

ENERGY EFFICIENCY PROGRAMS

Utah Energy-Efficiency Results 2008

In 2007, the Company's energy-efficiency efforts focused primarily on single-family dwellings and had limited programs for multi-family and some commercial customers. Consequently, in keeping with its commitment to provide energy-efficiency programs for all segments of the GS rate class the Company implemented in 2008 several new measures for existing programs and two new programs. The new measures and two new programs enhanced customer participation, increased gas savings and improved overall cost effectiveness. Most of the new measures targeted the commercial market. One of the new programs targeted the multi-family residential market and the other was a new commercial program. The new measures added to existing programs were in the ThermWise Appliance Rebates, ThermWise Builder Rebates and ThermWise Business Rebates programs and are described in greater detail below. The two new programs included a ThermWise Multi-Family Rebates program and a ThermWise Business Custom Rebates program also described below.

ThermWise Appliance Rebates. In 2008 the Company continued this program with the addition of two new measures. The new measures were: 1) high-efficiency gas boilers; and 2) solar assisted gas water heating. In addition, the Company modified the storage water heater measure eligibility requirement from 0.63 EF (Energy Factor) to 0.62 EF, to more closely align with the availability of water heaters offered by Utah retailers and HVAC and plumbing contractors and in anticipation of a possible ENERGY STAR labeling at this level.

ThermWise Builder Rebates. In 2008 the Company continued this program with the addition of three new measures. The three new measures were: 1) high-efficiency gas boilers; 2) solar assisted gas water heating; and 3) federal tax credit level home. As with the ThermWise Appliance Program, the Company modified the storage water heater measure eligibility requirement from 0.63 EF to 0.62 EF.

ThermWise Business Rebates. In 2008 the Company continued this program with the addition of eight new measures. The new measures included: 1) ENERGY STAR commercial fryers; 2) ENERGY STAR steam cookers; 3) high-efficiency convection ovens; 4) high-efficiency combination ovens; 5) high-efficiency griddles; 6) roof insulation; 7) wall insulation; and 8) high-efficiency windows. In addition to the new measures, several measures in this program were updated with new eligibility requirements and cost-effectiveness inputs.

ThermWise Weatherization Rebates. The Company continued this program with one modification. The modification removed the Solar Heat Gain Coefficient (SHGC) eligibility requirement on the high-efficiency window measure. The SHGC was originally included as a requirement to be in direct alignment with RMP's Home Energy Savers Program. However, after market experience and more thorough investigation and

analysis, the Company determined that this requirement reduced customer and supplier participation with this program measure and caused market confusion. Furthermore, the SHGC requirement is a “cooling load” related requirement and has virtually no impact on natural gas usage or natural gas savings. The remaining eligibility requirement for the windows measure was a 0.35 U-factor or lower. Meeting this eligibility requirement results in natural gas space heating savings and is in alignment with ENERGY STAR requirements and current federal tax incentives.

ThermWise Home Energy Audit. The Company continued this program in 2008 with no significant changes.

Low-Income Weatherization Assistance. In 2008 the Company continued funding the LIWAP at a level of \$250,000 per year from the energy-efficiency budget (\$500,000 total Company funding). The Company disbursed \$125,000 in January and July of 2008.

ThermWise Multi-Family Rebates. To help broaden energy-efficiency participation throughout the GS class, the Company added this new program in 2008. Existing multi-family projects were eligible for rebates from installation of high-efficiency space and water heating appliances, ENERGY STAR clothes washers, natural gas clothes dryers with moisture sensors, high-efficiency window replacements, upgrades to insulation and high-efficiency space and water heating appliances. In addition, builders of multi-family construction projects were offered rebates for adhering to or exceeding ENERGY STAR requirements for multi-family projects.

ThermWise Business Custom Rebates. To broaden energy efficiency offerings to the commercial market segment, the Company added this new program in 2008. This program targeted new and existing Utah GS commercial customers by offering rebates for energy savings resulting from more customized energy system improvements that are not otherwise available through a rebate from other ThermWise programs.

A summary of the projected and actual benefit-cost ratios for each of the 2008 ThermWise programs is shown below.

2008 Projected and Actual B/C	Total Resource Cost Test		Participant Test		Utility Cost Test		Ratepayer Impact Measure Test	
	2008 Projected B/C	2008 Actual B/C	2008 Projected B/C	2008 Actual B/C	2008 Projected B/C	2008 Actual B/C	2008 Projected B/C	2008 Actual B/C
ThermWise Appliance Rebates	1.6	1.9	2.2	2.2	2.4	3.0	1.7	1.9
ThermWise Business Rebates	2.5	4.2	3.2	4.3	4.0	6.6	2.7	3.8
ThermWise Builder Rebates	1.6	1.9	2.3	2.4	2.4	3.1	1.7	2.0
ThermWise Weatherization Rebates	2.2	2.4	2.8	2.7	2.4	2.7	1.7	1.8

ThermWise Home Energy Audit	1.2	1.2	19.1	18.1	1.2	1.2	1.0	1.0
Low Income Weatherization	1.4	2.1	0.0	0.0	1.4	2.1	1.1	1.5
ThermWise Multifamily Rebates	1.4	1.0	2.5	2.0	1.6	1.2	1.3	1.0
ThermWise Business Custom Rebates	1.4	3.6	2.7	11.4	1.9	4.2	1.6	2.7
Market Transformation	0.0	0.0	N/A	N/A	0.0	0.0	0.0	0.0
TOTALS	1.5	2.1	2.5	2.6	2.0	2.7	1.5	1.9

ThermWise results for 2008 were better than expected with actual participation surpassing estimated participation by 109%, actual costs surpassing budget by 72%, and deemed savings surpassing the net Dth savings goal by 111%.

During 2008, the DSM Advisory Group continued to meet to discuss the Company's energy-efficiency initiative. Four meetings were held on the following dates: April 1, June, August 14, and November 20. In addition to overall program performance, the plan and progress on the ThermWise program evaluation was also a major topic of discussion at those meetings.

Work on a two phase program evaluation began in early 2008. The Company published a request for proposal (RFP) from third-party evaluation firms on February 1, 2008. The RFP was solicited by the Company to over forty evaluation firms and posted on an industry website in an effort to obtain strong evaluation plans and competitive bids. One firm and a team of two firms ultimately responded to the RFP. As the Company conducted analysis of both proposals, it also sought the support and advice of the DSM Advisory Group. Both bids along with Company analysis were presented at the April 1 Advisory Group meeting. Ultimately, the Company selected the proposal from the team of Cadmus (formerly Quantec) and TechMarket Works. Announcement of the winning proposal was made on April 11, 2008.

Cadmus/TechMarket Works began work on the evaluation plan after contracts were finalized in early June 2008. The plan requires the evaluation to be performed in two phases with a deliverable report due to the Company at the end of each phase. The Phase I evaluation looks at program processes, including but not limited to the following: energy-efficiency programs and measures offered, accounting procedures, rebate funding process, general work flow, rebate process time-frame and safeguards such as fraud prevention and auditing procedures, scheduling and customer interface, and research and evaluation. The Phase II evaluation will be focused on the impact that the ThermWise programs had on customer usage. The Phase II report is scheduled to be delivered to the Company by June 30, 2010.

The Cadmus team completed data collection for the Phase I report in late September 2008. The data collection phase involved interviews with program

participants and non-participants, interviews with Company and contracted staff (Nexant and PECEI), an analysis of the deemed savings estimates for each program measure, and a comparison of the Company's first year energy-efficiency program results to first year results of other utilities.

The Phase I report was completed and delivered to the Company at the end of November 2008. A summary of the Phase I report was presented to the company and DSM Advisory Group on November 20, 2008 by the Cadmus Group. The full report was subsequently e-mailed to the DSM Advisory Group, including the Division of Public Utilities, Committee of Consumer Services and the Commission staff for analysis and comment. Since that time, the ThermWise team has performed an in depth review and analysis of the Phase I evaluation. Results of this review and analysis were presented to the DSM Advisory Group on March 5, 2009.

Wyoming Energy-Efficiency 2008

On August 18, 2008 Questar Gas Company filed a general rate case (Docket No. 30010-94-GR-08) with the Wyoming Public Service Commission. Included in that filing was an application to offer Wyoming Questar Gas customers the following five energy-efficiency programs: ThermWise Appliance Rebates, ThermWise Builder Rebates, ThermWise Business Rebates, ThermWise Weatherization Rebates, and the ThermWise Home Energy Audits program. In addition to the specific programs, the Company proposed to extend its market transformation education and awareness campaign to Wyoming including partnering with the Wyoming Energy Council on the Wyoming Home Performance with ENERGY STAR program, as well as extend the advertising campaigns to the Wyoming service territory. A public hearing on the general rate case and the proposed energy-efficiency programs was held in Cheyenne April 1 through April 3, 2009. A ruling on the general rate case and the proposed energy-efficiency programs is expected from the Wyoming Public Service Commission in mid 2009.

Energy-Efficiency Plan 2009

Based on work with the DSM Advisory Group, Utah-based trade allies, program administrators and other energy-efficiency stakeholders, the Company proposed and the Utah Public Service Commission approved the continuation of the eight energy-efficiency programs and the ThermWise Market Transformation initiative from 2008. This continuation included the update and/or revision of certain program measures to improve customer uptake and/or program cost effectiveness.

ThermWise Appliance Rebates. In 2009 the Company is continuing this program with no changes. Beginning in 2009, storage water heaters with a 0.62 EF (Energy Factor) will receive the ENERGY STAR label. This labeling should make the 0.62 storage water heater more widely available and, as a result, help the program capture a greater share of the "emergency" water heater replacement market. This program will continue to be offered to customers in the Company's Utah service territory and administered by PECEI.

ThermWise Builder Rebates. In 2009 the Company is continuing this program with no changes. This program will continue to be administered by PECI and be available to residential builders in the Questar Gas Utah service territory.

ThermWise Business Rebates. The Company is continuing this program with one minor change. In 2008, rebates were paid to businesses for installing energy efficient windows with a U-value of 0.42 or lower. In 2009, this program makes a distinction between Pre-fabricated and Site-built windows. In order to receive a rebate, Pre-fabricated windows will require a U-value of 0.30 or less (glazing only rating) while Site-built windows will require a U-value of 0.35 or less (entire window assembly rating). The rebate levels for both types of windows will remain the same as the 2008 level (\$.28 per square foot). This change will more closely align the program with current market conditions. This program will continue to be available to GS commercial customers in the Company's Utah service territory and administered by Nexant.

ThermWise Weatherization Rebates. In 2009, initially the Company proposed and received Commission approval to continue this program with no changes. However, due to rapidly changing market conditions beginning the fourth quarter of 2008 and continuing into the first quarter of 2009, the insulation rebates for this program were no longer set at a level that met the design intent of the program. Due to a transformation in the market, in part from the Company's program and in part from a slowing economy, competition for insulation services dramatically increased driving the price to the end use customer down. This reduction in price caused the insulation rebate amounts being paid in the program to be equal to and sometimes greater than (especially when other utility rebates were combined) the cost of the insulation service. Full cost coverage from rebates paid in this program is not consistent with the original and approved design of the program and left the Questar Gas customer disengaged from the rebate process. To that end, on March 11, 2009 the Company submitted a tariff change application (Docket No. 09-057-T04) requesting a reduction in insulation rebate amounts by \$.15 per square foot. This tariff change application was approved by the Commission to be effective May 2, 2009. With these approved changes, the cost-effectiveness of this program will be improved. This program will continue to be available to existing residential customers in the Company's Utah service territory and administered by Nexant.

ThermWise Home Energy Audit. The Company is continuing this program with no significant changes. The ThermWise Home Energy Audit Program is offered and administered by Questar Gas with periodic consulting and assistance from Nexant. This program includes two primary components: in-home energy audits performed by trained and experienced Questar Gas Auditors and "do-it-yourself" mail-in audits with on-line data input availability. This program will continue to be available to customers in the Company's Utah service territory and administered by Questar Gas.

Low-Income Weatherization Assistance. In 2009 the Company will increase funding to the LIWAP to \$500,000 per year from the energy-efficiency budget (\$750,000 total Company funding). The Company will disburse \$250,000 every six months, with the disbursements occurring in January and July.

ThermWise Multi-Family Rebates. As with the ThermWise Weatherization program, in 2009, initially the Company proposed and received Commission approval to continue this Multifamily Rebates program with no changes. However, due to rapidly changing market conditions beginning the fourth quarter of 2008 and continuing into the first quarter of 2009, the insulation rebates for this program were no longer set at a level that met the design intent of the program. Due to a transformation in the market, in part from the Company's program and in part from a slowing economy, competition for insulation services dramatically increased driving the price to the end use customer down. This reduction in price caused the insulation rebate amounts being paid in the program to be equal to and sometimes greater than (especially when other utility rebates were combined) the cost of the insulation service. Full cost coverage from rebates paid in this program is not consistent with the original and approved design of the program and left the Questar Gas customer disengaged from the rebate process. To that end, on March 11, 2009 the Company submitted a tariff change application requesting a reduction in insulation rebate amounts by \$.15 per square foot. This tariff change application was approved by the Commission to be effective May 2, 2009. With these approved changes, the cost-effectiveness of this program will be improved. The Company is continuing this program with no significant changes in 2009. This program targets both new and existing multi-family projects. This program will continue to be available to Questar Gas Utah service territory property owners/managers, builders, developers, home owner associations and directly to tenants. This program will continue to be administered by PECCI.

ThermWise Business Custom Rebates. The Company is continuing this program with one minor change. In 2009 the Company has included \$50,000 in the energy-efficiency budget to assist potential participants in obtaining a technical energy audit as part of the Pre-Installation Report. The budget for the technical energy audit is limited and the Company will have sole discretion for the approval of each customer application for funds. Criteria for funding approval will be based upon but not limited to: funding availability, the customer's ability to complete identified energy efficiency measures, potential energy efficiency opportunities at the customer's site, and technical feasibility of the measure. Administration of the Business Custom program will continue to be performed by Nexant.

A summary of the cost-effectiveness used in the DSM Model for each ThermWise program based upon the 2009 budget and projections as updated with the changes to the insulation rebates is shown below.

2009 Projections	Total Resource Cost Test		Participant Test		Utility Cost Test		Ratepayer Impact Measure Test	
	2009 Projected NPV	2009 Projected B/C	2009 Projected NPV	2009 Projected B/C	2009 Projected NPV	2009 Projected B/C	2009 Projected NPV	2009 Projected B/C
ThermWise Appliance Rebates	\$6.6	1.8	\$9.9	2.2	\$9.3	2.8	\$6.7	1.9
ThermWise Business Rebates	\$2.5	3.0	\$2.7	3.4	\$2.9	5.0	\$2.6	3.2
ThermWise Builder Rebates	\$2.5	1.7	\$4.2	2.3	\$3.7	2.6	\$2.6	1.8
ThermWise Weatherization Rebates	\$20.9	2.3	\$24.4	2.4	\$27.8	4.1	\$21.5	2.4
ThermWise Home Energy Audit	\$0	1.0	\$0.76	24.5	\$0	1.0	-\$0.13	.8
Low Income Weatherization	\$0.01	1.0	\$0.39	0.0	\$0.01	1.0	-\$0.07	.9
ThermWise Multifamily Rebates	\$2.3	1.6	\$3.9	2.3	\$3.4	2.4	\$2.4	1.7
ThermWise Business Custom Rebates	\$0.2	1.8	\$0.5	5.2	\$0.26	1.9	\$0.19	1.5
Market Transformation	-\$1.3	0.0	\$0	N/A	-\$1.3	0.0	-\$1.3	0.0
TOTALS	\$34.1	2.0	\$46.9	2.4	\$46.5	3.1	\$34.8	2.0

\$ Shown in millions

SENDOUT Model Results for 2009

Projections from the approved 2009 energy-efficiency budget as updated with the insulation rebate changes were entered into the SENDOUT model in response to the Utah Commission’s request. Data entries for the 2009 energy-efficiency programs included participants and deemed lifetime Dth savings per program measure. Incentive (variable) and administration (fixed) costs for each program measure were also incorporated into the SENDOUT model.

The SENDOUT model used the projected 2009 participation and administration costs as the baseline for its analysis of each program. For each program, the model then examined what would happen if participation was reduced to as low as 12.5% or increased to as high as 150% of the 2009 projection. The model also examined different scenarios involving the escalation of annual administration costs per program. In these scenarios, administration costs per program were increased to 150% and 200% of the 2009 projection. SENDOUT then made the judgment as to whether a program should be “accepted” (100% on the included graph) or “rejected” (0% on the included graph) based on a given level of participation and administration costs. Please see Exhibits 8.1 to 8.7 for the SENDOUT results in graphic form.

The ThermWise Appliance, Builder, Multifamily, and Weatherization programs were accepted by SENDOUT at 12.5% of projected participation if administration costs

were increased to 200% of the 2009 program budgets. The Business program was accepted by SENDOUT at 12.5% of projected participation if administrative costs were increased to 150% of the 2009 program budget. The Business Custom program was accepted by SENDOUT at 50% of projected participation if administration costs were increased to 150% of the budget projection. The Home Energy Audit Program was accepted by SENDOUT at 100% of projected participation if administrative costs were held at 100% of the budget projection.

Another way to view the results of the SENDOUT model is to analyze the level that administration costs could increase to if participation was held at 100% of the 2009 projection. In this scenario, SENDOUT would suggest that the administration costs for the Appliance, Builder, Business, Multifamily, and Weatherization programs could increase by as much as eight times the 2009 budget projection and still be accepted. The Business Custom program could increase by two times projected administration costs and still be accepted by SENDOUT.

In summary, the SENDOUT model results indicate that as a gas supply resource at the approved budget and participation levels, the 2009 energy-efficiency programs are accepted as qualifying and cost-effective resources when compared to other available resources. Furthermore, this holds true when participation rates are held constant and program administrative costs are increased by as much as eight times 2009 budget levels.

In comparison to the SENDOUT model which is a comprehensive resource planning and evaluation tool, the Questar Gas DSM Model which was developed in-house by the Company with the assistance of the Questar Gas DSM Advisory Group and approved by the Commission, is used for the sole purpose of modeling Questar Gas' energy-efficiency programs. To this end, the Company relies on the Questar Gas DSM Model for energy-efficiency program planning purposes and more importantly energy-efficiency program cost effectiveness (based on the California Standard Practices Model).

Using the Questar Gas DSM Model, the Company analyzed the approved 2009 energy-efficiency programs at a "break-even" benefit / cost ratio ($B/C = 1.00$) by holding participation (and incentive payments) constant and increasing all other costs in a linear manner. This analysis resulted in a projected potential total energy-efficiency spending limit of \$58 million per year versus the current projected \$22.3 million per year for the 2009 projected Dth savings which is equal to 590,392. This analysis indicates that the maximum potential spending on energy-efficiency is directly related to the cost-effectiveness of realizing each Dth saved. Therefore, as long as the Company's energy-efficiency programs are determined cost-effective in the Questar Gas DSM Model, accepted by the SENDOUT model when compared to other available resources and do not negatively impact company operations, energy-efficiency programs are an appropriate resource.