



State of Utah  
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: October 25, 2011

Subject: Audit of Questar DSM Program Expenditures, Docket No. 11-057-04

### ISSUE

Questar Gas Company (Questar or Company) filed on April 28, 2011 an application with the Public Service Commission (Commission) to amortize a balance of \$42,000,000 in the Demand Side Management (DSM) deferred account. Although the balance is \$30,002,767, the Company is proposing to amortize \$42,000,000 to reduce the deferred account balance. On May 16, 2011, the Division of Public Utilities (Division or DPU) issued a response to the Commission's Action Request recommending the Commission 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. This memorandum reports on our audit.

## **RECOMMENDATION**

The Division performed an audit of Questar's actual DSM program expenditures for the period November 2010 through March 2011. Although the Division has found multiple errors in the payment process for the five months indicated, the Division recommends approval of the Company's application at this time. The errors noted in this audit are minimal and will not materially affect the proposed amortization amount of \$42,000,000. The corrections to these errors are reflected in Company accounts and accrual computations in future periods. Also, the Company implemented an additional review of all invoices paid in the program.

## **DISCUSSION**

An audit was performed to verify actual DSM program expenditures for the five month period ending March 31, 2011. 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 Company's application.

## **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 contracted with Portland Energy Conservation, Inc. (PECI) and Nexant, Inc. (Nexant) to administer the rebate programs. Questar contracted with Richter7 to administer the media campaign. Questar 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 a review of five months of expenses, November

2010 through March of 2011. 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 Company's application.

The Division's review of the DSM expenditures for the period noted above revealed several invoices in the Market Transformation program that were inappropriately posted to the program. Because of the high number of errors in the Market Transformation program, and specifically for invoices received from Richter7, all Richter7 invoices were reviewed in this audit.

It was noted that seven invoices consisting of various charges or credits received from Richter7 were incorrectly recorded in accounts payable. Four of the seven invoices totaling \$72,501.56 were found to be part of the Company's "fall prep" program. These amounts were removed from the Utah DSM Market Transformation program in April and September 2011 business by correcting entries to the account.

A fifth invoice totaling \$38,779.65 for DSM Newspaper Media included Wyoming media costs in the amount of \$4,547.76. The amount of \$4,547.76 was moved from the Utah DSM Market Transformation program to the Wyoming media program by the Company in its September 2011 business.

The sixth invoice was paid short. The invoice totaled \$6,375.82 but was paid in the amount of \$530.40. The Division made the Company aware of this error in Data Request 4.01. The Company's response stated that Richter7 had made the Company aware of the error in late

August. The Company entered the remaining \$5,845.42 into the accounts payable system in its September 2011 accounting.

The last Richter7 invoice in question, found in the review, was a credit invoice involving three invoices that were double paid by Questar. A routing error in Questar's approval process caused payment of three Richter7 invoices to be delayed nine months. Seven months into the delay Richter7 made Questar aware of missed payments and submitted duplicate invoices to Questar to be paid. A Questar accounts payable person entered the duplicate payment and overrode the "Check and Balance" system by entering an asterisk after the invoice number. This created a new invoice and caused both the original invoice and the asterisk invoice to post to accounts payable. Shortly after these payments posted Questar reviewed the account and noted the double payments. Questar made Richter7 aware of the double payment, and Richter7 submitted a credit invoice on March 31, 2011. In our review of the original invoices and the credit invoice, we noted that one of the three credits was not included in the Utah DSM business detail. In their response to DPU Data Request 3.01(a), the Company stated that the credit for the duplicate payment of \$3,617.68 was incorrectly applied to the Utah Market Transformation program. The original invoice and the duplicate invoice were coded to the Wyoming ThermWise rebate program. The correcting entry for the misapplied Wyoming credit was made in August 2011 business.

The Company has acknowledged that there have been multiple errors in processing Richter7 invoices. As a result of this audit the Company has implemented an additional monthly review of all invoices posted to DSM programs. Richter7 has also agreed to be more diligent in coding their invoices. Specifically, they will ensure DSM and Fall Prep are clearly noted in the Job title and Component title on all invoices. Richter7 will also ensure that Wyoming and Utah expenses are listed on separate invoices. The Division in informal conversations with the Company suggested that in order to help alleviate future errors, the Company enter into separate contracts with Richter7, one for the DSM program and one for the Fall Prep program. Entering the

contract number on the invoice would provide the Company with a double check in correctly processing Richter7 invoices.

## **CONCLUSION**

Except for those items addressed above, the actual DSM expenditures through March 31, 2011 as presented in Questar Docket No. 11-057-04, Exhibit 1.2, page 2 of 2 appear to be correct as stated. Questar has provided the Division with documentation of the correcting entries made in subsequent months for the above-stated accounts payable errors.

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