

PROPOSED REGULATION OF THE
PUBLIC UTILITIES COMMISSION OF NEVADA

Docket No. 07-06046--Phase I

Explanation- Matter in *italics* is new; matter in ~~strikethrough~~ is material to be omitted.

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Sec. 1 NAC 704.953 Definitions. As used in NAC 704.953 to ~~[704.973]~~ 704.____, *inclusive, sections 2 to 5, inclusive, of the regulations in LCB File No. R150-06, and sections 2 to 14, inclusive, of this regulation,* unless the context otherwise requires, the words and terms defined in NAC ~~[704.9535 to 704.9605]~~, 704.054 to 704.____, *sections 2 to 4, inclusive, of the regulations in LCB File No. R150-06, and sections 2 to 7 of this regulation* ~~[inclusive,]~~ have the meanings ascribed to them in those sections.

Sec. 2 NAC 704.954 “Conservation” defined. “Conservation” means ~~[an increase of]~~ *improvements in* efficiency in the production, *distribution,* or use of energy which results in a reduction in the consumption of natural gas.

Sec. 3 “Conservation and Energy Efficiency Plan” defined. *“Conservation and Energy Efficiency Plan” means a portfolio of approved conservation and energy efficiency programs to reduce consumption and/or improve energy efficiency in a cost effective manner.*

Sec. 4 NAC 704.9545 “Demand” defined. Demand means the ~~[rate]~~ *level* at which natural gas is ~~[delivered to or]~~ *required* by a system, a part of a system, or a piece of equipment, expressed in therms or other suitable units, at a given instant or averaged over any designated period.

Sec. 5 “Energy efficiency” defined. *“Energy efficiency” is the use of products, services, or practices aimed at the economic use of energy in end-use applications which results in a reduction in the consumption of natural gas.*

Sec. 6 “Gas utility” defined. *“Gas utility” means a public utility under the jurisdiction of the Commission which purchases gas for resale.*

Sec. 7 “Substantive Conservation and Energy Efficiency Program” defined. *“Substantive Conservation and Energy Efficiency Program” means, for a gas utility, a*

Commission approved conservation and energy efficiency program for which the energy savings can be demonstrated using industry standards.

Sec. 8 Purpose; Applicability.

1. The purpose of NAC 704.____ to 704.____, inclusive, is to establish methods and programs for a public utility which purchases natural gas for resale that remove financial disincentives which discourage the public utility from planning and implementing substantive conservation and energy efficiency programs.

2. NAC 704.____ to 704.____, inclusive, shall apply to all gas utilities which are under the jurisdiction of the Commission and have a budgeted portfolio of substantive conservation and energy efficiency programs.

Sec. 9 Conservation and Energy Efficiency Methodology Request.

1. As part of a general rate application filed pursuant to NRS 704.110, a gas utility may file a request with the Commission for approval of one of two methods to ensure that the costs of providing service recovered by an application filed pursuant to NRS 704.110 are recovered without regard to the volume of gas consumed by its customers. The methodologies are the Conservation and Energy Efficiency Equity Adder Methodology and the Conservation and Energy Efficiency Decoupling Methodology. If the gas utility requests either methodology, it must apply the selected methodology to all customer classes, excluding customers served under negotiated agreements.

2. If the gas utility files a request pursuant to subsection 1, the gas utility's application shall include a discussion of any change in risk for the gas utility.

Sec. 10 Conservation and Energy Efficiency Equity Adder Methodology Request

1. A gas utility may apply to implement substantive conservation and energy efficiency programs using an equity adder methodology for cost recovery. In an application to approve its Conservation and Energy Efficiency Plan, the gas utility shall calculate its revenue requirement for approved program costs, as set forth in Section 14, to include them in rate base using the most recently authorized return on equity plus two percent.

Sec. 11 Schedule for submission of Conservation and Energy Efficiency Plan.

1. A gas utility initially applying to implement a portfolio of substantive conservation and energy efficiency programs shall submit a plan for Commission approval in conjunction with

a general rate case filed pursuant to NRS 704.110 or in a Conservation and Energy Efficiency Plan application pursuant to NAC 704.XXX.

2. If the gas utility's request for the removal of disincentives attributed to substantive conservation and energy efficiency programs filed pursuant to Section 9 is approved, the Conservation and Energy Efficiency Plan shall be filed every three years from the date of final order in which the gas utility's request was approved. In the case of a gas utility which also provides electric service, the Conservation and Energy Efficiency Plan may be submitted in conjunction with the electric utility's Integrated Resource Plan.

3. Only Commission approved substantive conservation and energy efficiency programs are eligible to receive cost recovery pursuant to Sections 10 and 14 of this regulation.

4. Within 180 days after a gas utility has filed its Conservation and Energy Efficiency Plan, unless filed in conjunction with a general rate case, the Commission will issue an order accepting the plan as filed or specifying portions of the plan which it deems to be inadequate.

Sec. 12 Preparation, contents and submission of Conservation and Energy Efficiency Plan; triennial filing of the Conservation and Energy Efficiency Plan and analyses regarding substantive conservation and energy efficiency programs.

1. The Conservation and Energy Efficiency Plan must include:

(a) An identification of end-uses for programs for conservation and energy efficiency.

(b) An assessment of savings attributable to technically feasible programs for conservation and energy efficiency, as determined by the gas utility. The programs must be ranked in lists according to the level of savings in gas consumption and according to the level of reduction in demand.

(c) An assessment of technically feasible programs to determine which will produce benefits in peak demand or gas consumption. The gas utility shall estimate the cost of each such program. The methods used for the assessment must be stated in detail, specifically listing the data and assumptions considered in the assessment.

2. In developing its Conservation and Energy Efficiency Plan, a gas utility shall consider the impact of applicable new technologies on current options. The consideration of new technologies must include, without limitation, consideration of the potential impact of advances in digital technology and computer information systems.

3. *A gas utility shall include in its Conservation and Energy Efficiency Plan a program for residential customers which reduces the consumption of gas, electricity, or any fossil fuel. The energy efficiency program must include the use of new solar thermal energy sources. For purposes of this section, “new solar thermal energy sources” refers to those sources installed after the energy efficiency program’s effective date, that displace gas, electricity, or any fossil fuel consumption by using solar radiation to heat water or provide space heating or cooling.*

4. *The Conservation and Energy Efficiency Plan must provide a list of the programs for which the gas utility is requesting the approval of the Commission. The list must include:*

(a) An estimate of the reduction in the peak demand and gas consumption that would result from each proposed program, in therms saved. The programs must be listed according to their expected savings and their contribution to a reduction in peak demand and gas consumption based upon realistic estimates of the penetration of the market and the average life of the programs.

(b) An assessment of the costs of each proposed program and the savings produced by the program. If the program can be relied upon to reduce peak demand on a firm basis, the assessment must include the savings in the costs of transmission and distribution.

(c) An assessment of the impact on the gas utility’s load shapes of each proposed and existing program for conservation and energy efficiency.

(d) If a program is an educational program, the projected expenses of the gas utility for the educational program.

(e) For any conservation and energy efficiency program which reduces the consumption of gas, electricity, or any fossil fuel, the gas utility must include in its Conservation and Energy Efficiency Plan a complete life-cycle cost analysis of the costs and benefits of the program in the form of the Total Resource Cost Test.

(f) A discussion of the degree of coordination between any conservation and energy efficiency program of the gas utility with the electric utility serving the same area and any potential cost savings or improvements in cost-effectiveness resulting from such coordination.

(g) As used in this section, the Total Resource Cost test is a measure of the overall economic efficiency of a conservation or energy efficiency program from the perspective of society which measures the net costs of a conservation or energy efficiency program based on the total costs of the program, including both participant and utility costs.

5. *The gas utility shall include with its Conservation and Energy Efficiency Plan a report on the status of all programs for conservation and energy efficiency that have been approved by the Commission. The report must include tables for each such program showing, for each year, the planned reduction in therms, the achieved reduction in therms and the cost of the program. The gas utility shall include other information as set forth in Section 13(1) not elsewhere required in Section 12.*

6. *The gas utility shall provide, with its Conservation and Energy Efficiency Plan any such other information as is necessary to enable an informed reader to examine and verify the adequacy and accuracy of the data, assumptions, and methods used in developing the plan.*

Sec. 13 Annual Conservation and Energy Efficiency Plan Report; Amendments

1. *Following initial approval of the Conservation and Energy Efficiency Plan, the gas utility implementing substantive conservation and energy efficiency programs shall file annually between filings pursuant to Section 11(2) its Conservation and Energy Efficiency Plan Report. The Conservation and Energy Efficiency Plan Report shall address each 12 month period following the approval of the Conservation and Energy Efficiency Plan and shall be filed with the Commission on the anniversary of its plan filing date established pursuant to Section 11(2). The Conservation and Energy Efficiency Plan Report shall include a copy of the complete analysis the gas utility used in determining, for the forthcoming year, which substantive conservation and energy efficiency programs should be implemented, continued, modified, or terminated. The analysis must include for each program, without limitation:*

- (a) a description of each program;*
- (b) proposed new programs, program modifications and programs requesting authority to terminate;*
- (c) program goals, objectives, and savings targets;*
- (d) the level of participation for each program;*
- (e) a detailed description of evaluation and monitoring and verification of activities and results of savings, and costs;*
- (f) estimated savings, including estimated environmental benefits;*
- (g) a description of the difficulties encountered and recommended solutions;*

(h) the costs incurred during the reporting period, separated by program and category (e.g., marketing, variable and fixed labor, variable and fixed materials, and any incentive payment); and

(i) any such other information as is necessary to enable an informed reader to examine and verify the adequacy and accuracy of the data, assumptions, and methods used in developing the report.

2. The Commission will process the annual conservation and energy efficiency plan report and analysis within 135 days. The Commission will issue an order accepting the plan as filed or specifying portions of the report and analysis which it deems to be inadequate.

Sec. 14 Accounting for costs of implementing programs for conservation and energy efficiency; recovery of costs

1. All costs of implementing the Commission approved substantive programs for conservation and energy efficiency must be accounted for in the gas utility's books and records separately from amounts attributable to any other activities. All accounts must be maintained in such a manner as will allow costs attributable to specific programs to be readily identified. These costs must be segregated into the same categories as specified in the budget for the 3-year planning period.

2. The gas utility may recover all prudent and reasonable costs in implementing substantive programs for conservation and energy efficiency that the Commission has approved either as part of the gas utility's Conservation and Energy Efficiency Plan or as modified in the Annual Conservation and Energy Efficiency Plan Report. These costs may include, but are not limited to, costs for labor, overhead, materials, incentives paid to customers, advertising, marketing, and evaluation. The gas utility may recover approved costs associated with monitoring and evaluating these programs through a general rate case.

3. To recover costs incurred in implementing substantive programs for conservation and energy efficiency, the gas utility must:

(a) Calculate, on a monthly basis, the costs incurred in implementing each program since the end of the period.

(b) Record the total cost of implementing each program, as calculated in paragraph (a), in a separate subaccount of Account 182.3 (Other Regulatory Assets) for each program and make an appropriate offset to other subaccounts.

(c) Maintain subsidiary records of the subaccounts of Account 182.3 for each program. These records must clearly delineate all costs incurred by the gas utility in implementing each program approved by the Commission.

(d) Apply a carrying charge at the rate of 1/12 of the authorized overall rate of return to the current balance in the subaccounts of Account 182.3 for each program not included in rate base.

(e) Clear any balance accumulated in the subaccounts of Account 182.3 for each program as a component of an application by the gas utility to change rates as follows:

(1) The Commission will adjust the rate to amortize the balance over a three-year period, unless otherwise specified by the Commission.

(2) The gas utility must begin amortizing costs on the date that the change in general rates becomes effective.

(3) The gas utility must include the balance in the subaccounts of Account 182.3 for each program, including carrying charges, in the rate base as of the date that ends the period used in the gas utility's application to change general rates, as of the date that ends the period of certification, or as of the date that ends the period of expected changes in circumstances, whichever is later.