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Department of
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**Division of
Public Utilities**
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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Philip J. Powlick, Director
Energy Section
Brenda Salter, Utility Analyst
David Thomson, Technical Consultant
Artie Powell, Manager

Date: November 6, 2008

Subject: Audit of Questar DSM Program Expenditures, Docket No. 08-057-17

ISSUE:

Questar Gas Company (QGC) filed on June 6, 2008 an application with the Public Service Commission (Commission) to amortize the Demand Side Management deferred account balance and to increase the DNG rates for the GS-1 and GSS rate classes to amortize \$8,703,854. On June 13, 2008, the Division of Public Utilities (Division) issued a memorandum to the Commission recommending they grant this rate increase on an interim basis until the Division has had adequate opportunity to review and audit the entries to insure proper accounting has been recorded for the spent dollars.

RECOMMEND APPROVAL:

The Division has performed an audit of QGC's actual DSM program expenditures through April 30, 2008 and now recommends these rates be approved on a permanent basis.

DISCUSSION:

An audit was performed to verify actual DSM program expenditures through April 30, 2008. The audit consisted of reviewing actual expenditure invoices for chosen expenditure types under various DSM programs identified in the *DSM Program Expenditure Report*, Exhibit 1.2 page 2 of 2.



BACKGROUND:

Projects included in the DSM program include DSM Home Energy Audit, DSM Builder Rebate, DSM Appliance Rebates, DSM Business Rebates, DSM Market Transformation, DSM Low Income Weatherization, DSM Weatherization, DSM Multi-Family, DSM Business Custom, DSM Accounting. QGC has contracted with Portland Energy Conservation, Inc. (PECI) and Nexant, Inc. (Nexant) to administer the rebate programs. QGS has contracted with Richter7 to administer the media campaign.

AUDIT:

The audit was conducted to verify a sampling of actual amounts listed on the *DSM Program Expenditure Report*. The sampling consisted of verifying 100% of the expenses greater than \$1,000 (audit threshold) in select months. The number of months selected for review was determined by the implementation date of the program or category. Some categories contained only one month's information and others contained a full year. The expenses categories verified were Incentive (Rebates) - \$1,210,958 and QGC Audit Services - \$382,879 both from the DSM Home Energy Audit program; Contractor Program Development - \$171,631 from the DSM Builder Rebate program; Contractor Administration - \$388,645 from the DSM Appliance Rebate program; QGC Management & Administration - \$60,662 from the DSM Business Rebate program; Advertising/Creative Development - \$432,042 from the DSM Market Transformation program; Incentives (Rebates) - \$1,098,365 from the DSM Weatherization program; and Contractor Ongoing Marketing - \$16,693 from the DSM Multi-Family program.

QGC supplied copies of applicable documentation, invoices and/or schedules in support of these charges. The documentation was verified and reconciled to the amounts presented on QGC Exhibit 1.2, Page 2 of 2. No exceptions between the supporting documentation and the amounts reported by QGC were noted.

CONCLUSION:

The actual DSM expenditures through April 30, 2008 as presented on QGC Docket No. 08-057-17, Exhibit 1.2, page 2 of 2 appear to be correct as stated.

Cc: Barrie McKay, Questar Gas Company
 Michele Beck, Committee of Consumer Services