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Division of Public Utilities

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## ACTION REQUEST RESPONSE

**To:** Public Service Commission

**From:** Division of Public Utilities  
Chris Parker, Director  
Energy Section  
Artie Powell, Manager  
Carolyn Roll, Technical Consultant  
Eric Orton, Utility Analyst

**Date:** November 13, 2015

**Subject:** Docket No. 15-057-16, Questar Gas Company 2016 Budget for Energy Efficiency Programs and Market Transformation Initiative. The Division recommends that the Commission approve the Company's application as filed in Docket No. 15-057-16.

### **RECOMMEND: APPROVAL**

The Division of Public Utilities (Division) has reviewed the Application and recommends approval of Questar Gas Company's 2016 Energy Efficiency (EE) Programs and Market Transformation Initiative Budget. The Division has also reviewed the tariff sheets filed with the application and recommends the approval of the tariff sheets as filed.

### **ISSUE:**

On October 13, 2015, Questar Gas Company (Company or QGC) filed an application with the Public Service Commission of Utah (Commission or PSC) for approval of its Energy Efficiency Programs and Market Transformation Initiative Budget for 2016. On October 14, 2015 the PSC issued an Action Request to the Division to review the application. This is the Division's response to that Action Request.

**DISCUSSION:**

**DSM PILOT PROGRAM AND BUDGET HISTORY**

The original Demand Side Management programs and Market Transformation Initiative were the products of a collaborative effort of interested parties working with QGC to provide input and to design programs to benefit QGC’s GS rate class by reducing their usage of natural gas through programs designed to improve the efficiency of natural gas consumption by those GS rate customers. The process began with QGC’s CET application to the PSC on December 16, 2005 in Docket No. 05-057-T01. In a January 16, 2007 Order issued in Docket No. 05-057-T01, the Commission approved the original application. The EE Budget submitted in this docket is the tenth budget submitted by the Company. Table 1 shows a history of actual expenditures through 2014 with the 2015 and 2016 EE Budgets.

Table 1						QGC ENERGY EFFICIENCY PROGRAM YEARLY EXPENDITURES				
A	B	C	D	E	F					
	2006-07	2008	2009	2010	2011					
	Actual	Actual	Actual	Actual	Actual					
	(000)	(000)	(000)	(000)	(000)					
ThermWise Appliance	\$ 2,765.4	\$ 4,932.2	\$ 10,141.7	\$ 9,137.7	\$ 5,862.4					
ThermWise Builder	\$ 1,186.6	\$ 2,789.1	\$ 2,642.7	\$ 3,699.8	\$ 3,441.6					
ThermWise Business	\$ 450.9	\$ 709.3	\$ 702.3	\$ 1,173.4	\$ 1,296.5					
ThermWise Custom Business	NA	\$ 102.9	\$ 97.4	\$ 284.1	\$ 416.4					
ThermWise Audit	\$ 1,893.7	\$ 587.4	\$ 694.8	\$ 727.7	\$ 519.2					
ThermWise Weatherization	NA	\$ 7,706.3	\$ 31,485.9	\$ 19,000.3	\$ 8,843.4					
Market Transformation	\$ 866.6	\$ 999.2	\$ 1,184.2	\$ 1,163.3	\$ 1,409.1					
Energy Comparison Report	NA	NA	NA	NA	NA					
Low Income Weatherization	\$ 250.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0					
<b>Total</b>	<b>\$ 7,413.2</b>	<b>\$ 18,076.4</b>	<b>\$ 47,449.0</b>	<b>\$ 35,686.3</b>	<b>\$ 22,288.6</b>					
	G	H	I	J	K					
	2012	2013	2014	2015	2016					
	Actual	Actual	Actual	Budget	Budget					
	(000)	(000)	(000)	(000)	(000)					
ThermWise Appliance	\$ 4,881.2	\$ 5,127.7	\$ 5,472.8	\$ 5,885.5	\$ 5,558.6					
ThermWise Builder	\$ 3,196.9	\$ 3,146.0	\$ 4,093.9	\$ 3,432.6	\$ 4,986.7					
ThermWise Business	\$ 1,575.7	\$ 1,925.6	\$ 3,185.3	\$ 2,693.5	\$ 2,094.5					
ThermWise Custom Business	\$ 608.0	\$ 557.8	\$ 252.5	\$ 559.8	\$ 498.0					
ThermWise Audit	\$ 627.0	\$ 606.7	\$ 613.3	\$ 900.7	\$ 919.8					
ThermWise Weatherization	\$ 10,023.7	\$ 15,208.6	\$ 10,781.8	\$ 12,115.7	\$ 9,947.8					
Market Transformation	\$ 1,093.0	\$ 1,326.4	\$ 1,103.7	\$ 1,453.0	\$ 1,424.2					
Energy Comparison Report	NA	NA	NA	\$ 400.0	\$ 410.0					
Low Income Weatherization	\$ 612.9	\$ 1,085.0	\$ 790.2	\$ 1,087.3	\$ 889.8					
<b>Total</b>	<b>\$ 22,618.4</b>	<b>\$ 28,983.8</b>	<b>\$ 26,293.5</b>	<b>\$ 28,528.1</b>	<b>\$ 26,729.4</b>					

Table 1 shows a ramp up of the programs during the first two years and then a decrease in actual spending from a 2009 high of \$47.4 million to \$22.6 million in 2012. \$12.3 million has been spent through June 2015, with participation in the Builder and Business programs exceeding budgeted levels to date. QGC projects 2015 expenditures will be slightly under the 2015 EE Budget of \$28.5 million. The proposed 2016 budget is a decrease from the 2015 budget, the majority due to a forecasted decrease in Weatherization rebates from \$11.1 million in 2015 to \$9.1 million in 2016. The ThermWise Energy Comparison Report was launched as a stand-alone program in 2015 and the Company does claim the projected natural gas savings in the EE Budget. The Company continues to look for new ways to increase participation in all of the EE programs and consults with the Advisory Group for input to achieve these goals.

## 2016 ENERGY EFFICIENCY PLAN SUMMARY

Table 2 summarizes QGC's proposed 2016 EE Budget by program as compared to the 2015 EE Budget. As shown in Table 2, the EE Budget for 2016 is \$26.729 million (Col D Ln 9). This is 6.3% below the 2015 DSM Budget (Col F Ln 9). Columns I and J compare the 2016 EE Budget Total Resource Cost Test ratios (TRC) to the 2015 EE Budget TRC for the EE programs.

QUESTAR GAS COMPANY									
DSM ENERGY EFFICIENCY REPORT									
2016 Budget and 2015 Budget									
DOCKET NO. 15-057-16									
A	B	C	D	E	F	G	H	I	J
	2016 Budgeted	2015 Budgeted	2016 Budget	2015 Budget	% 2015 Budget over (under)	2016 Dth	2015 Dth	2016 TRC	2015 TRC
	Participants	Participants	(000)	(000)	2014 Budget	Savings*	Savings*	Ratio	Ratio
ThermWise Appliance	21,271	22,100	\$ 5,558.6	\$ 5,885.4	-5.6%	225,000	236,215	1.5	1.3
ThermWise Builder	15,275	10,224	\$ 4,986.7	\$ 3,432.7	45.3%	145,262	92,337	0.9	0.9
ThermWise Business	2,234	2,097	\$ 2,094.5	\$ 2,693.5	-22.2%	89,500	110,973	1.1	1.3
ThermWise Custom Business	15	20	\$ 498.0	\$ 559.8	-11.0%	15,000	23,000	1.0	1.3
ThermWise Energy Plan	3,163	3,163	\$ 919.8	\$ 900.7	2.1%	39,264	38,824	1.0	1.2
ThermWise Weatherization	37,223	49,115	\$ 9,947.8	\$ 12,115.7	-17.9%	230,363	261,703	1.0	1.1
Market Transformation	NA	NA	\$ 1,424.2	\$ 1,453.0	-2.0%	NA	NA	0.0	0.0
Energy Comparison Report	230,000	230,000	\$ 410.0	\$ 400.0	2.5%	174,800	120,900	1.1	1.5
Low Income Assistance	1,770	1,846	\$ 889.8	\$ 1,087.3	-18.2%	21,104	21,336	1.0	1.1
<b>Total</b>	<b>310,951</b>	<b>318,565</b>	<b>\$ 26,729.4</b>	<b>\$ 28,528.1</b>	<b>-6.3%</b>	<b>940,293</b>	<b>905,288</b>	<b>1.0</b>	<b>1.1</b>

\*Savings reflects the net Dth deemed savings based on budgeted participants with an 80% net-to-gross ratio applied.

For 2016, the number of expected participants is below the 2015 budgeted level with the decrease in Weatherization participation. The Dth savings exceed the level set in the 2015 budget due in large part to the projected Dth savings from customers that receive the Energy Comparison Report.

Table 3, shows the June 30, 2015 actual results and compares the 2016 budget to the 2015 budget by total customer rebates and program administrative & overhead costs. The table shows the 6.3% decrease from the 2015 budget, which is attributed mainly to a decrease in expected customer rebates. Administrative program costs are slightly lower than the 2015 budget amount. The table shows a decrease of 2.4% in Dth saved and an 8.5% decrease in participants is projected. In this table the Dth saved and the participants reflects the rebate and energy plan participants. Energy Comparison Report participants and savings are not included in this table.

	ThermWise 2016 EE Program					
				Thousands		
	2015 2Q	2015	2016	\$ 2016 Budget	% 2016 Budget	
	Actual YTD	Budget	Budget	over (under)	over (under)	
				2015 Budget	2015 Budget	
Customer Rebates	8,821.5	20,985.8	19,280.2	(1,705.6)	-8.1%	
Program Costs	3,519.0	7,542.3	7,449.2	(93.1)	-1.2%	
Total Costs	\$ 12,340.5	\$ 28,528.1	\$ 26,729.4	\$ (1,798.7)	-6.3%	
Projected Dth Savings*	291.0	784.3	765.6	(18.7)	-2.4%	
Participants	43.0	88.5	81.0	(7.5)	-8.5%	
Total \$ / Dth Savings (\$0.00)	\$ 42.41	\$ 36.38	\$ 34.91	NA	-4.0%	
California Test Results						
Total Resource Cost Test B/C	0.9	1.1	1.0	NA	NA	
Utility Cost Test B/C	1.2	1.3	1.2	NA	NA	

\* Assumes a 20% reduction to gross Dth saved.

## PROGRAM REVIEW

For 2016, the Energy Efficiency programs are: 1) the ThermWise Appliance Program; 2) the ThermWise Builder Program; 3) the ThermWise Business Program; 4) the ThermWise Custom Business Program; 5) the ThermWise Home Energy Audit Program; 6) the ThermWise Weatherization Program; and 7) the Low-Income Efficiency Program. In addition to these programs, the Market Transformation Initiative and the Energy Comparison Report (a stand-alone

program beginning in 2015), designed to inform and educate customers about the importance of energy conservation, are part of the 2016 budget. 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.

### **THERMWISE APPLIANCE REBATES PROGRAM**

The ThermWise Appliance Rebates Program for 2016 is available to all GS single-family and multi-family residential customers. The program has made some minor changes to the measures or choices from those offered in 2015. In April of 2015 the United States Department of Energy (DOE) put new standards in place for water heating appliances. 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. The Company also proposes to eliminate the current tier 1 storage water heater (.62 EF) in 2016 in the ThermWise Builder, ThermWise Business and Low-Income Efficiency programs. 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. All rebate applications must be completed within 6 months of the qualifying appliance purchase.

This program has a 2016 proposed budget cost of \$5.558 million compared to a 2015 budget of \$5.885 million, a 5.6% decrease from the 2015 budget. Again, as with the previous year's budgets, the actual customer rebates will vary depending on customer participation.

Table 4 compares the ThermWise Appliance Program by Customer Rebates and Program Administrative Costs with actual results through June 30, 2015, the 2015 budget and the 2016 budget. The table shows an increase in the TRC from the 2015 budget and a decrease in the Utility Cost Test (UCT) benefit ratio from the 2015 budget projection.

Table 4	ThermWise Appliance Program				
			Thousands		
	2015 2Q Actual YTD	2015 Budget	2016 Budget	\$ 2016 Budget over (under) 2015 Budget	% 2016 Budget over (under) 2015 Budget
Customer Rebates	1,985.0	4,646.4	4,323.6	(322.8)	-6.9%
Program Costs	475.6	1,239.0	1,235.0	(4.0)	-0.3%
Total Costs	\$ 2,460.6	\$ 5,885.4	\$ 5,558.6	\$ (326.8)	-5.6%
Projected Dth Savings *	84.0	236.2	225.0	(11.2)	-4.7%
Participants	10.1	22.1	21.3	(0.8)	-3.8%
Total \$ / Dth Savings (\$0.00)	\$ 29.29	\$ 24.92	\$ 24.70	NA	-0.9%
California Test Results					
Total Resource Cost Test B/C	1.2	1.3	1.5	NA	NA
Utility Cost Test B/C	1.5	1.7	1.5	NA	NA

\* Assumes a 20% reduction to gross Dth saved.

## THERMWISE BUILDER REBATES PROGRAM

In 2016 the Company is projecting a 45% increase in program costs due primarily to higher expected participation and resulting incentives over 2015. The Company projects a 57% increase in natural gas savings under the program for 2016. 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.

Table 5 shows the 2016 budget for the ThermWise Builder Program is \$4.987 million, a \$1.554 million dollar increase from the 2015 budget of \$3.433 million. The increase is due to higher customer rebates; administrative costs remain stable. Expected participation and Dth saved is higher than the 2015 budget resulting in lower dollars per Dth saved than expected in the 2015 budget. The Builder Program is the only program with a TRC ratio below 1.0. The UCT ratio remains above 1.0.

Table 5	ThermWise Builder Program				
				Thousands	
	2015 2Q	2015	2016	\$ 2016 Budget	% 2016 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2015 Budget	2015 Budget
Customer Rebates	1,915.9	2,690.2	4,244.7	1,554.5	57.8%
Program Costs	258.6	742.4	742.0	(0.4)	-0.1%
Total Costs	\$ 2,174.5	\$ 3,432.7	\$ 4,986.7	\$ 1,554.1	45.3%
Projected Dth Savings *	52.8	92.3	145.3	53.0	57.4%
Participants	7.9	10.2	15.3	5.1	50.0%
Total \$ / Dth Savings (\$0.00)	\$ 41.18	\$ 37.19	\$ 34.32	NA	-7.7%
California Test Results					
Total Resource Cost Test B/C	0.7	0.9	0.9	NA	NA
Utility Cost Test B/C	1.3	1.3	1.3	NA	NA

\* Assumes a 20% reduction to gross Dth saved.

## THERMWISE BUSINESS REBATES PROGRAM

This program is available to the GS Rate Class commercial customers and offers many prescriptive measures, all of which are designed to leverage the marketing access and existing delivery channels of local businesses, wholesalers and retailers to provide cost-effective natural gas savings opportunities. The Company proposes to continue this program in 2016 with the following changes: 1) introduce char broilers, 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. 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.

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. 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.

The ThermWise Business program which has been increasing annually, is forecasted to decrease in 2016. The 2016 budget is \$2.095 million, which is 22% below the 2015 budget, as shown in Table 6. 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. The table summarizes the ThermWise Business Program by Customer Rebates and Program Costs with actual results through June 30, 2015, the 2015 budget and the 2016 budget.

Table 6	ThermWise Business Program				
				Thousands	
	2015 2Q Actual YTD	2015 Budget	2016 Budget	\$ 2016 Budget over (under) 2015 Budget	% 2016 Budget over (under) 2015 Budget
Customer Rebates	995.9	1,778.5	1,119.5	(659.0)	-37.1%
Program Costs	768.7	915.0	975.0	60.0	6.6%
Total Costs	\$ 1,764.6	\$ 2,693.5	\$ 2,094.5	\$ (599.0)	-22.2%
Projected Dth Savings *	40.4	111.0	89.5	(21.5)	-19.3%
Participants	1.2	2.1	2.2	0.1	4.9%
Total \$ / Dth Savings (\$0.00)	\$ 43.68	\$ 24.27	\$ 23.40	NA	-3.6%
California Test Results					
Total Resource Cost Test B/C	0.8	1.3	1.1	NA	NA
Utility Cost Test B/C	1.0	1.8	1.4	NA	NA

\* Assumes a 20% reduction to gross Dth saved.

### **THERMWISE BUSINESS CUSTOM REBATES PROGRAM**

This program is a customer initiated program and is administered by Nexant. The 2016 budget has decreased from the 2015 budget by \$60,000 due to decreases in both rebates and program costs.



Table 7 compares the 2016 budget to the 2015 budget. Through the second quarter of 2015 spending remains well below budget. This is due in part to the Company’s commercial energy plan identifying prescriptive measures for the companies to complete which are rebated under the ThermWise Business Program. The table shows that the benefit cost ratios remain above 1.0 for the 2016 plan year.

Table 7	ThermWise Custom Business Program			\$ 2016 Budget over (under) 2015 Budget	% 2016 Budget over (under) 2015 Budget
	2015 2Q Actual YTD	2015 Budget	2016 Budget		
Customer Rebates	11.4	100.0	60.0	(40.0)	-40.0%
Program Costs	119.7	459.8	438.0	(21.8)	-4.7%
Total Costs	\$ 131.1	\$ 559.8	\$ 498.0	\$ (61.8)	-11.0%
Projected Dth Savings *	1.1	23.0	15.0	(8.0)	-34.8%
Participants	-	-	-	-	NA
Total \$ / Dth Savings (\$0.00)	\$ 119.18	\$ 24.34	\$ 33.20	NA	36.4%
California Test Results					
Total Resource Cost Test B/C	0.2	1.3	1.0	NA	NA
Utility Cost Test B/C	0.3	1.9	1.2	NA	NA
* Assumes a 20% reduction to gross Dth saved.					

The Company proposes to continue this program in 2016 with 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. 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.

## **THERMWISE HOME ENERGY PLAN REBATES PROGRAM**

The ThermWise Home Energy Plan is administered by Questar. 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. The home energy plans can either be an on-site audit, conducted by QGC technicians, or a mail in plan in which the participant answers questions and receives advice from QGC. A \$25 fee is charged for the on-site plans. This fee is fully refundable upon participation in any ThermWise energy-efficiency rebate program and is waived for lower-income senior homeowners. In addition, the program will provide certain low-cost energy-efficiency measures at no charge.

The 2015 budget is \$919.8 thousand, which is \$19.1 thousand above the 2015 budget. The increase is due to an increase in program costs. Table 8 compares the 2016 EE Budget to the 2015 EE Budget along with June 30, 2015 YTD actual results. The table shows the benefit cost ratios decreasing to 1.0 for the TRC test and 0.9 for the Utility Cost test for 2016. This program continues to be a gateway to many of the appliance upgrades and weatherization measures implemented by customers (for which incentives are received through other EE programs) as a result of their identification in home energy plans. This program continues to have benefits beyond those seen in the data below as it introduces customers to the potential savings they may realize by implementing additional energy efficiency measures.

Table 8	ThermWise Home Energy Plan Program				
	Thousands				
	2015 2Q	2015	2016	\$ 2016 Budget	% 2016 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2015 Budget	2015 Budget
Customer Rebates	18.8	65.4	65.8	0.4	0.6%
Program Costs	295.4	835.3	854.0	18.7	2.2%
Total Costs	\$ 314.2	\$ 900.7	\$ 919.8	\$ 19.1	2.1%
Projected Dth Savings *	22.6	38.8	39.3	0.5	1.3%
Participants	1.5	3.2	3.2	-	0.0%
Total \$ / Dth Savings (\$0.00)	\$ 13.90	\$ 23.21	\$ 23.40	NA	0.8%
California Test Results					
Total Resource Cost Test B/C	2.0	1.2	1.0	NA	NA
Utility Cost Test B/C	2.0	1.2	0.9	NA	NA

\* Assumes a 20% reduction to gross Dth saved.

## THEMWISE WEATHERIZATION REBATES PROGRAM

This program offers both GS single-family and multi-family residential customer rebates for installing qualifying weatherization measures. The Company proposes to continue this program with no changes in 2016. The .30 U-value windows as a rebate-eligible measure was eliminated in 2015. The Company is projecting fewer participants in 2016 as a result of increased energy efficiency requirements. The Company continues to utilize an approved contractor list in order to provide customers and the Company more confidence that the insulation measures are properly installed to insure the Dth savings will be realized. This list of qualified contractors is maintained on the Company's website and interested customers can review that list on the Company's website.

The weatherization measures are customer initiated with rebates mailed back to the participants. The 2016 budget is \$9.948 million, a decrease of 17.9% from the 2015 budget. Table 9 compares the ThermWise Weatherization Program by Customer Rebates and Program Costs with actual results through June 30, 2015, the 2015 budget and the 2016 budget. The table shows the benefit cost ratios are above 1.0 which similar to the levels projected in the 2015 budget plan.

Table 9	ThermWise Weatherization Program				
			Thousands		
	2015 2Q	2015	2016	\$ 2016 Budget	% 2016 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2015 Budget	2015 Budget
Customer Rebates	3,810.8	11,156.9	9,111.8	(2,045.1)	-18.3%
Program Costs	377.2	958.8	836.0	(122.8)	-12.8%
Total Costs	\$ 4,188.0	\$ 12,115.7	\$ 9,947.8	\$ (2,167.9)	-17.9%
Projected Dth Savings *	87.4	261.7	230.4	(31.3)	-12.0%
Participants	21.8	49.1	37.2	(11.9)	-24.2%
Total \$ / Dth Savings (\$0.00)	\$ 47.92	\$ 46.30	\$ 43.18	NA	-6.7%
California Test Results					
Total Resource Cost Test B/C	1.0	1.1	1.0	NA	NA
Utility Cost Test B/C	1.3	1.3	1.2	NA	NA

\* Assumes a 20% reduction to gross Dth saved.

## LOW INCOME EFFICIENCY PROGRAM

Part of the agreement reached in Docket 05-057-T01 contained the provision for QGC to provide funding of \$250,000 for the state's Low Income Weatherization Program. In 2009, the funding for this program was increased by another \$250,000 for a total contribution of \$500,000 to the program's budget in order to address natural gas issues for qualified low-income assistance recipients. The Company proposes to eliminate the current tier 1 storage water heater (.62 EF) from the program in 2016. This tariff includes a paragraph allowing approved non-profit or governmental agencies to apply for rebates under the ThermWise Programs. This allows qualified agencies to utilize rebates for work they have performed to do additional weatherization measures. The Utah Department of Workforce Services, Housing and Community Development Division (HCD) currently qualifies under this provision. This allows HCD to report its activity quarterly and include the saved Dth as a result of its efforts as part of the quarterly reports filed by the Company on the EE program results. Table 10 reflects the budget for the Low Income Efficiency Program.

Table 10	ThermWise Low Income Efficiency Program				
				Thousands	
	2015 2Q	2015	2016	\$ 2016 Budget	% 2016 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2015 Budget	2015 Budget
Customer Rebates	83.7	548.3	354.8	(193.5)	-35.3%
Program Costs	252.0	539.0	535.0	(4.0)	-0.7%
Total Costs	\$ 335.7	\$ 1,087.3	\$ 889.8	\$ (197.5)	-18.2%
Projected Dth Savings *	2.7	21.3	21.1	(0.2)	-0.9%
Participants	0.5	1.8	1.8	-	0.0%
Total \$ / Dth Savings (\$0.00)	\$ 124.33	\$ 51.05	\$ 42.17	NA	-17.4%
California Test Results					
Total Resource Cost Test B/C	1.1	1.1	1.0	NA	
Utility Cost Test B/C	1.6	1.3	1.0	NA	

\* Assumes a 20% reduction to gross Dth saved.

## TOTAL 2016 EE PROGRAM ADMINISTRATIVE COST

As shown in Table 3 on page 4, the 2016 total program administrative costs are \$7.449 million, a \$93.1 thousand decrease from the 2015 budget program costs. This \$7.5 million represents about 28% of the total budget compared to 26% administrative costs in the 2015 budget. The budget includes \$1.5 million for the Market Transformation Program and \$0.4 million for the Energy Comparison Report. For the measures with rebates, the total program administrative costs are lower than the 2015 budget. The Division recommends that the Company review all components of the proposed website redesign budget with the Advisory Group. The Division requests that the Commission direct the Company to conduct that review in the first quarter of 2015. The Division urges QGC to always look for ways to implement administrative cost reduction steps in order to improve overall program efficiencies.

## GAS PRICE SENSITIVITY

Based upon gas price forecasts used in the 2015-16 QGC IRP plan (Docket No. 15-057-07), the 2016 EE Budget assumes a first year average summer/winter gas price of \$2.61/\$2.85 per Dth

respectively with a 25 year projection of prices ending at \$6.89/\$7.14 per Dth. This compares to a beginning summer/winter gas price range in the 2015 EE Budget of \$4.83/\$5.38 per Dth, ending at \$7.26/\$7.43 per Dth.

The Company 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.

**CONCLUSION AND RECOMMENDATION:**

While the Division recognizes that in the lower cost price environment for natural gas that currently exists, it is more difficult to justify some measures as truly cost effective, the Division still finds value in the overall program objectives. Therefore the Division supports the 2016 Energy Efficiency Budget and recommends the Commission approve the application.

The Division commends QGC and the Advisory Group for their active participation and commitment to continue to develop and promote strong Energy Efficiency programs, with the intent to promote the energy saving measures to an even broader base of GS customers and urges all GS customers to participate in these programs whenever possible.

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