

SENATE BILL NO. 407—SENATORS SPEARMAN, DENIS,
PARKS, WOODHOUSE; AND MANENDO

MARCH 17, 2015

Referred to Committee on Commerce, Labor and Energy

SUMMARY—Requires the Public Utilities Commission of Nevada to adopt regulations relating to energy efficiency resource plans. (BDR 58-111)

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; requiring the Public Utilities Commission of Nevada to adopt regulations relating to the implementation of an energy efficiency resource plan by an electric utility; requiring the Commission, based on the recommendations of the Office of Energy, to adopt regulations relating to the implementation of such a plan by a provider of electric service; requiring the Office of Energy to develop and provide to the Commission certain recommendations relating to the implementation of an energy efficiency resource plan by a provider of electric service; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 **Sections 9 and 10** of this bill generally require the Public Utilities Commission
2 of Nevada to adopt regulations developing and providing for the gradual
3 implementation of energy efficiency resource plans by electric utilities and other
4 providers of electric service in this State for the period beginning on July 1, 2016.
5 **Section 9** requires the Commission to adopt regulations: (1) for each plan year
6 beginning on July 1, 2016, and ending on June 30, 2018, establishing achievable
7 targets for the reimbursement by an electric utility of certain costs for the purchase,
8 installation or implementation of energy efficiency measures by the retail
9 customers of the electric utility; and (2) for each plan year thereafter, establishing
10 mandatory standards with respect to such reimbursement requirements. **Section 9**
11 further requires the Commission to adopt regulations providing for the recovery by
12 an electric utility of the costs of implementing an energy efficiency resource plan
13 and certain performance-based incentives. **Section 10** requires the Commission,



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14 based on the recommendations of the Office of Energy developed pursuant to
15 **section 11** of this bill, to adopt similar regulations providing for the implementation
16 of energy efficiency resource plans by providers of electric service other than
17 electric utilities. **Sections 9 and 10** require the Commission to adopt regulations
18 establishing the criteria for evaluating the cost effectiveness of the implementation
19 of a plan to an electric utility and provider of electric service, respectively, and the
20 requirements for approving a plan, distributing any recovered costs and incentives
21 and establishing performance standards to evaluate the success of such plans.
22 **Section 11** requires the Office of Energy to develop achievable targets and
23 mandatory standards for providers of electric service for the purpose of providing
24 recommendations each year to the Commission with respect to the implementation
25 of energy efficiency resource plans by providers of electric service other than
26 electric utilities. **Section 11** further requires the Commission to supplement its
27 recommendations as necessary to reflect market conditions relating to the provision
28 of electric service and to account for any changes in the cost effectiveness of
29 implementing such plans.

30 **Section 12** of this bill requires the Commission and the Office of Energy to
31 consider the gross sales of electricity by electric utilities and providers of electric
32 service and growth in customer base and membership, respectively, for the period
33 beginning on July 1, 2015, and ending on June 30, 2016, for the purpose of using
34 the information gathered during that period as a baseline for prescribing regulations
35 and making recommendations pursuant to **sections 9-11**.

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 7, inclusive, of this act have the meanings ascribed*
7 *to them in those sections.*

8 **Sec. 3.** *“Electric utility” has the meaning ascribed to it in*
9 *NRS 704.187.*

10 **Sec. 4. 1.** *“Energy efficiency measure” means any measure*
11 *designed, intended or used to improve energy efficiency that is*
12 *intended to provide, as part of an energy efficiency resource plan,*
13 *a reduction in energy consumption by a retail customer of an*
14 *electric utility.*

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

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



1 **Sec. 5.** *“Energy efficiency resource plan” means a plan*
2 *developed and implemented by regulations adopted by the*
3 *Commission pursuant to section 9 or 10 of this act.*

4 **Sec. 6.** *“Plan year” means the period of July 1 to June 30 of*
5 *the following year.*

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

11 **Sec. 8.** *The Legislature hereby finds that:*

12 1. *The State and the public have an interest in encouraging*
13 *electric utilities and providers of electric service to promote and*
14 *take actions toward the reduction of the consumption of energy by*
15 *consumers in this State.*

16 2. *The State has a responsibility to encourage the*
17 *development of standards, goals and programs to reduce the*
18 *consumption of energy by consumers in this State.*

19 3. *The reduction of the consumption of energy by consumers*
20 *in this State conserves water, reduces carbon and other emissions*
21 *and is essential to the economy of this State and to the health,*
22 *safety and welfare of the people of this State.*

23 **Sec. 9.** 1. *The Commission shall establish by regulation for*
24 *each electric utility an energy efficiency resource plan to*
25 *encourage a reduction in the consumption of energy by the retail*
26 *customers of the electric utility through the purchase, installation*
27 *and implementation of energy efficiency measures.*

28 2. *The regulations adopted pursuant to subsection 1 must:*

29 (a) *For each plan year beginning on July 1, 2016, and ending*
30 *on June 30, 2018, establish achievable targets for the*
31 *reimbursement by an electric utility, in whole or in part, of the*
32 *costs for the purchase, installation or implementation of energy*
33 *efficiency measures by the retail customers of the electric utility*
34 *during a plan year based on the gross sales of electricity by the*
35 *electric utility to the retail customers of the electric utility in the*
36 *immediately preceding plan year. An electric utility may*
37 *implement an energy efficiency resource plan established in*
38 *accordance with this paragraph.*

39 (b) *For each plan year beginning on July 1, 2018, and for*
40 *each plan year thereafter, establish mandatory standards for the*
41 *reimbursement by an electric utility, in whole or in part, of the*
42 *costs for the purchase, installation or implementation of energy*
43 *efficiency measures by the retail customers of the electric utility*
44 *during a plan year based on the gross sales of electricity by the*
45 *electric utility to the retail customers of the electric utility in the*



1 *immediately preceding plan year. An electric utility shall*
2 *implement an energy efficiency resource plan established in*
3 *accordance with this paragraph.*

4 *(c) Provide for the recovery by an electric utility of the costs*
5 *for implementation of an energy efficiency resource plan.*

6 *(d) In addition to the recovery of any costs pursuant to*
7 *paragraph (c), provide for the recovery by an electric utility of a*
8 *performance-based incentive if the electric utility meets or exceeds*
9 *the reimbursement requirement established pursuant to paragraph*
10 *(a) or (b) for a plan year.*

11 *(e) Establish criteria for the evaluation of the cost*
12 *effectiveness of the implementation of an energy efficiency*
13 *resource plan to an electric utility and the retail customers of the*
14 *electric utility.*

15 *(f) Establish an application and review process by which an*
16 *electric utility may apply for and recover costs and performance-*
17 *based incentives pursuant to paragraphs (c) and (d), including,*
18 *without limitation, the contents of the application and any*
19 *additional criteria for the recovery of such costs and incentives.*

20 *(g) Establish the manner in which costs and performance-*
21 *based incentives recovered by an electric utility are incrementally*
22 *distributed to an electric utility during the next ensuing plan year.*

23 *(h) Establish any performance standards or other criteria that*
24 *are necessary to evaluate the success of an energy efficiency*
25 *resource plan.*

26 **3. The regulations adopted pursuant to this section must not**
27 **authorize an electric utility to earn more than the rate of return**
28 **authorized by the Commission in the most recently completed rate**
29 **case of the electric utility.**

30 **Sec. 10. 1. The Commission shall, based on the**
31 **recommendations of the Office of Energy developed pursuant to**
32 **section 11 of this act, establish by regulation for each provider of**
33 **electric service an energy efficiency resource plan to encourage a**
34 **reduction in the consumption of energy by the members of the**
35 **provider of electric service through the purchase, installation and**
36 **implementation of energy efficiency measures.**

37 **2. The regulations adopted pursuant to subsection 1 must:**

38 **(a) For each plan year beginning on July 1, 2016, and ending**
39 **on June 30, 2018, establish achievable targets for the**
40 **reimbursement by a provider of electric service, in whole or in**
41 **part, of the costs for the purchase, installation or implementation**
42 **of energy efficiency measures by the members of the provider of**
43 **electric service during a plan year based on the gross sales of**
44 **electricity by the provider of electric service to the members of the**
45 **provider of electric service in the immediately preceding plan year.**



1 *A provider of electric service may implement an energy efficiency*
2 *resource plan established in accordance with this paragraph.*

3 *(b) For each plan year beginning on July 1, 2018, and for*
4 *each plan year thereafter, establish mandatory standards for the*
5 *reimbursement by a provider of electric service, in whole or in*
6 *part, of the costs for the purchase, installation or implementation*
7 *of energy efficiency measures by the members of the provider of*
8 *electric service during a plan year based on the gross sales of*
9 *electricity by the provider of electric service to the members of the*
10 *provider of electric service in the immediately preceding plan year.*
11 *A provider of electric service shall implement an energy efficiency*
12 *resource plan established in accordance with this paragraph.*

13 *(c) Provide for the recovery by a provider of electric service of*
14 *the costs for implementation of an energy efficiency resource plan.*

15 *(d) In addition to the recovery of any costs pursuant to*
16 *paragraph (c), provide for the recovery by a provider of electric*
17 *service of a performance-based incentive if the provider of electric*
18 *service meets or exceeds the reimbursement requirement*
19 *established pursuant to paragraph (a) or (b) for a plan year.*

20 *(e) Establish criteria for the evaluation of the cost*
21 *effectiveness of the implementation of an energy efficiency*
22 *resource plan to a provider of electric service and the members of*
23 *the provider of electric service.*

24 *(f) Establish an application and review process by which a*
25 *provider of electric service may apply for and recover costs and*
26 *performance-based incentives pursuant to paragraphs (c) and (d),*
27 *including, without limitation, the contents of the application and*
28 *any additional criteria for the recovery of such costs and*
29 *incentives.*

30 *(g) Establish the manner in which costs and performance-*
31 *based incentives recovered by a provider of electric service are*
32 *incrementally distributed to a provider of electric service during*
33 *the next ensuing plan year.*

34 *(h) Establish any performance standards or other criteria that*
35 *are necessary to evaluate the success of an energy efficiency*
36 *resource plan.*

37 **Sec. 11. 1. The Office of Energy shall develop**
38 **recommendations for achievable targets and standards for**
39 **providers of electric service for the purpose of assisting the**
40 **Commission in establishing energy efficiency resource plans**
41 **pursuant to section 10 of this act. In developing recommendations**
42 **pursuant to this subsection, the Office of Energy shall consider,**
43 **for each provider of electric service, the number of members**
44 **served by the provider of electric service, the service area of the**



1 *provider of electric service and the annual gross revenues of the*
2 *provider of electric service.*

3 **2. The Office of Energy shall:**

4 *(a) On or before December 31 of each year, provide its*
5 *recommendations to the Commission.*

6 *(b) Supplement its recommendations as necessary to assist the*
7 *Commission in adopting regulations pursuant to section 10 of this*
8 *act as market conditions relating to the provision of electric*
9 *service may dictate and to account for any changes in the cost*
10 *effectiveness of implementing energy efficiency resource plans.*

11 **Sec. 12.** 1. The Public Utilities Commission of Nevada and
12 the Office of Energy shall take into account the gross sales of
13 electricity by electric utilities and providers of electric service in this
14 State and the growth in the customer and membership base of such
15 electric utilities and providers of electric service, respectively,
16 during a test year beginning on July 1, 2015, and ending on June 30,
17 2016, for the purposes of establishing any energy efficiency targets
18 and standards, the requirements for reimbursements under an energy
19 efficiency resource plan and the recovery of costs and performance-
20 based incentives by an electric utility or provider of electric service
21 in accordance with sections 2 to 11, inclusive, of this act.

22 2. As used in this section:

23 (a) "Electric utility" has the meaning ascribed to it in section 3
24 of this act.

25 (b) "Energy efficiency resource plan" has the meaning ascribed
26 to it in section 5 of this act.

27 (c) "Provider of electric service" has the meaning ascribed to it
28 in section 7 of this act.

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

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

33 2. On July 1, 2015, for all other purposes.



