

SENATE BILL NO. 282—SENATORS SPEARMAN, FORD, PARKS;
DENIS, KIHUEN, MANENDO, SEGERBLOM AND WOODHOUSE

MARCH 13, 2015

Referred to Committee on Commerce, Labor and Energy

SUMMARY—Revises provisions relating to energy.
(BDR 58-259)

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

~

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

AN ACT relating to energy; revising provisions relating to the payment of incentives to participants in the Solar Energy Systems Incentive Program, the Wind Energy Systems Demonstration Program and the Waterpower Energy Systems Demonstration Program; providing for the implementation by certain electric utilities of energy efficiency resource plans; authorizing such electric utilities to recover certain costs and performance-based incentives as the result of implementing a plan; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law establishes the Solar Energy Systems Incentive Program, the Wind Energy Systems Demonstration Program and the Waterpower Energy Systems Demonstration Program. Existing law further establishes the amount of incentives that may be authorized for payment by the Public Utilities Commission of Nevada to each Program. (NRS 701B.005, 701B.010-701B.290, 701B.400-701B.650, 701B.700-701B.880) **Section 1** of this bill combines the amount of existing incentives available for payment to each Program into a single pool of money from which the Commission may authorize the payment of an incentive to a Program. **Section 1** further requires the Commission, for the period beginning on January 1, 2016, and ending on December 31, 2021, to authorize the payment of incentives in an amount not less than \$2 million per year for the installation of solar energy systems and distributed generation systems at locations throughout the service territories of electric utilities in this State which benefit low-income customers. **Section 2** of this bill provides that incentives available to participants under the Solar Program must account for the cost of labor with respect to the installation of a solar energy system or distributed generation system. **Section 2** further provides that incentives available to a participant that is a public entity or nonprofit



organization must not exceed 75 percent of the installed cost of the solar energy system or distributed generation system based on the average installed cost of a system, as applicable, by public entities and nonprofit organizations in the immediately preceding year.

Existing law provides for the implementation by certain electric utilities of certain energy efficiency and conservation programs and further authorizes an electric utility to recover certain costs associated with the implementation of the program in accordance with regulations adopted by the Commission. (NRS 704.785) **Sections 4-12** of this bill provide for the development and implementation of energy efficiency resource plans by electric utilities for the period beginning on July 1, 2016, and ending on June 30, 2025, for the purpose of encouraging a reduction in energy consumption by the retail customers of the electric utility through the purchase, installation and implementation of energy efficiency measures. **Section 10** requires each electric utility annually to develop and the Commission to approve a plan that requires the electric utility to reimburse its retail customers for the purchase, installation or implementation of energy efficiency measures up to a certain cumulative amount based on the gross sales of electricity by the electric utility to its retail customers. **Section 14** of this bill authorizes an electric utility that implements such a plan to recover certain costs of the electric utility in implementing the plan in accordance with regulations adopted by the Commission. **Section 11** authorizes the electric utility, in addition to the recovery of its costs pursuant to **section 14**, annually to recover a performance-based incentive in a certain amount if the utility meets or exceeds the reimbursement requirements under the plan. **Section 12** requires the Commission to adopt regulations providing for the evaluation and administration of energy efficiency resource plans and authorizes the Commission, under certain circumstances, to increase the cumulative amount of the reimbursement that is required under the plan and the amount of the performance-based incentive that an electric utility may receive as the result of meeting or exceeding its reimbursement requirement in a plan year.

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

Section 1. NRS 701B.005 is hereby amended to read as follows:

701B.005 1. For the purposes of carrying out the Solar Energy Systems Incentive Program created by NRS 701B.240, and subject to the limitations prescribed by ~~subsection 2,~~ **subsections 2 and 3**, the Public Utilities Commission of Nevada shall set incentive levels and schedules, with a goal of approving solar energy systems totaling at least 250,000 kilowatts of capacity in this State for the period beginning on July 1, 2010, and ending on December 31, 2021.

2. ~~The~~ **Except as otherwise provided in subsection 3, the** Commission ~~shall not~~ **may** authorize the payment of an incentive pursuant to ~~1:~~

~~—(a) The~~ **the** Solar Energy Systems Incentive Program **created by NRS 701B.240, the Wind Energy Systems Demonstration Program created by NRS 701B.580 and the Waterpower Energy**



Systems Demonstration Program created by NRS 701B.820 if the payment of the incentive would *not* cause the total amount of incentives paid by all utilities in this State for the installation of solar energy systems , ~~{and}~~ solar distributed generation systems , *wind energy systems and waterpower energy systems* to exceed ~~[\$255,270,000]~~ *\$295,270,000* for the period beginning on July 1, 2010, and ending on December 31, 2025.

~~{(b) The Wind Energy Systems Demonstration Program created by NRS 701B.580 and the Waterpower Energy Systems Demonstration Program created by NRS 701B.820 if the payment of the incentive would cause the total amount of incentives paid by all utilities in this State for the installation of wind energy systems and waterpower energy systems to exceed \$40,000,000 for the period beginning on July 1, 2009, and ending on December 31, 2025. The Commission shall by regulation determine the allocation of incentives for each Program.}~~

3. For the period beginning on January 1, 2016, and ending on December 31, 2021, the Commission shall, from the money allocated for the payment of an incentive pursuant to subsection 2, authorize the payment of incentives in an amount of not less than \$2 million per year for the installation of solar energy systems and distributed generation systems at locations throughout the service territories of utilities in this State which benefit low-income customers, including, without limitation, homeless shelters, multifamily and single-family low-income housing developments and public entities that serve significant populations of low-income residents.

4. The Commission may, subject to the limitations prescribed by ~~{subsection 2,}~~ *subsections 2 and 3*, authorize the payment of performance-based incentives for the period ending on December 31, 2025.

~~{4.}~~ *5.* A utility may file with the Commission one combined annual plan which meets the requirements set forth in NRS 701B.230, 701B.610 and 701B.850. The Commission shall review and approve any plan submitted pursuant to this subsection in accordance with the requirements of NRS 701B.230, 701B.610 and 701B.850, as applicable.

~~{5.}~~ *6.* As used in this section:

(a) "Distributed generation system" has the meaning ascribed to it in NRS 701B.055.

(b) "Utility" means a public utility that supplies electricity in this State.



Sec. 2. NRS 701B.200 is hereby amended to read as follows:

701B.200 The Commission shall adopt regulations necessary to carry out the provisions of NRS 701B.010 to 701B.290, inclusive, including, without limitation, regulations that:

1. Establish the type of incentives available to participants in the Solar Program and the level or amount of those incentives. The incentives must be market-based incentives that:

(a) Do not exceed ~~1501~~:

(1) Seventy-five percent of the installed cost of a solar energy system or distributed generation system to a public entity or nonprofit organization, including the cost of labor, as determined by using the average installed cost of solar energy systems or distributed generation systems, as applicable, to public entities and nonprofit organizations installed in the immediately preceding year; or

(2) Fifty percent of the installed cost of a solar energy system or distributed generation system ~~to~~ to a person other than a public entity or nonprofit organization, including the cost of labor, as determined by using the average installed cost of ~~the~~ solar energy systems or distributed generation systems, as applicable, to such persons installed in the immediately preceding year;

(b) Are designed to maximize the number of customer categories participating in the Solar Program based on demographics and location, including, without limitation, categories for public entities, customers of lower socioeconomic status, nonprofit organizations and commercial, industrial and residential customers; and

(c) Provide for a sustainable Solar Program that maintains sufficient customer participation and that provides for the measured award of incentives to as many participants as possible on or before December 31, 2021.

2. Establish the requirements for a utility's annual plan for carrying out and administering the Solar Program. A utility's annual plan must include, without limitation:

(a) A detailed plan for advertising the Solar Program;

(b) A detailed budget and schedule for carrying out and administering the Solar Program;

(c) A detailed account of administrative processes and forms that will be used to carry out and administer the Solar Program, including, without limitation, a description of the application process and copies of all applications and any other forms that are necessary to apply for and participate in the Solar Program;

(d) A detailed account of the procedures that will be used for inspection and verification of a participant's solar energy system and compliance with the Solar Program;



(e) A detailed account of training and educational activities that will be used to carry out and administer the Solar Program;

(f) Any other information that the Commission requires from the utility as part of the administration of the Solar Program; and

(g) Any other information required by the Commission.

3. Authorize a utility to recover the reasonable costs incurred in carrying out and administering the installation of distributed generation systems.

Sec. 3. Chapter 704 of NRS is hereby amended by adding thereto the provisions set forth as sections 4 to 12, inclusive, of this act.

Sec. 4. *As used in NRS 704.785 and 704.786 and sections 4 to 12, inclusive, of this act, unless the context otherwise requires, the words and terms defined in sections 5 to 9, inclusive, of this act have the meanings ascribed to them in those sections.*

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

Sec. 6. 1. *“Energy efficiency and conservation program” means a program for residential customers of an electric utility which reduces the consumption of electricity or any fossil fuel and which includes without limitation, the use of new solar thermal energy sources.*

2. The term does not include an energy efficiency resource plan.

Sec. 7. 1. *“Energy efficiency measure” means any measure designed, intended or used to improve energy efficiency that is intended to provide, as part of an energy efficiency resource plan, a reduction in energy consumption by a retail customer of an electric utility.*

2. The term includes, without limitation, a demand response measure or load limiting measure that shifts the consumption of energy by a retail customer from one period to another period.

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

Sec. 8. *“Energy efficiency resource plan” means a plan developed by an electric utility pursuant to section 10 of this act.*

Sec. 9. *“Plan year” means the period of July 1 to June 30 of the following year.*

Sec. 10. 1. *For each plan year beginning on July 1, 2016, and ending on June 30, 2025, each electric utility shall develop and submit to the Commission for approval an energy efficiency resource plan for the purpose of encouraging a reduction in the*



1 consumption of energy by the retail customers of the electric utility
2 through the purchase, installation and implementation of energy
3 efficiency measures.

4 2. The Commission shall, for each electric utility, approve an
5 energy efficiency resource plan submitted pursuant to subsection 1
6 that meets the criteria established by the Commission by
7 regulation unless the electric utility provides proof satisfactory to
8 the Commission that developing and implementing an energy
9 efficiency resource plan is unreasonably burdensome to the
10 electric utility or not cost-effective for the electric utility or its
11 retail customers.

12 3. Except as otherwise provided in paragraph (a) of
13 subsection 2 of section 12 of this act, an energy efficiency resource
14 plan approved pursuant to subsection 2 must provide for the
15 reimbursement by an electric utility, in whole or in part, of the
16 costs for the purchase, installation or implementation of energy
17 efficiency measures by the retail customers of the electric utility in
18 a cumulative amount equal to or greater than 1 percent of the
19 gross sales of electricity by the electric utility to the retail
20 customers of the electric utility in the immediately preceding plan
21 year.

22 **Sec. 11.** 1. In addition to the recovery of costs by an electric
23 utility for the implementation of an energy efficiency resource
24 plan pursuant to NRS 704.785, an electric utility may, if in a plan
25 year the electric utility meets or exceeds the reimbursement
26 requirement of an energy efficiency resource plan approved by the
27 Commission pursuant to subsection 2 of section 10 of this act,
28 recover for that plan year a performance-based incentive in
29 accordance with subsection 2. To be eligible to receive the
30 performance-based incentive, an electric utility must submit to
31 the Commission at the end of a plan year an application for the
32 recovery of the performance-based incentive which:

33 (a) Identifies the gross sales of electricity by the electric utility
34 to the retail customers of the electric utility during the plan year.

35 (b) Identifies the cumulative amount of reimbursements by the
36 electric utility under the energy efficiency resource plan
37 implemented during the plan year.

38 (c) Includes a calculation of the amount of any performance-
39 based incentive to which the electric utility may be entitled
40 pursuant to subsection 2.

41 2. Unless the Commission adopts regulations pursuant to
42 subsection 2 of section 12 of this act which require a greater
43 cumulative amount of reimbursements by an electric utility or
44 which provide for a performance-based incentive in a greater
45 amount, if the Commission approves an application submitted



pursuant to subsection 1, an electric utility is entitled to receive, if the cumulative amount of reimbursements by the electric utility to the retail customers of the electric utility under an energy efficiency resource plan are:

(a) Equal to or greater than 1 percent but less than 1.2 percent of the gross sales of electricity by the electric utility to the retail customers of the electric utility during the immediately preceding plan year, a performance-based incentive in an amount equal to 5 percent of the amount reimbursed by the electric utility.

(b) Equal to or greater than 1.2 percent but less than 1.4 percent of the gross sales of electricity by the electric utility to the retail customers of the electric utility during the immediately preceding plan year, a performance-based incentive in an amount equal to 6 percent of the amount reimbursed by the electric utility.

(c) Equal to or greater than 1.4 percent but less than 1.6 percent of the gross sales of electricity by the electric utility to the retail customers of the electric utility during the immediately preceding plan year, a performance-based incentive in an amount equal to 7 percent of the amount reimbursed by the electric utility.

(d) Equal to or greater than 1.6 percent but less than 1.8 percent of the gross sales of electricity by the electric utility to the retail customers of the electric utility during the immediately preceding plan year, a performance-based incentive in an amount equal to 8 percent of the amount reimbursed by the electric utility.

(e) Equal to or greater than 1.8 percent but less than 2 percent of the gross sales of electricity by the electric utility to the retail customers of the electric utility during the immediately preceding plan year, a performance-based incentive in an amount equal to 9 percent of the amount reimbursed by the electric utility.

(f) Equal to or greater than 2 percent of the gross sales of electricity by the electric utility to the retail customers of the electric utility during the immediately preceding plan year, a performance-based incentive in an amount equal to 10 percent of the amount reimbursed by the electric utility.

Sec. 12. 1. The Commission shall adopt regulations establishing:

(a) Criteria for the evaluation of the cost-effectiveness of the implementation of an energy efficiency resource plan to an electric utility and the retail customers of the electric utility.

(b) The process for reviewing and approving the application of an electric utility to receive a performance-based incentive submitted pursuant to subsection 1 of section 11 of this act.

(c) The manner in which a performance-based incentive is incrementally distributed to an electric utility during the next ensuing plan year.



(d) Any performance standards or other criteria that are necessary to evaluate the success of energy efficiency resource plans.

2. The Commission may adopt regulations which provide for an increase from year to year in:

(a) The cumulative amount of the reimbursement that is required under an energy efficiency resource plan pursuant to subsection 3 of section 10 of this act if the Commission determines that the increase is feasible and cost-effective for the electric utility and retail customers of the electric utility.

(b) The amount of a performance-based incentive to which an eligible electric utility may be entitled pursuant to subsection 2 of section 11 of this act.

Sec. 13. NRS 704.741 is hereby amended to read as follows:

704.741 1. A utility which supplies electricity in this State shall, on or before July 1 of every third year, in the manner specified by the Commission, submit a plan to increase its supply of electricity or decrease the demands made on its system by its customers to the Commission.

2. The Commission shall, by regulation:

(a) Prescribe the contents of such a plan, including, but not limited to, the methods or formulas which are used by the utility to:

(1) Forecast the future demands; and

(2) Determine the best combination of sources of supply to meet the demands or the best method to reduce them; and

(b) Designate renewable energy zones and revise the designated renewable energy zones as the Commission deems necessary.

3. The Commission shall require the utility to include in its plan:

(a) An energy efficiency *and conservation* program for residential customers which reduces the consumption of electricity or any fossil fuel and which includes, without limitation, the use of new solar thermal energy sources; and

(b) A comparison of a diverse set of scenarios of the best combination of sources of supply to meet the demands or the best methods to reduce the demands, which must include at least one scenario of low carbon intensity.

4. The Commission shall require the utility to include in its plan a plan for construction or expansion of transmission facilities to serve renewable energy zones and to facilitate the utility in meeting the portfolio standard established by NRS 704.7821.

5. As used in this section:

(a) “Carbon intensity” means the amount of carbon by weight emitted per unit of energy consumed.



(b) “Renewable energy zones” means specific geographic zones where renewable energy resources are sufficient to develop generation capacity and where transmission constrains the delivery of electricity from those resources to customers.

Sec. 14. NRS 704.785 is hereby amended to read as follows:

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

(a) Must include:

(1) The costs reasonably incurred by the electric utility in implementing and administering the *energy efficiency resource plan and* energy efficiency and conservation programs; and

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

(b) May include any financial incentives to support the promotion of the participation of the customers of the electric utility in the *energy efficiency resource plan or* energy efficiency and conservation programs.

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

3. The regulations adopted pursuant to this section must not:

(a) Affect the electric utility’s incentives and allowed returns in areas not affected by the implementation of *an energy efficiency resource plan or* energy efficiency and conservation programs; or

(b) Authorize the electric utility to earn more than the rate of return authorized by the Commission in the most recently completed rate case of the electric utility.

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

Sec. 15. 1. The Public Utilities Commission of Nevada shall take into account the gross sales of electricity by electric utilities in this State and the growth in the customer base of such electric utilities during a test year beginning on July 1, 2015, and ending on June 30, 2016, for the purposes of establishing any energy efficiency goals, the requirements for reimbursements under an energy efficiency resource plan and the payment of performance-



1 based incentives to an electric utility in accordance with sections 4
2 to 12, inclusive, of this act.

3 2. As used in this section:

4 (a) “Electric utility” has the meaning ascribed to it in section 5
5 of this act.

6 (b) “Energy efficiency resource plan” has the meaning ascribed
7 to in section 8 of this act.

8 **Sec. 16.** 1. This act becomes effective:

9 (a) Upon passage and approval for the purpose of performing
10 any preparatory administrative tasks necessary to carry out the
11 provisions of this act; and

12 (b) On July 1, 2015, for all other purposes.

13 2. This act expires by limitation on December 31, 2025.

