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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO FUND ITS CONTINUED) CASE NO. IPC-E-14-38
PARTICIPATION IN THE NORTHWEST)
ENERGY EFFICIENCY ALLIANCE THROUGH)
THE ENERGY EFFICIENCY RIDER.)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

WARREN KLINE

1 Q. Please state your name and business address.

2 A. My name is Warren Kline and my business
3 address is 1221 West Idaho Street, Boise, Idaho 83702.

4 Q. What is your position at Idaho Power Company
5 ("Idaho Power" or "Company")?

6 A. I am the Senior Vice President of Customer
7 Operations.

8 Q. Please outline your business experience.

9 A. I began working full time in the electric
10 utility industry at Idaho Power over 40 years ago soon
11 after I graduated from high school. For the last nine
12 years I have been an officer of the Company. I joined the
13 Company in 1973 in the customer service department and have
14 spent the majority of my career with the Company in the
15 customer service and field operations areas. I became a
16 member of the Company's senior leadership team in 1989 when
17 I was named Division Accounting Manager and since then have
18 held positions of increasing responsibility including:
19 Customer Service Manager, General Manager of Customer
20 Service and Metering, General Manager of Regional
21 Operations, Vice President of Customer Service and Regional
22 Operations, and Vice President of Customer Operations. In
23 2014 I was promoted to my current position of Senior Vice
24 President of Customer Operations.

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1 utilities, the Energy Trust of Oregon, and the Bonneville
2 Power Administration. This strategic alliance is built
3 around recognition that greater market transformation can
4 be achieved across Washington, Oregon, Montana, and Idaho
5 by working in concert rather than by working as individual
6 states or organizations. This collaboration and pooling of
7 resources has driven greater regional gains and market
8 transformation success than would have been gained by
9 individual participants' efforts. In addition, NEEA brings
10 regional and national expertise and best practices to
11 Northwest utilities which they might not be able to access
12 as readily or at lower cost. From 1997-2013, NEEA has
13 delivered 1,024 average-megawatts ("aMW") total regional
14 energy savings, 398 aMW of which are net market effects
15 energy savings. Net Market Effects are the savings
16 associated with market change and not counted as locally
17 incented savings or baseline savings.

18 Q. Have you been directly involved with NEEA?

19 A. Yes. I served on the NEEA Board of
20 Directors from 2008 to 2012.

21 Q. What do Idaho Power and its customers
22 receive in exchange for participating in NEEA?

23 A. Idaho Power can better leverage its market
24 transformation investment by building on NEEA's pooled
25 resources, suppliers, market research, and program design

1 in the four-state area. Because NEEA works in markets
2 beyond Idaho Power's service area, there is a greater
3 likelihood that market change in Idaho Power's service area
4 will be rooted in a regional market. Idaho Power's
5 participation in NEEA enables it to influence the direction
6 of NEEA's activities to bring direct benefit to Idaho
7 customers. Since Idaho Power first began participating in
8 NEEA in 1997, Idaho Power's allocated portion of NEEA
9 savings from 1997 through 2013 was 246,753 MWh or 28.2 aMW.

10 Q. What objectives did Idaho Power expect to
11 achieve as it considered participation in NEEA's 2015-2019
12 funding cycle?

13 A. In Case No. IPC-E-10-4, the Idaho Public
14 Utilities Commission ("Commission"), Commission Staff, and
15 parties expressed reservations about or outright opposition
16 to the near-doubling of NEEA's budget from \$20 million in
17 prior years to \$38 million in 2010. Idaho Power's annual
18 share of that was \$3,304,560.

19 As stated on page 6 of Order No. 31080, "The
20 Commission expects Rider funds to be used judiciously to
21 ensure customers receive tangible benefits from their
22 payments to support energy efficiency programs." While its
23 customers certainly benefitted from participation in NEEA,
24 Idaho Power believed it could further improve the value of
25 its customers' contributions by advocating for an

1 alternative funding model that more directly addressed the
2 needs of Idaho Power's service area. Although Idaho Power
3 began advocating for a change in NEEA's approach to funding
4 as far back as 2009, prior to the current 2010-2014 funding
5 cycle, a mutually agreeable arrangement could not be met to
6 change the funding structure for the 2010-2014 funding
7 cycle. After several years of discussion between Idaho
8 Power and NEEA to develop a lower cost/higher value funding
9 mechanism failed to yield results, Idaho Power gave notice
10 of its intent to cease participation once the 2010-2014
11 funding cycle ended.

12 Q. When did Idaho Power indicate its intent to
13 withdraw from future NEEA funding?

14 A. Idaho Power provided notice to NEEA in late
15 2012 of its intent to not participate in the next funding
16 cycle (2015-2019), identifying NEEA's current funding model
17 design as a primary concern. Idaho Power believed that
18 some of the programs and services offered under the NEEA
19 funding model duplicated services that the Company could
20 perform at a lower cost or more effectively. As early as
21 2009, Idaho Power expressed a desire to see a change in the
22 way NEEA services were offered that would differentiate
23 "core" services of market transformation activities from
24 optional services, whereby utilities could elect to support
25 projects and activities that matched their interests and

1 needs. Additionally, at that time, Idaho Power expressed
2 concerns about the escalating costs in supporting NEEA
3 regardless of the funding model.

4 Q. Was Idaho Power required to give advance
5 notice of its intent to not participate in the next funding
6 cycle?

7 A. No. Idaho Power was not required to give
8 NEEA any advance notice regarding its funding intention.

9 Q. Why did Idaho Power give such early notice
10 of its intent to withdraw from NEEA?

11 A. Because NEEA has been a long-term and valued
12 partner in Idaho Power's energy efficiency efforts, Idaho
13 Power wished to give NEEA enough lead time to minimize
14 disruption to its operations. This early notice also
15 provided enough time for Idaho Power to continue working
16 with NEEA on alternative funding model solutions.

17 Q. What actions have taken place since 2012 to
18 address Idaho Power's concerns regarding the funding model?

19 A. Multiple meetings were held between NEEA's
20 executive team members and Idaho Power representatives
21 during 2013 to further explore Idaho Power's desire to
22 optimize the value derived from NEEA on behalf of its
23 customers. Idaho Power has a representative on the NEEA
24 Board of Directors who also continued to advocate for NEEA
25 to explore funding model alternatives as NEEA advanced

1 through its strategic planning process. In December 2013,
2 the Idaho Power representative serving as a NEEA Board
3 member chaired and served on the Alternative Funding Model
4 Working Group Committee ("AFM Committee") of the NEEA Board
5 of Directors. This AFM Committee provided NEEA's executive
6 committee with a white paper that identified primary goals
7 and possible solutions to address funding options.
8 Ultimately, the AFM Committee's efforts resulted in
9 unanimous approval by the NEEA Board of Directors of a
10 funding model that provides for NEEA's core funding as well
11 as optional funding activities.

12 Q. Please describe NEEA's 2015-2019 Business
13 Plan ("Plan") and funding model.

14 A. The 2015-2019 Business Plan differs from the
15 2010-2014 Business Plan by offering optional programs and
16 activities. The Plan targets four strategic markets and
17 focuses on core activities of market transformation -
18 filling the energy efficiency pipeline and creating market
19 conditions that will accelerate and sustain the market
20 adoption of energy efficiency products, services, and
21 practices in the Northwest. The Plan identifies ways to
22 collaborate and avoid overlap between NEEA activities and
23 activities performed by local utilities. It provides some
24 choice and flexibility through options for local delivery
25 of certain activities. The Plan also accounts for

1 increased local energy efficiency investments and
2 capabilities. For more detail on the objectives and
3 deliverables of the 2015-2019 Plan, please see Attachment 2
4 to the Application, NEEA 2015-2019 Business Plan.

5 Q. What agreement did Idaho Power and NEEA
6 ultimately reach?

7 Idaho Power has examined the 2015-2019 Business Plan
8 and has agreed, subject to regulatory approval, to fund its
9 share of NEEA's core budget and the Top Tier Trade Ally
10 Advanced Training and associated administrative expenses
11 not to exceed \$13,450,835 over the five-year period. As
12 described in "Attachment A" to the Regional Energy
13 Efficiency Initiative Agreement ("Agreement"), included as
14 Attachment 3 to the Application, Idaho Power's five-year
15 direct funding "all-in" commitment is 8.966 percent. This
16 assumes all funders participate in all NEEA programs and
17 activities. Actual or "effective" funding shares will vary
18 depending on which optional programs and activities Idaho
19 Power and other funders opt into. Idaho Power has elected
20 not to fund optional programs for Commercial Real Estate
21 ("CRE") which includes Existing Building Renewal ("EBR"),
22 Industrial Technical Training, and optional components of
23 Specific Market Transformation Activities related to
24 marketing and stakeholder support.

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1 Q. Why isn't Idaho Power participating in all
2 NEEA offerings?

3 A. Idaho Power chose not to participate in the
4 optional programs and activities where it believes it is
5 providing or can provide the same services at a lower cost
6 or more effectively.

7 Q. Please explain.

8 A. I have segmented my response into three
9 pieces.

10 **Commercial Real Estate Initiative**

11 The tools NEEA proposes to provide through its CRE
12 initiative are of questionable value to Idaho Power
13 customers. NEEA's focus on CRE has historically aligned
14 with markets that contain a higher density of large
15 commercial office buildings than exist in Idaho. It
16 remains unclear if Idaho customers will utilize the deep
17 energy retrofit tool that is under development as a direct
18 result of NEEA's prior EBR initiative, how complex the tool
19 will be, and how it will influence the outcome of a
20 project. Strategic Energy Management ("SEM") tools are
21 already included in NEEA's core activities in the 2015-2019
22 Business Plan and benchmarking that would occur in the CRE
23 initiative is an industry practice already available
24 through ENERGY STAR® Portfolio Manager.

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1 Idaho Power believes that it is better positioned
2 than NEEA to address the CRE market in its service area.
3 Since 2007, NEEA has only engaged two CRE firms in SEM in
4 Idaho Power's service area through the CRE Market Partners
5 Program. While NEEA's original intent through the EBR
6 initiative was to secure one large deep energy retrofit
7 project in Idaho, it took years to secure a phased-plan
8 project that consists of smaller retrofits extended over a
9 longer period of time. The Company has a long history of
10 engaging with the industry associations, local governments,
11 districts, service providers, and commercial real estate
12 firms that NEEA references. Idaho Power's outreach efforts
13 include support from Idaho Power's Customer
14 Representatives, memberships in and support for the
15 Building Owners and Managers Association, International
16 Building Operator Association, International Facility
17 Management Association, the U.S. Green Building Council,
18 and the Integrated Design Lab ("IDL"), participation in the
19 Company's energy efficiency programs, creation of local
20 success stories, and participation in Boise IDL-related
21 activities. Idaho Power has worked with IDL to create
22 leasing sheets that display a building's energy performance
23 and promote energy efficiency best practices.

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Industrial Technical Training

Idaho Power believes it can provide industrial technical training classes to its customers at a lower cost than what NEEA can offer. The Company believes it is better positioned to understand the profiles of its industrial customers than NEEA and can more effectively promote training that is tailored to the specific needs of its industrial customers. Idaho Power has established relationships with its industrial customers through outreach by its Major Customer Representatives, its Energy Efficiency Advisory Group ("EEAG"), its energy efficiency programs, and demand response program.

Specific Market Transformation Activities Related to Marketing and Stakeholder Support

Idaho Power believes that NEEA's marketing activities are a duplication of efforts that can lead to customer confusion. The Company has a Corporate Communications department that is experienced and effective at creating and executing marketing campaigns for Idaho Power customers. Marketing materials developed by NEEA are designed to accommodate the entire region, and do not provide the necessary details that bring value to Idaho Power customers. Coordinating marketing campaigns with NEEA is difficult and requires more resources than running internal marketing campaigns. Marketing material created

1 by NEEA is inconsistent with Idaho Power program
2 requirements at times, and sometimes in conflict with the
3 Idaho Power brand. NEEA promotions that engage retail
4 partners in the Company's service area may promote
5 installers that are not approved through Idaho Power
6 programs, thereby preventing customers from receiving Idaho
7 Power incentives.

8 Idaho Power obtains better local media coverage
9 gained through public relations' efforts than a non-local
10 entity such as NEEA because Idaho Power has established
11 relationships with media outlets in its service area. NEEA
12 media representatives are not as familiar with Idaho
13 Power's local markets, service area, or media outlets, and
14 therefore, campaigns in Idaho Power's service area are less
15 effective. Additionally, Idaho Power's media purchase
16 rates are often lower than the nonprofit rates that NEEA
17 can obtain.

18 Q. Does Idaho Power believe it is in the best
19 interest of its customers to move forward with the NEEA
20 contract as proposed?

21 A. Yes. The NEEA funders considered critical
22 topics during the Plan development such as core activities,
23 investment guidelines, and overlap of activities when local
24 utility capabilities exist. The unanimously-approved 2015-
25 2019 NEEA Business Plan provides for investments of up to

1 \$169 million to achieve energy savings estimated at least
2 145 aMW during a five-year cycle. The end result is an
3 approximate \$30 million reduction from the earlier draft
4 version of the 2015-2019 Plan, but with similar projected
5 energy savings to the Plan that was ultimately approved.
6 Idaho Power's share of the approved 2015-2019 funding is
7 \$13,450,835 or \$2,690,167 annually. For the 2010-2014 NEEA
8 Business Plan, Idaho Power's funding share was \$16,522,800
9 or \$3,304,560 annually. This represents a savings of more
10 than \$3 million for Idaho Power's customers when compared
11 to the 2010-2014 funding cycle agreement approved by
12 Commission Order No. 31080.

13 Q. Has Idaho Power consulted with EEAG
14 regarding the Company's concerns about the NEEA funding
15 model and the ultimate resolution of NEEA's 2015-2019
16 Business Plan?

17 A. Yes. Idaho Power explained its position in
18 regards to NEEA funding to the EEAG beginning in late 2012
19 and provided updates to, and facilitated discussions with,
20 EEAG throughout 2013 and 2014. At the February 6, 2014,
21 EEAG meeting, Idaho Power's representative on the NEEA
22 Board of Directors updated the EEAG regarding the
23 conceptual outline of the funding model considerations and
24 the NEEA Board's timeline for the 2015-2019 Business Plan
25 development. Once the NEEA Board worked with the NEEA

1 executive team to have the draft plan prepared, Idaho Power
2 held a special topic webinar with EEAG on April 24, 2014,
3 to discuss the highlights of the 2015-2019 Business Plan
4 and seek feedback. Idaho Power also encouraged EEAG
5 members to attend one of NEEA's public meetings specific to
6 the proposed Plan, held in various locations in the
7 Northwest including Boise. On July 3, 2014, after the NEEA
8 Board meeting and subsequent approval vote of the 2015-2019
9 Business Plan, Idaho Power apprised EEAG members of its
10 intent to participate in NEEA's core activities.

11 Q. If the 2015-2019 funding cycle Agreement is
12 approved by the Commission, how does Idaho Power propose to
13 account for and recover the cost of its participation?

14 A. Idaho Power proposes to continue funding
15 NEEA expenses through the Rider. The Company will document
16 NEEA funding amounts and annual savings resulting from its
17 participation in NEEA in the Demand-Side Management annual
18 report filed with the Commission on or before March 15th of
19 each year.

20 Q. Does this conclude your direct testimony in
21 this case?

22 A. Yes, it does.

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