

# **Division Audit Report of**

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## ***The Demand Side Management Program of Rocky Mountain Power***

**January 1, 2012 – December 31, 2012**

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Report Date: January 21, 2014

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## **PURPOSE**

The Division of Public Utilities (Division) has completed an audit<sup>1</sup> of Rocky Mountain Power's (RMP or Company) Demand Side Management (DSM) program. The intent of this audit is to review the revenues and expenses reported by the Company for the DSM program for the year ended December 2012.

## **BACKGROUND**

Utah allows the recovery of DSM expenses through a system benefit charge (SBC) tariff rider outlined in RMP's Electric Service Schedule No. 193. In a general rate case the DSM revenue and costs are removed in order to prevent double recovery through revenue requirement. Because DSM is removed and is not subject to a thorough review or audit during rate cases, the Division is conducting this review.

Projects included in the DSM program include Home Energy Savings, Cool Cash Incentive, Cool Keeper, Refrigerator Recycling, ENERGY STAR New Homes, Utah Weatherization Incentive – Low Income, Energy FinAnswer, Industrial and Commercial FinAnswer, Self Direction Credit, Commercial & Industrial Re-Commissioning Program, Irrigation Load Control, and the Outreach & Communication Program. The Company has contracted with numerous providers to help administer the DSM programs.

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<sup>1</sup> 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.

## **SCOPE OF THE AUDIT**

The Division performed the following compliance review in the Company's 2012 DSM program:

### **Revenues**

- Revenue recording procedures were reviewed and discussed with appropriate RMP personnel.
- Compared revenues to prior years and reviewed month-to-month trends.
- Reviewed revenue accounts and compared balances with expected revenue calculations.
- Reviewed several revenue entries (including offsetting entries) and applicable supporting documentation.

### **Disbursements/Expenses**

- Expense recording and cost allocation procedures were reviewed and discussed with appropriate personnel.
- Compared expenses to prior years and reviewed month-to-month trends.
- Reviewed several operating expenditures (including payroll), with applicable receipts, invoices, and statements, etc.

### **Regulatory and Reporting Requirements**

- Reviewed program results from the 2012 year (provided to DSM Advisory Group along with annual report filing) for completeness and accuracy.
- Reviewed the most recent Tariff rates used in audit period for compliance to Commission-approved rates.
- Reviewed revenue and expense accounts for propriety and proper regulatory reporting.
- Reviewed prior Commission Orders for RMP compliance.

## **AUDIT FINDINGS**

The information required to review the 2012 DSM program was provided to the Division through the data request process. The Company was responsive in supplying the Division with the requested documentation of DSM revenue and expenses.

All departments follow the Company's general policies and procedures for tasks such as procurement of material or services, processing of invoices, accrual policies, etc. The Company follows a set of standard policy and procedures as a Company resulting in reduced risk, the sample utilized for testing purposes was judgmental rather than a random sample. The judgmental sample was based on the personal experience of the auditor and the auditor's familiarity with each DSM program. A judgmental sample was also used because the Company was unwilling to provide all documentation required to complete a random sample in the 2007 RMP DSM audit.

The Company explained that Company assets or lease contracts were not assigned to the DSM program, therefore no review of plant, equipment, depreciation or leasehold agreements was required for this review.

### **Revenues**

Revenues for the DSM program are collected through a system benefit charge, Rocky Mountain Power Electric Service Schedule 193, referenced on RMP's billing statement as "Customer Efficiency Services." The audit review and work performed concludes that the revenues appear to be properly stated.

### **Disbursements/Expenses**

RMP administers the DSM program in six states, California, Oregon, Washington, Idaho, Wyoming and Utah. It was noted during the review process that multiple journal entries included in the review sample were coded in the "Name" or "Document Header Text" fields with a state other than Utah. The Company was asked to verify the entry and provide documentation supporting the expense. The Company provided documentation showing \$2,917 of expenses were removed in October 2013 business from the 2012 Utah DSM program and allocated to other states. The Company's DSM expenses for 2012 were \$44,887,095 as filed its DSM 2012 Annual Energy Efficiency & Load Reduction Report. The correcting entries were minimal compared to the program expenses and do not materially affect the 2012 Utah DSM program. Including the October 2013 adjusting entries, the Utah expenses reviewed appear to be properly stated.

### **Regulatory and Reporting Requirements**

Based on a review of the associated 2012 DSM tariffs, Schedules 96, 96A, 110, 111, 113, 114, 115, 117, 118, 125, 126, 192 and 193, and related 2012 filings with the Utah Public Service

Commission, the Company appears to be in compliance with regulatory and reporting requirements

**Corrective Actions**

None Required.