



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

GARY R. HERBERT
Governor
SPENCER J. COX
Lieutenant Governor

ACTION REQUEST RESPONSE

To: Public Service Commission of Utah

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Carolyn Roll, Technical Consultant

Date: November 30, 2017

Subject: Docket No. 17-057-22, Dominion Energy Utah 2018 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. 17-057-22.

RECOMMEND: APPROVAL

The Division of Public Utilities (Division) has reviewed the Application and recommends approval of Dominion Energy Utah's 2018 Energy Efficiency (EE) Programs and Market Transformation Initiative Budget. The Division has also reviewed the tariff sheets filed with the application and the revised tariff sheets filed on November 17, 2017 and recommends the approval of the revised tariff sheets as filed on November 17, 2017.

ISSUE:

On October 17, 2017, Dominion Energy Utah (Company or DEU) 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 2018. On November 3, 2017, the PSC issued a Notice of Filing and Comment Period with comments due to the Commission on

November 30, 2017 and reply comments due December 14, 2017. This is the Division's response to that Notice.

DICUSSION:

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 Questar Gas Company (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 twelfth budget submitted by the Company. Table 1 shows a history of actual expenditures through 2016 with the 2017 and 2018 EE Budgets.

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 a low of \$22.6 million in 2012. \$10.0 million has been spent through June 2018, with participation in the Business program above 50% of budgeted levels to date. DEU projects 2017 expenditures will be slightly under the 2017 EE Budget of \$25.1 million. The proposed 2018 budget is a decrease from the 2017 budget, the majority due to a forecasted decrease in Builder and Appliance rebates from \$9.6 million in 2017 to \$8.3 million in 2018. The ThermWise Energy Comparison Report (ECR) was launched as a stand-alone program in 2015 and the Company claims the projected natural gas savings in the EE Budget. 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.

Table 1							QGC ENERGY EFFICIENCY PROGRAM YEARLY EXPENDITURES						
A	B	C	D	E	F	G	H	I	J	K	L	M	
	2006-07	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget	
	(000)	(000)	(000)	(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	\$ 5,472.8	\$ 5,272.9	\$ 5,891.0	\$ 6,160.3	\$ 5,431.6	
ThermWise Builder	\$ 1,186.6	\$ 2,789.1	\$ 2,642.7	\$ 3,699.8	\$ 3,441.6	\$ 3,196.9	\$ 3,146.0	\$ 4,093.9	\$ 4,693.7	\$ 7,019.5	\$ 5,332.6	\$ 4,559.1	
ThermWise Business	\$ 450.9	\$ 709.3	\$ 702.3	\$ 1,173.4	\$ 1,296.5	\$ 1,575.7	\$ 1,925.6	\$ 3,185.3	\$ 3,698.7	\$ 3,390.3	\$ 2,906.9	\$ 3,564.2	
ThermWise Custom Business	NA	\$ 102.9	\$ 97.4	\$ 284.1	\$ 416.4	\$ 608.0	\$ 557.8	\$ 252.5	\$ 252.9	\$ 289.8	\$ -	\$ -	
ThermWise Energy Plan	\$ 1,893.7	\$ 587.4	\$ 694.8	\$ 727.7	\$ 519.2	\$ 627.0	\$ 606.7	\$ 613.3	\$ 672.2	\$ 578.9	\$ 760.3	\$ 685.3	
ThermWise Weatherization	NA	\$ 7,706.3	\$ 31,485.9	\$ 19,000.3	\$ 8,843.4	\$ 10,023.7	\$ 15,208.6	\$ 10,781.8	\$ 7,636.1	\$ 3,886.7	\$ 7,248.0	\$ 7,555.2	
Market Transformation	\$ 866.6	\$ 999.2	\$ 1,184.2	\$ 1,163.3	\$ 1,409.1	\$ 1,093.0	\$ 1,326.4	\$ 1,103.7	\$ 1,009.9	\$ 1,261.3	\$ 1,340.0	\$ 1,320.0	
Energy Comparison Report	NA	NA	NA	NA	NA	NA	NA	NA	\$ 278.0	\$ 734.3	\$ 480.2	\$ 600.0	
Low Income Weatherization	\$ 250.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 612.9	\$ 1,085.0	\$ 790.2	\$ 673.1	\$ 267.6	\$ 859.7	\$ 829.4	
Total	\$ 7,413.2	\$ 18,076.4	\$ 47,449.0	\$ 35,686.3	\$ 22,288.6	\$ 22,618.4	\$ 28,983.8	\$ 26,293.5	\$ 24,187.5	\$ 23,319.4	\$ 25,088.0	\$ 24,544.8	

2018 ENERGY EFFICIENCY PLAN SUMMARY

Table 2 summarizes DEU’s proposed 2018 EE Budget by program as compared to the 2017 EE Budget. As shown in Table 2, the EE Budget for 2018 is \$24.545 million (Col D Ln 9). This is 2.2% below the 2017 DSM Budget (Col F Ln 9). Columns I and J compare the 2018 EE Budget Total Resource Cost Test ratios (TRC) to the 2017 EE Budget TRC for the EE programs.

Table 2: 2018 Energy Efficiency Report Summary										
QUESTAR GAS COMPANY										
DSM ENERGY EFFICIENCY REPORT										
2018 Budget and 2017 Budget										
DOCKET NO. 17-057-22										
	A	B	C	D	E	F	G	H	I	J
		2018	2017	2018	2017	% 2018 Budget	2018	2017	2018	2017
		Budgeted	Budgeted	Budget	Budget	over (under)	Dth	Dth	TRC	TRC
		Participants	Participants	(000)	(000)	2017 Budget	Savings*	Savings*	Ratio	Ratio
1	ThermWise Appliance	23,988	20,529	\$ 5,431.6	\$ 6,160.3	-11.8%	238,202	282,351	1.2	1.3
2	ThermWise Builder	16,135	16,764	\$ 4,559.1	\$ 5,332.6	-14.5%	128,798	141,290	1.1	1.1
3	ThermWise Business	1,910	2,257	\$ 3,564.2	\$ 2,906.9	22.6%	177,889	171,810	1.2	1.4
4	ThermWise Energy Plan	2,800	2,800	\$ 685.3	\$ 760.3	-9.9%	45,207	45,207	1.3	1.3
5	ThermWise Weatherization	34,670	25,783	\$ 7,555.2	\$ 7,248.0	4.2%	184,203	171,108	1.1	1.0
6	Market Transformation	NA	NA	\$ 1,320.0	\$ 1,340.0	-1.5%	-	-	0.0	0.0
7	Energy Comparison Report	285,000	255,000	\$ 600.0	\$ 480.2	24.9%	347,700	232,050	1.7	1.5
8	Low Income Assistance	1,725	1,662	\$ 829.4	\$ 859.7	-3.5%	23,563	20,795	1.2	1.0
9	Total	366,228	324,795	\$ 24,544.8	\$ 25,088.0	-2.2%	1,145,562	1,064,611	1.1	1.1
*Savings reflects the net Dth deemed savings based on budgeted participants with an 80% net-to-gross ratio applied.										

For 2018, the number of expected participants is above the 2017 budgeted level with an increase in the Energy Comparison Report participants and an increase in Weatherization windows participation. The Dth savings exceed the level set in the 2017 budget due in large part to the projected Dth savings from customers that receive the Energy Comparison Report and an increase of projected Dth savings in the Weatherization Program. The total projected savings for the 2018 budget is 1,145,562 Dth.

Table 3, shows the June 30, 2017 actual results and compares the 2018 budget to the 2017 budget by total customer rebates and program administrative & overhead costs. The table shows the 2.2% decrease from the 2017 budget, which is attributed to a decrease in expected customer rebates (1.3% decrease) and a decrease in the administrative program costs (4.4% decrease). The table shows a decrease of 4.2% in Dth saved and a 16.4% increase in participants is projected. In this table the Dth saved and the participants reflects the rebate and energy plan participants. Energy Comparison Report participants and savings are not included in this table.

Table 3	ThermWise 2018 EE Program				
			Thousands		
	2017 2Q	2017	2018	\$ 2018 Budget	% 2018 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2017 Budget	2017 Budget
Customer Rebates	7,432.3	18,077.9	17,846.2	(231.8)	-1.3%
Program Costs	2,530.9	7,010.1	6,698.7	(311.5)	-4.4%
Total Costs	\$ 9,963.2	\$ 25,088.0	\$ 24,544.8	\$ (543.2)	-2.2%
Projected Dth Savings*	278.1	832.6	797.9	(34.7)	-4.2%
Participants	34.0	69.8	81.2	11.4	16.4%
Total \$ / Dth Savings (\$0.00)	\$ 35.83	\$ 30.13	\$ 30.76	NA	2.1%
California Test Results					
Total Resource Cost Test B/C	1.1	1.1	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.

PROGRAM REVIEW

For 2018, the Energy Efficiency programs are: 1) the ThermWise Appliance Program; 2) the ThermWise Builder Program; 3) the ThermWise Business Program; 4) the ThermWise Home Energy Plan Program; 5) the ThermWise Weatherization Program; 6) the Low-Income Efficiency Program; 7) the Market Transformation Initiative; and 8) the ThermWise Energy Comparison Report. The Energy Comparison Report (a stand-alone program beginning in 2015), designed to inform and educate customers about the importance of energy conservation, continues as part of the 2018 budget.

THERMWISE APPLIANCE REBATES PROGRAM

The ThermWise Appliance Rebates Program for 2018 is available to all GS single-family and multi-family residential customers. The Company is recommending several changes to the Appliance Rebates Program; additions to the program include boiler reset controls and combined space and water heaters for the 2018 budget; the Company will eliminate the tankless tier 1 water heater as a rebate eligible measure in an effort to align with ENERGY STAR® specifications of greater than 90% energy factor; and will reduce by \$50 rebates for 95% AFUE furnace, 95%

AFUE with ECM furnace, 98% AFUE with ECM furnace and the smart thermostats. All rebate applications must be completed within 6 months of the qualifying appliance purchase.

This program has a 2018 proposed budget cost of \$5.432 million compared to a 2017 budget of \$6.160 million, an 11.8% decrease from the 2017 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, 2017, the 2017 budget and the 2018 budget. The table shows a decrease in the TRC from the 2017 budget and a decrease in the Utility Cost Test (UCT) benefit ratio from the 2017 budget projection.

Table 4	ThermWise Appliance Program				
	Thousands				
	2017 2Q Actual YTD	2017 Budget	2018 Budget	\$ 2018 Budget over (under) 2017 Budget	% 2018 Budget over (under) 2017 Budget
Customer Rebates	2,497.1	4,945.3	4,386.6	(558.7)	-11.3%
Program Costs	298.3	1,215.0	1,045.0	(170.0)	-14.0%
Total Costs	\$ 2,795.4	\$ 6,160.3	\$ 5,431.6	\$ (728.7)	-11.8%
Projected Dth Savings *	115.2	\$ 282.4	\$ 238.2	(44.1)	-15.6%
Participants	11.6	20.5	\$ 24.0	3.5	16.8%
Total \$ / Dth Savings (\$0.00)	\$ 24.28	\$ 21.82	\$ 22.80	NA	4.5%
California Test Results					
Total Resource Cost Test B/C	1.6	1.3	1.2	NA	NA
Utility Cost Test B/C	1.8	1.7	1.5	NA	NA

* Assumes a 20% reduction to gross Dth saved.

ThermWise Builder Rebates Program

The Company proposes to continue this program in 2018 with the addition of a new construction multifamily high rise rebate. This measure would incentivize builders, through a \$25 per-unit rebate, to seek the ENERGY STAR® Multifamily High Rise (MFHR) designation for buildings of four stories or greater. Buildings that score a 75 or above (on a 1-100 scale), as determined through ENERGY STAR® Portfolio Manager, are eligible to receive the ENERGY STAR®

MFHR designation. New construction commercial facilities such as motels/hotels, nursing homes, assisted-living facilities, and dormitories do not qualify for the ENERGY STAR® MFHR designation and, therefore, would be ineligible to participate in this rebate measure. The Company anticipates several qualifying multifamily high rise projects in the near future and believes the time is right to move these types of residential developments further down the path of energy efficiency. The Company further proposes to add combined space and water heaters as a rebate-eligible measure, implement the \$50 reduction to specific furnaces and the smart thermostat measure, and to eliminate the tier 1 tankless water heater as a rebate-eligible measure which is consistent with the changes made in the Appliance Rebates program.

Table 5 shows the 2018 budget for the ThermWise Builder Program is \$4.559 million, a \$.773 million dollar decrease from the 2017 budget of \$5.333 million. The decrease is due to lower customer rebates and administrative costs. Expected participation and Dth saved is lower than the 2017 budget resulting in lower dollars per Dth saved than expected in the 2017 budget. The Builder Program is projected to have a TRC ratio of 1.1 and an UCT ratio of 1.1.

Table 5	ThermWise Builder Program				
			Thousands		
	2017 2Q Actual YTD	2017 Budget	2018 Budget	\$ 2018 Budget over (under) 2017 Budget	% 2018 Budget over (under) 2017 Budget
Customer Rebates	2,332.8	4,606.6	3,939.1	(667.5)	-14.5%
Program Costs	72.5	726.0	620.0	(106.0)	-14.6%
Total Costs	\$ 2,405.3	\$ 5,332.6	\$ 4,559.1	\$ (773.5)	-14.5%
Projected Dth Savings *	59.5	\$ 141.3	\$ 128.8	(12.5)	-8.8%
Participants	9.6	16.8	\$ 16.1	(0.6)	-3.8%
Total \$ / Dth Savings (\$0.00)	\$ 40.41	\$ 37.74	\$ 35.40	NA	-6.2%
California Test Results					
Total Resource Cost Test B/C	0.9	1.1	1.1	NA	NA
Utility Cost Test B/C	1.3	1.0	1.1	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 2018 with the following changes: 1) introduce pipe insulation to the current rebate measure mix; 2) eliminate the tankless tier 1 water heater as a rebate-eligible measure; and 3) reduce the rebate amounts for the 95% AFUE, 95% AFUE with ECM, and 98% AFUE furnace with ECM by \$50 in 2018. The rebate amount for smart thermostats was changed in the 2017 Business Program from a fixed amount per device to a rebate based on the square footage serviced by the device. Because of this change in 2017, from the fixed rebate amount of \$100 to a rebate based on square footage up to a maximum of \$100, the Company believes the current rebate structure is in harmony with current market conditions and, therefore, recommends no changes to the Business Program smart thermostat measure for 2018.

The ThermWise Business program is forecasted to increase in 2018. The 2018 budget is \$3.564 million, which is 23% above the 2017 budget, as shown in Table 6. Furnace replacements and infrared heating systems have the highest participations in the program. The table summarizes the ThermWise Business Program by Customer Rebates and Program Costs with actual results through June 30, 2017, the 2017 budget and the 2018 budget.

ThermWise Business Program					
			Thousands		
	2017 2Q	2017	2018	\$ 2018 Budget	% 2018 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2017 Budget	2017 Budget
Customer Rebates	964.9	1,762.9	2,404.2	641.3	36.4%
Program Costs	545.4	1,144.0	1,160.0	16.0	1.4%
Total Costs	\$ 1,510.3	\$ 2,906.9	\$ 3,564.2	\$ 657.3	22.6%
Projected Dth Savings *	43.9	171.8	177.9	6.1	3.5%
Participants	0.8	2.3	1.9	(0.3)	-15.4%
Total \$ / Dth Savings (\$0.00)	\$ 34.37	\$ 16.92	\$ 20.04	NA	18.4%
California Test Results					
Total Resource Cost Test B/C	1.0	1.4	1.2	NA	NA
Utility Cost Test B/C	1.3	2.1	1.9	NA	NA

* Assumes a 20% reduction to gross Dth saved.

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 DEU technicians, or a mail in plan in which the participant answers questions and receives advice from DEU. 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 Company proposes to continue this program with no major changes in 2018.

The 2018 budget is \$685.3 thousand, which is \$75 thousand below the 2017 budget. The decrease is due to a decrease in program costs. Table 7 compares the 2018 EE Budget to the 2017 EE Budget along with June 30, 2017 YTD actual results. The table shows the benefit cost ratios remaining at 1.3 for the TRC test and 1.3 for the Utility Cost test for 2018. This program continues to be 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 7	ThermWise Home Energy Plan Program				
	Thousands				
	2017 2Q	2017	2018	\$ 2018 Budget	% 2018 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2017 Budget	2017 Budget
Customer Rebates	-	-	-	-	NA
Program Costs	229.0	760.3	685.3	(75.0)	-9.9%
Total Costs	\$ 229.0	\$ 760.3	\$ 685.3	\$ (75.0)	-9.9%
Projected Dth Savings *	21.2	\$ 45.2	\$ 45.2	-	0.0%
Participants	1.2	2.8	\$ 2.8	-	0.0%
Total \$ / Dth Savings (\$0.00)	\$ 10.78	\$ 16.82	\$ 15.16	NA	-9.9%
California Test Results					
Total Resource Cost Test B/C	2.4	1.3	1.3	NA	NA
Utility Cost Test B/C	2.3	1.3	1.3	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. From the beginning of the ThermWise Programs, weatherization measures have been the leader in terms of customer interest and participation. Over the past four years, the Company has recognized a trend of decreasing weatherization participation. The Company proposes to continue this program in 2018 with the addition of pipe insulation as a rebate-eligible measure to participants in the ThermWise Direct-Install Weatherization Pilot Program.

In January 2017, the Company introduced the ThermWise Direct-Install Weatherization Pilot Program. This program is designed to reach communities and customers with historically low participation in weatherization measures. The Company published a request for proposal (RFP), selected two contractors to perform the work, and began marketing efforts in June of 2017. Direct-install work commenced in July, 2017. The Company is pleased with the results of this new initiative to date and has kept the Advisory Group informed as to the early results.

Participating contractors have also provided positive feedback on the direct-install pilot and have additionally made suggestions intended to help augment natural gas savings. One such suggestion was to establish a rebate for the installation of pipe insulation, on the water supply pipes, in the unconditioned space of homes. After performing an evaluation of potential savings, the Company proposes to add a pipe insulation rebate at \$0.50 per linear foot in 2018. The Company proposes to keep the Advisory Group informed on the progress of the direct-install pilot program throughout the three year period.

The Company also proposes to launch a three year pilot initiative, through the 2018 Weatherization Program, designed to achieve natural gas savings in both low-income and market rate multifamily properties. This initiative, called the Pilot Multifamily Program, aims to entice multifamily property owners to implement comprehensive energy efficiency retrofits and replace energy systems across the entire property instead of waiting to replace equipment at the point of failure. The Company is proposing that the Pilot Multifamily Program be administered by the International Center for Appropriate and Sustainable Technology (ICAST). ICAST specializes in developing and administering a one-stop-shop program solely for multifamily customers who are typically underserved and considered hard-to-reach. ICAST will promote the installation of current rebate measures to both low-income and market rate properties ($\approx 50\%$ low income / 50% market rate) and target first year natural gas savings of 12,500 decatherms. ICAST's administrative fee will be paid by the Company based on natural gas savings achieved. The Company has modeled this pilot initiative for cost-effectiveness and determined Total Resource Cost (TRC) and Utility Cost Test (UCT) results to be 1.4 for the 2018 program year. The Company proposes to keep the Advisory Group informed as to the progress of the Pilot Multifamily Program and to file annual updated budgets, included in the annual ThermWise budget filing, with the Commission over the remaining life of the pilot period

The 2018 budget is \$7.555 million, an increase of 4.2% from the 2017 budget. The Company believes that the direct-install program and the proposed multifamily program will reverse the decrease that is taking place in this program. Table 8 compares the ThermWise Weatherization Program by Customer Rebates and Program Costs with actual results through June 30, 2017, the

2017 budget and the 2018 budget. The table shows the benefit cost ratios are above 1.0, which is similar to the levels projected in the 2017 budget plan.

Table 8					
ThermWise Weatherization Program					
Thousands					
	2017 2Q	2017	2018	\$ 2018 Budget	% 2018 Budget
	Actual YTD	Budget	Budget	over (under)	over (under)
				2017 Budget	2017 Budget
Customer Rebates	1,539.7	6,433.0	6,810.2	377.2	5.9%
Program Costs	152.8	815.0	745.0	(70.0)	-8.6%
Total Costs	\$ 1,692.5	\$ 7,248.0	\$ 7,555.2	\$ 307.2	4.2%
Projected Dth Savings *	35.4	\$ 171.1	\$ 184.2	13.1	7.7%
Participants	10.4	25.8	\$ 34.7	8.9	34.5%
Total \$ / Dth Savings (\$0.00)	\$ 47.80	\$ 42.36	\$ 41.02	NA	-3.2%
California Test Results			1		
Total Resource Cost Test B/C	0.9	1.0	1.1	NA	NA
Utility Cost Test B/C	1.3	1.2	1.2	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. 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 HCD 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 9 reflects the budget for the Low Income Efficiency Program.

	Thousands				
	2017 2Q	2017	2018	\$ 2018 Budget	% 2018 Budget
	Actual YTD	Budget	Budget	over (under) 2017 Budget	over (under) 2017 Budget
Customer Rebates	97.9	330.1	306.1	(24.1)	-7.3%
Program Costs	250.9	529.6	523.4	(6.3)	-1.2%
Total Costs	\$ 348.8	\$ 859.7	\$ 829.4	\$ (30.3)	-3.5%
Projected Dth Savings *	2.8	\$ 20.8	\$ 23.6	2.8	13.3%
Participants	0.4	1.7	\$ 1.7	0.1	3.8%
Total \$ / Dth Savings (\$0.00)	\$ 124.39	\$ 41.34	\$ 35.20	NA	-14.9%
California Test Results					
Total Resource Cost Test B/C	1.0	1.0	1.2	NA	
Utility Cost Test B/C	1.5	1.1	1.2	NA	
* Assumes a 20% reduction to gross Dth saved.					

PROGRAM ADMINISTRATIVE COST AND ENERGY COMPARISON REPORT

As shown in Table 3 on page 5, the 2018 total program administrative costs are \$6.699 million, a \$311 thousand decrease from the 2017 budget program costs. This \$6.7 million represents about 27% of the total budget compared to 28% administrative costs in the 2017 budget. The budget includes \$1.3 million for the Market Transformation Program and \$0.6 million for the Energy Comparison Report.

The Company proposes to deliver the Energy Comparison Report to 285,000 customers in 2018. The Company realizes this total number by reintroducing Group B in 2017, pausing Group C beginning September 2017, and adding Group F which will be delivered to 50,000 additional customers in 2018. Data shows that customers not only change behaviors to save natural gas as a result of the Comparison Report, but they are also more likely to participate in other ThermWise Programs if they have received the report. The Company conducted an analysis in 2014 that showed customers who had received their Comparison Report were more likely to participate in a ThermWise rebates and/or request a Home Energy Plan when contrasted against a control group of non-recipients. The Company proposes to continue to target the Comparison Report to customers with higher usage relative to conditioned square footage in 2018.

While proposed program participants increase slightly from 2017, natural gas savings are projected to increase by 34% in 2018. The Company expects savings to increase because of the projected expansion of the ECR in 2018 and because of savings persistence. The Company conducted a study in 2017 that focused analysis on all current recipients of the report (Groups B, C, and D). The study showed weather-normalized usage reductions per participant of 1.22 Dth/year. As a result, the Company updated the natural gas savings number from .91 Dth/year in the 2017 Model, to 1.22 Dth/year in the 2018 Model. The Division urges DEU 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 2017-18 DEU IRP plan (Docket No. 17-057-12), the 2018 EE Budget assumes a first year average summer/winter gas price of \$2.73/\$3.20 per Dth respectively with a 25 year projection of prices ending at \$7.10/\$7.55 per Dth. This compares to a beginning summer/winter gas price range in the 2017 EE Budget of \$2.79/\$3.14 per Dth, ending at \$6.72/\$7.11 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 continues to exist, 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 2018 Energy Efficiency Budget and recommends the Commission approve the application.

The Division commends DEU 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