

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

---

In the Matter of the Application of Questar Gas Company for Approval of the 2017 Year Budget for Energy Efficiency Programs and Market Transformation Initiative

DOCKET NO. 16-057-15

ORDER

---

ISSUED: December 23, 2016

**SYNOPSIS**

The Public Service Commission of Utah (PSC) approves the 2017 Year Budget for Energy Efficiency Programs and Market Transformation Initiative, as amended by Questar's December 7, 2016 supplemental filing. The associated tariffs are also approved.

---

**Procedural History**

On October 18, 2016, Questar Gas Company (QGC) filed its Application for Approval of the 2017 Year Budget for Energy Efficiency Programs and Market Transformation Initiative (Application). In response to the PSC's October 20, 2016 request for comments, the Division of Public Utilities (DPU) and the Office of Consumer Services (OCS) submitted comments on November 18, 2016. QGC submitted reply comments on November 29, 2016, as did Utah Clean Energy (UCE). Nine members of the public filed comments during the comment period.

On December 7, 2016, QGC filed supplemental comments agreeing to eliminate funding for the Salt Lake Community College (SLCC) Energy Management Program in 2017 and a revised 2017 budget estimate reflecting this change.

**Summary of the Application**

QGC seeks approval of its 2017 budget for the delivery of Energy Efficiency (EE) programs and the Market Transformation Initiative (MTI), as well as the Tariff sheets reflecting

the EE programs. QGC proposes a 2017 budget, as amended by its December 7, 2016 supplemental filing, of \$25.088 million, a \$1.641 million decrease from the 2016 budget of \$26.729 million, for the EE programs and MTI. QGC represents the overall benefit-cost ratio produced under the Total Resource Cost test of all EE programs and the MTI is 1.12 and under the Utility Cost test for all programs 1.31. We summarize each of these programs below.

ThermWise<sup>®</sup> Appliance Rebate Program

The ThermWise<sup>®</sup> Appliance Rebate Program (Appliance Rebate Program) offers rebates to GS schedule customers for installing qualifying high-efficiency measures. QGC proposes to continue this program in 2017 with the elimination of clothes washers as rebate-eligible measures because these appliances generally have high efficiency values. QGC proposes a 2017 budget of \$6.160 million for this program, a \$0.602 million increase from the 2016 budget.

QGC anticipates that participation in the Appliance Rebate Program will decrease by approximately 3% in 2017 due to the elimination of clothes washer rebates. QGC proposes to increase the budget for the Appliance Rebate Program by 11% reflecting a higher overall level of rebates. Natural gas savings attributable to the Appliance Rebate Program are expected to increase by 25%.<sup>1</sup>

ThermWise<sup>®</sup> Builder Rebates Program

The ThermWise<sup>®</sup> Builder Rebates Program (Builder Rebate Program) offers rebates to residential builders for installing qualifying energy efficiency measures and constructing homes

---

<sup>1</sup> See Application, Exhibit 1.10 at 2.

that meet certain whole-home energy efficiency requirements. QGC proposes a 2017 budget of \$5.333 million for this program, a \$0.346 million increase from the 2016 budget.

In 2016, the Utah State Legislature passed House Bill 316, amending the Utah State Construction Codes to include a provision to adopt the 2015 version of the International Energy Conservation Code (IECC) in the State's energy code. QGC projects a 10% increase in program participants and a 3% decrease in natural gas savings attributable to the Builder Rebates Program. The increase in participation relative to the projected decrease in projected natural gas savings is due to the more stringent building codes and standards that will apply in 2017. As a result of the passage of House Bill 316 and the corresponding IECC impact, QGC proposes these changes to the Builder Rebates Program:

1) Eliminate the Energy Star<sup>®</sup> 3.0, High Performance, and the Energy Star<sup>®</sup> 10% above code rebate programs and, instead, implement and offer whole-home tier-based Home Energy Scores (HERS) incentives, as follows:

**Single-family dwellings**

<b>HERS score</b>	<b>Rebate amount</b>
56 – 62	\$100
49 – 55	\$200
48 or lower	\$300

**Multi-family dwellings**

<b>HERS score</b>	<b>Rebate amount</b>
56 – 62	\$50
49 – 55	\$100
48 or lower	\$150

2) Reduce the incentives available under the Energy Star<sup>®</sup> 3.0 Program for HERS rated homes that receive the additional Energy Star<sup>®</sup> rating from \$300 to \$50 for a single-family, and from \$200 to \$25 for a multi-family.

3) Change the 2 x 6 rebate requirement from a minimum of R-20 to a minimum of R-23, reduce the single-family home 2 x 6 rebate from \$350 to \$150, and eliminate the \$150 for multi-family homes.

ThermWise<sup>®</sup> Business Rebates Program

The ThermWise<sup>®</sup> Business Rebates Program (Business Rebates Program) offers rebates to commercial GS schedule customers that purchase and install qualifying natural gas efficiency measures. QGC proposes a 2017 budget of \$2.907 million for this program, a \$0.812 million increase from the 2016 budget. QGC proposes the following changes to the program in 2017: 1) introduce demand control ventilation units to the current rebate measure mix; 2) eliminate new construction attic and wall insulation as rebate-eligible measures; 3) eliminate the high-efficiency residential clothes washer for business measure; 4) (a) reduce the incentive for retrofit attic insulation from \$0.16 to \$0.08 per square foot, (b) reduce the Tier 2 boiler tune-up incentive from \$300 to \$150 per unit, and (c) reduce the Tier 3 boiler tune-up incentive from \$0.20 per kBtu to \$250 per unit; 5) change the smart thermostat rebate from a dollar-per-unit structure to a rebate based on the size (square footage) of a facility; 6) remove the maximum sizing limit on condensing water heaters; and 7) merge the custom Business Rebates Program measures into the prescriptive Business Program in order to correct misattribution of dollars expended to achieve savings and to reduce the administrative costs.

QGC projects that the 2017 budget for the Business Rebates Program will increase by 39% and that natural gas savings attributable to the program will increase by 92%. The projected increases are primarily due to greater expected participation in savings measures such as infrared heaters and elimination of low savings measures like new construction attic insulation. QGC will

continue to evaluate applications submitted by businesses for rebates that are not otherwise available under the Business Rebates Program. These custom rebates contribute to the projected increases in the program budget and natural gas savings.

ThermWise<sup>®</sup> Home Energy Plan

The ThermWise<sup>®</sup> Home Energy Plan provides either on-site audits or mail-in questionnaires that assist residential customers by recommending home improvements that might result in a reduction of natural gas usage. QGC proposes a 2017 budget of \$0.760 million for this program, a \$0.160 million decrease from the 2016 budget. QGC proposes to continue this program with no major changes.

QGC projects an 11% decrease in program participation and a corresponding 17% decrease in the overall cost for the program. While participation and program costs are expected to decrease, QGC projects that natural gas savings attributable to this plan will increase by 15%. This projected increase is due to increased demand for efficiency measures that produce greater savings.

ThermWise<sup>®</sup> Weatherization Program

The ThermWise<sup>®</sup> Weatherization Program ("Weatherization Program") offers residential customers rebates for installing qualifying weatherization measures. QGC proposes a 2017 budget of \$7.248 million for this program, a \$2.700 million decrease from the 2016 budget. QGC proposes to continue this program and to introduce a ThermWise<sup>®</sup> Direct-Install Weatherization Pilot Program (Direct-Install Pilot Program) designed to reach communities and customers with historically low participation in weatherization programs. The Direct-Install Pilot Program will run for a period of three years, during which time QGC will work closely with Rocky Mountain

Power to develop a combined direct-install weatherization incentive that will be paid directly to qualified weatherization contractors, rather than to customers, after the work is performed.

QGC projects that participation in the Weatherization Program will decrease by 31%, with a corresponding decrease in natural gas savings of 26%. These decreases are anticipated because insulation contractors are expected to leave the retrofit attic insulation segment for more lucrative opportunities. However, QGC also projects that the Direct-Install Pilot Program will slow the trend of declining participation.

Low-Income Efficiency Program

QGC's Low-Income Efficiency Program consists of an annual direct contribution of \$500,000<sup>2</sup> to the Utah Department of Workforce Services, Housing and Community Development Division (DWS) to provide high-efficiency natural gas furnaces for low-income QGC customers. This program also funds rebates for approved non-profits or governmental organizations for specific measures under QGC's ThermWise<sup>®</sup> Appliance Rebate and Weatherization programs. QGC proposes to maintain the annual \$500,000 budget for this component of the program, which will be funded in two equal payments of \$250,000 in January 2017 and in July 2017. QGC also proposes to decrease the budget for rebates under this program by approximately \$0.025 million. QGC proposes a 2017 budget of \$0.860 million for this program, a \$0.030 million decrease from the 2016 budget. The proposed budget for this program includes a 3% decrease due to projected lower participation.

Market Transformation Initiative

---

<sup>2</sup> The contribution is a line item in the 2017 Year Budget for EE Programs and QGC is reimbursed for this item like all other expenses.

In addition to the energy efficiency programs addressed above, QGC proposes to continue its Market Transformation Initiative ("MTI"). According to QGC, its EE programs, including the MTI, will complement Utah's 2014 Energy Efficiency & Conservation Plan to "promote energy efficiency, conservation and peak consumption reductions."<sup>3</sup> QGC proposes a 2017 budget of \$1.340 million for this program, a \$0.084 million decrease from the 2016 budget.

The proposed budget for the MTI includes the following costs:

- \$725,000 in advertising and media purchases
- \$425,000 for marketing contracts and promotions
- \$80,000 for special marketing events, trade/consumer shows, and special event sponsorships
- \$50,000 for QGC management and administration
- \$10,000 for program design
- \$50,000 for building code training<sup>4</sup>

Overall, this budget represents a decrease of 6% due to lower expected costs for special marketing events. The MTI includes these five components:

*A market awareness campaign*

The market awareness campaign component is designed (1) to enhance QGC's involvement in energy efficiency and conservation promotion; (2) to change consumer and market participation behaviors; and (3) to encourage persistent demand for energy efficiency products and practices.

*Sponsorship of building code training*

---

<sup>3</sup> Application at 10, paragraph 23.

<sup>4</sup> The original application included \$14,000 for the Salt Lake Community College associate degree program in energy management. In its amended filing on December 7, 2016, QGC noted that after meeting with the DPU and OCS, QGC agreed to eliminate funding for this program.

The sponsorship of building code training is designed to support the adoption, awareness, and enforcement of the new IECC codes. QGC proposes to continue funding this component at \$50,000.

*The ThermWise.com website*

The ThermWise.com website provides consumers with EE program descriptions, rebate applications, information regarding the economics of energy efficiency, other information helpful to reduce energy consumption, on-line energy audit input capability, and links to other useful websites on energy efficiency and conservation. QGC proposes to continue developing, enhancing and operating ThermWise.com to increase customer awareness, education and participation in energy efficiency and conservation.

*Utah Hispanic outreach*

Lastly, QGC proposes support to increase exposure of the ThermWise<sup>®</sup> Programs and the message of energy efficiency to Utah's Hispanic population, which has historically participated in energy efficiency programs at levels below other demographic groups.

ThermWise<sup>®</sup> Energy Comparison Report

The ThermWise<sup>®</sup> Energy Comparison Report (Comparison Report) allows customers to compare their natural gas usage with neighboring homes that are similarly sized and situated. QGC proposes a 2017 budget of \$0.480 million for this program, a \$0.070 million increase from the 2016 budget. QGC states the Comparison Report encourages customers to employ energy efficiency measures and behaviors. QGC proposes to deliver the Comparison Report to 255,000 customers in 2017, and anticipates natural gas savings attributable to the program to increase by 33%. QGC proposes to increase the budget for the Comparison Report program by 17%.



**Parties' Positions -- Summary of Comments**

*The Division of Public Utilities*

The DPU supports the 2017 EE and MTI budget and recommends that the PSC approve the Application. The DPU notes that the Builder Rebate program and the Business Rebate program have exceeded budgeted levels to date. The DPU calculates the total projected Decatherm (Dth) savings as 1,064,611 for the 2017 budget.<sup>5</sup> "While the [DPU] 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, [it] still finds value in the overall program objectives."<sup>6</sup> Thus, the DPU supports QGC's 2017 Energy Efficiency Budget and recommends approval of it.<sup>7</sup>

*The Office of Consumer Services*

The OCS notes that QGC's proposed 2017 budget is approximately \$1.6 million less than the budget proposed in 2016. However, QGC's 2017 budget is \$1.8 million greater than its actual 2016 expenditures.

While the OCS supports QGC's new proposed Direct-Install Pilot Program, it "assert[s] 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."<sup>8</sup>

As to QGC's initial support of the SLCC Energy Management Program, the OCS notes that QGC's original proposal, in Docket No. 08-054-22, was to provide three years of funding to

---

<sup>5</sup> The DPU's calculation of total projected Dth savings is a correction to QGC's original filing. The DPU states in its comments that QGC has "agreed to this correction." (DPU's Comments at 4, filed November 18, 2016.)

<sup>6</sup> DPU's Comments at 14, filed November 18, 2016.

<sup>7</sup> *See id.*

<sup>8</sup> OCS's Comments at 3, filed November 18, 2016.

support SLCC's efforts in securing grant money to develop and implement the program. The OCS was concerned that QGC essentially proposed to subsidize the program on an ongoing basis without providing any justification for doing so. No further consideration of this concern is needed at this time, however, because QGC has withdrawn this program from its Application as noted in the Procedural History above.<sup>9</sup>

The OCS also raises concerns regarding whether tankless water heaters should qualify for a rebate under the Appliance Rebate Program, asserting:

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.<sup>10</sup>

Accordingly, the OCS recommends that tankless water heaters be removed as an eligible measure until QGC can demonstrate that they do not contribute to increasing peak demand.

*Other Parties*

Comments submitted on behalf of Utah Clean Energy (UCE) generally support QGC's Application. In particular, UCE favors QGC's HERS-based tiers as part of the Builder Rebate Program and suggests that real estate professionals advertise HERS scores in order to raise awareness of, and foster demand for, energy-efficient homes. UCE also supports QGC's Home Energy Plan but recommends that it be modified to include a simple comparable energy rating, such as the Home Energy Score developed by the U.S. Department of Energy.

---

<sup>9</sup> UCE and others filing comments emphasize the value of the SLCC Energy Management Program and request approval of QGC's request for \$14,000 in support of the program.

<sup>10</sup> OCS's Comments at 4, filed November 18, 2016.

*QGC's Reply*

In its reply comments, QGC agreed with the OCS's recommendation concerning evaluation of the new Direct-Install Pilot Program and proposes that "once [QGC] has gathered and analyzed the data and before it proposes continuation of the direct-install program, [QGC] will present the results of the pilot program...."<sup>11</sup>

As noted earlier, QGC agreed in its supplemental reply to eliminate funding for the SLCC Energy Management Program in 2017. QGC states that eliminating this program reduces the overall 2017 budget to \$25.09 million and the MTI budget to \$1.34 million.

Regarding the issue of tankless water heaters, QGC disagrees with OCS's view, emphasizing that the EE programs are not designed to reduce peak hour consumption but, rather, are designed to promote the efficient use of natural gas. QGC further stated that "[a] study of over 50 customers who replaced a storage water heater with a tankless system shows that, on average, natural gas usage was reduced by more than fourteen (14) decatherms or 144% of [QGC's] deemed savings estimate."<sup>12</sup>

In its supplemental comments, QGC noted its proposal to the DPU and the OCS "to begin development of an analytical framework for evaluating efficiency measure benefits and costs, unrelated to natural gas savings, in 2017." QGC also commits to keeping the DSM Advisory Group informed on the status of this project.

---

<sup>11</sup> Questar Reply Comments at 3, filed November 29, 2016.

<sup>12</sup> Questar Reply Comments at 4, filed November 29, 2016.

**Findings and Conclusions**

Parties generally support QGC's Application except for its proposal on tankless water heaters and annual funding to SLCC for its Energy Management Program. With respect to tankless water heaters, we acknowledge that the issue of whether various EE measures might contribute to an increase in peak hour demand has not been resolved. Based on QGC's commitment, in its December 7, 2016 supplemental filing, to develop an analytical framework for evaluating efficiency measure benefits and costs unrelated to natural gas savings and its assertion that the tankless water heaters' energy savings are greater than estimated, we approve including this measure in QGC's 2017 EE and MTI Budget.

As to QGC's elimination of SLCC's Energy Management Program, the Application is reduced by \$14,000, i.e., QGC's original EE and MTI 2017 budgets are reduced by \$14,000. Finally, we encourage the DSM Advisory Group to evaluate UCE's suggestions regarding the Home Energy Report.

Based on the Application, as amended in QGC's comments and supplemental comments filed on November 29 and December 7, 2016, respectively, and the recommendations of the DPU, the OCS, and UCE we find the Application, as amended, and QGC's proposed 2017 EE and MTI budget of \$25.09 million, including the MTI budget of \$1.34 million to be just and reasonable, and in the public interest.

**ORDER**

1. QGC's Application, as amended, is approved, consistent with the foregoing findings and conclusions.

DOCKET NO. 16-057-15

- 13 -

2. QGC's proposed tariff sheets, submitted with the Application, are approved as filed, effective January 1, 2017.
3. QGC will make available at DSM Advisory Group meetings throughout the three-year Direct-Install Pilot Program, data evaluating the effectiveness of the pilot program.
4. QGC will inform the DSM Advisory Group of the status of the development of an analytical framework for evaluating efficiency measure benefits and costs, unrelated to natural gas savings during upcoming DSM Advisory Group meetings.

DATED at Salt Lake City, Utah, December 23, 2016.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg  
Commission Secretary

DW#290943

DOCKET NO. 16-057-15

- 14 -

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 this written 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 CERTIFY that on December 23, 2016, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Barrie L. McKay ([barrie.mckay@questar.com](mailto:barrie.mckay@questar.com))  
Colleen Larkin Bell ([colleen.bell@questar.com](mailto:colleen.bell@questar.com))  
Jenniffer Nelson Clark ([jenniffer.clark@questar.com](mailto:jenniffer.clark@questar.com))  
*Questar Gas Company*

Patricia Schmid ([pschmid@utah.gov](mailto:pschmid@utah.gov))  
Justin Jetter ([jjetter@utah.gov](mailto:jjetter@utah.gov))  
Rex Olsen ([rolsen@utah.gov](mailto:rolsen@utah.gov))  
Robert Moore ([rmoore@utah.gov](mailto:rmoore@utah.gov))  
Michael K. Green ([mkgreen@utah.gov](mailto:mkgreen@utah.gov))  
*Assistant Utah Attorneys General*

Erika Tedder ([etedder@utah.gov](mailto:etedder@utah.gov))  
Division of Public Utilities

By Hand-Delivery:

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

---

Administrative Assistant