a percentage of the overall budget from 2014 (27%) to 2015 (26%). This decrease results from reduced reliance on third party program administrators and the Company's continuing efforts to reduce rebate processing costs. The most recently published American Gas Association (AGA) study of natural gas efficiency programs (Natural Gas Efficiency Programs Brief – *Investment and Savings Impacts 2012 Program Year*, published March

2014) showed that the average non-incentive costs for the 39 states participating in natural gas efficiency programs to be 46% of total expenditures. Additionally, of the 20 states with natural gas efficiency expenditures over ten million dollars, Utah was tied for third in terms of lowest non-incentive costs as a percentage of overall expenditures.

34. **ThermWise® Appliance Rebates.** The Company expects participation in this program to increase in 2015 by 10%. The Company also expects the 2015 program budget to decrease by less than 1% (QGC Energy Efficiency Exhibit 1.11, column I, line 14) and the related gas savings to increase by 4% (QGC Energy Efficiency Exhibit 1.11, column I, line 17). These changes are largely the result of a combination of lower expected rebate processing costs associated with the Company's online rebate processing website, and the introduction of smart thermostats to the 2015 rebate measure mix.

35. **ThermWise® Builder Rebates.** For 2015 the Company is projecting a 24% increase in program costs due primarily to higher expected participation and resulting incentives (29% higher) over 2014. Non-incentive costs are expected to be 7% higher than budgeted in 2014. The Company projects a 29% increase in natural gas savings under the program for 2015 (QGC Energy Efficiency Exhibit 1.11, column G, line 17). The larger increase in savings relative to spending is a result of the Company's continuing efforts to reduce non-incentive costs. Among other things, the Commission approved the Builder Rebate Credit (Docket No. 13-057-14 Order) resulting in an expected reduction in program administration costs by reducing the need for contractor application and check processing. The Company will continue to promote this option to builders.

36. **ThermWise® Business Rebates.** The Company projects that the 2015 program budget will increase by 36% (QGC Energy Efficiency Exhibit 1.11, column K,

line 13) over the 2014 budget and that natural gas savings will increase by 10% (QGC Energy Efficiency Exhibit 1.11, column K, line 14). 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 in an effort to increase participation and program cost-effectiveness in 2015.

37. **ThermWise® Home Energy Plan.** The Company projects that 2,636 home energy plans will be performed in 2015. This projection is a 5% participation increase over the 2014 home energy plan forecast. The Company projects that gas savings will increase by 24% in comparison to the 2014 budget. The Company expects the overall costs for the program in 2015 will also increase by 13% in 2015 (QGC Energy Efficiency Exhibit 1.11, column C, line 14). The budget increase is mainly due to the initial costs which are necessary to acquire new Home Energy Plan report software. Lower costs are expected for the Home Energy Plan software in future program years because software maintenance costs are generically lower than the cost of purchasing software.

38. **ThermWise® Weatherization Rebates.** The Company projects 2015 participation will decrease by 27%, though natural gas savings are projected to decrease by 4% (QGC Energy Efficiency Exhibit 1.11, column E, line 17) in comparison to 2014 budget levels. The Company anticipates that participation will decline due to the elimination of the .30 or lower U-factor window rebate measure. The Company expects the overall costs for the program in 2015 will decrease by 4%, as compared to 2014 (QGC Energy Efficiency Exhibit 1.11, column E, line 14). Although the incentive budget is projected to decrease slightly in 2015, the Company expects that administrative costs will



decrease by over 27% when compared to 2014 budget. The Company expects the decrease to occur as a result of reduced rebate processing costs associated with the Company's online rebate processing website. The website was launched and promoted to customers beginning mid-year 2014. The Company will continue to promote the website and to look for ways to reduce other non-incentive costs in 2015.

39. **Low-Income Efficiency Program.** The 2015 proposed budget for this program is \$1.1 million or 24% higher (QGC Energy Efficiency Exhibit 1.11, column S, line 14) than the 2014 budget. The increase is due to higher expected rebates (particularly for the air sealing measure) in 2015. Non-incentive costs are projected to remain at 2014 levels in the new program year. Funding for furnace replacements is proposed to remain at \$500,000 in 2015.

40. **ThermWise<sup>®</sup> Business Custom Rebates.** The Company expects the 2015 program budget to decrease by 26% (QGC Energy Efficiency Exhibit 1.11, column M, line 14) and gas savings to decrease by 34% (QGC Energy Efficiency Exhibit 1.11, column M, line 17) from 2014 budgeted levels. The decrease in program budget is primarily a result fewer expected projects in 2015.

41. **Market Transformation.** The fundamentals of the ThermWise<sup>®</sup> marketing campaign are expected to remain similar to past years. Therm will continue to perform his role as the "energy wise guy." The 2015 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); \$135,000 for special marketing events, trade/consumer shows and special event sponsorships (includes but is not limited to the Days of '47 rodeo, home and

garden shows, regional Fairs, 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, \$14,000 for the SLCC Energy Management program, and \$50,000 for State of Utah codes training. The projected budget for Market Transformation is 12% lower (QGC Energy Efficiency Exhibit 1.11, column O, line 14) than 2014. The decrease in budget is due to the launching of the ThermWise<sup>®</sup> Energy Comparison Report as a stand-alone program for 2015. A comprehensive discussion of the Market Transformation initiative is attached as QGC Exhibit 1.09.

42. **ThermWise<sup>®</sup> Energy Comparison Report.** The Company proposes a first-year budget for the ThermWise<sup>®</sup> Energy Comparison Report of \$400,000. The majority of the budget (90%) is directly attributable to the postage costs associated with delivering the report to customers. The remainder of the Comparison Report budget is necessary for programming and other labor associated with the ongoing maintenance of the Company developed system. It is important to note that the Company's internally-developed Energy Comparison Report has been delivered at significant cost savings to Utah customers. Through research, the Company has found that comparable programs, delivered by third-party vendors, can cost up to four times as much annually as the Company's internally-developed program. The Company believes that it has developed a program that will not only deliver energy savings but will also deliver those savings at a cost that is unmatched in the market.

43. **Total Budget.** The total 2015 budget is proposed to be \$28.5 million (QGC Energy Efficiency Exhibit 1.11, column V, line 13). This budget is an increase of \$1.1

million (QGC Energy Efficiency Exhibit 1.11, column X, line 13) or 4% above the total 2014 budget. Total savings are projected to be 905,288 Dth/year (QGC Energy Efficiency Exhibit 1.11, column V, line 16) or 19% above projected 2014 natural gas savings estimates. The primary reason for the substantial expected increase in 2015 natural gas savings is the introduction of the ThermWise<sup>®</sup> Energy Comparison Report. The 2015 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**

44. A summary of the cost effectiveness for each program is attached as QGC Energy Efficiency Exhibit 1.12. 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 10, column C of QGC Energy Efficiency Exhibit 1.12, the overall benefit-cost ratio for the Total Resource Cost (TRC) test of all programs and the market transformation activities is 1.12. And as shown on column G, the Utility Cost test (UCT) for all programs is 1.36. Additionally, as shown on line 10, column E, the overall benefit-cost ratio for the Participant Cost test passes at 3.08, and as shown on column I, the Ratepayer Impact Measure test (RIM) for all programs equals .77. A detailed benefit-cost analysis of each program by measure has been included in pages 2-10 of QGC Energy Efficiency Exhibit 1.12.

45. An examination of the benefit-cost results shows that a few individual measures are marginal in the current low-gas-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<sup>®</sup> programs.

46. 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.

47. 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 2015 market conditions, and to be consistent with the gas costs projected in Questar Gas' most recent IRP.

48. The Company has relied on specific market reports, industry studies, and the expertise of CLEAResult and Nexant to arrive at the savings levels, measure life and incremental customer cost for each measure of each program. QGC Energy Efficiency

Exhibit 1.13 provides the source and/or references for the estimated gas savings (pages 1-8), measure life (pages 9-13), and incremental cost (pages 14-19) for each measure of each program.

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 2015 Application and Budget will continue and expand these efforts to meet the gas savings goals of customers and the State of Utah.

#### **V. PRAYER FOR RELIEF**

50. Based on the foregoing, Questar Gas respectfully requests that the Commission issue an order: 1) approving the application for the 2015 budget for the Energy Efficiency Programs and continuation of Questar Gas' Market Transformation Initiative for implementation on January 1, 2015; and 2) approving the proposed Tariff sheets effecting certain improvements in the EE programs.

DATED this 14<sup>th</sup> day of October, 2014.

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 October 10, 2014:

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