

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

LCB File No. R162-07

November 1, 2007

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

AUTHORITY: §1, NRS 703.025, 704.210 and 704.741; §2, NRS 703.025, 704.210 and 704.751.

A REGULATION relating to public utilities; requiring electric utilities to include an energy efficiency program in a demand side plan to promote conservation and demand management; providing accounting requirements for dispatchable direct load control programs; and providing other matters properly relating thereto.

Section 1. 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.

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 list of the programs for which the utility is requesting the approval of the Commission. The list must include:

(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.

~~{5.}~~ *(e) A complete analysis of the costs and benefits of the program if the program is an energy efficiency program for residential customers which reduces the consumption of electricity or any fossil fuel.*

6. 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 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.

~~6.~~ 7. 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 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.

Sec. 2. 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. ~~A~~ *With the exception of dispatchable direct load control programs, 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 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 and evaluation. The utility may recover approved costs associated with monitoring and evaluating programs for conservation and demand management 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 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 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 by the utility to change general rates as follows:

(1) The Commission will adjust the rate to amortize the balance over a period determined by the Commission to be appropriate for clearing the account and consistent with the life of the investment.

(2) The utility must begin amortizing costs on 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 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 balance must be amortized over a 3-year period, unless otherwise specified by the Commission.*

4. Certain reasonable and prudent costs incurred by a utility with respect to a dispatchable direct load control program must be treated as follows:

(a) The capital investment must be treated as an addition to a plant in service. The utility must be eligible to receive a critical facility designation with respect to the capital investment pursuant to NAC 704.9484.

(b) The costs of credits provided to customers for participating in the program must be recovered through the base tariff energy rate of the utility and treated as fuel and purchased expense.

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.