



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

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 18, 2016

Subject: Docket 16-057-15

In the Matter of: The Application for Approval of the 2017 Year Budget for Energy Efficiency Programs and Market Transformation Initiative

Background

On October 18, 2016 Questar Gas Company (Company) filed with the Public Service Commission (Commission) an application with supporting exhibits for the 2017 budget of the Company's energy efficiency programs. The Commission posted a Notice of Filing and Comment Period on October 20, 2016.

In Comments filed by the Office of Consumers Services (Office) in last year's budget filing, Docket 15-057-16¹, the Office asserted that the Company's budget comparisons were inadequate because they only compared the previous budget to the proposed budget and did not provide a comparison of the proposed budget with the current year's actual plus forecast. In Reply Comments² the Company agreed to a "standing data request" in which they would provide the suggested comparisons to the Office in the form of a data request response with each future Energy Efficiency (EE) budget filing. This additional comparison was provided to the Office and Division of Public Utilities in conjunction with this year's filing.

¹OCS Comments November 13, 2015 for Docket 15-057-16 QGC Application for 2016 Energy Efficiency Budget.

² Reply Comments filed November 24, 2015 Docket 15-057-16.

Discussion

The Office of Consumer Services (Office) has analyzed the Company's budget proposal, including the application and exhibits, and the aforementioned budget comparisons provided to the Office as previously agreed. The Office also participates in the Company's Advisory Group, and participated in limited discussions about portions of the Company's budget proposal at the September 29, 2016 Advisory Group meeting. Based on this analysis, we provide the following comments.

Proposed Budget

The Company is requesting a 2017 EE budget of \$25.1 million (\$25,101,962). This amount is about \$1.6 million³ less than the 2016 budget of \$26.7 million (\$26,729,447). The anticipated total actual expenditure for 2016 is almost \$23.3 million. Therefore, although the Company is requesting a 2017 budget that is lower than last year's *budget* it is still 1.8 million dollars higher than last year's *actual* expenditures. The Office notes that these numbers are budget totals and are the sum of the various individual programs that make up the EE portfolio.

Notable changes in the individual program budgets include decreases to the Weatherization and Home Energy Plan budgets, and increases to the Builder and Business program budgets. The Company is also proposing to combine the Business Custom program into the Business program.

The decreases to the Weatherization program reflect ongoing trends of market saturation in residential weatherization measures. The Company has therefore proposed a pilot program whereby they will partner with a weatherization contractor in order to target underserved neighborhoods that may have been bypassed by contractors in previous efforts to find participants. This pilot program was discussed in the aforementioned Advisory Group meeting. The Office supports implementation of

³ The Company's application states a \$1.8 million dollar decrease, however, this and the entry in exhibit 1.10, row 13, column X appear to be errors carried over from the 2016 budget proposal.

this pilot, but we assert that any future proposal to transition the pilot to a permanent part of the portfolio must be accompanied by a robust presentation of evidence demonstrating the program's measurable successes, and cost effectiveness.

SLCC Energy Management Program

The Company is proposing to provide \$14,000 to Salt Lake Community College (SLCC) for an Energy Management Program. The Company originally proposed this funding in Docket 08-057-22⁴ to be \$40,000 paid over three years, *"to enable SLCC to secure grant money to develop and implement the program."* The original application states clearly that the funding from the Company, matched by Rocky Mountain Power, was to assist SLCC in attaining grant money that would then be used for the development and implementation of the program. The Company has since dropped the language about grant money and in this current proposal simply states *"Questar proposes to continue this funding by paying \$14,000 in 2017 to support the continued development and implementation of the program."* The Office asserts that the purpose of this funding has evolved without justification for its current use; a three-year "development and implementation" of the program is now assumed to be ongoing funding. Furthermore, the words "development and implementation" imply that this is meant to be seed money intended to encourage a nascent program. However, now that this funding will be entering its ninth year, it is apparent that the Company intends to subsidize this program in perpetuity. The Company has at no time openly proposed such a subsidy before the Commission and has not provided any evidence indicating that the program benefits ratepayers and that this use of money from ratepayers is justified. The Office recommends that the Commission deny the requested \$14,000, and require that any supplemental request for these funds be accompanied with a thorough justification of the program including any evidence of benefits to ratepayers, along with commitments regarding the length of time the funds will be required. The Office notes that this is not a significant amount of money, but asserts that all expenditures of ratepayer money must be appropriately justified.

⁴ Application filed October 8, 2008, Docket 08-057-22, paragraph 18.

Tankless Water Heaters

Page 2 of exhibit 1.1 details rebates available under the Appliance program. Among them are tankless water heaters. During discussions with the Company at Advisory Group meetings Company representatives have indicated that the Company's energy efficiency programs cannot provide system benefits through reduced peak usage, and that certain technologies such as tankless water heaters may in fact increase demand during peak hour. Unlike storage water heaters, tankless water heaters do not heat water throughout the night, and therefore burn more of the requisite gas during the shorter period of time when hot water is being used. This period of time may coincide with the peak hours for the distribution system.

The Office is therefore concerned that this particular measure has the potential to cause additional system constraints, and thereby harm ratepayers. The Office recommends that tankless water heaters be removed as an eligible measure until the Company can demonstrate that they do not contribute to increasing the system peak.

Recommendation

The Office recommends that the Commission reject the proposed budget of \$25.1 million and require the Company to provide a revised 2017 budget reduced by amounts commensurate with the removal of the:

1. Tankless water heater rebate,
2. Funding for the SLCC energy management program.

Copies To: Questar Gas Company
Michael Orton, Director of Energy Efficiency

Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager