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Attorneys for Questar Gas Company

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION)	
FOR TARIFF CHANGE FOR THIRD YEAR)	Docket No. 09-057-T04
BUDGET FOR DEMAND SIDE)	
MANAGEMENT PROGRAMS AND)	APPLICATION
MARKET TRANSFORMATION INITIATIVE)	

I. INTRODUCTION

1. In its Order issued in Docket No. 05-057-T01 (Order), the Utah Public Service Commission (Commission) approved Questar Gas Company's (Questar Gas or Company) proposed Demand Side Management (DSM) programs and the Market Transformation Initiative and ordered the Company to submit a third-year budget by October 1, 2008. On October 1, 2008, Questar Gas filed an Application for Approval of the Third-Year Budget for 2009 Demand Side Management Programs and Market Transformation Initiative (2009 Application). On December 3, 2008, the Commission issued an Order approving the 2009 Application effective January 1, 2009 (2009 Order).

2. The ThermWise Weatherization Rebates Program (Weatherization Program), was included in the 2009 Application and represents approximately 28% (\$4,922,867) of the total 2009 DSM budget of \$17,787,250. See 2009 Application Exhibits 3.4 and 3.11. Table I below represents the approved Weatherization Program budget.

Table I

2009 ThermWise Weatherization Rebates Program Budget Summary					
	Rebate Amount	Estimated Participants	Deemed Savings	Budget Dollars	% of Annual Budget
Windows	\$.95 sq. ft.	7,166	27,649	\$625,392	12.7%
Wall Insulation	\$.45 sq. ft.	870	5,027	\$323,182	6.6%
Attic Insulation	\$.35 sq. ft.	7,012	62,849	\$3,142,431	63.8%
Floor Insulation	\$.35 sq. ft.	564	4,303	\$167,356	3.4%
Programmable Thermostat	\$30 ea.	116	309	\$3,480	.07%
Duct Sealing	\$225 ea.	8	46	\$1,800	.04%
Duct Insulation	\$250 ea.	10	90	\$2,500	.05%
Marketing	n/a	n/a	n/a	\$5,000	.1%
Administration	n/a	n/a	n/a	\$615,867	12.5%
Evaluation	n/a	n/a	n/a	\$35,860	.7%
Total	n/a	15,746	100,273	\$4,922,868	100%

3. In addition to the Weatherization Program, the approved budget for 2009 included the ThermWise Multifamily Rebates Program (Multifamily Program). See 2009 Application Exhibits 3.7 and 3.11. The Multifamily Program, as approved, represents approximately 16% (\$2,090,924) of the total 2009 DSM budget of \$17,787,250. Table II below represents the approved Multifamily Program budget.

Table II

2009 ThermWise Multifamily Rebates Program Budget Summary					
	Rebate Amount	Estimated Participants	Deemed Savings	Budget Dollars	% of Annual Budget
High-efficiency Storage Water Heaters	\$50	44	84	\$2,200	.1%
ENERGY STAR Clothes Washers	\$50	440	796	\$27,500	1.3%
High-efficiency Gas Clothes Dryers	\$30	220	224	\$6,600	.3%
High-efficiency Gas Furnaces	\$300	165	1,117	\$49,500	2.4%
High-efficiency Gas Boilers	\$400	165	2,954	\$66,000	3.2%
Solar Assisted Gas Water Heating	\$750	5	75	\$3,750	.2%
Tankless Gas Water Heating	\$300	15	153	\$4,500	.2%
Wall Insulation	\$.45 sq. ft.	550	6,353	\$408,375	19.5%
Floor Insulation	\$.35 sq. ft.	220	1,980	\$77,000	3.7%
Attic Insulation	\$.35 sq. ft.	220	1,540	\$77,000	3.7%
Replacement Windows	\$.95 sq. ft.	1,100	9,240	\$209,000	10%
ENERGY STAR Multifamily	\$250	165	1,757	\$41,250	2%
Marketing	n/a	n/a	n/a	\$253,160	12.1%
Administration	n/a	n/a	n/a	\$827,697	39.6%
Evaluation	n/a	n/a	n/a	\$37,390	1.8%
Total	n/a	3,309	26,273	\$2,090,922	100%

4. Between the filing of the 2009 Application and the 2009 Order, the market for attic insulation changed dramatically. Exhibit 1 shows the insulation rebates paid by month since the inception of the Weatherization Program and illustrates the change the Program has experienced. The rapid increase in rebates substantially altered the dynamics and projected costs associated with the insulation measures in the Company's Weatherization and

Multifamily Programs. The current market demand for attic insulation is no longer consistent with the original design and intent of these two programs. Tables III and IV below show the actual participation, related deemed savings and expenses for these two Programs for the months of January and February, 2009.

Table III

2009 ThermWise Weatherization Rebates Program Actual January and February					
	Rebate Amount	Actual Participants	Deemed Savings	Actual Expense	% of Annual Budget
Windows	\$.95 sq. ft.	2,412	5,223	\$147,684	24%
Wall Insulation	\$.45 sq. ft.	330	1,415	\$113,687	35%
Attic Insulation	\$.35 sq. ft.	9,797	70,972	\$4,435,775	141%
Floor Insulation	\$.35 sq. ft.	352	2,638	\$128,219	77%
Programmable Thermostat	\$30 ea.	65	138	\$1,950	56%
Duct Sealing	\$225 ea.	7	32	\$1,575	88%
Duct Insulation	\$250 ea.	8	57	\$2,000	80%
Marketing	n/a	n/a	n/a	\$0.00	0%
Administration	n/a	n/a	n/a	\$8,548	1%
Evaluation	n/a	n/a	n/a	\$0.00	0%
Total January & February	n/a	12,971	80,476	\$4,839,438	98%

Table IV

2009 ThermWise Multifamily Rebates Program Actual January and February					
	Rebate Amount	Actual Participants	Deemed Savings	Actual Expense	% of Budget
High-efficiency Storage Water Heaters	\$50	60	91	\$3,000	136%
ENERGY STAR Tier 1 Clothes Washer	\$50	4	5	\$200	2%
ENERGY STAR Tier 2 Clothes Washer	\$75	47	77	\$3,525	21%
High-efficiency Gas Clothes Dryers	\$30	2	2	\$60	1%
High-efficiency Gas Furnaces	\$300	76	412	\$22,800	46%
High-efficiency Gas Boilers	\$400	0	0	\$0	0%
Solar Assisted Gas Water Heating	\$750	0	0	\$0	0%
Tankless Gas Water Heating	\$300	1	10	\$300	6.6%
Wall Insulation	\$.45 sq. ft.	0	0	\$0	0%
Floor Insulation	\$.35 sq. ft.	0	0	\$0	0%
Attic Insulation	\$.35 sq. ft.	661	3,702	\$238,842	310%
Replacement Windows	\$.95 sq. ft.	31	208	\$8,421	4%
ENERGY STAR Multifamily	\$250	33	281	\$8,250	20%
Marketing	n/a	n/a	n/a	\$10,459	4.1%
Administration	n/a	n/a	n/a	\$16,159	2%
Evaluation	n/a	n/a	n/a	\$0	0%
Total January & February	n/a	915	4,784	\$312,016	15%

5. The Weatherization Program has already reached 98% of the annual budget in the first two months with the Attic Insulation measure representing 92% of the total expense for this period. The Multifamily Program has reached 15% of the budget in the first two months with the Attic Insulation measure representing 77% of the total expense for this period.

If this level of participation continues the Weatherization Program will exceed 75,000 participants in 2009 and expenses will be nearly \$30,000,000.

6. The Company believes that the increase in participation is fueled, in part, by a reduction in the costs of insulation such that when Questar Gas' rebate is combined with Rocky Mountain Power's (RMP) rebate the customer could get insulation for free. These programs were designed to incent customers to be more energy efficient by paying for a *portion* of the customer's costs, not the total costs. In response to these concerns, the Company is proposing the following changes for the remainder of the 2009 program year:

- A. Reduce the rebate levels for Attic Insulation from \$.35 to \$.20 per square foot for both programs;
- B. Reduce the rebate levels for Floor Insulation from \$.35 to \$.20 per square foot for both programs;
- C. Reduce the rebate levels for Wall Insulation from \$.45 to \$.30 per square foot for both programs;
- D. Increase the evaluation budget in the Weatherization Program to \$200,000 to increase on-site verification of contractor work; and
- E. Increase the administration budget in the Weatherization Program to \$1,290,270 to allow for rebate processing, program management and trade ally relationship management.

7. Tables V and VI reflect the updated program summaries with the above changes incorporated.

Table V

2009 ThermWise Weatherization Rebates Program Updated with Tariff Changes					
	Rebate Amount	Estimated Participants	Deemed Savings	Estimated Expense	% of Annual Proposed Budget
Windows	\$.95 sq. ft.	7,166	27,649	\$625,392	6.9%
Wall Insulation	\$.30 sq. ft.	870	5,027	\$215,454	2.4%
Attic Insulation	\$.20 sq. ft.	25,000	224,075	\$6,402,149	71%
Floor Insulation	\$.20 sq. ft.	2,000	15,260	\$339,121	3.7%
Programmable Thermostat	\$30 ea.	116	309	\$3,480	.04%
Duct Sealing	\$225 ea.	8	46	\$1,800	.02%
Duct Insulation	\$250 ea.	10	90	\$2,500	.03%
Marketing	n/a	n/a	n/a	\$5,000	.06%
Administration	n/a	n/a	n/a	\$1,290,270	14.2%
Evaluation	n/a	n/a	n/a	\$200,000	2.2%
Total	n/a	35,170	272,455	\$9,085,166	100%

Table VI

2009 ThermWise Multifamily Rebates Program Updated with Tariff Changes					
	Rebate Amount	Estimated Participants	Deemed Savings	Estimated Expense	% of Annual Proposed Budget
High-efficiency Storage Water Heaters	\$50	44	84	\$2,200	.1%
ENERGY STAR Clothes Washers	\$50/\$75	440	796	\$27,500	.6%
High-efficiency Gas Clothes Dryers	\$30	220	224	\$6,600	.2%
High-efficiency Gas Furnaces	\$300	165	1,117	\$49,500	1.3%
High-efficiency Gas Boilers	\$400	165	2,954	\$66,000	1.7%
Solar Assisted Gas Water Heating	\$750	5	75	\$3,750	.1%
Tankless Gas Water Heating	\$300	15	153	\$4,500	.1%
Wall Insulation	\$.30 sq. ft.	550	6,353	\$272,250	3.6%
Floor Insulation	\$.20 sq. ft.	220	1,980	\$44,000	1.0%
Attic Insulation	\$.20 sq. ft.	3,000	21,000	\$600,000	58%
Replacement Windows	\$.95 sq. ft.	1,100	9,240	\$209,000	2.7%
ENERGY STAR Multifamily	\$250	165	1,757	\$41,250	1.1%
Marketing	n/a	n/a	n/a	\$253,163	6.7%
Administration	n/a	n/a	n/a	\$827,697	21.9%
Evaluation	n/a	n/a	n/a	\$37,390	1.0%
Total	n/a	6,089	45,733	\$2,444,800	100%

8. Exhibit 2 shows the updated results of the four cost-effectiveness tests for the Weatherization Program, Multifamily Program and the overall DSM portfolio. These results show an across-the-board improvement in cost effectiveness from the original 2009 budget.

II. PRELIMINARY SAVINGS ANALYSIS

9. Given the dramatic increase in participation of insulation rebates realized in the first two months of 2009, the Company undertook to perform a preliminary analysis on actual Decatherm (Dth) savings to determine the cost effectiveness of the Program. The Company evaluated results actually realized by 889 customers who participated in the Weatherization Program. Participants for this study were selected if they installed attic insulation between May 1, 2007 and September 30, 2007. Baseline temperature-adjusted usage-per-customer was determined using usage data from October 1, 2006 thru April 30, 2007. Usage data from October 1, 2007 thru April 30, 2008 was then compared to the baseline usage. Savings levels were then determined by comparing usage data from year to year. The Company also analyzed the square footage of attic insulation installed to determine a savings per square foot. The results of this analysis show that these attic insulation participants installed an average of 1,145 square feet of attic insulation and have reduced natural gas usage by 6.65 Dth per participant per year or .006 Dth per square foot. These results are comparable to the deemed Dth savings number of .007 per square foot and 1,280 square feet for attic insulation set forth in the Company's DSM Cost-effectiveness model.

III. DSM ADVISORY GROUP DISCUSSION

10. The above recommended changes were presented and discussed with the DSM Advisory Group on March 5, 2009. During this meeting, the DSM Advisory Group also discussed a variety of other potential program changes. The Company continues to work with the DSM Advisory Group to identify and evaluate further program modifications and will propose cost-effective enhancements for the 2010 program year.

IV. PRAYER FOR RELIEF

1. Questar Gas has successfully implemented a broad range of DSM programs and a Market Transformation Initiative in the first and second years of the DSM Pilot Program. The Company has implemented best practices to help ensure that necessary and reasonable steps have been taken to implement cost-effective programs that benefit all GS customers.

2. In recognition of rapidly changing market conditions, Questar Gas is proposing changes in the Weatherization Program and the Multifamily Program. The Company proposes these changes be effective April 1, 2009 with a requirement that any customers with insulation installations completed before this date must submit a completed rebate application no later than May 15, 2009 to be eligible for a rebate equal to the original insulation rebate levels.

3. Therefore, Questar Gas respectfully requests an expedited Commission order approving the tariff changes attached in Exhibit 3 with the requirements set forth above, and approve the proposed budget changes as set forth in this Application.

DATED this 11th day of March, 2009.

Respectfully submitted,

QUESTAR GAS COMPANY

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CERTIFICATE OF SERVICE

I, Evelyn Zimmerman, certify that a true and correct copy of the foregoing

Application was served upon the following by electronic mail on March 11, 2009:

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