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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
Artie Powell, Manager
Doug Wheelwright, Technical Consultant
Carolyn Roll, Utility Analyst

Date: November 14, 2014

Subject: Docket No. 14-057-25, Questar Gas Company 2015 Budget for Energy Efficiency Programs and Market Transformation Initiative. The Division recommends that the Commission approve the Company's application as filed in Docket No. 14-057-25.

RECOMMEND: APPROVAL

The Division of Public Utilities (Division) has reviewed the Application and recommends approval of Questar Gas Company's 2015 Energy Efficiency (EE) Programs and Market Transformation Initiative Budget.

ISSUE:

On October 14, 2014, Questar Gas Company (Company or QGC) filed an application with the Public Service Commission of Utah (Commission or PSC) for approval of its Energy Efficiency Programs and Market Transformation Initiative Budget for 2015. On October 15, 2014 the PSC issued an Action Request to the Division to review the application. This is the Division's response to that Action Request.

DISCUSSION:

DSM PILOT PROGRAM AND 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. In a January 16, 2007 Order issued in Docket No. 05-057-T01, the Commission approved the original application. The EE Budget submitted in this docket is the ninth budget submitted by the Company. Table 1 shows a history of actual expenditures through 2013 with the 2014 and 2015 EE Budgets.

A	B	C	D	E	F	G	H	I	J
	2006-07	2008	2009	2010	2011	2012	2013	2014	2015
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
ThermWise Appliance	\$ 2,765.4	\$ 4,932.2	\$10,141.7	\$ 9,137.7	\$ 5,862.4	\$ 4,881.2	\$ 5,127.7	\$ 5,887.4	\$ 5,885.5
ThermWise Builder	\$1,186.6	\$ 2,789.1	\$ 2,642.7	\$ 3,699.8	\$ 3,441.6	\$ 3,196.9	\$ 3,146.0	\$ 2,775.0	\$ 3,432.6
ThermWise Business	\$ 450.9	\$ 709.3	\$ 702.3	\$ 1,173.4	\$ 1,296.5	\$ 1,575.7	\$ 1,925.6	\$ 1,985.8	\$ 2,693.5
ThermWise Custom Business	NA	\$ 102.9	\$ 97.4	\$ 284.1	\$ 416.4	\$ 608.0	\$ 557.8	\$ 760.2	\$ 559.8
ThermWise Home Energy Plan	\$1,893.7	\$ 587.4	\$ 694.8	\$ 727.7	\$ 519.2	\$ 627.0	\$ 606.7	\$ 794.3	\$ 900.7
ThermWise Weatherization	NA	\$ 7,706.3	\$31,485.9	\$19,000.3	\$ 8,843.4	\$10,023.7	\$15,208.6	\$12,686.5	\$12,115.7
Market Transformation	\$ 866.6	\$ 999.2	\$ 1,184.2	\$ 1,163.3	\$ 1,409.1	\$ 1,093.0	\$ 1,326.4	\$ 1,653.0	\$ 1,453.0
Energy Comparison Report	NA	NA	NA	NA	NA	NA	NA	NA	\$ 400.0
Low Income Efficiency	\$ 250.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 612.9	\$ 1,085.0	\$ 877.4	\$ 1,087.3
Total	\$7,413.2	\$18,076.4	\$47,449.0	\$35,686.3	\$22,288.6	\$22,618.4	\$28,983.8	\$27,419.6	\$28,528.1

Table 1 shows a ramp up of the programs during the first two years and then a decrease in actual spending from a 2009 high of \$47.4 million to \$22.6 million in 2012. \$13.1 million has been spent through June 2014. Participation in the Builder and Business programs have exceeded budget, with the Builder program forecasted to be 139% of budget and the Business program to be 142% of budget by year end. QGC projects 2014 expenditures will be slightly under the 2014 EE Budget of \$27.4 million. The proposed 2015 budget is an increase from the 2014 budget due to increased

demand for incentives of \$1.4 million in 2015. The Company proposes to separate the ThermWise Energy Comparison Report from the Market Transformation Initiative and launch it as a stand-alone program and to claim natural gas savings from delivery of the report beginning in 2015. The Company continues to look for new ways to increase participation in all of the EE programs and consults with the Advisory Group for input to achieve these goals.

2015 ENERGY EFFICIENCY PLAN SUMMARY

Table 2 summarizes QGC's proposed 2015 EE Budget by program as compared to the 2014 EE Budget. As shown in Table 2, the EE Budget for 2015 is \$28.528 million (Col D Ln 9). This is 4.0% above the 2014 DSM Budget (Col F Ln 9). Columns I and J compare the 2015 EE Budget Total Resource Cost Test ratios (TRC) to the 2014 EE Budget TRC for the EE programs.

Table 2: 2015 Energy Efficiency Report Summary										
QUESTAR GAS COMPANY										
DSM ENERGY EFFICIENCY REPORT										
2015 Budget and 2014 Budget										
DOCKET NO. 14-057-25										
	A	B	C	D	E	F	G	H	I	J
		2015 Budgeted Participants	2014 Budgeted Participants	2015 Budget (000)	2014 Budget (000)	% 2015 Budget over (under) 2014 Budget	2015 Dth Savings*	2014 Dth Savings*	2015 TRC Ratio	2014 TRC Ratio
1	ThermWise Appliance	22,100	20,062	\$ 5,885.5	\$ 5,887.4	0.0%	236,215	226,101	1.3	1.1
6	ThermWise Builder	10,224	7,540	\$ 3,432.6	\$ 2,775.0	23.7%	92,337	71,565	0.9	0.9
2	ThermWise Business	2,097	1,323	\$ 2,693.5	\$ 1,985.8	35.6%	110,973	100,820	1.3	1.5
3	ThermWise Custom Business	20	50	\$ 559.8	\$ 760.2	-26.4%	23,000	35,000	1.3	1.6
4	ThermWise Energy Plan	3,163	2,650	\$ 900.7	\$ 794.3	13.4%	38,824	31,221	1.2	1.1
5	ThermWise Weatherization	49,115	67,570	\$ 12,115.7	\$ 12,686.5	-4.5%	261,703	273,661	1.1	1.2
6	Market Transformation	NA	NA	\$ 1,453.0	\$ 1,653.0	-12.1%	NA	NA	0.0	0.0
7	Energy Comparison Report	NA	NA	\$ 400.0	\$ -		120,900	NA	1.5	0.0
8	Low Income Efficiency	1,846	1,978	\$ 1,087.3	\$ 877.4	23.9%	21,336	20,912	1.1	1.1
9	Total	88,565	101,173	\$ 28,528.1	\$ 27,419.6	4.0%	905,288	759,280	1.1	1.1
*Savings reflects the net Dth deemed savings based on budgeted participants with an 80% net-to-gross ratio applied.										

For 2015, the number of expected participants is below the 2014 budgeted level with the decrease in Weatherization participation. The Dth savings exceed the level set in the 2014 budget due in large part to the projected Dth savings from customers that receive the Energy Comparison Report.

Table 3, shows the June 30, 2014 actual results and compares the 2015 budget to the 2014 budget by total customer rebates and program administrative & overhead costs. The table shows the 4.0% increase from the 2014 budget which is attributed mainly to an increase in expected customer rebates. Administrative program costs are slightly higher than the 2014 budget amount. The table shows an increase of 19% in Dth saved and a 12% decrease in participants is projected. The increase in projected Dth savings reduces the cost per Dth saved by 12.7% to \$31.51 per Dth saved.

Table 3	ThermWise 2015 EE Program				
	Thousands				
	2014 2Q Actual YTD	2014 Budget	2015 Budget	\$ 2015 Budget over (under) 2014 Budget	% 2015 Budget over (under) 2014 Budget
Customer Rebates	10,182.8	19,993.1	20,985.8	992.7	5.0%
Program Costs	2,897.0	7,426.5	7,542.3	115.8	1.6%
Total Costs	\$ 13,079.8	\$ 27,419.6	\$ 28,528.1	\$ 1,108.5	4.0%
Projected Dth Savings*	294.9	759.3	905.3	146.0	19.2%
Participants	55.7	101.1	88.5	(12.6)	-12.4%
Total \$ / Dth Savings (\$0.00)	\$ 44.35	\$ 36.11	\$ 31.51	NA	-12.7%
California Test Results					
Total Resource Cost Test B/C	1.0	1.1	1.1	NA	NA
Utility Cost Test B/C	1.4	1.3	1.4	NA	NA
* Assumes a 20% reduction to gross Dth saved.					

PROGRAM REVIEW

For 2015, 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 and 7) the Low-Income Efficiency Program. In addition to these programs, the Market Transformation Initiative and the Energy Comparison Report (a stand-alone program beginning in 2015), designed to inform and educate customers about the importance of energy conservation, are part of the 2015 budget. The Company's internally-developed Energy Comparison Report has been delivered at significant cost savings to Utah customers. Through research, the Company has found that comparable programs, delivered by third-party vendors, can cost up to four times as much annually as the Company's internally-developed program.

THERMWISE APPLIANCE REBATES PROGRAM

The ThermWise Appliance Rebates Program for 2015 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 2014. In 2015, the measure for High-Efficiency Gas Furnaces will continue to market the highest tier measure as 98% AFUE but to adjust the minimum AFUE requirement in the Tariff to 97.5% AFUE. This is in response to only one unit available at exactly 98%, while there are several furnaces available at 97.5%. The Company is also proposing to add smart thermostats to the rebate measure mix. All rebate applications must be completed within 6 months of the qualifying appliance purchase.

This program has a 2015 proposed budget cost of \$5.885 million compared to a 2014 budget of \$5.887 million, no change from the 2014 budget. Again, as with the previous year's budgets, the actual customer rebates will vary depending on customer participation.

Table 4 compares the ThermWise Appliance Program by Customer Rebates and Program Administrative Costs with actual results through June 30, 2014, the 2014 budget and the 2015 budget. The table shows an increase in the TRC from the 2014 budget and no change in the Utility Cost Test (UCT) benefit ratio from the 2014 budget projection.

Table 4	ThermWise Appliance Program			\$ 2015 Budget over (under) 2014 Budget	% 2015 Budget over (under) 2014 Budget
	2014 2Q Actual YTD	2014 Budget	2015 Budget		
Customer Rebates	2,178.9	4,617.4	4,646.5	29.1	0.6%
Program Costs	482.9	1,270.0	1,239.0	(31.0)	-2.4%
Total Costs	\$ 2,661.8	\$ 5,887.4	\$ 5,885.5	\$ (1.9)	0.0%
Projected Dth Savings *	85.7	226.5	236.2	9.7	4.3%
Participants	10.0	20.1	22.1	2.0	10.2%
Total \$ / Dth Savings (\$0.00)	\$ 31.06	\$ 25.99	\$ 24.92	NA	-4.1%
California Test Results					
Total Resource Cost Test B/C	1.1	1.1	1.3	NA	NA
Utility Cost Test B/C	1.7	1.7	1.7	NA	NA
* Assumes a 20% reduction to gross Dth saved.					

THERMWISE BUILDER REBATES PROGRAM

In the ThermWise Builder Program the Company proposes to eliminate the Builder Option Package (BOP) rebates in 2015 as the rebate qualifications became code-required with Utah’s recent adoption of the 2012 International Energy Conservation Code (IECC). The Company proposes to introduce a 10% above-code rebate in place of the BOP rebates in 2015. The Company believes that the State’s new home market will benefit from the inclusion of a “reach” measure designed to encourage above-code construction. The Company proposes to introduce the smart thermostat rebate for new homes in 2015 with the same rebate amount and requirements outlined in the Appliance Program discussion. The Company also proposes to make the same Tariff adjustment for 98% AFUE furnaces as discussed in the Appliance program.

Table 5 shows the 2015 budget for the ThermWise Builder Program is \$3.433 million, a \$0.658 million dollar increase from the 2014 budget of \$2.775 million. The increase is due to higher customer rebates and a slight increase in administrative costs. Expected participation and Dth saved is higher than the 2014 budget resulting in lower dollars per Dth saved than expected in the 2014 budget. The Builder Program is the only program with a TRC ratio below 1.0. The UCT ratio remains above 1.0.

Table 5	ThermWise Builder Program				
				Thousands	
	2014 2Q	2014	2015	\$ 2015 Budget	% 2015 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2014 Budget	2014 Budget
Customer Rebates	1,586.5	2,081.0	2,690.2	609.2	29.3%
Program Costs	299.1	694.0	742.4	48.4	7.0%
Total Costs	\$ 1,885.6	\$ 2,775.0	\$ 3,432.6	\$ 657.6	23.7%
Projected Dth Savings *	47.9	71.6	92.3	20.7	29.0%
Participants	5.8	7.5	10.2	2.7	36.3%
Total \$ / Dth Savings (\$0.00)	\$ 39.37	\$ 38.76	\$ 37.17	NA	-4.1%
California Test Results					
Total Resource Cost Test B/C	0.9	0.9	0.9	NA	NA
Utility Cost Test B/C	1.6	1.3	1.3	NA	NA
* Assumes a 20% reduction to gross Dth saved.					

THERMWISE BUSINESS REBATES PROGRAM

This program is available to the GS Rate Class commercial customers and offers many prescriptive measures, all of 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. The Company proposes to continue this program in 2015 with the following changes: 1) introduce smart thermostats, combined space/water heat, condensing infrared (IR) heaters, and condensing indirect-fired roof top units (RTU) to the current rebate measure mix; 2) eliminate new construction windows ($\leq .30$ U value) as eligible rebate measures because they have become the baseline window in the marketplace; 3) add eligibility restrictions to the Tariff to ensure natural gas savings for boiler tune-ups; 4) adjust the AFUE qualification for the 98% efficient furnace measure for the reasons listed in the Appliance Program discussion. These changes are proposed to more closely align the program with market conditions and will help to ensure that program savings are achieved as desired.

The ThermWise Business program has been increasing annually and is forecasted to grow again in 2015. The 2015 budget is \$2.694 million, which is \$0.708 million or 36% above the 2014 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, 2014, the 2014 budget and the 2015 budget.

Table 6	ThermWise Business Program				
				Thousands	
	2014 2Q Actual YTD	2014 Budget	2015 Budget	\$ 2015 Budget over (under) 2014 Budget	% 2015 Budget over (under) 2014 Budget
Customer Rebates	661.4	1,172.8	1,778.5	605.7	51.6%
Program Costs	412.9	813.0	915.0	102.0	12.5%
Total Costs	\$ 1,074.3	\$ 1,985.8	\$ 2,693.5	\$ 707.7	35.6%
Projected Dth Savings *	26.4	100.8	111.0	10.2	10.1%
Participants	1.0	1.3	2.1	0.8	58.7%
Total \$ / Dth Savings (\$0.00)	\$ 40.69	\$ 19.70	\$ 24.27	NA	23.2%
California Test Results					
Total Resource Cost Test B/C	1.1	1.5	1.3	NA	NA
Utility Cost Test B/C	1.5	2.3	1.8	NA	NA
* Assumes a 20% reduction to gross Dth saved.					

THERMWISE BUSINESS CUSTOM REBATES PROGRAM

This program is a customer initiated program and is administered by Nexant. The 2015 budget has decreased from the 2014 budget by \$200,000 due to decreases in both rebates and program costs.

Table 7 compares the 2015 budget to the 2014 budget. The table shows that the benefit cost ratios remain above 1.0 for the 2015 plan year.

Table 7	ThermWise Custom Business Program				
				Thousands	
	2014 2Q	2014	2015	\$ 2015 Budget	% 2015 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2014 Budget	2014 Budget
Customer Rebates	2.6	250.0	100.0	(150.0)	-60.0%
Program Costs	106.7	510.2	459.8	(50.4)	-9.9%
Total Costs	\$ 109.3	\$ 760.2	\$ 559.8	\$ (200.4)	-26.4%
Projected Dth Savings *	0.3	35.0	23.0	(12.0)	-34.3%
Participants	0.0	0.1	-	(0.1)	-100.0%
Total \$ / Dth Savings (\$0.00)	\$ 364.33	\$ 21.72	\$ 24.34	NA	12.1%
California Test Results					
Total Resource Cost Test B/C	0.1	1.6	1.3	NA	NA
Utility Cost Test B/C	0.1	2.2	1.9	NA	NA

* Assumes a 20% reduction to gross Dth saved.

The Company proposes to continue this program in 2015 with the addition of a new simplified analysis rebate measure as well as the reorganization of some Tariff language. The reorganized Tariff language was undertaken in an effort to clarify the overall program description, standard and simplified measure eligibility, and participation requirements. QGC Energy Efficiency Exhibit 1.6 sets forth the complete program description for 2015.

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. Upon approval, the project may proceed. Post-

completion inspections are performed before 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.

THERMWISE HOME ENERGY PLAN REBATES PROGRAM

The ThermWise Home Energy Plan is administered by Questar. The Company expanded program eligibility to previously ineligible multifamily customers in 2013. The Company also transitioned the program name from Home Energy Audit to Home Energy Plan in the early part of 2013. The home energy plans can either be an on-site audit, conducted by QGC technicians, or a mail in plan in which the participant answers questions and receives advice from QGC. A \$25 fee is charged for the on-site plans. This fee is fully refundable upon participation in any ThermWise energy-efficiency rebate program and is waived for lower-income senior homeowners. In addition, the program will provide certain low-cost energy-efficiency measures at no charge.

The 2015 budget is \$900.7 thousand, which is \$106.4 thousand above the 2014 budget. The increase is due to an increase in program costs. Questar is proposing to replace the current software that generates the customized energy plan. The current software is outdated, the Company has found a replacement that meets the Company's cost and efficacy requirements. Table 8 compares the 2015 EE Budget to the 2014 EE Budget along with June 30, 2014 YTD actual results. The table shows the benefit cost ratios are at 1.2 for 2015. 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 energy plans. This program continues to have 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 Energy Plan Program			Thousands	
	2014 2Q Actual YTD	2014 Budget	2015 Budget	\$ 2015 Budget over (under) 2014 Budget	% 2015 Budget over (under) 2014 Budget
Customer Rebates	17.8	57.0	65.4	8.4	14.7%
Program Costs	267.8	737.3	835.3	98.0	13.3%
Total Costs	\$ 285.6	\$ 794.3	\$ 900.7	\$ 106.4	13.4%
Projected Dth Savings *	15.4	31.2	38.8	7.6	24.4%
Participants	2.2	2.7	3.2	0.5	19.4%
Total \$ / Dth Savings (\$0.00)	\$ 18.55	\$ 25.44	\$ 23.20	NA	-8.8%
California Test Results					
Total Resource Cost Test B/C	1.9	1.1	1.2	NA	NA
Utility Cost Test B/C	1.9	1.1	1.2	NA	NA

* Assumes a 20% reduction to gross Dth saved.

THERMWISE WEATHERIZATION REBATES PROGRAM

This program offers both GS single-family and multi-family residential customer rebates for installing qualifying weatherization measures. The Company proposes to eliminate .30 U-value windows as a rebate-eligible measure in 2015. That measure has seen increasing levels of participation and market adoption, the Company believes that the windows market has now transformed and that .30 windows have become the standard in the marketplace. The Company continues 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. This list of qualified contractors is maintained on the Company's website and interested customers can review that list on the Company's web-site.

The weatherization measures are customer initiated with rebates mailed back to the participants. The 2015 budget is \$12.116 million, a decrease of 4.5% from the 2014 budget. Table 9 compares the ThermWise Weatherization Program by Customer Rebates and Program Costs with actual results through June 30, 2014, the 2014 budget and the 2015 budget. The table shows the benefit cost ratios are above 1.0 which similar to the levels projected in the 2014 budget plan.

Table 9	ThermWise Weatherization Program				
	Thousands				
	2014 2Q	2014	2015	\$ 2015 Budget	% 2015 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2014 Budget	2014 Budget
Customer Rebates	5,541.0	11,476.5	11,156.9	(319.6)	-2.8%
Program Costs	349.9	1,210.0	958.8	(251.2)	-20.8%
Total Costs	\$ 5,890.9	\$ 12,686.5	\$ 12,115.7	\$ (570.8)	-4.5%
Projected Dth Savings *	113.5	273.7	261.7	(12.0)	-4.4%
Participants	35.5	67.6	49.1	(18.5)	-27.3%
Total \$ / Dth Savings (\$0.00)	\$ 51.90	\$ 46.36	\$ 46.30	NA	-0.1%
California Test Results					
Total Resource Cost Test B/C	1.2	1.2	1.1	NA	NA
Utility Cost Test B/C	1.4	1.3	1.3	NA	NA

* Assumes a 20% reduction to gross Dth saved.

LOW INCOME EFFICIENCY 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 Company proposes to eliminate the .30 U-value windows and programmable thermostats from the program in 2015. This tariff includes a paragraph allowing approved non-profit or governmental agencies to apply for rebates under the ThermWise Programs. This allows qualified agencies to utilize rebates for work they have performed to do additional weatherization measures. The Utah Department of Workforce Services, Housing and Community Development Division (HCD) currently qualifies under this provision. This allows HDC to report its activity quarterly and include the saved Dth as a result of its 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 Efficiency Program.

Table 10	ThermWise Low Income Efficiency Program				
	Thousands				
	2014 2Q	2014	2015	\$ 2015 Budget	% 2015 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2014 Budget	2014 Budget
Customer Rebates	194.6	338.4	548.3	209.9	62.0%
Program Costs	251.6	539.0	539.0	-	0.0%
Total Costs	\$ 446.2	\$ 877.4	\$ 1,087.3	\$ 209.9	23.9%
Projected Dth Savings *	5.7	20.9	21.3	0.4	2.0%
Participants	1.2	2.0	1.8	(0.1)	-6.7%
Total \$ / Dth Savings (\$0.00)	\$ 78.28	\$ 41.96	\$ 50.96	NA	21.5%
California Test Results					
Total Resource Cost Test B/C	0.6	1.1	1.1	NA	
Utility Cost Test B/C	0.8	1.3	1.0	NA	

* Assumes a 20% reduction to gross Dth saved.

TOTAL 2015 EE PROGRAM ADMINISTRATIVE COST

As shown in Table 3 on page 4, the 2015 total program administrative costs are \$7.542 million, a \$115.8 thousand increase from the 2014 budget program costs. This \$7.5 million represents about 26% of the total budget compared to 27% administrative costs in the 2014 budget. The budget includes \$1.5 million for the Market Transformation Program and \$0.4 million for the Energy Comparison Report. For the measures with rebates, the total program administrative costs are lower than the 2014 budget. The Division acknowledges that there are some parties that may have concerns with elements in the Market Transformation budget and recommends that the Company review all components of the Market Transformation budget with the Advisory Group. The Division requests that the Commission direct the Company to conduct that review in the first quarter of 2015. The Division urges QGC to always look for ways to implement administrative cost reduction steps in order to improve overall program efficiencies.

GAS PRICE SENSITIVITY

Based upon gas price forecasts used in the 2014-15 QGC IRP plan (Docket No. 14-057-15), the 2015 EE Budget assumes a first year average summer/winter gas price of \$4.83/\$5.38 per Dth respectively with a 25 year projection of prices ending at \$7.26/\$7.43 per Dth. This compares to

a beginning summer/winter gas price range in the 2014 EE Budget of \$4.37/\$4.56 per Dth, ending at \$7.34/\$7.71 per Dth.

The Company used traditional sources for gas price projections in all of the analyses. All of the gas price forecasts used show moderate increases from the current low-price levels. The Company has chosen not to eliminate measures solely on the basis of failing a benefit-cost test. Most programs and individual measures are fairly low cost to maintain, but expensive to start-up. The Company feels taking the long view in this low-price environment is in the best interest of customers and the ThermWise programs.

CONCLUSION AND RECOMMENDATION:

While the Division recognizes that in the lower cost price environment for natural gas that currently exists, it is more difficult to justify some measures as truly cost effective, the Division still finds value in the overall program objectives. Therefore the Division supports the 2015 Energy Efficiency Budget and recommends the Commission approve the application.

The Division commends QGC and the Advisory Group for their active participation and commitment to continue to develop and promote strong Energy Efficiency programs, with the intent to promote the energy saving measures to an even broader base of GS customers and urges all GS customers to participate in these programs whenever possible.

Cc: Barrie Mckay, Questar Gas Company
 Mike Orton, Questar Gas Company
 Michele Beck, Office of Consumer Services
 Gavin Mangelson, Office of Consumer Services