LISA D. NORDSTROM (ISB No. 5733)
BARTON L. KLINE (ISB No. 1526)
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
Telephone: (208) 388-5825
Facsimile: (208) 388-6936
lnordstrom@idahopower.com
bkline@idahopower.com

Attorneys for Idaho Power Company

Street Address for Express Mail:
1221 West Idaho Street
Boise, Idaho 83702

WELDON STUTZMAN (ISB No. 3283)
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington (83702)
PO Box 83720
Boise, Idaho 83720-0074
weldon.stutzman@puc.idaho.gov

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

This stipulation ("Stipulation") is entered into by and among Idaho Power Company ("Idaho Power" or the "Company") and the Staff of the Idaho Public Utilities Commission ("Staff"). These entities are collectively referred to as the "Parties," and individually as "Party."

I. INTRODUCTION

1. The Parties agree that this Stipulation represents a fair, just, and reasonable compromise of contested issues and that acceptance of the Stipulation by the Idaho Public Utilities Commission ("IPUC" or 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. BACKGROUND

2. On February 18, 2009, Idaho Power and the Commission Staff filed a Stipulation in Case No. IPC-E-08-10 regarding the prudency 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.

3. 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, the Parties have reached the following settlement agreement:

III. TERMS OF THE STIPULATION

4. The Parties 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") as set forth in the Memorandum of Understanding for Prudency Determination of DSM Expenditures ("DSM MOU") are attached as Attachment No. 1 to this Stipulation.

5. Based on its review of the Company's DSM-related expenditures, the Commission Staff agrees that the $14,657,971 remaining balance of Rider funds spent during 2002-2007 were prudent expenditures and should be approved for ratemaking purposes.

IV. ADDITIONAL PROVISIONS

6. The Parties agree that this Stipulation represents a compromise of the positions of the Parties. Therefore, other than any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding.

7. The Parties submit this Stipulation to the Commission and recommend approval in its entirety. Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses, and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

8. If the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the

right, upon written notice to the Commission and the other Parties to this proceeding, within fourteen (14) days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's Order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate.

9. No Party shall be bound, benefited, or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity nor invalidity of any particular method, theory, or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory, or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

10. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal by a court of competent jurisdiction.

11. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 22nd day of January 2010.

Idaho Power Company

By Lisa D. Nordstrom
Lisa D. Nordstrom
Attorney for Idaho Power Company

Idaho Public Utilities Commission Staff

By ______________________
Weldon Stutzman
Attorney for Idaho Public Utility Commission Staff

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-09-09

IDAHO POWER COMPANY

ATTACHMENT NO. 1

MEMORANDUM OF UNDERSTANDING
FOR PRUDENCY DETERMINATION OF DSM EXPENDITURES

This Memorandum of Understanding ("MOU") is entered into on this 21st day of December 2009 between Idaho Power Company ("Idaho Power"), Avista Utilities, PacifiCorp (d/b/a Rocky Mountain Power) (collectively "the Utilities" and individually as "the utility"), and the Staff of the Idaho Public Utilities Commission ("Staff"). All of the above-named entities are hereinafter sometimes referred to collectively as "Parties" or individually as "Party."

WITNESSETH:

A. The Parties agree that there exists a need for the Utilities and Staff to develop a common understanding of the basis upon which prudency of demand-side management ("DSM") expenditures can be determined for purposes of cost recovery.

B. The Parties attended a workshop on October 5, 2009, to discuss 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. The agreed-upon principles ("guidelines") stemming from that workshop are set out below.

C. A copy of Staff's expectations for DSM prudency review is included as Attachment No. 1. Although Utilities will make a good faith effort to address Staff's expectations in following these guidelines, Staff expectations are informational and the Utilities will not be bound by them in the context of this Memorandum of Understanding.

D. The Parties recognize that implementation of the DSM prudency guidelines and evaluation framework described below will not automatically result in

DSM prudency findings. Instead, even with their implementation, future DSM prudency findings will require the preparation of a formal filing with the Commission.

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

Utility DSM Annual Report Requirements

1. Template. Idaho Power's *2008 Demand-Side Management Annual Report* will be used as a starting point template for enhanced reports beginning with reports for 2009 DSM operations and results. Elements like those found in Idaho Power's 2008 report will be included in each Utility's annual report for Idaho programs that reporting year, clearly identifying Idaho-specific data and narratives. The DSM annual reports may be filed as stand-alone documents or as a combination of documents (e.g., combined with a DSM business plan) that together fulfill the agreements in this MOU.

2. Table of Contents. Each annual DSM report will contain a table of contents that references all items specified below, including the appendix where the Cost-Effectiveness and Evaluation Table can be found.

3. Highlights or Introduction Section. Each annual DSM Report will include an initial overview of:

a. Process evaluations begun or completed during the previous year, modifications to DSM processes that resulted from those evaluations, and planned process evaluations and modifications for the coming year.

b. Impact evaluations begun or completed during the previous year, modifications to DSM programs that resulted from those evaluations, and planned impact evaluations for the coming year. This section will also highlight updates of assumptions or reference reports used in assessing cost-effectiveness during the past year and those expected to be reviewed in the coming year.

4. Cost-Effectiveness Section. Each DSM annual report will include a Cost-Effectiveness section and table listing individual programs/measures and the basis for estimates of their cost-effectiveness, i.e., formulas, data inputs and assumptions, and source/rationale for each datum and assumption, including the date of the source.

5. Evaluation Section. Each DSM annual report will include an Evaluation section and table showing the schedule for evaluations, including impact assessment, assumptions, source review, the schedule for field impact measurement, and completion date. If this schedule is not included, a reasonable explanation for why such a schedule, in whole or in part, is not necessary will be included.

a. It is anticipated that over a reasonable frequency cycle (e.g., 2 to 3 years), all substantial programs will have undergone process and impact evaluations. However, Staff agrees that the initial evaluation cycles may be longer for 2008 and 2009 programs until these guidelines are fully implemented.

b. A copy of each DSM evaluation completed since filing the previous DSM annual report will be included as an appendix to the annual DSM report, as well as any confidential cost information that are not included. The utility will supplement its DSM report with any confidential cost information once the Staff has signed a protective agreement with the utility.

6. Program Specific Section. Program-specific sections of the annual DSM Report will be reported by sector or by customer class, with a description of each

individual program offered in the sector or customer class, and will include a list of measures within each program.

a. Process Evaluation. Each program-specific section will have a process evaluation description that includes:

i. Program implementation modifications undertaken during the course of the year and the rationale behind the change(s).

ii. Other process issues identified during the course of the year.

iii. Any formal process evaluation undertaken during the year.

iv. Total process evaluation cost, inclusive of both utility-provided and contract-provided services, and names of primary outside evaluators conducting process evaluations and titles of internal evaluators. The DSM Report will indicate which cost information is considered confidential; each utility will supplement its DSM report with any program evaluations containing confidential proprietary information once the Staff has signed a protective agreement with the utility.

v. Process changes completed or planned during the upcoming year, if any.

b. Impact and Cost-effectiveness Evaluation. Each program-specific section will include an impact and cost-effectiveness evaluation description including:

i. Primary assumptions and source (with year source was produced) used in the initial determination of cost-effectiveness.

ii. Primary assumptions and source (with year source was produced) used to determine post implementation impact and cost-effectiveness.

iii. Any changes from initial determination (or last evaluation) used for current cost-effectiveness evaluation and the reason for the change (such as updated assumptions, sources or field measurement).

iv. Planned cycle for reassessment of cost-effectiveness assumptions or measurement.

v. Total impact evaluation cost, inclusive of both utility-provided and contract-provided services, and names of primary outside evaluators and titles of inside evaluators. The DSM Report will indicate which cost information is considered confidential; each utility will supplement its DSM report with any program evaluations containing confidential proprietary information once the Staff has signed a protective agreement with the utility.

vi. Changes in program due to evaluation results.

c. Market Effects Evaluations. Each program-specific section will describe any market effects evaluations that have been planned or completed by or for the utility, including those planned or completed by the Northwest Energy Efficiency Alliance that are pertinent to any programs for which the utility is claiming electricity savings or other impacts.

7. Expenses Without Direct Energy Savings. As discussed in the October 5 workshop, the Utilities have expenses associated with DSM-related activities for which they do not claim energy savings. Expenses associated with non-quantifiable energy saving programs and initiatives, including but not limited to, infrastructure, education, outreach, and research, will be identified in the DSM annual reports and may be considered reasonable and necessary expenses for a broad based DSM portfolio.

Reasonable evaluations of such programs and efforts, commensurate with their costs, will be accomplished and reported. The Utilities will include these expenses in the calculations which determine a cost-effective DSM portfolio.

Prudency Determination

8. A utility may request a DSM prudency review at any time.

9. The Parties recognize that planning, implementing, and evaluating DSM programs are not a precise science; they require the application of judgment and experience. Utilities are encouraged to continually review these programs and make appropriate program improvements.

10. Within that context, review of utility demand-side management expenses for prudency shall take into consideration utility compliance with the planning, evaluation, and reporting guidelines listed above. A showing by the utility that it made a good faith effort to reasonably perform within these guidelines will constitute *prima facie* evidence that the utility's DSM expenses were prudently incurred for cost recovery purposes. By its performing within these guidelines, assuming there is no evidence of imprudent actions or expenses, the utility can reasonably expect that in the ordinary course of business Staff will support full cost recovery of its DSM program expenses.

Treatment of 2008 and 2009 Expenditures

11. Recognizing that their 2008 DSM reports have already been filed, the Utilities need not amend those reports, but instead will combine evaluation reporting for 2008 with 2009 in their 2009 reports to be filed in 2010. Because it is not possible to comply exactly with the requirements listed above for the historical expenses of 2008 and 2009, Parties agree 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 this MOU for the 2010 DSM reports.

12. Staff agrees that Avista Utilities may re-file its 2008 DSM prudency requests that were deferred in AVU-E-09-01 and AVU-G-09-01 as full-year prudency requests that will not be opposed by Staff.

Commission Not Bound by This Memorandum of Understanding

13. The parties to this Memorandum of Understanding acknowledge that the Commission Staff binds only itself and has no explicit or implicit authority to bind the Idaho Public Utilities Commission.

IN WITNESS WHEREOF, the Parties hereto have caused this Memorandum to be executed in their respective names on the dates set forth below.

Dated this 25 day of ~~December 2009.~~ January 2010

IDAHO PUBLIC UTILITIES COMMISSION STAFF

By: Randy Lobb
Randy Lobb
Representing the Idaho Public Utilities Commission Staff

Dated this 22nd day of December 2009.

IDAHO POWER COMPANY

By: J R Gale
Representing Idaho Power Company

Dated this 21st day of December 2009.

AVISTA UTILITIES

By: ______________________
David J. Meyer
Representing Avista Utilities

Dated this 22 day of December 2009.

ROCKY MOUNTAIN POWER

By: ______________________________
Representing Rocky Mountain Power

ATTACHMENT NO. 1

Staff Expectations for Cost-Effectiveness Tests, Methods and Evaluations

1. Cost Effectiveness Measurements. As stated at the October 5, 2009, DSM evaluation workshop, Staff believes that prudent DSM management requires that cost-effectiveness be analyzed from a wide variety of perspectives, including the ratepayer impact perspective, and that all programs and individual measures should have the goal of cost-effectiveness from the total resource, utility, and participant perspectives. (See IPUC Order No. 22299 issued January 27, 1989, and Order No. 28894 issued November 21, 2001.) If a particular measure or program is pursued in spite of the expectation that it will not, itself, be cost-effective from each of those three perspectives, then the annual DSM report should explain why the measure or program was implemented or continued.

2. Net-to-Gross Adjustments. The net-to-gross issue was also discussed at the evaluation workshop. Some of the references that the utilities assert that they use, such as the *California Standard Practice Manual*, actually require that all tests be done on a net savings basis. Staff continues to assert that most programs and measures have a significant number of participants who would have installed the measure or changed their behavior in the absence of the utility program. Absent new evaluation research to provide a basis for the net-to-gross adjustments used by each utility, the utility has the burden of explaining the source of its net savings adjustments or lack thereof. Staff will continue to assess whether utility cost-effectiveness estimates sufficiently and prudently include net-to-gross adjustments.

3. Third-Party Evaluators. Independence of evaluators from program and portfolio management is another important issue that was discussed at the evaluation workshop. While it was generally agreed that not all evaluations need to be performed by third-party evaluators, Staff believes such evaluations tend to be perceived as being more objective and transparent, and thus more credible, than evaluations performed by utility staff, all other factors being equal. While Staff will review all evaluations and may

review any evaluation in depth, utilities should expect that their self-evaluations may be scrutinized more closely than third-party evaluations, as may the programs themselves.

4. Estimating Non-Energy Benefits. Non-energy benefits are important and prudent factors to assess in analyzing cost-effectiveness and determining incentive levels, but Staff cautions against creating confusion by subtracting the estimated value of non-energy benefits from program and measure costs when reporting DSM costs on a cents per kWh basis.

5. Contractor Costs. After DSM reports are filed in 2010, Staff may reconsider whether to require inclusion of specific contract amounts paid to contractors in subsequent DSM reports.

6. Suggested Resources. In addition to the several evaluation, measurement, and cost-effectiveness manuals that were discussed at the workshop, Staff suggests it may be useful for utilities to generally follow the guidelines in the National Action Plan for Energy Efficiency's *Model Energy Efficiency Program Impact Evaluation Guide*, released November 2007. Another of NAPEE's reports titled *Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers* may also be useful.