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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION	)	CASE NO. AVU-E-13-
OF AVISTA CORPORATION FOR A	)	CASE NO. AVU-G-13-
FINDING OF PRUDENCE FOR 2010-2012	)	
EXPENDITURES ASSOCIATED WITH	)	
PROVIDING ELECTRIC AND NATURAL GAS	)	DIRECT TESTIMONY
ENERGY EFFICIENCY SERVICE IN THE	)	OF
STATE OF IDAHO	)	LORI B. HERMANSON
	)	

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

1 I. INTRODUCTION

2 Q. Please state your name, employer and business  
3 address.

4 A. My name is Lori Hermanson. I am employed by  
5 Avista as a Senior Resource Analyst. My business address  
6 is 1411 East Mission Avenue, Spokane, Washington.

7 Q. Would you please describe your education and  
8 business experience?

9 A. I graduated from Walla Walla University in 1994  
10 with Bachelor of Science in Business Administration with a  
11 concentration in Accounting. I received a Masters in  
12 Business Administration from Eastern Washington University  
13 in 1999.

14 I joined the Company in 1997 in the Budget,  
15 Forecasting and Analysis Department. My duties included  
16 work associated with corporate Operations and Maintenance  
17 as well as Capital budgets. In 2000, I transferred to the  
18 Energy Delivery Accounting department where my  
19 responsibilities included financial and accounting  
20 supervision for Demand-Side Management (DSM) among other  
21 operational areas of the company. I oversaw the Company's

1 miscellaneous billing and damage claims uncollectibles,  
2 plant amortization and corporate revenue. I joined the  
3 DSM team in June 2004 to assist in cost-effectiveness and  
4 related analyses and reporting. I am now managing  
5 external evaluation, measurement and verification (EM&V)  
6 activities to include process, impact and market studies  
7 including, but not limited to, conservation potential  
8 assessment studies. I was employed by the Joint Center  
9 for Higher Education beginning in 1995 until joining the  
10 Company in 1997.

11 **Q. What is the scope of your testimony in this**  
12 **proceeding?**

13 **A.** I will report on program cost-effectiveness for  
14 2010-2012 as well as the retention and management of  
15 external Evaluation, Measurement and Verification (EM&V)  
16 activities and resulting reports. The evaluated savings  
17 (claimed savings adjusted by the realization rate) are  
18 used in the attached exhibit and analyses. The process  
19 reports are an annual evaluation of the current operations  
20 of DSM programs.

1           Q.    Are you sponsoring any exhibits to be introduced  
2 in this proceeding?

3           A.    Yes.  I am sponsoring Exhibit No. 3, Schedule 1  
4 which summarizes Idaho DSM energy savings and levelized  
5 costs.  Schedule 2 pages 1 and 2 are a summary of Idaho-  
6 specific cost-effectiveness by regular and low-income  
7 programs for 2010-2012.  Additional EM&V reports are  
8 included as Exhibit No. 3, Schedules 3, and 4.  These are:  
9 1) Avista 2012 Idaho Electric Impact Evaluation (August  
10 30, 2013 prepared by Cadmus) and 2) Avista 2012 Idaho Gas  
11 Portfolio Impact Evaluation (July 30, 2013 prepared by  
12 Cadmus).  The 2010-2012 DSM Annual Reports have previously  
13 been filed with the Commission as well as impact and  
14 process reports on previous program years.  External EM&V  
15 reports on the Company's DSM activities completed each  
16 calendar year were included in the appendix of each DSM  
17 Annual Report.

18   II. COST-EFFECTIVENESS

19           Q.    Would you please summarize the Company's Idaho  
20 energy efficiency expenditures for 2010-2012?

1           A.     Yes.     During 2010-2012, the Company incurred  
 2 over \$20.0 million in electric expenditures and nearly  
 3 \$5.4 million in natural gas expenditures, for a total of  
 4 over \$25.3 million supporting energy efficiency. Of this  
 5 amount, more than \$1.7 million was contributed to the  
 6 Northwest Energy Efficiency Alliance (NEEA) in support of  
 7 its market transformation ventures. Approximately, 63% of  
 8 electric expenditures and 68% of natural gas expenditures  
 9 were returned to ratepayers in the form of incentives.  
 10 Over \$1 million, or 4 percent of Idaho energy efficiency  
 11 expenditures, was spent on evaluation of our energy  
 12 efficiency programs during these years in an effort to  
 13 continually improve on the design and implementation of  
 14 our program offerings.

15                           Table No. 1 - Summary of Idaho DSM Expenditures  
 16   (2010-2012)  
 17

	Total Expenditures	NEEA	Local Expenditures	EM&V	EM&V as Percent of Total
Electric Programs	\$20,010,255	\$1,771,634	\$18,238,621	\$730,090	3.90%
Natural Gas Programs	\$5,370,602	n/a	\$5,370,602	\$314,514	5.90%
Total	\$25,380,857	\$1,771,634	\$23,609,223	\$1,044,604	4.10%

1           Q.    Would you please summarize the Company's energy  
2 efficiency-related savings for 2010-2012?

3           A.    Yes.  As shown in Exhibit No. 3, Schedule 1,  
4 Lines 13 and 14, from January 1, 2010 through December 31,  
5 2012, over 109,100 first-year MWhs and 950,822 first-year  
6 therms of energy savings were acquired from Idaho DSM  
7 projects.  This includes the Company's Idaho portion of  
8 NEEA savings for 2010-2012 of 12,614 MWh.  All local  
9 acquisition amounts included in the exhibits are evaluated  
10 (verified) gross savings estimates.  Gross savings are the  
11 reduction in energy consumption resulting from energy  
12 efficiency programs, updates in codes and standards, and  
13 naturally-occurring adoption.

14           On a net basis, electric programs achieved 81,610 MWh  
15 and natural gas programs achieved 632,380 therms in first-  
16 year savings for this time period.  Net savings are  
17 reductions in energy consumption that is attributable to  
18 an energy efficiency program, net of customers who would  
19 have participated in the energy efficiency upgrades  
20 without the presence of the utility's programs.

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Table No. 2 - First Year Energy Savings (2010-2012)

	Evaluated (Gross)	Evaluated (Net)
Electric Programs	109,100 MWh*	81,610 MWh
Natural Gas Programs	950,822 Therms	632,380 Therms

\* Includes 12,614 MWh from NEEA

Pages 1 and 2 of Exhibit No. 3, Schedule 2 details the energy savings by regular and low-income portfolios for both Idaho electric and natural gas DSM programs based on verified savings.

**Q. Were the Company's DSM programs cost-effective?**

A. Yes. Idaho electric programs have been cost-effective from both Total Resource Cost (TRC) test and Program Administrator Cost (PAC) test perspectives. Page 1 of Exhibit No. 3, Schedule 2, Line 15 shows that the 2010-2012 TRC benefit-to-cost ratio of 1.91 for the Idaho electric DSM portfolio is cost-effective, with a residual TRC benefit to customers of \$29.9 million (Line 14). The 2010-2012 PAC, also known as the Utility Cost Test (UCT), benefit-to-cost ratio of 3.35 (Line 28) is also cost-effective, with a residual PAC benefit of nearly \$42.4 (Line 27) million. The levelized TRC and PAC costs are

1 \$36.55 and \$19.97 per MWh, respectively, as shown on Page  
2 1 of Exhibit 3, Schedule 1, Line 28 and 34. The overall  
3 portfolio of measures has a weighted average measure life  
4 of approximately 13 years for 2010-2012.

5 Page 2 of Exhibit No. 3, Schedule 2 illustrates Idaho  
6 natural gas DSM program portfolio cost-effectiveness under  
7 both the TRC and PAC tests. The Company's 2010-2012 TRC  
8 benefit-cost ratio was 1.59 (line 16). The 2010-2012 PAC  
9 benefit cost ratio is 3.33 (line 29). Therefore, the Idaho  
10 natural gas DSM portfolio passes the TRC and PAC tests for  
11 2010-2012. The levelized TRC and PAC costs are \$1.13 and  
12 52.8 cents per therm, respectively, as shown on Page 1 of  
13 Exhibit No. 3, Schedule 1. The overall portfolio of  
14 measures has a weighted average measure life of  
15 approximately 21 years for 2010-2012.

16 For cost-effectiveness, the Company includes only  
17 those non-energy benefits that are documented and  
18 quantifiable and is, therefore, a conservative estimate.  
19 There are a number of legitimate non-energy TRC benefits  
20 that the Company was unable to quantify with sufficient  
21 rigor in order to include within the cost-effectiveness



1 analysis such as changes in comfort, productivity or  
2 health.

3 Electric and natural gas cost-effectiveness results  
4 are based on evaluated savings acquisition for 2010-2012.

5 **Q. Please summarize the Company's conclusions on**  
6 **cost-effectiveness.**

7 A. The Company's expenditure of tariff rider  
8 revenue has been reasonable and prudent. The Idaho  
9 portfolio of programs covering all customer classes has  
10 been offered with a total savings of over 109,100 MWh and  
11 950,822 therms during 2010-2012. This was achieved at a  
12 levelized TRC cost of \$6.55 per MWh and \$1.13 per therm.

13 The Tariff Rider and energy efficiency programs have  
14 been successful. Participating customers have benefited  
15 through lower energy bills. Non-participating customers  
16 have benefited from the Company having acquired lower cost  
17 resources in the form of DSM, as well as maintaining the  
18 energy efficiency message and infrastructure for the  
19 benefit of our service territory.

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III. EVALUATION, MEASUREMENT & VERIFICATION

Q. What evaluation of the Company's DSM programs have occurred?

A. As noted by Company witness Folsom, Cadmus performed independent (or "third-party") impact and process evaluation on Avista's DSM programs for the 2010-2012 time period covered by the Company's request in this case.<sup>1</sup> Impact evaluation is intended to verify, and adjust as necessary, "claimed" savings. Process evaluation reviews "procedures" for continual improvement.

Q. What is the purpose of "Impact and Process" evaluations?

A. Impact evaluation is intended to independently verify "claimed" savings. This results in a realization rate which is applied to the claimed savings resulting in an adjusted estimate of savings or evaluated savings. Process evaluation reviews procedures and implementation of programs for continual improvement.

Q. Please describe the evaluation activities that Cadmus was hired to conduct.

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<sup>1</sup> Cadmus was retained, after a competitive Request-for-Proposal process, to perform impact and process evaluations.

1           A.    Cadmus    was    originally    hired    to    conduct  
2   independent process and impact evaluations on the calendar  
3   years 2010 and 2011 electric and natural gas DSM  
4   portfolio, to evaluate the deemed savings and underlying  
5   assumptions of the Company's TRM, and to provide a high-  
6   level assessment of the Company's EM&V resources. It was  
7   also to provide a gap analysis of potential areas that may  
8   need strengthening through increased evaluation in future  
9   years. Since then, Cadmus has been retained for another  
10  two years to conduct impact and process evaluations, as  
11  well as some market analysis for the 2012 and 2013  
12  electric and natural gas DSM portfolio. The Company chose  
13  to extend this contact as a cost-savings measure to  
14  leverage evaluation work already completed while providing  
15  a deeper evaluation for the 2012 and 2013 program years.  
16  The Company plans to issue an RFP for independent  
17  evaluation services for 2014 and 2015 later this year.

18           Cadmus' evaluation efforts included billing analysis  
19  as appropriate and actual field measurement as necessary  
20  and feasible. In addition, the team provided process  
21  evaluation on the portfolio and market evaluation of some

1 key programs, surveying of participants and non-  
2 participants as well as updates on net-to-gross in areas  
3 where anomalies existed in past studies.

4 Q. Does that complete your pre-filed direct  
5 testimony?

6 A. Yes, it does.