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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: May 4, 2009

Subject: Audit of Questar DSM Program Expenditures, Docket No. 09-57-05

ISSUE:

Questar Gas Company (QGC) filed on February 10, 2009 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 \$18,267,717. On February 19, 2009, 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 January 31, 2009 and now recommends these rates be approved on a permanent basis.

DISCUSSION:

An audit was performed to verify actual DSM program expenditures through January 31, 2009. The audit consisted of reviewing actual expenditure invoices for chosen expenditure types under various DSM projects 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 and DSM Accounting. QGC has contracted with Portland Energy Conservation, Inc. (PECI) and Nexant, Inc. (Nexant) to administer the rebate programs. QGC has contracted with Richter7 to administer the media campaign. QGC has contracted with The CADMUS Group to administer the Phase I (Process) Evaluation of Questar's DSM program.

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 in five months (September, October, November, December, January) of expenses in selected categories for each DSM Project. An audit threshold of \$1,000 was set for the sample. The expense categories verified were QGC Management & Administration - \$116,019 from the DSM Home energy Audit project; Incentives (Rebates) - \$828,200 from the DSM Builder Rebate project; Contractor Ongoing Marketing - \$122,168 from the DSM Appliance Rebates project; Contractor Administration - \$89,855 from the Business Rebates project; Advertising/Creative Development – \$90,584 from the Market Transformation project; and Incentives (Rebates) - \$413,036 from the Multi-Family project.

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 material exceptions between the supporting documentation and the amounts reported by QGC were noted.

CONCLUSION:

The actual DSM expenditures through January 31, 2009 as presented on QGC Docket No. 09-057-05, 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