

TO: The Utah Public Service Commission

FROM: Betsy Wolf
Salt Lake Community Action Program

DATE: November 16, 2012

SUBJECT: Docket No. 12-057-14
In the Matter of: The Application for Approval of the 2013 Year Budget for Energy Efficiency Programs and Market Transformation Initiative

Introduction

On October 17, 2012 Questar Gas Company filed its Application for Approval of its 2013 Energy Efficiency Programs and Market Transformation Initiative with the Utah Public Service Commission (PSC or Commission). On October 23, 2012, the Public Service Commission issued an Action Request to the Division of Public Utilities for Review and Recommendations Comments of that Application. Salt Lake Community Action Program appreciates this opportunity to present some comments and concerns that it has with the proposed Application.

Comments

The areas in which Salt Lake Community Action Program has concerns are twofold. The first is with regard to the Low-Income Weatherization Program and the second concerns the proposal for the Thermwise Home Energy Audits program.

Low-Income Weatherization Assistance Program

Background: Shortly after Questar Gas started implementing its Demand Side Management or Energy Efficiency programs, SLCAP approached Questar to inquire about requesting more money than the \$500,000 that was allocated to low income programs, primarily for furnace repair and replacement. It was determined, upon consultation with Questar representatives, that local weatherization agencies, most of which are local association of governments, would simply apply for rebates from the regular Thermwise Appliance Rebate and Weatherization programs. That mechanism worked well until the time that Questar requested, and the Commission approved, that third party providers were no longer eligible for rebates from either of those programs. Only the customer was able to receive a rebate.

With the low income weatherization program, this created a difficult bureaucratic problem. A rebate was issued to a low income customer and the local weatherization agency had to go out and try to collect that rebate from that customer who was under no obligation to turn over the rebate. If a rebate was not returned to the program, this resulted in the low income customer having additional financial resources but did not provide funding to the program to add additional weatherization measures, thus defeating the purpose of increasing energy efficiency for more Questar customers. These circumstances created awkward situations for weatherization agencies. Thus most local agencies found it too difficult to participate in the program, again resulting in underutilization of available resources. We have been working for several years to rectify this situation and find a way for the authorized local low income

weatherization network to increase its ability to provide weatherization services to low income households throughout the state within the confines of the approved tariffs.

The 2012 proposal recognized this problem and attempted to fix it. The proposed solution was to move the appliance rebates associated with the low income programs out of the appliance rebate program and into the Low Income Weatherization Program.

SLCAP did not oppose the changes in last year's program and budget filing. Some concerns have since arisen that we would like to address now.

Burdensome Tariff Requirements: The tariff requirement that the "non profit or governmental organization must comply with all of the other requirements of each measure" has resulted in the inability of some agencies to be eligible to apply for any rebates at all. Most of the local weatherization agencies are government agencies and may not be licensed contractors, thus resulting in an inability to access the program. All agencies are working toward that goal, which we acknowledge to be a good one. In the meantime, this requirement:

- denies competent weatherization providers which are sub grantees of the state the ability to access these funds,
- greatly reduces the total number of participants who would otherwise have funds available for weatherization, and
- reduces energy efficiency savings by denying the ability to access these funds.

We are also concerned that this requirement could ultimately have a negative impact on the cost/benefit ratio given that administrative and management costs are relatively high for what will be a relatively small program in 2012 and possibly in 2013 given the limited number of low-income weatherization providers who are eligible to access the rebates.

Overhead Costs: While we are not experts in the administration of programs, we do question whether the overhead costs of administering and managing this program, particularly in 2012, are justified. We understand that there has been a change in program providers that could cause additional costs at the outset. However, the budget for 2013 looks comparable and that would be the second year of the program. While a spreadsheet has recently been developed to help expedite the rebate process, low income weatherization providers would have been willing to simply fill out the same rebate forms that other customers use.

Program Development: We would urge Questar to work more closely to develop programs appropriately. For instance, if Questar had worked more closely with various partners, including policy advocates such as SLCAP, the Office of Consumer Services, the Division of Public Utilities and other interested parties, the process above could have either been expedited or perhaps truncated. For example, we recommend revisiting whether accessing rebates should be placed within the Low Income Weatherization Assistance program or whether the same result could be achieved with perhaps less cost if it were a subset of the larger Appliance Rebate and Weatherization rebate programs.

Tariff Language: With regard to the tariff language, we note that there are a couple of discrepancies between the tariff language and the Application and program overviews.

First, the language in the most recently filed program documents, Exhibit 1.6 page 1, allows "payments directly to the State agency administering the Low-Income Weatherization

Assistance Program.” However, the tariff language in Exhibit 1.8, page 2-34 says “An approved non-profit or governmental organization may apply for rebates under ThermWise programs for qualifying measures installed with funding from the \$500,000 contribution from the Company and/or funding from other sources.” We note that the tariff language is appropriate with respect to where payments will be made.

However, the description as to how the money will be distributed is less clear in the tariff where it goes on to say that those agencies “may apply for rebates under ThermWise programs for qualifying measures installed with funding from the \$500,000 contribution from the Company and/or funding from other sources.” In this case the intent is more accurately described in Paragraphs 15.and 16.on page 8 of the Application as follows:

15. Low-Income Weatherization Assistance. The Company proposes to maintain funding for the Low-Income Weatherization Assistance Program at \$500,000 per year. Strong demand for furnace replacements from the program continues to drive a need for funding. The Company will continue to disburse \$250,000 every six months, with the disbursements occurring in January and in July.

16. The Company will continue to allow non-profit or governmental agencies to follow an abbreviated application process and qualify for the direct-payment exemption. The non-profit or governmental organization must continue to comply with all other requirements of the Company’s Natural Gas Tariff No. 400 (Tariff) and program rules to qualify for rebates. QGC Energy Efficiency Exhibit 1.6 sets forth the complete program description for 2013.

Home Energy Audits

We appreciate that the Company is seeking approval for a pilot program to expand its Home Energy Audits to the low-income population. This would be done through expanding the current program to multi-family units and to the single family, lower income senior homeowners. While expansion of the Home Energy Audits to this underserved population could help in the short term by providing low cost energy efficiency measures to households that would not otherwise receive them, there is another aspect that is potentially troubling.

It is not only conceivable but quite likely that in the course of Questar providing home energy audits to these households, many of whom reside in older homes, the auditors will find instances where they would need to “red tag” an appliance such as a furnace or water heater. While it is important to shut down dangerous appliances and the Company intends to coordinate with low income weatherization partners, we have concerns about our ultimate ability to have funds available to meet those needs immediately. We intend to work with the Company and would be interested in working with other interested parties and the Commission, to explore ways to mitigate this situation as we look to expand the program. SLCAP and the state Weatherization Office have discussed this with Questar staff and will coordinate this year but wish to inform the Commission that it is likely that additional funding will be necessary to continue this important program and service to low-income households in future years.

Conclusion and Recommendations

SLCAP recommends the following:

- Revisit the Tariff requirements with regard to the necessity of licensing and some of the other burdensome requirements, at least in the short term;
- Examine overhead costs of this program in relation to other similar programs;

- Order Questar to work with all interested parties to reconsider the program design;
- Order Questar to work with all interested parties to address anticipated challenges with expanding Home Energy Audits.