

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Questar)
Gas Company for Approval of the 2013 Year) DOCKET NO. 12-057-14
Budget for Energy Efficiency Programs and)
Market Transformation Initiative) REPORT AND ORDER

ISSUED: January 9, 2013

By The Commission:

PROCEDURAL HISTORY

This matter is before the Commission on Questar Gas Company's ("Company") October 17, 2012, Application for Approval of the 2013 Year Budget for Energy Efficiency Programs and Market Transformation Initiative ("Application"). The Company's Application contains a description of the proposed energy efficiency programs and budget ("Program"). The Company's Application requests approval of costs associated with delivery of the proposed energy efficiency programs and associated evaluation costs.

In the Application the Company proposes to continue the following ThermWise Energy Efficiency Programs:

1. ThermWise Appliance Rebates Program;
2. ThermWise Builder Rebates Program;
3. ThermWise Business Rebates Program;
4. ThermWise Weatherization Rebates Program;
5. ThermWise Home Energy Audit Program;
6. Funding of \$500,000 for the Low Income Weatherization Assistance Program administered by the Utah Department of Community and Economic Development; and
7. ThermWise Business Custom Rebates Program.

The Application contains evidence that on a combined basis, the proposed Programs pass the required benefit cost tests based on the estimated participation levels,

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anticipated costs, and expected savings. The proposed budget is \$22,791,135 which represents a 19.6 percent decrease from the 2012 budget.

On October 23, 2012, the Commission issued an Action Request to the Division of Public Utilities ("Division") to review the Application and provide comments by November 16, 2012. On November 15, 2012, the Division filed comments recommending approval of the Company's proposed Application, as filed. On November 16, 2012, the Office of Consumer Services ("Office") filed a memorandum recommending the Commission postpone approval of the Company's proposed 2013 budget pending Company payment of the 2012 Low Income Weatherization Assistance Program rebates. On November 19, 2012, the Salt Lake Community Action Program ("SLCAP") filed comments recommending the Commission consider additional recommendations to improve Low Income Weatherization Assistance Program performance on a going-forward basis. To address the concerns raised by the Office and SLCAP, the Company convened a Demand Side Management ("DSM") Advisory Group meeting on December 13, 2012. On December 21, 2012, the Company filed a document entitled "DSM Advisory Group Consensus Items" ("Report") summarizing the Company's representation of the consensus items identified by the DSM Advisory Group at the December 13, 2012, meeting.

DISCUSSION

The Office is concerned governmental agencies participating in the Program's Low Income Weatherization Assistance component were not realizing the benefit of the abbreviated rebate application process instituted in 2012. The Office indicates there have been delays between participating agencies and the Company's private contractor responsible for

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processing rebate claims. The Office contends the Company has not shown evidence it has resolved the abbreviated rebate application process to date and recommends the Commission suspend approval of the 2013 budget until problems with the process are resolved and rebates for 2012 are paid.

The Office also expresses concern about declining rates of Program participation and lower decatherm savings in the context of the Company's current Market Transformation Initiative ("MTI"). The Office recommends separating the MTI from the overall DSM portfolio, using an approach similar to Rocky Mountain Power's DSM Strategic Communications and Outreach Program. The Office contends this will help improve oversight and marketing effectiveness and will allow evaluation of MTI program cost effectiveness at the broader portfolio level.

SLCAP expresses concern about current tariff¹ requirements regarding weatherization contractor licensing. SLCAP indicates that under the current tariff, entities performing weatherization installations must be licensed contractors. However, SLCAP notes most of the local weatherization agencies, which are capable of competently providing weatherization installations, are government agencies and may not be licensed contractors. SLCAP contends this precludes such agencies from accessing Low Income Weatherization Assistance Program funding. SLCAP expresses support for proper licensing among weatherization installers and indicates all participating agencies are presently working toward licensure. However, regarding the 2013 Program cycle, SLCAP is concerned the current

¹ Questar DSM/Energy Efficiency Programs in the Application fall under Sections 2.09 through 2.17 in the "Questar Gas Company Utah Natural Gas Tariff, PSCU 400."

licensing requirements will lead to reduced energy savings since there are fewer Low Income Weatherization Assistance Program participants who would otherwise have had funds available for weatherization.

SLCAP also questions whether the overhead costs of administering and managing the Program's Low Income Weatherization Assistance component are justified, and echoes the Office's concern about the need to expedite Program rebates. In addition, SLCAP contends there are inconsistencies between current tariff language, the Application, and the program overviews filed with the Application. Finally, while SLCAP appreciates the Company's efforts to expand its Home Energy Audit program to low income customers, it expresses concerns about its own ability to have funds available to remedy instances where auditors find a need to "red tag" and shut down dangerous appliances among such customers.

As indicated above, the Company convened a DSM Advisory Group meeting on December 13, 2012, to address the concerns raised by the Office and SLCAP. The resulting Report also includes revised tariff pages and revised program documents to replace those originally filed in the Application.

Regarding the Office's concern about delays in the abbreviated rebate application process, the Report indicates this work has since been completed and rebates for two of the governmental agencies qualified as authorized contractors, are being processed and funded. The Report indicates DSM Advisory Group members agree the abbreviated rebate application process now appears to be working and no further action is required on the part of the Commission.

To address the Office's concerns about the Program's Market Transformation Initiative, the Report indicates the Company will dedicate a DSM Advisory Group meeting to the subject of reporting on past market transformation activities and results. The Report also indicates the Company will work with the DSM Advisory Group to include greater detail regarding market transformation plans and related costs, and will explore the preferred method of reporting these costs and activities.

Regarding the contractor licensing requirement concern identified by SLCAP, the Report indicates that the governmental agencies seeking participation in the Low Income Weatherization Assistance Program previously believed they were exempt from state licensing requirements. However, the Report notes it was determined this was not the case. As a result, agencies not holding a contractor license are not eligible for Low Income Weatherization Assistance Program rebates under the current tariff.

The Report shows that two of the eight governmental agencies identified as participating in the Program currently are authorized, licensed contractors. The Report recommends the Commission grant the six other government agencies (identified within the Report's Table 1) a temporary waiver of the tariff's licensing requirement for authorized weatherization installation contractors. The Report also recommends, upon Commission approval, that each governmental agency identified in the Report's Table 1 be allowed to submit claims for rebates dating back to January 1, 2012, and also be allowed to continue to submit claims for rebates through June 30, 2013. The Report recommends that effective July 1, 2013,

the temporary licensing requirement waiver be terminated, and the requirement that an entity hold a valid and appropriate contractor's license be fully enforced.

Regarding SLCAP's concerns of excessive overhead costs and Program rebate processing delays, the Report indicates further discussion among the DSM Advisory Group determined SLCAP's issue resulted from a misunderstanding of the nature of these costs. According to the Report, DSM Advisory Group members agree this concern, along with SLCAP's issue regarding rebate processing delays have been resolved, and no further action is required on the part of the Commission.

As indicated above, SLCAP expressed concern that the language describing the Low Income Weatherization Assistance Program differs from the language in the Application and the language in the Application's attached Exhibit 1.6. The Report includes attachments, Revised Exhibit 1.8, which modifies the tariff, and Exhibit 1.6U, which updates the Low Income Weatherization Assistance Program overview. These modifications, according to the Report, clarify the intent and responsibilities of the Company and Program participants and provide for more consistent nomenclature for measures and appliances listed in the tariff. The Report indicates these changes resolve SLCAP's concerns.

Finally, regarding SLCAP's concern about availability of funds to remedy "red tag" occurrences among low income customers, the Report indicates the Company and the State Weatherization Assistance Program agree that, in the near term, potential adverse impacts can be mitigated through close coordination and cooperation. With respect to the longer term unfunded burden, the Company will report on incidences where appliances need to be "red tagged" and

referred to the State Weatherization Assistance Program for action. The Report indicates interested parties agreed to continue to coordinate efforts in this area and to monitor the Program. The Report concludes no further action on this issue is required by the Commission at this time.

On December 27, 2012, the Commission issued an Action Request directing the Division to review the Report's conclusions. On January 2, 2013, the Division filed responsive comments indicating the Report adequately addresses the issues raised by the Office and SLCAP. The Division further recommends the Commission approve the Company's 2013 Budget as filed in the Application along with the proposed tariff amendments and other changes, as described in the Report. On December 28, 2012, the Office filed email correspondence indicating it does not oppose the Report's conclusions.

FINDINGS AND CONCLUSIONS

Based upon the analysis and recommendations of the Division and Office, the Commission finds the proposed budget, programs, and the submitted tariff sheets, as amended in the Report's Attachment, Exhibit 1.6U, are in the public interest.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Company's 2013 Year Budget for Energy Efficiency Programs and Market Transformation Initiative are approved with an effective date of January 1, 2013.
2. A temporary waiver of the tariff's licensing requirement for authorized weatherization installation contractors is granted for the six governmental

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agencies identified in the Report's Table 1 as currently not holding a state-approved contractor's license. This waiver is granted until July 1, 2013.

Additionally, this waiver applies only to the tariff's licensing requirement and may not be construed by any party as a general waiver of the contractor licensing requirements contained in Utah Code Title 58, or of the penalties associated with a violation of that title.

3. Each governmental agency identified in the Report's Table 1 is allowed to submit claims for Low Income Weatherization Assistance Program rebates, retroactive to January 1, 2012, and is allowed to continue to submit rebate claims through June 30, 2013.
4. The amended tariff sheet Section 2.15, along with the amended Section 1.6, pages 1 and 2, filed in this docket are approved with an effective date of January 1, 2013. The Company shall make a compliance filing within two weeks of the date of this Order.
5. The Division shall review the Company's Tariff Sheets and make recommendations within one week of the Company's compliance filing.

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DATED at Salt Lake City, Utah, this 9th day of January, 2013.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
D#240864

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 9th day of January, 2013, a true and correct copy of the foregoing REPORT AND ORDER, was served upon the following as indicated below:

By Electronic-Mail:

Colleen Larkin Bell (colleen.bell@questar.com)
Jenniffer Nelson Clark (jenniffer.clark@questar.com)
Questar Gas Company

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, Utah 84111

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

Administrative Assistant