REVISED PROPOSED REGULATION OF THE

PUBLIC UTILITIES COMMISSION OF NEVADA

LCB File No. R173-09

March 9, 2010

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

AUTHORITY: §§1 and 2, NRS 703.025, 704.210 and 704.741 as amended by section 1 of Senate Bill No. 165, chapter 258, Statutes of Nevada 2009, at page 1075.

A REGULATION relating to energy; requiring certain utilities to include in their resource plans analyses of carbon emissions; and providing other matters properly relating thereto.

Section 1. 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) ***Options of low carbon intensity; and***

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

(1) Pooling of power;

(2) Purchases of power; or

(3) Exchanges of power.

2. As used in this section ***:*** ~~[, "environmental]~~

(a) "Carbon intensity" has the meaning ascribed to it in subsection 4 of NRS 704.741, as amended by section 1 of Senate Bill No. 165, chapter 258, Statutes of Nevada 2009, at page 1075.

(b) "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. 2. NAC 704.937 is hereby amended to read as follows:

704.937 1. A utility's supply plan must contain ***a diverse set of alternative plans which include*** 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. ***At least one alternative plan must be of low carbon intensity and include:***

(a) The generation or acquisition of an amount of renewable energy greater than required by NRS 704.7821;

(b) Changes to the utility's existing fleet of resources for the generation of power;

(c) The application of technology that would significantly reduce emissions of carbon; or

(d) Any combination thereof.

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. ***As calculated pursuant to this subsection, the present worth of future requirements for revenue for each alternative plan must include, without limitation, a reasonable range of costs associated with emissions of carbon in the 20-year period of the resource plan as private costs to the utility.***

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 ***that are not internalized as private costs to the utility pursuant to subsection 3*** 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.

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.