

SENATE BILL NO. 382—COMMITTEE ON
GROWTH AND INFRASTRUCTURE

MARCH 26, 2021

Referred to Committee on Growth and Infrastructure

SUMMARY—Revises provisions governing energy efficiency programs. (BDR 58-834)

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; revising requirements for the establishment of energy efficiency goals for electric utilities by the Public Utilities Commission of Nevada; revising provisions governing requirements for an energy efficiency plan submitted by an electric utility; revising provisions governing the recovery by an electric utility of certain amounts related to the implementation of a plan of energy efficiency or conservation; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law requires: (1) the Public Utilities Commission of Nevada to establish annual goals for energy savings for each electric utility; and (2) each electric utility to implement an energy efficiency plan which is cost effective and designed to meet the goals for energy savings established by the Commission. (NRS 704.7836) **Section 6** of this bill requires the regulations establishing goals for energy efficiency programs to include; (1) a goal that the energy efficiency programs administered by an electric utility yield energy savings not less than 1.3 percent multiplied by the number of years covered by the resource plan of the electric utility or a higher amount if greater energy savings are cost effective and achievable; and (2) requiring that not less than 10 percent of the total expenditures by the electric utility related to energy efficiency programs be dedicated to programs specifically targeted to and intended to reach residential customers in historically underserved communities and low-income households. **Section 6** requires the Commission to approve an energy efficiency plan that is designed to meet or exceed the goals established by the Commission for energy efficiency programs while also meeting certain requirements for cost effectiveness and cost efficiency.



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Existing law requires the Commission to 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, including any financial disincentives relating to other supply alternatives caused or created by the reasonable implementation of the energy efficiency and conservation programs. (NRS 704.785) **Section 7** of this bill requires these disincentives to be offset by either an amount equal to the costs incurred by the electric utility multiplied by its overall rate of return or, if the Commission determines that it will serve the public interest, an amount determined according to a rate adjustment mechanism designed by the Commission. **Section 7** also requires the Commission to establish by regulation a performance-based incentive to encourage electric utilities to meet and exceed the goals for energy efficiency programs established by the Commission.

Sections 2, 3 and 5 of this bill establish and modify definitions relating to energy efficiency programs.

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 and 3 of this act.

Sec. 2. “Historically underserved community” means:

1. An area designated as a qualified census tract by the Secretary of the United States Department of Housing and Urban Development pursuant to 26 U.S.C. § 42(d)(5)(B)(ii).

2. An area served by any public school in which 75 percent or more of the enrolled pupils in the school are eligible for free or reduced-price lunches under the National School Lunch Program, 42 U.S.C. §§ 1751 et seq.

3. A census tract in which 20 percent or more of households with limited proficiency in the English language.

4. Qualified tribal land, as that term is defined in NRS 370.0325.

Sec. 3. “Low-income household” means a household which has an income of not more than 80 percent of the area median income based on the guidelines published by the United States Department of Housing and Urban Development.

Sec. 4. NRS 704.783 is hereby amended to read as follows:

704.783 As used in NRS 704.783 to 704.7836, inclusive, **and sections 2 and 3 of this act**, unless the context otherwise requires, the words and terms defined in NRS 704.7831 to 704.7834, inclusive, **and sections 2 and 3 of this act** have the meanings ascribed to them in those sections.

Sec. 5. NRS 704.7834 is hereby amended to read as follows:

704.7834 “Energy savings” means the ~~gross~~ **annualized kilowatt-hour** 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 which are not attributable to participation in an energy efficiency program.]~~ Savings must be measured relative to the appropriate baseline, which represents what energy use would have been in the absence of the program or measure.

Sec. 6. NRS 704.7836 is hereby amended to read as follows:

704.7836 1. The Commission shall ~~[establish]~~ :

(a) Establish by regulation for each electric utility goals for energy savings resulting from energy efficiency programs implemented by the electric utility each year ~~[, which must be included]~~ ; and

(b) Require each electric utility to include in the resource plan filed by the electric utility pursuant to NRS 704.741 ~~[,]~~ **energy efficiency programs designed to achieve the goals for energy savings established by the Commission.**

2. **The Commission shall include in the regulations adopted pursuant to subsection 1 a requirement that an electric utility establish and administer energy efficiency programs that:**

(a) Except as otherwise provided in subsection 3, by the end of the period covered by the resource plan filed by the electric utility pursuant to NRS 704.741, achieve energy savings from energy efficiency measures installed during the period covered by the resource plan in an amount:

(1) Equal to 1.3 percent multiplied by the number of years covered by the resource plan; and

(2) An amount greater than the amount set forth in subparagraph (1) if yielding such a greater amount is cost-effective and the electric utility is reasonably capable of achieving that greater amount of energy savings.

(b) Are targeted at achieving energy savings for customers of the electric utility in low-income households and historically underserved communities and require at least 10 percent of the total expenditures related to energy efficiency programs to be directed to achieving energy savings for customers of the electric utility in low-income households and historically underserved communities.

3. The Commission may ~~[~~

~~—(a) Modify a goal for energy savings it has previously established for an electric utility.~~

~~—(b) Upon]~~ , **upon** receipt of a petition submitted by an electric utility, **after notice and opportunity for hearing**, temporarily lower ~~[a]~~ the goal for energy savings ~~[it has previously]~~ established ~~[for the electric utility]~~ **by the Commission pursuant to paragraph (a)**



1 *of subsection 1* if the electric utility demonstrates that economic
2 reasons which are not reasonably within the control of the electric
3 utility will prevent the electric utility from meeting the goal for
4 energy savings established ~~[pursuant to subsection 1.]~~ *by the*
5 *Commission pursuant to paragraph (a) of subsection 1.*

6 ~~[3.]~~ 4. Upon establishment or modification by the Commission
7 of a goal for energy savings for an electric utility pursuant to ~~[this~~
8 ~~section.]~~ *paragraph (a) of subsection 1*, the affected electric utility
9 ~~[may]~~ *shall* file an amendment to its most recent resource plan filed
10 pursuant to NRS 704.741 to incorporate the goal for energy savings
11 into the resource plan ~~[.]~~ *, including, without limitation, goals for*
12 *energy efficiency programs targeted at low-income households*
13 *and historically underserved communities.*

14 ~~[4.]~~ 5. Each electric utility shall develop and include in ~~[its~~
15 ~~most recent]~~ *each* resource plan filed pursuant to NRS 704.741 *on*
16 *or after July 1, 2021*, an energy efficiency plan that:

17 (a) Is designed to meet or exceed the goals for ~~[energy savings]~~
18 *energy efficiency programs* established by the Commission
19 pursuant to ~~[this section;]~~ *subsection 1; and*

20 (b) ~~[Includes one or more energy efficiency programs; and~~
21 ~~—(c)]~~ Is cost effective ~~[.]~~ *as to the energy efficiency programs*
22 *other than those energy efficiency programs which are targeted at*
23 *low-income households and historically underserved communities.*

24 ~~[5.]~~ 6. In approving an energy efficiency plan developed by an
25 electric utility to meet the goals ~~[for energy savings]~~ established by
26 the Commission pursuant to ~~[this section.]~~ *subsection 1*, the
27 Commission shall approve an energy efficiency plan that is:

28 (a) Designed to meet or exceed the goals ~~[for energy savings]~~
29 established by the Commission pursuant to ~~[this section; and]~~
30 *subsection 1;*

31 (b) ~~[Cost]~~ *Except as otherwise provided in subsection 7, cost*
32 *effective [.]*

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

38 ~~—7. Unless the Commission determines that it is not cost~~
39 ~~effective, any energy efficiency plan approved by the Commission~~
40 ~~must provide that not less than 5 percent of the total expenditures~~
41 ~~related to energy efficiency programs must be directed to energy~~
42 ~~efficiency programs for low income customers of the electric~~
43 ~~utility.]~~ *as to the energy efficiency programs other than those*
44 *energy efficiency programs which are targeted at low-income*



1 *households and historically underserved communities pursuant to*
2 *paragraph (b) of subsection 1; and*

3 *(c) If the proposed energy efficiency programs which are*
4 *targeted at low-income households and historically underserved*
5 *communities pursuant to paragraph (b) of subsection 1 are not*
6 *cost-effective, such programs that are designed to meet or exceed*
7 *the goals established by the Commission pursuant to subsection 1,*
8 *and can be reasonably expected to do so in an effective and cost-*
9 *efficient manner.*

10 *7. Pilot programs and programs for research and*
11 *development in an energy efficiency plan developed pursuant to*
12 *subsection 5 are not required to be cost-effective in order for the*
13 *Commission to approve the plan.*

14 **Sec. 7.** NRS 704.785 is hereby amended to read as follows:

15 704.785 1. The Commission shall adopt regulations
16 authorizing an electric utility to recover an amount based on the
17 measurable and verifiable effects of the implementation by the
18 electric utility of energy efficiency and conservation programs
19 approved by the Commission, which ~~is~~:

20 ~~—(a) Must~~ **must** include:

21 ~~{(1)}~~ **(a)** The costs reasonably incurred by the electric utility
22 in implementing and administering the energy efficiency and
23 conservation programs; and

24 ~~{(2)}~~ **(b)** Any financial disincentives relating to other supply
25 alternatives caused or created by the reasonable implementation of
26 the energy efficiency and conservation programs ~~is and~~

27 ~~—(b) May, if~~ **which may be offset by either:**

28 **(1) An amount equal to the costs reasonably incurred by**
29 **the electric utility in implementing and administering energy**
30 **efficiency programs, multiplied by the electric utility's overall rate**
31 **of return grossed up for taxes applicable to the electric utility's**
32 **equity portion of the authorized rate of return, recovery of which**
33 **amount will not be subject to limitation based on general rate**
34 **revenue and regulated rate of return requirements; or**

35 **(2) If the Commission determines that it will serve the public**
36 **interest ~~[by removing financial disincentives which discourage an~~**
37 **~~electric utility from implementing or promoting the participation of~~**
38 **~~the customers of the electric utility in energy efficiency and~~**
39 **~~conservation programs, include~~, an amount determined according**
40 **to a rate adjustment mechanism *designed by the Commission* to**
41 **ensure that the revenue per customer authorized in a general rate**
42 **application is recovered without regard to the difference in the**
43 **quantity of electricity actually sold by the electric utility subsequent**
44 **to the date on which the rates take effect ~~[. A]~~, which rate**



1 adjustment mechanism ~~adopted pursuant to this paragraph~~ may
2 apply to one or more rate classes.

3 2. *To encourage electric utilities to meet and exceed the goals*
4 *established by the Commission pursuant to NRS 704.7836, the*
5 *Commission shall provide by regulation for a performance-based*
6 *incentive, capped at not more than 5 percent of the costs*
7 *reasonably incurred by an electric utility in implementing and*
8 *administering energy efficiency programs in any program year.*
9 *Recovery through such an incentive must not be subject to*
10 *limitation based on general rate revenue and regulated rate of*
11 *return requirements.*

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

17 ~~{3-}~~ 4. As used in this section, “electric utility” has the
18 meaning ascribed to it in NRS 704.187.

19 **Sec. 8.** The Public Utilities Commission of Nevada shall
20 temporarily lower the goal for energy savings established pursuant
21 to paragraph (a) of subsection 1 of NRS 704.7836, as amended by
22 section 6 of this act, as necessary to ensure that any increase in
23 energy savings goals that results from the amendatory provisions of
24 this act applies only to the period on or after July 1, 2021.

25 **Sec. 9.** Notwithstanding the provisions of NRS 218D.430 and
26 218D.435, a committee, other than the Assembly Standing
27 Committee on Ways and Means and the Senate Standing Committee
28 on Finance, may vote on this act before the expiration of the period
29 prescribed for the return of a fiscal note in NRS 218D.475. This
30 section applies retroactively from and after March 22, 2021.

31 **Sec. 10.** 1. This section becomes effective upon passage and
32 approval.

33 2. Section 1 to 9, inclusive, of this act become effective:

34 (a) Upon passage and approval for the purpose of adopting any
35 regulations and performing any other preparatory administrative
36 tasks that are necessary to carry out the provisions of this act; and

37 (b) On July 1, 2021, for all other purposes.

