

RECEIVED

2012 MAR 15 PM 4:55

IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR A) CASE NO. IPC-E-12-15
DETERMINATION OF 2011 DEMAND-SIDE)
MANAGEMENT ("DSM") EXPENDITURES)
AS PRUDENTLY INCURRED.)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

DARLENE NEMNICH

1 Q. Please state your name and business address.

2 A. My name is Darlene Nemnich. My business
3 address is 1221 West Idaho Street, Boise, Idaho 83702.

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

5 A. I am employed by Idaho Power Company ("Idaho
6 Power" or "Company") as a Senior Regulatory Analyst.

7 Q. Please describe your educational background.

8 A. In May of 1979, I received a Bachelor of Arts
9 degree in Business Administration with emphases in Finance
10 and Economics from the College of Idaho in Caldwell, Idaho.
11 In addition, I have attended the electric utility
12 ratemaking course offered through New Mexico State
13 University's Center for Public Utilities as well as various
14 other ratemaking courses sponsored by the Edison Electric
15 Institute and Electric Utility Consultants, Inc.

16 Q. Please describe your work experience with
17 Idaho Power.

18 A. In 1982, I was hired as an analyst in the
19 Resource Planning Department. My primary duties were the
20 calculation of avoided costs for cogeneration and small
21 power production contracts and the calculation of costs of
22 future generation resource options. In 1989, I moved to
23 the Energy Services Department where I performed economic,
24 financial and statistical analyses to determine the cost-
25 effectiveness of demand-side management ("DSM") programs.

1 I stayed in that general area designing, implementing, and
2 evaluating programs until 2000, when I was promoted to
3 Energy Efficiency Coordinator. In that capacity, I
4 coordinated the Company's effort to grow customer programs
5 and education in energy efficiency promotion. I was
6 responsible for complying with regulatory and financial
7 requirements in the area of energy efficiency. In 2003, I
8 was promoted to Energy Efficiency Leader where I managed
9 the Company's DSM effort, including strategic planning,
10 design and development of programs, regulatory compliance,
11 and overall management of the department. In 2006, I left
12 the Company to pursue personal opportunities. In April
13 2008, I returned to the Company to my current position as a
14 Senior Regulatory Analyst in the Regulatory Affairs
15 Department. My duties as Senior Regulatory Analyst include
16 the development of alternative pricing structures, analysis
17 of the impact on customers of rate design changes, and the
18 administration of the Company's tariffs.

19 Q. What is the purpose of your testimony in this
20 matter?

21 A. The purpose of my testimony is to present the
22 Company's request for a determination of \$42,641,706 of DSM
23 expenditures spent in 2011 acquiring demand-side resources
24 as prudently incurred. Of this amount \$35,623,321 was
25 funded by the Idaho Energy Efficiency Rider ("Rider") and

1 \$7,018,385 was funded by the Company and placed in a
2 regulatory asset account. My testimony will provide a
3 background of recent Idaho Power DSM prudence cases and
4 recent DSM funding cases, review 2011 DSM performance,
5 cost-effectiveness and evaluation, and summarize how this
6 filing satisfies the Memorandum of Understanding for
7 Prudency Determination of DSM Expenditures filed in Case
8 No. IPC-E-09-09 ("DSM MOU").

9 Q. Are you sponsoring any exhibits?

10 A. Yes. I am sponsoring the following exhibits:
11 Exhibit No. 1, 2011 Idaho DSM Expenditures for Prudence
12 Filing; Exhibit No. 2, 2011 Cost-Effectiveness Summary by
13 Program; and Exhibit No. 3, 2011-2013 Evaluation Plan.

14 **I. BACKGROUND**

15 Q. Does Idaho Power consider energy efficiency
16 and demand response an important part of meeting the
17 current and future energy needs of its customers?

18 A. Yes. Cost-effective DSM resources are Idaho
19 Power's resource of choice, both from a cost standpoint and
20 from an environmental perspective. The cleanest, most
21 efficient resource is one a utility does not have to build.
22 Cost-effective DSM resources are the resources of choice by
23 virtually all of the Company's stakeholders.

24 Q. What are Idaho Power's objectives in relation
25 to its DSM programs?

1 A. Idaho Power's two main objectives for DSM
2 programs are to acquire all, cost-effective energy
3 efficiency and demand response resources in a prudent
4 manner to help meet the energy and demand needs of the
5 Company's electrical system, and to provide customers with
6 information and programs to help them manage their energy
7 usage.

8 Q. Please provide a brief history of recent cases
9 where the Commission has determined that the Company's DSM
10 expenditures have been prudently incurred.

11 A. This filing marks the fourth time that Idaho
12 Power has requested a determination of prudence related to
13 Rider expenditures since the Rider was established in 2002.
14 The first filing for a determination of prudence occurred
15 in June 2008 as part of the 2008 general rate case, Case
16 No. IPC-E-08-10. Idaho Power requested that the Idaho
17 Public Utilities Commission ("Commission") find that its
18 2002-2007 expenditures of \$29 million were prudently
19 incurred. The Commission issued Order Nos. 30740 and 31039
20 finding the \$29 million in expenditures prudent. As part
21 of Case No. IPC-E-09-09, Commission Staff ("Staff") and
22 Idaho Power worked together to establish an agreed-upon set
23 of terms for future reporting and evaluating of DSM
24 expenditures and programs. The other investor-owned
25 electric utilities operating in the state of Idaho also

1 participated in the formulation of this agreement. By
2 January 2010, the Staff, Idaho Power, Avista Corporation,
3 and Rocky Mountain Power signed the DSM MOU. This DSM MOU
4 provides an agreed-upon set of guidelines for evaluation
5 and reporting of DSM performance with the purpose of
6 facilitating an objective and transparent Staff and
7 Commission assessment of the utilities' DSM efforts.

8 In March 2010, concurrent with the filing of the
9 *Demand-Side Management 2009 Annual Report* ("DSM 2009 Annual
10 Report"), Idaho Power filed its second request for a
11 determination of prudence related to Rider funded efforts
12 when it filed Case No. IPC-E-10-09 for the 2008 and 2009
13 DSM expenditures of \$50.7 million. Idaho Power provided
14 two supplements to the DSM 2009 Annual Report in an effort
15 to satisfy the guidelines set forth in the DSM MOU. These
16 were *Supplement 1: Cost-Effectiveness* ("Supplement 1") and
17 *Supplement 2: Evaluation* ("Supplement 2"). On November
18 16, 2010, the Commission issued Order No. 32113 and found
19 the 2008 and 2009 DSM expenditures were prudently incurred.

20 Finally, on March 15, 2011, Idaho Power filed its
21 third request for a determination of prudence related to
22 Rider funded efforts when it filed Case No. IPC-E-11-05 for
23 the 2010 DSM expenditures of \$42.5 million. This amount,
24 which was later modified due to an accounting adjustment to
25

1 \$41.9 million, was found to be prudently incurred by the
2 Commission in Order No. 32331 on August 18, 2011.

3 Q. Please review the recent changes that impact
4 Idaho Power's funding of DSM resources.

5 A. On May 17, 2011, the Commission issued Order
6 No. 32245 allowing Idaho Power to account for incentive
7 payments paid in the Custom Efficiency program as a
8 regulatory asset beginning January 1, 2011.

9 Q. How will this funding change impact this
10 request?

11 A. Idaho Power requests that, as in the recent
12 past, all costs incurred in the Custom Efficiency program
13 be reviewed for prudence together. Therefore, the
14 \$7,018,385 of incentive payments for the Custom Efficiency
15 program in 2011 is included in this prudence determination
16 request.

17 Q. Were there other recent DSM funding changes?

18 A. Yes. On December 30, 2011, the Commission, in
19 its 2011 general rate case Order No. 32426, approved Idaho
20 Power's request to move a base level amount of demand
21 response program incentive payments from the Rider into
22 base rates and be tracked as part of the Power Cost
23 Adjustment mechanism. The base level amount was set at
24 \$11,252,265. Also in this Order, the Commission adjusted
25 the Idaho Energy Efficiency Rider level from 4.75 percent

1 of base rate components to 4.0 percent of base rate
2 components.

3 Starting in 2012 these funding changes will impact
4 Rider expenditures because the demand response program
5 incentive payments will no longer be paid from the Rider.
6 However, during 2011, all demand response payments were
7 paid for by the Rider; therefore, these changes will not
8 impact this current prudence request.

9 **II. 2011 DSM PERFORMANCE**

10 Q. What is the amount of 2011 expenditures from
11 the Rider and the regulatory asset account mentioned above
12 that the Company is requesting the Commission find were
13 prudently incurred?

14 A. In the delivery of energy efficiency, demand
15 response, and market transformation programs as well as
16 education and administrative costs, Idaho Power spent
17 \$35,623,321 of Rider funds and \$7,018,385 of regulatory
18 asset funds for a total of \$42,641,706 spent on demand-side
19 resource acquisition in 2011. With this filing, Idaho
20 Power requests the Commission issue an order finding that
21 these funds were prudently incurred. Exhibit No. 1 shows a
22 breakout of these expenditures by program and customer
23 sector and by Rider or regulatory asset account. Sixty-
24 eight percent of the total amount was spent on incentives,
25 20 percent on purchased services, seven percent on

1 labor/administration, and five percent on materials,
2 equipment and other expenses.

3 Q. Do the dollars you are representing here
4 match the totals in Appendix 2, page 136 in Attachment No.
5 1 to the Application, the *Demand-Side Management 2011*
6 *Annual Report* ("DSM 2011 Annual Report")?

7 A. No. As reflected in footnote (f), the Rider
8 total of \$35,096,540 has been increased by \$526,781 to
9 adjust for a correcting accounting entry that was made in
10 2011 that moved \$526,781 from the Idaho Rider to the Oregon
11 Rider. The correcting accounting entry reflects four
12 projects completed in Oregon in 2010, but charged to the
13 Idaho Rider in error. The total of \$526,781 was removed
14 from the 2010 Idaho filing for prudence determination.
15 Including this adjustment brings the total Idaho Rider
16 balance to \$35,623,321. The regulatory asset account
17 balance includes an accounting accrual of \$34,146 for
18 program incentives accrued for 2011, but not paid to
19 customers until 2012 bringing the total regulatory asset
20 account balance to \$7,018,385.

21 Q. Please provide an overview of Idaho Power's
22 DSM effort in 2011.

23 A. In 2011, Idaho Power offered customers 17
24 energy efficiency programs and three demand response
25 programs, participated in market transformation programs

1 through the Northwest Energy Efficiency Alliance ("NEEA"),
 2 and offered several ongoing education initiatives. These
 3 are listed in the table below:

4 **Table 1: Idaho Power DSM Program and Activity List**

Program by Sector	Operational Type
Residential	
A/C Cool Credit	Demand Response
Ductless Heat Pump Pilot	Energy Efficiency
Energy Efficient Lighting	Energy Efficiency
Energy House Calls	Energy Efficiency
ENERGY STAR® Homes Northwest	Energy Efficiency
Heating & Cooling Efficiency Program	Energy Efficiency
Home Improvement Program	Energy Efficiency
Home Products Program	Energy Efficiency
Oregon Residential Weatherization	Energy Efficiency
Rebate Advantage	Energy Efficiency
Residential Energy Efficiency Education Initiative	Other Programs and Activities
See ya later refrigerator®	Energy Efficiency
Weatherization Assistance for Qualified Customers	Energy Efficiency
Weatherization Solutions for Eligible Customers	Energy Efficiency
Commercial/Industrial	
Building Efficiency	Energy Efficiency
Commercial Education Initiative	Other Programs and Activities
Easy Upgrades	Energy Efficiency
FlexPeak Management	Demand Response
Oregon Commercial Audits	Energy Efficiency
Custom Efficiency	Energy Efficiency
Irrigation	
Irrigation Efficiency Rewards	Energy Efficiency
Irrigation Peak Rewards	Demand Response
All Sectors	
Northwest Energy Efficiency Alliance	Market Transformation

5
 6 Table 1 illustrates the broad availability of
 7 programs offered by Idaho Power to its customers in energy
 8 efficiency, demand response, and education. Customer

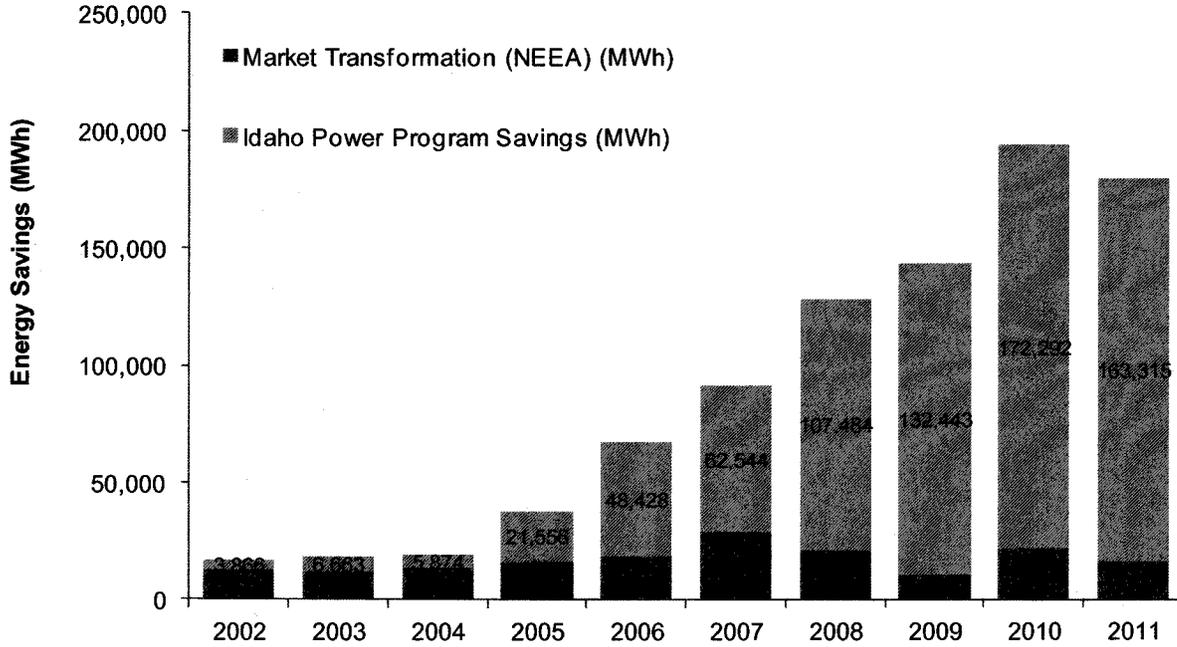
1 participation remained strong in most of the existing
2 programs during the year.

3 Q. What savings were achieved in 2011 with these
4 programs?

5 A. On a system-wide basis, Idaho Power achieved
6 179,424 megawatt-hours ("MWh") in energy efficiency savings
7 in 2011. This value includes NEEA savings. This is enough
8 energy to service over 12,900 average homes for a year in
9 Idaho Power's service area. Idaho Power's demand response
10 programs provided a total demand reduction capacity of 403
11 megawatts ("MW") in 2011. This is a 20 percent increase in
12 capacity over 2010 levels. In 2011, the demand reduction
13 capacity value includes approximately 83 MW of peak
14 resource from the FlexPeak Management and A/C Cool Credit
15 programs that was dispatched and approximately 320 MW of
16 peak resource capacity from the Irrigation Peak Rewards
17 program that was available but not dispatched. Although
18 the Irrigation Peak Rewards program was available to Idaho
19 Power throughout the 2011 program season, dispatch of the
20 program was not economical. This was due to the new fixed
21 and variable incentive structure for the program in
22 conjunction with low system peak demands and low market
23 energy prices. Market energy prices remained lower than
24 the variable cost of the program making it uneconomical to
25 dispatch in the 2011 program season.

1 Table 2 shows the annual energy efficiency savings
2 in MWh since 2002 and Table 3 shows the annual peak demand
3 reduction capacity in MW impact since 2004.

4 **Table 2: Idaho Power Energy Efficiency Savings**

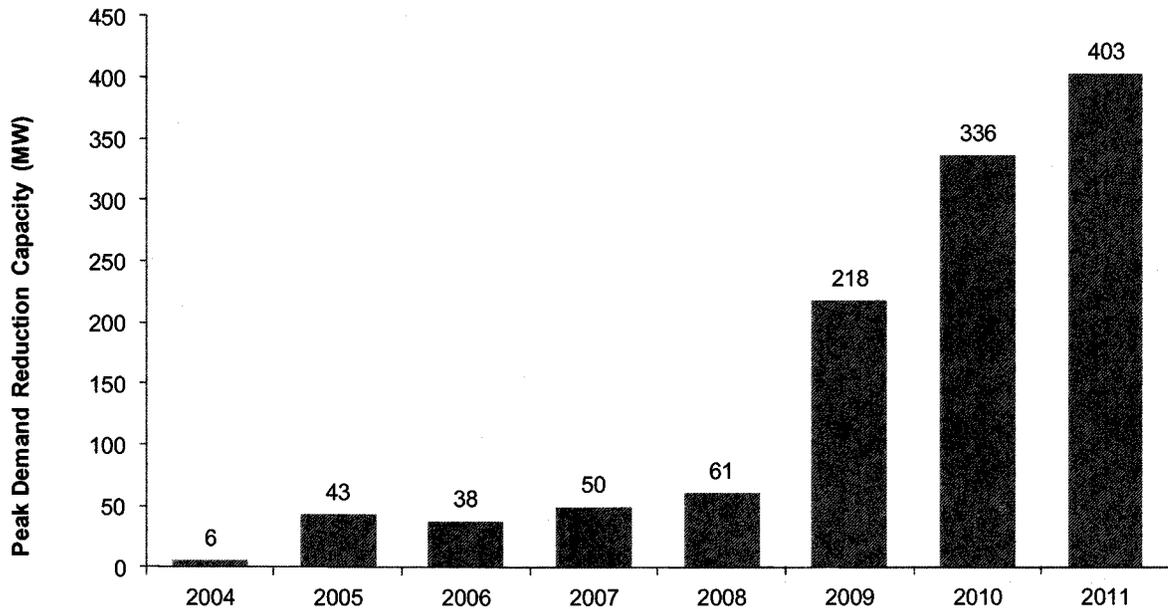


5
6 As Table 2 shows, overall energy savings dipped
7 slightly in 2011. This is a normal result of annual
8 operations of a mature portfolio of programs.

9
10
11
12
13
14
15
16

1

Table 3: Idaho Power Demand Response Capacity



2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

Attachment No. 1 to the Application, the DSM 2011 Annual Report, provides details for each program, including a description of each program, 2011 performance and activities, cost-effectiveness, customer satisfaction, and evaluation results. In addition, the DSM 2011 Annual Report provides Idaho Power's DSM strategies for 2012.

Q. Please describe the opportunities for external parties to provide input and guidance to Idaho Power's DSM efforts.

A. In 2002, Idaho Power created the Energy Efficiency Advisory Group ("EEAG") for the express purpose of providing a forum to gather ideas and suggestions from customers and special interest representatives on formulating and implementing DSM programs. Members include customer representatives from residential, irrigation,

1 commercial, and industrial sectors, as well as
2 representatives for senior citizens, low-income
3 individuals, environmental organizations, state agencies,
4 the Idaho Public Utilities Commission, and Idaho Power. In
5 2011, EEAG met three times, in February, June, and October
6 providing input to Idaho Power. In addition to EEAG, Idaho
7 Power solicits further customer input through meeting
8 directly with stakeholder groups in the residential,
9 commercial, industrial, and irrigation customer sectors.
10 Idaho Power continues to leverage its relationships with
11 trade allies, trade organizations, and regional groups to
12 support the implementation of DSM programs.

13 **III. 2011 PROGRAM COST-EFFECTIVENESS OVERVIEW**

14 Q. What is Idaho Power's overall goal when it
15 comes to DSM cost-effectiveness tests?

16 A. Idaho Power's goal is to have all mature
17 programs meet benefit/cost ratios greater than 1.0 for the
18 total resource cost test ("TRC"), utility cost test ("UC"),
19 and the participant cost test ("PCT"). Each of the tests
20 provides information about the impacts of DSM programs from
21 distinct perspectives. The TRC looks at benefits and costs
22 from the perspective of all utility customers (participants
23 and non-participants) in the utility service area, the UC
24 calculates costs and benefits from Idaho Power's
25 perspective, and the PCT looks at the average participating

1 customer's costs and benefits. Because of the value in
2 comparing demand-side resources to supply-side resources,
3 Idaho Power has placed emphasis on the TRC and UC tests.
4 Idaho Power reviews the cost-effectiveness results for each
5 program on an annual basis to determine whether the program
6 should continue or be modified in some way to ensure its
7 ongoing cost-effectiveness.

8 For its cost-effective methodology, Idaho Power
9 relies on the Electric Power Research Institute's *End Use*
10 *Technical Assessment Guide "TAG"*, the *California Standard*
11 *Practice Manual*, and the National Action Plan for Energy
12 *Efficiency's Understanding Cost-Effectiveness of Energy*
13 *Efficiency Programs: Best Practices, Technical Methods,*
14 *and Emerging Issues for Policy-Makers.* The cost-effective
15 test methodologies and assumptions are described in more
16 detail in the first pages of Supplement 1 that is contained
17 in Attachment No. 1 to the Application.

18 Q. Does Idaho Power use the integrated resource
19 planning process to determine if additional programs or
20 measures should be adopted?

21 A. Yes. Specific programs or potential energy
22 measures are screened using a static economic analysis to
23 determine if these programs or measures are potentially
24 more cost-effective than the next best supply-side resource
25 alternative. If they are shown to be more cost-effective

1 (under the static analysis) than supply-side resources, the
2 hourly shaped energy savings is included in the more
3 dynamic integrated resource planning analysis as a
4 resource. The programs included in the DSM 2011 Annual
5 Report have been evaluated and included in a long range
6 resource planning process.

7 Q. Has Idaho Power implemented any change or
8 refinement in its cost-effective methodology?

9 A. Yes. In 2011 Idaho Power modified the cost-
10 effective methodology for demand response programs in an
11 effort to reflect that demand response programs cannot
12 perfectly match the reliability of a supply-side generation
13 source. This refinement was recommended by a third-party
14 consultant and is called the effective load carrying
15 capacity as described in Supplement 1. The impact of this
16 modification is to slightly reduce the avoided capacity
17 value (or benefit) of demand response programs.

18 Idaho Power has updated economic inputs in the cost-
19 effective calculations to those that were used in the 2011
20 Integrated Resource Plan ("IRP"). This IRP was
21 acknowledged last year by the Commission in Order No.
22 32425.

23 Additionally, for 2011, a real discount rate of 3.88
24 percent was used in the calculation of the participant cost
25 test. Idaho Power believes this is a more appropriate

1 discount rate than using the Company's weighted average
2 cost of capital. The TAG manual recommends a variety of
3 potential discount rates that can be used in the
4 calculations for different participant groups. More
5 details are provided in Supplement 1.

6 Q. What were the results of the 2011 cost-
7 effective analyses?

8 A. Exhibit No. 2, *2011 Cost-Effectiveness Summary*
9 *by Program*, shows the results of the TRC, UC, and PCT for
10 each energy efficiency or demand response program. These
11 results show that of the 17 energy efficiency programs for
12 which the Company claims savings, all but one program had
13 benefit/cost ratios greater than 1.0 for the three tests
14 using 2011 DSM costs and benefits.

15 The PCT is not calculated for any demand response
16 program or where there are no direct customer costs, which
17 is reflected as "N/A" in Exhibit No. 2. The details of
18 these calculations are in Supplement 1. For energy
19 efficiency programs, Idaho Power also provides calculations
20 of the TRC and UC tests using costs and benefits from the
21 inception of the program to the current year. These
22 calculations are shown in the program description sections
23 and in Appendix 4 of the DSM 2011 Annual Report. The cost-
24 effectiveness calculations for the three demand response
25 programs shown in Exhibit No. 2 represent 20-year life

1 cycle calculations for A/C Cool Credit and Irrigation Peak
2 Rewards and 10-year life cycle calculations for FlexPeak
3 Management.

4 Q. Which program did not have a benefit/cost
5 ratio greater than 1.0 in 2011?

6 A. As shown in Exhibit No. 2, both the total
7 resource cost test and the participant cost test analyses
8 for the Home Improvement Program resulted in a 0.76
9 benefit/cost ratio in 2011. The Home Improvement Program
10 provides customer incentives for the addition of attic
11 insulation in residential homes.

12 Q. Please describe the reasons why the Home
13 Improvement Program did not achieve the targeted results.

14 A. When the program began in 2008, Idaho Power
15 had hired a third-party contractor to calculate savings
16 estimates for the measures in this program. The Company
17 has been using these savings estimates since that time. In
18 2010 and 2011 the Regional Technical Forum ("RTF") refined
19 their savings estimates and calculated savings for each
20 climate zone in the region. The cooling savings attributed
21 to attic insulation measures in the Idaho climate zones
22 were determined to be lower than previously thought. In
23 addition, it was found that the original third-party
24 contractor that provided the Company with savings estimates
25 had inadvertently included savings for energy efficient

1 windows even though window measures were not included as an
2 offering in the program. This inclusion inappropriately
3 attributed substantially more savings to the program.
4 These combined impacts resulted in a revised savings value
5 of approximately 11 percent of original estimates.

6 Additionally, in 2011 Idaho Power hired a third-
7 party contractor to conduct an impact evaluation on the
8 Home Improvement Program. This evaluation found that
9 approximately 28 percent of estimated savings were
10 realized. This 28 percent realization rate was attributed
11 to both the overestimation of savings as described above
12 and the more specific savings information now available
13 through the RTF. A more detailed discussion of these study
14 findings are available in pages 44-47 of the DSM 2011
15 Annual Report and in Supplement 2.

16 Q. How did Idaho Power respond when these results
17 became known?

18 A. Idaho Power received the final report from the
19 impact analysis at the end of 2011 and included the
20 findings in the cost-effective analyses for the DSM 2011
21 Annual Report. Previously, Idaho Power made program
22 management decisions based on the best information
23 available. Since that time, the Company has modified the
24 Home Improvement Program offerings. These changes will
25 begin April 1, 2012, and the program will include only

1 those measures that have been found cost-effective under
2 the new RTF savings values. This will result in the
3 program offering only measures for electrically heated
4 homes. Additional measures beyond ceiling insulation are
5 scheduled to be included in program offerings April 1.

6 Q. How does Idaho Power monitor savings
7 estimates?

8 A. By conducting regular impact evaluations as
9 shown in Exhibit No. 3, Idaho Power updates savings and
10 performance data allowing it to promptly modify programs
11 and measures as needed.

12 Q. Does Idaho Power believe the 2011 Home
13 Improvement Program expenditures should be deemed prudent,
14 and if so, why?

15 A. Yes. The Company's action to modify its
16 program offering shows that when an evaluation resulted in
17 different estimates than was being currently used, Idaho
18 Power made modifications to the program to reflect the new
19 findings. As mentioned above, impact evaluations are
20 scheduled about every three years in order to monitor that
21 savings estimates are being realized by customers and the
22 Company. Idaho Power responded in a timely manner and made
23 reasonable decisions in the management of this program.

24
25

1 Q. Were there any other programs that did not
2 meet the applicable cost-effective tests when evaluated
3 looking at only 2011 costs and benefits?

4 A. Yes. While the A/C Cool Credit program has a
5 benefit cost ratio from the TRC perspective of 1.10 for the
6 20-year program life period, the TRC dropped to 0.74 when
7 evaluated from a one-year perspective, using costs and
8 benefits for only 2011.

9 Q. Please describe the reasons why the A/C Cool
10 Credit program did not achieve the goal of a TRC ratio of
11 1.0 or better for 2011.

12 A. Demand response programs are inherently
13 different than energy efficiency programs. Many of their
14 costs are incurred in the initial years; in the later years
15 the costs decrease while the benefits persist. While the
16 A/C Cool Credit program has been in operation since 2003,
17 the program was first cost-effective from a one-year
18 perspective in 2010. In 2011, the A/C Cool Credit program
19 did not achieve expected demand reduction levels for
20 several reasons. A paging service provider relied upon to
21 cycle some participants' air conditioners during demand
22 response events unexpectedly discontinued service to
23 several areas without notifying Idaho Power or its
24 contractor. Air conditioners in these areas did not
25 receive the signal to cycle during events.

1 A software integration issue affecting the newest
2 versions of Automated Metering Infrastructure ("AMI")-
3 compatible switches caused some of the AMI-compatible
4 switches to not receive a signal to cycle during events.

5 Additionally, Idaho Power hired a third-party
6 contractor to conduct an impact evaluation in 2011. This
7 study indicated that the average kilowatt reduction per air
8 conditioning unit in 2011 was less than what had been
9 estimated in previous impact evaluations. This was due
10 largely to the communication issues described above. A
11 more detailed discussion of these study findings are
12 available in pages 22-26 of the DSM 2011 Annual Report and
13 in Supplement 2.

14 Q. How has Idaho Power addressed these issues?

15 A. Once the Company became aware of the issues
16 related to the A/C Cool Credit program it took corrective
17 action. To address the unreliable paging service issues,
18 Idaho Power evaluated several options for possible
19 solutions going forward. After reviewing all options,
20 along with the associated costs and benefits, the Company
21 believes the best long-term solution is to replace all
22 paging switches with AMI-compatible switches.

23 In addition, Idaho Power was able to implement a
24 software change so that the newest versions of AMI-
25 compatible switches are now able to receive signals to

1 cycle. These actions will solve the issues for all areas
2 of the service area with the exception of 803 paging
3 switches within the Mountain Home Air Force Base. Idaho
4 Power will continue to work toward a solution in this area.

5 By including the new program costs and the new
6 kilowatt savings estimates and using new benefit and
7 economic assumptions from the 2011 IRP, Idaho Power has
8 calculated that the one-year TRC ratio will become greater
9 than 1.0 within two years.

10 Q. Does Idaho Power believe the 2011 program
11 expenditures associated with the A/C Cool Credit program
12 should be deemed prudent, and if so, why?

13 A. Yes. The Company believes that with the
14 planned modifications, the A/C Cool Credit program will
15 continue to be a cost-effective resource over the long
16 term. Idaho Power is making modifications to the program
17 in a timely and methodical manner to maintain a viable
18 resource going forward. As shown on Exhibit No. 3, Idaho
19 Power is planning to conduct a process evaluation in 2012,
20 impact evaluation in 2013, and is developing an enhanced
21 measurement and verification plan for 2012. These
22 evaluations will help to monitor that savings estimates are
23 being realized by customers and the Company. Idaho Power
24 responded in a timely manner and made reasonable decisions
25 in the management of this program.

1 Q. Concerning all of its programs, did Idaho
2 Power also look at program cost-effectiveness from the
3 Ratepayer Impact Measure ("RIM") perspective as requested
4 by the Staff in Attachment No. 1 of the DSM MOU?

5 A. Yes. Just as in last year's report Idaho
6 Power has included in its calculations a fourth cost-
7 effective perspective, the impact on the ratepayer. The
8 RIM test measures the impact on customers' bills or rates
9 due to changes in utility revenues and operating costs
10 caused by an energy efficiency program. According to the
11 National Action Plan for Energy Efficiency's *Understanding*
12 *Cost-Effectiveness of Energy Efficiency Programs: Best*
13 *Practices, Technical Methods, and Emerging Issues for*
14 *Policy-Makers*, this test is typically a secondary test used
15 to evaluate relative impacts on rates. It should be noted
16 that while Staff, in Attachment No. 1 to the DSM MOU,
17 stated an expectation that programs should pass the TOU,
18 UC, and PCT tests (and if not provide an explanation),
19 there was no stated expectation that programs must pass the
20 RIM test.

21 Q. What were the results when Idaho Power
22 calculated the RIM tests on its programs?

23 A When Idaho Power made these calculations,
24 programs had a range of benefit/cost ratios for the RIM
25 test with the lowest at 0.66 and the highest at 1.86.

1 Results for each program and the specific calculations can
2 be found in Supplement 1.

3 Q. Did Idaho Power calculate cost-effectiveness
4 tests for each measure within each program?

5 A. Yes. For over 546 measures, Idaho Power
6 evaluated the benefits and costs from both the TRC and the
7 UC perspective. Of the total number of measures analyzed,
8 there were 51 that did not pass either one or both of the
9 tests. Please note that Idaho Power does not perform cost-
10 effectiveness calculations by measure in a program where
11 there is significant interaction between measures. It
12 should also be noted that for the DSM 2011 Annual Report,
13 340 measures were evaluated. The increase in the number of
14 measures evaluated is due to some programs increasing the
15 number of measures offered and also to being able to
16 evaluate measures at a more detailed level. The results of
17 these calculations along with measure assumption details
18 and source documentation can be found in Supplement 1.

19 Q. How did Idaho Power address the measures that
20 are not cost-effective based on one or more tests?

21 A. The cost and benefit values used in the
22 various analyses are based on markets, technologies,
23 economic inputs, savings estimates and cost estimates which
24 can change over time. When a measure is determined not to
25 be cost-effective at a specific point in time, Idaho Power

1 first evaluates whether the inputs used in the calculations
2 are still correct, then determines if measure parameters
3 should be modified or whether the measure should be
4 eliminated. For those 51 measures that were not cost-
5 effective this year, five were removed from program
6 offerings in 2011, six will be reviewed and modified in
7 2012, three are bundled with other cost-effective measures
8 and analyzed at a project level, and 37 will be removed in
9 2012.

10 **IV. EVALUATION ACTIVITY OVERVIEW**

11 Q. Please discuss the Company's approach to
12 program evaluation.

13 A. In order to ensure the ongoing cost-
14 effectiveness of programs through validation of energy
15 savings and demand reduction, and to guide the efficient
16 management of its programs, the Company relies on
17 evaluations by third-party contractors, internal analyses,
18 and regional and national studies. Idaho Power uses
19 industry-standard protocols for its internal and external
20 evaluation efforts. The resources for these protocols and
21 standards include the *National Action Plan for Energy*
22 *Efficiency-Model Energy Efficiency Program Impact*
23 *Evaluation Guide*, the *California Evaluation Framework*, the
24 *International Performance Measurement and Verification*
25 *Protocol*, *Database for Energy Efficiency Resources*, and the

1 Regional Technical Forum's evaluation protocols. Process
2 and impact evaluations are typically on a three-year cycle
3 for each program; however, the timing of specific program
4 evaluations is based on considerations regarding program
5 needs and other contributing factors. The Company actively
6 participates in regional groups that evaluate new
7 technologies and advancements. The DSM MOU provides
8 further direction on how Idaho Power plans, evaluates, and
9 reports its DSM activities.

10 Q. What modifications did Idaho Power make in
11 2011 based on evaluations conducted in 2010 or on cost-
12 effective calculations reported in last year's prudence
13 filing?

14 A. In 2010, Idaho Power completed nine process
15 evaluations. All programs in the commercial, industrial,
16 and irrigation sectors were evaluated as well as four in
17 the residential sector. This body of work resulted in
18 significant process modifications to those programs
19 evaluated. For details, please see each program section in
20 the DSM 2011 Annual Report in the areas titled: 2011
21 Activity, Cost-Effectiveness, and Customer Satisfaction and
22 Evaluations.

23 And even though there was no specific impact
24 evaluations conducted in 2010, the annual cost-

25

1 effectiveness analyses, as well as new data from the RTF
2 and code changes caused numerous modifications to programs.

3 Q. Please provide an overview of the evaluation
4 activities that took place in 2011.

5 A. In addition to the annual cost-effective
6 analyses that the Company conducts for each program at the
7 beginning of the year, in 2011, Idaho Power completed eight
8 impact evaluations on the following programs: Energy House
9 Calls, Home Improvement Program, Rebate Advantage, Home
10 Products Program, Custom Efficiency, Irrigation Peak
11 Rewards, FlexPeak Management, and A/C Cool Credit. All of
12 these impact evaluations were conducted by third-party
13 contractors except for the FlexPeak Management and
14 Irrigation Peak Rewards which were conducted by Idaho Power
15 employees. In addition, process evaluations were conducted
16 on the See ya later refrigerator[®] and Irrigation Peak
17 Rewards programs. The final reports for these evaluations
18 are included in Supplement 2 of the DSM 2011 Annual Report,
19 which is provided as Attachment No. 1 to the Application.
20 This overall evaluation effort accomplishes what was set
21 out in last year's 2011 plan with two differences. The
22 notable differences are that Idaho Power added an impact
23 evaluation for the Energy House Calls program because of
24 the synergies of evaluating multiple residential programs
25 at the same time. Idaho Power has delayed the research

1 scheduled for 2011 for the Irrigation Efficiency Rewards
2 program based on a modification in scope and timing. For
3 this study, Idaho Power has hired the University of Idaho
4 to do field engineering studies in 2012 to validate
5 estimates of the menu measures included in the Irrigation
6 Efficiency Rewards program.

7 In addition to these evaluations in 2011, Idaho
8 Power conducted five research studies and 16 surveys of
9 customers to gauge customer satisfaction and gather
10 customer input. These studies, along with market effects
11 evaluations conducted by NEEA (provided in the CD included
12 in Attachment No. 1 to the Application) are included in
13 Supplement 2.

14 Q. Has Idaho Power been able to evaluate customer
15 satisfaction with the program offerings?

16 A. Yes. Idaho Power utilizes several different
17 survey instruments to gauge customer satisfaction. Since
18 1995, the Company has conducted a quarterly customer
19 satisfaction survey through a third-party proprietary
20 research vendor. The Company has five questions on this
21 survey to determine how satisfied customers are with the
22 energy efficiency programs. From 2003 to 2011, customers'
23 positive perceptions of Idaho Power's energy efficiency
24 efforts have increased from 39 percent to 58 percent, an
25 overall increase of 49 percent. Of those surveyed who

1 participated in at least one program, 93 percent are "very"
2 or "somewhat" satisfied with the program. The Company also
3 implements surveys for individual programs to gather
4 information on suggestions for improvement or satisfaction
5 of energy efficiency services offered.

6 Q. Does Idaho Power have an evaluation plan for
7 2012?

8 A. Yes. The *2011-2013 Evaluation Plan* is
9 attached as Exhibit No. 3 and is also included in
10 Supplement 2. As explained earlier, the emphasis in 2011
11 was on conducting impact evaluations. Impact evaluations
12 assist in the determination of energy and demand impacts
13 that can be attributed to a program. As can be seen in
14 Exhibit No. 3, for a second straight year in a row, the
15 focus of Idaho Power's evaluation effort will be on impact
16 evaluations. These impact evaluations are essential to
17 ensure estimated program savings are realized by the
18 Company and its customers.

19 **V. SATISFACTION OF DSM MOU GUIDELINES**

20 Q. Does this filing satisfy the reporting
21 obligation for DSM activity as set forth in the DSM MOU?

22 A. Yes. Idaho Power has followed the template,
23 table of contents, highlights, and program specific
24 sections as recommended in the DSM MOU. This information
25 can be found in the main document of the DSM 2011 Annual

1 Report. In Supplement 1, Idaho Power has provided the
2 cost-effectiveness detail for programs and measures and
3 Supplement 2 supplies the evaluation information requested
4 in the DSM MOU.

5 Q. Does this conclude your testimony?

6 A. Yes, it does.

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-12-15

IDAHO POWER COMPANY

NEMNICH, DI
TESTIMONY

EXHIBIT NO. 1

Idaho Power Company

2011 Idaho DSM Expenditures for Prudence Filing (Dollars)

Sector/Program	Energy Efficiency Rider Expenses	IPC Energy Efficiency Capitalized Expenses	Total Program
Energy Efficiency/Demand Response			
Residential			
A/C Cool Credit	\$ 2,781,553	\$ 0	\$ 2,781,553
Ductless Heat Pump Pilot	\$ 183,260	\$ 0	\$ 183,260
Energy Efficient Lighting	\$ 1,668,328	\$ 0	\$ 1,668,328
Energy House Calls	\$ 447,229	\$ 0	\$ 447,229
ENERGY STAR® Homes	\$ 255,405	\$ 0	\$ 255,405
Heating & Cooling Efficiency Program	\$ 188,876	\$ 0	\$ 188,876
Home Improvement Program	\$ 666,041	\$ 0	\$ 666,041
Home Products Program	\$ 619,764	\$ 0	\$ 619,764
Rebate Advantage	\$ 59,241	\$ 0	\$ 59,241
See ya later refrigerator®	\$ 634,967	\$ 0	\$ 634,967
Weatherization Solutions for Eligible Customers	\$ 774,254	\$ 0	\$ 774,254
Commercial/Industrial			
Building Efficiency	\$ 1,277,422	\$ 0	\$ 1,277,422
Comprehensive Lighting	\$ 2,404	\$ 0	\$ 2,404
Easy Upgrades	\$ 4,598,019	\$ 0	\$ 4,598,019
FlexPeak Management	\$ 1,954,850	\$ 0	\$ 1,954,850
Holiday Lighting	\$ 2,568	\$ 0	\$ 2,568
Custom Efficiency ^(a)	\$ 940,740	\$ 6,984,239	\$ 7,924,979
Irrigation			
Irrigation Efficiency Rewards	\$ 2,153,613	\$ 0	\$ 2,153,613
Irrigation Peak Rewards	\$ 11,790,216	\$ 0	\$ 11,790,216
Energy Efficiency/Demand Response Total	\$ 30,998,750	\$ 6,984,239	\$ 37,982,989
Market Transformation			
NEEA	\$ 2,952,973	\$ 0	\$ 2,952,973
Market Transformation Total	\$ 2,952,973	\$ 0	\$ 2,952,973
Other Programs and Activities			
Residential Economizer Pilot	\$ 101,612	\$ 0	\$ 101,612
Residential Energy Efficiency Education Initiative	\$ 151,791	\$ 0	\$ 151,791
Commercial Energy Efficiency Education Initiative	\$ 85,340	\$ 0	\$ 85,340
Energy Efficiency Direct Program Overhead	\$ 199,957	\$ 0	\$ 199,957
Local Energy Efficiency Funds	\$ 1,026	\$ 0	\$ 1,026
Other Programs and Activities Total	\$ 539,726	\$ 0	\$ 539,726
Indirect Program Expenses			
Residential Overhead	\$ 167,477	\$ 0	\$ 167,477
Commercial/Industrial/Irrigation Overhead	\$ 178,255	\$ 0	\$ 178,255
Energy Efficiency Accounting and Analysis	\$ 633,972	\$ 0	\$ 633,972
Energy Efficiency Advisory Group	\$ 3,206	\$ 0	\$ 3,206
Special Accounting Entries ^(b)	\$ 148,962	\$ 34,146	\$ 183,108
Indirect Program Expenses Total	\$ 1,131,872	\$ 34,146	\$ 1,166,018
Grand Total	\$ 35,623,321	\$ 7,018,385	\$ 42,641,706

(a) The Idaho Rider Custom Efficiency balance excludes a correcting entry, moving \$526,781 from the Idaho Rider to the Oregon Rider. This adjustment changes the balance from \$413,959, as stated in Appendix 2 of the 2011 Annual Report, to \$940,740. The correcting entry reflects 4 projects completed in Oregon in 2010, but charged to the Idaho Rider in error. The total of \$526,781 was removed from the 2010 Idaho prudency filing.

(b) Special Accounting Entries include program incentives accrued for year-end, but not paid to customers until 2012. Associated energy savings will be recorded in 2012.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-12-15

IDAHO POWER COMPANY

NEMNICH, DI
TESTIMONY

EXHIBIT NO. 2

**Idaho Power Company
2011 Cost-Effectiveness Summary by Program**

Program	2011 Benefit/Cost Tests		
	Utility Cost (UC)	Total Resource Cost (TRC)	Participant Cost (PCT)
A/C Cool Credit	1.10	1.10	N/A
FlexPeak Management	1.19	1.19	N/A
Irrigation Peak Rewards	1.72	1.64	N/A
Ductless Heat Pump Pilot	3.09	1.24	1.22
Energy Efficient Lighting	3.99	2.48	3.21
Energy House Calls	2.44	2.44	N/A
ENERGY STAR® Homes Northwest	3.72	1.79	2.02
Heating & Cooling Efficiency Program	4.83	1.78	1.67
Home Improvement Program	2.64	0.76	0.76
Home Products Program	2.04	1.06	1.33
Rebate Advantage	2.90	2.28	5.79
See ya later, refrigerator®	1.52	1.52	N/A
Weatherization Assistance for Qualified Customers	2.67	1.29	N/A
Weatherization Solutions for Eligible Customers	1.84	1.84	N/A
Building Efficiency	5.91	2.62	2.03
Custom Efficiency	4.42	2.37	1.34
Easy Upgrades	5.44	3.00	2.44
Irrigation Efficiency	4.71	1.55	1.24

Notes: For each energy efficiency program, this table shows UC, TRC, and PCT tests using actual annual 2011 information for each program. For demand response programs, this table shows UC and TRC tests using 20-year life-cycle information for A/C Cool Credit and Irrigation Peak Rewards and 10-year life-cycle information for FlexPeak Management. The PCT test was not calculated on demand response programs or on programs where there are no participant costs.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-12-15

IDAHO POWER COMPANY

NEMNICH, DI
TESTIMONY

EXHIBIT NO. 3

