

Colleen Larkin Bell (5253)
Jenniffer Nelson Clark (7947)
Questar Gas Company
333 South State Street
P.O. Box 45360
Salt Lake City, Utah 84145
(801) 324-5392
(801) 324-5935 (fax)
colleen.bell@questar.com
jenniffer.clark@questar.com

Attorneys for Questar Gas Company

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

APPLICATION FOR APPROVAL OF THE)	
2016 YEAR BUDGET FOR ENERGY)	Docket No. 15-057-16
EFFICIENCY PROGRAMS AND MARKET)	APPLICATION
TRANSFORMATION INITIATIVE)	

1. Questar Gas Company (Questar Gas or Company) respectfully submits this Application for Approval of the 2016 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 December 10, 2014 the Commission issued an Order in Docket No. 14-057-26 (December 10, 2014 Order), approving Questar Gas' Application for Approval of the 2015 Year Budget for Energy Efficiency Programs and Market Transformation Initiative.

II. OVERVIEW OF PROPOSED 2016 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 addition to the implementation and development of the ThermWise® 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 expects to continue utilizing the independent and experienced knowledge base of its contractors, Nexant, Inc. (Nexant) and CLEARresult, Inc. (CLEARresult) and the rebate processing expertise of Blackhawk Network Holdings, Inc. (Blackhawk) in 2016.

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 nine existing ThermWise® EE programs in 2016: 1) the ThermWise® Appliance Rebates Program; 2) the ThermWise® Builder Rebates Program; 3) the ThermWise® Business Rebates Program; 4) the ThermWise® Home Energy Plan Program; 5) the ThermWise® Weatherization Rebates Program; 6) funding for the Low-Income Efficiency Program administered by the Utah Department of Workforce Services; 7) the ThermWise® Business Custom Rebates Program; 8) the Market Transformation Initiative; 9) and the ThermWise® Energy Comparison Report (Comparison Report).

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 2016 with changes to the currently rebate-eligible storage water heater and clothes washer measures.

7. In April of 2015 the United States Department of Energy (DOE) put new standards in place for water heating appliances. These changes compelled manufacturers to implement higher minimum Energy Factor (EF) ratings on all residential gas, electric, and oil fired storage water heaters. For natural gas models, the rated storage volume of the water heater is used to determine the minimum efficiency of a given water heater. As an example, the minimum allowable efficiency for a 50 gallon water heater is determined through the DOE formula $(0.675 - (0.0015 \times \text{rated storage volume}))$ to be .60 EF. Using the same formula, the minimum allowable efficiency for a 40 gallon water heater is determined to be .615 EF. As a result of these changes, the Company proposes to eliminate the tier 1 storage water heater (.62 EF) as a rebate-eligible measure in 2016. The Company proposes to continue rebating the $\geq .67$ EF storage water heater in 2016 using a lower deemed savings estimate to reflect the change in the baseline water heating equipment.

8. The Company also proposes to increase the standard for rebate-eligible clothes washers from 2.6 Modified Energy Factor (MEF) in 2015 to 2.74 Integrated Modified Energy Factor (IMEF) in 2016. The Company believes that increasing these standards will continue to advance energy efficiency in the State and better align the program with current market conditions. QGC Energy Efficiency Exhibit 1.1 sets forth the complete program description for 2016.

9. **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.

10. The Company proposes to eliminate the tier 1 storage water heater (.62 EF) as a rebate-eligible measure in 2016 for the reasons outlined in the Appliance Program discussion. The Company also proposes to adjust the deemed savings for the $\geq .67$ EF storage water heater reflect the change in the baseline water heating equipment in 2016. QGC Energy Efficiency Exhibit 1.2 sets forth the complete program description.

11. **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 2016 with the following changes: 1) introduce charbroilers, conveyor ovens, modulating gas dryers, gas dryers with moisture sensors and solar-assisted water heaters (for pools) to the current rebate measure mix; 2) eliminate retrofit windows ($\leq .30$ U value) as eligible rebate measures; 3) eliminate the current tier 1 storage water heater (.62 EF) for the reasons outlined in the Appliance Program discussion; and 4) move the on-site measure level facility assessments (commercial energy plan), along with the associated costs, from the Business Custom Program to the prescriptive Business Program. Additional details regarding proposal number four are provided in the Business Custom Program discussion.

12. The Company also proposes to introduce a pilot high-efficiency spray valve installation initiative to the Business Program in 2016. Though the high-efficiency spray

valve offers significant natural gas savings, the measure has historically seen low participation. The Company proposes to increase participation in this measure by installing high-efficiency valves in one thousand (1,000) businesses during 2016. Nexant would implement the pilot initiative, in close coordination with the Company. Nexant would also be responsible to identify and target businesses that would benefit from installation of the high-efficiency spray valves. Nexant would also be responsible to procure and install the valves at the pinpointed customer facilities. This measure would be installed free of charge and no rebate would be paid to the customer, though for the purposes of cost-effectiveness measurement, an incentive of \$32 per valve would be included in the ThermWise® Cost Effectiveness Model (Model). Administrative costs related to this pilot program would only be incurred upon measure installation. QGC Energy Efficiency Exhibit 1.3 sets forth the complete program description for 2016.

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 2016. QGC Energy Efficiency Exhibit 1.4 sets forth the complete program description for 2016.

14. **ThermWise® Weatherization Rebates.** This program offers residential GS customers rebates for installing qualifying weatherization measures. The Company proposes to continue this program with no changes in 2016. The Company will continue to emphasize contractor education and training along with customer marketing and awareness. QGC Energy Efficiency Exhibit 1.5 details the complete program requirements for 2016.

15. **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 also proposes to eliminate the current tier 1 storage water heater (.62 EF) in 2016 for the reasons outlined in the Appliance Program discussion.

16. 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 1.6 sets forth the complete program description for 2016.

17. **ThermWise[®] Business Custom Rebates.** This program allows business customers to apply for rebates that are not otherwise available through the prescriptive ThermWise[®] Business program. The Company proposes to continue this program in 2016 with the simplification of some Tariff language. The reorganized Tariff language was undertaken in an effort to clarify the overall program description. The Company also proposes to move the onsite measure level facility assessments (also referred to as the commercial energy plan) along with the associated costs to the prescriptive Business program in 2016.

18. Since introduction of the Business Custom Program in 2008, the Company has offered a commercial energy plan (referred to as the on-site measure level facility assessments in section 2.16 of the current Tariff) to eligible commercial customers seeking assistance in identifying complicated natural gas savings opportunities. However, over

the past eight years, the Company has found that the commercial energy plan has predominantly been successful in identifying prescriptive measure savings opportunities. As a result of these findings, the Company proposes to move the commercial energy plan to the prescriptive Business Program in 2016. The Company believes this move better aligns program costs with the program generating the natural gas savings benefits. QGC Energy Efficiency Exhibit 1.7 sets forth the complete program description for 2016.

19. **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."

20. 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.

21. 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). 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 2016 at a level of \$50,000. The State Energy Program will continue to work with an outside vendor to design and conduct the training.

22. 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, 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. Questar Corporation may undertake a comprehensive redesign of the corporate website template in 2016. If that happens, the Company will align the ThermWise.com website with the corporate template in an effort to keep the website up-to-date and to reduce costs. The Company proposes to continue developing, enhancing and operating ThermWise.com to increase customer awareness, education and participation in energy efficiency and conservation.

23. 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 \$14,000 in 2016 to support the continued development and implementation of the program.

24. The Company also proposes to continue in 2016 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.

25. 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 2016. 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 2016.

26. **ThermWise[®] Energy Comparison Report.** The ThermWise[®] 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. As of the end of September 2015, the Comparison Report had been generated over 185,000 times online.

27. The Company proposes to deliver the Comparison Report to 230,000 customers in 2016. The Company has found 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[®] Programs if they've received the report. An analysis conducted by the Company in 2014 showed that, when contrasted against a control group of non-recipients, customers who had received their Comparison Report were more likely to participate in a ThermWise[®] 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 the fall of 2016.

28. While proposed program participants remain stable from 2015, natural gas savings are projected to increase by 45% in 2016. The reason for the increase in savings has to do with the realization studies conducted by the Company in 2014 and 2015. The

2014 study focused analysis on second-year recipients of the report (Group B) and showed weather-normalized usage reductions per participant of .53 Dth/year. The 2015 study focused analysis on both second and third-year participants (Groups B & C) and showed weather-normalized usage reductions per participant of .76 Dth/year. As a result, the natural gas savings number was updated in the 2016 Model to reflect the results of the most recent realization study. QGC Energy Efficiency Exhibit 1.9 describes the methodology used in the realization studies and sets forth the complete program description for 2016.

29. **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, 2016.

III. PROPOSED 2016 BUDGET

30. The total 2016 projected budget for Questar Gas's Energy Efficiency Programs and the Market Transformation Initiative is \$26.7 million and is shown in QGC Energy Efficiency Exhibit 1.11, column V, line 13. The proposed 2016 budget is a \$1.8 million decrease from the 2015 budget filed with the Commission on October 14, 2014 in Docket No. 14-057-25. This projected decrease is mainly due to decreased demand for weatherization measures in 2016 (24% lower participation or \$2 million reduction in incentives). The 2016 budget is reflective of the 2015 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, CLEARResult 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.

31. The Company projects that administrative or non-incentive costs will shrink by about 2% from 2015 (\$7.5 million) to 2016 (\$7.4 million). This decrease results from lower expected rebate processing costs and the Company's continuing efforts to reduce reliance on third party program administrators. 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. The Company was also able to obtain from AGA, data which will be included in the upcoming investment and savings impacts report for the 2013 program year. Using the same metrics from the analysis of the 2012 programs, AGA's data showed that the average non-incentive costs for the 39 states participating in the 2013 natural gas efficiency programs survey were 43% of total expenditures. In comparison, the ratio of non-incentive costs to total expenditures for the Company's 2013 programs was 20%. Of the 21 states with natural gas efficiency expenditures over ten million dollars, Utah ranked second in terms of lowest non-incentive costs as a percentage of overall expenditures. QGC Energy Efficiency Exhibit 1.8 provides greater detail on the results of the 2012 and 2013 AGA studies.

32. **ThermWise® Appliance Rebates.** The Company expects participation in this program to decrease in 2016 by 4%. The Company also expects the 2016 program budget to decrease by 6% (QGC Energy Efficiency Exhibit 1.11, column I, line 14) and the related gas savings to decrease by 5% (QGC Energy Efficiency Exhibit 1.11, column

I, line 17). These changes are largely the result of a combination of lower expected clothes washer rebates associated with the Company's proposed increase in the minimum efficiency standard (2.74 IMEF) and the elimination of the tier 1 storage water heater as a rebate-eligible measure.

33. **ThermWise® Builder Rebates.** For 2016 the Company is projecting a 45% increase in program costs (QGC Energy Efficiency Exhibit 1.11, column G, line 14) due primarily to higher expected participation and resulting incentives over 2015. Non-incentive costs are expected to be slightly lower than budgeted in 2015. The Company projects a 57% increase in natural gas savings under the program for 2016 (QGC Energy Efficiency Exhibit 1.11, column G, line 17). The large increase in participation relative to the projected decrease in projected non-incentive costs is a result of the increasing likelihood of builders to select the Commission approved Rebate Credit (Docket No. 13-057-14 Order) over the traditional rebate process. In 2014, the year the Rebate Credit was first made available, more than 40 measures were installed by builders who chose to use the new streamlined rebate method over the paper rebate application. In contrast, from January through September 2015, the Rebate Credit was applied to more than 900 high-efficiency furnaces and/or 2x6 wall (R-20 insulation) measures. The Company will continue to promote the Rebate Credit and expects further market adoption in 2016.

34. **ThermWise® Business Rebates.** The Company projects that the 2016 program budget will decrease by 22% (QGC Energy Efficiency Exhibit 1.11, column K, line 14) below the 2015 budget and that natural gas savings will decrease by 19% (QGC Energy Efficiency Exhibit 1.11, column K, line 17). The projected decrease in participation is mainly due to the completion of several large attic insulation projects in

2015 that will not be repeated in 2016. Additionally, the Company expects participation in boiler tune-ups to be reduced significantly in 2016 due to the limited number of rebate-qualifying boilers in the Utah service territory. The pilot high-efficiency spray valve initiative is expected to make up for some of the 2016 reduction in participation while also providing highly cost-effective natural gas savings.

35. The Company anticipates development of an automated natural gas usage data upload system in 2016. This system will allow Utah commercial facility owners the ability to participate in the DOE sponsored Better Buildings Energy Data Accelerator (Accelerator) program. The Accelerator program has been functioning since 2014 and has 19 utility (including Questar Gas and Rocky Mountain Power) and 17 city partners (including Salt Lake City) from across the United States. The Accelerator allows businesses to benchmark their facilities against buildings nationally with similar characteristics. The Company has included an additional \$25,000 in the 2016 Business program budget for development of an automated system that will interact with the Accelerator website. The Company will explore both internal and contractor built solutions and expects to complete system implementation by the third quarter of 2016. Additional details on the Accelerator program can be found at <http://www1.eere.energy.gov/buildings/betterbuildings/accelerators/energy.html>.

36. **ThermWise® Home Energy Plan.** The Company projects 3,163 home energy plans will be performed in 2016. This projection is the same as the 2015 home energy plan forecast. The Company projects that gas savings will increase by 1% (QGC Energy Efficiency Exhibit 1.11, column C, line 17) in comparison to the 2015 budget. This increase is due to the mix of efficiency measures projected to be distributed to program

participants in 2016. The Company expects the overall costs for the program will also increase by 2% in 2016 (QGC Energy Efficiency Exhibit 1.11, column C, line 14).

37. **ThermWise® Weatherization Rebates.** The Company projects 2016 participation will decrease by 24%, though natural gas savings are projected to decrease by 12% (QGC Energy Efficiency Exhibit 1.11, column E, line 17) in comparison to 2015 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 2016 will decrease by 18%, as compared to 2015 (QGC Energy Efficiency Exhibit 1.11, column E, line 14). Although the incentive budget is projected to decrease by 18% in 2016, the Company expects that rebate processing costs will decrease by over 24% in comparison to the 2015 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 and has seen increased customer usage since that time. The Company will continue to promote the website and to look for ways to reduce other non-incentive costs in 2016.

38. **Low-Income Efficiency Program.** The 2016 proposed budget for this program is \$.9 million or 18% lower (QGC Energy Efficiency Exhibit 1.11, column S, lines 13 & 14) than the 2015 budget. The decrease is due to lower expected participants (particularly for the air sealing and tier 1 storage water heater measures) in 2016. Non-incentive costs are projected to decrease by 10% in the new program year. Funding for furnace replacements is proposed to remain at \$500,000 in 2016.

39. **ThermWise® Business Custom Rebates.** The Company expects the 2016 program budget to decrease by 11% (QGC Energy Efficiency Exhibit 1.11, column M, line 14) and natural gas savings to decrease by 35% (QGC Energy Efficiency Exhibit 1.11, column M, line 17) from 2015 budget levels. The decrease in program savings is mainly due to fewer projected program participants and smaller expected average project size. The smaller project size and proposed movement of the Company's on-site measure-level facility assessment service (commercial energy plan) from the custom to the prescriptive Business program are the primary drivers of the lower forecasted 2016 budget.

40. **Market Transformation.** The fundamentals of the ThermWise® marketing campaign are expected to remain similar to past years. Therm will continue to perform his role as the "Energy Wise Guy." The 2016 proposed budget for Market Transformation includes \$725,000 in advertising and media purchases; \$450,000 for marketing contracts and promotions (Larry H. Miller Group, REAL Salt Lake, major university sponsorship); \$105,200 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 \$70,000 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 2% lower (QGC Energy Efficiency Exhibit 1.11, column O, line 14) than 2015. The decrease in budget is due to the lower expected costs for special

marketing events in 2016. A comprehensive discussion of the Market Transformation Initiative is included as QGC Exhibit 1.8.

41. **ThermWise[®] Energy Comparison Report.** The Company proposes to increase the budget for the ThermWise[®] Energy Comparison Report by 3% (QGC Energy Efficiency Exhibit 1.11, column Q, line 14) or \$10,000 in the second year of the stand-alone program. The additional funds are included in this year's budget in anticipation of a United States Postal Service increase in 2016 postage costs. Natural gas savings are projected to increase by 45% (QGC Energy Efficiency Exhibit 1.11, column Q, line 17) in 2016. The reason for the increase in savings has to do with realization studies conducted by the Company in 2014 and 2015. The 2014 study focused analysis on second-year recipients of the report (Group B) and showed usage reductions per participant of .53 Dth/year. The 2015 study focused analysis on both second and third-year participants (Groups B & C) and showed usage reductions per participant of .76 Dth/year. As a result, the natural gas savings number has been updated in the 2016 Model to reflect the results of the most recent realization study.

42. The majority of the Comparison Report 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 six 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 \$26.7 million (QGC Energy Efficiency Exhibit 1.11, column V, line 13). This budget is a decrease of \$1.8 million (QGC Energy Efficiency Exhibit 1.11, column X, line 13) or about 6% below the total 2015 budget. Total savings are projected to be 940,293 Dth/year (QGC Energy Efficiency Exhibit 1.11, column V, line 16) or 4% above projected 2015 natural gas savings estimates. The primary reason for the expected increase in 2016 natural gas savings is due to the Energy Comparison report. The 2016 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 1.03. And as shown on line 10, column G, the Utility Cost test (UCT) for all programs is 1.19. Additionally, as shown on line 10, column E, the overall benefit-cost ratio for the Participant Cost test passes at 3.29, and as shown on line 10 column I, the Ratepayer Impact

Measure test (RIM) for all programs equals .73. A detailed benefit-cost analysis of each program by measure has been included in pages 2-10 of QGC Energy Efficiency Exhibit 1.12. 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 2016 market conditions and to be consistent with the gas costs projected in Questar Gas' most recent IRP.

45. The Model has the capability of running sensitivity analyses on various inputs and assumptions such as the discount rate and participation levels. For purposes of this type of analyses, the Company calculated the cost-effectiveness tests in the Model using the Energy Efficiency carrying charge of 4.51% which was approved by the Commission in Docket No. 14-057-32 (April 29, 2015 Order). At the current carrying charge rate the TRC result for all programs was 1.19, UCT result was 1.38, Participant Cost test was 3.64, and the RIM test result was .81.

46. An examination of the benefit-cost results at the IRP discount rate shows that a few individual measures are marginal in the current low-gas-price environment. 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.

47. 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.

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 2016 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 2016 budget for the Energy Efficiency Programs and continuation of Questar Gas' Market Transformation Initiative for implementation on January 1, 2016; and 2) approving the proposed Tariff sheets effecting the improvements in the EE programs described herein.

DATED this 13th day of October, 2015.

Respectfully submitted,

QUESTAR GAS COMPANY

Colleen Larkin Bell (5253)
Jenniffer Nelson Clark (7947)
Attorneys for Questar Gas Company
333 South State Street
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556

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 13, 2015:

Patricia E. Schmid Justin C. Jetter Assistant Attorney Generals 500 Heber M. Wells Building 160 East 300 South Salt Lake City, UT 84111 pschmid@utah.gov jjetter@utah.gov	Sarah Wright Executive Director Utah Clean Energy 917 2 nd Avenue Salt Lake City, UT 84103 sarah@utahcleanenergy.org
Rex Olsen Assistant Attorney General 500 Heber M. Wells Building 160 East 300 South Salt Lake City, UT 84111 rolsen@utah.gov	Michelle Beck Director Office of Consumer Services 400 Heber M. Wells Building 160 East 300 South Salt Lake City, UT 84111 mbeck@utah.gov
Gary A. Dodge Hatch, James & Dodge 10 West Broadway, Suite 400 Salt Lake City, UT 84101 gdodge@hjdllaw.com	Kevin Higgins Neal Townsend Energy Strategies 215 South State Street #200 Salt Lake City, UT 84111 khiggins@energystrat.com ntownsend@energystrat.com
Cody Stewart Governor's Energy Advisor State of Utah 60 E. South Temple, 3 rd Floor Salt Lake City, UT 84111 codystewart@utah.gov	Chris Parker Division of Public Utilities 400 Heber M. Wells Building 160 East 300 South Salt Lake City, UT 84111 chrisparker@utah.gov
Howard Geller Southwest Energy Efficiency Project 2334 North Broadway, Suite A Boulder, CO hgeller@swenergy.org	