

PROPOSED REGULATION OF THE PUBLIC UTILITIES COMMISSION OF NEVADA

LCB File No. R046-15

(This regulation was previously adopted as LCB File No. T002-15)

Docket No. 14-10018

Effective January 1, 2016

EXPLANATION – Matter in *bold italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: NRS 703.025, 704.210, 704.785

A REGULATION relating to energy efficiency and conservation; revising provisions governing the lost revenue adjustment mechanism.

Section 1. NAC 704.95225 is hereby amended to read as follows:

704.95225 1. An electric utility may recover an amount based on the measurable and verifiable effects of the implementation by the electric utility of programs for energy efficiency and conservation described in the demand side plan of the electric utility and approved by the Commission pursuant to NAC 704.9494 as part of the action plan of the electric utility. The amount recovered must include:

(a) The costs reasonably incurred by the electric utility in implementing and administering the programs for energy efficiency and conservation, which are recovered pursuant to NAC 704.9523; and

(b) ~~{The measurable and verifiable effects on the revenue of the electric utility caused or created by the implementation of the programs for energy efficiency and conservation, which are recovered pursuant to NAC 704.9524}~~ *An amount determined by multiplying the costs*

reasonably incurred by the electric utility in implementing and administering the programs for energy efficiency and conservation by the electric utility's authorized overall rate of return grossed up for taxes applicable to the equity portion of the authorized rate of return, which are recovered pursuant to NAC 704.9523.

2. Upon the request of an electric utility or intervening party or upon a motion of the Commission, the Commission may authorize an electric utility to include in the amount recovered pursuant to subsection 1 for ~~for an individual~~ programs for energy efficiency or conservation *additional* financial incentives to support the promotion of the participation of the customers of the electric utility in the program for energy efficiency or conservation. *Financial incentives shall be requested on a program-by-program basis.*

3. The Commission will consider the effect of any recovery pursuant to this section on the rates of the customers of the electric utility.

Sec. 2. NAC 704.9523 is hereby amended to read as follows:

1. All costs of implementing programs for energy efficiency and conservation *plus an amount determined by multiplying the cost of each program by the electric utility's authorized overall rate of return grossed up for taxes applicable to the equity portion of the authorized rate of return*, must be accounted for in the books and records of an electric utility separately from amounts attributable to any other activity. All accounts must be maintained in a manner that will allow costs attributable to specific programs to be readily identified.

2. An electric utility may, pursuant to subsection 3, recover all reasonably incurred costs of implementing programs for energy efficiency and conservation that have been described in the demand side plan of the electric utility and approved by the Commission pursuant to NAC 704.9494 as part of the action plan of the electric utility, including, without limitation, the costs

for labor, overhead, materials, incentives paid to customers, advertising, marketing, monitoring and evaluation *plus an amount determined by multiplying the cost of each program by the electric utility's authorized overall rate of return grossed up for taxes applicable to the equity of the authorized rate of return.*

3. To recover the reasonably incurred costs of implementing programs for energy efficiency and conservation *plus an amount determined by multiplying the cost of each program by the electric utility's authorized overall rate of return grossed up for taxes applicable to the equity portion of the authorized rate of return*, an electric utility must:

(a) Establish and maintain separate subsidiary records of the subaccounts of FERC Account No. 182.3 (Other Regulatory Assets) for each program described in the demand side plan of the electric utility and approved by the Commission pursuant to NAC 704.9494 as part of the action plan of the electric utility. These records must clearly delineate all costs incurred by the electric utility in implementing each program approved by the Commission *plus an amount determined by multiplying the cost of each program by the electric utility's authorized overall rate of return grossed up for taxes applicable to the equity portion of the authorized rate of return*, and be maintained by program by month by rate effective period.

(b) At the time the electric utility files an annual deferred energy accounting adjustment application pursuant to subsection 3 of NRS 704.187, apply to the Commission to establish the following period-specific rates:

(1) A prospective base program cost rate which is determined by allocating in the manner approved by the Commission in the most recent general rate case of the electric utility the total cost of programs for energy efficiency and conservation that are described in the demand side plan approved by the Commission. The prospective base program cost rate for a customer class

is an amount equal to the cost allocated to that customer class pursuant to this subparagraph divided by the projected kilowatt hour sales for that class for the relevant period.

(2) A deferred program cost rate to clear the period-specific balance over 12 months. The deferred program cost rate is an amount equal to the period-specific balance in the subaccount of FERC Account No. 182.3 for the cost of programs for energy efficiency and conservation divided by the applicable test period kilowatt hour sales.

(c) At the time the electric utility files an annual deferred energy accounting adjustment application pursuant to subsection 3 of NRS 704.187, the utility shall also file a statement that reports the Nevada jurisdictional earned rate of return for each month of the test period for the electric utility. The Nevada jurisdictional earned rate of return must be calculated for each month of the test period on a 12-month average rate base. The statement must be accompanied by all subsidiary schedules, and any adjustments made thereto, necessary to support the calculations.

4. If the Nevada jurisdictional earned rate of return for the last month of the test period reported for an electric utility pursuant to paragraph (c) of subsection 3 exceeds the rate of return last authorized by the Commission to set rates for the utility, the utility must, at the time the utility files the annual deferred energy accounting adjustment application pursuant to subsection 3 of NRS 704.187:

(a) File a statement that reports calculations of:

(1) The amount of revenue which caused the utility to exceed the rate of return last authorized by the Commission;

(2) An adjustment to the amount added to the cost of each program pursuant to subsection 2, which must be recorded in a subaccount of FERC Account No. 254; and

(3) The carrying charges at a monthly rate of 1/12 of the authorized overall rate of return on the adjustment amount calculated in subparagraph (2).

(b) Establish a rate of credits attributable to each class of service for adjustments calculated pursuant to paragraph (a) of subsection 5 and which are identified pursuant to the information required to be maintained by paragraph (a) of subsection 3. Any balance which remains in the subaccount of FERC Account No. 254 at the end of the amortization period must be transferred to the appropriate subaccount of FERC Account No. 182.3 for the current period. Further, maintain sufficiently detailed information to identify the costs paid by each customer class.

5. The sum of the amount of the cost of capital adjustment calculated in subparagraph (2) of paragraph (a) of subsection 4 and any adjustments for carrying charges made to subaccounts of FERC Account No. 182.3 must not exceed the amount calculated pursuant to subparagraph (1) of paragraph (a) of subsection 4.

~~14.1~~ **6.** An electric utility shall account for period-specific costs incurred to implement a program for energy efficiency and conservation and revenues received from the period-specific prospective base program cost rate in the following manner:

(a) On a monthly basis, the electric utility shall record in a subaccount of FERC Account No. 182.3 the program costs incurred *plus an amount determined by multiplying the cost of each program by the electric utility's authorized overall rate of return grossed up for taxes applicable to the equity portion of the authorized rate of return* and the revenues received from the prospective base program cost rate for the program for energy efficiency and conservation.

(b) The electric utility shall apply a carrying charge at the rate of 1/12 of the authorized overall rate of return to the unamortized balance in the subaccounts of FERC Account No. 182.3.

If, in any month, the balance in subaccount of FERC Account No. 182.3 is a debit, an adjustment amount must be calculated in an amount equal to the amount which exceeds the utility's last authorized rate of return that was used to set rates for the utility or any remainder after the rate of return has been applied to the carrying charge calculation for deferred energy pursuant to NAC 704.150.

Sec. 3. NAC 704.9524 is hereby repealed.

TEXT OF REPEALED SECTIONS

NAC 704.9524 Accounting for and recovery of amounts based on measurable and verifiable effects on revenue caused or created by implementation of programs for energy efficiency and conservation. (NRS 703.025, 704.210, 704.785)

1. An electric utility may recover an amount based on the measurable and verifiable effects on the revenue of the electric utility which are caused or created by the implementation of programs for energy efficiency and conservation described in the demand side plan of the electric utility and approved by the Commission pursuant to NAC 704.9494 as part of the action plan of the electric utility.

2. To recover an amount pursuant to subsection 1, an electric utility must:

(a) Establish and maintain a separate subsidiary record of the subaccounts of FERC Account No. 182.3 (Other Regulatory Assets) for the tracking, calculation and recovery of the lost revenue associated with the programs for energy efficiency and conservation that are described in the demand side plan of the electric utility and approved by the Commission pursuant to NAC 704.9494 as part of the action plan of the electric utility.

(b) At the time the utility files an annual deferred energy accounting adjustment application pursuant to subsection 3 of NRS 704.187:

(1) Apply to the Commission to establish the following period-specific rates:

(I) A prospective base lost revenue rate which is determined by allocating lost revenue to each customer class in the manner approved by the Commission in the most recent general rate case of the electric utility. The prospective base lost revenue rate for a customer class is an amount equal to the lost revenue allocated to the customer class pursuant to this sub-subparagraph divided by the projected kilowatt hour sales for that class for the relevant period.

(II) A deferred lost revenue rate to clear the period-specific balance over 12 months. The deferred lost revenue rate is an amount equal to the period-specific balance in the subaccount of FERC Account No. 182.3 for lost revenue associated with programs for energy efficiency and conservation for each class of customers divided by the applicable test period kilowatt hour sales.

(2) File a statement that reports the Nevada jurisdictional earned rate of return for each month of the test period for the electric utility. The Nevada jurisdictional earned rate of return must be calculated for each month of the test period on a 12-month average rate base. The statement must be accompanied by all subsidiary schedules, and any adjustments made thereto, necessary to support the calculations.

3. If the Nevada jurisdictional earned rate of return for the last month of the test period reported for an electric utility pursuant to subparagraph (2) of paragraph (b) of subsection 2 exceeds the rate of return last authorized by the Commission to set rates for the utility, the utility must, at the time the utility files the annual deferred energy accounting adjustment application pursuant to subsection 3 of NRS 704.187:

(a) File a statement that reports calculations of:

(1) The amount of revenue which caused the utility to exceed the rate of return last authorized by the Commission;

(2) A lost revenue adjustment, which must be recorded in a subaccount of FERC Account No. 254; and

(3) The carrying charges at a monthly rate of 1/12 of the authorized overall rate of return on the lost revenue adjustment calculated in subparagraph (2).

(b) Establish a rate of credits for lost revenue adjustments attributable to each class of service and which are identified pursuant to the information required to be maintained by subparagraph (4) of paragraph (a) of subsection 5. Any balance which remains in the subaccount of FERC Account No. 254 at the end of the amortization period must be transferred to the lost revenue subaccount of FERC Account No. 182.3 for the current period.

4. The sum of the lost revenue adjustment calculated in subparagraph (2) of paragraph (a) of subsection 3 and any adjustments for carrying charges made to the lost revenue subaccount of FERC Account No. 254 must not exceed the amount calculated pursuant to subparagraph (1) of paragraph (a) of subsection 3.

5. An electric utility shall account for period-specific lost revenue associated with a program for energy efficiency and conservation and revenue received from the period-specific base lost revenue rate in the following manner:

(a) On a monthly basis, the electric utility shall:

(1) Calculate the deferred lost revenue;

(2) Calculate the recorded revenue attributable to the base lost revenue rate;

(3) Record in the subaccount of FERC Account No. 182.3 the difference between estimated lost revenues and recorded revenue attributable to the base lost revenue rate; and

(4) Maintain sufficiently detailed information to identify the estimated lost revenues attributable to each class of service.

(b) The electric utility shall apply a carrying charge at the rate of 1/12 of the authorized overall rate of return to the unamortized balance in the lost revenue subaccount of FERC Account No. 182.3. If, in any month, the balance in the lost revenue subaccount of FERC Account No. 182.3 is a debit, an adjustment amount must be calculated in an amount equal to the amount which exceeds the utility's last authorized rate of return that was used to set rates for the utility or any remainder after the rate of return has been applied to the carrying charge calculation for deferred energy pursuant to NAC 704.150.

6. An electric utility shall:

(a) Perform by program by month by class the monitoring and verification of actual kilowatt hour and demand savings required by NAC 704.9522;

(b) Include with the demand side plan submitted by the utility pursuant to NAC 704.934 the information described in paragraph (a) for review and approval by the Commission; and

(c) Make any adjustments to the balancing account for lost revenue, including, without limitation, carrying charges, as are necessary to reflect the results of the review by the Commission of the information submitted pursuant to paragraph (b).

7. For the purposes of this section, "lost revenue adjustment" means the lesser of:

(a) The amount of revenue calculated as required by subparagraph (1) of paragraph (a) of subsection 3; or

(b) The estimated lost revenue recorded for the test period.