

December 3, 2007

Utah Public Service Commission  
Heber M. Wells Building  
P. O. Box 45585  
Salt Lake City, UT 84145-0585

Dear Commissioners:

Due to the continued success of Questar Gas's energy-efficiency programs, Questar Gas respectfully submits to the Utah Public Service Commission, pursuant to its order issued in Docket No. 05-057-T01, dated January 16, 2007 (Order), its second report on DSM expenditures and decatherm savings. Specifically the Order in paragraph 4 stated:

Questar Gas shall report to the Commission when the amount spent for any program reaches ninety percent of the budgeted amount, with an estimate of the projected spending needed for the remainder of the year. To the extent the projected spending exceeds the original budgeted amount Questar Gas must seek Commission approval for the higher projected levels of spending.

Pursuant to the Order, Questar Gas reported in a letter dated October 5, 2007 "that five programs have or will reach ninety percent of the 2007 budget. The five programs that have either reached, or will likely reach, the ninety percent mark by year end are the: 1) Residential Home Energy Audit and Weatherization Rebates Program; 2) Commercial Rebates Program; 3) Low Income Weatherization Assistance Program; 4) Residential Appliance Rebates Program; and 5) Market Transformation Initiative."

Subsequent to the October 5, 2007 letter, based on actual results through October 31, 2007, Questar Gas is reporting that all programs except the Residential Appliance Rebates Program are on target with the year-end spending projections provided in the October 5, 2007 letter. This includes the Residential Audit and Weatherization and Commercial Rebates Programs which were projected in the October 5, 2007 letter to exceed their budgets by 85% and 116%, respectively.

Regarding the Residential Appliance Rebates Program, Questar Gas has received a higher than expected volume of customer rebate applications for this program. This higher volume of customer participation results in increased natural gas savings and increased incentive costs but no increase to administrative costs. During the month of October, 2007 the Residential Appliance Rebates Program reached and exceeded ninety percent of the 2007 Projected Spending to a level of \$1,797,168 (97% of budget). Questar Gas now expects this program to exceed the original budget amount by approximately \$440,000 (24%) by year end.

Attachment 1 (DSM Program Budget Variance Report) summarizes the actual costs and decatherms saved by each program thru October 31, 2007. In addition, this attachment provides Questar Gas' best projection for program spending and related decatherms saved compared to original projections through the end of 2007. As is indicated on Row 3, Column E of Attachment 1, Questar Gas expects total 2007 spending for the Residential Appliance program to be \$2,286,323 or 123.81% of 2007 projected spending (Column F). The decatherm savings associated with this projected increased spending is shown on Row 10, Column E and equals 69,803 decatherm for 2007 or 153% (Column F) of the 2007 projection. Program spending projections for the remaining programs has not changed from the October 5, 2007 letter.

The increased Residential Appliance Program amounts are attributed entirely to customer incentives and serve to further enhance program cost effectiveness with the associated gas savings.

As indicated above and as shown on Attachment 1, the remaining Questar Gas DSM programs, as well as the total Questar Gas DSM budget are expected to end the year close to the projections provided in the October 5, 2007 letter. Questar Gas expects that total 2007 expenditures will remain within the original total 2007 budget amount (Row 7, Colum E). However, as a result of the difference in the mix of rebate measures actually paid compared to the mix in original rebate measures projected, decatherms saved from Questar Gas' DSM programs are expected to exceed the original 2007 projections by 31% (Row 14, Column F).

The total projected DSM program costs for 2007 do not exceed the budget approved by this Commission. Questar Gas will continue to closely monitor and track customer participation and efficiently manage DSM spending for all DSM programs and Market Transformation. Detailed quarterly reports will continue to be provided to the Division of Public Utilities on actual customer participation, program spending and decatherms saved compared to budget. Please contact me at the number below should you have any questions or concerns regarding this matter.

Respectfully Submitted,

Barrie L. McKay  
Manager Regulatory Affairs  
(801) 324-5491

cc: Division of Public Utilities  
Committee of Consumer Services