

**PROPOSED REGULATION OF THE
PUBLIC UTILITIES COMMISSION OF NEVADA**

LCB File No. R198-09

September 13, 2010

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

AUTHORITY: §§1 and 3, NRS 703.025, 704.210 and 704.7828; §§2, 5-8, 10, 11 and 13-15, NRS 703.025, 704.210, 704.7821 and 704.7828; §4, NRS 703.025, 704.210, 704.7825 and 704.7828; §9, NRS 703.025, 704.210, 704.7821, 704.7825 and 704.7828; §12, NRS 703.025, 704.210, 704.7828 and 704B.200.

A REGULATION relating to energy; revising portfolio standards for various providers of electric service; revising portfolio standard requirements relating to kilowatt-hours, portfolio energy credits and compliance requirements; revising provisions relating to administrative fines; revising the information required in various annual reports; revising certain procedures relating to noncompliance with a portfolio standard; providing a process for certifying various portfolio energy credits of a provider of new electric resources during peak load periods; and providing other matters properly relating thereto.

Section 1. NAC 704.8871 is hereby amended to read as follows:

704.8871 1. Except as otherwise provided in NAC 704.8831 to 704.8899, inclusive ~~of~~
~~each~~:

(a) *Each utility* provider shall comply with its portfolio standard during each compliance year by generating, acquiring or saving electricity from a portfolio energy system or efficiency measure in the amounts required by NRS 704.7821 for that compliance year ~~of~~;

(b) *For all energy, capacity or ancillary services made available by a provider of new electric resources pursuant to an agreement entered into before July 1, 2009, each provider of new electric resources shall comply with its portfolio standard during each compliance year by*

generating, acquiring or saving electricity from a portfolio energy system or efficiency measure in the amounts required by NRS 704.7821 for that compliance year; and

(c) For all energy, capacity or ancillary services made available by a provider of new electric resources pursuant to an agreement entered into on or after July 1, 2009, each provider of new electric resources shall comply with its portfolio standard during each compliance year by generating, acquiring or saving electricity from a portfolio energy system or efficiency measure in the amounts required by NRS 704.78213 for that compliance year.

2. Each provider has the burden to prove that it complied with its portfolio standard during each compliance year.

3. *As used in this section, “provider of new electric resources” has the meaning ascribed to it in NRS 704B.130.*

Sec. 2. NAC 704.8875 is hereby amended to read as follows:

704.8875 In calculating the total number of kilowatt-hours that a provider generates, acquires or saves from portfolio energy systems or efficiency measures during a compliance year, the provider may use the following kilowatt-hours if the provider has complied with all requirements for inclusion of the kilowatt-hours in its calculation:

1. Any kilowatt-hours generated by the provider from its own renewable energy systems during the compliance year;
2. Any kilowatt-hours acquired or saved by the provider during the compliance year pursuant to preexisting renewable energy contracts or energy efficiency contracts;
3. Any kilowatt-hours acquired or saved by the provider during the compliance year pursuant to new renewable energy contracts or energy efficiency contracts;

4. Any equivalent kilowatt-hours attributable to the provider during the compliance year from solar thermal systems;

5. Any excess kilowatt-hours fed back to the provider during the compliance year from net metering systems used by customer-generators pursuant to NRS 704.766 to 704.775, inclusive;

6. Any kilowatt-hours saved during the compliance year as a result of an energy efficiency measure, subject to the limitations set forth in NRS 704.7821 ~~(4)~~ and **704.78213, as applicable;**
and

7. Any kilowatt-hours that the provider is authorized to carry forward from previous compliance years.

Sec. 3. NAC 704.8877 is hereby amended to read as follows:

704.8877 1. Not later than April 1 of each compliance year, each provider shall submit to the Regulatory Operations Staff and the Bureau of Consumer Protection:

(a) The total number of kilowatt-hours sold by the provider to its retail customers in this State during the most recently completed compliance year. For compliance year 2003, calendar year 2002 shall be deemed to be the most recently completed compliance year for the purposes of this paragraph.

(b) The estimated number of kilowatt-hours that the provider expects to sell to its retail customers in this State during the current compliance year.

(c) The estimated number of kilowatt-hours that the provider must generate, acquire or save from portfolio energy systems or efficiency measures to comply with its portfolio standard for the current compliance year, as calculated by the provider pursuant to subsection 2.

2. To calculate the estimated number of kilowatt-hours that the provider must generate, acquire or save from portfolio energy systems or efficiency measures to comply with its portfolio

standard for the current compliance year, the provider must multiply the estimated number of kilowatt-hours that the provider expects to sell to its retail customers in this State during the current compliance year by the required percentage that is set forth ~~##~~ *pursuant to* NRS 704.7821 *or 704.78213, as applicable*, for the current compliance year.

3. ~~##~~ *Except as otherwise provided in NRS 704.7828, if* the total number of kilowatt-hours that the provider generates, acquires or saves from portfolio energy systems or efficiency measures for the current compliance year is equal to or exceeds the estimated number of kilowatt-hours as calculated by the provider pursuant to subsection 2, the Commission will not impose an administrative fine or take other administrative action against the provider for that compliance year.

Sec. 4. NAC 704.8879 is hereby amended to read as follows:

704.8879 1. Beginning with compliance year 2004, not later than April 1 of each compliance year, each provider shall submit to the Commission an annual report that sets forth all the information required by this section.

2. The annual report must set forth:

(a) The capacity of each renewable energy system owned, operated or controlled by the provider, the total number of kilowatt-hours generated by each such system during the most recently completed compliance year and the percentage of that total amount which was generated directly from renewable energy.

(b) Whether, during the most recently completed compliance year, the provider began construction on, acquired or placed into operation any renewable energy system and, if so, the date of any such event.

(c) The total number of kilowatt-hours sold by the provider to its retail customers in this State during the most recently completed compliance year.

(d) The total number of kilowatt-hours that the provider generated, acquired or saved from portfolio energy systems or efficiency measures during the most recently completed compliance year and, from that total number of kilowatt-hours, subtotals for the number of kilowatt-hours:

(1) Generated or saved by the provider from its own portfolio energy systems or efficiency measures;

(2) Acquired by the provider pursuant to preexisting renewable energy contracts;

(3) Acquired by the provider pursuant to new renewable energy contracts;

(4) Acquired or saved by the provider pursuant to new energy efficiency contracts;

(5) Attributable to the provider from solar thermal systems;

(6) Fed back to the provider from net metering systems used by customer-generators pursuant to NRS 704.766 to 704.775, inclusive; *and*

(7) ~~Carried forward by the provider from previous compliance years; and~~

~~(8)~~ Saved by the provider as a result of energy efficiency measures installed at service locations of residential customers of the provider for the purposes of paragraph (b) of subsection 2 of NRS 704.7821.

(e) The total number of kilowatt-hours that the provider intends to carry forward :

(1) *As excess* from the most recently completed compliance year ~~1~~;

(2) *As excess from previous compliance years, indicating the amount from each separate year;*

(3) *As deficiencies from the most recently completed compliance year; and*

(4) As deficiencies from previous compliance years, indicating the amount from each separate year.

(f) The estimated number of kilowatt-hours that the provider expects to sell to its retail customers in this State during the current compliance year.

(g) The estimated number of kilowatt-hours that the provider must generate, acquire or save from portfolio energy systems or efficiency measures to comply with its portfolio standard for the current compliance year, as calculated by the provider pursuant to NAC 704.8877.

(h) If the provider is a utility provider, the estimated costs for the utility provider to comply with its portfolio standard for the current compliance year. If appropriate, the utility provider must report such estimated costs for each major type of cost, such as general and administrative costs and costs for purchased power.

3. In the annual report, the provider must make an affirmative showing that the provider complied with its portfolio standard during the most recently completed compliance year. If the provider did not comply with its portfolio standard during the most recently completed compliance year, in the annual report the provider must:

- (a) Make a detailed explanation for its noncompliance; and
- (b) Provide any information that would support an exemption for the provider from any administrative fine or other administrative action.

4. If, to comply with its portfolio standard during the most recently completed compliance year, the provider acquired any kilowatt-hours from a renewable energy system that is not owned, operated or controlled by the provider, the annual report must include an attestation from the owner or operator of the renewable energy system that the energy represented by those kilowatt-hours:

(a) Has not been and will not be sold or otherwise exchanged for compensation or used for credit in any other state or jurisdiction; and

(b) Has not been and will not be included within a blended energy product certified to include a fixed percentage of renewable energy in any other state or jurisdiction.

Sec. 5. NAC 704.8881 is hereby amended to read as follows:

704.8881 1. Not later than 30 days after the date on which a provider submits its annual report, the Commission will issue an order stating whether the provider complied with its portfolio standard during the most recently completed compliance year.

2. If the Commission determines that the provider complied with its portfolio standard during the most recently completed compliance year, the Commission will determine whether the provider is authorized to carry forward any excess kilowatt-hours ~~[from that compliance year.]~~ *pursuant to NRS 704.7828*. If the Commission determines that the total number of kilowatt-hours which the provider generated, acquired or saved from portfolio energy systems or efficiency measures during the most recently completed compliance year exceeded the total number of kilowatt-hours which the provider needed to comply with its portfolio standard for that compliance year:

(a) The Commission will state in its order the number of excess kilowatt-hours which the provider is authorized to carry forward from that compliance year; and

(b) The provider may use those excess kilowatt-hours to comply with its portfolio standard for ~~[the 4 compliance years immediately following that]~~ *any following* compliance year.

3. If the Commission determines that the provider did not comply with its portfolio standard during the most recently completed compliance year, the Commission will:

(a) State in its order the number of kilowatt-hours by which the provider failed to comply with its portfolio standard; and

(b) Issue a notice of noncompliance and schedule a hearing on the matter.

4. At the hearing, the provider has the burden to prove that it complied with its portfolio standard during the most recently completed compliance year.

5. Except as otherwise provided in NAC 704.8831 to 704.8899, inclusive, if, after the hearing, the Commission determines that the provider did not comply with its portfolio standard during the most recently completed compliance year, *and the Commission has not exempted the provider pursuant to NRS 704.7821*, ~~[the Commission may impose an administrative fine that is assessed against the provider on each kilowatt-hour by which the provider failed to comply with its portfolio standard or take other administrative action against the provider, or do both.]~~ *will:*

(a) Proceed pursuant to NRS 704.7828; and

(b) In any order requiring a provider to carry forward a deficiency, set forth the terms and conditions for resolution of the deficiency.

6. *While resolving any deficiency, a provider shall continue to meet portfolio standards for its current compliance year.*

7. In determining whether to impose an administrative fine or take other administrative action against the provider, the Commission will consider whether the provider should have built its own renewable energy systems to comply with its portfolio standard.

~~[7.]~~ 8. If the Commission imposes an administrative fine that is assessed against a provider on each kilowatt-hour by which the provider failed to comply with its portfolio standard, the Commission will calculate the administrative fine, on a per kilowatt-hour basis:

(a) For a utility provider, in an amount that is not less than the difference between the just and reasonable average cost per kilowatt-hour to acquire or save electricity pursuant to renewable energy contracts or energy efficiency contracts and the overall average cost per kilowatt-hour to generate, acquire and save electricity that is incurred by the utility provider.

(b) For a nonutility provider, in an amount that is not less than the difference between the just and reasonable average cost per kilowatt-hour to acquire or save electricity pursuant to renewable energy contracts or energy efficiency contracts and the overall average cost per kilowatt-hour to generate, acquire and save electricity that is incurred by a utility provider designated by the Commission.

Sec. 6. NAC 704.8903 is hereby amended to read as follows:

704.8903 “Administrator” means the person appointed by the Commission to administer the system of portfolio energy credits established pursuant to NRS 704.7821 ~~and~~ *and 704.78213*.

Sec. 7. NAC 704.8919 is hereby amended to read as follows:

704.8919 Portfolio energy credits may be used to comply with a portfolio standard established by the Commission pursuant to NRS 704.7821 ~~and~~ *or 704.78213, as applicable*.

Sec. 8. NAC 704.8921 is hereby amended to read as follows:

704.8921 1. A portfolio energy system or efficiency measure or an owner of portfolio energy credits who wishes to participate in the system of portfolio energy credits established pursuant to NRS 704.7821 *or 704.78213, as applicable*, must apply to, and be approved by, the Commission to participate in the system.

2. The application must include:

(a) The legal name of the applicant and all other names under which the applicant is doing business in the United States.

- (b) The telephone number, mailing address and electronic mail address of the applicant.
- (c) A copy of each business license and certificate issued by this State or any local government of this State which authorizes the applicant to conduct business in this State.
- (d) The name, telephone number, address and electronic mail address of the designated representative, if the applicant is a renewable energy system.
- (e) A map indicating the location of the portfolio energy system or efficiency measure and an electrical one-line diagram indicating the system's interconnection points with the local distribution or transmission system and the location of all generation units, if applicable.
- (f) The type of portfolio energy system or efficiency measure.
- (g) The rating of the electrical capacity of the renewable energy system.
- (h) The date the portfolio energy system or efficiency measure was placed in service.
- (i) The estimated yearly generation or savings of electricity by the portfolio energy system or efficiency measure in kilowatt-hours.
- (j) The location and type of metering used by the portfolio energy system or efficiency measure, including either the identification of primary metering and secondary metering at multiple sites or a measurement and verification plan.
- (k) If fossil fuel is used as an energy source to generate electricity, the percentage that fossil fuel bears to the total input of the renewable energy system. If the percentage of fossil fuel is more than 2 percent of the total input, as measured in British thermal units, a statement that indicates whether separate metering is practical.
- (l) Proof that the applicant is a portfolio energy system or efficiency measure or an owner of portfolio energy credits.

(m) A signature page signed by an authorized agent of the portfolio energy system or efficiency measure which states that the portfolio energy system or efficiency measure consents to the jurisdiction of the Commission for the purposes of participating in the system of portfolio energy credits.

3. If there is a change in any information contained in the application, the applicant shall notify the Commission and provide the revised information within 30 days after the change in the information occurs.

Sec. 9. NAC 704.8923 is hereby amended to read as follows:

704.8923 1. Each portfolio energy system or efficiency measure or owner of portfolio energy credits who is authorized by the Commission to participate in the system of portfolio energy credits shall, not later than 30 days after the last day of the month in the calendar quarter, submit to the Commission or Administrator each calendar quarter information concerning the purchase or sale of portfolio energy credits. The amount of electricity reported in the information submitted to the Commission or Administrator must be generated solely from, or purchased and attributable to, a portfolio energy system or efficiency measure which is authorized by the Commission to participate in the system of portfolio energy credits pursuant to NAC 704.8921.

2. Each *utility* provider ~~[of electric service]~~ shall, not later than 30 days after the end of the calendar quarter, submit to the Administrator a quarterly report which includes the amount of renewable energy and the number of portfolio energy credits purchased from each renewable energy system. The report must be submitted on a form prescribed by the Administrator.

Sec. 10. NAC 704.8927 is hereby amended to read as follows:

704.8927 1. Except as otherwise provided in NAC 704.8893, electricity generated by a renewable energy system which is authorized to participate in the system of portfolio energy

credits must be metered and the renewable energy system shall submit meter readings quarterly to the Commission.

2. Except as otherwise provided in subsections 3 to 12, inclusive, the Administrator shall certify portfolio energy credits to a portfolio energy system or efficiency measure for:

(a) The net metered output of electricity in kilowatt-hours delivered to the transmission system or the distribution system and sold to a provider of electric service. The net metered output must be provided to the Administrator by the entity that owns, operates or controls the meters used to monitor the net metered output of electricity of the renewable energy system.

(b) The difference between the metered generation of electricity in kilowatt-hours and the net metered output of electricity set forth in paragraph (a). Unless otherwise provided for in a contract for renewable energy, the portfolio energy credits certified by the Administrator pursuant to this paragraph must be awarded to the owner of the renewable energy system.

3. The Administrator shall certify portfolio energy credits for the line loss factor of:

(a) A customer-maintained distributed renewable energy system by multiplying the metered number of kilowatt-hours generated and used by the customer who is served by the customer-maintained distributed renewable energy system by a factor of 1.05; and

(b) An energy efficiency measure by multiplying the number of kilowatt-hours saved by the energy efficiency measure by a factor of 1.05.

4. The Administrator shall certify portfolio energy credits for participants in the Solar Energy Systems Incentive Program created in NRS 701B.240 by multiplying the actual kilowatt-hours produced by the solar renewable energy system by a factor of 2.4.

5. The Administrator shall certify portfolio energy credits for solar photovoltaic systems described in NRS 704.7822 by multiplying the actual kilowatt-hours produced by the solar renewable energy system by a factor of 2.4.

6. The Administrator shall certify portfolio energy credits for a system that uses a reverse polymerization process described in NRS 704.7823 by multiplying the actual kilowatt-hours produced by the renewable energy system by a factor of 0.7.

7. The Administrator shall certify portfolio energy credits for electricity saved by a utility provider *or provider of new electric resources* during its peak load periods, as defined in the ~~[utility provider's]~~ *applicable* approved tariffs, from energy efficiency measures described in NRS 704.7802, by multiplying each kilowatt-hour of electricity saved by the utility provider during its peak load period from energy efficiency measures by a factor of 2.0.

8. A solar thermal energy system may use a thermal energy meter to measure the amount of energy generated by the system. The system will be credited with 1 kilowatt-hour of electricity generated for each 3,412 British thermal units of heat generated by the solar thermal energy system.

9. Except as otherwise provided in this subsection, the energy, measured in British thermal units, generated by a geothermal energy system providing heated water to one or more customers must be calculated as $(F \times T) \times 500$, less the system losses as calculated by a professional engineer and accepted by the Administrator, where:

(a) "F" equals the flow rate, measured in gallons per minute; and

(b) "T" equals the change in temperature across a heat exchanger or system, measured by the difference in temperature of the incoming fluid in degrees Fahrenheit and the temperature of the outgoing fluid in degrees Fahrenheit after it has passed through the heat exchanger or system.

↪ For heat exchangers used by end-use customers, it is assumed that no system losses occur, and no calculation of system losses by a professional engineer is required.

10. A net metering system will be credited annually with portfolio energy credits based upon the amount of metered electricity generated by the system or, if metering is not used, upon an estimate of the electricity generated by the net metering system by using the method of calculation designated by the Regulatory Operations Staff of the Commission for a solar energy system which does not use a meter to measure the generation of electricity of the system.

11. The portfolio energy credits generated by a net metering system must be assigned to the owner of the net metering system, unless the provisions of paragraph (a) of subsection 3 of NRS 704.775 apply, or another allocation of the portfolio energy credits is provided for in a written agreement between the utility provider and the owner of the net metering system.

12. If the Administrator is required by subsections 4 to 7, inclusive, to apply a multiplier in certifying portfolio energy credits for a portfolio energy system or efficiency measure and he determines that more than one multiplier may be applicable to the portfolio energy system or efficiency measure, the Administrator shall only apply the largest applicable multiplier in certifying the portfolio energy credits.

13. As used in this section:

(a) “Customer-maintained distributed renewable energy system” means a facility or energy system which:

- (1) Is used and maintained by an end-use customer;
- (2) Uses renewable energy to generate electricity;
- (3) Does not use the utility’s system to transmit or distribute electricity; and
- (4) Uses a meter and other equipment to:

(I) Measure the electricity generated by the energy system; and

(II) Reduce part, but not more than all, of the electrical load of the customer.

(b) “Geothermal energy system” means an energy system that provides geothermally heated water to one or more customers and reduces the consumption of electricity or any fossil fuel.

(c) “Reverse polymerization process” has the meaning ascribed to it in NRS 704.7823.

(d) “Solar thermal energy system” means a renewable energy system that uses solar energy for the purpose of producing heat to reduce directly the consumption of electricity, natural gas or propane.

Sec. 11. NAC 704.8931 is hereby amended to read as follows:

704.8931 ~~[1.—Portfolio energy credits certified by the Administrator pursuant to NAC 704.8927 expire 4 years after the compliance year in which the portfolio energy credits are certified.~~

~~—2.]~~ The Administrator shall establish and maintain a website on the Internet to provide information concerning transactions for the registration, certification, trading and retiring of portfolio energy credits.

~~[3.—As used in this section, “compliance year” has the meaning ascribed to it in NAC 704.8839.]~~

Sec. 12. Chapter 704B of NAC is hereby amended by adding thereto a new section to read as follows:

In meeting a portfolio standard established pursuant to NRS 704.78213, a provider of new electric resources shall comply with any applicable requirements regarding portfolio standards, including, without limitation, any applicable requirements pursuant to NRS

704.7801 to 704.7828, inclusive, and NAC 704.8831 to 704.8899, inclusive, and 704. 8901 to 704.8939, inclusive.

Sec. 13. Section 6 of LCB File No. R104-07, which was adopted by the Public Utilities Commission of Nevada and was filed with the Secretary of State of January 30, 2008, is hereby amended to read as follows:

Sec. 14. 1. This section and sections 1, 2 and 4 of this regulation become effective upon filing with the Secretary of State.

2. ~~{Sections 2 and 4}~~ *Section 2* of this regulation ~~{expire}~~ *expires* by limitation on June 30, 2010.

3. ~~{Sections 3 and 5}~~ *Section 3* of this regulation ~~{become}~~ *becomes* effective on July 1, 2010.

Sec. 15. Section 28 of LCB File No. R175-07, which was adopted by the Public Utilities Commission of Nevada and was filed with the Secretary of State of April 17, 2008, is hereby amended to read as follows:

Sec. 28. Section 44 of LCB File No. R167-05, which was adopted by the Public Utilities Commission of Nevada and was filed with the Secretary of State on February 23, 2006, is hereby amended to read as follows:

Sec. 44. 1. This section and sections 1 to 23, inclusive, 25 to 29, inclusive, and 31 to 43, inclusive, of this regulation become effective on February 23, 2006.

2. Sections 23 ~~{, 29}~~ and 36 of this regulation expire by limitation on June 30, 2010.

3. Section 24 of this regulation becomes effective on July 1, 2010.

Sec. 16. Section 29 of LCB File No. R175-07, which was adopted by the Public Utilities Commission of Nevada and was filed with the Secretary of State of April 17, 2008, is hereby amended to read as follows:

Sec. 29. 1. NAC 704.8939 is hereby repealed.

2. Section 29 of LCB File No. R210-03, which was adopted by the Public Utilities Commission of Nevada and was filed with the Secretary of State on May 21, 2004, ~~and~~ section 30 of LCB File No. R167-05, which was adopted by the Public Utilities Commission of Nevada and was filed with the Secretary of State on February 23, 2006, *and section 5 of LCB File No. 104-07, which was adopted by the Public Utilities Commission of Nevada and was filed with the Secretary of State on January 30, 2008,* are hereby repealed.