



State of Utah  
Department of Commerce  
Division of Public Utilities

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## MEMORANDUM

### REDACTED - 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: January 19, 2016  
Re: **Audit of Questar Gas Company's Energy Efficiency Program Expenditures**  
**Docket No. 15-057-18**

### RECOMMENDATION (CONDITIONAL APPROVAL)

The Division of Public Utilities (Division or DPU) performed an audit<sup>1</sup> of Questar Gas Company's (Questar or Company) actual energy efficiency program expenditures for the period October 1, 2014 through September 30, 2015. 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 specified [REDACTED] from Questar's energy efficiency program. The Division requests Questar file a letter with the

<sup>1</sup> 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.

Commission verifying this adjustment explaining any effect this adjustment has on the amortization rate.

## **ISSUE**

Questar filed on October 30, 2015, an application with the Commission to maintain the current energy efficiency amortization rate. On November 23, 2015, 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 twelve month period ending September 30, 2015. 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*, Corrected Exhibit 1.2 page 2 of 2 filed on November 25, 2015 with the Company's reply comments to the Commission's November 18, 2015 amended Action Request.

## **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, ThermWise Business Custom Rebates and ThermWise Energy Comparison Report. Questar contracted with Parago Services Corp., Blackhawk Engagement Solutions, 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 twelve month period ending September 30, 2015 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.

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 twelve months of expenses, October 1, 2014 through September 30, 2015. In DPU data request 1.1, Questar provided the Division with a report detailing all expenses in each energy efficiency program for the twelve 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 Corrected Exhibit 1.2, Page 2 of 2 filed with the Company's reply comments.

The Division's review of the energy efficiency expenditures for the period noted above identified specific [REDACTED] included as hospitality in Market Transformation contracts. Through data requests, the Division questioned the use of these [REDACTED] Questar's response stated the [REDACTED] [REDACTED] were used for various purposes including [REDACTED] [REDACTED] [REDACTED]. The Company noted that the ThermWise program did not receive the [REDACTED] [REDACTED] valued at [REDACTED] and also the [REDACTED] valued at [REDACTED]. The Division is recommending these costs be removed from the ThermWise program.

The Company's confidential response to DPU data request 2.03(b) stated that of the [REDACTED] [REDACTED] Market Transformation contract costs, [REDACTED]



carrying charges applied to the energy efficiency expense the Division noted that the carrying charge rate applied to the periods July through October 2015 were not the Commission approved 4.51% annual rate. Discussions with the Company revealed that the rate included a tax deferral deduction of approximately 38% for under-collected monthly balances. Over-collected balances are charged the approved carrying charge rate of 4.51%. The tax deferral deduction adjustment resulted from Mountain Fuel Supply's application for tariff changes and implementation of proposed Tariff No. 200 in Docket No. 82-057-16. Although the tax deferral deduction was implemented in 1982, it was not applied to the energy efficiency account until July 2015. The Division and the Company agree that the tax deferral deduction should be evaluated further but that the Division's audit of the energy efficiency program is not the appropriate venue.

## CONCLUSION

Except for those items addressed above, the actual energy efficiency expenditures through September 30, 2015 as presented in Questar Docket No. 15-057-18, Corrected 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 verification of the removal of the [REDACTED] and explain any effect on the amortization rate based on removing the [REDACTED] and the [REDACTED] reversing entry.

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