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State of Utah

Department of Commerce Division of Public Utilities

FRANCINE GIANI CHRIS PARKER
Executive Director *Director, Division of Public Utilities*

Recommendation

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant

Date: May 8, 2019

Re: **Audit of Dominion Energy's Energy Efficiency Program Expenditures**, Docket No. 18-057-16

Recommendation (Approval With Conditions)

The Division of Public Utilities (Division or DPU) performed an audit of Dominion Energy of Utah's (Dominion or Company) actual energy efficiency program expenditures for the period August 1, 2017 through July 31, 2018. The Division's review noted multiple invoices paid in duplicated. The Division requests approval of Dominion's rates on a permanent basis, once Dominion provides the Division with journal entries verifying the reversal of these duplicate payments. Dominion provided in its supplemental response to DPU data request 3.01 and 4.01 the following:

The return of these funds will increase the energy efficiency account balance slightly but will have no measurable effect on the currently proposed amortization rate of \$0.25373 per Decatherm.

Issue

Dominion filed on October 1, 2018, an application with the Commission to increase the energy efficiency amortization rate. On October 23, 2018, the Division issued a response to the Commission's Action Request recommending the Commission grant the increased 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.

Discussion

An audit¹ was performed to verify actual energy efficiency program expenditures for the twelve month period ending July 31, 2018. The audit consisted of reviewing actual expenditure invoices for chosen expenditure types under various energy efficiency projects identified in the *Energy Efficiency Program Expenditure Report*, Exhibit 1.2 page 2 of 2.

Projects included in the energy efficiency program include ThermWise Home Energy Plan, ThermWise Builder Rebates, ThermWise Appliance Rebates, ThermWise Business Rebates, Market Transformation, Low Income Weatherization, ThermWise Weatherization Rebates, ThermWise Business Custom Rebates and ThermWise Energy Comparison Report.

Audit

The information required to review the energy efficiency program for the twelve month period ending July 31, 2018 was provided to the Division through the data request process along with informal phone conversations and emails. The Company was responsive in supplying the Division with the requested documentation of energy efficiency revenue and expenses.

The audit was conducted to verify a sampling of actual amounts listed on the *Energy Efficiency Program Expenditure Report*. The review consisted of a review of twelve months of expenses, August 1, 2017 through July 31, 2018. In DPU data request 1.1, Dominion provided the Division with a report detailing all expenses in each energy efficiency program for the twelve month

¹ In using the term "Audit" the Division notes that it did not conduct an independent audit as defined and conducted under Generally Accepted Auditing Standards as promulgated under the Auditing Standards Board of the American Institute of Certified Public Accountants. In this instance "Audit" means compliance review.

period. The Division reviewed this report, and out of each energy efficiency program a sampling of invoices and/or supporting documentation was requested for review. Dominion supplied copies of applicable documentation, invoices and/or schedules to support expenses reviewed. The documentation was verified and reconciled to the amounts presented on Dominion Exhibit 1.2, Page 2 of 2 filed with the Company's application.

The Division's initial sample of energy efficiency expenditures for the period noted above identified a duplicate payment in the amount of \$271.21. The Division notes that Dominion Energy changed accounting programs beginning January 1, 2018. This change not only made the Division's review of the program more difficult with invoicing spanning both accounting programs, but also, and more significantly, resulted in duplicate invoice payments. Further review of program expenditures identified additional duplicate payments totaling \$16,853.08. The combined duplicate payment total was \$17,104.29. In DPU data request 3.01 and 4.01 supplemental, the Division received copies of refund checks received by Dominion dated March and April 2019. The Division is currently waiting on verification from Dominion documenting the removal of these duplicate payments from program expenses. As noted above, the Company provided an explanation of the effect of these changes on the amortization rate.

Also included in the Division's audit were the review of energy efficiency customer complaints, fixed assets assigned to Dominion's energy efficiency program, energy efficiency program contracts entered or renewed for the amortization period, and verification of the carrying charge.

Conclusion

Except for those items addressed above, the actual energy efficiency expenditures through July 31, 2018 as presented in Dominion Docket No. 18-057-16, Exhibit 1.2, page 2 of 2 appear to be correct as stated. The Division requests, prior to finalizing the interim rates, that Dominion provide to the Commission verification of the removal of the duplicate payments.

Cc: Kelly Mendenhall, Dominion Energy Utah
Mike Orton, Dominion Energy Utah
Michele Beck, Office of Consumer Services
Service List