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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission

From: The Office of Consumer Services
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Date: November 16, 2011

Subject: Docket 12-057-14

Application for Approval of the 2013 Year Budget for Energy Efficiency Programs and Market Transformation Initiative

Background

On October 17, 2012, Questar Gas Company (Company) filed its Application for Approval of the 2013 Year Budget for Energy Efficiency Programs and Market Transformation Initiative with the Public Service Commission of Utah (Commission). The Office of Consumer Services (Office) reviewed the application and had concerns with some of the line items with the proposed budget. The Office and Company met together and resolved most of the concerns with assurances to answer remaining questions prior to the action request deadline.

The proposed DSM budget is 19.6% less than the 2012 budget. Most of this budget decrease is due to rebate processing savings and reduced rebate payouts. Rebate payouts decreased $4,914,673 or almost 25.1% and Contractor Administration decreased $590,477 or 20.9% in the budget projection for 2013. Program participation is projected to decrease approximately 28% with Dth savings decreasing approximately 16.5%.

Discussion

Low Income Weatherization

In 2011, the Low Income Weatherization Program was funded by two installments of $250,000 for a budget $500,000. Since this was a simple pass through transaction, there were effectively no additional costs other than writing the checks. In 2012, the Company proposed including rebates for measures for low income weatherization participants in the Low Income Weatherization Program. This added $729,363 to the Low Income Weatherization Budget including $57,348 of administrative, design and contractor administration costs. For the 2013 budget, the Company is requesting $718,589 in addition to the Commission approved $500,000. Approximately $56,000 of administrative, design and contractor administration costs has been budgeted for 2013.

In reviewing the budget and the past year's activities, the Office is concerned with an inconsistency between the budget for the Low Income Weatherization budget proposal and what is actually being paid out by the Company. Through June 2012, the Company only paid one installment of $250,000 and no rebates. In discussions with the Company, there are delays in the abbreviated rebate application process between government agencies and the new Helgeson rebate processor. While $10,000 was budgeted for design in 2012, no expenses were reported as of June 30, 2012 for any design work to resolve the exception processing issue.

In summary, the Office is concerned about two issues related to the Low Income Weatherization program. First, agencies are not getting the benefit of the abbreviated rebate application process based on reports to date. Second, the Company has not shown evidence that it has resolved the abbreviated rebate application process to date. The additional cost to the Low Income Weatherization program has not produced any results different than what happened in 2011 when the program was a pass-through program. The Office recommends that the Commission pend approval of the 2013 budget until the "abbreviated rebate application process is completed and rebates for 2012 are paid.

The Office also recommends that the DSM Advisory Group needs to further discuss and evaluate the change of adding the appliance rebates into the Low Income Weatherization budget. Given the current problems experienced in paying out the rebates, it is not clear that the program is designed as well as possible. The Commission should direct the Company to conduct that discussion with the entire DSM Advisory Group, not just select members.

Market Transformation (MTI)

While the budget is decreasing representing lower rates to ratepayers, the Office is concerned about the trend of decreasing participation and Dth savings and the impact of the current Market Transformation Initiative (MTI). In addition, the Company proposed increasing the Marketing line item on the individual DSM programs by 9.0%. This results in a total of $3,266,813 proposed for marketing and advertising activities ($1,275,000 on DSM program marketing and $1,991,813 for the MTI), which represents 14.3% of the DSM budget. The Office compared the Company's marketing and advertising expenditures to the Strategic Outreach and Communications Budget in Rocky Mountain Power's (RMP) DSM program (RMP Communications Program.) The RMP 2013 annual budget is $2,436,585 representing approximately 5.1% of its DSM budget.

Based on its evaluation, the Office recommends that the MTI should be separated from the DSM portfolio for two reasons.

First, the Market Transformation Initiative should be separated away from the DSM portfolio and into its own program to improve oversight and marketing effectiveness. Currently this is how RMP is organized, and its budget is only 4.3% of the total DSM program costs as compared to 14.3% of Questar's program. The Office recommends that the Commission separates out the MTI from the DSM Portfolio and orders a review similar to what is done with RMP's Strategic Communications and Outreach Program.

The second reason for separating the MTI from the Company's DSM portfolio is improved cost effectiveness testing. The MTI is included within the cost effectiveness test calculation but does not pass any of the tests. Designation of costs and benefits are difficult to measure and allocate to specific DSM programs. Yet for testing purposes, the MTI is included as a zero value in determining the average cost effectiveness test values for the DSM portfolio. The impact of adding the MTI to the portfolio tests will always understate the performance of the DSM portfolio.

Thus, the MTI skews cost effectiveness results and should not be included in the cost effectiveness tests for DSM programs.

For these two reasons, the Office recommends that the Commission order the Company to begin providing more detailed reporting to the DSM Advisory Group and file its next DSM Budget (2013 and beyond) with a Communications and Outreach Plan, similar to what is required for RMP..

Recommendation

The Office recommends that the Commission do the following:

1. Postpone approving the 2013 DSM budget until the Company completes the abbreviated rebate application process is completed and 2012 rebates are paid.
2. Direct the Company to further discuss and evaluate with the DSM Advisory Group the desired placement of appliance rebates associated with low income programs.
3. Order the Company to begin to make planning and reporting changes regarding the Market Transformation Initiative and marketing costs. For 2013, the Company should separate the Market Transformation Initiative from the DSM portfolio and have it as a standalone advertising program. The Commission should also direct the Market Transformation Initiative to be reviewed and reported comparable to the Rocky Mountain Strategic Communication and Outreach Program, initially with the DSM Advisory Group and also accompanying future DSM budget filings with the Commission.