BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO REVISE THE ENERGY EFFICIENCY RIDER, TARIFF SCHEDULE 91	)	CASE NO. IPC-E-04-29

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

TIMOTHY E. TATUM

December 2004

Q. Please state your name and business address.

A. My name is Timothy E. Tatum and my business address is 1221 West Idaho Street, Boise, Idaho.

Q. By whom are you employed and in what capacity?

A. I am employed by Idaho Power Company ("the Company") as a Pricing Analyst in the Pricing and Regulatory Services Department.

Q. Please describe your educational background.

A. In May of 2001, I received a Bachelor of Business Administration degree in Economics from Boise State University. I am currently a graduate student at Boise State University and plan to earn a Master of Business Administration degree in May 2005.

Q. Please describe your work experience with Idaho Power Company.

A. I became employed by Idaho Power Company in 1996 as a Customer Service Representative in the Company's Customer Service Center. Over the first two years I handled customer phone calls and other customer-related transactions. In 1999, I began working in the Customer Account Management Center where I was responsible for customer account maintenance in the area of billing and metering.

In June of 2003, after seven years in

customer service, I began working as an Economic Analyst on the Energy Efficiency Team. As an Economic Analyst, I maintained proper accounting for Demand-Side Management ("DSM") expenditures, prepared and reported DSM program accounting and activity to management and various external stakeholders, conducted cost-benefit analysis of DSM programs, and provided DSM analysis support for the Company's 2004 Integrated Resource Plan ("IRP").

In August of 2004, I accepted a position as a Pricing Analyst in Pricing and Regulatory Services. As a Pricing Analyst, I have continued to work in the area of DSM by providing program analysis and regulatory guidance.

Q. What is the scope of your testimony?

A. My testimony will describe the DSM programs and costs for which the Company is requesting recovery through the Energy Efficiency Rider ("Rider").

A. Have you prepared any exhibits as part of your testimony?

Q. Yes. I have prepared the following exhibits:

Exhibit	**Description**
Exhibit 5	Estimated DSM program expenses 2005 - 2009.
Exhibit 6	DSM program development and analysis methods used in the 2004 IRP process.
Exhibit 7	DSM program descriptions for the programs analyzed during the 2004 IRP process.

Exhibit 8	Figure 13 and Figure 14. Figure 13 is a fixed cost comparison of the supply-side and demand-side resources analyzed in the IRP. Figure 14 is a fixed and variable cost comparison of the supply-side and demand-side resources analyzed in the IRP.
Exhibit 9	Resource portfolio comparison report showing the net power supply benefit for portfolios containing each IRP DSM program compared against a baseline portfolio, referred to as P-Zero. Also, Total Resource Cost for each program is presented along with a ratio of benefits to costs.
Exhibit 10	Table showing the estimated energy and demand savings for each DSM program included in the IRP. This table reflects any changes made to the estimates since the IRP process was completed.
Exhibit 11	Northwest Energy Efficiency Alliance contract for 2005-2009.

Q. Please categorize the DSM related costs that Idaho Power Company is seeking to recover through the Rider.

A. The costs for the DSM programs and efforts the Company plans to implement beginning in 2005 can be segmented into five main cost categories: 1) 2004 IRP-identified DSM programs, 2) other customer focused DSM programs and projects, 3) funding for the Company's participation in the Northwest Energy Efficiency Alliance

("the Alliance"), 4) DSM research and studies, and 5) DSM departmental administration.

Q. Has the Company reviewed its planned DSM programs and efforts with the Energy Efficiency Advisory Group ("EEAG")?

A. Yes. The Company has reviewed its planned DSM programs and efforts, including the costs associated with each effort, with the EEAG.

Q. Are you familiar with the DSM programs included in the Company's 2004 IRP?

A. Yes. I assisted in the design and analysis of each DSM program included in the Company's 2004 IRP.

Q. Please describe the DSM programs included in the IRP.

A. Six DSM programs were selected through the IRP working group process to be included in the final resource portfolio. Four of the six programs are designed to address both summer demand reduction and energy efficiency improvements. The two remaining programs are demand response programs that are designed to reduce the Company's summer peak. The six programs are identified as the Residential Efficiency (New Construction) Program, the Commercial Efficiency (New Construction) Program, the Industrial Efficiency Program, the Irrigation Efficiency Program, the Residential Air Conditioner Cycling Program,

and the Irrigation Peak Clipping Program.

Q. What costs categories are included in the DSM program costs?

A. DSM program costs refer to the cost to the utility to operate a DSM program. These costs include administrative costs, marketing and advertising costs, programmatic capital costs, programmatic operation and maintenance costs, monitoring and evaluation costs, and incentive and rebate costs.

Q. What are the costs associated with the DSM Programs included in the 2004 IRP?

A. The average annual cost associated with the implementation and operation of the DSM programs included in the 2004 IRP is expected to be approximately $8.8 million over the five-year period 2005-2009. Exhibit 5 details the annual cost projections associated with each individual DSM program included in the 2004 IRP.

Q. Were all of the 2004 IRP DSM programs determined to be cost-effective?

A. Yes.

Q. Please describe the method used to determine the cost-effectiveness of the DSM programs included in the Company's 2004 IRP.

A. The DSM programs were analyzed to estimate cost-effectiveness using a two-step process. The first step

consisted of a pre-screening of potential DSM programs using the methods described in the Electric Power Research Institute ("EPRI") End-Use Tag Manual and The California Standard Practices Manual: Economic Analysis of Demand-side Programs and Projects. The pre-screening analysis compared estimated program costs and hourly load impacts to an hourly set of alternative costs. The alternative costs represented both heavy and light load market purchase estimates as well as gas-fired peaker generation costs. This set of alternative costs was used as a pre-screen in order to represent the value of summer peaking resources when designing potential DSM resource options. This pre-screening analysis, referred to as the static analysis, eliminates any DSM options that have a benefit/cost ratio less than 1.0 from further consideration. Exhibit 6, pages 1 through 8, describes in detail the static analysis used to screen DSM programs as part of the IRP evaluation process. Exhibit 6 is from the Demand-Side Resource Data section in 2004 IRP Technical Appendix.

Q. What is meant by "benefit/cost" ratio?

A. A benefit/cost ratio is the value derived by dividing the discounted stream of program benefits by the discounted stream of program costs. A benefit/cost ratio greater than 1.0 indicates that the program is cost-effective. During the static analysis, benefit/cost ratios

were calculated from both the Total Resource Cost ("TRC") and Utility Cost ("UC") test perspectives for each DSM program. EPRI defines the Total Resource Cost test as a measure of the total net resource expenditures of a DSM program from the point of view of the utility and its customers as a whole. Costs include changes in supply costs, utility costs, and participant costs. Transfer payments between customers and the utility, such as monetary incentives for program participation, are ignored. EPRI defines the Utility Cost test as a measure of the total costs to the utility to implement a DSM program. Exhibit 6, pages 2 through 4, describes these two tests in further detail. The Residential Efficiency (New Construction) Program, the Commercial Efficiency (New Construction) Program, the Industrial Efficiency Program, and the Irrigation Efficiency Program were screened for cost-effectiveness using the TRC test perspective. The Residential Air Conditioner Cycling Program and the Irrigation Peak Clipping Program were screened for cost-effectiveness using the UC test perspective.

Q. Why were the programs that are designed to address energy efficiency improvements screened for cost-effectiveness based upon the TRC test results?

A. Each energy efficiency program requires a participating customer to pay a portion of the installed

cost of the energy efficiency measure(s) encouraged by the program. The TRC test perspective considers the participant costs as a portion of the resource costs analyzed by the test. This is important because the participant cost in most cases is a significant portion of the total program cost and must be included in the analysis in order to fully quantify the cost to customers and the utility as a whole.

Q. Why were the demand response programs screened for cost-effectiveness based upon the UC test results?

A. The demand response programs included in the 2004 IRP do not require the participating customer to pay a portion of the measure cost; rather the utility provides the program equipment and a monetary incentive for participation in the program. The TRC test, by definition, ignores transfer payments between the utility and program participants. Since a large portion of the program costs associated with the demand response programs are the incentive payments provided to customers, eliminating them from the test results in an ineffective screening mechanism for demand response programs. The UC test perspective includes all costs to the utility including incentive payments. The UC test provides a full analysis of all costs incurred by the utility to implement a demand response resource making it the most effective screening test for

demand response programs.

Q. What was the second step in the analysis process?

A. The second step of the analysis estimated the hourly impacts to net power supply costs resulting from each DSM program through the use of a dynamic simulation model. The dynamic simulation model yielded a projected increase or decrease in net power supply costs resulting from each program over a 30-year planning period. The present value of the impact to net power supply costs was the program benefit. For each DSM program analyzed, a ratio of the present value Total Resource Costs to program benefit was calculated. Each option was ranked based upon its benefit/cost ratio. The options with the highest benefit/cost ratios over 1.0 were included in the final resource portfolio.

Q. Please describe the purpose of the Residential Efficiency (New Construction) program.

A. The Residential Efficiency (New Construction) program is designed to provide lost opportunity peak demand and energy savings in new residential homes by incorporating energy efficiency measures during the design and construction phases. For many energy efficiency measures, the only time to incorporate them into a building is at the time of initial construction. This program will be

patterned after the Company's existing Energy Star Homes Northwest program, which partners with regional and state organizations. Direct incentives will be provided to builders and possibly homebuyers. Incentives will be based on kilowatt or kilowatt-hour savings. Exhibit 7, page 5 describes this program in detail. Exhibit 7 is from the Demand-Side Resource Data section in 2004 IRP Technical Appendix.

Q. Who is eligible to participate in this program?

A. Builders and homeowners planning to build a single-family residential home within the Company's Idaho service territory will be eligible to participate in the program.

Q. You stated that all of the DSM programs included in the Company's 2004 IRP were determined to be cost-effective through the dynamic simulation analysis. Please share the results of the cost-effectiveness analysis results for the Residential Efficiency (New Construction) program.

A. The 30-year nominally levelized TRC of the Residential Efficiency (New Construction) program is $0.058 per kilowatt-hour. In comparison to other demand-side and supply-side resources selected by the IRP analysis, this program is shown to be a low cost resource, as can be seen

from Figure 14 included in Exhibit 8. Exhibit 8 can also be found on page 50 of the 2004 IRP. The dynamic simulation analysis yielded a Total Resource Cost benefit/cost ratio of 2.53. Exhibit 9 shows how this program, compared to the other DSM programs analyzed in the IRP, ranked in terms of the Total Resource Cost, the net power supply benefit, and the benefit/cost ratios. Exhibit 9 is from the Portfolio Analysis - Results and Supporting Documentation section in the 2004 IRP Technical Appendix.

Q. You have referred to a 30-year nominally levelized TRC. What is meant by nominally levelized TRC?

A. Nominally levelized TRC is defined as the present value of total resource costs of the resource over the life of the program divided by the discounted stream of energy or demand savings.

Q. Has the design and/or program goals of the Residential Efficiency (New Construction) program changed significantly from the program analyzed through the IRP process.

A. No. However, a slight change to the projected program costs has been made in the first program year. In order to meet the expected level of program participation, the Company plans to increase marketing efforts in the Treasure Valley, Twin Falls and Pocatello markets. This change will result in an increase to first

year program costs, compared to the costs included in the IRP, of approximately $42,000. Exhibit 6, column 11 details the projected costs for the program through 2009.

Q. Please describe the purpose of the Commercial Efficiency (New Construction) program.

A. The Commercial Efficiency (New Construction) program is designed to provide lost opportunity peak demand and energy savings n new commercial buildings by incorporating energy efficiency measures during the design and construction phases. Like the Residential Efficiency (New Construction) program, this program identifies for implementation measures, which can be achieved only during the construction process. Financial incentives and education will be the primary methods used to encourage program participation. Incentives will be based on kW or kWh savings. Exhibit 7, page 3 describes this program in detail.

Q. Who is eligible to participate in this program?

A. This program will be available to new commercial building owners/developers and architects/engineers. The program will be available to customers planning to take service under Schedules 7, 9, and qualified commercial customers taking service under Schedule 19.

Q. Please share the results of the cost-effectiveness analysis results for the Commercial Efficiency (New Construction) program.

A. The 30-year nominally levelized total resource cost of the Commercial Efficiency (New Construction) program is $0.068 per kilowatt-hour. In comparison to other demand-side and supply-side resources selected by the IRP analysis, this program is shown to be a low cost resource, as can be seen from Figure 14 included on Exhibit 8. The dynamic simulation analysis yielded Total Resource Cost benefit/cost ratio of 3.84. Exhibit 9 shows how this program ranked compared to the other DSM programs analyzed in the IRP process in terms of its Total Resource Cost, net power supply benefit, and benefit/cost ratios.

Q. Has the design and/or program goals of the Commercial Efficiency (New Construction) program changed significantly from the program analyzed through the IRP process.

A. No.

Q. Please describe the purpose of the Industrial Efficiency program.

A. The Industrial Efficiency program is designed to reduce peak demand and energy of large industrial and commercial customers. Idaho Power will provide direct incentives and assist with audit costs. Incentives will be

based on kW or kWh savings. This program is simply an expanded version of the Company's current Industrial Efficiency program. Exhibit 7, page 2 describes this program in detail.

Q. Who is eligible to participate in this program?

A. The program will be available to all new and existing customers taking service under Schedules 09 and 19 with a basic load capacity of 500 kW or greater. Special contract customers will also eligible.

Q. Please share the results of the cost-effectiveness analysis results for the Industrial Efficiency program.

A. The 30-year nominally levelized total resource cost of the Industrial Efficiency program is $0.032 per kilowatt-hour. In comparison to other demand-side and supply-side resources selected by the IRP analysis, this program is shown in Exhibit 8, Figure 14 to be a low cost resource. The dynamic simulation analysis yielded a Total Resource Cost benefit/cost ratio of 3.25. Exhibit 9 shows how this program ranked compared to the other DSM programs analyzed in the IRP in terms of its Total Resource Cost, net power supply benefit, and benefit/cost ratios.

Q. Has the design and/or program goals of the Industrial Efficiency program changed significantly from the

program analyzed through the IRP process?

A. Yes. The program marketing and administrative costs over the first year are expected to be lower than those included in the IRP analysis due to the program awareness generated under the Company's current Industrial Efficiency program. Exhibit 5 details the projected cost streams associated with this program. In addition, as a result of meetings held with customers and Commission Staff, several changes, which are detailed by Ms. Brilz in her testimony, are proposed for the program.

Q. Do the program design changes negatively impact the cost-effectiveness of the program?

A. No. The decrease to the marketing and administrative costs in the first program year come with no projected decrease to energy savings and an increase in the benefit/cost ratio.

Q. Please describe the purpose of the Irrigation Efficiency program.

A. This program is designed to reduce peak demand and energy of irrigation customers. Customers will receive direct incentives for modifications to existing or new irrigation systems. Incentives will be based on kW or kWh savings. This program, like the Industrial Efficiency program, is simply an expanded version of the Company's current Irrigation Efficiency program. Exhibit 7, page 1

describes this program in detail.

Q. Who is eligible to participate in this program?

A. The program will be available to all agricultural customers taking service under Schedule 24.

Q. Please share the results of the cost-effectiveness analysis results for the Irrigation Efficiency program.

A. The 30-year nominally levelized total resource cost of the Irrigation Efficiency program is $0.051 per kilowatt-hour. In comparison to other demand-side and supply-side resources selected by the IRP analysis, this program is shown to be a low cost resource, as illustrated in Figure 14 of Exhibit 8. The dynamic simulation analysis yielded a Total Resource Cost benefit/cost ratio of 3.77. Exhibit 9 shows how this program ranked compared to the other DSM programs analyzed in the IRP in terms of its Total Resource Cost, net power supply benefit, and benefit/cost ratios.

Q. Has the design and/or program goals of the Irrigation Efficiency program changed significantly from the program analyzed through the IRP process.

A. Yes. While the overall program design has not changed for this program, the demand and energy goals have changed for each of the first five years of program

operation. Exhibit 10, pages 1 and 2 provide detail on the new energy and demand targets for this program. Due to the timing of the implementation of this program in 2005, the level of participation in the first program year is projected to be lower than the IRP estimates. The energy savings is expected to be higher in the following years reaching the IRP energy savings target for the program by 2009.

Q. Please describe the purpose of the Air Conditioner Cycling program.

A. The AC Cycling Program is an optional, supplemental service that will allow participating customers an opportunity to voluntarily permit the Company to cycle their central air conditioners with the use of a direct load control device in exchange for a monthly monetary incentive. This program is designed to be a continuation of the Residential Air Conditioner Cycling Pilot Program operated by the Company during the summers of 2003 and 2004. On November 15, 2004, the Company filed an Application with the Commission requesting authority to implement this program.

Q. Who is eligible to participate in this program?

A. The AC Cycling Program will be a voluntary program offered to residential customers taking service under Schedule 1. The Program will be offered to customers

in Ada and Canyon counties and in Emmett where the Company has installed Advanced Meter Reading ("AMR") capability.

Q. Please share the results of the cost-effectiveness analysis results for the Air Conditioner Cycling program.

A. The 30-year nominally levelized total resource cost of the Air Conditioner Cycling program is $5.50 per peak kilowatt per month. In comparison to other demand-side and supply-side resources selected by the IRP analysis, this program is shown to be a low cost capacity resource, as can be seen from Figure 13 on Exhibit 8. The analysis yielded a Utility Cost benefit/cost ratio of 1.29 for this program over its 30-year life.

Q. Has the design and/or program goals of the Air Conditioner Cycling program changed significantly from the program analyzed through the IRP process.

A. Yes. The incentive payment amount per customer per year has been increased from $20, which was included in the IRP analysis, to a proposed amount of $21. The program target participation ramp rate has also been revised from that included in the IRP analysis. For the IRP analysis, a ramp rate of 8,000 customers per year for five years was assumed. For the current program design, a ramp rate of 2,000 customers per year for the first two years, increasing to 12,000 customers in the remaining three years,

has been assumed. Under both the IRP assumption and the current program design, the program is intended to be fully installed within five years.

Q. Do the program design changes you have described affect the overall cost-effectiveness of the program?

A. No. The evaluation of the Pilot Program revealed that by operating the program on days with temperatures above 95 degrees Fahrenheit, the Company could expect to receive a 1.11 kilowatt load reduction per participant. Based on the evaluation findings, the analysis was updated to include a reduction of 1.11 kilowatts per participant, rather than the 1.0 kilowatt assumed in the IRP analysis. Overall, the adjustments to the 30-year program design and analysis assumptions resulted in a Utility Cost benefit/cost ratio of 1.42 for this program compared to a ratio of 1.29 resulting from the IRP analysis, which indicates that the program remains cost-effective.

Q. Please describe the purpose of the Irrigation Peak Clipping program.

A. The Irrigation Peak Clipping program is designed to provide a temporary reduction in demand by turning off irrigation equipment with the use of a timer during the summer months of June, July, and August. Customers who participate in the program will receive a

monthly bill credit paid on the basis of their monthly billing demand.

Q. Who is eligible to participate in this program?

A. Agricultural irrigation customers taking service under Schedule 24 with pumps over 100 horsepower will be eligible to participate in this program.

Q. Please share the results of the cost-effectiveness analysis results for the Irrigation Peak Clipping program.

A. The 30-year nominally levelized Total Resource Cost of the Irrigation Peak Clipping program is $4.22 per peak kilowatt per month. In comparison to other demand-side and supply-side resources selected by the IRP analysis, this program is shown to be a low cost capacity resource, as is illustrated by Figure 13 in Exhibit 8. The analysis yielded a 30-year program Utility Cost benefit/cost ratio of 1.40 for this program.

Q. Has the design and/or program goals of the Irrigation Peak Clipping program changed significantly from the program analyzed through the IRP process.

A. Yes. During the summer of 2004, the Company operated the Irrigation Peak Clipping Pilot Program. On November 1, 2004, the Company filed an application with the Commission requesting authorization to operate a full

Irrigation Peak Clipping program. The IRP analysis of the Irrigation Peak Clipping program assumed each participant's pump would be interrupted once a week during the summer months of June, July, and August. The incentive payment per kilowatt of monthly billing demand was set at $1.75 per month in the IRP analysis. Based on the Irrigation Peak Clipping Pilot Program, the current program design has been modified to provide customers the option to choose to be interrupted one, two, or three times per week. The proposed incentives included in the Company's November 1 filing are $2.01 per kilowatt of billing demand for customers selecting to be interrupted once per week, $ $2.51 per kilowatt for customers selecting to be interrupted twice per week, and $2.76 per kilowatt for customers selecting to be interrupted three times per week.

Q. Is the cost-effectiveness of the modified program substantially different from the program analyzed through the IRP process?

A. No. The Irrigation Peak Clipping program, as currently designed, is shown to be cost-effective using the same analysis methods used in the IRP analysis. The inputs for the updated analysis were modified based upon the results of the Irrigation Peak Clipping Pilot program evaluation findings. The findings revealed that the actual average load reduction per participant was approximately 50%

of the customer's monthly billing demand, instead of the 80% assumed in the IRP analysis. The evaluation findings along with the program design changes were incorporated into the updated analysis, which produced a Utility Cost benefit/cost ratio of 1.36, only a small change from the ratio of 1.40, which resulted from the IRP analysis. The relatively small change in the benefit/cost ratio can be attributed to the offsetting effect between the increase in the number of days during a week the participant can be interrupted and the decrease in the actual load reduction per participant, coupled with the increase in the incentive payment amount.

Q. Please describe Idaho Power Company's other customer focused DSM programs.

A. The Company currently operates two customer focused DSM programs that were not analyzed through the IRP process. The Company plans to continue operating both of the programs, known as the Small Project and Education Fund and the Distribution Efficiency Initiative.

Q. Please describe the purpose of the Small Project and Education Fund.

A. Idaho Power, with the support of the EEAG, established two funds in an effort to respond to research requests, educational opportunities, and qualified small projects that are not eligible for participation under other programs. The Small Project Fund and the Education Fund

were initially funded with 2% of the current Idaho DSM Rider funding which results in approximately $54,000 annually for each fund. The Company plans to continue making Rider funds available for the Small Project and Education Fund on an annual basis as detailed in Exhibit 5, column 3.

Q. Please describe the purpose of the Distribution Efficiency Initiative.

A. The Distribution Efficiency Initiative, DEI, encourages the operation of the distribution system at a lower average voltage, when possible, to reduce consumption of various end-use loads. This research project, developed by the Alliance, involves multiple utilities and technologies to evaluate the cost effectiveness of different approaches to lowering average voltage. This project will also assess the potential effects of this effort by quantifying the achievable energy savings and demand reduction. The Company has identified program costs of $100,000 per year for 2005 and 2006 as detailed on Exhibit 5, column 4.

Q. Does the Company plan to implement any other customer focused programs?

A. Yes. The Company plans to implement two new customer focused programs for the existing commercial and residential sectors. The new commercial and residential programs were analyzed and shown to be cost-effective during

the IRP process; however, they were not selected to be included in the final IRP resource portfolio. Exhibit 9 shows how these programs, referred to as Commercial Efficiency (Existing Construction) and Residential Efficiency (Existing Construction), ranked compared to the other DSM programs analyzed in the IRP in terms of their Total Resource Costs, net power supply benefits, and benefit/cost ratios.

Q. Why were the Commercial Efficiency (Existing Construction) and Residential Efficiency (Existing Construction) programs not selected to be included in the Company's final IRP resource portfolio?

A. The Commercial Efficiency (Existing Construction) and Residential Efficiency (Existing Construction) programs were found to be cost-effective during the IRP analysis; however, the two programs were not selected for the final resource portfolio. During the IRP process, it was decided that it would not be feasible from an operational perspective to ramp-up six, resource size, energy efficiency programs along with the two demand response programs within a year's time. The decision was made to include the Commercial and Residential Efficiency (New Construction) programs in the selected IRP portfolio in order to capture lost opportunity savings, while also establishing smaller program offerings within the

residential and commercial customer classes. In addition, the Commercial and Residential Efficiency (New Construction) programs had the lowest 30-year benefit/cost ratios of the six energy efficiency programs analyzed, indicating that although they were cost-effective, they we not as cost-effective as the four programs selected for the final portfolio. The rankings for these two programs are shown on Exhibit 9. By offering a limited rollout of the Residential and Commercial (Existing Construction) programs in 2006, the Company plans to gain a better understanding of the energy efficiency potential of these programs that may serve as the basis for the design of larger, resource-sized programs in the future.

Q. Please describe the purpose of the Residential Efficiency (Existing Construction) program.

A. The Residential Efficiency (Existing Construction) program is designed to reduce the peak demand and energy consumption of residential customers taking service under Schedule 01. Although a firm program design has not been determined, initial assumptions include payment of direct incentives for modifications to existing single-family homes, multifamily homes or manufactured homes. Incentives will be based on kilowatt or kilowatt-hour savings. Marketing and education will be a large component of this program. Exhibit 7, page 6 describes this program

in detail.

Q. Please describe the purpose of the Commercial Efficiency (Existing Construction) program.

A. The Commercial Efficiency (Existing Construction) program is designed to reduce the peak demand and energy consumption of commercial customers taking service under Schedules 7 and 9. Although a firm program design has not been determined, initial assumptions include payment of direct incentives for modifications to commercial customers categorized in 11 different building types including retail, small offices and hospitals. Incentives will be based on kilowatt or kilowatt-hour savings. Exhibit 7, page 4 describes this program in detail.

Q. Would you briefly describe the goal of the Alliance?

A. Idaho Power addresses market transformation in its service territory by being a member of the Alliance and working to coordinate Alliance activities in Idaho. The Alliance is a regional group whose mission is to catalyze the Northwest marketplace to embrace energy-efficient products and services.

Q. Idaho Power's current contract with the Alliance ends on December 31, 2004. Has the Company elected to participate in the Alliance in the future?

A. Yes. The Company has signed an agreement with

the Alliance for the period 2005-2009. A provision in the agreement allows the Company to cancel its participation in the Alliance if recovery of the Alliance funding is not authorized by the Commission in a manner acceptable to the Company. The Company's 2005-2009 agreement with the Alliance is included as Exhibit 11.

Q. How has the Company's participation in the Alliance been funded in the past?

A. Funding for the company's participation in the Alliance was authorized through 2004 by Order No. 28333 in Case No. IPC-E-99-13. Through this Order, the Commission authorized the use of revenue sharing funds to offset the annual payments to the Alliance through 2004. The annual contribution level for Idaho Power has been set at 6.39% of the total Alliance budget, or $1.3 million, and is based upon the Company's percentage of Pacific Northwest retail energy sales. Idaho's share of the $1.3 million payment amount is 95.5%. Currently, the Company has accumulated a credit balance of approximately $1.9 million in its Alliance funding account. The Company recommends that the excess dollars be used to fund the first two quarters of the Company's 2005 funding commitment to the Alliance and that the remaining funds be spread equally across the remaining contract years of 2006-2009.

Q. What is the annual funding amount required to

support the Company's participation in the Alliance?

A. The annual Alliance funding amounts over the next five years are detailed in column 7 on Exhibit 5. These funding amounts reflect the net amount after the application of the $1.9 million credit.

Q. Has the Company explored the cost-effectiveness of funding the Alliance activities?

A. In 2003, after six years of existence, the Alliance initiated a retrospective evaluation to determine whether it had transformed enough markets to justify the costs of the Alliance. An ad hoc committee that included members both internal and external to the organization led the retrospective. Two primary findings of the study were that the Alliance has been successful at transforming, or contributing to the transformation of, markets and that the benefits of the Alliance have exceeded costs. The study concluded that the regional approach of the Alliance is an asset and even greater leverage in program implementation can be gained in the future. It is estimated that the overall energy savings attributable to the Alliance efforts has come at a cost of approximately $0.01 per kilowatt-hour. The Alliance estimates Idaho Power's share of the cumulative energy savings attributable to its efforts was approximately 8.5 average megawatts by 2003.

Q. The Company has identified costs for DSM

research and studies in its overall plan. What are the types of DSM studies and research the Company plans to undertake?

A. The Company plans to conduct research and studies in order to continue to effectively manage and grow its DSM operations. These studies and research may include DSM assessments, customer characteristic surveys, and participation in regional studies. Information provided through these studies and research will serve as a basis for enhancements to existing DSM programs and the development of other potential DSM resources. In the past, the results of similar research and studies have been presented to the EEAG in order to provide a solid foundation of information to aid the group in providing valued input. For example, the Idaho Power Demand-Side Management Peak Reduction Assessment prepared by Mike Rufo at Quantum Consulting, Inc. and Rich Barnes of Kema-Xenergy, Inc. was completed in 2003. This assessment was presented to the EEAG and served as the basis for the design of four of the DSM programs included in the 2004 IRP. The Company has identified $100,000 per year for studies and research. Exhibit 5, column 2 details the estimated annual cost associated with studies and research.

Q. Are the costs associated with the evaluation of the various DSM programs categorized as "DSM studies and research"?

A. No. The costs associated with the evaluation of individual DSM programs are included in the total costs for each individual program.

Q. You have identified "DSM departmental administration" as a main DSM cost category. What administrative costs are included in this category?

A. DSM departmental administration costs will include various incremental overhead costs related to the operation of the DSM efforts funded through the Rider that are not directly attributable to a specific DSM program. These departmental administration costs may include, but are not limited to labor costs, office supplies and equipment, DSM database support, and travel. Departmental administration costs are expected to average approximately $290,000 annually over the next five years. Exhibit 5, column 1 details the annual DSM departmental administration costs.

Q. Does this conclude your testimony?

A. Yes, it does.