

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

LCB File No. R088-10

Docket No. 09-07011—(Phase II)

PROPOSED DRAFT REGULATION

Section 1. Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 5, inclusive, and section 8 of this regulation.

Sec. 2. *“Renewable energy zones” defined. As used in this regulation, “renewable energy zones” has the meaning ascribed to it in NRS 704.741.*

Sec. 3. *“Renewable energy zone transmission plan” defined. As used in this regulation, “renewable energy zone transmission plan” means a utility’s plan, submitted to the Commission as part of the utility’s 20 year supply plan pursuant to Section 6, for constructing or expanding transmission facilities to serve each of the Commission-designated renewable energy zones and to facilitate the utility in meeting the portfolio standard established pursuant to NRS 704.7821.*

Sec. 4. *“Renewable energy zone transmission action plan” defined. As used in this regulation, “renewable energy zone transmission action plan” means a utility’s plan, submitted to the Commission as part of the utility’s three-year action plan pursuant to Section 7, identifying recommended action items for serving one or more of the Commission-designated renewable energy zones, such as studies, permitting, acquisition of rights of way, construction, and/or expansion of transmission infrastructure.*

Sec. 5. *“Financial commitment” defined.*

1. As used in this regulation, “financial commitment” means a financial obligation of the developer of a proposed renewable energy project within a renewable energy zone that evidences and supports the developer’s commitment and fitness to complete construction of its renewable energy project.

2. If any portion of the output of the developer’s proposed renewable energy project is expected to be sold to a purchaser other than the utility proposing construction of the transmission facilities, “financial commitment” also means a financial obligation of the developer that evidences and supports the developer’s commitment and fitness to pay for the cost of the transmission required to deliver that portion of the project’s output to the purchaser other than the utility proposing the construction. The developer’s commitment and fitness to pay for the cost of the transmission may be demonstrated by including, without limitation, a commitment from another entity to pay for such costs.

3. Financial commitments may include, without limitation, executed contracts for the sale of energy from the project, executed contracts for the construction of the project, land lease applications with the U.S. Bureau of Land Management or other appropriate government agency, possession of ownership or leasehold rights in land or mineral rights necessary for the construction and operation of the project, generator interconnection requests, executed transmission service agreements, executed interconnection agreements, and related cash deposits or letters of credit that secure:

(a) Contracts for the sale of energy from the project,

(b) Contracts for the construction of the project, or

(c) The construction of required transmission facilities and/or transmission service to deliver the project’s output to its purchaser.

Sec. 6. NAC 704.9385 is hereby amended to read as follows:

NAC 704.9385 Supply plan: Contents; tables; transmission plan; *renewable energy zone transmission plan*; information regarding purchase of power; maps. (NRS 703.025, 704.210, 704.741)

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;

(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. In addition to the transmission plan required by this section, the supply plan of a utility must include, as a discrete but integrated item in the supply plan, a conceptual renewable energy zone transmission plan for the 20 years covered by the forecast in the supply plan. The renewable energy zone transmission plan shall include distinct conceptual transmission plans,

which may include capacity for export to other states, for serving each of the Commission-designated renewable energy zones. Each of the distinct conceptual plans shall include:

(a) A description of the construction or expansion of transmission facilities required to be added to the utility's existing transmission system;

(b) Planning level cost estimates (including estimates for permitting and other transmission development expenses) and estimated development schedules for the transmission facilities included in the plan, based on information known by the utility at the time the plan is submitted to the Commission;

(c) Consideration of restrictions or limitations on construction or expansion of transmission including, without limitation, generator tie lines in the applicable plan due to local topographical, environmental, governmental, land-use or any other factors or limitations that are known by the utility at the time the plan is submitted to the Commission; and

(d) Estimates of the developable renewable energy resources in the applicable zone, based on information that is known to the utility at the time the plan is submitted to the Commission.

~~§~~ 6. 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. 7. NAC 704.9489 is hereby amended to read as follows:

NAC 704.9489 Requirements for action plan. (NRS 703.025, 704.210, 704.741)

1. Each resource plan of a utility must include a detailed action plan based on an integrated analysis of the demand side plan and supply plan of the utility. In its action plan, the utility shall

specify all its actions that are to take place during the 3 years commencing with the year following the year in which the resource plan is filed. The action plan must contain:

(a) An introductory section that explains how the action plan fits into the longer-term strategic plan of the utility.

(b) A list of actions for which the utility is seeking the approval of the Commission.

(c) A schedule for the acquisition of data, including planned activities to update and refine the quality of the data used in forecasting.

(d) A specific timetable for acquisition of options for the supply of electric energy and for programs for conservation and demand management.

(e) If changes in the methodology are being proposed, a description fully justifying the proposed changes, including an analysis of the costs and benefits. Any changes in methodology that are approved by the Commission must be maintained for the period described in the action plan.

(f) A section describing any plans of the utility to acquire additional modeling instruments.

(g) A section for the utility's program for conservation and demand management, including:

(1) A description of continued planning efforts;

(2) A plan to carry out and continue selected measures for conservation and demand management that have been identified as desirable; and

(3) Any impacts of imputed debt calculations associated with energy efficiency contracts in the preferred plan.

(h) A section for the utility's program for acquisition of resources for the supply of electric energy for the period covered by the action plan, including:

- (1) The immediate plans of the utility for construction of facilities or long-term purchases of power;
- (2) The expected time for construction of facilities and acquisition of long-term purchases of power identified in subparagraph (1);
- (3) The major milestones of construction; and
- (4) Any impacts of imputed debt calculations associated with renewable energy contracts or energy efficiency contracts in the preferred plan.

2. The action plan must contain an energy supply plan.

3. *The action plan must contain a renewable energy zone transmission action plan for serving one or more of the Commission-designated renewable energy zones or an explanation of why no renewable energy zone transmission action plan is contained in the action plan. In addition to the other action plan requirements set forth in this section, for any action items recommended by the utility the renewable energy zone transmission action plan must include (in each case with supporting data and documentation):*

(a) For permitting, routing study, and right-of-way acquisition expenses, evidence addressing:

(1) How such expenditures will facilitate compliance with NRS 704.7821 in a manner consistent with NAC 704.8901 through NAC 704.8939; and

(2) All other benefits Nevada retail ratepayers will derive from the expenses.

(b) For construction and expansion of transmission infrastructure:

(1) Evidence of how the proposed construction and expansion facilitates compliance with NRS 704.7821 in a manner consistent with NAC 704.8901 through NAC 704.8939;

(2) A listing and description, including detailed cost estimates and development schedules, of the transmission facilities recommended by the utility for construction or expansion;

(3) A listing and description of transmission alternatives that were considered by the utility, including transmission development partnerships;

(4) Data and economic analysis that supports the transmission projects recommended by the utility, including without limitation a comparison of the levelized cost, including transmission, of procuring renewable resources from the renewable energy zone(s) proposed to be served by the utility's recommended transmission projects to other renewable resource options, including those that are located in and out of Commission-designated renewable energy zones;

(5) Evidence of the financial commitments from developers of renewable energy projects located in the affected renewable energy zone(s);

(6) An estimate of the level of capacity and energy that the utility expects to utilize from the affected renewable energy zone(s) during the utility's 20-year load forecast period established pursuant to NAC 704.932(2); and

(7) The estimated timeframe(s) to fully utilize the capacity of the transmission construction and expansion recommended by the utility.

(c) In addition to the action plan requirements set forth at Section 7(3)(b)(1-7), for construction and expansion of transmission infrastructure that will serve both Nevada retail ratepayers and non-Nevada export markets the action plan must include:

(1) Evidence that renewable energy developers wishing to export energy have a buyer for their energy and the buyer has a means of delivering the energy from the Nevada utility's transmission system to the point of delivery;

(2) A strategic plan to mitigate the potential financial risks to Nevada retail ratepayers associated with stranded investment and infrastructure that is not intended to provide service to Nevada retail ratepayers, including without limitation, safeguards to monitor the financial risk to Nevada's retail ratepayers and criteria to trigger an amendment to the plan should changes in circumstance occur which could expose Nevada retail ratepayers to such risks; and

(3) Identification of the potential resources in the renewable energy zones including the resources under contract, resources under development, known completion dates and known amount of capacity and energy to be produced by renewable energy projects in the affected renewable energy zone(s) for non-Nevada customers.

~~[3]~~ 4. The action plan must contain a budget for planned expenditures suitable for comparing planned and achieved expenditures. Expenses must be listed in a format that is consistent with the categories and periods to be presented in subsequent filings. The budget must be organized in the following categories:

- (a) Forecasting of loads;
- (b) Conservation and demand management;
- (c) Plan for supply; and
- (d) Financial plan.

~~[4]~~ 5. The action plan must contain schedules suitable for comparing planned and actual activities and accomplishments. Milestones and points of decision committing major expenditures must be shown.

Sec. 8. An action item contained in a renewable energy zone transmission action plan may be accepted by the Commission if the Commission determines, without limitation, that with respect to that action item:

(a) The action item will serve a renewable energy zone and will prudently facilitate the utility's satisfaction of the portfolio standard established by NRS 704.7821 in a manner consistent with NAC 704.8901 through NAC 704.8939 while adequately mitigating the risk associated with stranded transmission development costs and the costs of developing transmission capacity not intended to provide service to Nevada retail ratepayers; and

(b) The utility has demonstrated that adequate financial commitments supporting renewable energy development in the affected renewable energy zone(s) exist to justify implementation of the action item.