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Department of Commerce
Division of Public Utilities

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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Brenda Salter, Utility Analyst

Date: January 27, 2011

Subject: Audit of Questar DSM Program Expenditures, Docket No. 10-057-18

ISSUE:

Questar Gas Company (Questar or Company) filed on November 10, 2010 an application with the Public Service Commission (Commission) to amortize a balance of \$36,000,000 in the Demand Side Management deferred account. This amortization balance is equivalent to the previous Docket No. 10-057-11 amortization amount and will maintain the current DNG rates for the GS rate class. On December 13, 2010, the Division of Public Utilities (Division or DPU) issued a memorandum to the Commission recommending they grant this amortization rate 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.

RECOMMENDATION (CONDITIONAL APPROVAL):

The Division has performed an audit of Questar's actual DSM program expenditures for the period June 2010 through October 2010. Before the Division approves Questar's rates on a

permanent basis, the Division recommends Questar remove the cost of the “Get Well Soon” flowers from the DSM program and charge this expense to a below the line non regulated account. The Division requests Questar file a letter with the Commission verifying this adjustment along with the Wyoming DSM expense adjustments as outlined in the Company’s response to the Division’s data request number 2.01 and explain any affect these adjustments have on the amortization rate. The Division recommends additional steps be taken to ensure Wyoming DSM costs are not included in Utah’s DSM program.

DISCUSSION:

An audit was performed to verify actual DSM program expenditures for the five month period ending October 31, 2010. 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 filed with the docket.

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. Questar has contracted with Portland Energy Conservation, Inc. (PECI) and Nexant, Inc. (Nexant) to administer the rebate programs. Questar has contracted with Richter7 to administer the media campaign. Questar 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 five months, June, July, August, September, and October 2010, of expenses. In DPU data request 1.1, Questar provided the Division with a report detailing all expenses in each DSM program for the five month period. The Division reviewed this report and out of each DSM program a sampling of invoices and/or supporting

documentation was requested for review. It should be noted that the invoice sample utilized for review purposes was a judgmental rather than statistical sample.

Questar supplied copies of applicable documentation, invoices and/or schedules to support expenses reviewed. The documentation was verified and reconciled to the amounts presented on Questar Exhibit 1.2, Page 2 of 2 filed with the docket.

The Division's review of the DSM expenditures for the period noted above revealed several costs associated with Wyoming's DSM program were directly assigned to the Utah DSM program (See Attachment A, Questar's response to DPU data request 2.01). Wyoming DSM cost assignment is an issue in this application as well as being an issue in past applications. Questar DSM employees are responsible for coding their travel costs to the correct program and also to the correct state (Utah or Wyoming). Questar has implemented a review of these cost assignments by the DSM Project Manager but this review is not always completed prior to the booking of the expense. The coding errors appear to be more prevalent in the Home Energy Audit Program. The identified Wyoming DSM expenses were corrected in the December 2010 period.

The Division also noted that "Get Well Soon" flowers (Journal ID EX00043759, Ref 0000049671) had been purchased on a DSM expense account. Rate payers should not be funding this type of expense. Although the dollar amount is negligible the expense is a "below the line" expense and should be charged to non-regulated accounts.

CONCLUSION:

Except for those items addressed above, the actual DSM expenditures through October 31, 2010 as presented in Questar Docket No. 10-057-18, Exhibit 1.2, page 2 of 2 appear to be correct as stated. The Division requests Questar provide to the Commission a letter verifying the corrections as outlined above and explain any affect on the amortization rate.

Also, in the Division's Audit Memo dated November 10, 2010 in Docket No. 10-057-11, the Division recommended that Questar review the cost sharing between Wyoming and Utah as the Wyoming DSM program progresses to ensure Utah rate payers are not impacted unfairly and to report on those findings in the 2011 DSM budget . Because of the timing of the filing of the November memo and Questar's filing of the 2011 DSM budget, the Division's requested review was not included in the budget report. Therefore, the Division recommends Questar report on the cost sharing between Utah and Wyoming along with Questar's recommendation for correcting the cost coding errors in its next Utah DSM Advisory Group meeting.

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