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02 SEP 16 Legal Department

Via Hand Delivery

September 16, 2002

Crystal Jackson, Secretary
Public Utilities Commission of Nevada
101 Convention Center Drive, Suite 250
Las Vegas, Nevada 89109

**RE: Nevada Power Company ("Nevada Power"); Docket No. 02-3001,
Amended Demand-Side Plan**

Dear Ms. Jackson:

In lieu of the filing of testimony by the intervenors and the Commission's Regulatory Operations Staff, enclosed are 9 copies of a Demand-Side Stipulation, which resolves all of the issues among the parties to Docket No. 02-3001. Due to time constraints, the copy of the Stipulation with the original signatures of the parties will be filed with the Commission on or before September 26, 2002, the scheduled date of the continued hearing in Docket No. 02-3001.

This Stipulation is the culmination of the collaborative process agreed to and approved by the Commission in Docket No. 01-7016 (Interim Order issued October 25, 2001), and approval of it by the Commission would avoid the time and expense associated with an evidentiary hearing on a contested case. The parties wish to take this opportunity to express their appreciation of the collaborative process and the effort expended by all involved in the process to arrive at the agreed-upon DSM programs described in Attachment "A" to the Stipulation.

The parties will be available at the continued hearing on September 26, 2002, to answer any questions the Commission may have about the Demand-Side Stipulation and the process used to arrive at the proposed demand-side management programs in Attachment "A."

Sincerely,

Cheryl K. Hachman
Associate General Counsel

CKH:jmh

cc: T. Cordova (facsimile); All Parties (e-mail)

RECEIVED

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

SEP 16 2002

PUBLIC UTILITIES COMMISSION
LAS VEGAS

In Re Application of NEVADA POWER COMPANY)
to Amend the Demand-Side Plan of its Refiled 2000-)
2019 Resource Plan.)
_____)

Docket No. 02-3001

STIPULATION

Nevada Power Company ("Nevada Power"), the Regulatory Operations Staff of the Public Utilities Commission of Nevada ("Staff"), the Nevada Attorney General's Bureau of Consumer Protection ("BCP"), the Land and Water Fund of the Rockies ("LWFR"), and BP p.l.c. ("BP") (collectively referred to hereinafter as the "Parties") hereby enter into the following agreement and stipulation regarding resolution of Docket No. 02-3001.

WHEREAS, on October 25, 2001, the Public Utilities Commission of Nevada ("Commission") issued an Interim Order in Docket No. 01-7016 (regarding Nevada Power's Refiled 2000 Resource Plan) approving a Supply-Side Plan, Demand-Side Plan and Financial Plan Stipulation, which provided, among other things, that Nevada Power should file an amended demand-side management ("DSM") plan on March 1, 2002 and that the Interim Order would remain in effect until the Commission issues an order on the amended DSM plan;

WHEREAS, on March 1, 2002, Nevada Power filed an Amended DSM Plan, which was designated as Docket No. 02-3001, in which Nevada Power proposed a four-part Action Plan, including budgeted expenditures for trial DSM programs, as follows: Air-Conditioning and Load Management ("ACLM") programs (approximately \$5.7 million); Energy Education and Consultation (approximately \$1.2 million); Technology and Market Trials (\$200,000) and Other DSM Programs (approximately \$2 million);

WHEREAS, on March 27, 2003, the BCP filed its Notice of Intent to Intervene in Docket No. 02-3001 as a matter of right;

WHEREAS, on April 3, 2002, the Commission issued an Interim Order approving use of the remaining budgeted second-year and the budgeted third-year expenditures for continuance and expansion of Nevada Power's pilot ACLM program for senior citizens and low-income customers;

WHEREAS, on April 8, 2002, the Commission issued an Order granting the petitions to intervene filed by LAWF and BP and an Order consolidating the proceedings (Docket No. 02-3022) for hearing with Nevada Power's proposed ACLM service schedule;

WHEREAS, notice of Nevada Power's application for approval of its Amended DSM Plan was duly published in newspapers of general circulation in Nevada Power's service area;

WHEREAS, at a hearing on June 18, 2002, the Presiding Commissioner granted the parties additional time to evaluate and file testimony on Nevada Power's proposed Amended DSM Plan; asked Staff to conduct an investigation and file a report on Nevada Power's decision-making process regarding the approved ACLM trial program immediately after the Commission's order in Docket No. 01-11029; and continued the hearing until September 26, 2002; and,

WHEREAS, the Parties have completed their evaluation of Nevada Power's proposed amended DSM Plan, engaged in settlement discussions, and arrived at an agreement which the parties believe would resolve all of the issues presented in a just and reasonable manner, without the necessity of evidentiary hearings;

NOW, THEREFORE, the Parties hereby agree and stipulate as follows:

1. The Commission should issue an Order accepting and approving an amended demand side action plan for Nevada Power containing the DSM programs and the budgeted expenditures for set forth in Attachment "A" hereto.

2. Nevada Power shall file, for Commission approval and inclusion in Nevada Power's tariff, the service schedule for Optional Residential Service- Load Management (Schedule ORS-LM) set forth in Attachment "B" hereto.

3. Staff will file separately the report requested by the Presiding Commissioner regarding the Company's actions in April 2002 with respect to the roll-out of the expansion of the ACLM program for senior citizens and low-income customers, and that report will be subject to Commission action independent of this Stipulation and Commission order.

4. This Stipulation is made upon the express understanding that it constitutes a negotiated settlement. The provisions of this Stipulation are not severable. In the event the Stipulation is not approved by the Commission, it shall be deemed to be withdrawn, without prejudice to any claim or contention which may have been made in this proceeding by any Party and it shall not be admissible as evidence or in any way described or discussed in any proceedings hereinafter. Except as otherwise specifically provided in paragraph 1 herein above, the Commission's approval of this Stipulation shall not be deemed, in any way, to

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constitute precedent regarding any principles or issues resolved by or through this Stipulation.

DATED this 16th day of September, 2002.

Nevada Power Company

By: *Cheryl K. Hachman*
Cheryl K. Hachman,
Associate General Counsel

Regulatory Operations Staff of the
the Public Utilities Commission of Nevada

By: *William B. Stanley*
William B. Stanley,
Assistant Staff Counsel

Attorney General of the State of Nevada,
Bureau of Consumer Protection

By: _____
Christopher Van Dyck,
Senior Deputy Attorney General

Land and Water Fund of the Rockies

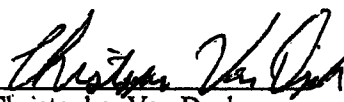
By: _____
Jon Wellinghoff, Esq.
Beckley Singleton Chtd..

BP p. l. c.

By: _____
Megan Barker Brown, Esq.
Lionel Sawyer & Collins

By: _____
William B. Stanley,
Assistant Staff Counsel

Attorney General of the State of Nevada,
Bureau of Consumer Protection

By: 
Christopher Van Dyck,
Senior Deputy Attorney General

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DATED this _ day of September, 2002.

Nevada Power Company

By: _____
Cheryl K. Hachman,
Associate General Counsel

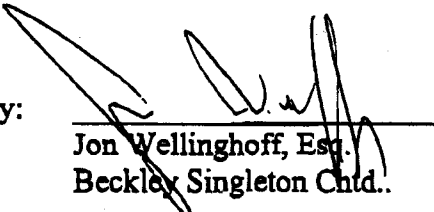
Regulatory Operations Staff of the
the Public Utilities Commission of Nevada

By: _____
William B. Stanley,
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By: 
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Beckley Singleton Chfd..

BP p. l. c.

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DATED this ___ day of September, 2002.

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By: _____
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By: _____
Jon Wellingshoff, Esq.
Beckley Singleton Chtd..

BP p. l. c.

By: Megan Barker Bowen
Megan Barker Bowen, Esq.
Lionel Sawyer & Collins

For the calendar year 2003, the parties agree to the following list of demand-side management ("DSM") programs and budgeted expenditures for the Amended Demand-Side Action Plan of Nevada Power Company ("Nevada Power"). The remainder of 2002 will be used to plan and develop these programs and to continue to implement the Senior and Low Income ACLM program approved by the Commission in the Interim Order issued in Docket No. 02-3001(April 3, 2002). All programs are still considered "trial" and all incremental labor and non-labor expenses will be tracked in a deferred accounting mechanism. The action plan period for the new Demand-Side Action Plan in Nevada Power's next 20-year integrated resource plan, due on July 1, 2003, will be calendar years 2004 through 2006.

PART I—ENERGY EDUCATION AND CONSULATION

A. All Customers

Non Profit Agency Support and Grants	\$40,000
New Home Construction Builder Support	50,000
Energy Star for New home construction	50,000
Trade and Home show	30,000
Web Support	30,000
Small Commercial Customer Education	80,000
Energy Consultants, Nevada Power	<u>226,000</u>
Part 1(A) budget	\$506,000

B. Low Income Customers

1. Partnering With Weatherization Sub-grantees of the Nevada State Housing Division ("NSHD")

- a. Provide NSHD sub-grantees (essentially NSHD sub-contractors for weatherization of low-income housing) with training to learn from the designs and lessons of the Nevada Power's low-income programs and technical expertise. \$30,000
- b. Provide inspection and monitoring support for sub-grantees' work. \$60,000
- c. Provide sub-grantees with weatherization materials and labor and other energy savings or comfort improvement technologies. \$210,000
- d. Provide sub-grantees with management and delivery development support. \$84,000

Nevada Power, NSH, and the NSHD awarded sub-grantees shall engage in an implementation process in which the various roles and responsibilities for the implementation of programs described above and the other three Low Income Customer Education areas (described hereinafter) are determined. In all cases, as part of this planning process, all interested parties shall work together to assure a reporting mechanism is developed and in place to capture the cost of delivering these programs.

This report should include the number of homes improved, the technology used for each improvement, the cost of each improvement, and the estimated kW, kWh and yearly customer savings. Nevada Power will then provide a report to the Commission on the program deliverables. Nevada Power will randomly audit and test the improvements to ensure it is getting the results being claimed.

Part I (B)(1) budget: \$384,000

2. Integrating Education With Weatherization Services

Nevada Power, NSHD and its sub-grantees, and other interested parties will work together to capture additional energy savings by providing key education materials to the participants at the time of measure installation. Education materials will address thermostat use, appliance use, lighting use, new technologies available, as well as information about the weatherization materials installed. The educational materials may be provided by Nevada Power's staff or in the form of written educational packages for distribution and discussion with customers. Nevada Power's staff will train the sub-grantees' installation staff and other interested parties delivering energy conservation messages and programs so that they too can provide the education directly to customers at the time of program delivery.

Part I (B)(2) budget: \$60,000.

3. Ductwork Installation and Inspection

Significant benefits can be gained from improving the way that air-conditioning ("AC") ductwork is installed, maintained, inspected and repaired. Nevada Power will provide training about AC ductwork for NSHD's projects at several levels:

- a. For the Weatherization program, train the NSHD's sub-grantees and other interested parties for better installation and repair of ductwork.
- b. Train the contractors and installers that are under contract with the project developers.
- c. Train the inspectors and provide inspection services, to ensure that the installers are meeting appropriate standards.

Part I (B)(3) budget: \$108,000

4. Multifamily Housing and Income Limits

Existing low-income multifamily projects typically include households that meet the federal poverty threshold for federal funds for qualifying weatherization programs and households with incomes that are above the federal threshold for such funds [about 20% of the total units (or households) in low-income multi-family housing]. Thus, the federal

poverty threshold fails to serve the weatherization needs of a large portion of the households in low-income multi-family projects and creates lost opportunities for energy efficiency. There are approximately 160 such "above-the-federal-threshold-multifamily households" in low-income projects in the Las Vegas area. Additional funds from Nevada Power to address these "above-the-federal-threshold-multifamily-households" would result in significant energy savings and would substantially improve the application of the weatherization program. Additional technologies may be better addressed with a "whole unit" evaluation, and thus, a technology meeting should be held prior to funds being spent. Assuming that weather normalization of each of the roughly 160 "above-the-federal-threshold-multifamily households" would cost approximately \$2,000, the budgeted expenditure for this program is \$320,000. In addition to a technology meeting prior to the expenditure of the budgeted funds, a report will be developed to address technology used, number of units improved, an estimation of yearly savings, in kW, kWh and dollars. Nevada Power will provide this report to the Commission.

Part I (b)(4) budget: \$320,000

Budget for all Part I programs: \$1,378,000

PART II – TECHNOLOGY AND MARKET TRIALS

Research, evaluate and develop market trials of new technologies for demand-side management and energy conservation. Programs in this section will be conducted by the Company and will be reported in more detail as they occur and reported in future status reports to the Commission.

Budget for Part II research and development programs: \$100,000.

PART III -- AIR-CONDITIONING LOAD MANAGEMENT ("ACLM")

A. Low-income and senior pilot ACLM program.

Continue the pilot program for Low Income and Senior Customers approved by the Public Utilities Commission of Nevada in Docket No. 02-3001(Interim Order issued April 3, 2002), with 3000 new customers added and in place prior to June 2003 to help meet Nevada Power's needs for power during the summer of 2003. This program includes incentives for 1500 pilot customers installed in 2001 and 3000 additional customers approved on April 3, 2002. The authorized total program size is 4500 customers.

Budget for Part III (A) ACLM program: \$1,100,000.

B. All other residential customers pilot ACLM program.

In order to evaluate expansion of the ACLM program to all other residential customers, initiate a new pilot program for the summer of 2003 for the development, installation and incentives of up to 3000 air conditioning load management controllers for all other residential customers. This new pilot program will offer a minimum incentive of \$15 per summer month (June through September) to allow for controlled interruption of the customers air conditioning unit. This new program will have approximately 200 customers using two-way communication technologies to improve customer response participation and AC unit performance.

Budget for Part III (B) ACLM: \$1,350,000

Total budget for Part III ACLM programs:

\$1,100,000
<u>1,350,000</u>
\$2,450,000

PART IV – ALL OTHER PROGRAMS

A. Combine marketing of time of use ("TOU) rates with peak and energy reduction rebate programs

Initiate a large-scale pilot program in the Nevada Power service area focused on the combination of promoting more efficient air conditioning units and adoption of TOU rates. Residential customers would be offered rebates towards the purchase of high efficiency central air conditioners ("CACs") or heat pumps ("HPs"), with an incentive payment of, for example, \$350 to \$450, depending on the efficiency of the model (i.e., sliding scale rebates covering about half the incremental cost for high efficiency units). Also, existing customers would be offered a CAC/HP test and tune-up or air duct test and sealing, with marketing aimed at customers with very high summer electricity bills.

It is assumed that the incentive amounts (including testing costs) would average \$375 for the CACs/HPs; \$130 for tune-ups; and \$400 for duct sealing, for a total incentive cost of \$1.9 million. In addition, 6,000 time-of-use meters will cost approximately \$900,000 (assuming an installed cost of \$150 per meter), and program administration, promotion, monitoring, and evaluation are estimated to cost \$400,000.

Any customer that participates (i.e., receives a rebate towards a high efficiency CAC/HP, tune-up, or duct sealing) would be required to accept TOU rates.

A limited portion of this program will be to encourage installation of solar photovoltaic (PV) systems. Nevada Power will develop and market a program that will pay \$3 per watt incentive to residential and small commercial customers. Total incentive payout will be \$150,000 for calendar year 2003. Nevada Power will spend \$100,000 to market PV in its service territory and to enhance PV delivery and infrastructure capabilities. In all cases, Nevada Power will retain all Renewable Portfolio Standard credits generated from any PV system for which it provides a rebate.

The targeted number of participants in 2003 would be up to 6,000, comprised of: 4,000 CAC/HP rebate participants; 1,500 tune-up participants; 500 duct seal participants; and, up to 50-1kw PV array participants. The exact mix of participants between high efficiency CAC/HP purchases, tune-ups, and duct sealing, and PV incentives and the market penetration of each sub-program will be determined during detailed program plan design and by overall customer acceptance of the program. Final program design will be subject to total benefits exceeding total costs based on Nevada Power's Total Resource Cost test.

The total budget for this program is \$3,200,000.

B. Other residential programs

The second refrigerator collection program, residential CFL (compact fluorescent lights) program, Energy Star appliance promotion and vending machine miser program should be implemented as proposed by Nevada Power. The budget for these programs is:

Second refrigerator collection	\$506,000
Residential CFL program	200,000
Energy Star Efficient Appliances	445,000
Vending Misers	<u>115,000</u>
Total Part IV (B) budget	\$1,266,000

C. Small commercial custom incentive program

A "custom incentive" program for a wide range of air conditioning, lighting efficiency and building performance measures should be offered to small commercial customer. This program would include either rebates or custom incentives based on the estimated level of kWh and peak kW savings from individual projects. This program would include recommending that small commercial customers attend TOU training to fully understand that pricing option to determine if it makes sense for their business. The final program design will attempt to maximize the benefits available from the

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efficiency measures and will attempt to produce total benefits exceeding total costs based on the Total Resource Cost test. The budget for this program is \$800,000.

Total budget for Part IV programs:

Subpart A	\$3,200,000
Subpart B	1,266,000
Subpart C	<u>800,000</u>
Total	\$5,266,000

ALL DSM PROGRAMS FOR 2003

Total budget for 2003 for Nevada Power in Docket 02-3001 is \$9,194,000.

Part I	\$1,378,000
Part II	100,000
Part III	2,450,000
Part IV	<u>5,266,000</u>
TOTAL	\$ <u>9,194,000</u>

NEVADA POWER COMPANY
P.O. Box 230
Las Vegas, NV 89151
Tariff No. 1-B
cancels
Tariff No. 1-A (withdrawn)

ATTACHMENT B

Original _____ PUCN Sheet No. **11G**
Cancelling _____ PUCN Sheet No. _____

Optional Residential Service – Load Management
SCHEDULE ORS-LM

AVAILABLE – To any residential customer who has a central air conditioning system with a connected compressor load of at least 3 kva, nameplate. The Utility will serve requests for this service on a first come, first serve basis, subject to the authorized number of units allowed per year in the Utility's Resource Plan.

The Customer must agree to permit the Utility to install a control device so that Utility can control the operation of the air conditioning system during periods of Utility's peak load conditions.

MONTHLY CREDIT – The Customer will receive a credit of \$2.30 per kva of connected air conditioning capacity controlled or \$15.00, which ever is greater. The credit shall be applied to the Customer's bill for the billing months of June, July, August and September.

SPECIAL CONDITIONS:

1. The Utility shall have the right to interrupt service to the air conditioning unit for not more than approximately 12 minutes per half-hour during system peak load conditions from June 1 through September 30, or for longer increments of time during emergency conditions.
2. If there is evidence of alteration, tampering, or otherwise interfering with the operation of Utility's control unit, the Customer will reimburse Utility for the cost of replacement or repair of the control unit and the Monthly Credits to the Customer's bills during the past twelve months.

Issued: Effective: Advice No.:	Issued by: Mary O. Simmons Vice President	
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(N)

(N)

CERTIFICATE OF SERVICE

I hereby certify that I have this 16TH day of September, 2002, served or caused to be served, in Docket No. 02-3001, one copy of the foregoing Stipulation with Attachment "A" and "B" to each of the parties listed below, by U.S. Mail, first class postage prepaid.

William B. Stanley
Assistant Staff Counsel
Public Utilities Commission of Nevada
101 Convention Center Drive, Suite 250
Las Vegas, Nevada 89109

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Public Utilities Commission of Nevada
1150 East William Street
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Chris Van Dyke
Deputy Attorney General
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1000 East William Street, Suite 200
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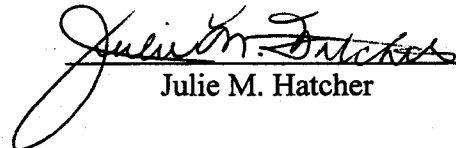
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Julie M. Hatcher