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## MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities  
Chris Parker, Director  
Energy Section  
Artie Powell, Manager  
Brenda Salter, Technical Consultant

Date: October 12, 2012

Subject: Audit of Questar DSM Program Expenditures, Docket No. 12-057-10

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### ISSUE

Questar Gas Company (Questar or Company) filed on August 1, 2012 an application with the Public Service Commission (Commission) to amortize a balance of \$30,000,000 in the Demand Side Management (DSM) deferred account. Due to lower ongoing participation in the current program and lower expenditures, the Company is proposing a reduction in the amortization level from \$39 to \$30 million. This reduction will continue to reduce the Energy Efficiency balance to near zero within the previously approved three year time period.

On August 16, 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 December 2011 through June 2012. 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 seven month period ending June 30, 2012. 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, 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 seven months of expenses, December 2011 through June of 2012. In DPU data request 1.1, Questar provided the Division with a report detailing all expenses in each DSM program for the seven 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.

The Division's review of the DSM expenditures for the period noted above revealed an error in the ThermWise Builder program. In March 2012 business a DSM employee was reimbursed for the cost of a hotel room. On February 21, 2012, this employee reimbursed the Company with a personal check in the amount of \$76.94 for the cost of the hotel room. The credit for this charge was misapplied in the Questar Gas accounting system. A correction was made in September 2012 business to move the credit to the ThermWise Builder program.

#### **CONCLUSION**

Except for the one item addressed above, the actual DSM expenditures through June 30, 2012 as presented in Questar Docket No. 12-057-10, 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