

Amendment No. 255

Senate Amendment to Senate Bill No. 150	(BDR 58-568)
Proposed by: Senate Committee on Commerce, Labor and Energy	
Amends: Summary: No Title: Yes Preamble: No Joint Sponsorship: No Digest: Yes	

ASSEMBLY ACTION			Initial and Date	SENATE ACTION			Initial and Date		
Adopted	<input type="checkbox"/>	Lost	<input type="checkbox"/>	_____	Adopted	<input type="checkbox"/>	Lost	<input type="checkbox"/>	_____
Concurred In	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____	Concurred In	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____
Receded	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____	Receded	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____

EXPLANATION: Matter in (1) *blue bold italics* is new language in the original bill; (2) variations of green bold underlining is language proposed to be added in this amendment; (3) ~~red strikethrough~~ is deleted language in the original bill; (4) ~~purple double strikethrough~~ is language proposed to be deleted in this amendment; (5) orange double underlining is deleted language in the original bill proposed to be retained in this amendment.



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.

~

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.

Legislative Counsel's Digest:

Sections 2-11 of this bill require the Public Utilities Commission of Nevada to establish annual goals for energy savings applicable to electric utilities ~~and providers of electric service~~ in this State. ~~and 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.~~

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

Section 10 requires the Commission to establish goals for energy savings for each electric utility for each calendar year. ~~for the period beginning with calendar year 2018 and ending with calendar year 2025.~~ **Section 10** also requires each electric utility ~~and provider of~~

~~electric service]~~ to implement an energy efficiency plan which is cost effective ~~[, as measured by the utility cost test,]~~ and designed to meet the goals for energy savings established by the Commission. **Section 10** further requires that at least 5 percent of the expenditures related to energy efficiency programs must be directed toward low-income customers of the electric utility. ~~[for provider of electric service. Additionally, section 10 provides that energy savings which exceed the annual goal for an electric utility or provider of electric service may be banked or traded for use in subsequent calendar years.]~~

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

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

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

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

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

Sec. 3. *“Cost effective” means that an energy efficiency plan ~~for energy efficiency program]~~ has a benefit-cost ratio of 1.0 or greater as measured by the ~~utility cost test,]~~ the cost-effectiveness test selected by the Commission, which test must account for the nonenergy benefits of the energy efficiency plan.*

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

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

2. The term includes, without limitation, a demand-side response program or load-limiting program 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 electricity is used or which otherwise varies based upon the time during which the electricity is used.

Sec. 6. *“Energy savings” means the gross energy savings resulting from energy efficiency measures adopted through the implementation of an energy efficiency program, but does not include net energy savings resulting from energy efficiency measures adopted by retail customers of the electric utility ~~for provider~~*

1 ~~of electric service} which are not attributable to participation in an energy~~
2 ~~efficiency program.~~

3 Sec. 7. ~~["Provider of electric service" means a cooperative association,~~
4 ~~nonprofit corporation, nonprofit association or other provider of electric service~~
5 ~~that is declared to be a public utility pursuant to NRS 704.673 and which provides~~
6 ~~electric service only to its members.] (Deleted by amendment.)~~

7 Sec. 8. ~~["Utility cost test" means the measurement of the cost effectiveness~~
8 ~~of an energy efficiency plan or energy efficiency program that compares the~~
9 ~~monetary costs that are borne by an electric utility or provider of electric service~~
10 ~~and that are incurred to develop, acquire and operate an energy efficiency~~
11 ~~program on a life cycle basis to the avoided monetary costs associated with~~
12 ~~developing, acquiring and operating resources to supply electricity in the absence~~
13 ~~of the energy efficiency program.] (Deleted by amendment.)~~

14 Sec. 9. The Legislature hereby finds and declares that:

15 1. ~~[Promoting energy savings through energy efficiency programs is the~~
16 ~~fastest, most reliable and often least expensive way to meet the energy needs of~~
17 ~~the residents.] Energy is essential to the economy of this State and to the health,~~
18 ~~safety and welfare of the residents of this State.~~

19 2. The State has a responsibility to encourage the maintenance of a reliable
20 and economical supply of energy at a level which is consistent with the protection
21 of the quality of the environment of this State.

22 3. The State and the public have an interest in encouraging electric utilities
23 ~~[and providers of electric service] to promote and take actions toward the~~
24 conservation of energy and the reduction of the consumption of energy by
25 consumers in this State.

26 ~~[3.] 4. The State has a responsibility to encourage the development of a~~
27 wide range of standards, goals and programs to reduce energy waste by
28 consumers in this State.

29 ~~[4.] 5. Planning for energy conservation and the future energy needs of~~
30 this State should include consideration of state, regional and local plans for land
31 use, urban expansion, transportation systems, environmental protection and
32 economic development.

33 6. It is in the interest of this State and the residents of this State that the
34 energy efficiency plans and programs of electric utilities should maximize the
35 implementation of cost-effective, achievable energy efficiency opportunities.

36 7. The reduction of the consumption of energy by consumers in this State
37 conserves water, reduces carbon dioxide and other emissions and is essential to
38 the economy of this State and to the health, safety and welfare of the residents of
39 this State.

40 ~~[5. The application of the utility cost test as a measure of the cost~~
41 ~~effectiveness of energy efficiency programs ensures balance in consideration of~~
42 ~~supply side resources and demand side resources and of approaches to energy~~
43 ~~efficiency that are more flexible and fair.]~~

44 Sec. 10. 1. The Commission shall establish by regulation for each electric
45 utility [and provider of electric service] goals for energy savings resulting from
46 energy efficiency programs implemented by the electric utility [or provider of
47 electric service] each year [Except as otherwise provided in subsection 2, the
48 goals for energy savings for each electric utility or provider of electric service
49 must be:

50 ~~—(a) For calendar year 2018, equal to 1.0 percent of retail electricity sales in~~
51 ~~the base year.~~

52 ~~—(b) For calendar year 2019, equal to 1.2 percent of retail electricity sales in~~
53 ~~the base year.~~

~~1. (c) For calendar year 2020, equal to 1.4 percent of retail electricity sales in the base year.~~

~~2. (d) For calendar years 2021, 2022, 2023, 2024 and 2025, equal to 1.5 percent of retail electricity sales in the base year.~~

~~3. 2. The Commission may establish a goal for energy savings for a calendar year that is greater than the amount specified in subsection 1 if the Commission determines that a greater goal is technically feasible, achievable and cost effective for retail customers of the electric utility or provider of electric service as a whole.~~

~~4. 3.1, which must be included in the resource plan filed by the electric utility pursuant to NRS 704.741.~~

~~5. 2. The Commission may [modify] :~~

~~6. (a) Modify a goal for energy savings it has previously established for an electric utility, for provider of electric service, except that the goal for energy savings for any calendar year must not be less than the goal for energy savings for the applicable year described in subsection 1.~~

~~7. 4. (b) Upon receipt of a petition submitted by an electric utility, temporarily lower a goal for energy savings it has previously established for the electric utility if the electric utility demonstrates that economic reasons which are not reasonably within the control of the electric utility will prevent the electric utility from meeting the goal for energy savings established pursuant to subsection 1.~~

~~8. 3. Upon establishment or modification by the Commission of a goal for energy savings for an electric utility for provider of electric service pursuant to this section, the affected electric utility for provider of electric service may file an amendment to its most recent resource plan filed pursuant to NRS 704.741 to incorporate the goal for energy savings into the resource plan.~~

~~9. 5. 4. Each electric utility and provider of electric service shall develop and include in its most recent resource plan filed pursuant to NRS 704.741 an energy efficiency plan that:~~

~~10. (a) Is designed to meet or exceed the goals for energy savings established by the Commission pursuant to this section;~~

~~11. (b) Includes one or more energy efficiency programs; and~~

~~12. (c) Is cost effective.~~

~~13. 6. 5. In approving an energy efficiency plan developed by an electric utility for provider of electric service to meet the goals for energy savings established by the Commission pursuant to this section, the Commission shall approve an energy efficiency plan that is:~~

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

~~15. (b) Cost effective.~~

~~16. 7. 6. The Commission may approve an energy efficiency plan submitted pursuant to NRS 704.741 that consists of energy efficiency and conservation programs that are not cost effective if the Commission determines that the energy efficiency plan as a whole is cost effective.~~

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

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

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

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

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

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

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

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

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

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

~~(f) Ten percent of the total annual expenditures by the electric utility or provider of electric service on energy efficiency programs which are cost effective, if the Commission determines that the energy savings in that year are~~

~~equal to or greater than 200 percent of the goal for energy savings of the electric utility or provider of electric service for that year.~~

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

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

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

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

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

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

~~6. If, after review of the annual report submitted by an electric utility or provider of electric service pursuant to subsection 5, the Commission approves a request to recover a performance-based incentive, the electric utility or provider of electric service must collect the amount of the performance-based incentive over a 12 month period through a cost recovery mechanism approved by the Commission for energy efficiency and conservation programs.] (Deleted by amendment.)~~

Sec. 12. 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 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 and conservation programs; and

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

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

2. When considering whether to approve an 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.

1 3. ~~[The regulations adopted pursuant to this section must not:~~
2 ~~—(a) Affect the electric utility’s incentives and allowed returns in areas not~~
3 ~~affected by the implementation of energy efficiency and conservation programs; or~~
4 ~~—(b) Authorize the electric utility to earn more than the rate of return authorized~~
5 ~~by the Commission in the most recently completed rate case of the electric utility.~~
6 ~~—4.]~~ As used in this section, “electric utility” has the meaning ascribed to it in
7 NRS 704.187.

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

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

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