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Department of
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**Division of
Public Utilities**
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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Philip J. Powlick, Director
Energy Section
Brenda Salter, Utility Analyst
David Thomson, Technical Consultant
Artie Powell, Manager

Date: December 18, 2008

Subject: Audit of Questar DSM Program Expenditures, Docket No. 08-057-25

ISSUE:

Questar Gas Company (QGC) filed on October 2, 2008 an application with the Public Service Commission (Commission) to amortize the Demand Side Management deferred account balance and to increase the DNG rates for the GS-1 and GSS rate classes to amortize \$13,881,565. On October 16, 2008, the Division of Public Utilities (Division) issued a memorandum to the Commission recommending they grant this rate increase 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.

RECOMMEND APPROVAL:

The Division has performed an audit of QGC's actual DSM program expenditures through August 31, 2008 and now recommends these rates be approved on a permanent basis.

DISCUSSION:

An audit was performed to verify actual DSM program expenditures through August 31, 2008. 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.



BACKGROUND:

Projects included in the DSM program include DSM Home Energy Audit, DSM Builder Rebate, DSM Appliance Rebates, DSM Business Rebates, DSM Market Transformation, DSM Low Income Weatherization, DSM Weatherization, DSM Multi-Family, DSM Business Custom and DSM Accounting. QGC has contracted with Portland Energy Conservation, Inc. (PECI) and Nexant, Inc. (Nexant) to administer the rebate programs. QGC has contracted with Richter7 to administer the media campaign. QGC has contracted with The CADMUS Group to administer the Phase I (Process) 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 sampling consisted of verifying four months (May, June, July, August) of expenses in selected categories for each DSM Project. The expense categories verified were Incentive (Rebates) - \$1,167,730 from the DSM Appliance Rebate project; Media - \$212,200.49 from the DSM Market Transformation project; Incentives (Rebates) - \$2,312,820.51 from the DSM Weatherization project; Contractor Administration - \$18,666.52 from the DSM Business Custom project; and Evaluate - \$43,410 from the DSM Phase I (Process) Evaluation project.

QGC supplied copies of applicable documentation, invoices and/or schedules in support of these charges. The documentation was verified and reconciled to the amounts presented on QGC Exhibit 1.2, Page 2 of 2. No exceptions between the supporting documentation and the amounts reported by QGC were noted.

CONCLUSION:

The actual DSM expenditures through August 31, 2008 as presented on QGC Docket No. 08-057-25, Exhibit 1.2, page 2 of 2 appear to be correct as stated.

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