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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: July 19, 2012

Subject: Audit of Questar DSM Program Expenditures, Docket No. 11-057-15

ISSUE

Questar Gas Company (Questar or Company) filed on December 29, 2011 an application with the Public Service Commission (Commission) to amortize a balance of \$39,000,000 in the Demand Side Management (DSM) deferred account. Although the November 30, 2011 DSM balance is \$28,779,282, the Company is proposing to amortize \$39,000,000 to help reduce the deferred account balance. The Company believes with this amortization rate, it can pay off the Energy Efficiency balance within the already approved three year time frame¹. The amortization rate of \$39 million would draw the balance in the DSM account down to \$0 by May 2014.

¹ Commission Order in Docket 11-057-04 dated May 31, 2011

On January 10, 2012, 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 April through November 2011. The Division recommends approval of the Company's application at this time.

DISCUSSION

An audit was performed to verify actual DSM program expenditures for the eight month period ending November 30, 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.

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 eight months of expenses, April 2011 through November of 2011. In DPU data request 1.1, Questar provided the Division with a report detailing all expenses in each DSM program for the eight 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 partly judgmental and partly sampled. 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.

CONCLUSION

The actual DSM expenditures through November 30, 2011 as presented in Questar Docket No. 11-057-15, 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
Marlin Barrow, Division of Public Utilities