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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

Date: November 18, 2016

Subject: Docket No. 16-057-15, Questar Gas Company 2017 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. 16-057-15.

RECOMMEND: APPROVAL

The Division of Public Utilities (Division) has reviewed the Application and recommends approval of Questar Gas Company's 2017 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 18, 2016, 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 2017. On October 20, 2016 the PSC issued a Notice of Filing and Comment Period with comments due to the Commission on November 18, 2016 and reply comments due November 29, 2016. This is the Division's response to that Notice.

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 eleventh budget submitted by the Company. Table 1 shows a history of actual expenditures through 2015 with the 2016 and 2017 EE Budgets.

Table 1							QGC ENERGY EFFICIENCY PROGRAM YEARLY EXPENDITURES						
A	B	C	D	E	F	G	H	I	J	K	L		
	2006-07	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget		
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)		
ThermWise Appliance	\$ 2,765.4	\$ 4,932.2	\$ 10,141.7	\$ 9,137.7	\$ 5,862.4	\$ 4,881.2	\$ 5,127.7	\$ 5,472.8	\$ 5,272.9	\$ 5,558.6	\$ 6,160.3		
ThermWise Builder	\$ 1,186.6	\$ 2,789.1	\$ 2,642.7	\$ 3,699.8	\$ 3,441.6	\$ 3,196.9	\$ 3,146.0	\$ 4,093.9	\$ 4,693.7	\$ 4,986.7	\$ 5,332.6		
ThermWise Business	\$ 450.9	\$ 709.3	\$ 702.3	\$ 1,173.4	\$ 1,296.5	\$ 1,575.7	\$ 1,925.6	\$ 3,185.3	\$ 3,698.7	\$ 2,094.5	\$ 2,906.9		
ThermWise Custom Business	NA	\$ 102.9	\$ 97.4	\$ 284.1	\$ 416.4	\$ 608.0	\$ 557.8	\$ 252.5	\$ 252.9	\$ 498.0	\$ -		
ThermWise Energy Plan	\$ 1,893.7	\$ 587.4	\$ 694.8	\$ 727.7	\$ 519.2	\$ 627.0	\$ 606.7	\$ 613.3	\$ 672.2	\$ 919.8	\$ 760.3		
ThermWise Weatherization	NA	\$ 7,706.3	\$ 31,485.9	\$ 19,000.3	\$ 8,843.4	\$ 10,023.7	\$ 15,208.6	\$ 10,781.8	\$ 7,636.1	\$ 9,947.8	\$ 7,248.0		
Market Transformation	\$ 866.6	\$ 999.2	\$ 1,184.2	\$ 1,163.3	\$ 1,409.1	\$ 1,093.0	\$ 1,326.4	\$ 1,103.7	\$ 1,009.9	\$ 1,424.2	\$ 1,354.0		
Energy Comparison Report	NA	NA	NA	NA	NA	NA	NA	NA	\$ 278.0	\$ 410.0	\$ 480.2		
Low Income Weatherization	\$ 250.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 612.9	\$ 1,085.0	\$ 790.2	\$ 673.1	\$ 889.8	\$ 859.7		
Total	\$ 7,413.2	\$ 18,076.4	\$ 47,449.0	\$ 35,686.3	\$ 22,288.6	\$ 22,618.4	\$ 28,983.8	\$ 26,293.5	\$ 24,187.5	\$ 26,729.4	\$ 25,102.0		

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 a low of \$22.6 million in 2012. \$11.4 million has been spent through June 2016, with participation in the Builder and Business programs exceeding budgeted levels to date. QGC projects 2016 expenditures will be slightly under the 2016 EE Budget of \$26.7 million. The proposed 2017 budget is a decrease from the 2016 budget, the majority due to a forecasted decrease in Weatherization rebates from \$9.1 million in 2016 to \$6.4 million in 2017. 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 2017 EE Budget by program as compared to the 2016 EE Budget. As shown in Table 2, the EE Budget for 2017 is \$25.102 million (Col D Ln 10). This is 6.1% below the 2016 DSM Budget (Col F Ln 10). Columns I and J compare the 2017 EE Budget Total Resource Cost Test ratios (TRC) to the 2016 EE Budget TRC for the EE programs.

Table 2: 2017 Energy Efficiency Report Summary										
QUESTAR GAS COMPANY										
DSM ENERGY EFFICIENCY REPORT										
2017 Budget and 2016 Budget										
DOCKET NO. 16-057-15										
A	B	C	D	E	F	G	H	I	J	
	2017	2016	2017	2016	% 2017 Budget	2017	2016	2017	2016	
	Budgeted	Budgeted	Budget	Budget	over (under)	Dth	Dth	TRC	TRC	
	Participants	Participants	(000)	(000)	2016 Budget	Savings*	Savings*	Ratio	Ratio	
1	ThermWise Appliance	20,529	21,271	\$ 6,160.3	\$ 5,558.6	10.8%	282,351	225,000	1.3	1.5
2	ThermWise Builder	16,764	15,275	\$ 5,332.6	\$ 4,986.7	6.9%	141,290	145,262	1.1	0.9
3	ThermWise Business	2,257	2,234	\$ 2,906.9	\$ 2,094.5	38.8%	171,810	89,500	1.4	1.1
4	ThermWise Custom Business	0	15	\$ -	\$ 498.0	-100.0%	-	15,000	0.0	1.0
5	ThermWise Energy Plan	2,800	3,163	\$ 760.3	\$ 919.8	-17.3%	45,207	39,264	1.3	1.0
6	ThermWise Weatherization	25,783	37,223	\$ 7,248.0	\$ 9,947.8	-27.1%	171,108	230,363	1.0	1.0
7	Market Transformation	NA	NA	\$ 1,354.0	\$ 1,424.2	-4.9%	NA	NA	0.0	0.0
8	Energy Comparison Report	255,000	230,000	\$ 480.2	\$ 410.0	17.1%	232,050	174,800	1.5	1.1
9	Low Income Assistance	1,662	1,770	\$ 859.7	\$ 889.8	-3.4%	20,795	21,104	1.0	1.0
10	Total	324,795	310,951	\$ 25,102.0	\$ 26,729.4	-6.1%	1,064,611	940,293	1.1	1.0
*Savings reflects the net Dth deemed savings based on budgeted participants with an 80% net-to-gross ratio applied.										

For 2017, the number of expected participants is above the 2016 budgeted level with an increase in the Energy Comparison Report participants to offset the decrease in Weatherization participation. The Dth savings exceed the level set in the 2016 budget due in large part to the projected Dth savings from customers that receive the Energy Comparison Report and an increase of projected Dth savings in the Business Program. The total projected Dth savings for the 2017 budget is 1,064,611. This total is a correction to the total shown in Exhibit 1.10, column V of the Company’s filing, the Company has agreed to this correction.

Table 3, shows the June 30, 2016 actual results and compares the 2017 budget to the 2016 budget by total customer rebates and program administrative & overhead costs. The table shows the 6.1% decrease from the 2016 budget, which is attributed to a decrease in expected customer rebates (6.0% decrease) and a decrease in the administrative program costs (6.4% decrease). The table shows an increase of 8.8% in Dth saved and a 13.8% 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.

Table 3	ThermWise 2017 EE Program			\$ 2017 Budget over (under) 2016 Budget	% 2017 Budget over (under) 2016 Budget
	Thousands				
	2016 2Q Actual YTD	2016 Budget	2017 Budget		
Customer Rebates	8,055.1	19,280.2	18,130.2	(1,150.0)	-6.0%
Program Costs	3,309.5	7,449.2	6,971.8	(477.4)	-6.4%
Total Costs	\$ 11,364.6	\$ 26,729.4	\$ 25,102.0	\$ (1,627.4)	-6.1%
Projected Dth Savings*	305.1	765.6	832.6	67.0	8.8%
Participants	34.8	81.0	69.8	(11.2)	-13.8%
Total \$ / Dth Savings (\$0.00)	\$ 37.25	\$ 34.91	\$ 30.15	NA	-13.6%
California Test Results					
Total Resource Cost Test B/C	0.9	1.1	1.1	NA	NA
Utility Cost Test B/C	1.2	1.3	1.3	NA	NA

* Assumes a 20% reduction to gross Dth saved.

PROGRAM REVIEW

For 2017, the Energy Efficiency programs are: 1) the ThermWise Appliance Program; 2) the ThermWise Builder Program; 3) the ThermWise Business Program; 4) the ThermWise Home Energy Plan Program; 5) the ThermWise Weatherization Program; 6) the Low-Income Efficiency Program; 7) the Market Transformation Initiative; and 8) the ThermWise Energy Comparison Report. The Energy Comparison Report (a stand-alone program beginning in 2015), designed to inform and educate customers about the importance of energy conservation, continues as part of the 2017 budget. The Company recommends eliminating the ThermWise Business Custom Program as a stand-alone program and merging its measures into the prescriptive Business Program in 2017.

THERMWISE APPLIANCE REBATES PROGRAM

The ThermWise Appliance Rebates Program for 2017 is available to all GS single-family and multi-family residential customers. The Company is recommending one change to the program for 2017, the elimination of clothes washers as rebate eligible measures. In the 2016 ThermWise programs, the lowest rebate-eligible washer was established as having a 2.74 Integrated Modified Energy Factor (IMEF) rating. In reviewing market research the Company found that the efficiency baseline for clothes washers had again moved to a higher level. As a result of the baseline changes and shrinking natural gas savings, the Company believes that the clothes washer market has been transformed and proposes to eliminate the 2.74 clothes washer as a rebate eligible measures in 2017. All rebate applications must be completed within 6 months of the qualifying appliance purchase.

This program has a 2017 proposed budget cost of \$6.160 million compared to a 2016 budget of \$5.558 million, a 10.8% increase from the 2016 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, 2016, the 2016 budget and the 2017 budget. The table shows a

decrease in the TRC from the 2016 budget and an increase in the Utility Cost Test (UCT) benefit ratio from the 2016 budget projection.

Table 4 ThermWise Appliance Program					
	Thousands				
	2016 2Q Actual YTD	2016 Budget	2017 Budget	\$ 2017 Budget over (under) 2016 Budget	% 2017 Budget over (under) 2016 Budget
Customer Rebates	2,451.4	4,323.6	4,945.3	621.7	14.4%
Program Costs	451.1	1,235.0	1,215.0	(20.0)	-1.6%
Total Costs	\$ 2,902.5	\$ 5,558.6	\$ 6,160.3	\$ 601.7	10.8%
Projected Dth Savings *	108.7	225.0	282.4	57.4	25.5%
Participants	12.3	21.3	20.5	(0.8)	-3.6%
Total \$ / Dth Savings (\$0.00)	\$ 26.70	\$ 24.70	\$ 21.81	NA	-11.7%
California Test Results					
Total Resource Cost Test B/C	1.5	1.5	1.3	NA	NA
Utility Cost Test B/C	1.6	1.5	1.7	NA	NA

* Assumes a 20% reduction to gross Dth saved.

THERMWISE BUILDER REBATES PROGRAM

In 2016, the Utah State Legislature passed (and the Governor signed into law) House Bill 316. The bill, which amended the Utah State Construction Codes, included a provision to increase the State’s energy code to the 2015 version of the International Conservation Code (IECC). As a result of the IECC code change and the increased minimum efficiency requirements, the Company proposes to eliminate the current ENERGY STAR® 3.0, High Performance, and 10% above code rebate measures for both single and multifamily customer segments. To replace those measures, the Company proposes to implement new whole-home incentive tiers based on exceeding the code-required Home Energy Rating Scores (HERS) of 65 for homes in climate zone 3, 69 in climate zone 5, and 68 in climate zone 6. The Company is proposing 2017 whole-home incentive tiers for single family homes and multifamily homes, to be eligible for the incentives the homes must receive a HERS index score of 62 or lower, 55 or lower, or 48 or lower. Also as a result of the IECC code changes, the Company proposes to replace the current ENERGY STAR® 3.0 (\$300 single-family/\$200 multifamily) incentives with a smaller bonus incentive (\$50 single-family/\$25 multifamily) for HERS rated homes which receive the additional ENERGY STAR® rating. The

Company also proposes to change the 2016 2 x 6 rebate requirement from a minimum of R-20 to R-23 in 2017. The Company further proposes to reduce the rebate amount in the 2 x 6 measure to \$150 for single-family homes and to eliminate this rebate for multifamily homes in 2017.

Table 5 shows the 2017 budget for the ThermWise Builder Program is \$5.333 million, a \$.346 million dollar increase from the 2016 budget of \$4.987 million. The increase is due to higher customer rebates; administrative costs remain stable. Expected participation and Dth saved is lower than the 2016 budget resulting in higher dollars per Dth saved than expected in the 2016 budget. The Builder Program is projected to have a TRC ratio of 1.1. The UCT ratio drops slightly to 1.0.

Table 5	ThermWise Builder Program				
				Thousands	
	2016 2Q	2016	2017	\$ 2017 Budget	% 2017 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2016 Budget	2016 Budget
Customer Rebates	2,528.3	4,244.7	4,606.6	361.9	8.5%
Program Costs	250.4	742.0	726.0	(16.0)	-2.2%
Total Costs	\$ 2,778.7	\$ 4,986.7	\$ 5,332.6	\$ 345.9	6.9%
Projected Dth Savings *	62.3	145.3	141.3	(4.0)	-2.8%
Participants	9.9	15.3	16.8	1.5	9.8%
Total \$ / Dth Savings (\$0.00)	\$ 44.60	\$ 34.32	\$ 37.74	NA	10.0%
California Test Results					
Total Resource Cost Test B/C	0.9	0.9	1.1	NA	NA
Utility Cost Test B/C	1.2	1.3	1.0	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 2017 with the following changes: 1) introduce demand control ventilation units to the current rebate measure

mix; 2) eliminate new construction attic and wall insulation as rebate-eligible measures; 3) eliminate the high efficiency residential clothes washer for business measure for the reasons outlined in the Appliance Program discussion; 4) reduce the incentive for retrofit attic insulation and Tiers 2 and 3 boiler tune ups; 5) change the smart thermostat rebate from a dollar-per-unit structure to a rebate based on the size (square footage) of a facility; 6) remove the maximum sizing limit on condensing water heaters; and 7) merge the Business Custom Program measures into the prescriptive Business Program in 2017.

Since 2008, the Business Custom Program has existed as a stand-alone offering to Utah GS commercial customers seeking to reduce natural gas usage. The Company found over nearly nine years that many projects which begin in the custom program ultimately result in participation and rebates in the prescriptive business program. As a result, natural gas savings and the dollars expended to generate those savings are misattributed. The Company’s proposal to merge these two programs into a single business offering will eliminate the misattribution problem as well as reduce the overall costs required to administer two separate programs.

The ThermWise Business program is forecasted to increase in 2017. The 2017 budget is \$2.907 million, which is 39% above the 2016 budget, as shown in Table 6. A portion of the increase is due to the Company’s proposal to combine the Business Custom program with the Business program. The table summarizes the ThermWise Business Program by Customer Rebates and Program Costs with actual results through June 30, 2016, the 2016 budget and the 2017 budget.

Table 6	ThermWise Business Program				
				Thousands	
	2016 2Q Actual YTD	2016 Budget	2017 Budget	\$ 2017 Budget over (under) 2016 Budget	% 2017 Budget over (under) 2016 Budget
Customer Rebates	1,152.3	1,119.5	1,762.9	643.4	57.5%
Program Costs	532.2	975.0	1,144.0	169.0	17.3%
Total Costs	\$ 1,684.5	\$ 2,094.5	\$ 2,906.9	\$ 812.4	38.8%
Projected Dth Savings *	71.8	89.5	171.8	82.3	92.0%
Participants	1.1	2.2	2.2	(0.0)	-1.5%
Total \$ / Dth Savings (\$0.00)	\$ 23.46	\$ 23.40	\$ 16.92	NA	-27.7%
California Test Results					
Total Resource Cost Test B/C	1.1	1.1	1.4	NA	NA
Utility Cost Test B/C	1.3	1.4	2.1	NA	NA
* Assumes a 20% reduction to gross Dth saved.					

THERMWISE BUSINESS CUSTOM REBATES PROGRAM

This program will merge with the Business program in 2017. Table 7 shows the 2016 budget and activity as of June 2016. Through the second quarter of 2016 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 are at 0.6 for the 2016 plan year.

Table 7	ThermWise Custom Business Program			\$ 2017 Budget over (under) 2016 Budget	% 2017 Budget over (under) 2016 Budget
	2016 2Q Actual YTD	2016 Budget	2017 Budget		
			Thousands		
Customer Rebates	19.1	60.0	-	(60.0)	-100.0%
Program Costs	100.6	438.0	-	(438.0)	-100.0%
Total Costs	\$ 119.7	\$ 498.0	\$ -	\$ (498.0)	-100.0%
Projected Dth Savings *	1.9	15.0	-	(15.0)	-100.0%
Participants	-	-	-	-	NA
Total \$ / Dth Savings (\$0.00)	\$ 63.00	\$ 33.20		NA	-100.0%
California Test Results					
Total Resource Cost Test B/C	0.6	1.0		NA	NA
Utility Cost Test B/C	0.6	1.2		NA	NA

* Assumes a 20% reduction to gross Dth saved.

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 2017 budget is \$760.3 thousand, which is \$159.5 thousand below the 2016 budget. The decrease is due to a decrease in program costs. Table 8 compares the 2017 EE Budget to the 2016 EE Budget along with June 30, 2016 YTD actual results. The table shows the benefit cost ratios increasing to 1.3 for the TRC test and 1.3 for the Utility Cost test for 2017. 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				
	2016 2Q	2016	2017	\$ 2017 Budget	% 2017 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2016 Budget	2016 Budget
Customer Rebates	11.0	65.8	52.3	(13.5)	-20.5%
Program Costs	269.2	854.0	708.0	(146.0)	-17.1%
Total Costs	\$ 280.2	\$ 919.8	\$ 760.3	\$ (159.5)	-17.3%
Projected Dth Savings *	17.2	39.3	45.2	5.9	15.0%
Participants	1.3	3.2	2.8	(0.4)	-12.5%
Total \$ / Dth Savings (\$0.00)	\$ 16.29	\$ 23.40	\$ 16.82	NA	-28.1%
California Test Results					
Total Resource Cost Test B/C	1.6	1.0	1.3	NA	NA
Utility Cost Test B/C	1.6	0.9	1.3	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. From the beginning of the ThermWise Programs, weatherization measures have been the leader in terms of customer interest and participation. Over the past three years, the Company has recognized a trend of decreasing weatherization participation. During meetings, weatherization contractors have cited multiple reasons for this decline. Some of those reasons include increased marketing and collection costs associated with

reaching the remaining rebate-eligible retrofit customers. As a result of these costs, contractors began to migrate to the more lucrative, less risky market segments.

In an effort to reverse these trends, the Company proposes to introduce a ThermWise Direct-Install Weatherization Pilot Program. The pilot program would be designed to reach communities and customers with historically low participation in weatherization measures, and run for a period of three years. The Company's pilot program is also designed to encourage contractors to re-engage in the Weatherization Program, which is a key component to customer participation. As part of the pilot program, the Company proposes to work closely with Rocky Mountain Power (RMP) on developing a combined direct-install weatherization incentives for the targeted communities and customers. The proposed direct-install incentives would not exceed the current QGC and RMP combined rebate levels for natural gas heated and electrically cooled homes. The Company will pay the rebate directly to the contractors, rather than the customer, after the work is performed. At the end of the pilot period, the Company will use the data generated by the program to assess the combination of weatherization measures that are most effective in producing energy savings. The Company proposes to keep the Advisory Group informed on the progress of the direct-install pilot program throughout the three year period.

The 2017 budget is \$7.248 million, a decrease of 27.1% from the 2016 budget. The Company believes that the proposed direct-install program will slow the decrease that is taking place in this program. Table 9 compares the ThermWise Weatherization Program by Customer Rebates and Program Costs with actual results through June 30, 2016, the 2016 budget and the 2017 budget. The table shows the benefit cost ratios are above 1.0 which similar to the levels projected in the 2016 budget plan.

Table 9	ThermWise Weatherization Program				
				Thousands	
	2016 2Q	2016	2017	\$ 2017 Budget	% 2017 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2016 Budget	2016 Budget
Customer Rebates	1,758.7	9,111.8	6,433.0	(2,678.8)	-29.4%
Program Costs	386.2	836.0	815.0	(21.0)	-2.5%
Total Costs	\$ 2,144.9	\$ 9,947.8	\$ 7,248.0	\$ (2,699.8)	-27.1%
Projected Dth Savings *	39.1	230.4	171.1	(59.3)	-25.7%
Participants	9.7	37.2	25.8	(11.4)	-30.6%
Total \$ / Dth Savings (\$0.00)	\$ 54.86	\$ 43.18	\$ 42.36	NA	-1.9%
California Test Results			1		
Total Resource Cost Test B/C	0.9	1.0	1.0	NA	NA
Utility Cost Test B/C	1.1	1.2	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. 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	
	2016 2Q	2016	2017	\$ 2017 Budget	% 2017 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2016 Budget	2016 Budget
Customer Rebates	134.3	354.8	330.1	(24.7)	-7.0%
Program Costs	252.0	535.0	529.6	(5.4)	-1.0%
Total Costs	\$ 386.3	\$ 889.8	\$ 859.7	\$ (30.1)	-3.4%
Projected Dth Savings *	4.1	21.1	20.8	(0.3)	-1.4%
Participants	0.5	1.8	1.7	(0.1)	-5.6%
Total \$ / Dth Savings (\$0.00)	\$ 94.22	\$ 42.17	\$ 41.33	NA	-2.0%
California Test Results					
Total Resource Cost Test B/C	1.1	1.0	1.0	NA	
Utility Cost Test B/C	1.6	1.0	1.1	NA	

* Assumes a 20% reduction to gross Dth saved.

PROGRAM ADMINISTRATIVE COST AND ENERGY COMPARISON REPORT

As shown in Table 3 on page 4, the 2017 total program administrative costs are \$6.972 million, a \$477.4 thousand decrease from the 2016 budget program costs. This \$7.0 million represents about 28% of the total budget compared to 28% administrative costs in the 2016 budget. The budget includes \$1.4 million for the Market Transformation Program and \$0.5 million for the Energy Comparison Report.

The Company proposes to deliver the Energy Comparison Report to 255,000 customers in 2017. The Company realizes this total number by eliminating Group B, which will conclude its distribution period at the end of 2016, and adding Group E which will be delivered to 50,000 additional customers in 2017. Data shows 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 have received the report. The Company conducted an analysis in 2014 that showed, when contrasted against a control group of non-recipients, customers who had

received their Comparison Report were more likely to participate in a ThermWise rebates 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 in 2017. 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 2016-17 QGC IRP plan (Docket No. 16-057-08), the 2017 EE Budget assumes a first year average summer/winter gas price of \$2.79/\$3.14 per Dth respectively with a 25 year projection of prices ending at \$6.72/\$7.11 per Dth. This compares to a beginning summer/winter gas price range in the 2016 EE Budget of \$2.61/\$2.85 per Dth, ending at \$6.89/\$7.14 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 2017 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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