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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO INCREASE ITS INTERIM AND BASE RATES AND CHARGES FOR ELECTRIC SERVICE	)	CASE NO. IPC-E-03-13

REBUTTAL TESTIMONY OF NANCY HIRSH

ON BEHALF OF NW ENERGY COALITION

ORIGINAL

REBUTTAL TESTIMONY OF NANCY HIRSH

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH THE NW ENERGY COALITION.

A. My name is Nancy Hirsh. My business address is 219 First Ave. South, Suite 100, Seattle, WA 98104. I am the policy director for the NW Energy Coalition (NWEC).

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS CASE?

A. Yes, I submitted direct testimony in this matter. My background and qualifications, as well as a description of NW Energy Coalition, are presented in that prior filing.

Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

A. My rebuttal testimony provides additional information and discussion in support of the Community Action Partnership Association of Idaho's (CAPAI's) requested increase in funding for the Low Income Weatherization Assistance Program. This testimony also responds to the direct testimony presented by Commission Staff and AARP with respect to fixed customer charges and rate design.

I. LIWA Funding

Q. HAVE YOU REVIEWED THE TESTIMONY OF TERI OTTENS AND KEN ROBINETTE?

A. Yes. In different ways, Ms. Ottens and Mr. Robinette make a strong case for increasing funding of Idaho Power's Low Income Weatherization Assistance (LIWA) program. Specifically, Mr. Robinette recommends increasing LIWA funding from

approximately $250,000 to $300,000 annually (in recent years) up to $1.2 million annually.

Q. DOES NW ENERGY COALITION SUPPORT THIS REQUEST? AND IF SO, PLEASE STATE THE UNDERLYING POLICY REASONS FOR YOUR SUPPORT.

A. Yes. Electric service is not an optional service in today's society. Electricity provides refrigeration, heating, cooling and lighting. Children cannot participate in school if they have no lights at home by which to do their homework. Home medical equipment must have reliable electricity service. Using alternative heating and lighting methods, such as candles, open oven, and space heaters, often pose serious health and safety problems. Yet, it is established that low and fixed income households generally pay a greater percentage of their income for utilities.

Well-marketed and promoted weatherization programs can significantly reduce the energy burden on low and fixed income families. In particular, targeting weatherization services to customers with high usage and those receiving LIHEAP bill assistance funds will ensure that weatherization services assist those with the greatest need.

Low income weatherization is not a social program. It is a cost effective energy savings program that provides economic and energy benefits to both the customer and the utility.

Q. WHAT ARE THE BENEFITS TO THE UTILITY OF LOW INCOME WEATHERIZATION PROGRAMS?

A. There are cost savings to Idaho Power due to reduced costs of arrearages and disconnecting and reconnecting customers. Weatherization measures that lower a customer's bill make it more likely that the customer will make some payment on current and arreared bills. Below is an excerpt of a paper written by Jerrold Oppenheim of Democracy and Regulation, in January 2002 for Entergy Corporation entitled Economics of Low-Income Electricity Efficiency Investment. (pp. 5-6)[1].

> Arrearage reduction (cost of money, uncollectibles, collection costs).[2] A review of studies of arrearage reduction benefits conducted for the Boston Edison Settlement Board by the Tellus Institute shows that energy efficiency programs generate reductions in arrearages ranging from $0 to $469 per participating household.[3] An Oak Ridge National Laboratory study, for example, found an average reduced arrearage value of $32 per weatherized low-income household relative to program costs of $1,550.[4] Similarly, a study of a Pacific Gas and Electric low-income weatherization and education program found that reduced carrying charges on arrearages range between $4 and $63 per weatherized household.[5]
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> In Colorado write-offs dropped 18 percent at weatherized homes. Further, arrearages dropped 26 percent, emergency gas assistance calls dropped 74 percent, and bills were reduced 22 percent. Total annual benefit to the utility is estimated at $30.56 per participating household on a $2417 per household cost, not counting reductions in complaints and collection costs, increases in comfort and health, and increases in discretionary income.[6] Another study found that all benefits associated

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[1] Due to the length of the paper, I have not included it as an attachment. It can be found at http://www.democracyandregulation.com/detail.cfm?artid=14&row=0

[2] See e.g., Mass. DTE 98-100 Guideline 3.3.2(e)(i,ii,iv). The Massachusetts commission has established guidelines for assessing cost-effectiveness of utility efficiency programs.

[3] Biewald, et.al., "Non-Price Factors of Boston Edison's Demand-Side Management Programs: A Review of the Societal Benefits of Energy Efficiency," (1995), at pp. 14-2 - 14-5. The authors issue numerous caveats regarding the comparison of results from different studies. For example, they cite differences in the measures installed and information provided through different programs, other administrative and programmatic distinctions, and variations of benefit measurement methodologies.

[4] Linda G. Berry, et al., "Progress Report of the National Weatherization Assistance Program," at 38, 45 (Oak Ridge National Laboratory, 1997).

[5] Lisa A. Skumatz, Chris Ann Dickerson, "Extra! Extra! Non-Energy Benefits Swamp Load Impacts for PG&E Program!" 1998 Summer Study on Energy Efficiency in Buildings Proceeding, pp. 8.301-8.307 (American Council for an Energy Efficient Economy, 1998). (Present values were calculated based on a ten year lifetime, discounted at four percent annually.)

[6] J.K. Magouirk, "Evaluation of Non-energy benefits from the Energy $avings Partners Program," 1995 Energy Program Evaluation Conference, Chicago, pp. 155-175 (1995).

with reduced uncollectibles range between $16 and $58 per weatherized household.[7]

Massachusetts Electric Co.'s (MECo's) impact evaluation of non-energy benefits from its Appliance Management Program[8] includes a broad review of the non-energy benefits at efficiency programs that target customers in arrears as opposed to those programs that do not so target.[9] The study found that arrearages are reduced as a result of both kinds of programs but that the targeted programs produce about 9.5 times the benefit as non-targeted programs. The evaluation also found that MECO's non-targeted program resulted in average arrearage reductions of $7.60. Weatherized homes, with larger savings, will reap greater benefits, $22 (not targeted) to $210 (targeted), on average. For this analysis, we used the conservative results of an Oak Ridge National Laboratory Study, $32 savings on a $1550 investment (about two percent).[10]

Site visits for terminations, reconnections.[11] At least two site visits are required each time a customer is terminated for non-payment and then reconnected. Typically, such site visits cost at least $35. Total savings, then, are the number of terminations avoided as a result of the program times $35. MECo assumes the incidence of low-income termination is twice that of other residential customers, which is 3 percent. Thus we compute this benefit (per average participant) as 6 percent times $35, or $2.10.

Q. PLEASE COMPARE CAPAI'S REQUESTED $1.2 MILLION LIWA PROGRAM TO SIMILAR PROGRAMS FUNDED BY INVESTOR-OWNED UTILITIES IN THE REGION.

A. CAPAI's request is comfortably within the range of other utilities in this region. In Oregon, state law requires collection of a total of $6 million per year from Pacific Power (421,000 customers) and Portland General Electric (645,000 customers)

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[7] Lisa A. Skumatz (Skumatz Economic Research Associates), Chris Ann Dickerson (PG&E), "Extra! Extra! Non-Energy Benefits Swamp Load Impacts for PG&E Program!" 1998 Summer Study on Energy Efficiency in Buildings Proceeding, p. 8.307 (American Council for and Energy Efficient Economy, 1998).
[8] Jane Peters, et al., "Final Report: Non-Energy Benefits Accruing to Massachusetts Electric Company From the Appliance Management Program" (Research Into Action, Dec. 1999).
[9] At pp. 8-15.
[10] L. Berry, M. Brown, L Kinney, "Progress Report of the National Weatherization Assistance Program" (1997).
[11] See e.g., DTE 98-100 Guideline 3.3.2(e)(iii) (Mass.).

customers for investment in low income weatherization services in the service territory of the two utilities. In Washington, Avista Utilities (219,000 total Washington customers) invests over $780,000 in limited income weatherization. Puget Sound Energy (860,000 electric customers) invests $2.05 million per year (including $300,000 from utility shareholders). In Washington, Pacific Power invests up to $1 million per year in low income weatherization for its 97,000 customers. State statute in Montana directs NorthWestern Energy to collect 2.4 percent of retail revenues for certain system benefits. NorthWestern Energy invests at least $584,000 per year and has 300,000 residential customers.

II. FIXED CUSTOMER CHARGES

Q. PLEASE SUMMARIZE THE TESTIMONY OF AARP WITNESS THOMAS POWER AND COMMISSION STAFF WITNESS DAVID SCHUNKE WITH RESPECT TO IDAHO POWER'S FIXED CUSTOMER CHARGE PROPOSALS.

A. Mr. Power, Mr. Schunke, and I all approached the issue of fixed customer charges in a similar manner. We all attempted to identify specific costs which could be viewed as a "ceiling" for any potential fixed customer charge, and then asserted that the fixed charge should be lower than the total of those specific costs for various policy reasons. Mr. Power (at pages 33-34) and Mr. Schunke (at pages 17-18) both recommend the fixed charge for Schedule 1 customers be increased from $2.51 to $3.00.

Q. IN YOUR DIRECT TESTIMONY YOU IDENTIFIED A FIXED CHARGE "CEILING" OF $6.77, WHILE MR. SCHUNKE IDENTIFIED A SIMILAR AMOUNT OF $4.20. FOR PURPOSES OF THE COMMISSION'S

CONSIDERATION OF THE FIXED CHARGE ISSUE, IS THIS DIFFERENCE MEANINGFUL IN YOUR VIEW?

A. No. The difference is easily explainable and largely insignificant: I included the costs of meters and their installation as customer-related costs, and Mr. Schunke did not. The key point is that we both attempted to use actual facts from Idaho Power's application in this case as a starting point for our analyses. And Mr. Power and I seem to strenuously agree that Idaho Power's proposed fixed charge of $10 is unexplainable on the facts the Company has presented.

Furthermore, Mr. Schunke, Mr. Power, and I all agree that sound rate policy dictates that the fixed charge be set lower than $10, $6.77, or $4.20. I explained these policies in my direct testimony and will not reiterate them here.

Q. DO YOU AGREE WITH MR. SCHUNKE'S AND MR. POWER'S RECOMMENDATIONS FOR A $3.00 FIXED CHARGE FOR SCHEDULE 1 CUSTOMERS?

A. I believe a $3.00 fixed charge is defensible, although even that figure is based on some degree of guesswork. However, I want to reiterate that the goals largely shared by Staff, NW Energy Coalition, AARP, and CAPAI – to preserve customer control over their bills and protect low usage customers from a greater proportional rate hike – can be best met via the type of rate design proposals put forward in my testimony and that of Mr. Power and Mr. Schunke. Furthermore, Idaho Power's desire for more certainty in its collection of the fixed costs of service can be met through the performance based rate proposal presented by NW Energy Coalition witness Ralph

Cavanagh. Mr. Cavanagh's proposal also protects customers against potential over-collection of such costs.

III. BLOCK RATE DESIGN

Q. PLEASE SUMMARIZE THE TESTIMONY OF AARP WITNESS THOMAS POWER AND COMMISSION STAFF WITNESS DAVID SCHUNKE WITH RESPECT TO THEIR RECOMMENDATIONS FOR BLOCK RATE DESIGN.

A. Both Mr. Power (at pages 28-31 of his testimony) and Mr. Schunke (at pages 18-21 of his testimony), recommend block rate designs but differ in details. Mr. Power recommends a block rate that would apply uniformly throughout the year, with the first 600 kWh consumed priced at 4.834 cents per kWh; and all additional kilowatt hours priced at 6.445 cents per kWh. Mr. Schunke's proposed block rate would apply only during the summer season, and impose a 20% higher rate on all kilowatt hours consumed above 800 kWh during that time period. Mr. Schunke's proposal is more similar to Idaho Power's proposed summer rate.

Q. WHAT IS NWEC'S POSITION WITH RESPECT TO THESE ALTERNATIVE RATE DESIGN PROPOSALS?

A. As I stated in my direct testimony (on pages 11-12), the Coalition supports consideration of a minimum block rate design as an alternative to a high customer charge and as a way to alert customers to the high cost of power during peak load hours. This price signal must be accompanied with strong energy efficiency and low income energy services programs to assist customers with high usage in reducing their consumption and thereby their bill. The Coalition has supported block rate

proposals and seasonal rate designs in utility proceedings in Washington and Oregon. The rate design proposal recommended by Mr. Powers reflects a more comprehensive approach to managing Idaho Power's peak load by recognizing the fact that Idaho Power's winter peak has been steadily growing and expanding over time. This trend is likely to continue and should be addressed by the block rate structure. For example, a higher rate second block may encourage more new construction to use gas heat and more energy efficient building practices, thereby reducing the winter peak.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.