



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: February 6, 2018
Re: **Audit of Dominion Energy's Energy Efficiency Program Expenditures**
Docket No. 17-057-17

RECOMMENDATION (CONDITIONAL APPROVAL)

The Division of Public Utilities (Division or DPU) performed an audit of Dominion Energy of Utah's (Dominion or Company, formerly known as Questar Gas Company) actual energy efficiency program expenditures for the period September 1, 2016 through July 31, 2017. Before the Division requests approval of Dominion's rates on a permanent basis, the Division recommends to the Public Service Commission (Commission) that it have Dominion remove the cost of the specified High School event sponsorship from Dominion's energy efficiency program. If approved by the Commission, the Division requests Dominion file a letter with the Commission verifying this adjustment along with Dominion's January 24, 2018, LAFAVOR adjustment explaining any effect these adjustments have on the amortization rate.

ISSUE

On September 1, 2017, Dominion filed an application with the Commission to increase the energy efficiency amortization rate. On September 22, 2017, the Division issued a response to the Commission's Action Request recommending the Commission grant the increased 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 audit¹ was performed to verify actual energy efficiency program expenditures for the eleven month period ending July 31, 2017. 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.

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.

AUDIT

The information required to review the energy efficiency program for the eleven month period ending July 31, 2017 was provided to the Division through the data request process along with informal phone conversations and emails. 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 eleven months of expenses,

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.

September 1, 2016 through July 31, 2017. In DPU data request 1.1, Dominion provided the Division with a report detailing all expenses in each energy efficiency program for the eleven 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. Dominion supplied copies of applicable documentation, invoices and/or schedules to support expenses reviewed. The documentation was verified and reconciled to the amounts presented on Dominion 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 High School sports sponsorships totaling \$750. In the Company's response to DPU DR 3.01 and a follow up call and email, the Company provided a photo copy of the two sports sponsorship banners. The first banner sponsorship in the amount of \$150, depicts an accurate representation of the Thermwise program. The second banner in the amount of \$500 shows "Questar Gas" as the majority of the banner with a small picture of *Therm* in the lower right corner. The caption next to *Therm* reads "TURN UP THE HEAT." Besides the majority of the banner promoting "Questar Gas", the Division believes this is a mixed message and misrepresents the Thermwise program. The Division recommends removing the sports sponsorship in the amount of \$500 from the energy efficiency program. The Division also recommends that Dominion monitor the sports sponsorship banners to ensure the correct message is communicated.

The Division's review of the expenditures also revealed a LAFAVOR Envelope cost inadvertently included in the energy efficiency program. In the Company's response to DPU DR 3.03, the Company provided an explanation of the adjustment along with a copy of the journal entry dated January 24, 2018 removing the expense of \$4,939.29 from the program.

Further review of the program expenses revealed that Market Transformation contract costs due December 15, 2016 were not included in the amortization period September 1, 2016 through July 31, 2017. In a follow-up email, the Company provided a copy of the journal entry dated December 31, 2017 allocating the contract cost in the amount of \$180,250 to the DSM program. Because this energy efficiency program cost was misapplied to "Questar Gas" initially, the program cost is out of period but will be trued up in the next energy efficiency amortization case.

Also included in the Division's audit were the review of energy efficiency customer complaints, fixed assets assigned to Dominion's energy efficiency program, energy efficiency program contracts entered or renewed for the amortization period, and verification of the carrying charge.

CONCLUSION

Except for those items addressed above, the actual energy efficiency expenditures through July 31, 2017, as presented in Dominion Docket No. 17-057-17, Exhibit 1.2, page 2 of 2 appear to be correct as stated. The Division requests, prior to finalizing the interim rates, that Dominion provide to the Commission verification of the removal of the High School sports sponsorship in the amount of \$500 and explain any effect on the amortization rate based on removing the sports sponsorship and the LAFAVOR Envelop reversing entry.

CC Kelly Mendenhall, Dominion Energy Utah
Mike Orton, Dominion Energy Utah
Michele Beck, Office of Consumer Services
Service List