

SENATE BILL NO. 150—SENATOR SPEARMAN

PREFILED FEBRUARY 13, 2017

Referred to Committee on Commerce, Labor and Energy

SUMMARY—Revises provisions related to energy efficiency programs. (BDR 58-568)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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

AN ACT relating to energy efficiency programs; requiring the Public Utilities Commission of Nevada to establish for each electric utility and each provider of electric service in this State annual goals for energy savings resulting from the implementation of energy efficiency programs; requiring each electric utility and provider of electric service to implement an energy efficiency plan designed to be cost effective and to meet the annual goals for energy savings established by the Commission; requiring the Commission to establish performance-based incentives which an electric utility or provider of electric service is entitled to recover if the electric utility or provider of electric service meets or exceeds the annual goals for energy savings established by the Commission; authorizing the recovery of performance-based incentives through a rate recovery mechanism approved by the Commission; requiring the Commission to measure the cost effectiveness of energy efficiency programs through application of the utility cost test; revising certain provisions relating to the recovery of costs based on the implementation by an electric utility of energy efficiency and conservation programs; and providing other matters properly relating thereto.



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Legislative Counsel's Digest:

1 **Sections 2-11** of this bill require the Public Utilities Commission of Nevada to
2 establish annual goals for energy savings applicable to electric utilities and
3 providers of electric service in this State and to establish performance-based
4 incentives which an electric utility or provider of electric service is entitled to
5 recover if the electric utility or provider of electric service meets or exceeds the
6 annual goals for energy savings established by the Commission.

7 **Section 9** sets forth certain Legislative findings of the necessity for and the
8 benefits relative to the reduction of the consumption of energy by consumers in this
9 State.

10 **Section 10** requires the Commission to establish goals for energy savings for
11 each calendar year for the period beginning with calendar year 2018 and ending
12 with calendar year 2025. **Section 10** also requires each electric utility and provider
13 of electric service to implement an energy efficiency plan which is cost effective, as
14 measured by the utility cost test, and designed to meet the goals for energy savings
15 established by the Commission. **Section 10** further requires that at least 5 percent of
16 the expenditures related to energy efficiency programs must be directed toward
17 low-income customers of the electric utility or provider of electric service.
18 Additionally, **section 10** provides that energy savings which exceed the annual goal
19 for an electric utility or provider of electric service may be banked or traded for use
20 in subsequent calendar years.

21 **Section 11** requires the Commission to establish performance-based incentives
22 which may be recovered by an electric utility or provider of electric service that
23 meets or exceeds its annual goal for energy savings. **Section 11** requires each
24 electric utility and provider of electric service to submit annually a report to the
25 Commission which includes: (1) information regarding whether the electric utility
26 or provider of electric service is entitled to a performance-based incentive for the
27 relevant calendar year; and (2) a request to recover any performance-based
28 incentive to which the electric utility or provider of electric service is entitled.
29 **Section 11** also provides that, if the Commission approves a request to recover a
30 performance-based incentive, the electric utility or provider of electric service must
31 recover the performance-based incentive over a 12-month period through a rate
32 recovery mechanism approved by the Commission.

33 **Section 12** of this bill revises existing law relating to the recovery of costs
34 based on the implementation by an electric utility of energy efficiency and
35 conservation programs to authorize the Commission to remove financial
36 disincentives which discourage an electric utility from implementing or promoting
37 participation in such programs by including a rate adjustment mechanism to ensure
38 that the revenue per customer authorized in a general rate application is recovered
39 without regard to the difference in the quantity of electricity actually sold by the
40 electric utility.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 704 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 11, inclusive, of this
3 act.

4 **Sec. 2.** *As used in sections 2 to 11, inclusive, of this act,*
5 *unless the context otherwise requires, the words and terms defined*
6 *in sections 3 to 8, inclusive, of this act have the meanings ascribed*
7 *to them in those sections.*



1 **Sec. 3.** *“Cost effective” means that an energy efficiency plan*
2 *or energy efficiency program has a benefit-cost ratio of 1.0 or*
3 *greater as measured by the utility cost test.*

4 **Sec. 4.** *“Electric utility” has the meaning ascribed to it in*
5 *NRS 704.187.*

6 **Sec. 5. 1.** *“Energy efficiency program” means a program*
7 *designed, intended or used to improve energy efficiency by*
8 *reducing the energy consumption by a retail customer of an*
9 *electric utility or provider of electric service.*

10 **2.** *The term includes, without limitation, a demand-side*
11 *response program or load-limiting program that shifts the*
12 *consumption of energy by a retail customer from one period to*
13 *another period.*

14 **3.** *The term does not include the implementation or*
15 *assessment of any rate which is based on the time of day, day of*
16 *the week or time of year during which electricity is used or which*
17 *otherwise varies based upon the time during which the electricity*
18 *is used.*

19 **Sec. 6.** *“Energy savings” means the gross energy savings*
20 *resulting from energy efficiency measures adopted through the*
21 *implementation of an energy efficiency program, but does not*
22 *include net energy savings resulting from energy efficiency*
23 *measures adopted by retail customers of the electric utility or*
24 *provider of electric service which are not attributable to*
25 *participation in an energy efficiency program.*

26 **Sec. 7.** *“Provider of electric service” means a cooperative*
27 *association, nonprofit corporation, nonprofit association or other*
28 *provider of electric service that is declared to be a public utility*
29 *pursuant to NRS 704.673 and which provides electric service only*
30 *to its members.*

31 **Sec. 8.** *“Utility cost test” means the measurement of the cost*
32 *effectiveness of an energy efficiency plan or energy efficiency*
33 *program that compares the monetary costs that are borne by an*
34 *electric utility or provider of electric service and that are incurred*
35 *to develop, acquire and operate an energy efficiency program on a*
36 *life-cycle basis to the avoided monetary costs associated with*
37 *developing, acquiring and operating resources to supply electricity*
38 *in the absence of the energy efficiency program.*

39 **Sec. 9.** *The Legislature hereby finds and declares that:*

40 **1.** *Promoting energy savings through energy efficiency*
41 *programs is the fastest, most reliable and often least expensive way*
42 *to meet the energy needs of the residents of this State.*

43 **2.** *The State and the public have an interest in encouraging*
44 *electric utilities and providers of electric service to promote and*



1 *take actions toward the reduction of the consumption of energy by*
2 *consumers in this State.*

3 *3. The State has a responsibility to encourage the*
4 *development of standards, goals and programs to reduce energy*
5 *waste by consumers in this State.*

6 *4. The reduction of the consumption of energy by consumers*
7 *in this State conserves water, reduces carbon dioxide and other*
8 *emissions and is essential to the economy of this State and to the*
9 *health, safety and welfare of the residents of this State.*

10 *5. The application of the utility cost test as a measure of the*
11 *cost effectiveness of energy efficiency programs ensures balance*
12 *in consideration of supply-side resources and demand-side*
13 *resources and of approaches to energy efficiency that are more*
14 *flexible and fair.*

15 **Sec. 10. 1.** *The Commission shall establish by regulation*
16 *for each electric utility and provider of electric service goals for*
17 *energy savings resulting from energy efficiency programs*
18 *implemented by the electric utility or provider of electric service*
19 *each year. Except as otherwise provided in subsection 2, the goals*
20 *for energy savings for each electric utility or provider of electric*
21 *service must be:*

22 *(a) For calendar year 2018, equal to 1.0 percent of retail*
23 *electricity sales in the base year.*

24 *(b) For calendar year 2019, equal to 1.2 percent of retail*
25 *electricity sales in the base year.*

26 *(c) For calendar year 2020, equal to 1.4 percent of retail*
27 *electricity sales in the base year.*

28 *(d) For calendar years 2021, 2022, 2023, 2024 and 2025, equal*
29 *to 1.5 percent of retail electricity sales in the base year.*

30 *2. The Commission may establish a goal for energy savings*
31 *for a calendar year that is greater than the amount specified in*
32 *subsection 1 if the Commission determines that a greater goal is*
33 *technically feasible, achievable and cost effective for retail*
34 *customers of the electric utility or provider of electric service as a*
35 *whole.*

36 *3. The Commission may modify a goal for energy savings it*
37 *has previously established for an electric utility or provider of*
38 *electric service, except that the goal for energy savings for any*
39 *calendar year must not be less than the goal for energy savings for*
40 *the applicable year described in subsection 1.*

41 *4. Upon establishment or modification by the Commission of*
42 *a goal for energy savings for an electric utility or provider of*
43 *electric service pursuant to this section, the affected electric utility*
44 *or provider of electric service may file an amendment to its most*



1 *recent resource plan filed pursuant to NRS 704.741 to incorporate*
2 *the goal for energy savings into the resource plan.*

3 *5. Each electric utility and provider of electric service shall*
4 *develop an energy efficiency plan that:*

5 *(a) Is designed to meet or exceed the goals for energy savings*
6 *established by the Commission pursuant to this section;*

7 *(b) Includes one or more energy efficiency programs; and*

8 *(c) Is cost effective.*

9 *6. In approving an energy efficiency plan developed by an*
10 *electric utility or provider of electric service to meet the goals for*
11 *energy savings established by the Commission pursuant to this*
12 *section, the Commission shall approve an energy efficiency plan*
13 *that is:*

14 *(a) Designed to meet or exceed the goals for energy savings*
15 *established by the Commission pursuant to this section; and*

16 *(b) Cost effective.*

17 *7. Unless the Commission determines that it is not cost*
18 *effective, any energy efficiency plan approved by the Commission*
19 *must provide that not less than 5 percent of the total expenditures*
20 *related to energy efficiency programs must be directed to energy*
21 *efficiency programs for low-income customers of the electric*
22 *utility or provider of electric service. In developing the utility cost*
23 *test for the purpose of measuring the cost effectiveness of energy*
24 *efficiency programs directed to low-income customers, the*
25 *Commission shall quantify or assign a reasonable value to*
26 *reductions in working capital, reduced collection costs, lower bad-*
27 *debt expense, improved effectiveness of customer service and any*
28 *other appropriate factors as utility system economic benefits.*

29 *8. An electric utility or provider of electric service may bank*
30 *or trade energy savings credits obtained by exceeding in any*
31 *calendar year the goals for energy savings established by the*
32 *Commission pursuant to this section. Energy savings credits that*
33 *are banked or traded may be used to meet the goal for energy*
34 *savings in any calendar year subsequent to the year in which the*
35 *energy savings credits are earned.*

36 *9. As used in this section, "base year" means calendar year*
37 *2016 unless the Commission determines that the selection of a*
38 *later year is more appropriate.*

39 **Sec. 11. 1. For each electric utility and provider of electric**
40 **service, the Commission shall establish by regulation**
41 **performance-based incentives which the electric utility or provider**
42 **of electric service is authorized to recover if the electric utility or**
43 **provider of electric service meets or exceeds the goals for energy**
44 **savings established by the Commission pursuant to section 10 of**
45 **this act.**



1 2. *For each electric utility or provider of electric service, the*
2 *performance-based incentive must be equal to a percentage of the*
3 *total expenditures by the electric utility or provider of electric*
4 *service each year on energy efficiency programs which are cost*
5 *effective, and dependent upon a determination by the Commission*
6 *of the level of energy savings achieved by the electric utility or*
7 *provider of electric service, including, without limitation, through*
8 *the use of energy savings credits which are banked or traded*
9 *pursuant to subsection 8 of section 10 of this act, relative to the*
10 *goal for energy savings for the electric utility or provider of*
11 *electric service established by the Commission pursuant to section*
12 *10 of this act for that year. The performance-based incentives*
13 *established by the Commission pursuant to this section must be*
14 *equal to:*

15 (a) *Five percent of the total annual expenditures by the electric*
16 *utility or provider of electric service on energy efficiency programs*
17 *which are cost effective, if the Commission determines that the*
18 *energy savings in that year are equal to or greater than 100*
19 *percent but less than 120 percent of the goal for energy savings of*
20 *the electric utility or provider of electric service for that year.*

21 (b) *Six percent of the total annual expenditures by the electric*
22 *utility or provider of electric service on energy efficiency programs*
23 *which are cost effective, if the Commission determines that the*
24 *energy savings in that year are equal to or greater than 120*
25 *percent but less than 140 percent of the goal for energy savings of*
26 *the electric utility or provider of electric service for that year.*

27 (c) *Seven percent of the total annual expenditures by the*
28 *electric utility or provider of electric service on energy efficiency*
29 *programs which are cost effective, if the Commission determines*
30 *that the energy savings in that year are equal to or greater than*
31 *140 percent but less than 160 percent of the goal for energy*
32 *savings of the electric utility or provider of electric service for that*
33 *year.*

34 (d) *Eight percent of the total annual expenditures by the*
35 *electric utility or provider of electric service on energy efficiency*
36 *programs which are cost effective, if the Commission determines*
37 *that the energy savings in that year are equal to or greater than*
38 *160 percent but less than 180 percent of the goal for energy*
39 *savings of the electric utility or provider of electric service for that*
40 *year.*

41 (e) *Nine percent of the total annual expenditures by the*
42 *electric utility or provider of electric service on energy efficiency*
43 *programs which are cost effective, if the Commission determines*
44 *that the energy savings in that year are equal to or greater than*
45 *180 percent but less than 200 percent of the goal for energy*



1 *savings of the electric utility or provider of electric service for that*
2 *year.*

3 *(f) Ten percent of the total annual expenditures by the electric*
4 *utility or provider of electric service on energy efficiency programs*
5 *which are cost effective, if the Commission determines that the*
6 *energy savings in that year are equal to or greater than 200*
7 *percent of the goal for energy savings of the electric utility or*
8 *provider of electric service for that year.*

9 *3. In any year in which an electric utility or provider of*
10 *electric service does not meet or exceed its goal for energy savings*
11 *established by the Commission pursuant to section 10 of this act,*
12 *including, without limitation, through the use of energy savings*
13 *credits which are banked or traded pursuant to subsection 8 of*
14 *section 10 of this act, the electric utility or provider of electric*
15 *service is not eligible to receive a performance-based incentive*
16 *pursuant to this section.*

17 *4. The Commission shall not establish or impose any penalty*
18 *for an electric utility or provider of electric service that fails to*
19 *meet the goals for energy savings established by the Commission*
20 *pursuant to section 10 of this act.*

21 *5. Each electric utility and provider of electric service shall*
22 *annually submit to the Commission a report:*

23 *(a) Stating whether the electric utility or provider of electric*
24 *service is entitled to receive a performance-based incentive*
25 *pursuant to this section;*

26 *(b) If the electric utility or provider of electric service is*
27 *entitled to receive a performance-based incentive pursuant to this*
28 *section, stating the amount of the incentive; and*

29 *(c) If the electric utility or provider of electric service is*
30 *entitled to receive a performance-based incentive pursuant to this*
31 *section, which includes a request to recover the amount of the*
32 *performance-based incentive.*

33 *6. If, after review of the annual report submitted by an*
34 *electric utility or provider of electric service pursuant to subsection*
35 *5, the Commission approves a request to recover a performance-*
36 *based incentive, the electric utility or provider of electric service*
37 *must collect the amount of the performance-based incentive over a*
38 *12-month period through a cost-recovery mechanism approved by*
39 *the Commission for energy efficiency and conservation programs.*

40 **Sec. 12.** NRS 704.785 is hereby amended to read as follows:

41 704.785 1. The Commission shall adopt regulations
42 authorizing an electric utility to recover an amount based on the
43 measurable and verifiable effects of the implementation by the
44 electric utility of energy efficiency and conservation programs
45 approved by the Commission, which:



1 (a) Must include:

2 (1) The costs reasonably incurred by the electric utility in
3 implementing and administering the energy efficiency and
4 conservation programs; and

5 (2) Any financial disincentives relating to other supply
6 alternatives caused or created by the reasonable implementation of
7 the energy efficiency and conservation programs; and

8 (b) May ~~include any financial incentives to support the~~
9 ~~promotion of~~, *if the Commission determines that it will serve the*
10 *public interest by removing financial disincentives which*
11 *discourage an electric utility from implementing or promoting the*
12 *participation of the customers of the electric utility in ~~the~~ energy*
13 *efficiency and conservation programs ~~+~~, include a rate adjustment*
14 *mechanism to ensure that the revenue per customer authorized in*
15 *a general rate application is recovered without regard to the*
16 *difference in the quantity of electricity actually sold by the electric*
17 *utility subsequent to the date on which the rates take effect. A rate*
18 *adjustment mechanism adopted pursuant to this paragraph may*
19 *apply to one or more rate classes.*

20 2. When considering whether to approve an energy efficiency
21 or conservation program proposed by an electric utility as part of a
22 plan filed pursuant to NRS 704.741, the Commission shall consider
23 the effect of any recovery by the electric utility pursuant to this
24 section on the rates of the customers of the electric utility.

25 3. ~~The regulations adopted pursuant to this section must not:~~
26 ~~—(a) Affect the electric utility's incentives and allowed returns in~~
27 ~~areas not affected by the implementation of energy efficiency and~~
28 ~~conservation programs; or~~
29 ~~—(b) Authorize the electric utility to earn more than the rate of~~
30 ~~return authorized by the Commission in the most recently completed~~
31 ~~rate case of the electric utility;~~

32 ~~4.~~ As used in this section, “electric utility” has the meaning
33 ascribed to it in NRS 704.187.

34 **Sec. 13.** This act becomes effective:

35 1. Upon passage and approval for the purpose of adopting
36 regulations and performing any preparatory administrative tasks
37 necessary to carry out the provisions of this act; and

38 2. On July 1, 2017, for all other purposes.

