

Brad M. Purdy
Attorney at Law
2019 N. 17th St.
Boise, Idaho 83702
(208) 384-1299
Cell: (208) 484-9980
Fax: (208) 384-8511

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ID. PUBLIC
UTILITIES COMMISSION

December 21, 2005

Idaho Public Utilities Commission
Ms. Jean Jewell
Commission Secretary
472 W. Washington St.
Boise, ID. 83702

Re: Idaho Public Utilities Commission Case No. PAC-E-05-8 – Revised testimony of
Teri Ottens.

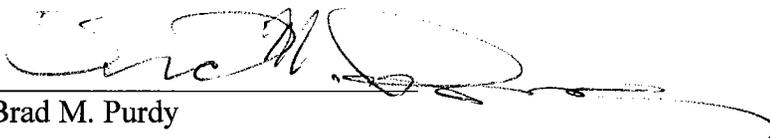
Dear Ms. Jewell:

Enclosed, please find a revised original and 8 copies of the prefiled direct testimony of
Teri Ottens in the above-referenced proceeding filed on behalf of the Community Action
Partnership Association of Idaho.

The version of Ms. Otten's testimony that was filed and served on all parties yesterday
was a draft, and not the final version. The result of a misunderstanding with my assistant.
Please replace yesterday's draft with the version enclosed. All parties on the service list
are also being sent replacement copies.

My apologies for any inconvenience.

Very truly yours,


Brad M. Purdy

Cc All parties of record

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1 Brad M. Purdy
Attorney at Law
2 Bar No. 3472
2019 N. 17th St.
3 Boise, ID. 83702
(208) 384-1299
4 FAX: (208) 384-8511
bmpurdy@hotmail.com
5 Attorney for Petitioner
Community Action Partnership
6 Association of Idaho

7
8 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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10 IN THE MATTER OF THE JOINT) CASE NO. PAC-E-05-8
11 APPLICATION OF MIDAMERICAN)
ENERGY HOLDINGS COMPANY (MEHC))
12 AND PACIFICORP DBA UTAH POWER &)
LIGHT COMPANY FOR AN ORDER)
13 AUTHORIZING MEHC TO ACQUIRE)
PACIFICORP)

14
15 **COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO**
16 **DIRECT TESTIMONY OF**
17 **TERI OTTENS**
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1 **I. INTRODUCTION**

2 Q: Please state your name and business address.

3 A: My name is Teri Ottens. I am the Policy Director of the Community Action Partnership
4 Association of Idaho headquartered at 5400 W. Franklin, Suite G, Boise, Idaho, 83705.

5 Q: On whose behalf are you testifying in this proceeding?

6 A: The Community Action Partnership Association of Idaho ("CAPAI") Board of Directors
7 asked me to present the views of an expert on, and advocate for, low income customers of
8 PacifiCorp on behalf of CAPAI. CAPAI's participation in this proceeding reflects our
9 organization's view that low income people are an important part of PacifiCorp's
10 customer base, and that these customers will be uniquely impacted by the proposed
11 merger between PacifiCorp and MidAmerican Energy Holdings Company (MHEC).

12 CAPAI is an association of Idaho's six Community Action Partnerships, the Idaho
13 Migrant Council and the Canyon County Organization on Aging, Weatherization and
14 Human Services, all dedicated to promoting self-sufficiency through removing the causes
15 and conditions of poverty in Idaho's communities.

16 Community Action Partnerships ("CAPs") are private, nonprofit organizations
17 that fight poverty. Each CAP has a designated service area. Combining all CAPS, every
18 county in Idaho is served. CAPS design their various programs to meet the unique needs
19 of communities located within their respective service areas. Not every CAP provides all
20 of the following services, but all work with people to promote and support increased self-
21 sufficiency. Programs provided by CAPS include: employment preparation and dispatch,
22 education assistance child care, emergency food, senior independence and support,
23 clothing, home weatherization, energy assistance, affordable housing, health care access,
24 and much more.

25 Q: Have you testified before this Commission in other proceedings?

1 A: Yes, I have testified on behalf of CAPAI in general rate cases involving Idaho Power
2 Company, AVISTA, and United Water. CAPAI participated in the recent PacifiCorp
3 general rate case and was a signatory to the settlement reached in that proceeding. In
4 addition, CAPAI has also submitted comments in Intermountain Gas Company's recent
5 PGA filing.

6 Q: Why has CAPAI intervened in this particular proceeding?

7 A: CAPAI was concerned that the acquisition of PacifiCorp by a holding company with non-
8 utility interests, and the utility holdings of which operate well outside our geographic
9 reason, was of significant importance to PacifiCorp's low-income Idaho customers.
10 Furthermore, when PacifiCorp and Scottish Power applied to this Commission for
11 approval of their merger in the late 1990s, the applicants made certain concessions to
12 ensure that ratepayers would not be harmed as a result of the merger. CAPAI's intent
13 was to see that similar assurances were made in support of the merger proposed in this
14 case.

15 According to the Department of Commerce in the State of Idaho, 12% of the
16 State's population, when using the 2000 Census, falls within federal poverty guidelines
17 and 21% fall within the state guidelines set at 150% of poverty levels. The 2000 Idaho
18 Census reveals that those living in poverty are categorized as 8.3% elderly, 13.8%
19 children, 8.3% all other families, 35.3% single mothers and 34% all others. In Idaho,
20 104,537 households representing 227,000 citizens were eligible in Idaho for energy
21 assistance and weatherization but only 31903 households statewide received LIHEAP
22 assistance in the 2004 heating season and only 1,395 homes received weatherization
23 services (356 in the Idaho PacifiCorp service area).

24 According to the Department of Energy, the "affordability burden" for total home
25 energy is set nationwide at 6% of gross household income and the burden for home

1 heating is set at 2% of gross household income. Idaho ranks # 4 in the nation with the
2 highest energy burdens. There is a gap of \$50,470,559 between what Idahoans can afford
3 to pay (based on federal standards) for energy in 2004 and what they actually paid.
4 Currently the LIHEAP program sends \$11 million (for energy assistance, Weatherization
5 and administration) to Idaho.

6 Q: What types of programs does PacifiCorp currently have in place that directly address the
7 needs of its low-income customers?

8 A: PacifiCorp operates project "Lend a Hand" which is similar to Idaho Power's "Project
9 Share." In addition, PacifiCorp operates a low-income weatherization program as do
10 Idaho Power and AVISTA.

11 Q: Does CAPAI believe that there are improvements that can and should be made to these
12 programs?

13 A: Definitely. Regarding Lend a Hand, CAPAI believes that the current level of funding,
14 approximately \$10,000-\$15,000 is hardly enough to make a dent in the needs of the
15 PacifiCorp Idaho customer base. Regarding the company's low-income weatherization,
16 CAPAI has been strongly encouraging certain program design changes for some time
17 now. This is the result of two particular problems with the current program.

Q18 Q: What problems are you referring to?

19 A: First, PacifiCorp will only fund 50% of any given low-income weatherization project.
20 The other funding must come from other sources such as federal Department of Energy
21 and Low Income Home Energy Assistance programs. Second, even when federal funds
22 are fully exhausted for any given year, which they often are, PacifiCorp will only fund
23 50% of project costs. Finally, CAPAI believes that the total amount of annual funding
24 should be increased from the current level of \$150,000.

Q25 Q: Please explain your specific concerns regarding the aforementioned issues.

1 A: Idaho Power only asks that an average of 15% in federal weatherization funds be spent
2 on each project their funds are involved in. Avista makes no requirements at all. Both
3 recognize the value of the program and the need to spread the utility and private dollars
4 as far as they will go. The customer value of the program was recognized by the utilities
5 and they saw that more customers could be served if there was not a high match
6 requirement. There is a limited amount of federal funds available (which looks to be cut
7 even further this year). In the eastern part of Idaho, the waiting list for weatherization is
8 over 2 years long, and for less critical cases as long as six years. Because PacifiCorp
9 territory is interspersed with municipal and cooperative electrical companies, as well as
10 Idaho Power territory, it is often difficult to find enough houses in one year that are
11 PacifiCorp customers when we can only spend 50% of their money on the home. This
12 means that PacifiCorp money could be left on the table by this restriction while other
13 homes in need of critical weatherization may miss out because federal money had to be
14 used to provide the 50% match. Finally, PacifiCorp is the only utility that has not
15 completely adopted all of the DOE measures – meaning that we have to use federal
16 money to pay for certain weatherization aspects (such as hot water heater replacement).
17 Again this forces federal money to be spent when PacifiCorp money could have been
18 applied, reducing our flexibility in reaching other homes.

Q19 Q: Did CAPAI participate in the settlement discussion that took place in this case?

A20 A: Yes, and we participated and ultimately signed the settlement stipulation.

Q21 Q: Does that mean that all of CAPAI's concerns outlined above have been resolved?

22 A: No. We believe that much remains to be accomplished. The applicants in this case
23 expressed their opinion that CAPAI's concerns should be resolved through the general
24 rate case that PacifiCorp intends to file in the Spring of 2006.

25 Q: Does CAPAI agree with the applicants' contention in this regard?

1 A: No, but the fact that PacifiCorp will file a general rate case in the near future, combined
2 with certain commitments agreed to by applicants, however, convinced CAPAI that
3 settlement at this juncture was reasonable.

4 Q: What "commitments" are you referring to?

5 A: Concerning CAPAI's specific interests, the applicants agreed to several things. First, the
6 applicants agreed that for any low-income eligible project, for which federal matching
7 funds are exhausted or otherwise unavailable, PacifiCorp will fund 100% of
8 weatherization costs for that project (Idaho-specific commitment # 13(a)). This reflects a
9 policy change on the part of the company.

10 Q: Are there additional commitments?

11 A: Yes. PacifiCorp agreed (in Idaho-specific commitment # 13(b)) that it will analyze and
12 directly address CAPAI's contention that the company should be willing to fund 100% of
13 low-income weatherization costs for any given project, regardless of whether there exist
14 federal monies available. CAPAI raised this issue in PacifiCorp's last general rate case
15 (Case No. PAC-E-05-1), but the applicants refused to agree to eliminate the 50%
16 matching requirement and failed to address it in this proceeding. Thus, CAPAI believes
17 that the settlement agreement in this case will, at the least, put the issue squarely before
18 the Commission in the relatively near future.

19 Q: What about your contention that annual low-income weatherization funding levels should
20 be increased?

21 A: CAPAI's primary objective is to first remove the 50% limitation. So long as this
22 limitation remains in place, we believe that PacifiCorp money will be left on the table
23 because there are insufficient federal funds to match it against. This anomaly can and
24 likely will occur even if PacifiCorp agrees to fund projects at 100% once federal funds are
25 exhausted. The reason for this is because these limitations decrease flexibility in the

1 manner in which these funds can be best spent to benefit all customers in the PacifiCorp
2 service area. Regardless, CAPAI believes that the total annual funding level should be
3 increased and will make this recommendation in PacifiCorp's next general rate case.

4 Q: Are there any other commitments that convinced CAPAI to agree to the settlement?

5 A: Yes. The applicants agreed that shareholder funding of project Lend a Hand would be
6 increased from its current level to \$20,000 (Idaho-specific commitment # 14). While
7 CAPAI believes this level of funding is inadequate, this increase is acceptable until the
8 next rate case. The applicants further agree to work with low-income advocates to
9 "evaluate additional matching contributions" in the future. CAPAI encourages
10 PacifiCorp to do so in the upcoming general rate case. Finally, the applicants have
11 agreed to fund and hire a consultant to study and design for possible implementation an
12 "arrears management project for low-income customers." The stated purpose of the
13 project is to find means to reduce the numerous system-wide costs attributable to
14 customers who become delinquent on their bills. The applicants commit to forming a
15 working group of regulatory agencies and low-income advocates to oversee this project
16 and, during settlement discussions, indicated that CAPAI would be welcome to be a part
17 of that working group.

18 Q: So, in summary, do you support the settlement stipulation, with the attached conditions,
19 for approval by this Commission?

20 A: Yes. Though there are several important issues yet to be resolved, CAPAI believes that
21 for purposes of this case, the settlement is of benefit to low-income customers. The
22 applicants did not specifically propose any of the low-income commitments in its direct
23 filing. The negotiated settlement constitutes a reasonable settlement for the interim
24 pending the company's next general rate case.

25 Q: Does that conclude your testimony?

1 A: Yes it does.

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