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Division of Public Utilities

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M E M O R A N D U M

To: Public Service Commission

From: Division of Public Utilities
Philip J. Powlick, Director
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David Thomson, Technical Consultant
Artie Powell, Manager

Date: March 22, 2010

Subject: Audit of Questar DSM Program Expenditures, Docket No. 09-057-14

ISSUE:
Questar Gas Company (QGC) filed on September 1, 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 rate class to the July 2009 balance of $42,927,605. On September 21, 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 July 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 July 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 Thermwise Home Energy Audit, Thermwise Builder Rebates, Thermwise Appliance Rebates, Thermwise Business Rebates, DSM Market Transformation, Low Income Weatherization, Thermwise Weatherization Rebates, Thermwise Multi-Family Rebates and Thermwise Business Custom Rebates. 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 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 review consisted of seven months, January, February, March, April, May, June and July of 2009, of expenses. Each DSM program consists of various expense categories and out of these categories a sampling of invoices were reviewed. It should be noted that the sample utilized for testing purposes was a judgmental rather than statistical sample. A materiality threshold of $1,000 was used in the review.

The Division would like to comment at this time on a few issues that materialized during this review. First, based on expense documents requested, it was noted that multiple travel costs were allocated to the DSM program that were not directly associated with the DSM program. The Company has taken the necessary steps to remove these expenses from the program. It is recommended that the Company review costs allocated to the DSM program more thoroughly prior to their assignment. The second issue relates to travel and meal costs. It was noted that during the audit period one "Energy Auditor" traveled from Cedar City to Northern Utah to help reduce a back-log in audit requests. The auditor submitted various meal expense receipts that appear to be excessive. Questar Corporation's Supervisor Guide (pages I-2 thru I-4) under the heading "Business Meals" states the following: "Employees are expected to eat meals at *reasonably priced restaurants* and to keep receipts for meal expenses in excess of $25." [Emphasis added] Numerous meals directly assigned to the DSM program did not appear to be from reasonably price restaurants (Market Street Grill, Goodwood Barbeque, Archibalds etc). It is recommended that meal costs remain within the boundaries of reasonably priced restaurants and for Questar to provide guidance to employees on those levels. Although the dollar amounts are minimal, the Division, in future audits and or reviews of the DSM program, will recommend disallowing those portions of meal expenses that exceed the State of Utah's current daily in-state per diem rate. Also, to help alleviate the need for travel to Northern Utah from Cedar City, the Division recommends Questar consider cross-training individuals from operations personnel.

QGC supplied copies of applicable documentation, invoices and/or schedules to support these expenses. 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 July 31, 2009 as presented on QGC Docket No. 09-057-14, Exhibit 1.2, page 2 of 2 appear to be correct as stated.

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