ADOPTED REGULATION OF THE

PUBLIC UTILITIES COMMISSION OF NEVADA

LCB File No. R055-18

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

AUTHORITY: §§1 and 2, NRS 703.025, 704.210, 704.741 and 704.7836; §§3 and 4, NRS 703.025, 704.210 and 704.785.

A REGULATION relating to electric utilities; establishing for electric utilities annual goals for energy savings resulting from energy efficiency programs; requiring the inclusion of certain information relating to energy efficiency and conservation in the demand side plan submitted by an electric utility to the Public Utilities Commission of Nevada; revising provisions relating to the recovery of costs based on the implementation by an electric utility of energy efficiency and conservation programs; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law requires the Public Utilities Commission of Nevada to establish, by regulation, goals for energy savings from energy efficiency programs implemented by an electric utility which are applicable to each electric utility in this State. (Section 10 of Senate Bill No. 150, chapter 591, Statutes of Nevada 2017, at page 4292 (NRS 704.7836)) **Section 1** of this regulation establishes the goal for energy savings for each electric utility for the period beginning January 1, 2022, and ending on December 31, 2024, and provides that the goal for energy savings for each electric utility after that period is an amount established by the Commission in an order denying, approving or modifying the most recent demand side plan included in the integrated resource plan submitted by the electric utility. **Section 1** also authorizes the Commission to modify a goal for energy savings.

Existing law requires an electric utility to submit an integrated resource plan every 3 years and to include in that integrated resource plan a demand side plan. (NRS 704.741; NAC 704.934) **Section 2** of this regulation requires the demand side plan to be cost effective as a whole. **Section 2** also establishes that the demand side plan must include: (1) an energy efficiency plan which complies with the requirements of existing law and which includes any additional goals for energy savings established by the Commission; and (2) a proposal for the expenditure of not less than 5 percent of the total expenditures related to energy efficiency and conservation programs on programs directed to low-income customers of the electric utility.

Existing regulations require a demand side plan to include a complete life cycle analysis of the costs and benefits of certain energy efficiency and conservation programs which reduce the consumption of electricity or any fossil fuel using the Total Resource Cost Test. (NAC 704.934) **Section 2** eliminates the requirement to use the Total Resource Cost Test for this

purpose and instead requires an electric utility to use at least one standard test of cost effectiveness that accounts for the nonenergy benefits of a program.

Existing regulations authorize an electric utility, subject to the authorization of the Commission, to recover the cost of financial incentives to support the promotion of the participation of the customers of the electric utility in programs for energy efficiency and conservation. (NAC 704.95225) **Section 3** of this regulation removes the authorization for the Commission to permit electric utilities to recover the cost of these financial incentives.

Existing law authorizes the Commission to remove financial disincentives which discourage an electric utility from implementing or promoting participation in energy efficiency and conservation programs by including a rate adjustment mechanism to ensure that the revenue per customer authorized in a general rate application is recovered without regard to the difference in the quantity of electricity actually sold by the electric utility. (NRS 704.785) **Section 4** of this regulation provides that, if such a rate adjustment is authorized by the Commission, certain provisions of regulation relating to the amount recoverable by an electric utility for the costs of implementing programs for energy efficiency and conservation do not apply.

Section 1. Chapter 704 of NAC is hereby amended by adding thereto a new section to read as follows:

1. Pursuant to NRS 704.7836, the goal for energy savings established by the Commission for each electric utility is:

(a) For the period beginning on January 1, 2022, and ending on December 31, 2024, an amount of energy savings resulting from the implementation of energy efficiency programs by the electric utility that results in an average reduction during the period of 1.1 percent of the forecasted weather normalized sales of the electric utility for the period.

(b) For any period beginning on or after January 1, 2025, an amount of energy savings resulting from the implementation of energy efficiency programs that is established by the Commission in an order denying, approving or modifying the most recent demand side plan submitted by the electric utility pursuant to NAC 704.934.

2. The Commission may modify a goal for energy savings established pursuant to subsection 1 in an order granting, denying or modifying a petition submitted pursuant to NAC 703.540.

3. As used in this section:

(a) "Energy efficiency program" has the meaning ascribed to it in NRS 704.7833.

(b) "Energy savings" has the meaning ascribed to it in NRS 704.7834.

Sec. 2. NAC 704.934 is hereby amended to read as follows:

704.934 1. As part of its resource plan, a utility shall submit a demand side plan ~~[.]~~ ***that is cost effective as a whole.***

2. The demand side plan must include:

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

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

(c) An assessment of technically feasible programs to determine which will produce benefits in peak demand or energy consumption. The 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.

(d) An energy efficiency plan which complies with the requirements of NRS 704.7836, and which includes any additional goals for energy savings established by the Commission.

3. In creating its demand side plan, a utility shall consider the impact of applicable new technologies on current and future energy efficiency and conservation options. The consideration

of new technologies must include, without limitation, consideration of the potential impact of advances in digital technology and computer information systems.

4. A utility shall include in its demand side plan an energy efficiency program for residential customers which reduces the consumption of electricity or any fossil fuel. The energy efficiency program must include, without limitation, the use of new solar thermal energy sources.

5. The demand side plan must provide a list of the programs for which the utility is requesting the approval of the Commission. The list must include, without limitation:

(a) An estimate of the reduction in the peak demand and energy consumption that would result from each proposed program, in kilowatt-hours and kilowatts saved. The programs must be listed according to their expected savings and their contribution to a reduction in peak demand and energy 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 utility's load shapes of each proposed and existing program for energy efficiency and conservation.

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

6. For any energy efficiency or conservation program which reduces the consumption of electricity or any fossil fuel, a utility shall include in its demand side plan a complete life-cycle analysis of the costs and benefits of the program using ~~[the Total Resource Cost Test.]~~ ***at least one standard test of cost effectiveness that accounts for the nonenergy benefits of the program.***

7. The utility shall include with its demand side plan a report on the status of all programs for energy efficiency and conservation that have been approved by the Commission. The report must include tables for each such program showing, for each year, the planned and achieved reduction in kilowatt-hours, the reduction in kilowatts and the cost of the program.

8. ***Not less than 5 percent of the total expenditures related to energy efficiency and conservation programs in the demand side plan must be directed to energy efficiency and conservation programs for low-income customers of the electric utility.***

9. On or before July 1 of each year following the filing of its resource plan, the utility shall file with the Commission a copy of the complete analysis that the utility used in determining for the upcoming year which energy efficiency and conservation programs are to be continued and which programs are to be cancelled. Within 180 days after the analysis is filed, the Commission will accept the analysis as filed, accept the analysis with modification or reject the analysis.

~~[9.]~~ ***10.*** As used in this section:

(a) ***"Energy efficiency and conservation program" has the meaning ascribed to it in NRS 704.7366.***

(b) "Energy savings" has the meaning ascribed to it in NRS 704.7834.

(c) "New solar thermal energy sources" means energy sources which are installed after the effective date of the utility's energy efficiency program and which reduce the consumption of electricity or any fossil fuel by using solar radiation to heat water or to provide space heating or cooling.

~~[(b) "Total Resource Cost Test" means a method of determining the overall economic efficiency of a demand management program from the perspective of society by measuring the~~

~~net costs of the program based on its total costs, including, without limitation, the costs to both participants and the utility.]~~

Sec. 3. 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 paragraph (a) of subsection 2 of NAC 704.9523; and

(b) An amount equal to the costs reasonably incurred by the electric utility in implementing and administering the programs for energy efficiency and conservation multiplied by the electric utility's authorized overall rate of return grossed up for taxes applicable to the utility's equity portion of the authorized rate of return, which is recovered pursuant to paragraph (b) of subsection 2 of 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 programs for energy efficiency or conservation financial incentives to support the promotion of the participation of the customers of the electric utility in programs for energy efficiency or conservation. Financial incentives must 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. 4. NAC 704.9523 is hereby amended to read as follows:

704.9523 1. All costs of implementing programs for energy efficiency and conservation calculated pursuant to paragraph (a) of subsection 2 and the amounts calculated pursuant to paragraph (b) of subsection 2 must be accounted for in the books and records of an electric utility separately from costs and amounts attributable to any other activity. All accounts must be maintained in a manner that will allow costs and amounts attributable to specific programs to be readily identified.

2. An electric utility may, pursuant to subsection 3, recover:

(a) 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.

(b) An amount equal to the costs calculated pursuant to paragraph (a) multiplied by the electric utility's authorized overall rate of return grossed up for taxes applicable to the utility's equity portion of the authorized rate of return.

3. To recover the reasonably incurred costs of implementing programs for energy efficiency and conservation calculated pursuant to paragraph (a) of subsection 2 and the amounts calculated pursuant to paragraph (b) of subsection 2, 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 calculated pursuant to paragraph (a) of subsection 2 and amounts calculated pursuant to paragraph (b) of subsection 2 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, 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]~~ ***Except as otherwise provided in subsection 8, 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 electric utility, the electric utility must, at the time the electric 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 electric utility to exceed the rate of return last authorized by the Commission;

(2) An adjustment to the amount calculated pursuant to paragraph (b) of subsection 2; and

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

(b) Establish a rate of credits for adjustments calculated pursuant to subparagraph (2) of paragraph (a) attributable to each class of service and which are identifiable from the information maintained in accordance with paragraph (a) of subsection 3.

5. ~~[An]~~ ***Except as otherwise provided in subsection 8, an*** electric utility must:

(a) Record any adjustment calculated pursuant to subparagraph (2) of paragraph (a) of subsection 4 in a subaccount of FERC Account No. 254.

(b) Transfer any balance which remains in the subaccount of FERC Account No. 254 at the end of the amortization period to the appropriate subaccount of FERC Account No. 182.3 for the current period.

(c) Maintain sufficiently detailed information to identify the amount of the adjustment attributable to each class of service.

6. ~~[The]~~ ***Except as otherwise provided in subsection 8, the*** sum of the adjustment calculated pursuant to 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 of revenue calculated pursuant to subparagraph (1) of paragraph (a) of subsection 4.

7. An electric utility shall account for period-specific costs incurred to implement a program for energy efficiency and conservation calculated pursuant to paragraph (a) of subsection 2, amounts calculated pursuant to paragraph (b) of subsection 2 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, amounts calculated pursuant to paragraph (b) of subsection 2 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 a 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 electric utility's last authorized rate of return that was used to set rates for the electric 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.

8. If the Commission authorizes a rate adjustment mechanism for an electric utility pursuant to paragraph (b) of subsection 1 of NRS 704.785, the provisions of subsections 4, 5 and 6 do not apply to the electric utility.