BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR A DETERMINATION OF 2015 DEMAND-SIDE MANAGEMENT EXPENSES AS PRUDENTLY INCURRED.	)	CASE NO. IPC-E-16-03

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

CONNIE ASCHENBRENNER

Q. Please state your name and business address.

A. My name is Connie Aschenbrenner. My business address is 1221 West Idaho Street, Boise, Idaho 83702.

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

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

Q. Please describe your educational background.

A. In May of 2006, I received a Bachelor of Administration degree in Finance from Boise State University in Boise, Idaho. In December of 2011, I earned a Master of Business Administration degree from Boise State University. In addition, I have attended the electric utility ratemaking course offered through New Mexico State University's Center for Public Utilities.

Q. Please describe your work experience with Idaho Power.

A. In 2012, I was hired as a Regulatory Analyst in the Company's Regulatory Affairs Department. My primary responsibilities included support of the Company's Commercial and Industrial ("C&I") customer class's rate design. In 2015, I assumed responsibilities associated with Residential and Small General Service rate design as well as activities associated with demand-side management ("DSM") activities. My duties as a Regulatory Analyst

include analysis of the impact on customers of rate design changes and the administration of the Company's tariffs in Idaho and Oregon.

Q. What is the purpose of your testimony in this case?

A. The purpose of my testimony is to present the Company's request for a determination that $35,196,964 of DSM expenses incurred in 2015 for the acquisition of demand-side resources were prudently incurred. This amount includes $28,495,701 funded by the Idaho Energy Efficiency Rider ("Rider") and $6,701,263 of demand response program incentive payments funded through base rates and tracked annually through the Power Cost Adjustment ("PCA"). The 2015 Idaho DSM expenses for which Idaho Power is seeking a prudence determination is a 5 percent increase over the 2014 Idaho DSM expenses in last year's prudence case (Case No. IPC-E-15-06). This increase in expenses is accompanied by an 18 percent increase in system-wide energy savings over 2014 energy savings when considering Idaho Power's efficiency programs alone. When the Northwest Energy Efficiency Alliance ("NEEA") estimated savings are included, the 2015 energy savings increase over 2014 is 12 percent.

My testimony will (1) provide a review of 2015 DSM program performance, (2) discuss 2015 DSM expenses and

adjustments, (3) provide an overview of cost-effectiveness, (4) review evaluation efforts, and (5) describe stakeholder input.

I. 2015 DSM PROGRAM PERFORMANCE

Q. Please provide an overview of Idaho Power's DSM efforts in 2015.

A. In 2015, Idaho Power achieved 12 percent more energy savings than in 2014 and implemented its new internally-managed C&I demand response program at a reduced administrative cost to customers. Idaho Power's energy efficiency portfolio was cost-effective, resulting in a 2.32 benefit/cost ratio when evaluated from a Total Resource Cost ("TRC") test perspective and a 3.57 benefit/cost ratio when evaluated from a Utility Cost ("UC") test perspective.

In 2015, on a system-wide basis, Idaho Power offered customers a full portfolio of energy efficiency programs and demand response programs to all customer segments, participated in market transformation efforts through NEEA, and offered several ongoing educational initiatives and other activities. A summary of Idaho Power's 2015 DSM activities is provided in Table 1 below.

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Table 1. 2015 DSM Programs by Sector, Operational Type, Location, and Annualized Energy Savings/Demand Reduction*

Program by Sector	Operational Type	State	Savings
Residential			
A/C Cool Credit	Demand Response	ID/OR	36 MW*
Easy Savings	Energy Efficiency	ID	625 MWh
Education Distributions	Energy Efficiency	ID	1,669 MWh
Energy Efficient Lighting	Energy Efficiency	ID/OR	15,876 MWh
Energy House Calls	Energy Efficiency	ID/OR	755 MWh
ENERGY STAR® Homes Northwest	Energy Efficiency	ID/OR	821 MWh
Heating & Cooling Efficiency Program	Energy Efficiency	ID/OR	1,502 MWh
Home Energy Audit Program	Energy Efficiency	ID	136 MWh
Home Improvement Program	Energy Efficiency	ID	304 MWh
Oregon Residential Weatherization	Energy Efficiency	OR	12 MWh
Rebate Advantage	Energy Efficiency	ID/OR	359 MWh
Residential Energy Efficiency Education Initiative	Other Programs & Activities	ID/OR	n/a
See ya later, refrigerator®	Energy Efficiency	ID/OR	720 MWh
Shade Tree Project	Other Programs & Activities	ID	n/a
Simple Steps, Smart Savings™/Home Products	Energy Efficiency	ID/OR	771 MWh
Weatherization Assistance for Qualified Customers	Energy Efficiency	ID/OR	550 MWh
Weatherization Solutions for Eligible Customers	Energy Efficiency	ID	433 MWh
Commercial/Industrial			
Building Efficiency	Energy Efficiency	ID/OR	23,232 MWh
Commercial Education Initiative	Other Programs & Activities	ID/OR	n/a
Custom Efficiency	Energy Efficiency	ID/OR	55,247 MWh
Easy Upgrades	Energy Efficiency	ID/OR	23,595 MWh
Flex Peak Program	Demand Response	ID/OR	26 MW*
Oregon Commercial Audits	Energy Efficiency	OR	n/a
Irrigation			
Irrigation Efficiency Rewards	Energy Efficiency	ID/OR	14,027 MWh
Irrigation Peak Rewards	Demand Response	ID/OR	305 MW*
All Sectors			
Northwest Energy Efficiency Alliance	Market Transformation	ID/OR	21,900 MWh

*This value represents the realized, non-coincident load reduction from each program.

Table 1 illustrates the broad availability of programs offered by Idaho Power to its customers in energy efficiency, demand response, and education. The *Demand-Side Management 2015 Annual Report* ("DSM 2015 Annual

Report"), Attachment 1 to the Application filed in this proceeding, provides details for each program, including a description of each program, 2015 performance and activities, cost-effectiveness, customer satisfaction, and evaluation results. In addition, the DSM 2015 Annual Report provides Idaho Power's DSM strategies for 2016.

Q. What level of incremental annual energy efficiency savings was achieved in 2015?

A. On a system-wide basis, Idaho Power achieved 162,533 megawatt-hours ("MWh") of incremental annual energy efficiency savings in 2015. This value includes 140,633 MWh from Idaho Power's energy efficiency programs and an estimated 21,900 MWh of energy efficiency market transformation savings through NEEA initiatives. Because Idaho Power will not receive final 2015 savings from NEEA until June 2016, the NEEA-attributable savings is an estimate provided to Idaho Power by NEEA. Table 2 below shows the incremental annual energy efficiency savings in MWh from 2002 to the current year. Also shown in this table are the total energy efficiency expenses for each year in millions of dollars.

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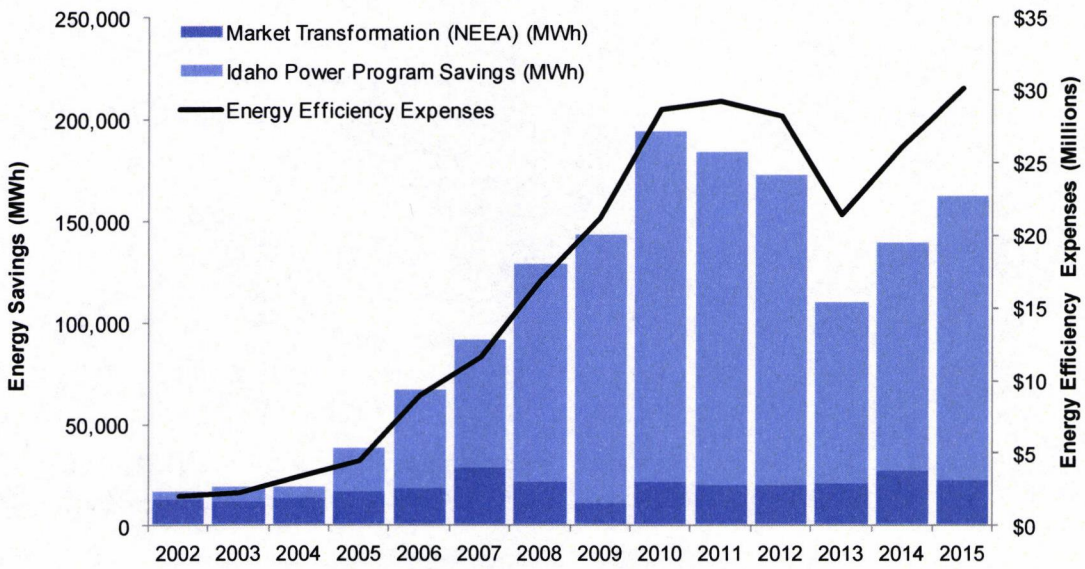
Table 2. Incremental Annual Energy Efficiency Savings (MWh) and Energy Efficiency Expenses ($ millions) 2002-2015



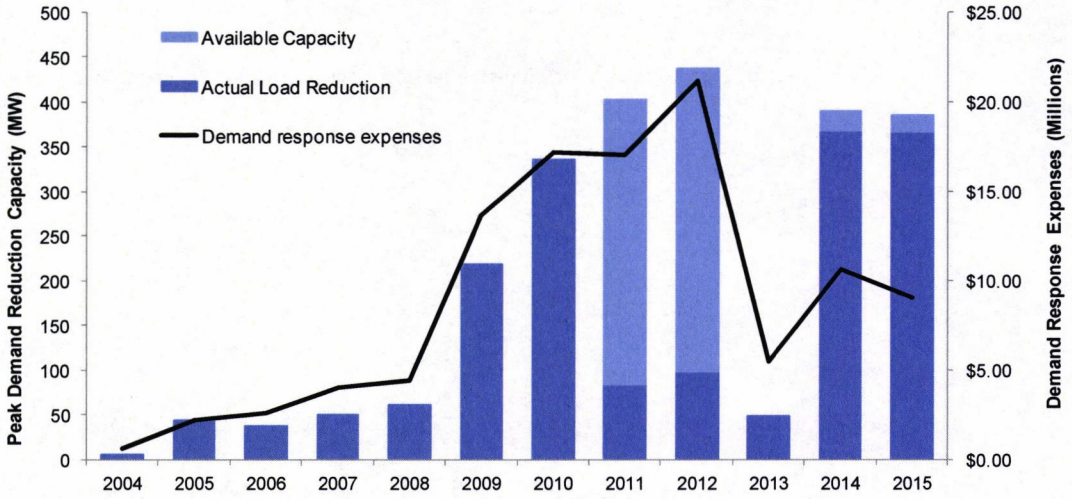
Note: 2015 NEEA market-transformation savings are estimated.

Q. What level of demand reduction capacity was available from Idaho Power's demand response programs in 2015?

A. The total available capacity of Idaho Power's three demand response programs was 385 megawatts ("MW"). The programs operated in 2015 and provided actual demand reduction of 367 MW. This value represents the realized, non-coincident load reduction from all three programs. Table 3 below shows the annual available peak demand reduction capacity and actual load reduction in MW since 2004 and the associated annual expenses in millions of dollars. This table shows that, in 2013, the Irrigation Peak Rewards program and the A/C Cool Credit program were temporarily suspended. As a result of the settlement

achieved with stakeholders through demand response workshops in 2013, the Company successfully restructured these programs in 2014 at a lower cost per MW of demand reduction capacity than in prior years. During 2015, the Company further lowered the cost per MW of demand reduction capacity, which was largely a result of the movement from a third-party managed C&I program to a Company managed program.

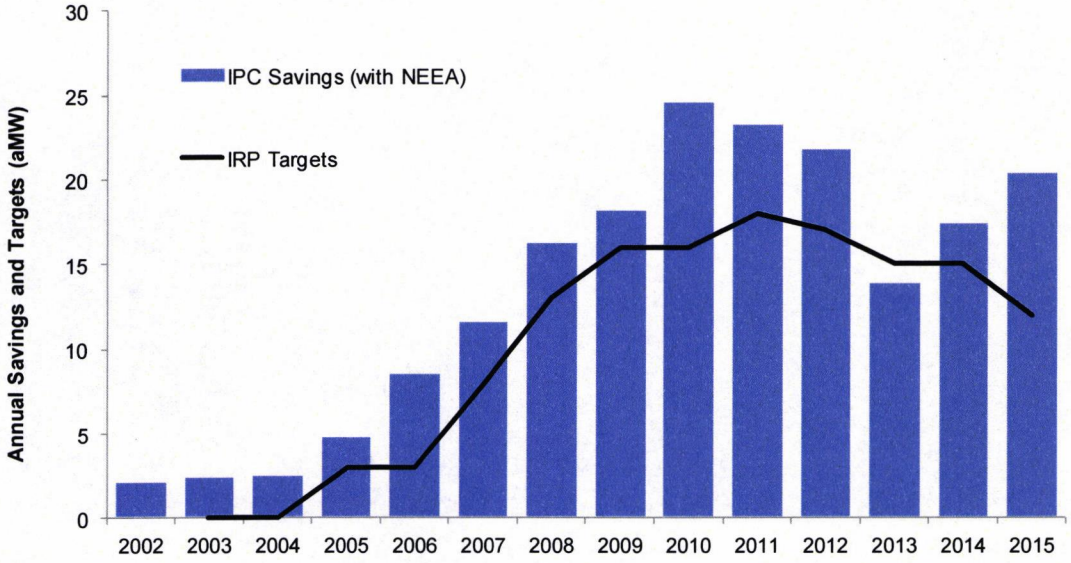
Table 3. Peak Demand Reduction Capacity (MW) and Demand Response Expenses ($ millions) 2004-2015



Q. In 2015, did Idaho Power meet the energy efficiency targets included in its Integrated Resource Plan ("IRP")?

A. Yes. Table 4 below shows the annual incremental energy efficiency savings compared with the IRP targets for 2002 through 2015 shown in average megawatt-hours ("aMW"). The Company's savings each year surpassed its annual IRP target 13 out of the last 14 years.

Table 4. Annual Incremental Energy Efficiency Savings (aMW) with IRP Targets (2002-2015)

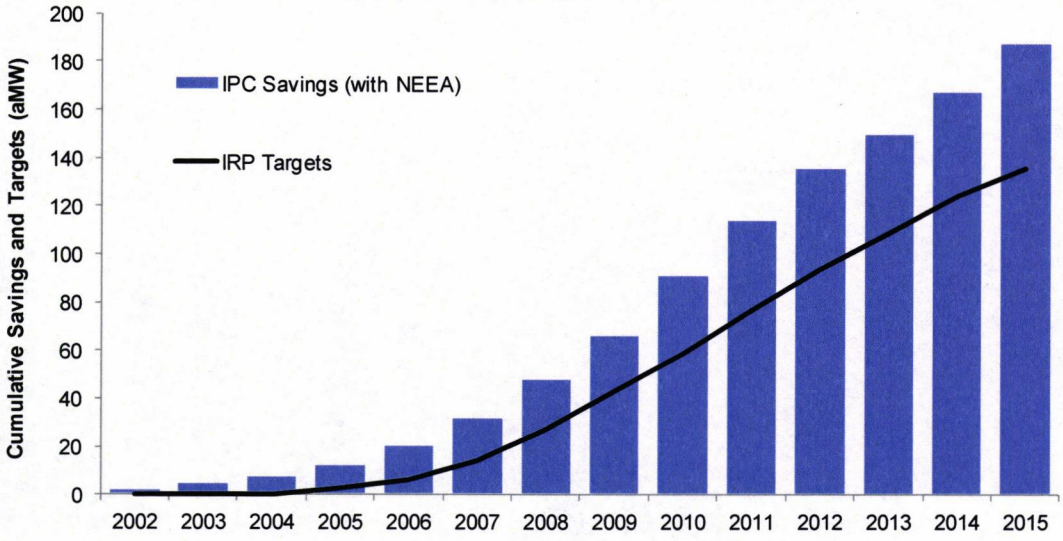


Q. How are the energy efficiency targets included in the IRP established?

A. Idaho Power contracts with a third-party to conduct an energy efficiency potential study to estimate the amount of achievable energy efficiency to be included in the IRP for planning purposes. Idaho Power considers the achievable potential as a reasonable planning estimate but does not consider the achievable potential as a ceiling that would limit the acquisition of energy efficiency; rather, the Company pursues all cost-effective energy efficiency.

Table 5 below shows the cumulative energy efficiency savings in aMW compared with the IRP targets for 2002 through 2015.

Table 5. Annual Cumulative Energy Efficiency Savings (aMW) with IRP Targets (2002-2015)



II. 2015 DSM EXPENSES AND ADJUSTMENTS

Q. What is Idaho Power's focus when spending customer funds for the acquisition of DSM resources?

A. Idaho Power takes its responsibility of prudently managing customer funds seriously and the Company believes it is important to get the maximum value for its customers. The Company's actions in 2015, and the content of the DSM 2015 Annual Report, provide evidence supporting the conscientious work Idaho Power employees and leaders made toward using customers' funds wisely to support DSM activities.

Q. What amount of 2015 DSM expenses is the Company requesting the Idaho Public Utilities Commission ("Commission") find were prudently incurred?

A. In the delivery of energy efficiency, demand response, and market transformation programs, as well as

education and administrative costs, Idaho Power expended $28,495,701 of Rider funds and $6,701,263 of demand response program incentives for a total of $35,196,964 spent on demand-side resource acquisition in 2015. To arrive at an amount for prudence determination, these numbers do not include certain DSM labor expenses from 2015 and prior years as described later in my testimony.

Idaho Power requests that the 2015 Rider-funded DSM expenses and the 2015 demand response program incentives recovered through base rates and the PCA be reviewed together for a prudence determination. With this filing, Idaho Power requests the Commission issue an order finding that these funds were prudently incurred. Exhibit No. 1 to my testimony, *2015 Idaho DSM Expenses and Adjustments for Prudence Filing*, shows a breakout of these expenses by program, customer sector, and by funding source.

Q. Please compare the dollar amounts in Exhibit No. 1 with Appendix 2 of the DSM 2015 Annual Report.

A. For clarity and ease of understanding, Exhibit No. 1 ties to Appendix 2, *2015 DSM expenses by funding source (dollars)*, which is found on page 156 of the DSM 2015 Annual Report. The first column of Appendix 2 labeled "Idaho Rider" and the first column of Exhibit No. 1 labeled "Rider Expenses" match at the row labeled "Total Expenses" in Exhibit No. 1 and "Grand Total" in Appendix 2 in the

amount of $28,494,548. All values in Exhibit No. 1 represent DSM expenses for the Idaho service area only. A prior year-end adjustment to this total was needed to accurately arrive at the total 2015 expenses for purposes of the prudence determination. To aid in explaining the adjustment, in my Exhibit No. 1, I have added a section at the bottom of the table titled "Adjustments."

Additionally, the column at the far right of Exhibit No. 1 labeled "DSM Labor Transferred to O&M" is included for informational purposes only. The amounts in this column have already been returned to the Rider and Idaho Power is not asking for a prudence determination of these amounts.

Q. In this filing, did Idaho Power include the increases in 2011 through 2015 DSM labor expenses for a prudence determination?

A. No. In Order Nos. 32667, 32690, and 32953, the Commission declined to decide the prudence of the increases in 2011 and 2012 DSM labor expenses for Rider-funded employees, while at the same time offering the Company another opportunity to provide sufficient evidence at a future time, preferably revisiting this issue in the next general rate case. Order No. 32953 at 8. Because of the Commission's decisions in these three orders, Idaho Power is not asking for a prudence determination in this

filing for the increase in DSM labor expenses that occurred from 2011 through 2015.

Q. Please quantify the increase in 2015 DSM labor expenses based upon 2010 labor rates that has been excluded from the Company's request for determination of prudence.

A. Please refer to Table 6 below where the increase in 2015 DSM labor expenses based upon 2010 labor rates has been quantified. The increase in DSM labor expenses based upon 2010 labor rates included in 2015 DSM expenses, but excluded from the Company's request for determination of prudence, is $441,856. This amount was calculated using the same methodology that was previously accepted by the Commission for use in 2011 through 2014.

Table 6

Column	**1**	**2**	**3**	**4**	**5**
	Total Labor	FTE	2010 $/FTE	Column 2 times Column 3	Column 1 Minus Column 4
2010	$2,577,080	26.70	$96,520		
2011	$2,637,729	26.40	$96,520	$2,548,128	$ 89,601
2012	$2,886,988	28.11	$96,520	$2,713,177	$ 173,811
2013	$2,767,445	25.88	$96,520	$2,498,013	$ 269,432
2014	$2,720,954	24.68	$96,520	$2,382,247	$ 338,707
2015	$2,957,912	26.07	$96,520	$2,516,056	$ 441,856
Total					$1,313,407

Q. In 2015, how did Idaho Power account for the increase in DSM labor expenses?

A. On a quarterly basis, Idaho Power records an entry to move the estimated increase in DSM labor expenses

from the Rider balancing account to operations and maintenance expense ("O&M"), FERC Account 908. At the end of the year, this amount is trued-up to the actual amount and an entry is made to the labor task of each program work order that had labor charged to the Rider in 2015, with a corresponding entry to an O&M task for each of the affected program work orders. The 2015 accounting entries credited these amounts to the Rider balancing account and charged them to O&M, FERC Account 908.

In Exhibit No. 1, under the column on the far right labeled "DSM Labor Transferred to O&M," the labor amounts are shown for each program. These amounts represent the 2015 DSM labor expenses above 2010 funding levels for Rider-funded employees, which totals $441,856. While these labor costs have not been funded by the Rider, it is important to note they are included in total program costs for the purpose of determining cost-effectiveness.

Q. What is the cumulative amount of DSM labor expense increases that the Company has not received a prudence determination on since 2010?

A. The cumulative amount of DSM labor expense increases that the Commission has not issued a prudence determination on since 2010 is $1,313,407.

Q. What is the significance of this amount?

A. Because of prior Commission decisions, the Company is not able to recover these amounts through the Rider; rather, is required to expense these amounts annually, which negatively impacts earnings. Idaho Power continues to believe these amounts represent labor costs necessary to acquire DSM savings and the amounts should be fully recoverable.

Q. Please describe the prior year-end accounting adjustment included in Exhibit No. 1.

A. In 2014, two incentive payments in the Energy House Calls program were charged to the Idaho Rider when they should have been charged to the Oregon Rider. In last year's prudence filing, Case No. IPC-E-15-06, Idaho Power proposed an adjustment of $1,153 that decreased the amount of 2014 expenses requested for prudence determination. In Order No. 33365, the Commission approved that adjustment. This correction occurred in 2015 and was returned to the Rider account via an accounting entry. In order to arrive at the actual total program expenses for 2015, this amount is added back to this year's prudence request to avoid understating actual 2015 program expenses. This is shown in the Adjustments section of Exhibit No. 1 under "Prior Year-end Accounting Adjustment, Energy House Calls Program Correction."

Q. Please summarize the impact of the adjustment described above to the Idaho Rider.

A. As shown in Exhibit No. 1, this adjustment increases the total Rider-funded expenses to $28,495,701. The demand response program incentive payment amount had no adjustment and remains at $6,701,263. The post-adjustment total of these two amounts is $35,196,964.

Q. Did Idaho Power transfer Rider funds to customers through a credit, or reduction, in the 2015/2016 PCA?

A. Yes. On April 15, 2015, Idaho Power filed its annual PCA in Case No. IPC-E-15-14. As part of this case, the Company requested the Commission approve the continued application of an annual PCA credit related to the Rider in the amount of $3,970,036 in order to maintain the revenue neutrality associated with the June 2014 update to the normalized level of net power supply expenses included in base rates and approved by Order No. 33000. The Commission approved this transfer in Order No. 33306. This transfer had no impact on energy efficiency activities in 2015.

Q. What was the year-end 2015 balance of the Rider?

A. The Rider account balance at December 31, 2015, was a positive $6,554,074. Table 7 below shows the January 2015 beginning balance; the accounting adjustment

described above; the funding and interest items, expenses, and transfers; and the ending balance as of December 31, 2015.

Table 7

Idaho Energy Efficiency Rider (January-December 2015)	
Idaho Energy Efficiency Rider	
2015 Beginning Balance	$ (782,231)
2015 Accounting Adjustment	1,153
2015 Funding plus Accrued Interest	39,800,889
Total 2015 Funds	**39,019,811**
2015 Expenses (Exhibit No. 1)	(28,495,701)
Transfer to PCA (Commission Order No. 33306)	(3,970,036)
Balance as of December 31, 2015	$ **6,554,074**

III. 2015 COST-EFFECTIVENESS OVERVIEW

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

A. Idaho Power's goal is to have all programs achieve benefit/cost ratios of 1.0 or greater for the TRC and the UC tests, and the Participant Cost Test ("PCT") at the program and measure level where appropriate. Idaho Power reviews the cost-effectiveness results for each program and measure on an annual basis to determine whether the program should continue or be modified in some way to ensure its ongoing cost-effectiveness. If a particular measure or program is pursued even though it will not be cost-effective from each of the three tests, Idaho Power works with the Energy Efficiency Advisory Group ("EEAG") to

get advice and seek alignment on the continued offering. If the measure or program is indeed offered, the Company will explain why the measure or program was implemented or continued when it seeks recovery of the incentives and expenses associated with that program.

The Company believes this approach aligns both with past Commission orders as well as the expectations outlined in the DSM Memorandum of Understanding signed by Idaho Power, Avista Corporation, Rocky Mountain Power, and Commission Staff and presented to the Commission in Case No. IPC-E-09-09.

The cost-effectiveness test methodologies and assumptions are described in more detail in the first pages of *Supplement 1: Cost-Effectiveness* ("Supplement 1") that is included in Attachment 1 to the Application in this proceeding.

Q. Does the Company place emphasis on particular cost-effectiveness tests?

A. Yes. The Company believes all the tests are important and should be considered in relation to each other. However, because of the need to compare demand-side resources to supply-side resources, Idaho Power has generally placed emphasis on the TRC and UC tests. In the 2015 prudence request, the Company continues to emphasize both of these tests.

Some parties in Idaho Power's 2014 DSM prudence request (Case No. IPC-E-15-06) argued that the Company should focus on the UC test as "a better measure of cost effectiveness than the TRC" and that the Commission should "determine prudence based primarily on the Utility Cost Test results for each program." Staff's Comments at 10; ICL's Comments at 3, respectively. In its Reply Comments, the Company clarified that it "believes each test provides value and that including all tests when evaluating program performance is best practice." Idaho Power's Reply Comments at 5. The Company further asked for specific guidance from the Commission "in its order in this matter so that Idaho Power is aware that this is the Commission's intent going forward." *Id.* The Commission stated:

> We thus find it reasonable for the Company to continue screening potential programs using each test as a guideline, and to advise us on how the Company's programs fare under each test. When the Company ultimately seeks to recover its prudent investment in such programs, however, we believe the Company may (but need not exclusively) emphasize the UCT-and that test's focus on Company-controlled benefits and costs-to argue whether the programs were cost-effective.

Order No. 33365 at 9-10.

Q. What were the results of the 2015 cost-effectiveness analyses?

A. Exhibit No. 2 to my testimony, *2015 Cost-Effectiveness Summary by Program, Sector, and Portfolio*, shows the results of the TRC, UC, and PCT for every energy efficiency program, by sector and for the portfolio. From a sector and portfolio basis, the results are positive. As shown in Table 8 below, all tests achieved benefit/cost ratios over 1.0. These results are also included in Exhibit No. 2.

Table 8

	2015 Benefit/Cost Table		
Sector	Total Resource Cost (TRC)	Utility Cost (UC)	Participant Cost (PCT)
Residential	2.11	2.31	3.82
Commercial Industrial	2.13	4.48	1.92
Irrigation	3.84	6.00	3.59
Portfolio	2.32	3.57	2.61

On a program basis, these results show that, using 2015 DSM costs and benefits, of the 16 energy efficiency programs offered in Idaho for which the Company calculates cost-effectiveness, 13 programs had benefit/cost ratios greater than 1.0 for both the TRC and UC tests. Two programs had benefit/cost ratios less than 1.0 for both the TRC and UC, and one program had a benefit/cost ratio of less than 1.0 for the TRC but greater than 1.0 for the UC. All programs for which the PCT is calculated passed the PCT. PCT ratios are not calculated for those programs that do not have a direct customer cost; these are shown as N/A

on Exhibit No. 2. The details of these calculations are in Supplement 1 of the DSM 2015 Annual Report.

Q. Does Idaho Power calculate cost-effectiveness for its three demand response programs?

A. Yes. However, benefit/cost ratios are currently not calculated for the three demand response programs. Instead, the methodology used to determine the cost-effectiveness of the demand response programs was last updated in 2014 and was not changed during 2015. As part of the public workshops in conjunction with Case No. IPC-E-13-14, Idaho Power and other stakeholders agreed on a methodology for valuing demand response. The settlement agreement, as approved in Commission Order No. 32923, defined the annual cost of operating Idaho Power's demand response portfolio must be no greater than $16.7 million. This $16.7 million value is the levelized annual cost of a 170 MW deferred resource over a 20-year life. In 2015, the system-wide cost of operating the three demand response programs was approximately $9 million ($7 million of incentives and $2 million of other costs). The amounts attributable to the Idaho-only jurisdiction were $8.5 million ($6.7 million of incentives and $1.8 million of other costs). It is estimated that if the three programs were dispatched for the full 60 hours allowed, the total

costs would have been approximately $12.4 million on a system-wide basis.

Q. Which programs did not have a benefit/cost ratio greater than 1.0 in 2015 for both the TRC and the UC perspectives?

A. As shown in Exhibit No. 2, two programs did not achieve the 1.0 benefit/cost ratio threshold in 2015 under the TRC and UC tests—the Weatherization Assistance for Qualified Customers ("WAQC") program and Weatherization Solutions for Eligible Customers ("Solutions") program, both of which are offered to limited-income customers. The PCT is not calculated for these programs because the programs impose no direct costs on the participants.

Q. Please explain why the WAQC program was not cost-effective in 2015 and what actions the Company has taken to address cost-effectiveness.

A. The WAQC program provides real and substantial per home savings, but due to the costs of comprehensive whole-house weatherization, it is difficult for the value of the savings to outweigh the costs. The weatherization services provided through the WAQC program are consistent with the Idaho State Weatherization Assistance Program ("WAP") guidelines and are offered at no charge to the participant. Because this program is designed for limited-income customers, Idaho Power believes there are other

benefits to this program that are difficult to quantify. Because this program is offered in coordination with the state WAP under U.S. Department of Energy guidelines, changes to this program must be made by the state WAP. Idaho Power continues to work diligently in partnership with its program partners, stakeholders, and vendors to streamline operations, adjust offerings, and develop more accurate tools to make this program more cost-effective.

Q. Please explain why the Solutions program was not cost-effective in 2015 and what actions the Company has taken to address cost-effectiveness.

A. Similar to the WAQC program, the Solutions program provides real and substantial per home savings, but due to the costs of comprehensive whole-house weatherization, it is difficult for the value of the savings to outweigh the costs. Idaho Power continues to work diligently in partnership with its program partners, stakeholders, and vendors to streamline operations, adjust offerings, and develop more accurate tools to make this program more cost-effective. For instance, in 2015, landlords who participated in the program were required to fund at least 10 percent of the project and the Company held the average cost per home constant from 2014 level for the weatherization contractors, actions which helped to keep the cost of the program down.

In 2016, the Company plans to explore the inclusion of potential new energy savings measures with the weatherization contractors.

Q. Does Idaho Power plan to continue to offer the WAQC and Solutions programs in the future?

A. Yes. Unless the Commission directs otherwise, Idaho Power will continue its efforts to improve the cost-effectiveness of these programs while at the same time offering them to the Company's limited-income customers on an ongoing basis.

Q. Which other program did not have a benefit/cost ratio greater than 1.0 in 2015 from the perspective of the TRC?

A. As shown in Exhibit No. 2, the Home Improvement Program had a benefit/cost ratio below 1.0 from the TRC perspective in 2015. However, it did have a benefit/cost ratio well above 1.0 from the UC perspective.

Q. Why did the Home Improvement Program not meet the TRC test threshold of 1.0 and how is the Company planning to address the cost-effectiveness of the program in 2016?

A. The Regional Technical Forum reduced savings for single-family home weatherization measures in October of 2014 and revised those savings in the spring of 2015. As a result of the reduction in savings, four of the six

individual measures offered in the Home Improvement Program are no longer cost-effective from the TRC perspective. Because Idaho Power incorporated the revised savings for all 2015 projects, the average savings per project was just under 50 percent of the average savings for 2014 projects.

In 2016, the Company will evaluate the non-cost-effective measures and the impact on the program's cost-effectiveness to determine if these measures should be modified or removed from the program. Idaho Power will present possible program and/or measure modifications to EEAG in order to seek input prior to making any changes to the program.

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

A. Yes. In 2015, Idaho Power evaluated the benefits and costs of 270 measures from both the TRC and the UC perspective. The results of these calculations along with measure assumption details and source documentation can be found in Supplement 1 to the DSM 2015 Annual Report.

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

A. The cost and benefit values used in the various analyses are based on markets, technologies,

economic inputs, savings estimates, and cost estimates, which can change over time. When a measure is determined not to be cost-effective at a specific point in time, Idaho Power first evaluates whether the inputs used in the calculations are still correct and then determines if measure parameters should be modified or whether the measure should be eliminated. The measures that are not cost-effective from a TRC or UC test perspective will be discontinued, analyzed for additional non-energy benefits, modified to increase potential per unit savings, or monitored to examine their impact on the specific program's overall cost-effectiveness. For additional detail on measure analysis refer to Supplement 1.

IV. EVALUATION ACTIVITY OVERVIEW

Q. What is the Company's approach to DSM program evaluation?

A. In order to ensure the ongoing cost-effectiveness of programs through validation of energy savings and demand reduction, and to guide the efficient management of its programs, the Company relies on evaluations by third-party contractors chosen through a competitive bidding process, internal analyses, and regional and national studies. Idaho Power uses industry-standard protocols for its internal and external evaluation efforts. Process and impact evaluations are typically on a

three-year cycle for each program; however, the timing of specific program evaluations is based on considerations regarding program needs. The Company actively participates in regional groups that evaluate new technologies and advancements. *Supplement 2: Evaluations* ("Supplement 2") to the DSM 2015 Annual Report provides additional information regarding how Idaho Power plans, evaluates, and reports its DSM activities.

Q. How does Idaho Power utilize the evaluations described above?

A. Idaho Power uses the results of its evaluations to inform decisions related to program improvement, to compare processes to industry best practices, and to validate reported program savings.

Q. What evaluation activities took place in 2015?

A. In addition to the annual cost-effectiveness analyses that the Company conducts for each program, in 2015, Idaho Power completed three combination impact and process evaluations on the following programs: Home Improvement Program, Ductless Heat Pump Pilot, and See ya later, refrigerator®. Additionally, Idaho Power conducted impact evaluations on the A/C Cool Credit, Irrigation Peak Rewards and Flex Peak programs. All of these evaluations were conducted by third-party contractors.

Idaho Power also administered surveys on several programs in 2015 to measure program satisfaction. Participant surveys were conducted for Easy Upgrades, Home Energy Audit, Shade Tree Project, Weatherization Assistance for Qualified Customers, and Weatherization Solutions for Eligible Customers.

The final reports for these evaluations and studies, surveys, and the market effects evaluations conducted by NEEA are included in Supplement 2 to the DSM 2015 Annual Report.

Q. Does Idaho Power have a DSM program evaluation plan for 2016?

A. Yes. The 2012-2016 DSM Program Evaluation Plan is attached as Exhibit No. 3 and is also included in Supplement 2. In 2016, Idaho Power's evaluation plan includes five impact evaluations and three process evaluations. This plan is intended to be used as a guide and may change based on need, timing, or other factors.

V. STAKEHOLDER INPUT

Q. What opportunities exist generally for external parties to provide input and guidance to Idaho Power's DSM efforts?

A. In 2002, Idaho Power formed the EEAG to provide input on enhancing existing DSM programs, recommending new energy efficiency measures, and

implementing energy efficiency programs. Members include customer representatives from residential, irrigation, commercial, and industrial sectors, technical experts, as well as representatives for senior citizens, limited-income individuals, environmental organizations, state agencies, the Idaho Public Utilities Commission, the Public Utility Commission of Oregon, and Idaho Power. In 2015, Idaho Power contracted with a professional facilitator to improve the efficiency of EEAG meetings. The Company held four in-person EEAG meetings and one conference call. During these meetings, Idaho Power discussed and requested recommendations on a broad range of DSM issues.

In 2014, the Company organized an Energy Efficiency Working Group and invited members of the Integrated Resource Plan Advisory Committee ("IRPAC"), EEAG, and other interested parties to attend. The Company held two public workshops during 2014 with the Energy Efficiency Working Group and reported to the Commission on those activities in Case No. IPC-E-15-06. In that case, the Company advised the Commission that it was investigating the potential benefits of energy efficiency programs deferring the need for Transmission and Distribution ("T&D") investment and indicated that a discussion of preliminary findings was anticipated to be reported at the June 2015 IRPAC meeting.

Q. Is the Company continuing its investigation into potential T&D benefits of energy efficiency?

A. Yes. A member of Idaho Power's T&D planning group presented preliminary findings at the May 7, 2015, IRPAC meeting in conjunction with a discussion about asset replacement deferment. The Company is continuing its investigation of energy efficiency related T&D benefits during 2016 and will present results to the Energy Efficiency Working Group of IRPAC as part of the 2017 planning cycle.

VI. CONCLUSION

Q. Do you believe that the information contained in this testimony and attached exhibits supports a prudence determination for 2015 DSM expenses?

A. Yes. The DSM 2015 Annual Report details Idaho Power's DSM offerings in program specific sections. Based on the 2015 DSM Annual Report, the testimony set forth above, in the attached exhibits, Idaho Power respectfully requests the Commission determine that $35,196,964 of DSM expenses incurred in 2015 for the acquisition of demand-side resources were prudently incurred.

Q. Does this conclude your testimony?

A. Yes, it does.

ATTESTATION OF TESTIMONY

STATE OF IDAHO)
) ss.
County of Ada)

I, Connie Aschenbrenner, having been duly sworn to testify truthfully, and based upon my personal knowledge, state the following:

I am employed by Idaho Power Company as a Senior Regulatory Analyst in the Regulatory Affairs Department and am competent to be a witness in this proceeding.

I declare under penalty of perjury of the laws of the state of Idaho that the foregoing pre-filed testimony and exhibits are true and correct to the best of my information and belief.

DATED this 15th day of March 2016.

Connie Aschenbrenner

Connie Aschenbrenner

SUBSCRIBED AND SWORN to before me this 15th day of March 2016.

CHRISTA S. BEARRY NOTARY PUBLIC STATE OF IDAHO

Christa S. Bearry

Notary Public for Idaho
Residing at: Boise, Idaho
My commission expires: 02/04/2021