



State of Utah
Department of Commerce
Division of Public Utilities

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MEMORANDUM

PUBLIC

To: Utah Public Service Commission
From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager
Brenda Salter, Technical Consultant
Date: February 19, 2015
Re: **Audit of Questar Gas Company's Energy Efficiency Program Expenditures**
Docket No. 14-057-26

RECOMMENDATION (CONDITIONAL APPROVAL)

The Division of Public Utilities (Division) performed an audit¹ of Questar Gas Company's (Questar or Company) actual energy efficiency program expenditures for the period August 1, 2013 through September 30, 2014. Before the Division requests approval of Questar's rates on a permanent basis, the Division recommends to the Public Service Commission (Commission) that it have Questar remove the cost of certain [REDACTED] from Questar's energy efficiency program and charge this expense to a below the line non regulated account. The Division

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.

requests Questar file a letter with the Commission verifying this adjustment explaining any effect this adjustment has on the amortization rate.

ISSUE

Questar filed on November 3, 2014, an application with the Commission to decrease the energy efficiency amortization balance from \$37.7 million to \$28.5 million, which will allow the balance to be near zero by the end of 2015.

On November 19, 2014, the 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 energy efficiency program expenditures for the fourteen month period ending September 30, 2014. The audit consisted of reviewing actual expenditure invoices for chosen expenditure types under various energy efficiency projects identified in the *Energy Efficiency Program Expenditure Report*, Exhibit 1.2 page 2 of 2 filed with the Company's application.

BACKGROUND

Projects included in the energy efficiency program include ThermWise Home Energy Plan, ThermWise Builder Rebates, ThermWise Appliance Rebates, ThermWise Business Rebates, 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 energy efficiency program for the fourteen month period ending September 30, 2014 was provided to the Division through the data request process. The

Company was responsive in supplying the Division with the requested documentation of energy efficiency 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 energy efficiency program.

The audit was conducted to verify a sampling of actual amounts listed on the *Energy Efficiency Program Expenditure Report*. The review consisted of a review of fourteen months of expenses, August 1, 2013 through September 30, 2014. In DPU data request 1.1, Questar provided the Division with a report detailing all expenses in each energy efficiency program for the fourteen month period. The Division reviewed this report, and out of each energy efficiency 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 energy efficiency expenditures for the period noted above identified certain [REDACTED] included in Market Transformation contracts. Through data requests, the Division questioned the use of these [REDACTED] Questar's response stated the [REDACTED] were used for various purposes including [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] In the Company's response they failed to provide an estimated value for all of the [REDACTED].

Through internet searches, the Division estimates the value of the [REDACTED].² Based on Questar's response to data requests, the Division estimates that half of the costs of the [REDACTED] were either provided to [REDACTED]³ or used for purposes outside of the energy efficiency program.

Questar's stated purpose of the Market Transformation program is to promote ongoing and lasting changes to natural gas appliance penetration rates and new construction markets, as well as natural gas conservation.⁴ The Division is concerned that Market Transformation is being used outside of its stated purpose. The Division would like to see better justification of program expenditures and how they comply with the Market Transformation programs stated purpose. ThermWise marketing is included as a topic of discussion in the next Advisory Group meeting scheduled for March 24, 2015.

CONCLUSION

Except for those items addressed above, the actual energy efficiency expenditures through September 30, 2014 as presented in Questar Docket No. 14-057-26, Exhibit 1.2, page 2 of 2 appear to be correct as stated. The Division requests, prior to finalizing the interim rates, that Questar provide to the Commission a letter verifying the removal of half the cost of the [REDACTED] and explain any effect on the amortization rate.

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

² [REDACTED]

[REDACTED] used in Questar employee-recognition plans have been allowed in rates, however employee-recognition plans are not part of the energy efficiency Market Transformation program. Stipulations in Docket Nos. 99-057-20, 02-057-02, 07-057-13, 09-057-16, and 13-057-05.

⁴ Questar Gas Company's Application for approval of the 2015 year budget for the Energy Efficiency Programs and Market Transformation Initiative. Docket No. 14-057-25, page 10.