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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

APPLICATION FOR APPROVAL OF THE)	
2014 YEAR BUDGET FOR ENERGY)	Docket No. 13-057-14
EFFICIENCY PROGRAMS AND MARKET)	REPLY COMMENTS
TRANSFORMATION INITIATIVE)	

Questar Gas Company (Questar Gas or Company) respectfully submits these Reply Comments to the Action Request Response issued by the Division of Public Utilities (Division) and to the Memorandum issued by the Office of Consumer Services (Office) November 27, 2013 in the above-referenced docket.

I. BACKGROUND

On October 16, 2013 Questar Gas filed an application for approval of the 2014 year budget for Energy Efficiency programs and Market Transformation initiative (Application). On October 17, 2013 the Utah Public Service (Commission) issued an action request for the Division to file a response to the Company's Application. On November 5, 2013 the Commission issued a notice of filing and comment period on the Company's Application and

allowed for interested parties to file comments on or before Monday November 18, 2013. On November 13, 2012 the Office filed a request to extend the comment period on the Application to November 27, 2013 and that the deadline for reply comments be extended to December 12, 2013. On November 27, 2013 the Division filed its response to the Commission's action request and the Office filed comments on the Application.

The Division's action request response made note of the Company's projected 2014 overall participation increase of 53%, 29% increase in decatherm (Dth) savings, and the projected reduction of 6.6% in the cost per Dth saved. The projected 2014 participation increase is mainly attributable to the weatherization program and specifically the attic insulation rebate measures. The projected reductions in the 2014 cost per Dth saved are a result of the Company's focus on reducing administrative costs.

The Division's analysis also focused on the Company's proposed 2014 program changes. The Company proposes to reintroduce the 92% AFUE furnace and add 98% AFUE (with ECM) or higher furnaces to the Appliance, Builder, and Business program rebate measure mix in 2014.

The Company proposes to add a new rebate method to the Builder program in 2014. This new rebate method would provide builders with a rebate in the form of a credit to offset up-front costs for service line and meter contributions. The credit would be given to builders for installing rebate qualifying furnace and storage water heater measures.

The Company proposes to implement a direct install program in the Business program for the high-efficiency pre-rinse spray valve rebate measure in 2014. The Company proposes to introduce a strategic energy management service to the Business Custom program in 2014.

Businesses would be required to contract with the Company to implement the findings from the energy management service before analysis and support would be provided.

The Company proposes to rebrand the Low-Income Weatherization Assistance program as the Low-Income Assistance program in 2014. This proposal is offered because the program is focused on more than weatherization specific measures.

In its action request response, the Division urged the Company to “always look for ways to implement administrative cost reduction steps in order to improve overall program efficiencies.” The Company agrees with this recommendation and will continue to look for ways to reduce non-incentive costs. The Division also recognized that while the low gas price environment may make it difficult to justify some rebate measures (because of cost effectiveness concerns), there is overall value to the ThermWise program objectives. The Division closed its analysis indicating support of the 2014 budget and with the recommendation that the Commission approve the Company’s Application.

The Office’s recommended that the Commission take the following actions:

1. Reject the Company’s proposed rebate credit as part of the Builder Program until it has been fully explained and supported and require that the Builder Rebates Tariff (2.11) be modified as follows:
 - a. Remove paragraph three from the “Program Description” section.
 - b. Remove the reference to “credited” in paragraph four of the “Program Description” section.
2. Allow the Company to file supplemental information explaining and supporting the rebate credit proposal related to the Builder Program either (1) within this docket allowing for stakeholder comments before any Commission order or (2) in a subsequent docket.
3. Reject the proposed name of the Low Income Assistance Program and require the Company to choose a name which denotes that the program is related to natural gas efficiency, such as Low Income Efficiency Program.
4. Require the Company to revise the Business Custom Programs’ Tariff language to better explain the programs’ requirements and procedures.

5. Require the Company to work more closely with its DSM Advisory Group regarding the details of the expenditures within the Market Transformation budget, including specific costs and associated benefits.

The Office further recommended that the Commission require the Company to incorporate the following changes into its future energy efficiency budget filings:

6. Include current year actual expenditures with remaining year forecast as part of the budget comparison.
7. Eliminate the program exhibits and ensure that Tariff language includes a complete and easily understood description of the programs.

II. DISCUSSION

The Company agrees with the Division's analysis and recommendation for approval of the Company's Application and 2014 budget. The Company believes that the additional recommendations and issues related to the proposed A) Builder Rebate Credit, B) Low-Income Assistance Program, C) Business Custom program, D) Market Transformation initiative, and E) future energy efficiency budget filings raised in the Office's Memorandum require additional discussion and clarification.

A. Builder Rebate Credit

The Office's criticism of the proposed Builder rebate credit focuses on the proposed Tariff language and the lack of specific processes to be required of builders who want to receive the rebate credit. The Company proposes to modify the proposed Tariff language in order to address the Office's concerns. The Company recommends the following changes (shown in markup) to section 2.11, paragraph 3 of the proposed Tariff language (QGC Energy Efficiency Exhibit 1.9):

Upon Builder rebate credit process implementation, Builders may elect to receive either a rebate check or a rebate credit for installing furnaces or storage water heaters which meet the minimum efficiency qualification listed in the Builder Rebates Table.

A rebate credit will be applied against the Company-assessed meter and service line contribution charges, a rebate check will be issued to the Builder for the overage. Credits will be calculated using the established furnace and/or storage water heater rebate amounts listed in the Builder Rebates Table. A rebate check will be the only option for all other measures (non-furnace and storage water heaters) listed in the Builder Rebates Table. ~~The Company is currently developing internal processes to launch the Builder credit option and expects that, with this Commission's approval, the process will be implemented sometime in 2014. The option of a credit will become available to Builders at that time.~~

Additionally, the Company proposes to add the following below paragraph 4 in section 2.11 of the proposed Tariff language:

A Builder must take the following steps in order to receive a rebate credit:

1. Builder contacts the Company to begin service line and meter installation process.
2. Builder provides home construction details necessary to calculate service line and meter charges (e.g. setback footage, natural gas appliance types, btu input).
3. Builder submits the home's REScheck report to the Company and agrees in writing to install qualifying furnaces and/or storage water heaters by selecting from a Company maintained list (available on the Company's Service Line Request website) of qualifying model numbers.
4. Builder remits payment to the Company for the home's service line and meter charges, less rebate amount.

The Company will verify installation of rebate credit qualifying equipment at the time the meter is set in the participant home. If the Company determines through its verification process that the Builder did not install the qualifying equipment it agreed to install (step 3), the Company will bill the Builder for the misapplied credit. Builders who fail to accurately report the equipment installed for rebate credits may be subject to disqualification from future rebate credits and/or participation in the ThermWise® Builder Rebates program.

The Company met with the Division and the Office on December 11, 2013 and proposed the above changes to the filed Tariff. The Division indicated support for the Company's proposed Tariff changes. The Company has included the proposed changes in the updated Proposed and Legislative Tariff pages which are attached hereto as QGC Energy Efficiency Exhibit 1.9U.

B. Low-Income Assistance Program

The Company understands the Office's concern that the proposed Low-Income Assistance program name could be confused with other initiatives aimed at providing aide to low-income customers. The Company supports the Office's recommendation that the name of the program be changed to the Low-Income Efficiency Program. Additionally, the Company agrees with the Office's recommendation that the Low-Income section of the Tariff be modified to reference the rebate qualifying equipment in the Appliance and Weatherization program sections of the Tariff. See QGC Energy Efficiency Exhibit 1.09U.

C. Business Custom Program

The Office's discussion of the proposed addition of the strategic energy management service to the Business Custom program focuses on Tariff language and recommends that the Company augment the currently proposed language to "provide a more clear understanding of the steps associated with participating in the program." The Office memorandum also claimed that "no mention of the strategic energy management service is included in the Tariff." The Company met with the Office on December 11, 2013 to discuss these issues. The Company showed the Office that language had been provided in both the Proposed and Legislative Tariff sheets (QGC Energy Efficiency Exhibit 1.9) under the Company Assistance heading of the Business Custom section of the Tariff (2.16) which states:

The Company will provide a strategic energy management service to potential Business Custom program participants. The service will provide greater technical and administrative support to qualifying businesses which are identified and contacted by the Company. Potential participant businesses will be required to contract with the Company to implement the findings of the energy management service before support is provided by the Company.

The Company believes that the detail provided in the proposed Business Custom section of the Tariff coupled with the Business Custom program documents (QGC Energy Efficiency Exhibit 1.6) clearly identify all of the necessary requirements for participation in the program.

D. Market Transformation Initiative

The Office has expressed concerns about the Company's Market Transformation initiative. The Company has sought to be responsive to those concerns. A significant portion of the August 5, 2013 DSM Advisory Group meeting was dedicated to a discussion of the Company's Market Transformation initiative. Additionally, the Company added a detailed discussion of its Market Transformation initiative to the 2014 Application and Exhibits (QGC Energy Efficiency Exhibit 1.8). The Market Transformation exhibit (QGC Energy Efficiency Exhibit 1.8) provides a description of the background, budget history, an analysis of natural gas energy efficiency industry efforts, and an explanation of the proposed 2014 Market Transformation components along with projected expenditures. Analysis of the Market Transformation exhibit shows that the Company has:

- Consistently spent less than budgeted by being selective in spending and through diligent efforts to secure event and promotional contracts at low rates.
- Achieved a market penetration rate of 20% or greater for energy efficiency programs in nearly one-third of the time required by other high performing utilities.
- Kept Market Transformation expenditures (4.47% in 2011^{*}) in line with the U.S. natural gas energy efficiency industry marketing expenditure average (4.4% in 2011^{*}).

^{*}most recent data available

The Company has and will continue to work closely with the DSM Advisory Group on its Market Transformation initiative in 2014.

E. Future Energy Efficiency Budget Filings

The Office requests that the Company include current year actual expenditures with remaining year forecasts as part of future energy efficiency budget filings. The Company understands the Office's desire to analyze actual and forecasted spending with the budget filing. However, the Company currently has a responsive reporting mechanism that includes actual and forecasted expenditures. Commission-ordered reports are triggered when program spending milestones are achieved throughout the year. When those reports are triggered, the Company reports year-to-date actual spending and includes forecasted spending by program for the remainder of the year. The Company believes that a new reporting requirement is unnecessary. Additionally, the Company believes that requiring reporting to provide *current* year forecasted expenditures as part of the budget filing for a *future* program year could be confusing, as it mixes filings from separate dockets.

As part of future budget filings, the Office also recommends that the Company eliminate the program documents (QGC Energy Efficiency Exhibits 1.1 – 1.7 in this docket). The Company agrees with the Office that the annual budget filings contain redundancies which have led to inconsistencies across the Application, Tariff and program documents over the years. However, the Company believes that the program documents are valuable because they provide information (e.g. participation forecasts) not currently found in any of the other budget filing components. The Company proposes to bring both future energy efficiency budget filing issues raised by the Office to the DSM Advisory Group in 2014 for input.

III. TARIFF PAGES

The Company has modified the proposed Tariff language in an effort to clarify details of the proposed Builder rebate credit process and to change the name of the proposed Low-

Income Weatherization program to the Low-Income Efficiency program. The updated Proposed and Legislative Tariff pages are attached hereto as QGC Energy Efficiency Exhibit 1.9U.

IV. CONCLUSION

The Company requests that the Commission accept the revised Tariff pages attached hereto, as replacements to those filed with the Application. The Company requests the Commission approve the Application and the Tariff pages as more specifically set forth herein.

DATED this 12th day of December, 2013.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Application was served upon the following by electronic mail on December 12, 2013:

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