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Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

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

Date: November 10, 2011

Subject: Docket No. 11-057-12, Questar Gas DSM Budget for 2012.

ISSUE

On October 11, 2011, Questar Gas Company (QGC) filed an application with the Utah Public Service Commission (PSC) for approval of its Energy Efficiency (EE) programs and Market Transformation Initiative Budget for 2012. On October 18, 2011 the PSC issued an Action Request to the Division to investigate the application. This is the Division's response to that Action Request.

RECOMMEND APPROVAL

The Division of Public Utilities (Division) has reviewed the Application and recommends to the PSC approval of QGC's 2012 EE Budget.

DISCUSSION

DSM Pilot Program Budget History

The original Demand Side Management programs and Market Transformation Initiative were the products of a collaborative effort of interested parties working with QGC to provide input and to

design programs to benefit QGC's GS rate class by reducing their usage of natural gas through programs designed to improve the efficiency of natural gas consumption by those GS rate customers. The process began with QGC's CET application to the PSC on December 16, 2005 in Docket No. 05-057-T01. Subsequent to that initial filing in Docket No. 05-057-T01, there were technical conferences and numerous meetings with the parties in that case.

During this period, an informal DSM working group was created. This working group, which consisted of members representing the PSC, Office of Consumer Services, the Division, QGC, Salt Lake CAP, Utah Weatherization, SWEEP, Utah Clean Energy, Utah Governor's Office, Dept. of Natural Resources and Energy Strategies met on seven separate occasions beginning March 1, 2006 through September 21, 2006. In this period, initial work on developing DSM programs began and continued through to the time when the PSC, in an order¹ issued on October 5, 2006, established a formal DSM Advisory Group and gave QGC 60 days to present DSM programs to the PSC for its review.

The Advisory Group met on November 1, November 21 and on December 1 of 2006 to review, refine and provide feedback on the work that QGC and its consultants, Nexant and Portland Energy Conservation, Inc. (PECI), put into the DSM program development. The results of those efforts (filed with the PSC on December 5, 2006) included a first year 2007 budget for the DSM programs totaling \$6.989 million. As shown in Table 1 on the following page, actual results for 2007 DSM expenditures totaled \$7.413 million.

The Advisory Group continued to meet during 2007, when programs were reviewed and the QGC reported on market transformation efforts and program participation levels. Changes to existing programs and recommendations for new programs were reviewed and discussed by the Advisory Group. In a January 16, 2007 Order issued in Docket No. 05-057-T01, the Commission ordered the Company to submit a second year budget by October 1, 2007 and a third year budget by October 1, 2008 for the proposed DSM programs and the market transformation initiative.² The Company filed with the PSC on October 1, 2007 in Docket No.

¹ PSC Order, Docket No. 05-057T01

² PSC Order, Docket No. 05-057-T01, p7 & 8.

07-057-08, a second year budget in the amount of \$10.5 million with actual expenditures totaling \$18.076 million as shown in Table 1. The Company filed with the PSC on October 1, 2008 in Docket No. 08-057-22 a third year budget totaling \$17.8 million for its existing DSM programs and its ongoing Market Transformation Initiative.

2009 ThermWise Weatherization Program Unanticipated Participation

In March 2009, QGC filed an application with the PSC asking for tariff changes³ in the Third Year Budget for Demand Side Management Programs and Market Transformation Initiative to reduce the rebate amounts for the insulation measures in the ThermWise Weatherization and Multi-Family Programs. This request for reduced rebate amounts in insulation measures was the result of fundamental changes in the market dynamics for insulation due to a decrease in insulation material costs and an increase in the number of insulation contractors participating in the program which drove the 2009 expenditures to \$31.486 million in the ThermWise Weatherization Program and a total 2009 DSM Program annual amount of \$47.449 million as shown in Table 1 (Col D, Lines 6 and 9).

Table 1		QGC ENERGY EFFICIENCY PROGRAM YEARLY EXPENDITURES					
A	B	C	D	E	F	G	
	2006-07	2008	2009	2010	2011	2012	
	Actual	Actual	Actual	Actual	Budget	Budget	
	(000)	(000)	(000)	(000)	(000)	(000)	
1 ThermWise Appliance	\$ 2,765.4	\$ 4,932.2	\$10,141.7	\$ 9,137.7	\$ 7,533.8	\$ 5,948.1	
2 ThermWise Builder	\$ 1,186.6	\$ 2,789.1	\$ 2,642.7	\$ 3,699.8	\$ 2,645.7	\$ 2,843.6	
3 ThermWise Business	\$ 450.9	\$ 709.3	\$ 702.3	\$ 1,173.4	\$ 1,299.2	\$ 2,327.3	
4 ThermWise Custom Business	NA	\$ 102.9	\$ 97.4	\$ 284.1	\$ 452.6	\$ 845.8	
5 ThermWise Audit	\$ 1,893.7	\$ 587.4	\$ 694.8	\$ 727.7	\$ 760.6	\$ 845.8	
6 ThermWise Weatherization	NA	\$ 7,706.3	\$31,485.9	\$19,000.3	\$17,296.8	\$12,180.0	
7 Market Transformation	\$ 866.6	\$ 999.2	\$ 1,184.2	\$ 1,163.3	\$ 1,752.1	\$ 2,115.0	
8 Low Income Weatherization	\$ 250.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 1,229.4	
9 Total	\$ 7,413.2	\$18,076.4	\$47,449.0	\$35,686.3	\$32,240.8	\$28,335.0	

As shown in Col E, line 6 of Table 1, the tariff change in insulation rebate amounts noted in the previous paragraph had a dramatic effect in reducing the amount of rebate dollars paid during 2010 in the ThemWise Weatherization Program.

³ Docket No. 09-057-T04.

2012 ENERGY EFFICIENCY PLAN SUMMARY

Table 2 summarizes QGC's proposed 2012 EE Budget by program as compared to the 2011 EE Budget. As shown in Table 2, the EE Budget for 2012 is \$28.335 million (Col D Ln 9). This is 12.1% below the 2011 DSM Budget (Col F Ln 9). Columns I and J compare the 2012 Budget Utility Cost Test ratios (TRC) to the 2011 Budget TRC for the EE programs.

Table 2: 2012 Energy Efficiency Report Summary										
QUESTAR GAS COMPANY										
DSM ENERGY EFFICIENCY REPORT										
2012 Budget and 2011 Budget										
DOCKET NO. 11-057-12										
	A	B	C	D	E	F	G	H	I	J
		2012	2011	2012	2011	% 2012 Budget	2012	2011	2012	2011
		Budgeted	Budgeted	Budget	Budget	over (under)	Dth	Dth	TRC	TRC
		Participants	Participants	(000)	(000)	2011 Budget	Savings*	Savings*	Ratio	Ratio
1	ThermWise Appliance	19,000	31,445	\$ 5,948.1	\$ 7,533.8	-21.0%	181,616	230,145	1.1	1.9
2	ThermWise Builder	5,082	3,687	\$ 2,843.6	\$ 2,645.7	7.5%	64,079	31,074	1.1	1.0
3	ThermWise Business	1,904	1,039	\$ 2,327.3	\$ 1,299.2	79.1%	54,707	48,534	1.0	1.6
4	ThermWise Custom Business	40	20	\$ 845.8	\$ 452.6	86.9%	30,000	10,018	1.8	1.1
5	ThermWise Audit	3,857	3,773	\$ 845.8	\$ 760.6	11.2%	9,513	9,334	0.4	0.5
6	ThermWise Weatherization	58,522	78,826	\$12,180.0	\$ 17,296.8	-29.6%	202,505	308,162	1.3	1.2
7	Market Transformation	NA	NA	\$ 2,115.0	\$ 1,752.1	20.7%	NA	NA	NA	NA
8	Low Income Weatherization	3,382	NA	\$ 1,229.4	\$ 500.0	145.9%	35,573	NA	1.3	NA
9	Total	91,787	118,790	\$28,335.0	\$ 32,240.8	-12.1%	577,993	637,267	1.1	1.3
*Savings reflects the net Dth deemed savings based on budgeted participants with an 80% net-to-gross ratio applied.										

For 2012, both the number of expected participants and Dth savings are below the 2011 budgeted amounts.

Table 3, on the next page, shows the June 30, 2011 actual results and compares the 2012 budget to the 2011 budget by total customer rebates and program administrative & overhead costs. The table shows the 12.1% decrease from the 2011 budget which is attributed mainly to a reduction in expected Customer Rebates. Administrative program costs are also lower than the 2011 budgeted amount.

Table 3	ThermWise 2012 EE Program				
				Thousands	
	2011 2Q Actual YTD	2011 Budget	2012 Budget	\$ 2012 Budget over (under) 2011 Budget	% 2012 Budget over (under) 2011 Budget
Customer Rebates	9,297.3	23,077.2	20,084.2	(2,993.1)	-13.0%
Program Costs	2,807.9	9,157.6	8,250.8	(906.8)	-9.9%
Total Costs	\$12,105.2	\$ 32,234.8	\$ 28,335.0	\$ (3,899.8)	-12.1%
Projected Dth Savings*	240.0	637.2	578.0	(59.2)	-9.3%
Participants	50.1	118.8	91.8	(27.0)	-22.7%
Total \$ / Dth Savings (\$0.00)	\$ 50.44	\$ 50.59	\$ 49.02	NA	-3.1%
California Test Results					
Total Resource Cost Test B/C	1.1	1.3	1.1	NA	NA
Utility Cost Test B/C	1.7	1.8	1.5	NA	NA

* Assumes a 20% reduction to gross Dth saved.

PROGRAM REVIEW

For 2012, the Energy Efficiency programs are: 1) the ThermWise Appliance Program; 2) the ThermWise Builder Program; 3) the ThermWise Business Program; 4) the ThermWise Custom Business Program; 5) the ThermWise Home Energy Audit Program; 6) the ThermWise Weatherization Program. In addition to these programs, the Market Transformation campaign, designed to inform and educate customers about the importance of energy conservation, continues as part of the 2012 budget as well as the Low-Income Weatherization Assistance Program administered by the Utah Department of Community and Economic Development.

THERMWISE APPLIANCE REBATES PROGRAM

The ThermWise Appliance Rebates Program for 2012 is available to all GS single-family and multi-family residential customers. The Program has made some minor changes to the measures or choices from those offered in 2011. In 2012, the measure for High-Efficiency Gas Furnaces has added an additional Tier 4 for furnaces rated greater than 95% AFUE that also are equipped with an ECM motor (electrically commutated motor). The rebate for this type furnace is \$400. The program has also divided the High Efficiency Residential Gas Boilers into two tiers. The first tier is for boilers with an AFUE rating ranging from 85% to 95% with a \$400 rebate per unit. The second tier is for boilers with an AFUE rating greater than 95% with a \$600 rebate. All rebate applications must be completed within 6 months of the qualifying appliance purchase.

This program is administered by PECI and has a 2012 QGC proposed budget cost of \$5.948 million compared to a 2011 budget of \$7.534 million, a decrease of \$1.586 million or a 21% reduction from the 2011 budget. Again, as with the previous year's budgets, the actual customer rebates will vary depending on customer participation. The Division also notes that the gross Dth saved shown in the Company's Application in Exhibit 1.9 for the ThermWise Appliance Program should be 227,020 instead of 210,579.

Table 4 compares the ThermWise Appliance Program by Customer Rebates and Program Administrative Costs with actual results through June 30, 2011, the 2011 budget and the 2012 budget. The table also shows benefit cost ratios that are all above 1.0.

Table 4	ThermWise Appliance Program				
	Thousands				
	2011 2Q Actual YTD	2011 Budget	2012 Budget	\$ 2012 Budget over (under) 2011 Budget	% 2012 Budget over (under) 2011 Budget
Customer Rebates	2,788.1	5,695.0	4,387.3	(1,307.8)	-23.0%
Program Costs	524.9	1,838.8	1,560.8	(278.0)	-15.1%
Total Costs	\$ 3,313.0	\$ 7,533.8	\$ 5,948.1	\$ (1,585.7)	-21.0%
Projected Dth Savings *	86.9	230.1	181.6	(48.5)	-21.1%
Participants	15.6	31.4	19.0	(12.4)	-39.6%
Total \$ / Dth Savings (\$0.00)	\$ 38.14	\$ 32.74	\$ 32.75	NA	0.0%
California Test Results					
Total Resource Cost Test B/C	1.3	1.9	1.1	NA	NA
Utility Cost Test B/C	1.9	2.2	1.9	NA	NA

* Assumes a 20% reduction to gross Dth saved.

Table 4a, on the following page, is a detailed reconciliation, grouped by measures, of the difference between the 2012 Budget and the 2011 Budget for participation and rebate dollars.

Table 4a	Participation	Rebate \$
EE ThermWise Appliance Program	2012 Budget	2012 Budget
	over (under)	over (under)
	2011 Budget	2011 Budget
Furnance All Tiers	(2,701)	\$ (696.6)
Water Heaters All Tiers	(1,955)	\$ (89.3)
Tankless Water Heater	(495)	\$ (193.6)
Boilers	(59)	\$ (67.6)
Clothers Washers	(7,269)	\$ (363.5)
Solar Water Heater	138	\$ 103.5
Direct Vent Fireplace	(38)	\$ (0.8)
Administrative & Overheads		\$ (278.0)
	(12,379)	\$ (1,585.7)

2012 participation is expected to be less than the 2011 Budget due to current economic trends seen in 2011 actual results that is mainly attributed to loss of tax incentives.

THERMWISE BUILDER REBATES PROGRAM

The ThermWise Builder Program has undergone some changes for 2012. The first and foremost are changes to whole home options which are now available. The Energy Star Version 2.5 requires a field verification and a 2.5 compliance certificate by a HERS rater for a \$250 rebate for single family or \$150 dollar rebate for multi-family homes in addition to rebates for required qualifying gas furnace and water heaters. The Energy Star Version 3.0 is added which also requires field verification and a 3.0 compliance certificate by a HERS rater for a \$300 single family rebate or \$200 multi-family rebate plus rebates for required qualifying gas furnace and water heaters. A single family rebate of \$500 or \$300 multi-family rebate is available for high performance homes that meet or exceed Energy Star Version 3.0 requirements and achieve a HERS score of 50 plus rebates for qualifying gas furnace and water heaters. There also is a Builder Option 1 in which the builder certifies that the home meets the IECC 2009 energy code and has qualifying gas furnace and water heater (\$50 rebate for both single and multi-family units) or the Builder Option 2 in which a HERS rater provides the documentation that the unit meets the IECC 2009 energy code and has qualifying gas furnace and water heater (\$100 rebate for both single and multi-family units).

Builders that don't build to the above standards can also receive individual rebates for appliances available under the ThermWise Appliance Program or for constructing 2009 IECC 2x6 R-20 exterior walls or R-5 windows.

Table 5 shows that the 2012 budget for the ThermWise Builder Program is \$2.844 million, a \$0.244 million dollar increase from the 2011 budget of \$2.640 million., all driven by increased rebate totals. The Division notes that the gross Dth saved shown in the Company's Application in Exhibit 1.9 for the ThermWise Builder Program should be 79,932 instead of 71,321. The Company has provided a corrected Exhibit 1.9 which is attached with this memo. Also in tariff §2.11, the ThermWise High Performance single family rebate and mult-family rebate amounts need to change to \$500.00 and \$300.00 to be consistent with amounts referenced in Exhibit 1.2 page 6 under the High Performance Home measure.

Table 5	ThermWise Builder Program				
			Thousands		
	2011 2Q Actual YTD	2011 Budget	2012 Budget	\$ 2012 Budget over (under) 2011 Budget	% 2012 Budget over (under) 2011 Budget
Customer Rebates	1,608.1	1,557.3	1,914.1	356.8	22.9%
Program Costs	461.5	1,082.4	929.5	(152.9)	-14.1%
Total Costs	\$ 2,069.6	\$ 2,639.7	\$ 2,843.6	\$ 203.9	7.7%
Projected Dth Savings *	27.4	31.0	64.1	33.1	106.7%
Participants	4.6	3.7	5.1	1.4	39.0%
Total \$ / Dth Savings (\$0.00)	\$ 75.44	\$ 85.14	\$ 44.38	NA	-47.9%
California Test Results					
Total Resource Cost Test B/C	0.6	1.0	1.1	NA	NA
Utility Cost Test B/C	1.1	1.1	2.0	NA	NA

THERMWISE BUSINESS REBATES PROGRAM

This program is available to the GS Rate Class commercial customers and offers thirty seven prescriptive measures, including one new measure of emerging technology for high efficiency roof top furnaces, all which are designed to leverage the marketing access and existing delivery channels of local businesses, wholesalers and retailers to provide cost-effective natural gas

savings opportunities. In reviewing the new roof top furnace measure, the Division notes, using current gas prices, that the measure fails the utility cost test. When the Division raised this point with the Company, the Company indicated that because this is emerging technology, they currently don't see any practicable applications of this technology occurring during 2012 due to special construction techniques required in order to utilize this technology. The Company only wanted to take notice that this technology is developing. Since the budget anticipates two participants with a total rebate amount for this measure of \$2,000, the Division decided to keep the measure, as filed, with the recommendation that the Company monitor this measure for improvements in efficiency and not be allowed to exceed the budgeted participation and rebate amount.

The ThermWise Business program is administered by Nexant. The 2012 budget is \$2.327 million, which is \$1.028 million or 79% over the 2011 budget, as shown in Table 6. The table summarizes the ThermWise Business Program by Customer Rebates and Program Costs with actual results through June 30, 2011, the 2011 budget, the 2012 budget. Table 6 shows benefit cost ratios that are all above 1.0.

Table 6	ThermWise Business Program				
			Thousands		
	2011 2Q	2011	2012	\$ 2012 Budget	% 2012 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2011 Budget	2011 Budget
Customer Rebates	341.7	775.6	1,688.6	913.0	117.7%
Program Costs	31.6	523.6	638.7	115.1	22.0%
Total Costs	\$ 373.3	\$ 1,299.2	\$ 2,327.3	\$ 1,028.1	79.1%
Projected Dth Savings *	21.3	48.5	54.7	6.2	12.7%
Participants	0.6	1.0	1.9	0.9	83.3%
Total \$ / Dth Savings (\$0.00)	\$ 17.51	\$ 26.77	\$ 42.54	NA	58.9%
California Test Results					
Total Resource Cost Test B/C	2.3	1.6	1.0	NA	NA
Utility Cost Test B/C	4.3	2.7	1.6	NA	NA

As shown in Table 6a, on the following page, the increase in the ThemWise Business Program is due to an effort to aggressively pursue marketing efforts to commercial customers for increased attic insulation and more efficient heating units.

Table 6a	Participation	Rebate \$
EE ThermWise Business Program	2012 Budget	2012 Budget
	over (under)	over (under)
	2011 Budget	2011 Budget
Attic Insulation	395	\$ 887.6
Furnace	122	\$ 47.6
Infrared Heating	100	\$ 30.0
Gas Unit Heaters	400	\$ 151.8
Clothes Washer	(98)	\$ (4.9)
Other Measueres	(54)	\$ (199.1)
Administrative & Overheads		\$ 115.1
	865.0	\$ 1,028.1

THERMWISE BUSINESS CUSTOM REBATES PROGRAM

This program is a customer initiated program and is administered by Nexant. The 2012 budget has increased from the 2011 budget by \$393 thousand due to expected increased participation, which, although not shown in the table below due to rounding, is expected to increase from 20 participants in 2011 to 40 in 2012.

Table 7 compares the 2012 budget to the 2011 budget. The table shows that the benefit cost ratios are above 1.0 for the 2012 plan year.

Table 7	ThermWise Custom Business Program				
			Thousands		
	2011 2Q	2011	2012	\$ 2012 Budget	% 2012 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2011 Budget	2011 Budget
Customer Rebates	87.2	100.2	268.2	168.0	167.7%
Program Costs	98.8	352.4	577.6	225.2	63.9%
Total Costs	\$ 186.0	\$ 452.6	\$ 845.8	\$ 393.2	86.9%
Projected Dth Savings *	9.1	10.0	30.0	20.0	199.5%
Participants	0.0	0.0	0.0	0.0	100.0%
Total \$ / Dth Savings (\$0.00)	\$ 20.36	\$ 45.18	\$ 28.19	NA	-37.6%
California Test Results					
Total Resource Cost Test B/C	2.5	1.1	1.8	NA	NA
Utility Cost Test B/C	2.8	1.3	1.9	NA	NA

In evaluating this program, it should be noted that project development times are much longer than the prescriptive incentive payments. Most aspects of this program require pre-installation

engineering studies, negotiated contracts, and implementation of the recommended energy saving measures before rebates are paid to the customers. In an effort to expedite some of the development time required in this program, a simplified analysis approach has been developed for air to air heat exchangers measures, pipe insulation measures and boiler control measures that allow customers to submit measure specific parameters for calculation of Dth savings and upon approval, the project may proceed and after completion inspections are performed the rebates can be paid in an expedited manner. Although the expected participants are few in number, each project is expected to yield large Dth savings. In terms of cost per Dth saved, this program, excluding Program Costs, has the best Customer Rebate Cost / Dth Savings at \$8.94/ Dth. This program is designed to be coordinated with RMP FinAnswer Program.

THERMWISE HOME ENERGY AUDIT REBATES PROGRAM

The ThermWise Home Energy Audit is administered by Questar. The home energy audits can either be an on-site audit, conducted by QGC technicians, or a mail in audit in which the participant answers questions and receives advice from QGC. A \$25 fee is charged for the on-site audits. This fee is fully refundable upon participation in any ThermWise energy-efficiency rebate program. In addition, the program will provide certain low-cost energy-efficiency measures at no charge. A new feature to the audit process in 2012 is the inclusion of a blower door test to determine eligibility for the air sealing measures available in the ThermWise Weatherization Program.

The 2012 budget is \$845.8 thousand, which is 11.2% above the 2011 budget. Table 8 on the next page compares the 2012 Budget to the 2011 Budget along with June 30, 2011 YTD actual results. The table shows the benefit cost ratios are below 1.0. Even though most of the benefit cost ratios are below 1.0, this program becomes a gateway to many of the appliance upgrades and weatherization measures implemented by customers (for which incentives are received through other EE programs) as a result of their identification in home audits. This program has benefits beyond those seen in the data below as it introduces customers to the potential savings they may realize by implementing additional energy efficiency measures.

Table 8	ThermWise Audit Program				
	Thousands				
	2011 2Q Actual YTD	2011 Budget	2012 Budget	\$ 2012 Budget over (under) 2011 Budget	% 2012 Budget over (under) 2011 Budget
Customer Rebates	4.9	24.3	26.9	2.6	10.5%
Program Costs	300.9	736.3	819.0	82.7	11.2%
Total Costs	\$ 305.8	\$ 760.6	\$ 845.8	\$ 85.2	11.2%
Projected Dth Savings *	2.2	9.3	9.5	0.2	1.9%
Participants	0.9	3.8	3.9	0.1	2.2%
Total \$ / Dth Savings (\$0.00)	\$ 141.77	\$ 81.49	\$ 88.92	NA	9.1%
California Test Results					
Total Resource Cost Test B/C	0.3	0.5	0.4	NA	NA
Utility Cost Test B/C	0.3	0.5	0.4	NA	NA

THERMWISE WEATHERIZATION REBATES PROGRAM

This program offers both GS single-family and multi-family residential customer rebates for installing qualifying weatherization measures. The Company has chosen to utilize an approved contractor list in order to provide customers and the Company more confidence that the insulation measures are properly installed to insure the Dth savings will be realized. In order for contractors to qualify they must meet the minimum criteria to (1) have the proper licensing, training, and insurance, (2) understand and agree to accurately represent both the program requirements and the contractor's relationship to Questar Gas Company, (3) agree to maintain a high quality of work product and (4) agree to address and resolve customer complaints⁴. This list of required licenses will be maintained on the Company's website and interested contractors will be directed to that site by the Company.

One change for 2012 is that the insulation rebates are available to individual customers that self-install but an inspection by QGC is not required. The Division notes that the footnotes in Exhibit 1.8 for §2.14, ThermWise Weatherization Program, need to be corrected to clarify that the self-install option is still available without the requirement of an inspection.

The weatherization measures are customer initiated and the program is administered by Nexant with rebates mailed back to the participants. The 2012 budget is \$12.180 million, of which \$10.637 million is projected to be customer rebates, a decrease of 26.3% from the 2011 budget.

⁴ As presented to DSM Advisory Group Meeting, September 20, 2010.

Table 9 compares the ThermWise Weatherization Program by Customer Rebates and Program Costs with actual results through June 30, 2011, the 2011 budget and the 2012 budget. The table does show benefit cost ratios that are all above 1.0.

Table 9	ThermWise Weather Program			Thousands		
	2011 2Q Actual YTD	2011 Budget	2012 Budget			
Customer Rebates	4,217.3	14,424.8	10,637.2	(3,787.6)	-26.3%	
Program Costs	425.3	2,872.0	1,542.8	(1,329.2)	-46.3%	
Total Costs	\$ 4,642.6	\$ 17,296.8	\$ 12,180.0	\$ (5,116.8)	-29.6%	
Projected Dth Savings *	93.1	308.2	202.5	(105.7)	-34.3%	
Participants	28.5	78.8	58.5	(20.3)	-25.8%	
Total \$ / Dth Savings (\$0.00)	\$ 49.89	\$ 56.13	\$ 60.15	NA	7.2%	
California Test Results						
Total Resource Cost Test B/C	1.3	1.2	1.3	NA	NA	
Utility Cost Test B/C	2.1	1.9	1.5	NA	NA	

Table 9a shows that the Attic Insulation measures are the drivers for the decline anticipated in the 2012 budget from the budget submitted for 2011. This trend has been prevalent through the first six months of 2011 as only about 29% of the 2011 budgeted rebates have been realized through June 30, 2011. In an effort to offset this trend, the Company has increased the rebate per sq. ft. for the Tier 1 Attic Insulation measure from \$0.20 to \$0.25.

Table 9a	Participation	Rebate \$
EE ThermWise Weatherization Program	2012 Budget	2012 Budget
	over (under)	over (under)
	2011 Budget	2011 Budget
Windows - Residential	(193)	\$ (0.4)
Wall Insulation	(595)	\$ (133.3)
Attic Insulation Tier 1	(18,277)	\$ (3,474.6)
Attic Insulation Tier 2	(1,268)	\$ (147.0)
Floor Insulation	(875)	\$ (147.9)
Air Sealing	250	\$ 162.5
Duct Sealing & Insulation	940	\$ (38.0)
Other	(286)	\$ (8.6)
Administrative & Overheads	NA	\$ (1,329.4)
	(20,304)	\$ (5,116.8)

LOW INCOME WEATHERIZATION ASSISTANCE PROGRAM

Part of the agreement reached in Docket 05-057-T01 contained the provision for QGC to provide funding of \$250,000 for the state's Low Income Weatherization Program. In 2009, the funding for this program was increased by another \$250,000 for a total contribution of \$500,000 to the program's budget in order to address natural gas issues for qualified low-income assistance recipients. The 2012 budget contains a major change from the previous budget submissions. §2.15 the Low-Income Weatherization Assistance tariff includes a paragraph which allows approved non-profit or governmental agencies to apply for rebates under the ThemWise Programs. This will allow qualified agencies to utilize rebates for work they have performed to do additional weatherization measures. The Utah Department of Community and Culture's (DCC) Weatherization Program currently qualifies under this provision. This will allow the DCC to report their activity quarterly and include the saved Dth as a result of their efforts as part of the quarterly reports filed by the Company on the EE program results. Table 10 reflects the budget for the Low Income Weatherization Program with this change incorporated. The Division supports this change as it provides additional funding to DCC for weatherization assistance provided to low income customers.

Table 10	ThemWise Low Income Weatherization Program				
	Thousands				
	2011 2Q Actual YTD	2011 Budget	2012 Budget	\$ 2012 Budget over (under) 2011 Budget	% 2012 Budget over (under) 2011 Budget
Customer Rebates	250.0	500.0	1,162.0	662.0	132.4%
Program Costs	-	-	67.3	67.3	NA
Total Costs	\$ 250.0	\$ 500.0	\$ 1,229.4	\$ 729.4	145.9%
Projected Dth Savings *			35.6	35.6	NA
Participants			3.4	3.4	NA
Total \$ / Dth Savings (\$0.00)	#DIV/0!	#DIV/0!	\$ 34.56	NA	#DIV/0!
California Test Results					
Total Resource Cost Test B/C	NA	NA	1.3	NA	
Utility Cost Test B/C	NA	NA	2.0	NA	

PROGRAM ADMINISTRATIVE COST

As shown in Table 3 on page 5, the 2012 total program administrative costs are \$8.251 million, a \$906.8 thousand decrease from the 2011 budgeted program costs. Most of the measures, with

rebates, have program administrative costs that are lower than their 2011 budget. The exceptions to this are the ThermWise Business (\$115.1 thousand over), Custom Business (\$225.2 thousand over), Audit Program (\$82.7 thousand over) and Market Transformation Program (\$352.9 thousand over). The ThermWise Business Program is mainly due to a market segmentation survey designed to target specific measures available to businesses. The ThermWise Custom Business Program is due mainly to increased participation which costs will vary with the level of participation. The ThermWise Audit Program is due to a planned rework of the audit program. The ThermWise Market Transformation increase in program costs, shown in Table 11, is due to the development of a customer behavior-based energy-efficiency program, comparing customer's usage to customers with similar square footage in their area.

Table 11	ThermWise Market Transformation Program				
	Thousands				
	2011 2Q	2011	2012	\$ 2012 Budget	% 2012 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2011 Budget	2011 Budget
Customer Rebates	-	0.0	-	(0.0)	-100.0%
Program Costs	\$ 964.9	1,752.1	2,115.0	362.9	20.7%
Total Costs	\$ 964.9	\$ 1,752.1	\$ 2,115.0	\$ 362.9	20.7%
Projected Dth Savings *				-	NA
Participants				-	NA

GAS PRICE SENSITIVITY

Based upon forecasts by CERA, the 2012 budget assumes a first year average summer/winter gas price of \$3.66/\$4.06 per Dth respectively with a 25 year projection of prices ending at \$7.23/\$8.01 per Dth. This compares to a beginning summer/winter gas price range in the 2011 budget of \$3.41/\$4.40 per Dth and ending at \$7.14/\$9.21 per Dth.

A \$0.50/Dth decrease⁵ in the price of gas causes the ThermWise Appliance, Builder and Business Program's TR benefit cost ratios to decrease below 1.0. A decrease of \$1.43/Dth to the price causes the ThermWise Weatherization TR benefit cost test to drop below 1.0.

⁵ Assumes an equal decrease to all prices for the 25 year period.

SUMMARY AND RECOMMENDATION

The Division supports the 2012 Energy Efficiency Budget while keeping current reporting requirements in place and recommends the Commission approve the application noting the corrected Exhibit 1.9 that is attached to this memo, the need to correct the footnote in §2.14 previously mentioned and limited participation, if any, in the ThermWise Business Program's High Efficiency Roof Top Furnace measure.

The Division commends QGC and the Advisory Group for their active participation and commitment to develop as well as promote strong Energy Efficiency programs with the intent to promote the energy saving measures to an even broader base of GS customers.

Cc: Barrie Mckay, Questar Gas Company
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