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RESEARCH BRIEF ON ENERGY

Utility service is of such fundamental importance to the welfare of citizens that it is deemed to be “affected with a public interest” and, therefore, subjected to a range of governmental regulation to ensure its availability at reasonable prices. The hallmark of this regulation is the granting of an exclusive geographical franchise to a single provider, coupled with a duty to serve all customers within the assigned territory. In exchange, the utility is allowed the opportunity to earn a reasonable rate of return on “prudent” operations, with the return being set by the regulators after administrative hearings.

PUBLIC UTILITY REGULATION

In Nevada, public utilities are under the jurisdiction of the Public Utilities Commission of Nevada (PUCN), which consists of three commissioners appointed to four-year terms by the Governor. The PUCN sets retail rates for natural gas and electricity and its decisions are appealable to the courts. The Consumer’s Advocate of the Bureau of Consumer Protection within the Office of the Attorney General represents consumer interests before the PUCN.

The PUCN is charged with regulating public utilities in order to:

- Provide for the fair and impartial regulation of public utilities;
- Provide for the safe, economic, efficient, prudent, and reliable

operation and service of public utilities; and

- Balance the interests of customers and shareholders of public utilities by providing public utilities with the opportunity to earn a fair return on their investments while providing customers with just and reasonable rates.

The PUCN is funded by a charge called the “mill assessment” on the gross operating revenues derived from the intrastate operations of each public utility. A mill is one-tenth of 1 cent. The maximum mill assessment for the commission is 3.50 mills; an additional assessment of 0.75 mills for the Consumer’s Advocate is also authorized.

STATE ENERGY POLICY

The Nevada Legislature has enacted in *Nevada Revised Statutes* (NRS) 701.010 an energy policy statement that sets forth a number of legislative findings and policy objectives.

NRS 701.010 Legislative findings; state policy

1. The Legislature finds that:

- (a) Energy is essential to the economy of the State and to the health, safety, and welfare of the people of the State.
- (b) The State has a responsibility to encourage the maintenance of a reliable and economical supply of energy at a level which is consistent with the protection of environmental quality.
- (c) The State has a responsibility to encourage the utilization of a wide range of measures which reduce wasteful uses of energy resources.
- (d) Planning for energy conservation and future energy requirements should include consideration of state, regional, and local plans for land use, urban expansion, transportation systems, environmental protection, and economic development.
- (e) Government and private enterprise need to accelerate research and development of sources of renewable energy and to improve technology related to the research and development of existing sources of energy.
- (f) While government and private enterprise are seeking to accelerate research and development of sources of renewable energy, they must also prepare for and respond to the advent of competition within the electrical energy industry and are, therefore, encouraged to maximize the use of indigenous energy resources to the extent competitively and economically feasible.
- (g) Prevention of delays and interruptions in providing energy, protecting environmental values, and conserving energy require expanded authority and capability within State Government.

2. It is the policy of this State to encourage participation with all levels of government and private enterprise in cooperative state, regional, and national programs to assure adequate supplies of energy resources and markets for such energy resources.

3. It is the policy of this State to assign the responsibility for managing and conserving energy and its sources to agencies whose other programs are similar, to avoid duplication of effort in developing policies and programs for energy.

To implement this policy, the Legislature has created a number of programs and entities; including:

- A comprehensive state energy plan developed by the Office of Energy to enhance economic development, encourage renewable energy, and foster conservation;
- Triennial integrated resource planning to increase supply and decrease demand based on forecasts of future power usage while providing the best combination of sources to meet projected needs;
- A renewable energy portfolio standard that requires power suppliers to gradually increase the percentage of electricity derived from renewable sources and energy efficient measures from 18 percent in 2014 to 25 percent in 2025;
- A net metering program that allows customers to use renewable energy systems to generate up to 1 megawatt (MW) of power for which the customer receives credit from the utility; and
- A Legislative Committee on Energy that evaluates, reviews, and comments upon matters related to energy policy in the State.

POTENTIAL ENERGY ISSUES FOR THE FUTURE

Generation Facilities

While Nevada and the rest of the western states presently enjoy adequate power supplies, concerns have already surfaced about the need for additional generation in the region. Until the recent economic problems developed, Nevada was one of the fastest growing states in the country.

As conditions improve, pressure on existing generation resources will increase.

In 2013, major legislation was passed requiring the retirement of NV Energy's coal-fired power plants and accelerating investment in geothermal, natural gas, solar, and wind to replace the coal energy.

Transmission Facilities

Since Nevada's utilities do not generate all the electricity the State uses, power lines are needed to transport additional supplies into the State and to sell excess power in other states. Currently, there is no direct transmission interconnection between northern and southern Nevada, making it difficult to transfer power between the regions when there is excess capacity in one and greater demand in the other. The State also has significant renewable energy generation potential from sources such as geothermal, solar, and wind. However, the sites of these resources are not always in the immediate vicinity of existing power lines, which poses an obstacle to development of this potential.

Several large transmission lines have been completed recently or are under construction in Nevada. One Nevada Transmission Line (ON Line) is a 231-mile long line that will connect the Harry Allen Substation north of Las Vegas with the newly constructed Robinson Summit Substation located near Ely, Nevada. This will be the first line that links the northern and southern transmissions systems. It became operational on December 31, 2013. In addition, a Wyoming-to-Nevada transmission line is being developed. The TransWest Express line is a 725-mile long transmission line that would carry as much as 3,000 MW of electricity, including wind-generated power from planned wind farms in Wyoming, across portions of Colorado, and Utah to a substation in

southern Nevada. The power line, once placed into service, would have the capacity to transmit enough to power 1.8 million homes. The project is currently being reviewed by the Bureau of Land Management.

LOW-INCOME ENERGY ASSISTANCE PROGRAMS

In 2001, the Legislature established the Universal Energy Charge (UEC) to provide assistance with rising power bills to low-income consumers. The UEC is a charge of 3.30 mills on each therm of natural gas sold at retail for consumption within Nevada, and 0.39 mills on each kilowatt-hour of electricity that the retail customer purchases for consumption within Nevada. The UEC does not apply to natural gas sold as a source of energy to generate electricity, or to electricity used in electrolytic-manufacturing processes. Furthermore, the charges do not apply to public and municipal utilities, rural cooperatives, or general improvement districts. A quarterly cap of \$25,000 is placed on the charges for each single retail customer or customers under common ownership and control. This cap affects commercial and industrial retail customers, not smaller residential customers.

Utilities may pass the UEC through to ratepayers, provided it is set forth as a separate item on the utility bill. The average monthly UEC incurred by a typical residential customer is approximately \$.60 to \$1.

Seventy-five percent of the funds generated from this charge is distributed to the Division of Welfare and Supportive Services to assist eligible households in paying for electricity and natural gas. The remaining 25 percent is distributed to the Housing Division for programs relating to energy conservation, weatherization, and

energy efficiency. Both Divisions limit eligibility for assistance to households with incomes below 150 percent of the federally designated poverty level.

The Division of Welfare and Supportive Services also administers the federally funded Low Income Home Energy Assistance Program (LIHEAP) available to households with incomes less than 150 percent of the federally designated poverty level. Additional funds for the LIHEAP come from the Nevada Fund for Energy Assistance and Conservation State Plan, which is funded by a UEC assessed to every public utility retail customer in the State, with some exceptions.

