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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Gavin Mangelson, Utility Analyst

Date: November 14, 2014

Subject: Docket 14-057-25

In the Matter of: the Application for Approval of the 2015 Year Budget for Energy Efficiency Programs and Market Transformation Initiative

On October 14, 2014 Questar Gas Company (Company) filed with the Public Service Commission (Commission) an application with supporting exhibits for the 2015 budget of the Company's Demand Side Management (DSM) programs (referred to as Energy Efficiency in this filing). The Commission subsequently posted a Notice of Filing and Comment Period.

The Office of Consumer Services (Office) has submitted two data requests to the Company in this docket. The Office's questions focused on the "Fall Prep" media campaign, the Company's relationship with Rocky Mountain Gas Association (RMGA), and RMGA's contribution to the Fall Prep campaign. The Office also asked a few questions regarding the efficiency of certain proposed and continuing measures.

On November 6, 2014 a correspondence from Mr. Dan Dent was posted to the docket; the email describes a number of discussions and Mr. Dent's opinions about the efficacy of certain types of marketing strategies and the overall marketing portfolio as requested by the Company.

Program Changes

The Company proposes to add a rebate for Smart Thermostats. Although the Company explains that the benefits of these devices can be augmented through a

residence's wireless internet and/or smart phone, the cost-benefit calculations for the measure are not based on the existence of internet service or a smart device. Therefore, the Office does not oppose this new proposed rebate.

The Company also plans to issue Wi-Fi enabled devices to the Home Energy Plan technicians to facilitate new software for tracking the inspection results. The Office has clarified that the technicians will use the internet capability of their existing smart phones to provide Wi-Fi to the device; a residence's internet will not be used and the Company will not be procuring additional data plans for the new devices.

Lastly, the Company proposes to readjust incentives for 98% efficient furnaces to include 97.5% efficient furnaces. The Office supports this proposal because the change will more closely align this measure with current market conditions.

Market Transformation Initiative

The Company is requesting a budget of \$1,453,000 for the Market Transformation Initiative (MTI). The 2014 program budget was \$1,653,000, however, that included the Energy Comparison Report. For 2015 the Company is proposing to manage the Energy Comparison Report as a stand-alone program with its own budget of \$400,000. Therefore the 2015 budget has a net increase of \$200,000 for the same programs.

Details for the proposed MTI budget are found in Exhibit 1.8. Based on its analysis of Exhibit 1.8, the Office has not found compelling evidence to support such a large MTI budget. The Office asserts that the requested MTI budget is unnecessarily high in order to meet the stated goals. The proposed MTI budget includes \$450,000 for Sports Marketing and \$725,000 for other media and advertising; but includes only \$50,000 for codes training. The Office is concerned that the MTI is being used to facilitate branding for Questar Gas Company and Questar Corporation and not just to promote participation in Energy Efficiency.

The Office is also specifically concerned about the use, or lack of appropriate use, of the Lighthouse telephone survey explained in Exhibit 1.8 (survey). Page 6 of Exhibit 1.8 describes how survey respondents first heard about Thermwise; athletic

sponsorships are not listed among the reasons¹. Thus, it is unclear why the Company is proposing such a large sum to continue to fund athletic sponsorships.

This also raises questions about the proper use of these surveys. It appears that they are being used merely to justify the existence of a marketing campaign. The Office asserts that the surveys, coupled with careful analysis, could be much better utilized to create a more effective marketing strategy.

The Office acknowledges that by nature the MTI budget cannot be analyzed by the same cost effectiveness tools used for other programs. Nonetheless, the Company must be required to provide some level of justification that the use of these funds is in the public interest and results in just and reasonable rates. No such showing has been made. In fact, the Company's own survey does not justify its MTI spending strategy. Other portions of the MTI spending were not even addressed in this filing in a manner that would justify their inclusion in the MTI budget. For example, OCS data request 2.3 requested greater details about actual results and the efficacy of the SLCC Energy Management Program. The Company provided a more detailed explanation of benefits in response to this inquiry. This information should have been included in the Application in support of the Company's \$14,000 budget request, not made available solely upon a data request.

Based on the discussion above, the Office only supports the Company's request to create a separate program to manage the Energy Comparison Reports. This new separate program should remain part of the filing for the other Energy Efficiency programs. Furthermore, The Office recommends that the Commission defer any approval of the MTI budget and the Commission should require a separate filing for the Company's MTI budget. Such a filing should include greater analysis and evidence supporting the expected benefits associated with the marketing campaign. Currently the Rocky Mountain Power Strategic Communications and Outreach Campaign

¹ The Office notes that the letter filed by Dan Dent in this docket makes a similar argument, but is reluctant to cite to that letter since it is not provided in a format that presents evidence for the Commission to consider. However, the Office's main point is that the Company has not come close to meeting its burden to demonstrate that this portion (or any portion) of the MTI funds are being used in such a manner that results in just and reasonable rates.

budget is filed independently from any DSM programs. The Office recommends that the review of Questar's MTI be aligned with this practice. Each media type and program funded under the MTI umbrella (such as the SLCC Energy Management Program and athletic sponsorships) should be supported by evidence as to its ability to achieve specific goals. The Office has repeatedly raised concerns that the proposed MTI budget needs better justification in DSM Advisory Meetings and in last year's comments (13-057-14 OCS Comments Nov 27, 2013) to the Commission. Given the lack of progress on this issue and the significant problems that have been identified, the Office asserts that the only remedy is to deny approval of this budget until additional supporting evidence is provided.

Fall Prep

During the 2014 fall season the Company has been running an advertising campaign referred to as "fall prep." Radio commercials urge the Company's customers to go to fallprep.com and customers are then routed to the Utah RMGA's website. This website currently has a large picture of the "Therm" character from the Thermwise marketing campaign (Therm) and integrated into the graphic is a location for a site visitor to enter their zip code in order to find local HVAC contractors. However, search results will only include contractors that are members of RMGA. Only referring RMGA members is to be expected on a RMGA website; but the Office asserts that the use of Therm to promote RMGA's interests is not a just and reasonable use of an asset that has been wholly developed and funded by rate payers.

The focus of the Office's data request No 1 was to determine what funds had been spent in developing and branding the Therm character. In response the company provided a Marketing and Advertisement Report for 2012 -2014. This report shows that the Company has paid over \$1.5 million dollars over the last three years to marketing firms in order to create media using Therm and promoting the Thermwise campaign. A total of \$2.7 million has been spent on Therm centered media over the last three years using money collected from the DSM Amortization rate (the 182.4 deferred account). In contrast, the Company has spent less than one million dollars from other funding sources on media using Therm over the same period. Many of these other media expenditures are made solely to display existing images of Therm at various locations. These numbers demonstrate that the Therm character's

conception, development, branding and name recognition have been largely funded by DSM funds and then shared with other Company operations.

Regarding the Fall Prep campaign, Therm and the Thermwise logo are being used on the RMGA website in order to provide customer leads to contractors that are members of RMGA (see OCS Exhibit 1) The response to OCS data request 2.01 indicates that RMGA has not paid any royalties or contributions to the Company for use of Therm on their website, nor has RMGA paid to have their website referred to in the ratepayer funded Fall Prep commercials. Furthermore, RMGA is not contributing to the cost of the fallprep.com domain which only exists to route users to the Utah RMGA website. Ratepayers are funding the development and branding of Therm and Thermwise and these recognizable brands are being used to promote the interests of a third-party.

The Office's position is that Therm and the Thermwise logo are brands funded by ratepayers and should be employed only for the benefit of all ratepayers. If this were a general rate case, the Office would strongly advocate for a disallowance of all costs associated with advertisements containing any reference to fallprep.com or the RMGA, since such advertisements use ratepayer funds to direct business to a subset of the qualified contractors who are available and allowed to do the work referenced in the advertisements. Further, the Office notes the Commission's previous reluctance to set direction on the details of any regulated utility's customer communications. Nonetheless, the Office asserts that this is an egregious example of unjust use of ratepayer funds and the Office requests that the Commission take specific action to end the Company's practice.

Thus, the Office recommends that the Commission order the Company to discontinue the use of any advertisements that refer customers to fallprep.com or the RMGA rather than a more general referral to licensed and qualified contractors². The Office also notes that this clear misuse of ratepayer funds in Thermwise-related advertisements is additional supporting evidence to delay approval of any MTI budget. While the offending advertisements were not funded from the 182.4 DSM deferred

² The Office notes that one potential solution would be to change the content on fallprep.com. Since Questar owns the domain name, it could simply change the content so that instead of being redirected to the RMGA site the domain could route to the fall preparation page currently on the Questar site and linked to from the front page of the RMGA site (see: <https://www.questargas.com/landing/FallPrep2013.php>)

account, they do use the Thermwise brand and provide additional evidence why the marketing budget associated with that brand requires additional scrutiny.

Finally, the Office further recommends that the Commission require Questar to disallow the current use of Therm on the RMGA website. The Office asserts that this use is not consistent with the Company's policy as described in response to OCS DR 1.6 included as OCS Exhibit 2 and is not in the public interest. The Therm character is being used to provide recommendations to RMGA members not to promote any specific Questar product or energy efficiency measure.

Recommendation

The Office recommends that the Commission take the following action:

1. Reject the MTI budget proposal as filed and require it to be filed separately for the 2015 marketing year and for all subsequent years.
2. Approve the remaining Energy Efficiency budget request along with proposed program changes, including removing the Energy Comparison Reports from MTI and separately funding that program.
3. Order the Company to immediately discontinue use of any advertisements that refer customers to fallprep.com or the RMGA rather than to a more general referral to licensed and qualified contractors.
4. Order the Company to discontinue allowing the use of Therm and Thermwise images on the RMGA website.

Copies To: Questar Gas Company
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