

# Energy

## BULLETIN NO. 15-12





**LEGISLATIVE COMMITTEE ON ENERGY**

**BULLETIN NO. 15-12**

**JANUARY 2015**



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## SUMMARY OF RECOMMENDATIONS

### LEGISLATIVE COMMITTEE ON ENERGY

*Nevada Revised Statutes 218E.805*

This summary presents the recommendations adopted by the Legislative Committee on Energy at its July 25, 2014, meeting. The Committee submits the recommendations listed below as bill draft requests (BDRs) to the 2015 Nevada Legislature (Appendix C).

### RECOMMENDATIONS FOR LEGISLATION

#### *Energy Efficiency Resource Standard*

1. Draft a bill to require an Energy Efficiency Resource Standard that complements the State's Renewable Portfolio Standard as defined in *Nevada Revised Statutes* (NRS) 704.7821. The bill would establish a separate, complementary standard that provides a consistent stimulus to the energy efficiency industry. **(BDR 58–210)**

#### *State Regulation of Energy Auditors*

2. Draft a bill to amend Chapter 645D (“Inspectors of Structures and Energy Auditors”) of NRS to allow a contractor licensed by the State Contractors’ Board, who is also licensed as an energy auditor, to prepare a bid for any improvements based on the energy audit report and perform such work. **(BDR 54–211)**

#### *Property Assessed Clean Energy (PACE) Financing for Commercial Market*

3. Draft a bill that is complementary to the existing PACE legislation established pursuant to Senate Bill 358 (Chapter 321, *Statutes of Nevada 2009*) and would create financing procedures for commercial projects. Investors in the commercial market would be responsible for the PACE loans via a property tax assessment. The bill would include creating an Energy Trust/Green Bank, which helps utility customers benefit from efficient energy use and generating renewable energy by offering services, cash incentives, and other energy solutions (via PACE legislation). **(BDR 58–212)**



**REPORT TO THE 78TH SESSION OF THE NEVADA LEGISLATURE  
BY THE LEGISLATIVE COMMITTEE ON ENERGY**

**I. INTRODUCTION**

The work of the Legislative Committee on Energy recognizes the crucial role energy plays in the economic and environmental health of Nevada. The State is seeking to diversify its economy by developing Nevada's rich endowment of renewable energy resources.

The 2013 Legislature established a permanent Committee with the passage of Section 25.25 of Assembly Bill 428, (Chapter 510, *Statutes of Nevada*), codified in *Nevada Revised Statutes* (NRS) 218E.805], to evaluate, review, and comment upon matters related to energy policy within Nevada.

Members of the Committee during the 2013–2014 Interim were:

Senator Kelvin D. Atkinson, Chair  
Assemblywoman Marilyn Kirkpatrick, Vice Chair  
Senator Aaron D. Ford  
Senator Michael Roberson  
Assemblyman David P. Bobzien  
Assemblyman Crescent Hardy

The Legislative Counsel Bureau (LCB) provided staff services to the Committee. Research Division staff included Marjorie Paslov Thomas, Principal Research Analyst; Kelly S. Richard, Principal Research Analyst; and Gayle Nadeau, Senior Research Secretary. Dan Yu, Principal Deputy Legislative Counsel, and Matt Mundy, Senior Deputy Legislative Counsel, provided staff services from the Legal Division of the LCB.

The Committee held four meetings at the Grant Sawyer State Office Building in Las Vegas, Nevada, and the Legislative Building in Carson City, Nevada, through simultaneous videoconferencing. Interested persons may view Committee agendas, minutes, and the work session document on the Committee's webpage at: <http://www.leg.state.nv.us/Interim/77th2013/Committee/StatCom/Energy/?ID=64>.

**II. BACKGROUND**

American business in general is operated by private enterprise. However, in some instances, a product or service is of such fundamental importance to the welfare of citizens that it is deemed to be "affected with public interest," and therefore, subjected to governmental regulation to ensure availability at reasonable prices. The hallmark of this type of regulation is generally the granting of an exclusive geographical franchise to a single provider, coupled with

a duty to serve all customers within the assigned territory. In exchange, the provider, normally referred to as a “utility” in the energy arena, is allowed the opportunity to earn a reasonable rate of return on “prudent” operations, the return being set by the regulators after administrative hearings.

Energy utilities are one of the most important types of public utilities. They have traditionally been highly regulated but, in recent decades, have experienced varying degrees of deregulation in some jurisdictions. Generally, there is a certain amount of shared jurisdiction over public utilities by federal and state (and sometimes local) governmental bodies. The authority of these governmental entities may overlap and lines of demarcation between them may become blurred. It is important to understand the scope of federal jurisdiction as a prelude to evaluating state policies.

## **A. FEDERAL ENERGY POLICY**

The United States lacks a national energy plan. However, federal energy policy has mostly focused on three major goals: (1) ensuring a secure supply of energy; (2) keeping energy costs low; and (3) protecting the environment. At the federal level, energy policy historically has been legislated mostly in large, complex bills that deal with a wide variety of issues, with debate spanning several sessions of the U.S. Congress.<sup>1</sup>

In the energy industry, regulation is largely divided along wholesale and retail lines. The federal government primarily regulates wholesale transactions, while states generally oversee retail operations. Until 1927, state utility commissions regulated most aspects of electric utilities, including establishment of rates for interstate sales of electricity. In that year, the U.S. Supreme Court handed down a decision prohibiting state regulation of interstate electric rates on the ground that such regulation created a burden on interstate commerce. However, no federal authority over interstate electric sales existed, and therefore, the ruling resulted in a regulatory gap. The Federal Power Act (FPA) of 1935 was enacted to address that situation. The FPA gave the federal government jurisdiction over transmission of electric energy in interstate commerce and the sale of electric energy at wholesale in interstate commerce.

The following is a summary of recent federal energy bills and President Obama’s Climate Action Plan.

### ***Energy Policy Act of 2005***

During the middle of the decade, facing renewed political instability in the Middle East that affected energy fuel supplies, Congress again began attempting to craft an updated national energy policy. The Energy Policy Act of 2005 is the most recent comprehensive general legislation, with provisions and authorizations in almost all areas of energy policy. Some critics maintained that this legislation did little to decrease the demand for foreign fuels, while

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<sup>1</sup>Congressional Research Services, Energy Policy: 113th Congress Issues, 2013.

supporters pointed to increased incentives for domestic energy production and tax credits to encourage development of renewable energy. However, most parties felt more remained to be done if the U.S. were to have a modern, comprehensive energy policy.

### ***Energy Independence and Security Act of 2007***

With oil prices nearing \$100 per barrel, Congress again devoted a great deal of attention to energy issues in 2007. The House and Senate passed energy bills with differing provisions. The final reconciled bill contains provisions increasing motor vehicle fuel efficiency standards and requiring use of biofuels, such as corn ethanol and cellulosic ethanol. Increased appliance efficiency standards are also included. However, a key provision in the House bill to require 15 percent of all energy to come from renewable sources by 2020, along with an extension of tax credits for various renewables such as wind and solar, was deleted from the Senate bill in the face of a threatened presidential veto.

### ***American Recovery and Reinvestment Act of 2009 (ARRA)***

A severe recession during 2008 and 2009 caused congressional attention to shift its focus from crafting a sustainable national energy policy towards seeing energy as an economic recovery tool. Massive federal stimulus packages were enacted that included large amounts for research, development, and deployment of a wide variety of renewable energy technologies and domestic transportation fuel resources. For example, the Department of Energy's Office of Energy Efficiency and Renewable Energy, in addition to the \$2 billion appropriated in the Fiscal Year 2009 regular appropriations bill, received \$17 billion in ARRA funds, of which \$11.5 billion was for grants to states for energy, efficiency, and weatherization programs. The Office of Electricity Delivery and Energy Reliability, which had historically been funded at about \$150 million per year, received \$4.5 billion in funding from ARRA, directed at establishing "Smart Grid" technology for the electric power industry.

### ***Regulation of Power Plant Emissions and Global Climate Change***

The U.S. Environmental Protection Agency (EPA) attempted to regulate emissions from coal-fired power plants. However, several bills in the 112th Congress passed the House without being taken up in the Senate. In June 2013, President Barack Obama announced a national plan to reduce emissions of carbon dioxide and other greenhouse gases, as well as to encourage adaptation to expected climate change. A major feature of the Climate Action Plan was a directive to the EPA to issue rules to curtail carbon dioxide emissions from new and existing power plants. The EPA proposed carbon pollution standards for power plants built in the future and kicked off the process of outreach with states, stakeholders, and the public to establish carbon pollution standards for currently operating power plants in September 2013. The EPA has been directed to work closely with states, power plant operators, and other stakeholders as it finalizes its guidelines. The EPA aims to issue a final rule by June 2015. The target date for states to submit their proposed plans to the EPA is June 2016, but states can apply for a one-year extension.

## **B. STATE ENERGY POLICY AND ISSUES**

### *State Regulation of Energy Companies*

In Nevada, public utilities are under the jurisdiction of the Public Utilities Commission of Nevada (PUCN). The Commission consists of three commissioners appointed to four-year terms by the Governor. The Commissioners are assisted by professional staff consisting of analysts, attorneys, economists, and engineers. The PUCN sets retail rates for natural gas and electricity. Decisions of the PUCN are appealable to the courts. The Consumer's Advocate of the Bureau of Consumer Protection within the Office of the Attorney General represents consumer interests before the PUCN.

The PUCN is charged with regulating public utilities in order to:

- Provide for fair and impartial regulation of public utilities;
- Provide for the safe, economic, efficient, prudent, and reliable operation and service of public utilities; and
- Balance the interests of customers and shareholders of public utilities by providing public utilities with the opportunity to earn a fair return on their investments while providing customers with just and reasonable rates.

The Commission is funded by a charge called the "mill assessment" on the gross operating revenues derived from intrastate operations of each public utility. A mill is one-tenth of one cent. The maximum mill assessment for the Commission is 3.50 mills; an additional assessment of 0.75 mills for the Consumer's Advocate is also authorized.

## **C. STATE ENERGY POLICY**

Nevada has a statutorily enacted energy policy statement in NRS 701.010, which is set forth below:

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| <ol style="list-style-type: none"><li>1. The Legislature finds that:<ol style="list-style-type: none"><li>(a) Energy is essential to the economy of the State and to the health, safety and welfare of the people of the State.</li><li>(b) The State has a responsibility to encourage the maintenance of a reliable and economical supply of energy at a level which is consistent with the protection of environmental quality.</li><li>(c) The State has a responsibility to encourage the utilization of a wide range of measures which reduce wasteful uses of energy resources.</li><li>(d) The State and the public have an interest in encouraging public utilities to promote and take actions toward energy conservation.</li><li>(e) Planning for energy conservation and future energy requirements should include consideration of state, regional and local plans for land use, urban expansion, transportation systems, environmental protection and economic development.</li><li>(f) Government and private enterprise need to accelerate research and development of sources of renewable energy and to improve technology related to the research and development of existing sources of energy.</li><li>(g) While government and private enterprise are seeking to accelerate research and development of sources of</li></ol></li></ol> |
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renewable energy, they must also prepare for and respond to the advent of competition within the electrical energy industry and are, therefore, encouraged to maximize the use of indigenous energy resources to the extent competitively and economically feasible.

(h) Prevention of delays and interruptions in providing energy, protecting environmental values and conserving energy require expanded authority and capability within State Government.

2. It is the policy of this State to encourage participation with all levels of government and private enterprise in cooperative state, regional and national programs to assure adequate supplies of energy resources and markets for such energy resources.

3. It is the policy of this State to assign the responsibility for managing and conserving energy and its sources to agencies whose other programs are similar, to avoid duplication of effort in developing policies and programs for energy.

(Added to NRS by 1977, 1163; A 1983, 2092; 1995, 311; 2001, 3263; 2007, 2973)

To implement this policy, the Legislature has created a number of programs and entities, including:

- Requirement of a comprehensive State energy plan developed by the Director of the Office of Energy in the Office of the Governor that promotes energy projects to enhance economic development in the State, encourage use of renewable energy, and foster conservation of energy;
- Triennial integrated resource planning requirements designed to increase supply and decrease demand based on forecasts of future power usage while providing for the best combination of sources to meet those projected needs;
- A renewable portfolio standard that requires power suppliers to gradually increase the percentage of electricity derived from renewable sources and energy efficiency measures from 18 percent in 2014 (the current level) to 25 percent in 2025;
- Incentive programs for installation of solar, wind, and small-scale waterpower generation systems; and
- A net metering program that allows customers to use renewable energy systems to generate up to 1 megawatt (MW) of power for which the customer receives credit from the utility.

In 1997, the Legislature authorized a transition to a competitive retail environment, which was refined in 1999. In the aftermath of the western energy crisis in 1999 and 2000, that process was first delayed and then largely reversed in 2001. However, large customers who use more than 1 MW of power can secure their own power sources if they meet certain conditions. One MW is enough electricity to supply approximately 600 average homes.

Several mining companies built their own power plants under these provisions. Newmont Mining Corporation built a 200 MW coal-fired facility near Battle Mountain while Barrick Gold constructed a 115 MW combined cycle natural gas plant ten miles east of Reno.

In the first decade of the new century, the Legislature continued to refine policies fostering the growth of renewable energy and energy efficiency by enhancing existing programs and incentives and adopting new ones designed to encourage more use of clean, domestic energy sources.

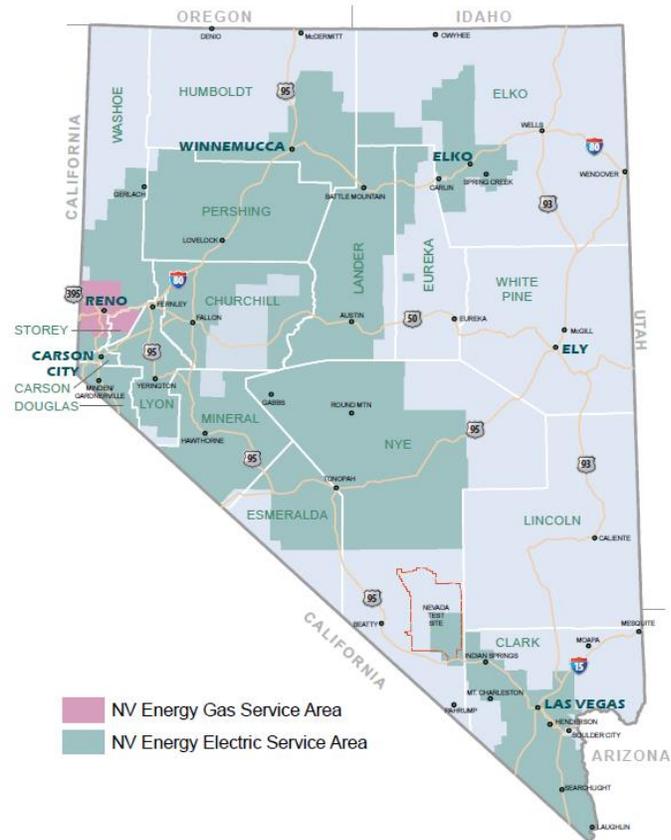
The 2009 Legislature, like Congress, responded to the severe economic crisis by focusing policy directives on stimulating “green energy” jobs and on increasing the amount of renewable energy generated in Nevada, both for domestic consumption and for export, as part of long-term efforts to diversify the State’s economy.

#### D. STATE ENERGY UTILITIES

Formerly there were two major electric utilities in the State: (1) Nevada Power Company in the south; and (2) Sierra Pacific Power Company in the north. These companies merged in 1999 and now both operate under the name of NV Energy. NV Energy was acquired by MidAmerican Energy Holdings Company in May 2013. Southwest Gas Corporation supplies natural gas in the south and areas in the north, as does NV Energy in the north. Additionally, there are several rural electrical cooperatives and power districts. Formation of cooperatives and power districts must be approved by the PUCN, but thereafter, the Commission has little authority over these entities; instead, they are answerable to their members through an election process.

#### *NV Energy*

NV Energy covers a service territory of 45,592 square miles. The company supplies electricity to 2.4 million citizens, as well as some 40 million tourists each year. The all-time peak electric usage in northern Nevada occurred on July 5, 2007, at 1,743 MWs. In southern Nevada, the all-time peak usage of 5,866 MWs occurred on the afternoon of July 5, 2007.



Source: NV Energy

[http://www.nvenergy.com/brochures\\_arch/NVEnergy\\_Service\\_area\\_map.pdf](http://www.nvenergy.com/brochures_arch/NVEnergy_Service_area_map.pdf)

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## ***Southwest Gas Corporation***

Southwest Gas Corporation is an investor-owned natural gas enterprise headquartered in Las Vegas serving more than 1.8 million customers in Arizona, Nevada, and parts of eastern California. The company has been one of the fastest growing natural gas suppliers for more than 10 consecutive years, adding as many as 71,000 new customers per year at times. About 40 percent of the customers are located in Nevada. As with the electric utilities, recent economic conditions have slowed the growth rate.

### **III. REVIEW OF COMMITTEE FUNCTIONS**

The primary responsibilities of the Committee are established pursuant to NRS 218E.815. These responsibilities include evaluating, reviewing, and commenting upon matters related to energy policy in Nevada, including: (1) policies, plans, or programs relating to the production, consumption, or use of energy in Nevada; (2) legislative measures regarding energy policy; (3) progress made to satisfy the goals and objectives of Senate Bill 123 (Chapter 490, *Statutes of Nevada 2013*); (4) the effect of any policy, plan, program or legislation on rates or ratepayers, economic development, environment, purchase of capacity, construction or acquisition of facilities for the generation of electricity, or development of a market in Nevada for electricity generated from renewable energy; (5) any contracts or requests for proposals relating to the purchase of capacity; (6) infrastructure and transmission requirements of any policy, plan, program, or legislation; and (7) any other matter or topics that, in the determination of the Committee, affect energy policy in this State.

### **IV. REVIEW OF MAJOR ISSUES AND COMMITTEE ACTIVITIES**

During the 2013 legislative hearings on energy efficiency and conservation measures, it was decided that some energy policy initiatives should be monitored during the interim period.

#### **A. ENERGY INDUSTRY IN NEVADA**

In 2013, Nevada ranked second in the nation for geothermal energy production and third for solar production. Eighteen percent of its total electricity generation came from renewable energy, above the national average of thirteen percent. One of Nevada's major legislative goals continues to be to attract and expand so-called "green" companies. These are renewable energy, energy conservation, and energy efficiency operations that can provide capital investment and high-paying jobs for the State. They are important for economic growth and diversification and also help improve the environmental quality of life for Nevada residents.

At each meeting, the Committee heard testimony from owners and supporters of the renewable energy business. The presenters provided information to the Committee so policy makers and

the public could become more familiar with renewable enterprises currently operating in the State and hear recommendations for enhancing renewable energy.

### ***Ormat***

Bob Sullivan, Senior Vice President, Business Development, Ormat, provided information to the Committee at its July 25, 2014, meeting on geothermal energy and its place in the changing energy market. Even though the energy market constantly changes, Ormat is able to demonstrate growth in geothermal energy. If Nevada were a country, it would be ranked eighth in the world for geothermal capacity. Currently, even at that ranking, Ormat is working on approximately 45 development projects across the State. In the changing energy landscape, Mr. Sullivan stressed it is important to establish a proper valuation mechanism for geothermal's ancillary and flexibility benefits.

### ***Sempra U.S. Gas & Power, LLC***

At the May 19, 2014, meeting, Kevin Sagara, Vice President, Renewables and Corporate Development, and Larry Folks, Regional Vice President, Renewable Development with Sempra, explained Sempra U.S. Gas & Power develops clean power solutions in markets throughout the United States with a focus on zero and low-emission fuels. Sempra operates more than 1,500 MWs of renewable and natural gas-fueled power plants, including one of the largest photovoltaic solar facilities in the nation. The company's first solar project in southern Nevada was a 10 MW system known as Copper Mountain Solar 1. Shortly after the first project, an additional 48 MWs were added, and the subsequent additional energy was sold to the Pacific Gas and Electric Company. Phase 1 of Copper Mountain Solar 2, a 92 MW plant, was completed at the end of 2012. Phase 2 will have 48 additional MWs, and construction started in August of 2014 and will continue through most of 2015. Finally, Copper Mountain Solar 3 broke ground in early 2014 and when completed will be one of the larger utility scale solar plants in the United States with a capacity of 250 MWs. Completion is scheduled for early 2016.

### ***SolarCity***

The Committee heard a presentation by SolarCity on April 7, 2014. The company is America's largest solar power provider. It makes clean energy available to businesses, governmental organizations, homeowners, nonprofits, and schools at a lower cost than they pay for energy generated by burning fossil fuels like coal, oil, and natural gas. SolarCity opened an office in Las Vegas in 2013 and employs more than 350 people.

### ***Southwest Gas Corporation***

Debra Gallo, Director, Government and State Regulatory Affairs, Southwest Gas Corporation, provided information to the Committee on May 19, 2014, concerning natural gas infrastructure expansion and its role in economic development. Natural gas is a clean, domestically

abundant, safe, reliable, and cost-effective energy source. Southwest Gas provides natural gas service to the majority of Nevada, with the exception of Reno. However, several smaller communities in Nevada lack access to natural gas infrastructure, such as Mesquite, Pahrump, Virginia City, and areas within Elko County. Traditional utility line extension tariff regulations relating to infrastructure expansion rely on upfront investments from developers and customers. These rules do not allow for prospective planning for economic development purposes. Therefore, Southwest Gas plans to propose a legislative policy to promote the appropriate expansion of natural gas infrastructure to unserved and underserved areas within Nevada to support and accelerate the growth and diversification of the State's economy.

## **B. ENERGY EFFICIENCY**

The Legislature has long considered energy efficiency and conservation to be the initial step in a successful energy policy. The Committee heard numerous presentations on energy efficiency from experts such as Lydia Ball, Executive Director, Clean Energy Project; Howard Geller, Executive Director, Southwest Energy Efficiency Project; Monica Brett, Grant Administrator, Department of Education Partner and Board Secretary, Green Alliance; Louise Helton, Vice President and Founder, 1 Sun Solar Companies; Scott Shaw, Director, Research and Development, Service 1st Energy Solutions; and Stan Greschner, Vice President, Government Relations and Market Development, GRID Alternatives.

### ***Commercial Buildings***

In 2011, the University of Nevada, Reno, Business Environmental Program (UNR-BEP) partnered with the Governor's Office of Energy and NV Energy to pursue a U.S. Department of Energy grant to analyze and enact methods to significantly improve Nevada's regulatory and policy environment for implementing energy efficiency projects in existing commercial buildings. Chris Lynch, Director, UNR-BEP, and Dick Bartholet, Director of Research Development, Bureau of Business and Economic Research, UNR, explained the goal of the program has been to shift the way commercial building retrofit projects are evaluated, implemented, and financed—from both an energy-savings and financial return perspective. The UNR-BEP was also awarded a sub-grant to research current economic development and energy policies and address specific barriers to commercial building energy efficiency retrofits, with a particular emphasis on financing barriers.

The UNR-BEP made eight recommendations based on the research it conducted. As a result, the Office of Energy established eight key working groups, and in May 2014, began the process of developing an implementation plan and action strategy to increase the number of commercial building energy efficiency retrofits. A copy of the report may be accessed at: <http://www.unrbep.org/wp-content/uploads/2013/12/Assessment-and-Recommendations-110813-final.pdf>.

### ***Energy Imbalance Market (EIM)***

The Committee heard a presentation on the EIM on April 7, 2014, from Tony Sanchez, Senior Vice President, Government and Community Strategy, NV Energy. He explained the California Independent System Operator (CAISO) created an EIM to assist in the integration of renewable resources and increase the reliability of the electric system. An EIM takes an existing process and shares resources so utilities can more efficiently maintain moment-to-moment balance between electric supply and demand on the grid. The CAISO EIM will automatically adjust participating resources every five minutes in order to economically preserve balances. This system uses the lowest cost resources to balance supply and demand. In addition, the system automatically stays within transmission line limits. The CAISO EIM went live on November 1, 2014, with PacifiCorp being the first entity to join the market. The CAISO EIM is a voluntary market that offers NV Energy an opportunity to further optimize the dispatch of existing resources for the benefit of its customers.

### ***Water-Energy Nexus***

Vincent C. Tidwell, Ph.D., Distinguished Member of the Technical Staff, Earth Systems Analysis, Scandia National Laboratories, provided an overview of the U.S. Department of Energy's July 2014 report, *The Water-Energy Nexus: Challenges and Opportunities*. Historically, interactions between energy and water have been considered on a regional or technology-by-technology basis. At the national and international level, energy and water systems have been developed, managed, and regulated independently. Recent developments have focused national attention on the connections between water and energy infrastructure. When severe drought affected more than one-third of the U.S. in 2012, limited water availability constrained the operation of some power plants and other energy production activities. Dr. Tidwell explained that water scarcity, variability, and uncertainty are becoming more prominent, potentially leading to vulnerabilities of the country's energy system. The Committee discussed this important issue, including recognizing opportunities to use technology to improve energy efficiency in densely populated areas of the State.

## **C. FINANCING OPTIONS FOR RENEWABLE ENERGY SYSTEMS**

The Committee heard testimony regarding the Property Assessed Clean Energy (PACE) program, which uses bonds to generate funds for renewable energy and energy efficiency improvements. The PACE program is targeted as an addition to special improvement district legislation, but in a restricted manner. The Committee discussed whether to expand existing provisions in Nevada's law to permit local governments to create a true PACE-type program.

## **D. PROGRESS REPORTS ON LEGISLATIVE MEASURES**

The following legislative measures (Appendix B) were the subject of progress reports. More detail on these reports is available in the Committee minutes.

### ***Senate Bill 123***

Senate Bill 123 (Chapter 490, *Statutes of Nevada 2013*), dubbed “NVision,” requires certain electric utilities to file with the PUCN a comprehensive plan for emissions reductions from coal-fired electric generating plants and for the replacement of such plants with increased capacity from renewable energy facilities and other electric generating plants.

At the Committee’s first meeting on January 13, 2014, Rebecca D. Wagner, Commissioner, PUCN, explained that the Reid Gardner Generating Station coal units’ closure is due by the end of 2014. To meet this deadline, the rulemaking was split into two phases. Phase 1 requires the PUCN to determine what NV Energy needs to provide in its initial Emission Reduction Capacity Replacement filing (Docket No. 13-06020). Phase 2 involves more challenging issues such as how ancillary services are handled; creating a request for proposals evaluation process for renewable projects by an independent evaluator to ensure it is fair; and benchmarking of emissions tracking, which is not a requirement for the first filing but is critical so Nevada is fully credited toward this requirement by the EPA (Docket No. 14-10019).

### ***Senate Bill 142, Section 3 — Educational Resources Relating to Operating Cost-Savings Measures and Performance Contracts***

Section 3 of Senate Bill 142 (Chapter 392, *Statutes of Nevada 2013*) authorizes the Governor’s Office of Energy to provide local governments with support relating to operating cost-savings measures and to charge and collect a fee for providing such support. Such fees are to be deposited in a separate account administered by the Director of the Office of Energy and used to pay the costs incurred in supporting local governments. A local government may include in a performance contract the amount of any fee charged by the Office of Energy. The Director of the Office of Energy noted that the requirements in Section 3 of the bill are being funded through a federal grant of approximately \$700,000.

### ***Senate Bill 252***

Senate Bill 252 (Chapter 423, *Statutes of Nevada 2013*) revised provisions related to the Renewable Portfolio Standard. It also required the PUCN to open an investigatory docket to study, examine, and review the process for the sale of portfolio energy credits (PECs). At the January 13, 2014 meeting, representatives of the PUCN updated the Committee on its respective duties under S.B. 252 and the progress in meeting those assignments. The first component involves the change to the PUCN’s regulations with respect to energy efficiency and how it relates to PECs. David Noble, Commissioner, PUCN, explained the second component of the bill requires the PUCN to open a docket (Docket No. 13-12020) to review the process for the sale of the PECs and determine whether or not that process can be improved. The report will be provided to the Legislature by January 31, 2015.

### ***Assembly Bill 239***

Assembly Bill 239 (Chapter 504, *Statutes of Nevada 2013*) establishes the Economic Development Electric Rate Rider Program, a five-year program to encourage the location or relocation of new businesses by providing discounted rates for electricity. Staff of the PUCN explained that the program's regulations were completed with Commission approval in November 2013, and the final regulation was approved by the Legislative Commission in December 2013.

### ***Assembly Bill 428, Section 21.3 — Lower Income Solar Energy Pilot Program***

Section 21.3 of Assembly Bill 428 (Chapter 510, *Statutes of Nevada 2013*) requires NV Energy to construct a 1 MW low-income project in its north and south service territories focused primarily on homeless shelters, low-income housing developments, and schools with significant populations of low-income students. NV Energy submitted its plan to the PUCN (Docket No. 14-02004) in February 2014 to install 2 MWs of low-income solar across the State, with the final decision for the north and south projects focusing on Title 1 schools with the utility owning and maintaining the systems for the life of the projects. NV Energy is currently working with stakeholder groups as the Program continues to move forward.

### ***Assembly Bill 428, Section 26.5 — Net Metering Study***

Section 26.5 of A.B. 428 requires the PUCN to open an investigatory docket (Docket No. 13-07010) to evaluate the costs and benefits attributable to net metering. The PUCN worked from late summer 2013 to late fall 2013 to adopt a scope of work for the net metering study. E3 (Energy and Environmental Economics, Inc.) was selected as the consultant to conduct a study to forecast the costs and benefits of net metering in Nevada. E3 completed the study under the direction of the PUCN and a stakeholder advisory group composed of experts from the solar industry, ratepayer advocates, and electric utility representatives. A link to the summary of the report follows. ([http://puc.nv.gov/uploadedFiles/pucnv.gov/Content/About/Media Outreach/Announcements/Announcements/E3%20PUCN%20NEM%20Report%202014.pdf](http://puc.nv.gov/uploadedFiles/pucnv.gov/Content/About/Media%20Outreach/Announcements/Announcements/E3%20PUCN%20NEM%20Report%202014.pdf))

In October 2014, the PUCN noted that accurate pricing signals that reflect the costs and benefits will ensure that a level of equity and fairness is maintained between participants and nonparticipants. Issues such as these are typically considered for all classes of customers in a general rate case based on an evidentiary record. In order to have the flexibility to respond to these conditions on behalf of net-metered customers and non net-metered customers, the Commission recommended the 2015 Nevada Legislature consider modifying existing law concerning net metering.

## V. RECOMMENDATIONS AND SUMMARY OF TOPICS DISCUSSED BY THE COMMITTEE DURING THE 2013–2014 LEGISLATIVE INTERIM

During the course of the 2013–2014 Legislative Interim, the Legislative Committee on Energy was provided with formal presentations and expert and public testimony on topics relating to energy. This section of the report highlights and summarizes topics explored by the Committee that resulted in recommendations approved by the Committee at its work session. The Committee considered a total of five recommendations; from these proposals, the Committee adopted three. The subsequent bill draft requests (BDRs) have been submitted to the 2015 Nevada Legislature.

### A. ENERGY EFFICIENCY RESOURCE STANDARD (EERS)

An EERS offers economic benefits, primarily utility bill savings for households and businesses, as well as job creation. Twenty-six states have adopted such standards that account for around 70 percent of electricity sales nationwide as of 2014, according to the American Council for an Energy-Efficient Economy (ACEEE). In the Western region, Arizona, California, Colorado, New Mexico, Oregon, and Washington have all adopted an EERS. Furthermore, most states are on track to meet their EERS requirements.

In addition, ACEEE shows that for every \$1 million invested in energy efficiency measures, there is a long-term net gain of ten jobs. As Nevada continues to emerge from the Great Recession, each job created is important. Jobs would be created through an EERS in several ways, such as through the direct implementation of energy efficiency measures in Nevada's businesses, institutions, and residences.

Moreover, there are environmental benefits that would be realized from the implementation of an EERS. Expanding utility energy efficiency programs and reducing electricity waste would reduce the operation of thermal power plants, which in turn would cut water consumption. It was noted by proponents that these policies may reduce water consumption in Nevada by about 12 billion gallons over ten years.

Therefore, the Committee recommended the Legislature:

**Draft a bill to require an Energy Efficiency Resource Standard that complements the State's Renewable Portfolio Standard as defined in NRS 704.7821. The bill would establish a separate, complementary standard that provides a consistent stimulus to the energy efficiency industry. (BDR 58–210)**

### B. STATE REGULATION OF ENERGY AUDITORS

In Nevada, a person must be licensed by the Real Estate Division, Department of Business and Industry, as an Energy Auditor to perform an energy audit, an energy assessment, or a limited energy audit. However, if the Energy Auditor also holds a license by the State Contractors'

Board, that individual is not allowed to prepare a bid for any improvement based on the energy audit report and perform such work. It was noted by proponents that persons who hold dual licenses are familiar with the requirements and may be better able to provide these services.

Therefore, the Committee recommended the Legislature:

**Draft a bill to amend Chapter 645D (“Inspectors of Structures and Energy Auditors”) of NRS to allow a contractor licensed by the State Contractors’ Board, who is also licensed as an energy auditor, to prepare a bid for any improvements based on the energy audit report and perform such work. (BDR 54–211)**

### **C. PROPERTY ASSESSED CLEAN ENERGY FINANCING FOR COMMERCIAL MARKET**

Members of the Committee expressed interest in PACE as an innovative way to finance energy efficiency and renewable energy upgrades to commercial buildings. Interested property owners evaluate measures that achieve energy savings and receive 100 percent financing, repaid as a property tax assessment for up to 20 years. The assessment mechanism has been used nationwide for decades to access low-cost, long-term capital to finance improvements to private property that achieve a public purpose. By eliminating upfront costs, providing low-cost, long-term financing, and making it easy for building owners to transfer repayment obligations to a new owner upon sale, PACE helps the implementation of energy efficiency and related projects in commercial buildings in the State.

It was noted the State should explore ways to leverage public resources with banking and financing mechanisms. One possible option is creating a dedicated clean energy bank that leverages public money with private-sector funds and expertise. While these banks can take different forms based on each state’s unique circumstances, they essentially combine scarce public resources with private sector funds and then leverage those funds to invest in attractive clean energy and energy efficiency projects. One benefit of the low-cost financing that these banks make available is that it will reduce clean energy projects’ dependence on expiring federal grants, tax credits, and subsidies and lower the cost of these projects enough to make them cost-competitive with conventional technologies.

Therefore, the Committee recommended the Legislature:

**Draft a bill that is complementary to the existing PACE legislation established pursuant to Senate Bill 358 (Chapter 321, *Statutes of Nevada 2009*) and would create financing procedures for commercial projects. Investors in the commercial market would be responsible for the PACE loans via a property tax assessment. The bill would include creating an Energy Trust/Green Bank, which helps utility customers benefit from efficient energy use and generating renewable energy by offering services, cash incentives, and other energy solutions (via PACE legislation). (BDR 58–212)**

## **VI. CONCLUDING REMARKS**

The Legislative Committee on Energy would like to thank the many individuals who contributed to this study through their correspondence or testimony at public hearings. The Committee members also recognize the cooperation and assistance provided by staff of the State and local agencies, community groups, and businesses.



**VII. APPENDICES**

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**APPENDIX A**

*Nevada Revised Statutes* 218E.805



*Nevada Revised Statutes*

**NRS 218E.805 Creation of Legislative Committee on Energy; membership; budget; officers; terms; vacancies.**

1. The Legislative Committee on Energy, consisting of six legislative members, is hereby created. The membership of the Committee consists of:

(a) Three members appointed by the Majority Leader of the Senate, at least one of whom must be a member of the minority political party.

(b) Three members appointed by the Speaker of the Assembly, at least one of whom must be a member of the minority political party.

2. The Legislative Commission shall review and approve the budget and work program for the Committee and any changes to the budget or work program.

3. The Legislative Commission shall select the Chair and Vice Chair of the Committee from among the members of the Committee. Each Chair and Vice Chair holds office for a term of 2 years commencing on July 1 of each odd-numbered year. The office of Chair of the Committee must alternate each biennium between the Houses. If a vacancy occurs in the office of Chair or Vice Chair, the vacancy must be filled in the same manner as the original selection for the remainder of the unexpired term.

4. A member of the Committee who is not a candidate for reelection or who is defeated for reelection continues to serve after the general election until the next regular or special session convenes.

5. A vacancy on the Committee must be filled in the same manner as the original appointment for the remainder of the unexpired term.

(Added to NRS by 2013, 3343)



## APPENDIX B

### Legislative Measures From the 2013 Legislature Dealing With Energy Issues in the State of Nevada

- [Senate Bill 123 \(Chapter 490, Statutes of Nevada 2013\)](#)
- [Senate Bill 142 \(Chapter 392, Statutes of Nevada 2013\)](#)
- [Senate Bill 252 \(Chapter 423, Statutes of Nevada 2013\)](#)
- [Assembly Bill 239 \(Chapter 504, Statutes of Nevada 2013\)](#)
- [Assembly Bill 428 \(Chapter 510, Statutes of Nevada 2013\)](#)



## **APPENDIX C**

### **Suggested Legislation**



## APPENDIX C

### Suggested Legislation

The following bill draft requests will be available during the 2015 Legislative Session, or can be accessed after “Introduction” at the following website: <http://www.leg.state.nv.us/Session/78th2015/BDRList/page.cfm?showAll=1>

BDR 58–210 Revises provisions relating to energy.

BDR 54–211 Revises provisions relating to energy auditors.

BDR 58–212 Establishes provisions for funding of Property Assessed Clean Energy Financing.