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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC SERVICE TO ITS CUSTOMERS IN THE STATE OF	)	CASE NO. IPC-E-11-08

**COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO'S
DIRECT TESTIMONY OF
TERI OTTENS**

I. INTRODUCTION

Q: Please state your name and business address.

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

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

A: The Community Action Partnership Association of Idaho ("CAPAI") Board of Directors asked me to present the views of an expert on, and advocate for, low income customers of AVISTA.

Q: Please describe CAPAI's organization and the functions it performs, relevant to its involvement in this case.

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

Q: What are the Community Action Partnerships?

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

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

A: Yes, I have testified on behalf of CAPAI in numerous cases involving, among others, Idaho Power, AVISTA, Rocky Mountain Power and United Water of Idaho.

II. SUMMARY

Q: Please summarize your testimony in this case?

A: First, CAPAI opposes the proposed settlement executed by the other parties to this proceeding and currently pending before the Commission by way of Motion and Stipulation.

Q: Would you please briefly summarize the reasons for your position and the issues and concerns that drove CAPAI's decision to not join in the settlement?

A: The proposed settlement seems to address the issues and objectives of all parties except CAPAI and low-income customers. CAPAI is concerned about Idaho Power's rising rates, the pressure and significance of having multiple filings simultaneously pending before the Commission, including general rate cases for the three largest electric utilities and for Idaho's largest investor owned public water utility[1] and a filing by Rocky Mountain contending that its LIWA program is not cost-effective. In addition to rapidly rising utility rates, the economy seems to be dissolving into recession, unemployment is skyrocketing, federal assistance programs for low-income customers are being reduced or eliminated putting vulnerable low-income customers directly in the path of a perfect storm. In spite of this, the settlement agreement fails to include an increase in Idaho Power's low-income weatherization program (WAQC) which hasn't been increased in nearly a decade. CAPAI simply could not justify joining in yet another black box settlement agreement resulting in yet another rate increase without any offsetting provision for low-income customers.

[1] United Water of Idaho; Case No. UWI-W-11-02.

Q: Does this mean that CAPAI opposes every identifiable element of the proposed settlement?

A: Not necessarily. CAPAI's decision to not sign the settlement in whole or in part was certainly not a decision made lightly. There are certain aspects of the settlement that are of obvious, positive value from CAPAI's perspective, such as the fact that the rate increase was reduced from the proposed 9.9% to 4.07% and Idaho Power agreed to not increase its monthly residential service charge as originally requested. In a vacuum, such compromises are obviously of benefit to low-income customers who pay those rates and charges but CAPAI, like every other party, assessed the proposed settlement taking into consideration the totality of everything it contains, as well as what it lacks. Furthermore, CAPAI does not begin an analysis of any requested rate increase with the presumption that some degree of rate increase will ultimately be granted. Thus, perhaps a more justifiable rate increase in this case would be considerably less than 4.07%; perhaps none at all. Regardless, for reasons that I will explain in greater detail, CAPAI came to the conclusion that agreeing to the overall settlement as proposed would not be in the best interests of low-income customers or residential customers on the whole.

III. GENERAL OVERVIEW

Q: Are the concerns and the positions you hold in this proceeding limited strictly to the interests of Idaho Power's low-income customers?

A: In the past, the answer to that question would be an obvious and simple yes. But, as everyone is well aware, we are currently experiencing one of the most severe economic crises in our nation's history. One of the many consequences of this is that the ranks of citizens who qualify as "low-income" are swelling. Poverty rates in Idaho have risen from 12.6% in 2005 to 14.4% in the 2010 census figures representing an additional 25,000 Idaho citizens surviving under the Federal Poverty Level. Simultaneously, federal funding of programs designed to assist low-income customers are being reduced or entirely eliminated including the termination of ARRA[2] which provided a substantial, but temporary, boost in federal low-income weatherization funds. The backlog of households in Idaho eligible for low-income weatherization is far too great for AARA to have even come close to eliminating.

Q: Is there anything about this particular proceeding that you believe warrants serious attention by the Commission?

A: In my opinion, the present case provides a very unique observation of serious events occurring on not just a local or national scene, but globally. The Commission is obviously aware, as are all Americans, of the mounting economic problems faced by all sectors of society. Because CAPAI represents the most vulnerable element of that society, it is compelled to take on issues and express concerns that it typically does not address. The current pendency of general rate cases for all three of Idaho's electric utilities as well as its largest regulated water utility,[3] a proceeding in which low-income weatherization has been called into question, combined with the problems I have referred to, could well be unprecedented. Many residential customers who are slightly above the low-income threshold as defined for the purpose of receiving federal and state benefits in Idaho such as LIHEAP, are rapidly slipping below that threshold, qualifying them as low-income. Furthermore, many existing low-income customers have yet to avail themselves of governmental and utility assistance programs such as WAQC but eventually will, especially if the economic crisis continues or spirals further downward. Thus, the importance of every low-income program, such as Idaho Power's WAQC, continues to increase.

[2] The "American Recovery and Reinvestment Act."
[3] United Water of Idaho; Case No. UWI-W-11-02.

Q: What role do you see CAPAI filling in terms of its appearance before this Commission given what you have described?

A: First, unlike in some other states, it should be noted that there is no regular intervening party to Commission proceedings who represents the exclusive interests of residential customers. While the Commission Staff certainly strives to seek a fair result for residential customers in any given proceeding, its legal mandate requires that it do so for all parties, including the utility. As the percentage of Idaho Power's residential customers who qualify as low-income increases, CAPAI's involvement in proceedings before this Commission expands in depth and scope. Programs that provide direct benefits to low-income customers, such as WAQC, also provide benefits to all customer classes. Thus, while CAPAI's mandate is to serve and represent the interests of low-income customers, we must remain aware that this particular population is rapidly expanding and, unfortunately, will include customers who do not yet qualify as low-income.

Q: Would you please summarize the more specific considerations that led to CAPAI's position in this case?

A: Specifically, I will address whether the authorized return proposed in the settlement is fair, just and reasonable or whether Idaho Power's ratepayers, particularly its residential class, are being asked to shoulder the bulk of the weight caused by our current economic crisis in this country, whether the revenue allocation among customer classes is fair, just and reasonable, whether the rate increase disproportionately impacts low-income customers exclusively, and why the failure of the parties to include in their proposed settlement an increase in Idaho Power's WAQC funding is inconsistent with Idaho law, results in a substantial disparity in the funding levels of Idaho's three largest electric utilities, fails to maximize what the Commission has repeatedly deemed to be a prudent and desirable DSM resources, and is inequitable for a host of other reasons.

Q. Are there any exhibits to your testimony in this case?

A. No.

IV. SUBSTANTIAL AND DISPROPORTIONATE IMPACT OF PROPOSED RATE INCREASE

Q: What particular components of the rate increase proposed in the settlement does your testimony address?

A: As the Commission is well aware, CAPAI typically does not have sufficient financial means to retain expert witnesses to analyze, and provide testimony for, the gamut of components that comprise any given rate increase and has historically limited its scope of issues to very few low-income specific issues, such as LIWA funding, rate design, minimum customer charge, etc.

Q: Is CAPAI expanding its scope of issues in this proceeding?

A: To a certain extent, yes. This is necessitated by several factors including the current economic crisis, the unprecedented spate of general rate cases and other proceedings currently pending before the Commission including a PacifiCorp proceeding that calls into question the cost-effectiveness of that Company's low-income weatherization program (Case No. PAC-E-11-13), the cumulative impact that frequent general rate case filings by Idaho's three largest electric public utilities has had on residential and particularly low-income customers, the fact that those utilities seem increasingly shielded by various mechanisms that stabilize their earnings putting them in a relatively advantageous position in the economy but have shifted the burden of risk to ratepayers and finally, the fact that all of the other parties agreed to settle yet another general rate case using a "black box" settlement that does not specify a return on equity.

Q: Do you possess any expertise in analyzing the appropriate rates of return for regulated public utilities?

A: No, I do not possess expertise in the areas of utility ratemaking, including calculating a fair and reasonable return. I do have expertise in the perceptions and realities of life for low-income customers and the burden that ever-increasing utility bills poses for those customers. It is in that spirit that I offer my opinions.

Q: In light of your statement, is CAPAI taking any specific position on revenue requirement issues?

A: Again, not in the technical sense. I believe that Staff always conducts a very thorough analysis of specific revenue requirement issues. CAPAI supports the specific issues raised and positions taken by Staff but notes that Staff's settlement position is obviously the result of compromise. It is entirely possible that had every revenue requirement issue identified in this case been litigated, the outcome might have been a lesser revenue requirement and rate increase than settled upon.

Q: Please state your issues and positions from the perspective you have identified.

A: It is my understanding that much has changed in the past twenty years regarding Idaho Power's rates. Though I was not involved in utility matters at the time, I am aware that up until the early to mid-1990s Idaho Power often went for extended periods without general rate increase filings. Southern Idaho experienced record-setting droughts during the early to mid-1990s placing considerable financial strain on Idaho Power. Though reluctant to file general rate increases at the time, Idaho Power did file for temporary rate relief in the form of "drought surcharges." It was ultimately deemed appropriate to establish Idaho Power's first power cost adjustment (PCA) mechanism that was designed to strike a balance between providing financial stability for the Company during drought years, but also capture the benefits of high water years and also factor in other variable components of power supply costs such as the cost of coal and off-system power purchases.

Q: What other significant events took place during this time period?

A: In the years that followed, Idaho Power, along with other utilities, was ordered to increase its investment in conservation measures (DSM). As the Company's investment in DSM increased, the Company became increasingly concerned that investing in measures that reduce consumption also reduces sales revenue. This led to a somewhat protracted process culminating in the FCA pilot for which the Company seeks permanent approval in this case. The FCA provides a mechanism by which the disincentive for the Company to invest in DSM is somewhat removed.

Q: What has transpired to the present?

A: The third and final leg of this historical progression is that, based on factors too numerous to list, but including increased operating and power supply costs, increased population and investment in plant needed to supply that population, the need to upgrade deteriorating plant and relicense hydroelectric facilities, frequent general rate filings by Idaho Power and other utilities have now become commonplace. The days when a typical residential customer could read and comprehend his or her bill with relative ease, and expect that bill to remain largely unchanged for extended periods of time, are in the distant past as additional line items are added for everything from tariff riders to PCA and FCA adjustments. Furthermore, Idaho Power is often granted authority to recover a variety of other accumulated, deferred expenses from ratepayers by rolling them into the PCA. Though some of these effectively reduce customers' bills, we all know that costs in general always rise. For the typical residential customer, this practice has rendered the PCA difficult if not impossible to understand effectively negating any price signals the PCA might have sent in any given year.

Q: What is CAPAI's concern regarding the history you have outlined?

A: My comments are intended to provide the perspective of a typical low-income customer rather than constitute a critique. In fact, CAPAI supports some of what has developed over the past two decades, particularly increased investment in DSM and obviously the WAQC program. CAPAI supports the ICL's position in this case on maintaining the current DSM tariff rider funding level. CAPAI also understands that many of the factors causing costs and rates to increase are not avoidable by the Company. From CAPAI's perspective, the PCA and FCA revenue stability mechanisms present both benefits and detriments to low-income customers. They certainly provide significant benefits to Idaho Power who can better tolerate volatile market and weather conditions with the "revenue stability" effect that the mechanisms provide. These revenue stability mechanisms create a band identified by outside parameters beyond which earnings cannot fall or rise. The long-term effect of this is to reduce earnings volatility which equates to reduced risk for investors seeking long-term predictability and for utility management in making plant investment decisions.

Q: What are the detriments of revenue stability mechanisms to low-income customers?

A: On the downside, residential customers in general, and low-income customer in particular, have experienced relatively rapid rate increases over the past ten years. As power supply costs rise, the combination of revenue stability mechanisms with frequent general and single item rate increases, have created a condition in which rates are perceived by many customers to be increasing at an ever accelerating pace.

Q: What unique effect has this had on low-income customers?

A: Low-income customers, due to a lack of resources, have relatively limited ability to control their consumption and their bills and constitute the most vulnerable customer base to increasingly higher rates. For these customers, the WAQC program is currently the only viable means to reduce their electric bills.

Q: How does this factor into your concern about risk-shifting mentioned earlier?

A: While very few entities or individuals are completely escaping the current economic crisis Idaho Power, through the means already discussed, has been advantageously situated relative to other sectors of the economy. This is why I have expressed concern regarding black box settlements that do not identify or discuss the risk component of overall return.

Q: Is it your belief that a lower authorized rate of return is always in the best interests of ratepayers or that it is always best for the Commission to specify the Company's authorized rate of return in its final orders?

A: No. Though my knowledge in this area is admittedly that of a layperson, I do realize that a utility must occasionally borrow money to finance investment in its business and that the utility's credit rating affects the interest rate and other borrowing costs which are ultimately passed on to ratepayers. Because credit ratings can be influenced if a specific authorized return on equity has been adopted by the Commission and what that rate of return is, this makes an already complex balancing decision by the Commission regarding rate of return even more difficult.

Q: Are you proposing a specific rate of return in this case?

A: No. I do not purport to opine what an appropriate rate of return is for Idaho Power in this case. The purpose of my testimony is to convey the sense of frustration and even futility that low-income customers experience when they learn that a regulated utility is granted what they often perceive, correctly or incorrectly, as a "guaranteed profit," especially during times when even large corporations are declaring bankruptcy and many families are losing their jobs, homes, and livelihoods.

Q: Is it your belief that the Commission doesn't already factor these considerations into its rulings on rate of return?

A: No. In fact I want to emphasize my firm belief that the Commission takes these perceptions into consideration when it reaches its decision on rate of return and makes the best decision it can considering all circumstances. I offer this testimony mainly because of the fact that while Idaho Power has already been granted rate increases in roughly three of the past six years (the residential energy rate alone has increased 81% since 1989)[4] and has been granted authority to recover certain expenses through numerous single item filings, it has not increased its WAQC funding by a single penny since its current funding level was ordered by the Commission in the Company's 2003 general rate case.[5]

Q: Why do you believe it is necessary to seek a Commission order to obtain a WAQC funding increase for WAQC?

A: When asked through discovery to provide its rationale for not increasing WAQC funding in this case, the Company responded, in part: "the Company has not received any orders from the Commission since June 25, 2007, to alter its funding for WAQC."[6] Actually, the June 25, 2007 order that Idaho Power refers to is Order No. 30350 issued in Case No. IPC-E-07-09, did not "alter" WAQC funding, but simply ordered the Company to "continue" funding at the existing level of $1.2 million.[7] In reality, Idaho Power has not been ordered to increase WAQC funding since the 2003 rate case. Because WAQC is the only means most low-income customers have to control their consumption, the failure to offset Idaho Power's rate increases and the frequently revised revenue stability

[4] *See, Idaho Power Response No. 2 to CAPAI Discovery.*
[5] Case No. IPC-E-03-13.
[6] *See, Idaho Power Response No. 7 to CAPAI Discovery.*
[7] Order No. 30350 at p. 4.

mechanisms has created a lop-sided situation disfavoring customers and shifting the burden of increased economic risk from shareholders to them.

Q: What is your response to those who contend that simply keeping residential rates low is the best outcome of a general rate case filing?

A: CAPAI believes that low-income customers should not be put into a position where they choose between an increase in WAQC funding or a lesser rate increase. The cost to all ratepayers of the increase in WAQC funding CAPAI proposes in this case is quite modest in comparison to the benefits to low-income customers of addressing the ever-widening gap between the need for some form of assistance to reduce their bills through reduced consumption and the degree of assistance available to help them achieve that reduction. Current WAQC funding ($1.2 million) constitutes only one-third of one percent of total residential class revenues.[8]

V. REVENUE ALLOCATION

Q: What is CAPAI's position with respect to the uniform percentage revenue allocation between customer classes proposed in the settlement agreement?

A: Though I am not a rate analyst and have no expertise in evaluating a utility's cost of service, I am aware that cost of service models attempt to determine the total cost of serving each of a utility's customer classes. I am also aware that they are, by nature, subjective and often a major point of contention in general rate cases. Finally, I understand that the Commission takes cost of service studies into consideration when rendering its decisions, but has generally chosen to not bind itself to any particular study.

Q: Why do you oppose a uniform revenue allocation in this case?

A: I have reviewed Idaho Power witness Matthew Larkins' Exhibit No. 38, page 9 which is a summary of the Company's cost of service model results prepared for the test year.

[8] *See, Idaho Power Response No. 3 to CAPAI Discovery.*

That exhibit demonstrates that customers taking service under Schedule Nos. 1-5, the Residential Class, are currently paying rates that are 103% in terms of their cost of service. Idaho Power's special contract customers are paying rates between 91% and 93% of their cost of service, and the Irrigation class is paying 66% of its cost of service. This means that, accepting the cost of service study as accurate, other customer classes are paying less than their respective cost of service and are arguably being subsidized, in part, by residential customers including low-income.

Q: Does the settlement agreement address this potential subsidy?

A: No. The proposed uniform percentage allocation simply maintains any existing allocation unfairness that might exist. There is no way to speculate how the Commission would rule if this were litigated. CAPAI's concern is that this is just one more concession that has been given away through settlement that affects the residential class as a whole, and low-income customers in particular.

VI. WAQC FUNDING

Q: What is CAPAI's proposal regarding WAQC?

A: CAPAI seeks the $1.5 million increase necessary to simply bring Idaho Power into relative parity with AVISTA. Combined with the current funding of $1.2 million, this would result in total annual funding for WAQC of $2.7 million.

Q: Would you please outline your position on Idaho Power's WAQC program?

A: To fully explain CAPAI's position on WAQC, a brief history of the program is useful. The program, initially referred to as "LIWA," was implemented in 1989 pursuant to application of Idaho Power in Case No. IPC-E-89-6. Idaho Power was ordered to initially fund the program at $320,000 annually for a period of three years, and increased to $500,000 for another two years. The future of the program was left open. For reasons not entirely clear, the original "LIWA"[9] program was funded at an average annual level of $175,000 for roughly thirteen years (1989 through 2003). Based on increasing concerns by low-income customers regarding the amount of their utilities bills, CAPAI, along with AARP, intervened in Idaho Power's 2003 general rate Case No. IPC-E-03-13. Because it appeared that LIWA had never been fully funded as originally ordered, and based on the benefits the program provides to low-income customers and Idaho Power's entire system, CAPAI sought an annual funding level on a going-forward basis of $1.2 million, a proposal that was granted by the Commission.[10]

Q: Has CAPAI sought an increase in funding for WAQC since 2003?

A: CAPAI has attempted on numerous occasions by a variety of means to reach an agreement with the Company to increase WAQC funding.

Q: Why has CAPAI not sought an order from the Commission for a funding increase since Idaho Power's 2003 rate case?

A: Following the 2003 case order, CAPAI turned its limited resources toward the comparable programs of Rocky Mountain Power and AVISTA. The reason then, as it is now, was to achieve parity between the funding levels of Idaho's three largest electric public utilities.

Q: Why is parity important to CAPAI?

A: Parity is a very important principle and objective from CAPAI's view for several reasons. First, it is not fair, just or reasonable for one utility to fund at significantly different rates than others. After 2003, Idaho Power's funding level was higher than Rocky Mountain and AVISTA so CAPAI felt it not only desirable for low-income customers, but also equitable to Idaho Power to seek relatively equal funding levels from the other utilities.

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[9] There is no practical difference between the acronyms "LIWA" and "WAQC."
[10] Order No. 29505.

The principle of parity also applies to all Idaho customers of the three utilities. If there is substantial funding disparity between the three utilities, then customers of those utilities are either being treated preferentially or discriminated against. Because the costs of low-income weatherization programs are passed on to ratepayers, there exists a legitimate concern about whether rates are fair, just and reasonable, at least to the extent that they are affected by LIWA funding.

Q: What events have occurred since 2003 that have caused disparity in LIWA funding?

A: AVISTA's and Rocky Mountain's LIWA programs have been increased several times, including within the past year. AVISTA agreed to nearly double its funding from $465,000 to $700,000 through settlement approved by the Commission in Case No. AVU-E-10-01. Rocky Mountain's funding was doubled from $150,000 to $300,000 and its allocation of Company (as opposed to federal) funds used on each LIWA household from 75% to 85% by Commission Order No. 32196 in Case No. IPC-E-10-07 issued February 28 of this year.

Q: How do the current funding levels of the three utilities compare now?

A: AVISTA funding is currently the highest per capita and is more than 200% higher than Idaho Power and roughly 25% higher than Rocky Mountain Power.

Q: Please explain how you arrived at this conclusion?

A: I divided the total program funding by the number of each utility's Idaho electric residential customers. The customer numbers were obtained from each utility and is the most recent data I had at my disposal when I made these calculations. To the extent that there exists a more accurate customer count, CAPAI would obviously prefer that figure for comparison purposes. AVISTA funds at $700,000 and has 104,609 Idaho electric customers for a per capita level of $6.69/customer. Rocky Mountain Power funds at $300,000 and has 56,430 Idaho electric customers for a per capita level of $5.32. Idaho

Power funds at $1.2 million and has 391,759 Idaho electric customers for a per capita level of $3.06.

Q: Do your calculations of per capita funding and comparison between utilities include the utilities' internal administrative overhead?

A: No. The significance of this only recently came to my attention. In its Discovery Responses to CAPAI's First Discovery Requests, Idaho Power states that it is funding WAQC at <u>more</u> than the $1.2 million ordered by the Commission. For instance, Idaho Power states that "[i]n addition to the $1.2 million per year, Idaho Power funds administrative overheads."[11] The use of the word "overheads," in the plural is what caught my attention. Additionally, Idaho Power states that during the test year its WAQC expenditures total $1,321,132. Using this higher funding level, and a residential customer class population more recent and higher than that used in my calculations, the Company concludes that it is funding WAQC at $3.21 per residential customer compared to my calculation of $3.06.[12]

Q: What is your explanation of this apparent discrepancy?

A: It appears that in calculating the per capita WAQC funding level, Idaho Power is including the administrative overhead costs of <u>both</u> itself and what it pays to CAPAI to administer the program. CAPAI isn't disputing that Idaho Power has administrative overhead resulting from WAQC but has no way of verifying what that expense it. Regardless, it isn't important to CAPAI how Idaho Power's funding level is calculated solely to arrive at a comparison point between utilities. When I calculated the respective funding levels of AVISTA and Rocky Mountain, I used only the total money paid to the community action agencies that implement their LIWA programs and did not include

[11] *Idaho Power Response to Request No. 1(d) of CAPAI's First Discovery.*
[12] *See, Idaho Power Response to Request No. 5 of CAPAI's First Discovery.*

those utilities' respective overheads. Thus, to compare apples to apples, either AVISTA's and Rocky Mountain's funding levels must be increased by their respective administrative overheads, or Idaho Power's should be $1.2 million, the money it actually pays to the agencies. Furthermore, Idaho Power's more accurate residential customer population data is higher and if used for per capita calculation purposes, would yield a lower dollar amount for Idaho Power. This might also be true for AVISTA and Rocky Mountain so CAPAI proposes that population data be amended for all three utilities for arrive at a fair comparison.

Q: So would you please elaborate on CAPAI's attempts to obtain an increase to WAQC funding?

A: During the past several years when CAPAI was participating in AVISTA and Rocky Mountain general rate cases, it was in fairly frequent contact with Idaho Power senior management to discuss a WAQC funding increase. These communications seemed quite positive and, based on long-standing relationships with particular individuals and the Company in general, and the desire to resolve the issue without litigation before the Commission, CAPAI genuinely believed that it would not be necessary to incur the expense of intervening in a general rate filing for Idaho Power or to petition the Commission directly in order to achieve the desired outcome.

Q: Was there anything in particular that prevented these discussions from coming to fruition?

A: There were several things that interrupted CAPAI's attempts to obtain increased funding. First, Idaho Power had prioritized completion of its collaborative decoupling process culminating in the proposed permanent approval of the FCA in this case. Though the FCA was not a priority issue for CAPAI, we accepted the Company's representations that the FCA required its full focus and resources. In addition, there was a key personnel change involving the individual with whom CAPAI had been discussing a funding increase. Following these events, CAPAI resumed discussions with Idaho Power but the Company changed course and declined further consideration of a WAQC funding increase. Moreover, Idaho Power indicated that it had no intention to consider any increase pending the results of a cost-effectiveness study of the program scheduled for completion sometime near the end of 2012. This position, if accepted by the Commission, will mean that Idaho Power will have not increased funding for more than a decade during which its rates have climbed considerably. The present case is the first viable opportunity CAPAI has had to seek a formal ruling from the Commission to increase funding.

Q: Is it possible for CAPAI to file an application for LIWA funding increases outside the context of a pending general rate case?

A: To my knowledge, any individual or entity may file an application or petition with the Commission at its discretion but it is not always financially feasible for CAPAI to do so. A pending general rate case offers advantages for an organization with limited resources such as CAPAI. I am not an attorney and do not profess to have any legal expertise. I am, however, familiar with the basic elements of Idaho law and the Commission's procedural rules pertaining to intervenor funding. There are a number of criteria that an intervenor must satisfy in order to be entitled to a funding award. Absent the possibility of obtaining such an award, it is a financial strain for CAPAI to formally intervene in proceedings before the Commission. Furthermore, there are essentially economies of scale that exist when a general rate case is pending for a utility that constitute an economic opportunity for CAPAI to have its issues addressed. Because the Commission generally allows any and all issues to be raised during the course of a general rate case, it is procedurally less complicated and costly for CAPAI to intervene in a pending case than to initiate a new one.

Q: Has CAPAI been successful in past requests for intervenor funding?

A: Yes, and I wish to emphasize that the Commission has never denied CAPAI intervenor status in any proceeding and has been quite generous and encouraging in its rulings on CAPAI's intervenor funding requests. Still, a general rate case presents considerable opportunities that might not exist otherwise. Thus, a deferral of CAPAI's WAQC funding increase proposal in this case will result in additional costs for CAPAI if it becomes necessary to initiate a new and separate proceeding. CAPAI submits that it is in the best interests of all concerned to maximize the opportunity and convenience that the current proceeding provides to resolve this issue.

Q: Are you aware of any hesitation on the part of other parties to an increase for Idaho Power in this case?

A: Though I do not wish to speak for others, it is CAPAI's perception that Staff has certain concerns and objectives regarding the evaluation of low-income weatherization in general that might be presenting an obstacle to Staff agreeing to a WAQC funding increase in this case.

Q: What do you perceive Staff's concerns and objectives to be?

A: Staff has expressed a desire for some time now to obtain guidance from the Commission regarding how to evaluate the cost-effectiveness of all three utilities' LIWA programs, especially given the unique characteristics of LIWA including what are sometimes referred to as "non-energy benefits." These benefits include the many positive effects of LIWA programs that do not directly affect energy consumption including such things as reduced billing and collection costs, improved cash flow, reduced bad debt write-off and others. These benefits are very real and beneficial to a utility's entire customer base, but as of yet, there has not been an established methodology mandated by this Commission for their valuation and evaluation.

Q: Does CAPAI object to Staff's objective as you interpret it?

A: No. CAPAI believes that the three LIWA programs are being and have been implemented in a cost-effective manner but welcomes a formal recognition of the non-energy or "system-wide" benefits that inure from LIWA programs and will cooperate fully in any proceeding or investigation initiated for that purpose.

Q: Are there other objectives that you perceive Staff has?

A: There might be many and I do not purport to necessarily know or understand them fully yet. I am of the perception that Staff also seeks a sort of parity or uniformity in the cost-effectiveness evaluation methodologies used for the three utilities' programs. Again, CAPAI has no objection to this objective though the unique characteristics of the three programs might require some accommodation.

Q: What concerns do you perceive that Staff has about the LIWA programs?

A: I am of the belief that Staff wishes to know whether the programs are, in fact, cost-effective under whatever methodology the Commission ultimately approves. It is quite understandable that Staff would want this information and CAPAI certainly has no objection. I suspect that Staff likely has had this wish for some time but there has been an intervening event that seems to have possibly turned that wish into a concern.

Q: Please identify that intervening event?

A: It is the filing by Rocky Mountain Power of an application (Case No. PAC-E-11-13) for authorization to cease further evaluations of the cost-effectiveness of its LIWA program. The Company bases its application on a study by a third-party contractor filed with the Company's application which purports to show that Rocky Mountain's LIWA program is not cost-effective when evaluated under traditional standards. Rocky Mountain contends that the cost of evaluations, which are an added cost of the program, merely exacerbate what it contends is a program that is not cost-effective. Rocky Mountain acknowledges the importance of its LIWA program and requests that the Commission acknowledge the program as an acceptable part of the Company's DSM program portfolio.

Q: What is CAPAI's position in response to Rocky Mountain's filing?

A: CAPAI agrees that Rocky Mountain's program is beneficial and has intervened in that proceeding. CAPAI strenuously disputes, however, not only the results of the study supporting the application, but the study itself which, CAPAI believes, is seriously flawed and understates the total value of Rocky Mountain's LIWA program. I appreciate that this is not the appropriate forum in which to address and debate the issues presented by Rocky Mountain's filing, but to the extent that the filing has caused any reticence on the part of Staff or any other party to defer ruling on whether to increase funding to Idaho Power's WAQC program, then it becomes an issue in this case. It is CAPAI's position that Rocky Mountain's application should have absolutely no bearing on CAPAI's proposal to increase WAQC funding now.

Q: On what do you base this position?

A: First, though all three LIWA programs share common objectives and must adhere to identical implementation standards dictated by the U.S. Department of Energy, a cost-effectiveness evaluation by one utility of one program should not be deemed to have any bearing on what results would occur if the other programs were similarly evaluated. This is true if for no other reason than the "human element" that is at play whenever weatherization measures are installed under a LIWA program and how the resulting energy savings are estimated, audited, and measured. Thus, though similar in many respects, the LIWA programs might yield significantly different results from a cost-effectiveness standpoint.

Q: Are there negative consequences of deferring a ruling on whether to increase WAQC funding in this case?

A: Yes, and many have already been stated. The program funding levels are substantially disproportionate, resulting in disparity and unfairness for utilities and ratepayers. Second, there are economic consequences to losing the opportunity to present the issue to the Commission in a pending general rate case. Third, unlike AVISTA and Rocky Mountain, Idaho Power has gone nearly a decade without a funding increase while its customers continue to be hit with increasing bills through rate filings or revenue stability mechanisms without any meaningful ability to alter their consumption to offset the effect of these bill increases.

Q: What data do you have regarding the existing backlog of Idaho Power customers eligible for WAQC in light of increased poverty?

A: I will have updated data near year's end. Based on the most recent data I have for Ada County alone there are 6000 homes that are eligible for WAQC funding. Based on current levels of funding, this equate to an average 20 year waiting list for these applicants. Obviously, this is so long that people on the waiting list might never receive weatherization and the backlog continues to grow.

Q: Do you have additional information relevant to the increasing backlog you describe?

A: There is a particularly frustrating aspect of attempting to estimate the real need for increased WAQC resources. For example, customers who apply for LIHEAP must qualify by having incomes below 60% of the state median income. WAQC allows participants whose incomes are up to 200% of the Federal Poverty Level. Because LIHEAP recipients often apply for WAQC assistance as well, and because of the limited funding of WAQC, those funds are often exhausted long before all WAQC-eligible customers are served. Thus, while establishing WAQC eligibility at 200% FPL is a good thing, the reality is that the program comes nowhere close to having sufficient funding to serve all customers who qualify.

Q: Are there other practical reasons to not defer increasing WAQC funding now?

A: Yes. CAPAI simply does not understand how the Commission's ruling in the Rocky Mountain 11-13 filing will determine whether WAQC is cost-effective. Even if the Commission determines that Rocky Mountain's LIWA program is not cost-effective, this will not mean that any other utility's program is not. If the Commission determines that Rocky Mountain's program is cost-effective, an opportunity to resolve the disparity with WAQC in this case will have been lost. Regardless of whether the Commission determines Rocky Mountain's LIWA program to be cost-effective, even if the Commission adopts an evaluation methodology in that case, neither Idaho Power nor AVISTA are parties to that case and could legitimately complain if a Commission ruling in that proceeding were applied to their own programs. Therefore, allowing the Rocky Mountain filing to serve as an impediment to resolving the WAQC funding disparity in this case creates a procedural conundrum.

Q: Has Idaho Power indicated its opinion of whether WAQC is a prudent, cost-effective program?

A: Yes. In its Response to CAPAI's First Discovery Requests, Idaho Power confirmed that WAQC is both prudent and cost-effective and has been evaluated for cost-effectiveness.[13]

Q: Do you have a proposal that addresses both CAPAI's position and what it believes to be that of Staff and all three utilities?

A: Yes. I propose that the Commission bring Idaho Power into parity with AVISTA with an increase to WAQC of $1.5 million (or whatever amount is ultimately deemed necessary to achieve parity using updated population figures), that the Commission then determine

[13] *See, Responses Nos. 8-14, 16 of Idaho Power's Response to CAPAI Discovery.*

whether the Rocky Mountain filing will provide what is desired by the parties as it is currently framed, or whether a generic proceeding should be structured so that there is no collateral objections to any attempt to apply the Commission's ruling on other utilities. Meanwhile, CAPAI represents that it has retained an expert to assist it in analyzing the Rocky Mountain evaluation study and will likely propose changes or an entirely different evaluation methodology. Either way, CAPAI will participate fully in whatever proceeding ultimately results from the current procedural spate of cases and in the event that at the end of the process it is determined that changes should be made to improve the efficacy of the LIWA programs, the community action agencies that implement them will certainly comply with applicable Commission directives. This should give Staff the direction it seeks while shoring up the disparity in LIWA funding for Idaho Power by bringing it in line with AVISTA. Simultaneously, Rocky Mountain Power's concerns regarding the cost of further LIWA evaluations will be fully addressed.

VII. CONCLUSION

Q: How would you summarize your testimony in conclusion?

A: I greatly appreciate the opportunity to present a low-income customer's perspective on the many issues and challenges facing that customer today. I also appreciate the Commission's consideration of this perspective. My testimony is obviously not that of an expert in the technical aspects of a general ratemaking such as determining revenue requirement and allocation. The purpose of my testimony is to explain why the type of settlement currently before the Commission is quite unbalanced from the point of view of a low-income Idaho Power customer who struggles with the fact that his or her bill seems to constantly increase. The frustration that accompanies this is elevated by that same customer's inability to do anything to modify his or her consumption. A settlement that does nothing but exacerbate the many inequities I suggest exist by failing to simply increase funding of the only resource available to low-income customers is neither fair, just nor reasonable.

Q. Does this conclude your testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that on the 7th day of September, 2011 I served a copy of the foregoing document on the following by electronic mail.

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