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IDAHO PUBLIC UTILITIES COMMISSION

LISA D. NORDSTROM
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January 25, 2010

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-09-09
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR A PRUDENCY DETERMINATION OF ENERGY EFFICIENCY RIDER
FUNDS SPENT IN 2002-2007*

Dear Ms. Jewell:

Enclosed please find for filing an original and seven (7) copies each of Idaho Power's Motion to Approve Stipulation and Stipulation in the above matter.

In addition, enclosed are an original and eight (8) copies of the testimony of John R. Gale that is being submitted in support of Idaho Power's enclosed filing. One copy of the testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of the aforementioned testimony has been provided for the Reporter and has been marked accordingly.

Very truly yours,

Lisa D. Nordstrom

LDN:csb
Enclosures

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Attorneys for Idaho Power Company

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1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. IPC-E-09-09
OF IDAHO POWER COMPANY FOR)
A PRUDENCY DETERMINATION OF) IDAHO POWER COMPANY'S MOTION
ENERGY EFFICIENCY RIDER FUNDS) TO APPROVE STIPULATION
SPENT IN 2002-2007.)
_____)

COMES NOW, Idaho Power Company ("Idaho Power" or the "Company") and hereby moves the Idaho Public Utility Commission ("Commission") pursuant to RP 56 and 256 to: (1) approve the enclosed Stipulation; (2) confirm that the \$14,657,971 in Energy Efficiency Rider expenditures that Idaho Power made on behalf of customers between 2002 and 2007 were prudent and approved for ratemaking purposes; and (3) provide feedback regarding the DSM evaluations and prudency determinations discussed in the Memorandum of Understanding for Prudency Determination of DSM Expenditures ("DSM MOU") attached as Attachment No. 1 to the Stipulation. This Motion is based on the following:

1. On February 18, 2009, Idaho Power and the Commission Staff filed a Stipulation in Case No. IPC-E-08-10 regarding the prudence of a portion of the \$28,961,716 in Energy Efficiency Rider ("Rider") funds Idaho Power spent during 2002 through 2007. Per the terms of that Stipulation, Idaho Power subsequently filed an Application on April 1, 2009, requesting that the Commission find the \$14,657,971 unresolved balance of Rider funds spent during 2002-2007 to be prudent expenditures.

2. The Commission Staff maintains that to receive the requested expense recovery, Idaho Power must demonstrate appropriate levels of objective and transparent evaluation of their Demand-Side Management ("DSM") efforts through annual documentation. To that end, the Commission Staff hosted a DSM Evaluation Workshop on October 5, 2009, where process and impact evaluation and cost-effectiveness reporting were discussed. As a result of the workshop and several follow-up discussions, Idaho Power and Staff have reached a settlement agreement. A copy of the settlement stipulation ("Stipulation") has been filed contemporaneously with this Motion.

I. TERMS OF THE STIPULATION

3. Idaho Power and Staff have agreed upon the contents of a more comprehensive utility annual DSM report that would demonstrate a commitment to, and accomplishment of, objective and transparent evaluation of DSM efforts. Those agreed-upon principles ("guidelines") are set forth in the DSM MOU attached as Attachment No. 1 to the Stipulation.

4. Because the DSM MOU guidelines address Staff's DSM documentation and evaluation concerns going forward, and based on its review of the Company's

DSM-related expenditures, the Commission Staff agrees that the \$14,657,971 unresolved balance of Rider funds spent during 2002-2007 are prudent expenditures and should be approved for ratemaking purposes.

5. The Parties agree that the Stipulation represents a fair, just, and reasonable compromise of contested issues and that acceptance of the Stipulation by the Commission would be in the public interest. Therefore, the Parties recommend that the Commission approve the Stipulation and all of its terms and conditions without material change or condition.

II. FEEDBACK ON DSM EVALUATION AND PRUDENCY

6. Much like an Integrated Resource Plan, the DSM MOU underlying the agreement reached in the Stipulation reflects how Idaho Power intends to manage, plan, evaluate, and report its DSM activities to the Commission. Like the Integrated Resource Plan, the acquisition of DSM resources is not cast in stone but will respond to changing conditions. Because DSM expenditures have become such a large component of utility operations, Commission feedback on and acceptance of the guidelines set out in the DSM MOU is very important. Idaho Power needs this approval to be confident that it knows what is expected. Although the DSM MOU recognizes that the Commission is not bound by its terms, Idaho Power respectfully requests that the Commission issue an Order that explicitly accepts the DSM MOU's stated guidelines governing the evaluation and prudence of DSM expenditures.

a. Evaluation. The DSM MOU sets forth the expected format and contents of Idaho Power's annual DSM reports, including evaluations of specific

programs. Under the DSM MOU guidelines, each program-specific section will contain the following:

i. A Process Evaluation description that includes program implementation modifications, formal process evaluations, total process evaluation cost information, and completed or planned process changes.

ii. An Impact and Cost-effectiveness Evaluation description containing primary assumptions and source used in both the initial and post-implementation determination of cost-effectiveness. Idaho Power will also explain any changes from initial determination (or last evaluation) used for current cost-effectiveness evaluation, the planned cycle for reassessment of cost-effectiveness assumption, impact evaluations, total impact evaluation cost, and changes in program due to evaluation results.

iii. Market Effects Evaluations that have been planned or completed by or for Idaho Power, including those planned or completed by the Northwest Energy Efficiency Alliance that are pertinent to any programs for which Idaho Power is claiming electricity savings or other impacts.

Idaho Power and the Commission Staff are cognizant that DSM programs should be evaluated to ensure their effectiveness, but also that the Company should not spend so much money on evaluations that it impairs program cost-effectiveness. If the Commission prefers a different level of evaluation than those identified in the DSM MOU, it would be of tremendous value to Idaho Power to know that preference before conducting future DSM evaluations.

b. Prudency. Idaho Power invests millions of dollars annually in DSM programs and education on behalf of its customers, and spent more than \$31 million on DSM programs in 2009 alone. Idaho Power does not make any profit on DSM expenditures. Consequently, the Company seeks reassurance that it will receive dollar-for-dollar recovery of these investments if there is no evidence of imprudent utility actions or expenses.

7. Because planning, implementing, and evaluating DSM programs is not a precise science, the DSM MOU encourages Idaho Power to continually review its DSM programs and make appropriate program improvements. Idaho Power and the Commission Staff agree that Staff's review of utility DSM expenses for prudency shall take into consideration the Company's compliance with the planning, evaluation, and reporting guidelines listed in the DSM MOU. A showing by Idaho Power that it made a good faith effort to reasonably perform within these guidelines will constitute *prima facie* evidence that Idaho Power's DSM expenses were prudently incurred for cost recovery purposes. If Idaho Power performs within the guidelines of the DSM MOU, and assuming there is no evidence of imprudent actions or expenses, Idaho Power needs to know that it can reasonably expect that, in the ordinary course of business, Staff will support full cost recovery of its DSM program expenses. If the Commission envisions a different standard to evaluate the prudency of DSM program expenditures, Idaho Power would greatly appreciate guidance making clear what actions it must take to ensure dollar-for-dollar recovery of DSM expenditures.

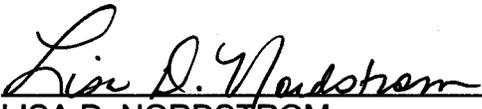
8. Recognizing that the Company's 2008 DSM report has already been filed, Staff agrees that the Idaho Power need not amend those reports but instead will

combine evaluation reporting for 2008 with 2009 in their 2009 report to be filed in 2010. Because it is not possible to comply exactly with the requirements retroactively, the Company agrees to include as many components as possible in the 2010 Annual DSM Report. Staff agrees to provide reasonable and necessary leeway for the implementation of the guidelines described in the DSM MOU for the 2010 DSM reports.

III. CONCLUSION

For these reasons, Idaho Power requests that the Commission issue an order to: (1) approve the enclosed Stipulation; (2) confirm that \$14,657,971 in Energy Efficiency Rider expenditures that Idaho Power made on behalf of customers between 2002 and 2007 were prudent and approved for ratemaking purposes; and (3) provide feedback regarding the program evaluations and prudency determinations discussed in the DSM MOU attached as Attachment No. 1 to the Stipulation.

Respectfully submitted this 25th day of January 2010.



LISA D. NORDSTROM
Attorney for Idaho Power Company

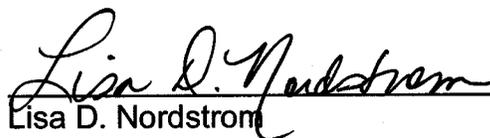
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on or about this 25th day of January 2010 I served a true and correct copy of the within and foregoing IDAHO POWER COMPANY'S MOTION TO APPROVE STIPULATION upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

Weldon B. Stutzman
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington
P.O. Box 83720
Boise, Idaho 83720-0074

Hand Delivered
 U.S. Mail
 Overnight Mail
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 Email Weldon.stutzman@puc.idaho.gov



Lisa D. Nordstrom