



State of Utah
Department of Commerce
Division of Public Utilities

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MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Technical Consultant

Date: December 12, 2013

Re: **Audit of Questar Gas Company's DSM Program Expenditures**

Docket No. 13-057-09

RECOMMENDATION (APPROVAL)

The Division performed an audit¹ of Questar's actual DSM program expenditures for the period October 1, 2013 through July 31, 2013. The Division recommends approval of the Company's application at this time.

ISSUE

Questar Gas Company (Questar or Company) filed on September 3, 2013, an application with the Public Service Commission (Commission) to move the Energy Efficiency amortization balance from \$24.4 million to \$37.7 million, which will allow the balance to be near zero by the spring of 2014.

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.

On September 16, 2013, the Division of Public Utilities (Division) 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.

DISCUSSION

An audit was performed to verify actual DSM program expenditures for the ten month period ending July 31, 2013. 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 Plan, 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), Helgeson Enterprises, and Nexant, Inc. (Nexant) to administer the rebate programs. Questar contracted with Faktory, Inc. to administer the media campaign.

AUDIT

The information required to review the DSM program for the ten month period ending July 31, 2013 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.

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 ten months of expenses, October 1, 2012 through July 31, 2013. In DPU data request 1.1, Questar provided the Division with a report detailing all expenses in each DSM program for the ten 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. 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 expense incorrectly coded to the Utah ThermWise program totaling \$2,000. This expense should have been coded to the Wyoming ThermWise program. The Company's response to DPU DR 4.02 provided the correcting entries verifying the removal of this expense from the Utah ThermWise program. The adjusting entries were completed in September 2013 business.

CONCLUSION

The Division has reviewed the actual DSM expenditures through July 31, 2013 as presented in Questar Docket No. 13-057-09, Exhibit 1.2, page 2 of 2 and recommends the requested rate changes be made final.

CC Barrie McKay, Questar Gas Company
 Mike Orton, Questar Gas Company
 Michelle Beck, Office of Consumer Services
 Service List