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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Philip Powlick, Director
Energy Section
Marlin H. Barrow, Technical Consultant
Artie Powell, Manager

Date: September 23, 2009

Subject: Action Request, Docket No. 09-057-T04

ISSUE:

On September 1, 2009, Questar Gas Company (QGC) filed a report with the Utah Public Service Commission (Commission) detailing QGC's findings concerning the issue of whether QGC's Demand Side Management Program's (DSM) rebate levels and rebate eligibility could be adjusted by geographic regions within the state for the ThermWise Weatherization and ThermWise Multi-Family Programs. The Division of Public Utilities (Division), through an Action Request from the Commission dated September 2, 2009, was asked to review the report for tariff compliance and conduct an investigation.

RECOMMENDATION:

The Division concurs with the report and recommends keeping the DSM rebate levels as currently filed in QGC's Utah Natural Gas Tariff PSCU 400, §2.12, ThermWise Multi-Family Rebates and §2.15, ThermWise Weatherization Rebates.

DISCUSSION:

The Division has reviewed QGC's September 1, 2009 report filed with the Commission. The report indicates that 84% of QGC's total customers reside in the 2006 International Energy Conservation Code's (IECC) definition of Climate Zone 5 of which 95% of Zone's 5 total customers are located along the Wasatch Front in QGC's Salt Lake City weather zone which includes the counties of Box Elder, Davis, Tooele, Salt Lake, Utah and Weber, approximately 80% of all QGC's customers. The other 5% of QGC's customers in Climate Zone 5 consists of 3% in the Cedar City weather zone comprising Beaver, Iron, Juab and Millard counties and 2% in the Richfield weather zone in Garfield, Piute, Sanpete and Sevier counties.

Eleven percent of QGC's customers reside in IECC Climate Zone 6 which consists of four QGC weather zones. The Logan weather zone makes up 37% of Zone's 6 customers (who reside in Cache county and the surrounding towns of Franklin and Preston, Idaho). Park City is the next most customer populated weather zone in Climate Zone 6 with 34% of the customers residing in Morgan, Rich, Summit and Wasatch counties. The Price weather zone has 17% of Zone 6's customer base in Carbon, Emery, Grand and San Juan counties. The Vernal weather zone has the remaining 12% of the customers in this Climate Zone in Daggett, Duchesne and Uintah counties.

St. George is the last QGC weather zone and is comprised of Washington County customers of QGC. It falls in the IECC guide lines of Climate Zone 3 and consists of 5% of QGC total customers.¹

The report also shows a similar proportionality in the participation patterns of QGC's customers in the ThermWise Multi-Family and Weatherization rebate programs with 93% of the total participation in the rebates located in Climate Zone 5, 5% in Climate Zone 6 and 2% in Climate Zone 3.² The coldest climate zone, as measured in heating degree days, is Climate Zone 6, with an average of 7,004 heating degree days. Climate Zone 5 has an average of 5,830 heating degree days while Zone 3 has 2,868 heating degree days.³ The reports indicates that the greatest benefit, in terms of annual energy savings, as measured in decatherms per square foot, is in

¹ The Division derived the associated counties for the eight weather zones from QGC's Exhibit 9.3 in Docket No. 07-057-13.

² QGC's September 1, 2009, Report to Commission, Figure 2, page 3.

³ Arithmetic average of heating degree days as reported in September 1, 2009, report filed with Commission, Table 2, page2 .

Climate Zone 6 followed by Climate Zones 5 and then Zone 3. Likewise, Climate Zone 6 offers the greatest cost benefit ratios followed by Zones 5 and 3. However, as shown in the report, Climate Zone 3, with the fewest total customers (5%), and lowest participation rate (2%) still has benefit cost ratios above 1.0 in all three insulation measures (Attic 2.7, Wall 1.8, Floor 2.7)⁴ while the other zones have even better benefit cost ratios than Zone 3⁵.

The report concludes by stating that given the different levels of participation in each zone and weighting that against the administrative costs involved there would not be a material improvement to the cost-effectiveness of the ThermWise programs from tiering by climate zone.

The Division supports this conclusion.

Currently, the Division lacks information on whether or not there are material differences in regional market prices for insulation and installation services. By changing rebate levels based on regional location at this time, unintended consequences may result through altering the current market dynamics to the detriment of reducing participation in the programs. In addition, all GS customers, irrespective of location, are charged the same DSM amortization rate.⁶ This amortization rate is applied to all GS customers whether or not they participate in any DSM programs. The Division feels this also is an important factor to weigh in the decision of whether or not to change DSM rebate levels based on climate zones.

CONCLUSION:

The Division concurs with the report's finding that, at the present time, there is no justification to adjust DSM insulation rebates based on regional location. However, that is not to say that the Division is opposed to looking at such options as the DSM programs become more mature and there is more information available on which to base a decision.

⁴ QGC September 1, 2009 Report to the Commission, Docket No. 0-057-T04, Table 3, Utility Cost Test, Insulation Rebate Measures Benefit / Cost Ratio by Climate Zone, page 4.

⁵ Ibid.

⁶ The DSM amortization rate requested in Docket No. 09-057-14 is \$0.44996/Dth.

Cc: Barrie McKay, Questar Gas Company
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