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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)
PACIFICORP DBA ROCKY MOUNTAIN POWER) CASE NO. PAC-E-06-10
TO DETERMINE THE APPROPRIATE FUNDING)
STRUCTURE OF ITS SCHEDULE 21 (LOW)
INCOME WEATHERIZATION PROGRAM).)
_____)

DIRECT TESTIMONY OF WAYNE HART

IDAHO PUBLIC UTILITIES COMMISSION

JANUARY 10, 2007

1 Q. Please state your name and address.

2 A. My name is Wayne Hart. My business address is
3 472 West Washington, Boise, Idaho, 83702.

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

5 A. I am employed by the Idaho Public Utilities
6 Commission (IPUC; Commission) as a Utilities Analyst.

7 Q. What is your educational background?

8 A. I received a Master's Degree in Bacteriology
9 from the University of Wisconsin in Madison, Wisconsin,
10 and a Bachelor's Degree in Biological Sciences from
11 Indiana University in Bloomington, Indiana. My Master's
12 research studied the microbiology involved in the
13 production of methane from biomass.

14 Q. Please outline your experience that is relevant
15 to your testimony.

16 A. I have designed, managed and implemented a
17 number of utility demand side management programs and
18 supervised a portfolio of programs with an annual budget
19 of over \$20 million while at the Bonneville Power
20 Administration. Since joining the Commission Staff I
21 have conducted Staff's analysis of Idaho Power's
22 conservation expenditures for the 1994 rate case, and
23 reviewed numerous utility conservation plans.

24 Q. Have you previously testified before this
25 Commission?

1 A. Yes. I presented testimony in US WEST's rate
2 case, Case No. USW-T-96-5, as well as in Idaho Power's
3 general rate case, Case No. IPC-E-94-5. I also presented
4 testimony in cases dealing with deregulation, extended
5 area service and rate rebalancing.

6 Q. What is the purpose of your testimony in this
7 proceeding?

8 A. I will describe the Settlement Agreement
9 between Rocky Mountain Power (RMP), the Community Action
10 Program Agencies of Idaho (CAPAI) and Commission Staff.

11 Q. What are the basic elements of the Settlement
12 Agreement?

13 A. The Stipulation adds additional elements to the
14 list of measures that may be funded by Rocky Mountain
15 Power, changes the maximum percentage of the total cost
16 of a measure that may be funded by RMP from 50% to 75%,
17 precludes CAPAI from seeking further changes to the
18 program for two years, keeps the overall Rocky Mountain
19 Power spending cap of \$150,000 per year, and acknowledges
20 that RMP will conduct a cost effectiveness study of the
21 program after two years.

22 Q. Please describe the changes to the list of
23 qualifying measures?

24 A. The Stipulation specifies that all cost
25 effective U.S. Department of Energy (DOE) weatherization

1 measures for electrically heated houses will be eligible
2 for RMP funding. The primary impact of this change is
3 that RMP funding may now be used to help fund the cost of
4 heating system repairs and/or replacements, repair and/or
5 replacement of water heaters, and the incidental repairs
6 and Health and Safety measures that are eligible for DOE
7 funding but were previously not eligible for RMP funding.
8 These changes will be incorporated in amendments to RMP's
9 Tariff Schedule 21, which was filed with the Stipulation.

10 Q. Will the inclusion of these measures impact the
11 cost effectiveness of the program?

12 A. It may change slightly, but most of these
13 measures are also subject to the cost effectiveness tests
14 that are built into the program. The cost effectiveness
15 test used by the Community Action Program (CAP) agents is
16 a Savings to Investment Ratio (SIR) of 1 or greater.
17 While overall cost effectiveness could decline by
18 including these additional measures, it could also
19 increase. For example, if insulation is added to a roof
20 that would not have been added before because of the
21 inability to use RMP funding to fix roof leaks, it may
22 produce additional savings that would have a positive
23 impact on the cost effectiveness of the program. Based
24 upon the results from other weatherization programs
25 around the Pacific Northwest, I expect the total change

1 to the overall cost effectiveness of the program to be
2 minimal.

3 Q. What is the reason for changing the percentage
4 of the measure cost that may be funded by RMP from 50% to
5 75%?

6 A. The reason was to bring RMP's program in closer
7 alignment with the other two electric utility funded
8 programs and to ensure installation of all available cost
9 effective weatherization measures. The existing program
10 requirements provided that RMP funds may be used to cover
11 50% of the cost of each approved measure, but because of
12 differences between the DOE program and the RMP program,
13 the net result has historically been that RMP funding has
14 provided less than 40% of the total project funding for
15 electric homes. Raising this percentage to 75% on an
16 individual measure's cost is designed to allow the
17 overall project cost percentages to increase from the
18 historical level and increase weatherization measures.

19 Q. Why does the Stipulation retain the overall RMP
20 spending cap of \$150,000 for this program?

21 A. This limit was raised very recently, and there
22 isn't even a full year of experience at this level. The
23 parties agreed that it would be prudent to retain this
24 cap to get more experience before seeking any changes.

25 Q. How does the Stipulation limit CAPAI's ability

1 to intervene in future Commission proceedings?

2 A. It only limits participation in proceedings
3 regarding RMP's Tariff Schedule 21. If the Stipulation
4 is approved, CAPAI has agreed to not contest any of the
5 elements of RMP's Tariff Schedule 21 in proceedings
6 before this Commission until March 31, 2009. Schedule 21
7 specifies the details of RMP's participation in the low-
8 income weatherization program.

9 Q. Why does Staff believe such a limitation is in
10 the public interest?

11 A. The negotiations that led to the Stipulation
12 addressed all of the significant issues that have been
13 raised by Staff and CAPAI regarding the program. While
14 not everyone got everything they wanted, it is reasonable
15 to let the program operate for two years and gain
16 experience with the changes that have been made before
17 pursuing any further changes. The Stipulation includes
18 all the changes for which a strong case could be made
19 with what Staff knows now. Gathering additional
20 information before seeking any further changes is prudent
21 and in the public interest.

22 Q. What were Staff's goals in this proceeding?

23 A. Staff's primary goal was to structure a program
24 that obtained all the conservation potential that was
25 cost effective whenever a low-income residence was

1 weatherized through the program. It is important to get
2 all the eligible conservation measures with one visit, as
3 returning to the house at a future date to complete
4 measures not implemented is generally not cost effective;
5 moreover, homes weatherized under the program since
6 September 30, 1993 are not eligible for additional DOE
7 funding. Staff also sought to reduce the administrative
8 differences among the low-income weatherization programs
9 operated by Idaho's three major electric utilities.

10 Q. Were you concerned that the current program was
11 not obtaining all the cost effective conservation?

12 A. Somewhat. While I did not have definitive
13 evidence that the program failed to obtain all the cost
14 effective conservation available from a residence, CAP
15 staff expressed significant concern that some cost
16 effective conservation measures were not completed when
17 some of the residences were weatherized due to the
18 limiting terms of the existing program.

19 Q. Is the information available to more accurately
20 identify cost effective measures not completed?

21 A. Not really. While the CAP agencies have good
22 information about measures that were completed,
23 information about measures not completed is not as good.
24 It is highly likely that gathering this information would
25 require additional, expensive visits to some of the homes

1 and is not necessary at this time.

2 Q. Are you concerned that measures that are not
3 cost effective are being completed?

4 A. I am reasonably confident that, with prudent
5 management and diligent Company oversight, this will not
6 be a problem. The program design includes procedures to
7 analyze the savings and costs of all major measures
8 considered for installation, and if a major conservation
9 measure does not meet the program's cost effectiveness
10 criteria, it is not completed.

11 Q. Have these procedures been reviewed by an
12 independent party?

13 A. Yes. The methodology used to compute savings
14 and determine measure eligibility has been reviewed and
15 approved by the U.S. Department of Energy (DOE).

16 Q. Is the DOE's methodology and criteria for
17 determining cost effectiveness the same as is commonly
18 used by electric utilities?

19 A. No, but the overall result, the savings
20 obtained for the utility's investment, has consistently
21 been found to be cost effective using the traditional
22 utility methodologies for similar programs operated by
23 other utilities in the region.

24 Q. What are the differences between the
25 procedures?

1 A There are many minor differences, but the most
2 significant difference is the value used for the savings.
3 The DOE procedure uses retail rates in determining the
4 value of the savings. Utilities typically use levelized
5 avoided costs in determining the value of savings.

6 Q. Has the Company expressed concerns about the
7 cost effectiveness of the program?

8 A. The Company's original Petition in this case,
9 and the testimony of Company witness Brian S. Dickman,
10 expressed concerns that the program was nearing the
11 limits of cost effectiveness and that any changes to the
12 program might push the program over the limit.

13 Q. Do you share this concern?

14 A. I am always concerned about the cost
15 effectiveness of any utility conservation effort.
16 However, I am confident this program, even with the
17 changes identified in the Settlement Stipulation, will be
18 cost effective if prudently managed with diligent utility
19 oversight.

20 Q. What is the basis of this confidence?

21 A. The low-income weatherization program operated
22 by Avista in Idaho also uses CAP agencies and the same
23 DOE-approved cost effectiveness methodology (SIR) for
24 determining measure eligibility. It does not contain the
25 programmatic restrictions that are being eliminated by

1 the Stipulation, and Avista's review of its program
2 indicates that the program is cost effective. Bonneville
3 Power's thorough evaluation of its similar program
4 conducted by publicly-owned utilities throughout the
5 Pacific Northwest also supports the conclusion that a
6 well managed program that includes these changes will be
7 cost effective.

8 Q. Has Rocky Mountain completed a cost
9 effectiveness analysis of its Idaho program?

10 A. No, not an analysis that is specific to the
11 Idaho program. A cost effectiveness analysis was
12 provided with its Petition that used the average energy
13 savings for the DOE low-income weatherization programs
14 conducted throughout the nation and the old programmatic
15 investment limit of \$1500 per home. These are not
16 savings or cost features specific to Idaho.

17 Q. Does the study identified in the Stipulation
18 address this issue?

19 A. Yes. The Stipulation provides that the Company
20 will conduct an evaluation of the cost effectiveness of
21 the Idaho program after March 31, 2009. This study is to
22 use actual Idaho costs and savings. The results of that
23 evaluation are to be presented to the Commission.

24 Q. Does the Stipulation address Staff's goal of
25 obtaining all cost effective conservation available from

1 a residence?

2 A. Yes. The changes in measures eligible for RMP
3 funding, and the easing of the limitation of the
4 percentage of a measure's cost that is eligible for RMP
5 funding, addressed both program elements that Staff was
6 concerned might be preventing the program from obtaining
7 all cost effective conservation. These changes will
8 provide the programmatic flexibility to address nearly
9 all of the circumstances that might have been preventing
10 cost effective conservation measures from being
11 completed. More information is needed to determine
12 whether these changes have addressed every circumstance,
13 and the Stipulation provides for the gathering of that
14 information.

15 Q. Does the Stipulation achieve Staff's goals of
16 creating uniformity among the three major utilities' low-
17 income weatherization programs?

18 A. Not entirely, but it makes substantial progress
19 in that direction. On an operational level, in most
20 cases, the CAP representatives in the field should be
21 able to treat a residence the same, regardless of which
22 utility provides the electricity. At the administrative
23 end, there are still some differences CAP agencies will
24 need to watch for and address, but these changes should
25 greatly reduce the extent to which these differences

1 cause problems and impede program operation.

2 Q. Do you believe the Stipulation to be in the
3 public interest?

4 A. Yes. The Stipulation provides additional
5 flexibility for the CAP agencies operating the programs,
6 and should result in more efficient program operation.
7 It should significantly reduce the circumstances that may
8 have been preventing the acquisition of all cost
9 effective conservation, and it does this at minimal risk
10 to the cost effectiveness of the overall program.

11 Q. Does this conclude your direct testimony in
12 this proceeding?

13 A. Yes, it does.

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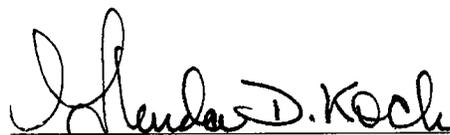
I HEREBY CERTIFY THAT I HAVE THIS 10th DAY OF JANUARY 2007, SERVED THE FOREGOING **DIRECT TESTIMONY OF WAYNE HART**, IN CASE NO. PAC-E-06-10, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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