State of Utah
Department of Commerce
FRANCINE GIANI
Executive Director
THAD LEVAR
Deputy Director
Division of Public Utilities
CONSTANCE B. WHITE
Director

JON HUNTSMAN Jr.
Governor

GARY HERBERT
Lieutenant Governor

M E M O R A N D U M

To: Public Service Commission

From: Division of Public Utilities
Constance B. White, Director
Energy Section
Marlin H. Barrow, Technical Consultant
Carolyn Roll, Utility Analyst
Artie Powell, Manager

Date: September 12, 2007

Subject: Division of Public Utilities Reply to Comments of DSM Evaluation Plan
Docket No. 07-057-05

ISSUE:

On July 25, 2007, the Division of Public Utilities ("Division") filed with the Public Service Commission ("PSC") a proposed evaluation plan of Questar Gas Company's ("Company") Demand Side Management Programs ("DSM"). On August 10, 2007, the Commission gave notice that it would accept comments regarding the adequacy of the Division's proposed plan. On August 24, 2007, Utah Clean Energy ("UCE"), the Company and the Committee all filed comments regarding that plan. On August 27, 2007, the Commission issued a notice and order to separate the proposed DSM plan and comments regarding the plan into a separate Docket No. 07-057-05 and gave parties until September 12, 2007 to reply to the filed comments. These are the Division's responses to those submitted comments.

COMPANY AND UCE COMMENTS:

Both the Company and UCE filed comments supporting the plan as filed. The Company requested an opportunity to respond to any proposed material changes before a final order is issued by the Commission. The Division can support this request; however, the Division is concerned about the element of time because of the importance of retaining the services of a third- party DSM evaluator in time to begin the monitoring and evaluation process which will be required after Commission approval of the plan.

COMMITTEE COMMENTS:

The Committee comments, although generally favorable, raised a couple of issues the Division wishes to respond to for purposes of clarification.

The first issues concerns the First Year Limited Evaluation ("FLYE") and Ongoing Evaluation ("OE") proposals of the plan. The Committee was concerned about the plan's "discounting" of the Monitoring and Verification ("M&V") aspect of the DSM program evaluations during the FLYE.

The Division's intent was to emphasize, during the first year, the "process evaluation" phase of QGC's DSM programs. The Division feels this is more valuable because at the conclusion of the first year, which the Division interprets as the end of the 2007 calendar year, the DSM programs will not yet have experienced a complete first year heating season, running from November 2007 through March 2008. For this reason the complete first year heating season data needed to verify DSM expected results will not be available until late April to mid May 2008, at the earliest.

The Division has included as part of the 2nd quarter DSM results filing, anticipated savings based on actual DSM program participation levels through June 2007. However, these savings are based on the engineering estimates of savings, not actual savings because that is all the information available at this time. During the later part of 2007 and the first quarter of 2008, the Division feels the third-party evaluator's time is better spent doing a "process evaluation" which will emphasize (a) DSM programs design and documentation, (b) DSM programs implementation, if the implementation was as designed correctly and what improvements could be incorporated into the DSM programs in the future.

After this phase, during the later part of the second year of the DSM programs, the emphasis will change to an "impact evaluation" process where the M&V aspect will become of primary importance. The Division looks at the M&V process as a means to not only verify actual savings achieved, but also as a continual process to identify, inform and improve the DSM programs. The "impact evaluation" process utilizing M&V techniques is invaluable as a means to continually improve the overall effectiveness of the DSM program offerings and would continue to be helpful if the DSM programs extends beyond the three year pilot period.

The second issue the Division wishes to clarify is the issuance of an RFP to retain the third-party evaluators. The DSM Evaluation Plan's intent is to have the Company issue the RFP after consultation with the Division, Committee and other members of the DSM Advisory Group, and to award a contract to the most qualified bidder. The Company is most able to do this in an expedient manner. The RFP issued will be such that the third-party evaluators can bid on only the "process evaluation" phase for the first year, the "impact evaluation" phase for the last two years or both phases as a package program. Once the third-party evaluator(s) are retained they will be responsible for all M&V aspects of the DSM programs similar to Rocky Mountain Power's DSM programs. The third-party evaluators will keep the DSM Advisory Group updated with program results and changes at the regularly scheduled Advisory Group meetings. The Company will pay for these services out of budgeted funds approved in the DSM budget approval process. However, before this can be done, the Commission needs to approve the DSM Implementation Plan. The Company is required to submit a 2nd year budget plan by October 1st, 2007, so time is of the utmost importance in this matter.

SUMMARY:

The Division appreciates the time and effort parties have taken to comment on the DSM Evaluation Plan. The Division agrees with the Committee that the M&V process is very important to the DSM Evaluation Plan. The Division believes that in order for that process to be effective, more complete data needs to be available to make it meaningful. Therefore during the FYLE phase (2007 calendar year) the Division feels the third-party evaluator should spend more effort on "process evaluation" and then begin to focus on "impact evaluation" after data from the first complete heating season can be available to begin analyzing.