LCB File No. R050-09

PROPOSED REGULATION OF THE PUBLIC UTILITIES COMMISSION OF NEVADA

Docket No. 08-02037

July 1, 2009

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

Section 1. Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as section 2-4 of this regulation.

Sec. 2. ***1. The utility shall include in its resource plan 20-year forecasts of the price and availability of all fuels used for its generating plants. These forecasts must be based on projected supply and demand assumptions for these fuels for the region covered by the Western Electric Coordinating Council. The forecasts should indicate the price and availability of these fuels from each of the supply regions from which the utility purchases or expects to purchase the fuels.***

2. The utility shall include in its resource plan 20-year forecasts of the availability and price of purchased power within the Western Electric Coordinating Council. These forecasts must be based on a regional production cost model and shall include prices and should include the availability of purchased power from each supply point that is or will be available to the utility for power procurement during the 20-year planning period.

Sec. 3. ***1. On or before August 15 of each year, the utility shall file with the Commission an annual conservation and demand management project update report.***

2. The utility shall include the following in the annual conservation and demand management project update report:

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a) A copy of the complete analysis the utility used to determine for the upcoming year which conservation and demand management programs are to be implemented, continued, modified and or terminated. The analysis must include for each program, without limitation:

(1) A description of the program;

(2) Proposed new programs, program modifications, and programs the utility requests authority to terminate:

(3) Program goals, objectives and targets for savings;

(4) The level of participation for the program;

(5) A detailed description of the manner of evaluating and monitoring the program;

(6) Verification of activities and results of savings of the program, including, without limitation, the total resource cost test results based on actual program performance;

(7) Estimated savings, including without limitation, estimated environmental benefits;

(8) A description of difficulties encountered and recommended solutions;

(9) A detailed description of the costs incurred during the reporting period, separated by program and category, such as marketing, variable and fixed labor, variable and fixed materials and any incentive payment;

(10) A table listing the proposed budget and proposed targets fore each program for the following program year;

(11) A table listing each project by estimated kilowatt hour savings, including without limitation, information regarding demand savings, expected life, lifetime savings, and total resource costs test cost/benefit ration; and

(12) Any other information 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.

b) A list of the latest accepted budgets for each conservation and demand management program included in the report;

c) A list of the proposed budgets for each conservation and demand management program to be continued for the following year and requests for acceptance of these budgets;

d) Summary tables for each program that provide the following information:

(1) The accepted program budget versus program expenditures;

(2) A revised budget if applicable;

(3) The projected kilowatt and kilowatt hour savings versus the actual kilowatt and kilowatt hour savings;

(4) Program participation rates by market segment;

(5) The accepted Total Resource Cost ratios and revised Total Resource Cost ratios; and

(6) Conservation and demand management programs that consist of multiple components shall provide items i-v above for each program component and for the entire program;

e) For each conservation and demand management program accepted since the last triennial resource plan was filed, a status report indicating whether each conservation and demand management program's estimated implementation and evaluation time-line is on schedule. For each conservation and demand management program that is not on schedule, the utility shall provide an update to the estimated implementation and evaluation time-line.

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3. The Report shall include a utility's DSM surcharge application. The DSM surcharge application shall include all implementation costs incurred during the twelve-month test period ending December 31.

Sec. 4. ***The present worth of future requirements for revenue must include a reasonable range of costs associated with emissions, including without limitation, greenhouse gases, which by law or regulation are or will be costs to the utility.***

Sec. 5. NAC 704.9069 is hereby amended to read as follows:

704.9069 "Financial plan" means a plan that demonstrates the financial impact***, including the rate impact and the ability to be financed,*** of the preferred plan ***and the top five alternative conservation and demand management options and supply options to the preferred plan*** of a utility on the utility and its customers.

Sec. 6. NAC 704.9152 is hereby amended to read as follows:

704.9152 "Preferred plan" means the selection by a utility of its ***integrated*** preferred ***conservation and demand management options and*** supply options for a 20-year period.

Sec. 7. NAC 704.9225 is hereby amended to read as follows:

704.9225 1. A utility's resource plan must ***include*** ~~[contain a series of]~~ forecasts of the peak demand and annual energy consumption***. The forecasts must*** ~~[that]~~ represent the range of future load which its system may be required to serve. The range of future peak demand and energy consumption must be based upon and consistent with the upper and lower limits of expected economic***, technological*** and demographic change in the utility's service territory in the next 20 years~~[,]~~***. The forecast period shall be 20 years and shall*** commence ~~[ing]~~ with the year following the year in which the resource plan is filed***. The following forecasts must be included with a utility's resource plan or amendment to a resource plan*** ~~[, as follows]~~:

(a) A forecast of high growth;

(b) A forecast of base growth; and

(c) A forecast of low growth.

2. In each of the forecasts described in subsection 1, the utility shall account for customer response to changes in the prices of electric energy and substitute energy sources and to the impacts of existing and proposed programs undertaken by the utility or required by ***federal, state or local*** governmental ***statute and*** regulation to alter current energy use patterns.

3. To the extent data is available, peak demand must be forecasted before accounting for the effects of cogeneration***, customer owned generation, renewable energy sources, distributed generation and energy efficiency programs***.

4. The utility shall maintain internal consistency among its forecasts ***within the entire resource planning process***. The forecast of peak demand must be consistent with the forecast of energy consumption and must be based on data which is normalized for weather pursuant to NAC 704.9245.

Sec. 8. NAC 704.923 is hereby amended to read as follows:

704.923 The periods that must be covered by the utility's resource plan are as follows:

1. For historical data, the 10-year period preceding the year in which the resource plan is filed. If estimated data are used, the utility shall identify such data and describe the procedure by which the estimates were made.

2. For the forecasts of peak demand and energy consumption, the 20-year period ***commencing*** ~~[beginning]~~ with the year ***following the year*** in which the resource plan is filed.

3. In addition to the periods listed in sections 1 and 2 above, a utility may provide for consideration data and forecasts from additional periods.

Sec. 9. NAC 704.925 is hereby amended to read as follows:

704.925 1. A utility's resource plan must include forecasts of energy consumption and the peak demand for summer and winter for the system, ***including forward sales and sales of related options,*** disaggregated by rate ***class*** ~~[schedule]~~, for the 20-year period beginning with the year following the year in which the resource plan is filed. The utility may combine rate schedules if necessary to protect the confidentiality of individual customers.

2. The utility shall identify components of residential and commercial energy and demand for which initiatives for conservation and demand management are applicable. The utility shall include in its forecast an assessment of the impacts of such initiatives on the identified components and on overall levels of energy consumption and demand by residential and commercial customers.

3. The utility's forecast must include:

(a) Estimated annual losses of energy on the system for the 20-year period of the resource plan; ~~[and]~~

(b) Estimated annual energy to be used by the utility for the 20-year period of the resource plan~~[.]~~ ***; and***

(c) Estimated annual forward sales and sales of related options.

4. The utility shall consider the impact of applicable new technologies and the impact of applicable new governmental programs or regulations.

5. The utility shall consider the impact of distributed generation and customers who acquire energy pursuant to NRS 704.787 or chapter 704B of NRS.

6. The utility shall provide a reasonable estimate of the demand from interruptible loads and the total demand of each type of interruptible load.

7. The utility shall identify all standby loads and the total demand of each type of standby load and include an analysis of the likelihood and effect of incurring such demands at the time of the system peak of the utility.

8. All forecast values for the entire system of the utility must be reported. The utility shall separately estimate the contribution to peak demand and energy consumption for the components of the system located within the State of Nevada and for the components of the system located outside the State of Nevada.

9. A resource plan must contain a graphical representation of ***the*** projected ***annual and peak month*** load duration curves for the year following the year in which the resource plan was filed and every fifth year thereafter for the remainder of the period covered by the resource plan.

10. To verify and complete the final forecasts, the utility may evaluate the forecasts with the results of alternative forecasting methods.

11. Any change in the methodology of forecasting used by the utility from that used in the utility's previous resource plan must be identified in the current resource plan of the utility.

12. The utility must include with its load forecast a scenario analysis which considers both very high and very low demand scenarios to consider the implications of low probability, high impact events in its resource plan which include structural, economic and/or technological changes.

Sec. 10. NAC 704.9321 is hereby amended to read as follows:

704.9321 1. To the extent consistent with cost-effective procedures generally accepted by the industry, all assumptions, forecasts, conclusions and information used by a utility in its resource plan must be:

(a) Based on substantially accurate data ***and adequate methods of forecasting***;

(b) Adequately demonstrated and defended; and

(c) Adequately documented and justified.

2. Adjustments to forecasts obtained from external or published sources that are made on the basis of factors specifically relating to the utility must be explained.

3. Each utility shall provide a suitable map or maps to show all areas covered by the resource plan. Each such map must show at least:

(a) The service territory covered by the resource plan;

(b) The locations of the utility's facilities for generation of electric energy;

(c) The location of renewable resources, independent power producers and distributed generation that are located within the service territory of the utility and are under contract with the utility;

(d) The interconnections with other utilities and independent power producers; and

(e) The utility's facilities for transmission of electric energy.

4. All testimony offered in support of the resource plan must be filed with the resource plan.

Sec. 11. 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.

2. The demand side plan must include:

(a) An identification of end-uses for programs for conservation and demand management.

(b) An assessment of savings attributable to technically feasible programs for conservation and demand management, 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 identification of DSM programs that can be targeted to specific locations on the utilities system where cost effective savings can be maximized.

3. In creating its demand side plan, a utility shall consider the impact of applicable new technologies on current and future demand side 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 ***descriptive*** list of the programs for which the utility is requesting the ***acceptance*** ~~[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 conservation and demand management.

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

(e) An estimated implementation and evaluation time-line for each proposed program.

(f) A budget, kilowatt hour reduction estimates, kilowatt hour savings estimates and Total Resource Cost Test, Utility Cost Test, Rate Impact Measure, and Participant Test results for each proposed program. If a program contains multiple energy conservation or demand side management components, budgets, kilowatt hour reduction estimates, kilowatt hour savings estimates and Total Resource Cost test results shall be provided for each component and for the entire proposed program.

(g) The formula used to calculate the Total Resource Cost cost/benefit ratio for each proposed program. Each cost and benefit category used in the formula shall be listed and defined. The analysis supporting each cost and benefit category shall be provided.

6. For any conservation or demand management program which reduces the consumption of electricity or any fossil fuel, the utility must include in its demand side plan a complete life-cycle cost analysis of the costs and benefits of the program in the form of the Total Resource Cost test.

7. The utility shall include with its demand side plan a report on the status of all programs for conservation and demand management that have been ***accepted*** ~~[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. On or before August 15 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 conservation and demand management programs are to be continued and which programs are to be cancelled. The Commission will process this analysis in the same manner as an amendment filed pursuant to NAC 704.9503.]~~

9. As used in the section:

(a) "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.

(c) "Utility Cost Test" means a method of determining the overall economic efficiency of a demand management program from the perspective of the utility

(d) "Rate Impact Measure" means a method of determining the overall economic efficiency of a demand management program from the perspective of non-participants

(e) "Participant Test" means a method of determining the overall economic efficiency of a demand management program from the perspective of program participants

Sec. 12. NAC 704.9355 is hereby amended to read as follows:

704.9355 1. A utility shall develop a set of analyses of its options for supply to be considered for meeting the expected future demand on its system. These analyses must include

an examination of the environmental impact of each option, taking into account the best available technologies and the environmental benefit of renewable resources. The options to be analyzed must include:

(a) Construction of new generation facilities or upgrades to existing generation facilities, including retrofitting existing facilities with more efficient systems or converting to other fuels;

(b) Construction of new transmission facilities or upgrades to existing transmission facilities;

(c) Purchase of long-term transmission rights on transmission facilities owned by other persons;

(d) Improvements in the efficiency of operations and scheduling, including, without limitation, improvements that are attributable to the proposed implementation of new digital and computer information system technologies; and

(e) Transactions with other utilities, independent producers and utility customers for:

(1) Pooling of power;

(2) Purchases of power; ~~[or]~~

(3) Exchanges of power.***; and/or***

(4) Sales of forward power products.

(f) Construction of renewable generation facilities or upgrades to existing renewable generation facilities.

2. As used in this section, "environmental benefit of renewable resources" means the present worth over a 20-year period of the benefits associated with the generation and maintenance of renewable resources for supply of capacity or energy, or supply of both capacity and energy, that results in a reduction of harm to the environment.

Sec. 13. NAC 704.9357 is hereby amended to read as follows:

704.9357 1. An analysis of the changes that result in net economic benefits to Nevada from electricity-producing or electricity-saving resources must be conducted by the utility in selecting a resource option. The net economic benefit to the State must be quantified to reflect both the positive and negative changes and must include the net economic impact of renewable resources. The projected present worth of societal cost of a competing resource plan must be within 10 percent of the lowest societal costs plan before proceeding with an analysis of the economic benefits to Nevada.

2. The economic benefits analysis must be achieved by calculating the portion of the present worth of future requirements for revenue that is expended within the State, including the following for both the construction and operation phases of any project:

(a) Capital expenditures for land and facilities located within the State or equipment manufactured in the State;

(b) The portion of the cost of materials, supplies and fuel purchased in the State;

(c) Wages paid for work done within the State;

(d) Taxes and fees paid to the State or subdivisions thereof; and

(e) Fees paid for services performed within the State.

3. In the analysis, the utility shall consider only the net benefit added to the economy of the State of that portion of expenditures made within the State.

4. The present worth of societal costs of the competing resources must then be adjusted by the Commission to take into consideration either all, or only a portion, of the calculated economic benefit.

5. As used in this section, “net economic impact of a renewable resource” means the present worth of economic costs of a contract for a renewable resource minus the present worth of economic development benefits to the State over a 20-year period.

Sec. 14. NAC 704.937 is hereby amended to read as follows:

704.937 1. A utility’s supply plan must contain a list of options for the supply of capacity and electric energy that includes a description of all existing and planned facilities for generation and transmission, existing and planned power purchases, and other resources available as options to the utility for the future supply of electric energy. The description must include the expected capacity of the facilities and resources for each year of the supply plan.

2. A utility shall identify the criteria it has used for the selection of its options for meeting the expected future demands for electric energy and shall explain how any conflicts among criteria are resolved.

3. In comparing alternative plans containing different resource options, the utility shall calculate the present worth of future requirements for revenue for each alternative plan for the supply of power. A comparison of the present worth of future requirements for revenue for each alternative plan must be presented in the resource plan.

4. The utility shall calculate the present worth of societal costs for each alternative plan for the supply of power. The present worth of societal costs of a particular alternative plan must be determined by adding the environmental costs to the present worth of future requirements for revenue.

5. The utility shall consider for each alternative plan the mitigation of risk by means of:

(a) Flexibility;

(b) Diversity;

(c) Reduced size of commitments;

(d) Choice of projects that can be completed in short periods;

(e) Displacement of fuel;

(f) Reliability;

(g) Selection of fuel and energy supply portfolios; ~~[and]~~

(h) Financial instruments or electricity products.***; and***

(i) Financability and rate impact.

6. The alternative plans of the utility must:

(a) Provide adequate reliability;

(b) Be within regulatory and financial constraints;

(c) Meet the portfolio standard; and

(d) Meet the requirements for environmental protection.

7. The utility shall identify its preferred plan and fully justify its choice by setting forth the criteria that influenced the utility's choice.

Sec. 15. NAC 704.9378 is hereby amended to read as follows:

704.9378 The supply plan must contain time-line graphs for the utility's proposed resources for supply that include major activities, milestones and points of decision. The following subjects must be included in the time-line graphs for each proposed resource:

1. Preparation of any required environmental impact statements;

2. Applications for significant permits;

3. Commitments of significant expenditures;

4. Periods for construction; and

5. The commercial operation date.

Sec. 16. NAC 704.9385 is hereby amended to read as follows:

704.9385 1. The supply plan of the utility must develop and document the origins of:

(a) The assumptions, data and projections used by the utility to calculate the costs and benefits of its options.

(b) The assessment of current and anticipated electric market conditions by the utility for the region in which the utility operates.

(c) The basic economic and financial limitations of the utility.

(d) The assumptions used by the utility for developing the environmental costs and the net economic benefits to the State from each of the options of the utility for future supply.

(e) The criteria used by the utility for determining the reserve margin.

(f) The assumptions used by the utility for renewable resources.

(g) The assumptions used by the utility for independent power producers.

(h) The assumptions used by the utility for the reduction in demand and energy requirements associated with customers exiting service from the utility and customers utilizing distributed generation resources.

2. Regarding generation, a utility's supply plan must contain a table of all its existing and planned facilities for electric generation that it expects to be operating in each of the 20 years covered by its forecast. Each of the following items of information must be set forth in the table if applicable to a listed facility:

(a) The planned or actual commercial operation date of the facility;

(b) The date of the planned retirement of the facility, including the criteria used to select that date***, coincident with the depreciation analysis***;

(c) The type of facility;

(d) The rated generating capacity and net expected generating capacity of the facility;

(e) The fuel used;

(f) The capacity of the facility for storing fuel; and

(g) The designation of the capacity type of the facility, such as base load, intermediate or peaking.

3. The supply plan of a utility must include a transmission plan for the 20 years covered by the forecast in the supply plan. The transmission plan must include, without limitation:

(a) A summary of the capabilities of the transmission system, including import, export and the rating of significant transmission paths within the system of the utility, and of the existing and planned transmission system of the utility for each year in the period covered by the resource plan.

(b) A description of the transmission projects the utility is considering for expanding or upgrading the capabilities of its transmission system, the anticipated timing of those projects and the impact of the projects on the transmission capabilities of the existing and planned transmission system of the utility.

(c) Identification of the transmission capacity required to serve bundled retail transmission customers, unbundled retail transmission customers and those wholesale transmission customers for whom the utility has an obligation to provide transmission services, for annual and peaking periods throughout the period covered by the resource plan.

(d) Identification of all existing and proposed transmission service agreements, and their expiration dates, with transmission customers for transmission service on the transmission system of the utility and the impact of these agreements on available capacity for bundled retail transmission customers on the proposed or existing transmission facilities.

(e) A table identifying all the transmission capacity that the utility has secured for its bundled retail transmission customers on both its transmission system and the transmission systems of other entities.

(f) A description of the participation of the utility in regional planning organizations and an explanation of the role of those organizations in the transmission planning process of the utility.

(g) A summary of the impacts of relevant orders of the Federal Energy Regulatory Commission issued since the utility filed its last resource plan.

(h) A demonstration that the utility has attempted to reduce the impact of line losses upon its future resource requirements.

4. Regarding the purchase of power, the supply plan must contain a list showing:

(a) All sources from which the utility has contracted to buy, or has plans or potential opportunities to buy, electric power during the 20 years covered by the supply plan; and

(b) The amount of electric power that the utility has contracted to buy, or has plans or potential opportunities to buy, from each source and the years for which delivery of the electric power is contracted or planned.

5. The utility shall include in its supply plan a map or maps that identify the location of each existing or planned generation or transmission facility, renewable energy system and independent power producer that are projected to be relied upon during the period covered by the action plan.

Sec. 17. NAC 704.9401 is hereby amended to read as follows:

704.9401 1. The assumptions and methodologies for modeling used to develop the utility's financial plan must be described in the resource plan of the utility. The following estimated financial information for the preferred plan must be included in the financial plan:

(a) Present worth of revenue requirements.

(b) Nominal revenue requirements by year.

(c) Average system rates per kilowatt-hour by year.

(d) Total rate base by year.

(e) Financial results attributed to the risk management strategy of the utility.

2. The financial assumptions used by the utility to develop its supply plan must be stated in the financial plan. The following items must be stated for each year in the financial plan:

(a) The general rate of inflation.

(b) The ***allowance for funds used during construction*** ~~[AFUDC]~~ rates used in the supply plan.

(c) The cost of capital rates used in the supply plan.

(d) The discount rates used in the calculations to determine present worth.

(e) The tax rates used in the supply plan.

(f) Other assumptions used in the supply plan.

Sec. 18. NAC 704.944 is hereby amended to read as follows:

704.944 A utility shall include in its supply plan a comprehensive discussion of the alternative strategies that the utility would pursue if any preferred resource or facility were not available as described in the supply plan.

Sec. 19. NAC 704.9482 is hereby amended to read as follows:

704.9482 1. The resource plan of a utility must contain an energy supply plan for the 3 years covered by the action plan of the utility. The ***energy supply plan*** ~~[resource]~~ plan of a utility must be consistent with the ***resource plan and the*** action plan of the utility.

2. An energy supply plan must be developed by a utility using its base forecast and target planning reserve margin.

3. As part of its energy supply plan, a utility shall develop a purchased power procurement plan. The purchased power procurement plan of a utility must include, without limitation:

(a) The proposed mix of purchased power products by:

(1) Type of resource;

(2) Delivery profile; and

(3) The term that the utility considers appropriate for the expected demand.

(b) A description of the criteria used to determine the proposed mix of power products and the material factors influencing the selection of the criteria.

(c) The proposed schedule for procuring the purchased power products, including a description of any competitive procurement processes to be undertaken.

(d) A regional assessment of the availability of fuel and purchased power resources for the period covered by the energy supply plan.

(e) A projection of remaining capacity and energy requirements for each year of the period covered by the energy supply plan, after accounting for all existing resources and proposed long-term purchased power obligations.

(f) A description, by type and term, of each existing purchased power contract with deliveries during the period covered by the energy supply plan.

(g) A description, by type, delivery profile and term, of the purchased power products expected to be available to the utility during the period covered by the energy supply plan.

(h) A description by type, delivery profile and term, of forward power products expected to be delivered by the utility during the period covered by the energy supply plan.

4. As part of its energy supply plan, a utility shall develop a fuel procurement plan for each fuel that the utility uses to generate at least 5 percent of its annual energy requirements. The fuel procurement plan must include, without limitation:

(a) For each year of the energy supply plan, a projection of the quantity of each fuel the utility expects to use for each generating unit owned or controlled by the utility.

(b) A description of each existing fuel contract with deliveries during the period covered by the energy supply plan, including the type of product, the quantity to be delivered, the delivery point and the term of the contract.

(c) A description of the fuel products available to the utility during the period covered by the energy supply plan, including the type of product, the pricing method, the delivery point and the term of the availability of the fuel products.

(d) The proposed mix of fuel products.

(e) A description of the criteria used to determine the proposed mix of products and the material factors influencing the selection of the criteria.

(f) The proposed schedule for procurement of the fuel, including a description of any competitive procurement process to be undertaken.

5. As part of its energy supply plan, a utility shall include a risk management strategy that includes, without limitation:

(a) A description of how the risk management strategy was reflected in the determination of the energy supply plan proposed by the utility.

(b) A description of the criteria used to select the proposed risk management strategy and identification of the material factors that influenced the selection of the criteria by the utility.

(c) A description of each technique for mitigating risk that was considered.

(d) The criteria to be used to evaluate the effectiveness of the risk management strategy.

6. ***As part of its energy supply plan, a utility shall develop a portfolio optimization strategy that includes, without limitation:***

(a) The proposed mix of forward power products to be sold;

(b) The revenues expected to be generated from the sales of forward power products;

(c) A proposed marketing plan for the sales of forward power products; and

(d) A description by type and term of each existing forward power product sale with deliveries scheduled during the period covered by the energy supply plan.

7. To the extent that the electric utility sells forward power products, the electric utility shall:

(a) Record the revenues in a separate sub-account of Account No. 447, Sale for Resale;

(b) Record any revenue for performing under a forward sales power contract in the appropriate sub-account of Account No. 447;

(c) Maintain a separate schedule listing the significant data associated with each individual transaction being recorded to a sub-account of Account No. 447 pursuant to subsections (a) or (b) of this subsection, including without limitation: customer name, contracted megawatts, contracted and delivered megawatt hours, price per megawatt, price per megawatt hour, term, the cost of fuel and or purchased power costs associated with performing under the applicable contract;

(d) Determine the marginal fuel costs for each transaction and record it in a sub-account of Account No. 547; and

(e) Provide an analysis in each deferred energy application evaluating the effectiveness of each product sold, including without limitation, the profit or loss associated with the product sale.

8. A utility shall annually file with the Commission an evaluation of its purchased power procurement plan, its fuel procurement plan, its risk management strategy and, if applicable, the results of any performance-based methodology for the recovery of costs for natural gas for each year included in its deferred energy application filed pursuant to NAC 704.023 to 704.195, inclusive.

9. ~~[7.]~~ The energy supply plan of a utility must include a technical appendix that conforms to NAC 704.922.

Sec. 20. NAC 704.9486 is hereby amended to read as follows:

704.9486 1. As part of its energy supply plan, a utility may propose the establishment of a performance-based methodology for the recovery of costs for natural gas used as a fuel for generation. Any proposed performance methodology must be based upon objective standards and criteria.

2. A proposal for the establishment of a performance-based methodology for the recovery of costs for natural gas must include information sufficient to enable the Commission to evaluate the proposal, including, without limitation:

(a) The criteria to be used in measuring the performance of the utility;

(b) The rationale for using the selected criteria;

(c) If appropriate, the proposed sharing allocation between the utility and its consumers;

(d) The duration of the program; and

(e) Supporting documentation.

3. If the Commission authorizes a performance-based methodology, the utility shall report the results of the methodology ***accepted*** ~~[approved]~~ by the Commission in the deferred energy application filed by the utility pursuant to NAC 704.023 to 704.195, inclusive. At a minimum, the report must cover the period between the adjustment date for the most recent deferred energy application and the adjustment date for the application which includes the report of the results of the ***accepted*** ~~[approved]~~ methodology.

4. As used in this section, "adjustment date" has the meaning ascribed to it in NAC 704.024.

Sec. 21. NAC 704.945 is hereby amended to read as follows:

704.945 1. A utility shall include in its resource plan a table of loads and resources for each ***preferred*** ~~[supply]~~ plan ***or alternative plan*** analyzed. The table must include the following data for each year of the resource plan:

(a) The capacity provided by each supply resource;

(b) The total expected capacity of all resources;

(c) The forecasted peak demand;

(d) The estimated impact of new programs for conservation and ***energy efficiency*** ~~[demand management]~~;

(e) The expected capacity and energy provided by ***all*** ~~[renewable]~~ resources, categorized by type;

(f) The ***recommended*** ~~[required]~~ planning reserves ***and the recommended percent planning reserve margin***;

(g) The total capacity required;

(h) The excess or deficiency of capacity without additional resources; and

(i) The excess or deficiency of capacity with additional planned resources.

(j) The expected capacity and energy to be provided by the utility through all forward sales and related option sales contracts.

(k) The allocation of the capacity of the transmission system between bundled retail transmission customers, unbundled retail transmission customers and wholesale transmission customers.

2. A utility shall include in its resource plan a table of annual energy for each integrated plan analyzed. The table must include the following data for each year of the resource plan:

(a) The total energy required;

(b) The total expected energy produced by all resources;

(c) The forecasted energy sales to non-retail customers;

(d) The energy provided by each supply resource;

(e) The forecasted energy sales for retail customers;

(f) The estimated impact of programs for conservation and energy efficiency;

(g) Forecasted energy losses;

(h) The excess or deficiency of energy without additional resources; and

(i) The excess or deficiency of energy with additional planned resources.

3. ~~[2.]~~ A graph must be included for the preferred plan of the utility showing, over the 20-year planning period:

(a) The total resources requirements;

(b) The total demand without new programs for conservation and demand management;

(c) The total demand with new programs for conservation and demand management;

(d) The total capacity with additional planned resources; and

(e) The total capacity without additional resources.

4. ~~[3.]~~ A graph must be included for the preferred plan that shows, for each year of the 20-year planning period, the excess or required capacity both with and without the additional planned resources.

5. ~~[4.]~~ A graph or table must be provided that shows the allocation of the capacity of the transmission system of the utility between bundled retail transmission customers, unbundled retail transmission customers and wholesale transmission customers.

Sec. 22. NAC 704.9492 is hereby amended to read as follows:

704.9492 1. A utility shall file, as part of its resource plan, the methodology for estimating the rates for long-term avoided cost of the utility, including the capacity and energy components. The rates for long-term avoided cost must be based upon the utility's preferred plan and be consistent with 18 C.F.R. § 292.304(a), (b), (c) and (e).

2. The estimated rate for long-term avoided cost must be established for various sizes of megawatt blocks, except that ~~[:~~

~~(a) If the utility has a peak demand of at least 1,000 megawatts,]~~ the stated blocks must not exceed 100 megawatts**.** ~~[; and~~

~~(b) If the utility has a peak demand of less than 1,000 megawatts, the stated blocks must not exceed 10 percent of the system peak.]~~

3. The components for estimated long-term avoided cost capacity and energy rate must be stated on a cents per kilowatt-hour basis for daily and seasonal peak and off-peak periods and in such a manner that rates for various contract periods may be calculated. At a minimum, the utility shall provide estimated rates for long-term avoided cost for a 20-year contract and the long-term avoided cost by year for 5 years commencing in the year following the filing of the resource plan.

4. In developing the estimated rates for long-term avoided cost, the proposed rates must not be applied to renewable energy or to energy that is subject to the qualified energy recovery process as defined in NRS 704.7809.

5. The utility shall specify its proposed limits concerning the availability of the rates for long-term avoided cost.

6. The resource plan of the utility must include the analyses and calculations used to determine the proposed rates.

7. The resource plan must include a description of the methodology that will be used to derive the rates for long-term avoided costs from the solicitation of proposals performed pursuant to subsection 5 of NAC 704.9496.

Sec. 23. NAC 704.9494 is hereby amended to read as follows:

704.9494 1. The Commission will issue an order:

(a) ***Accepting*** ~~[Approving]~~ the action plan of the utility as filed; or

(b) If the plan is not ***accepted*** ~~[approved]~~ as filed, specifying those parts of the action plan the Commission considers inadequate.

2. ***Acceptance*** ~~[Approval]~~ by the Commission of an action plan constitutes a finding that the programs and projects contained in that action plan, other than the energy supply plan, are prudent, including, without limitation, construction of facilities, purchased power obligations, programs for conservation and demand management and impacts of imputed debt calculations associated with renewable energy contracts or energy efficiency contracts. If the Commission subsequently determines that any information relied upon when issuing its order ***accepting*** ~~[approving]~~ the action plan was based upon information that was known or should have been known by the utility to be untrue or false at the time the information was presented, the

Commission may revoke, rescind or otherwise modify its ***acceptance*** ~~[approval]~~ of the action plan.

3. If, at the time that the Commission ***accepts*** ~~[approves]~~ the action plan of the utility, the Commission determines that the elements of the energy supply plan are prudent, the Commission will specifically include in the ***acceptance*** ~~[approval]~~ of the action plan its determination that the elements contained in the energy supply plan are prudent. For the Commission to make a determination that the elements of the energy supply plan are prudent:

(a) The energy supply plan must not contain any feature or mechanism that the Commission finds would impair the restoration of the creditworthiness of the utility or would lead to a deterioration of the creditworthiness of the utility.

(b) The energy supply plan must optimize the value of the overall supply portfolio for the utility for the benefit of its bundled retail customers.

(c) The utility must demonstrate that the energy supply plan balances the objectives of minimizing the cost of supply, minimizing retail price volatility and maximizing the reliability of supply over the term of the plan.

Failure by a utility to demonstrate that its energy supply plan is prudent in accordance with this subsection does not otherwise affect ***acceptance*** ~~[approval]~~ of the action plan, including the energy supply plan, and the utility may subsequently seek a determination that the energy supply plan is prudent in the appropriate deferred energy proceeding.

4. A utility may recover all ***just and reasonable*** costs that it prudently and reasonably incurs in carrying out an ***accepted*** ~~[approved]~~ action plan in the appropriate separate rate proceeding. A utility may recover all ***just and reasonable*** costs that are prudently and reasonably incurred in carrying out the ***accepted*** ~~[approved]~~ energy supply plan, including deviations pursuant to

subsection 1 of NAC 704.9504 ***accepted*** ~~[approved]~~ by the Commission in the appropriate deferred energy application filed pursuant to NAC 704.023 to 704.195, inclusive.

Sec 24. NAC 704.9498 is hereby amended to read as follows:

704.9498 1. Not earlier than 15 months and not later than 21 months after the date on which the utility files its action plan, the utility shall file a report on the progress of its action plan with the Commission and serve a copy of the progress report on all parties of record. The progress report must include:

~~[(a) Information concerning the status of planned facilities approved by the Commission, including any cost or schedule variances;]~~

(a) A written summary of the progress made towards completion of each accepted project with a current schedule for completion of each project;

(b) Identification of any substantial changes in assumptions including without limitation, financial, environmental, regulatory, legal, and other assumptions used by the utility to support its original request for acceptance of a project or expenditure;

(c) For each accepted project, a comparison of the current budget to the accepted budget. The budget information for projects and expenditures shall be presented in a format that facilitates meaningful comparison of the current and accepted budgets.

(d) ~~[(b)]~~ Information concerning the status of all programs for conservation and demand management, including planned and achieved reductions in kilowatt-hours and reduction in demand in kilowatt-hours;

~~[(c) A comparison of budgeted and actual costs for the entire action plan;]~~

(e) ~~[(d)]~~ An identification of and justification for any ***substantial*** ~~[significant]~~ deviation from the approved action plan, including ***without limitation budget, schedule or*** supporting

information;

(f) ~~[(e)]~~ An updated forecast of energy consumption and peak demand; and

(g) ~~[(f)]~~ An updated table for loads and resources for the remaining years covered by the 20-year plan.

2. The progress report must be in the same form as the action plan and will be assigned a new docket number by the Commission.

3. The utility or any party of record ***to the applicable resource plan or an applicable amendment to a resource plan*** may request a hearing on the progress report, specifying in its request the reason the utility or party believes a hearing is required. ***A request for hearing must be filed with the Commission within 30 days of the initial notice of report issued by the Commission.*** Upon a finding of good cause, the Commission will order a hearing on the matter.

Sec 25. NAC 704.9503 is hereby amended to read as follows:

704.9503 1. A utility shall continually monitor its action plan and shall amend the plan before it submits its next action plan if any of the following circumstances exist:

(a) The utility anticipates submitting an application for a permit to construct a utility facility pursuant to NRS 704.820 to 704.900, inclusive, which was not previously ***accepted*** ~~[approved]~~ as part of the action plan.

(b) The utility makes a commitment for the acquisition or construction of a facility that was not previously ***accepted*** ~~[approved]~~ as part of the action plan.

(c) The utility makes a commitment for a long-term purchased power obligation which was not previously ***accepted*** ~~[approved]~~ as part of the action plan.

(d) The utility is unable to place a resource in service or secure a resource in accordance with the schedule for the resource that is included in the action plan ***accepted*** ~~[approved]~~ by the

Commission and the modified schedule results in a significant deviation from the planned reserve margin for any period in the 3-year action plan.

(e) The utility makes a commitment for an option that was not available at the time the action plan was ***accepted*** ~~[approved]~~.

(f) The basic data used in the formation of the plan requires ***substantial*** ~~[significant]~~ modification that affects the choice of a resource which was ***accepted*** ~~[approved]~~ as part of the action plan.

2. The conditions ***or circumstances*** under which an amendment is sought must be specifically set forth in the application for amendment ***to an accepted action plan***.

Sec. 26. NAC 704.9504 is hereby amended to read as follows:

NAC 704.9504 1. Notwithstanding the ***acceptance*** ~~[approval]~~ by the Commission of the energy supply plan of a utility, the utility may deviate from the ***accepted*** ~~[approved]~~ energy supply plan to the extent necessary to respond adequately to any ***substantial*** ~~[significant]~~ change in circumstances not contemplated by the energy supply plan. A ***substantial*** ~~[significant]~~ change in circumstances includes, without limitation:

(a) A material change in the market price of fuel or purchased power;

(x) A material change in the availability of fuel or purchased power;

(b) An extended forced outage of a major generating unit of the utility;

(c) A material change in customer demand; and

(d) Any other circumstance that the utility demonstrates to the Commission warrants a deviation.

(e) A material change in a strategy, plan, or component of a strategy or plan in an accepted energy supply plan.

2. If a utility deviates from its ***accepted*** ~~[approved]~~ energy supply plan:

(a) The utility shall, as soon as practicable, inform the staff of the deviation from the energy supply plan.

(b) The utility shall include in the deferred energy application filed pursuant to NAC 704.023 to 704.195, inclusive, in which costs associated with the deviation are first sought to be recovered, a description of and justification for the deviation.

(c) The Commission will ***retrospectively*** determine ~~[on a retrospective factual basis]~~ the prudence of the deviation from the energy supply plan in the appropriate proceeding held on the deferred energy application.

(d) If the deviation from the energy supply plan is of a continuing nature, the utility shall seek authority from the Commission to deviate prospectively from the energy supply plan in an update of the energy supply plan filed pursuant to NAC 704.9506, or by filing an amendment to the energy supply plan in accordance with subsection 3.

3. An amendment to the energy supply plan of a utility must contain:

(a) A section that identifies the specific ~~[approvals]~~ request***s*** ~~[ed]~~ by the utility in the amendment;

(b) A section that specifies any changes in assumptions or data that have occurred since the utility's last resource plan was filed; and

(c) As applicable, information required in subsections 1 to 5, inclusive, and 7 of NAC 704.9482.

Sec. 27. NAC 704.9512 is hereby amended to read as follows:

NAC 704.9512 1. The utility shall submit to the Commission a copy of:

(a) Each long-term purchased power obligation; and

(b) Any other purchased power obligation for which the utility is seeking the ***acceptance*** ~~[approval]~~ of the Commission,

to which the utility is committed or plans to become committed during the period covered by the action plan.

2. For any such contract that is not executed at the time the action plan is filed, the utility shall submit the contract, upon execution, to the Commission for review. The utility shall, for each such contract, disclose the existence of any affiliate relationship between the parties.

Sec. 28. NAC 704.9514 is hereby amended to read as follows:

704.9514 To the extent the Commission deems appropriate, the Commission may ~~[preapprove and deem prudent]~~ fuel and purchased power agreements by a utility that are less than 3 years in duration.

Sec. 29. NAC 704.9516 is hereby amended to read as follows:

NAC 704.9516 1. An amendment to an action plan submitted by a utility pursuant to NAC 704.9503 must contain:

(a) A section that identifies the items for which the utility is requesting specific ***acceptance*** ~~[approval]~~;

(b) A section that specifies any changes in assumptions or data that have occurred since the utility's last resource plan was filed;

(c) As applicable, information required in paragraphs (d) and (e) of subsection 1 of NAC 704.9489, and subsections 3 and 4 of NAC 704.9489;

(d) As applicable, data and information required pursuant to NAC 704.922 to 704.948, inclusive, necessary to facilitate an evaluation of the items specified pursuant to paragraph (a) for which the utility is requesting specific ***acceptance*** ~~[approval]~~;

(e) ***The most recent updates to the high, base, and low forecasts of peak demand;*** ~~[A current peak-demand forecast;]~~

(f) A table indicating the current loads and resources; and

(g) If the utility seeks an amendment related to a renewable energy contract or energy efficiency contract, information about the imputed debt mitigation.

2. For amendments submitted pursuant to paragraphs (a) and (f) of subsection 1 of NAC 704.9503, a utility shall file with the Commission the information required pursuant to paragraph (d) of subsection 1 of this section.

Sec. 30. NAC 704.9518 is hereby amended to read as follows:

NAC 704.9518 For amendments filed pursuant to NAC 704.9503 and in accordance with subsection 3 of NAC 704.9504, the Commission will issue an order ***accepting*** ~~[approving]~~ the amendment as filed or specifying those parts of the amendment the Commission considers inadequate.

Sec. 31. NAC 704.952 is hereby amended to read as follows:

704.952 1. ***At least 6 months before a utility's anticipated date for filing its next resource plan, but not an amendment, the utility shall notice and schedule a meeting with the staff, the personnel of the Bureau of Consumer Protection in the Office of the Attorney General, stakeholder participants and public participants to provide an overview of the anticipated filing and to provide interested persons with:***

~~[A utility may schedule sessions for reviewing plans and providing an opportunity for interested persons to:]~~

(a) ***The utility's*** ~~[Learn of]~~ progress ~~[by the utility]~~ in developing ***its next triennial resource plan*** ~~[plans and amendments to plans]~~; ***and***

(b) ~~[Determine whether key assumptions are being applied in a consistent and acceptable manner;~~

~~(c) Determine whether key results are reasonable; and~~

~~(d)]~~ ***An opportunity to o~~[O]~~ffer*** suggestions on other matters ***pertaining to the resource plan*** as appropriate.

2. ***At least 4 months before the anticipated date for filing the resource plan, the utility shall meet with staff and the personnel of the Bureau of Consumer Protection to provide an overview of the anticipated filing.***

(a) If the utility, the Bureau of Consumer Protection in the Office of the Attorney General, ***or*** the staff ~~[or any other person participating in the process]~~ cannot agree to schedule sessions for reviewing ***the resource*** plan~~s~~, any of those persons may petition the Commission to schedule the sessions.

(b) ~~[3.]~~ The parties involved in the review sessions may establish, at the beginning of the sessions, a procedure to resolve any technical issues that are discussed during the sessions.

(c) ~~[4. If review sessions are held pursuant to subsection 1, t]~~ ***T***he utility shall prepare a brief summary of the major topics on the agendas and the conclusions reached by the parties during the review sessions. The summary must be provided to the Commission in conjunction with testimony supporting the utility's ***resource*** plan.

3. After the utility files a resource plan, the Commission shall within 60 days conduct a consumer session regarding the resource plan.

~~[5. At least 4 months before the anticipated date for filing the resource plan, the utility shall meet with staff and the personnel of the Bureau of Consumer Protection to provide an overview of the anticipated filing.]~~

4. ~~[6.]~~ Before a utility may file an amendment to its resource plan, the utility must meet with staff and the personnel of the Bureau of Consumer Protection to provide an overview of the anticipated amendment.

Sec. 32. NAC 704.9522 is hereby amended to read as follows:

704.9522 1. A utility provider shall propose a measurement and verification protocol for all energy efficiency measures submitted pursuant to NAC 704.9005 to 704.9525, inclusive.

2. The utility provider shall comply with, and shall ensure that all energy efficiency contracts entered into by the utility provider comply with, the most recent measurement and verification protocol ***accepted*** ~~[approved]~~ by the Commission at the time an energy efficiency measure is implemented.

Sec. 33. NAC 704.9523 is hereby amended to read as follows:

704.9523 1. All costs of implementing programs for conservation and demand management must be accounted for in the books and records of a 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. Except as otherwise provided in subsection 4, a utility may, pursuant to subsection 3, recover all prudent and reasonable costs incurred in implementing programs for conservation and demand management that have been ***accepted*** ~~[approved]~~ by the Commission as part of the action plan of the utility, including, without limitation, the costs for labor, ~~[overhead,]~~ materials, incentives paid to customers, advertising, marketing, ***monitoring, verification,*** and evaluation. ~~[The utility may recover approved costs associated with monitoring and evaluating these programs through a general rate case.]~~

3. To recover costs incurred in implementing programs for conservation and demand management, a utility must:

(a) Calculate, on a monthly basis, the costs incurred in implementing each program since the end of the test period. ~~[or period of certification in its last proceeding to change general rates.]~~

(b) Record the cost of implementing each program, as calculated pursuant to 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 utility in implementing each program ***accepted*** ~~[approved]~~ by the Commission.

(d) Apply a carrying charge at the rate of 1/12 of the authorized overall rate of return to the balance in the subaccounts of Account 182.3 for each program ***for which recovery has not yet been authorized.*** ~~[not included in the rate base.]~~

(e) Clear any balance accumulated in the subaccounts of Account 182.3 for each program as a component of an application ***for a DSM surcharge*** by the utility ~~[to change general rates]~~ as follows:

(1) The Commission will adjust the rate to amortize the balance over a 3-year period, unless otherwise specified by the Commission.

(2) The utility must begin amortizing costs on ***October 1 of each year.*** ~~[the date that the change in general rates becomes effective.]~~

(3) The 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 test period

used in the utility's application ***for a DSM surcharge.*** ~~[to change general rates or as of the date that ends the period of certification, whichever is later.]~~

(4) ~~[To calculate revenue requirements, the utility must base the rate of return to be applied to the balance in the subaccounts of Account 182.3 for each conservation or demand management program that the utility has carried out on the authorized return on equity plus 5 percent.]~~ ***The DSM Surcharge shall be implemented by the utility for a twelve month period beginning on January 1st of each year and shall be comprised of the following elements:***

(A) Just and reasonable implementation program costs incurred by the utility during the test period and incentive adder that shall be amortized over three years.

(B) For any quarter the utility exceeds its authorized rate of return, the utility shall forfeit the level of incentive adder to a level not to exceed the actually dollar value of the over-earnings.

(C) The DSM surcharge is equal to the sum of amortized implementation program costs experienced during the test period plus the incentive adder.

(f) The utility shall file for recovery in conjunction with the deferred energy accounting application pursuant to NAC 704.023 through 704.195.

4. Costs incurred in implementing a dispatchable direct load control program must be recovered pursuant to subsection 3, except for the costs of incentives paid to customers which are treated as fuel and purchased power expense pursuant to NAC 704.023 to 704.195, inclusive.

5. As used in this section, "dispatchable direct load control program" means a program offered by a utility pursuant to which customers may agree to allow the utility remotely to interrupt or cycle electrical equipment and appliances, including, without limitation, air conditioners, water heaters and space heaters.