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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Gavin Mangelson, Utility Analyst

Date: November 13, 2015

Subject: Docket 15-057-16

In the Matter of: the Application for Approval of the 2016 Year Budget for Energy Efficiency Programs and Market Transformation Initiative

On October 13, 2015 Questar Gas Company (Company) filed with the Public Service Commission (Commission) an application with supporting exhibits for the 2016 budget of the Company's Demand Side Management (DSM) programs (now referred to solely as Energy Efficiency by the Company). The Commission posted a Notice of Filing and Comment Period on October 22, 2015.

The Office of Consumer Services (Office) submitted one data request to the Company in this docket. The Office's questions included inquiries regarding the costs and budget of a proposed redesign to the Thermwise.com website.

Budget Exhibit

Exhibit 1.11 of the Company's filing displays the proposed budget as compared to the approved budget for 2015. In Comments filed on November 27, 2013 for docket 13-057-14, the Office provided a table comparing the proposed budget with the current years' budget and the current years' actual expenditures plus end of year forecast. In addition to the table and analysis provided in those comments the Office asserted the following:

The purpose in conducting budget comparisons is to identify trends. The Office asserts that a more comprehensive budget comparison should be presented as part of each year's budget application. Although the

previous approved budget is a useful comparison, it should not be the only comparison. When creating a new budget, budget analysts will look to the previous years' actual expenditures plus end of year forecast. In estimating the new budget an analyst will use the current years' actual expenditures and estimate any foreseeable changes in order to create the next years' budget. In future filings, the Office would like the Company to continue submitting the new budget, with comparisons to the current years' original budget; but also include... a comparison of the new budget with the current years' forecasted totals.

In 2013 the Office requested that the Commission require the Company to "include current year actual expenditures with remaining year forecast as part of the budget comparison."

Although some discussion comparing current year trends to the proposed budget is included in the application, these comparisons are not provided as a comprehensive exhibit. The Office again asserts that such a comparison would facilitate a more robust analysis and requests such data be provided as a requirement in future filings.

2016 Year Changes

The proposed total Energy Efficiency and Market Transformation Initiative (MTI) budget for 2016 is \$26,729,447, almost 1.8 million dollars less than the 2015 year budget.

Analysis of exhibit 1.11 shows that about 95% of the decrease in overall budget can be attributed to decreases in the anticipated expenditures for incentives, primarily associated with decreased demand for weatherization measures. However, a recent change to water heater standards, and a proposed change to associated measures will also affect the incentive budgets of several different programs.

Water Heaters

The Company explains in the application that The U.S. Dept. of Energy (DOE) recently released new standards for water heaters. These changes bring the minimum standard for water heaters near the efficiency of the rebate eligible measure

for Tier 1 water heaters. Therefore, the Company is proposing to eliminate this measure. Because water heater measures are a part of several programs, elimination of this measure will affect incentives expense for the following:

1. Thermwise Appliance
2. Thermwise Business
3. Thermwise Builder
4. Low-Income Efficiency

The Office supports the elimination of incentives for Tier 1 water heaters. The new standards released by DOE will result in a small efficiency gap of the minimum standard to the Tier 1; this may result in decreased cost effectiveness of the measure and a greater potential for free ridership.

Administration

The Company also asserts that it has reduced administration expenses by reallocating administration duties from 3rd party contractors to Company staff. Exhibit 1.11 demonstrates that the proposed budget for QGC Admin would increase by \$45,000 and Contractor Administration would decrease by \$84,967. This net reduction to administration costs seems to indicate that the Company's efforts to reduce administrative costs while maintaining cost effectiveness have been successful.

Benchmarking

On page 15 of the application, the Company requests \$25,000 for the Business Program in order to develop a system that will allow business customers to compare their natural gas usage to similar businesses. Often referred to as "benchmarking", this service will take advantage of the Better Buildings Energy Data Accelerator sponsored by the DOE.

The Office supports the proposed benchmarking service and associated budget request. This service will provide information that may be used in decision making processes to facilitate energy savings. The availability of this service may also be an incentive for commercial customers to continue receiving natural gas on the GS rate schedule and to take advantage of the rebate incentives of the Thermwise Business Program.

Market Transformation Initiative

Comments filed by the Office regarding the 2015 DSM and MTI budget (filed on November 14, 2014, docket 14-057-25) stated that “the Office is concerned that the MTI is being used to facilitate branding for Questar Gas Company and Questar Corporation and not just to promote participation in Energy Efficiency.”

Branding Concerns

On September 24, 2015 the Company held a meeting with the DSM Advisory Group of which the Office is a participating member. At that meeting it was explained that survey results show that respondents do not always associate Thermwise programs with Questar Gas, and that marketing efforts for 2016 would be adjusted to better emphasize that Thermwise is a program managed and provided by Questar. The Office reiterates concerns about MTI monies being used for Questar branding rather than encouraging adoption of energy efficient technology and practices. If there were compelling evidence that the inability of ratepayers to relate Thermwise to Questar was limiting participation, then such a marketing adjustment may be justified. However, no evidence has been provided that demonstrates the need or advantage - to energy efficiency program participation- of this new marketing emphasis.



This is the title graphic that greets visitors to Thermwise.com, note the prominent position of "Questar" compared to the font size of ThermWise.com

While the Office does not oppose Questar tying its “Thermwise” brand more closely to the Questar brand, we urge caution to ensure that the MTI budget is focused on promoting efficiency and does not contain any money toward more generic Questar branding and advertising.

Impact of MTI on Overall Savings

In the aforementioned Comments in docket 14-057-25 the Office stated that “the Office has not found compelling evidence to support such a large MTI budget.” In exhibit 1.8, on page 3 (docket 15-057-16) the Company states that “A decrease in Market Transformation spending is likely to negatively impact future participation.” However, the Office is not convinced that this assertion is well supported by the details presented in exhibit 1.8.

The Office notes that large portions of the energy efficiency programs and savings do not appear to be tied to the MTI. For example, the budget for the Weatherization program makes up 42% of the total 2015 budget and 37% of the total 2016 budget. Historically, expenditures of this program have been significantly affected by the choices and activities of weatherization contractors. As contractors have left the state and ceased door to door selling, the participation has decreased substantially. Inversely, as contractors have resumed operating in our state, the participation has increased far above anticipated levels. These participation changes have been documented and discussed and appear to have little relation to spending levels of the MTI.

Furthermore, the Appliance program makes up 21% of the total 2016 year budget. Participants in this program may also rely on the education and advice regarding appliances and available incentives provided by participating retailers. Similar comparisons can be made for portions of the Low-Income Efficiency program, in which available incentives may be introduced and explained to participants by those 3rd party agencies that manage the program.

The Office therefore questions assertions made by the Company that the current levels of spending on MTI are directly linked to current levels of participation. The Office further maintains that budget requests for the MTI are lacking in sufficient detail as to determine whether or not the money spent is yielding any realistic returns in energy efficiency in general.

Website Redesign

Although the Thermwise.com website was redesigned in 2013, page 9 of the application states that “Questar Corporation may undertake a comprehensive redesign of the corporate website template in 2016.” The application states that the corporate

website will be redesigned, and that the Thermwise.com website will be “aligned” with the corporate template. This language implies that the principle costs of development and design will reside with Questar Corp and that the MTI will only need to pay the costs of aligning the Thermwise.com website with an already developed design.

The Office submitted a data request to the Company regarding the costs and budget of the proposed redesign and alignment. Specifically the Office inquired as to the total cost of the redesign and the anticipated cost to the DSM budget of the proposed alignment to the new corporate template. The Company responded that the total cost had not yet been determined, but that \$10,000 would be allocated from the MTI budget to pay for the alignment. The Office is concerned that without information about the total cost of the redesign, regulators and other interested parties cannot verify that the MTI budget is not going to be charged a disproportionate amount for the proposed alignment, or that Questar Corp may use the MTI budget to defray some of the costs of design for its own website. The Office therefore recommends that the total costs of the redesign, and total cost to the MTI budget of the alignment be reported to the DSM advisory group and be closely scrutinized by the auditors of the Division of Public Utilities (Division).

In conclusion, the Office remains concerned that the MTI budget is not well enough justified to demonstrate that it ties directly to energy efficiency savings. The Office understands that the nature of the MTI budget does not lend itself to the same oversight as other programs such as the cost benefit tests applied to other programs. Nonetheless, we assert that some effort should be given to demonstrating that the spending in the MTI is set at an appropriate level and results in overall benefits to the program. Thus, the Office recommends that the Commission require additional detail in future filings.

Recommendation

The Office recommends that the Commission take the following action:

1. Require the Company to include current year actual expenditures with remaining year forecast as part of a budget comparison exhibit in future filings.
2. Approve the remaining Energy Efficiency budget request.

3. Require additional detail regarding the MTI budget in future filings, specifically including evidence that demonstrates the individual items funded by the MTI are appropriate and that overall the spending level is beneficial to the energy efficiency program.

Copies To: Questar Gas Company
Barrie McKay, Vice President, Regulatory Affairs
Michael Orton, Director, Energy Efficiency
Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager