

Division Audit Report of

The Demand Side Management Program of Rocky Mountain Power

January 1, 2019 – December 31, 2019

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PURPOSE

The Division of Public Utilities (Division) has completed an audit¹ 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 2019.

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 past general rate cases, the DSM revenue and costs were removed in order to prevent double recovery. In the 2020 rate case, the Company has amortized 12.6 million of DSM collected funds under the Sustainable Transportation and Energy Plan Act. Because the majority of DSM is removed and is not subject to a thorough review or audit during rate cases, the Division is conducting this review.

Projects in the DSM program include Cool Keeper, Irrigation Load Control, Low Income Weatherization, Wattsmart Homes, Home Energy Reports, Wattsmart Business (Commercial, Industrial, and Agricultural), and Outreach and Communication Campaign. The Company has contracted with numerous providers to help administer the DSM programs.

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.

SCOPE OF THE AUDIT

The Division performed the following compliance review of the Company's 2019 DSM program:

Revenues

- Reviewed and discussed Revenue recording procedures 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

- Reviewed and discussed expense recording and cost allocation procedures 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 2019 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 2019 DSM program was provided to the Division through the data request process. The Company was responsive in supplying 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 policies and procedures resulting in reduced risk. The sample utilized for testing purposes was a random sample.

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 under "Efficiency & STEP Programs." 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. The Company's DSM expenses with Utah for 2019 were \$53,333,189 as filed in its DSM 2019 Annual Energy Efficiency and Load Reduction Report. This is an increase of about \$4,171,637 from the previous year. The Utah expenses reviewed appear to be properly stated.

Regulatory and Reporting Requirements

Based on a review of the associated 2019 DSM tariffs, Schedules 105, 111, 114, 118, 140, and 193, and related 2019 filings with the Public Service Commission of Utah, the Company appears to be in compliance with regulatory and reporting requirements.

Corrective Actions

None Required.