

CHAPTER.....

AN ACT relating to electric utilities; authorizing an electric utility to file an application for the establishment of an alternative rate-making plan; requiring the Public Utilities Commission of Nevada to adopt regulations governing the filing of such an application; revising the dates for the filing of general rate applications by electric utilities; repealing certain duties of the Commission relating to determining the impact of net metering on rates charged by electric utilities; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Section 16 of this bill requires the Public Utilities Commission of Nevada to adopt regulations establishing procedures for an electric utility to apply to the Commission for the approval of an alternative rate-making plan, which establishes the alternative rate-making mechanisms that the utility is authorized to use to set rates during the time period of the plan. The regulations adopted by the Commission must: (1) establish the alternative rate-making mechanisms that may be included in a plan and any limitations on such alternative rate-making mechanisms; (2) provide the information that must be included in an alternative rate-making plan and an application for the approval of such a plan; (3) specify the circumstances under which an electric utility for which an alternative rate-making plan has been approved must file a general rate application; (4) provide a process to educate customers of an electric utility regarding alternative rate-making mechanisms; (5) require an electric utility for which an alternative rate-making plan has been approved to keep certain records; and (6) establish criteria for the evaluation of an alternative rate-making plan.

Section 17 of this bill authorizes an electric utility to submit an application to establish an alternative rate-making plan pursuant to the regulations adopted by the Commission, establishes time limits for the Commission to approve or deny such an application and requires the Commission to conduct a consumer session before taking action on such an application. **Section 17** requires an application for the approval of an alternative rate-making plan to include a plan to educate the customers of the electric utility regarding the alternative rate-making mechanisms in the plan proposed by the utility. **Section 17** provides that the Commission may only approve an application for the approval of an alternative rate-making plan if the Commission determines that the plan meets certain requirements. **Section 17** also authorizes an alternative rate-making plan to include certain provisions, including a mechanism for earnings sharing with the customers of the utility and a term or condition waiving the requirement for the utility to file a general rate application every 36 months. Finally, **section 17** authorizes the Commission to investigate and change rates, tolls, charges, rules, regulations, practices and service relating to an alternative rate-making plan under certain circumstances. **Section 19** of this bill makes a conforming change.

Section 20 of this bill revises the dates by which electric utilities must file general rate applications.

Section 21.5 of this bill eliminates a requirement for the Commission to open an investigatory docket to establish methods to determine the impact of net metering on rates charged by an electric utility and to submit a biennial report to the



Legislature concerning the impact of net metering on such rates. **Sections 3.1-3.9 and 20.1-20.7** of this bill make conforming changes.

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

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

Sections 1-3. (Deleted by amendment.)

Sec. 3.1. NRS 701.380 is hereby amended to read as follows:
701.380 1. The Director shall:

(a) Coordinate the activities and programs of the Office of Energy with the activities and programs of the Consumer's Advocate and the Public Utilities Commission of Nevada, and with other federal, state and local officers and agencies that promote, fund, administer or operate activities and programs related to the use of renewable energy and the use of measures which conserve or reduce the demand for energy or which result in more efficient use of energy.

(b) Spend the money in the Trust Account for Renewable Energy and Energy Conservation to:

(1) Educate persons and entities concerning renewable energy and measures which conserve or reduce the demand for energy or which result in more efficient use of energy.

(2) Create incentives for investment in and the use of renewable energy and measures which conserve or reduce the demand for energy or which result in more efficient use of energy.

(3) Distribute grants and other money to establish programs and projects which incorporate the use of renewable energy and measures which conserve or reduce the demand for energy or which result in more efficient use of energy.

(4) Conduct feasibility studies, including, without limitation, any feasibility studies concerning the establishment or expansion of any grants, incentives, rebates or other programs to enable or assist persons to reduce the cost of purchasing distributed generation systems and on-site generation systems and net metering systems that use renewable energy.

(c) Take any other actions that the Director deems necessary to carry out the duties of the Office of Energy, including, without limitation, contracting with consultants, if necessary, for the purposes of program design or to assist the Director in carrying out the duties of the Office.



2. The Director shall prepare an annual report concerning the activities and programs of the Office of Energy and submit the report to the Legislative Commission and the Governor on or before January 30 of each year. The annual report must include, without limitation:

- (a) A description of the objectives of each activity and program;
- (b) An analysis of the effectiveness and efficiency of each activity and program in meeting the objectives of the activity or program;
- (c) The amount of money distributed for each activity and program from the Trust Account for Renewable Energy and Energy Conservation and a detailed description of the use of that money for each activity and program;
- (d) An analysis of the coordination between the Office of Energy and other officers and agencies; and
- (e) Any changes planned for each activity and program.

3. As used in this section:

(a) “Distributed generation system” means a facility or system for the generation of electricity that is in close proximity to the place where the electricity is consumed:

(1) That uses renewable energy as defined in NRS 704.7811 to generate electricity;

(2) That is located on the property of a customer of an electric utility;

(3) That is connected on the customer’s side of the electricity meter;

(4) That provides electricity primarily to offset customer load on that property; and

(5) The excess generation from which is periodically exported to the grid in accordance with the provisions governing net metering systems used by customer-generators pursuant to NRS 704.766 to ~~704.777~~ 704.776, inclusive.

(b) “Electric utility” has the meaning ascribed to it in NRS 704.7571.

Sec. 3.2. NRS 701A.200 is hereby amended to read as follows:

701A.200 1. For purposes of the assessment of property pursuant to chapter 361 of NRS:

(a) Except as otherwise provided in paragraph (b), a qualified system is exempt from taxation.

(b) A qualified system is not exempt from taxation:

(1) During any period in which the qualified system is subject to another abatement or exemption pursuant to this chapter



or NRS 361.045 to 361.159, inclusive, from the taxes imposed pursuant to chapter 361 of NRS; or

(2) If the system is constructed after July 1, 2009, and is part of a facility which is eligible for a partial abatement of taxes pursuant to NRS 701A.360.

2. The Nevada Tax Commission shall adopt such regulations as it determines to be necessary for the administration of this section.

3. As used in this section, “qualified system” means any system, method, construction, installation, machinery, equipment, device or appliance which is designed, constructed or installed in or adjacent to one or more buildings or an irrigation system in an agricultural operation to heat or cool the building or buildings or water used in the building or buildings, or to provide electricity used in the building or buildings or irrigation system regardless of whether the owner of the system, building or buildings or irrigation system participates in net metering pursuant to NRS 704.766 to ~~704.777,~~ **704.776**, inclusive, by using:

- (a) Energy from the wind or from solar devices;
- (b) Geothermal resources;
- (c) Energy derived from conversion of solid wastes; or
- (d) Waterpower,

↪ which conforms to standards established by regulation of the Nevada Tax Commission.

Sec. 3.3. NRS 701B.055 is hereby amended to read as follows:

701B.055 “Distributed generation system” means a system or facility for the generation of electricity:

1. That uses solar energy to generate electricity;
2. That is located on the property of a customer of an electric utility;
3. That is connected on the customer’s side of the electricity meter;
4. That provides electricity primarily to offset customer load on that property; and

5. The excess generation from which is periodically exported to the grid in accordance with the provisions governing net metering systems used by customer-generators pursuant to NRS 704.766 to ~~704.777,~~ **704.776**, inclusive.

Sec. 3.5. NRS 701B.280 is hereby amended to read as follows:

701B.280 To be eligible for an incentive through the Solar Program, a solar energy system must meet the requirements for participation in net metering pursuant to the provisions of NRS 704.766 to ~~704.777,~~ **704.776**, inclusive.



Sec. 3.7. NRS 701B.650 is hereby amended to read as follows:
701B.650 To be eligible for an incentive through the Wind Demonstration Program, a wind energy system must meet the requirements for participation in net metering pursuant to the provisions of NRS 704.766 to ~~[704.777,]~~ **704.776**, inclusive.

Sec. 3.9. NRS 701B.880 is hereby amended to read as follows:
701B.880 To be eligible for an incentive through the Waterpower Demonstration Program, the waterpower energy system must meet the requirements for participation in net metering pursuant to the provisions of NRS 704.766 to ~~[704.777,]~~ **704.776**, inclusive.

Sec. 4. Chapter 704 of NRS is hereby amended by adding thereto the provisions set forth as sections 5 to 18, inclusive, of this act.

Sec. 5. *As used in sections 5 to 18, inclusive, of this act, unless the context otherwise requires, the words and terms defined in sections 6 to 15, inclusive, of this act have the meanings ascribed to them in those sections.*

Sec. 6. *“Alternative rate-making mechanism” means a rate-making mechanism in an alternative rate-making plan and includes, without limitation, performance-based rates, formula rates, multi-year rate plans, subscription pricing, an earnings-sharing mechanism, decoupling mechanism or any other rate-making mechanism authorized by the Commission by regulation.*

Sec. 7. *“Alternative rate-making plan” means a plan that would implement one or more alternative rate-making mechanisms to be used in addition to or in place of the rate-making process established by NRS 704.110.*

Sec. 8. *“Decoupling mechanism” means a mechanism that disassociates an electric utility’s financial performance and results from the sales of electricity by the electric utility.*

Sec. 9. *“Earnings-sharing mechanism” means a mechanism designed by the Commission that requires an electric utility to share earnings with its customers.*

Sec. 10. *“Electric utility” has the meaning ascribed to it in NRS 704.187.*

Sec. 11. *“Formula rates” means rates that are periodically adjusted based on a predetermined formula approved by the Commission without the need for an electric utility to file a general rate application pursuant to NRS 704.110.*

Sec. 12. (Deleted by amendment.)

Sec. 13. *“Multi-year rate plan” means a rate mechanism under which the Commission sets rates and revenue requirements*



for a multi-year plan period of more than 36 months, including, without limitation, a plan which authorizes periodic changes in rates, including, without limitation, adjustments to accounts for inflation or capital investments, without a general rate application.

Sec. 14. *“Performance-based rates” means rates that are set or adjusted based on the performance of an electric utility as determined by such performance metrics as the Commission may establish.*

Sec. 15. *“Subscription pricing” means a rate offering to the customers of an electric utility that is based upon a set, subscription-based fee and may include other conditions for the subscription-based rate.*

Sec. 16. *The Commission shall adopt regulations to establish procedures for an electric utility to apply to the Commission for the approval of an alternative rate-making plan. The regulations must:*

1. Establish the alternative rate-making mechanisms that may be included in such a plan and any limitations on such alternative rate-making mechanisms as the Commission deems appropriate, including, without limitation, any restrictions on the types of alternative rate-making mechanisms that may be used in concert within the same alternative rate-making plan.

2. Provide the information that must be included in an alternative rate-making plan and an application submitted pursuant to the regulations adopted pursuant to this section.

3. Specify the circumstances under which an electric utility for which the Commission has approved an alternative rate-making plan is required to file a general rate application pursuant to NRS 704.110 including, without limitation, if the alternative rate-making plan ceases to meet the criteria established by the Commission pursuant to subsection 7.

4. Provide a process to educate customers of an electric utility regarding the available alternative rate-making mechanisms that may be included in an alternative rate-making plan.

5. Establish requirements for an electric utility for which the Commission has approved an alternative rate-making plan to keep or cause to be kept any information and records which the utility would have been required to submit to the Commission as part of an application pursuant to NRS 704.110 or 704.187, if the filing of any such application is delayed or excused pursuant to the alternative rate-making plan.



6. *If the Commission determines that it is practicable, require an electric utility to include in its application for the approval of an alternative rate-making plan:*

- (a) One or more cost of service studies.*
- (b) An analysis estimating and comparing:*

(1) The rates that would be charged and the revenue that would be collected under the alternative rate-making plan proposed in the application; and

(2) The rates that would be charged and the revenue that would be collected pursuant to the rate-making process established by NRS 704.110.

7. *Establish criteria for the evaluation of an alternative rate-making plan which may include, without limitation, whether the plan:*

(a) Aligns an economically viable utility model with state public policy goals.

(b) Provides for just and reasonable rates that are comparable to rates established pursuant to NRS 704.110.

(c) Enables the delivery of electric service and options for services and pricing that customers value including, without limitation, the development and the use of renewable resources by customers that prioritize such resources above other factors, including price.

(d) Fosters statewide improvements to the economic and operational efficiency of the electrical grid.

(e) Furthers the public interest including, without limitation, the promotion of safe, economic, efficient and reliable electric service to all customers of the electric utility.

(f) Enhances the resilience and security of the electrical grid while addressing concerns regarding customer privacy.

(g) Ensures that customers of an electric utility benefit from lower regulatory administrative costs where appropriate.

(h) Facilitates the research and development of innovative electric utility services and options to benefit customers.

(i) Balances the interests of customers and shareholders by providing for services that customers want while preserving reasonable shareholder value.

8. *The Commission is not required to accept applications to establish an alternative rate-making plan if the Commission determines, after a reasonable investigation, that the use of alternative rate-making plan is not consistent with the criteria established by the Commission pursuant to subsection 7.*



Sec. 17. 1. *Except as otherwise provided in subsection 8 of section 16 of this act, and in accordance with the regulations adopted by the Commission pursuant to section 16 of this act:*

(a) Not sooner than the first Monday in January 2020, an electric utility that primarily serves less densely populated counties may apply to the Commission to establish an alternative rate-making plan which sets forth the alternative rate-making mechanisms to be used to establish rates during the time period covered by the plan.

(b) Not sooner than the first Monday in January 2021, an electric utility that primarily serves densely populated counties may apply to the Commission to establish an alternative rate-making plan which sets forth the alternative rate-making mechanisms to be used to establish rates during the time period covered by the plan.

2. The Commission shall approve, with or without modifications, or deny an application submitted pursuant to subsection 1 not later than 210 days after the Commission receives a copy of the application unless the Commission, upon good cause, extends by not more than 90 days the time to act upon the application. If the Commission fails to act upon an application within the time provided by this subsection, the application shall be deemed to be denied.

3. The Commission shall conduct at least one consumer session pursuant to NRS 704.069 to solicit comments from the public before taking action on an application submitted pursuant to subsection 1.

4. The Commission shall not approve an application submitted pursuant to subsection 1 unless the Commission determines that the plan:

- (a) Is in the public interest;*
- (b) Results in just and reasonable rates, as determined by the Commission;*
- (c) Protects the interests of the customers of the electric utility;*
- (d) Satisfies the criteria established by the Commission pursuant to subsection 7 of section 16 of this act;*
- (e) Specifies the time period to which the plan applies; and*
- (f) Includes a plan for educating the customers of the electric utility regarding the alternative rate-making mechanisms included in the plan.*

5. An alternative rate-making plan may include, without limitation:



(a) *An earnings-sharing mechanism that balances the interests of customers that purchase electricity for consumption in this State and the shareholders of the electric utility.*

(b) *A term or condition waiving the requirement that the electric utility file a general rate application every 36 months pursuant to subsection 3 of NRS 704.110 or extending beyond 36 months the time between required general rate application filings.*

(c) *Any other term or condition proposed by an electric utility or any party participating in the proceeding or that the Commission finds is reasonable and serves the public interest.*

6. *The Commission may at any time, upon its own motion or after receiving a complaint from any customer, the Consumer's Advocate or the Regulatory Operations Staff of the Commission, investigate any of the rates, tolls, charges, rules, regulations, practices and service relating to an alternative rate-making plan, and, after a full hearing as provided in NRS 704.120, by order, make such changes as may be just and reasonable to the same extent as authorized by NRS 704.120.*

7. *As used in this section:*

(a) *"Electric utility that primarily serves densely populated counties" has the meaning ascribed to it in NRS 704.110.*

(b) *"Electric utility that primarily serves less densely populated counties" has the meaning ascribed to it in NRS 704.110.*

Sec. 18. *The provisions of sections 5 to 18, inclusive, of this act must not be construed to limit the existing rate-making authority of the Commission.*

Sec. 19. NRS 704.100 is hereby amended to read as follows:

704.100 1. Except as otherwise provided in NRS 704.075 and 704.68861 to 704.68887, inclusive, or as may otherwise be provided by the Commission pursuant to NRS 704.095 , ~~for~~ 704.097 ~~or~~ *or section 17 of this act:*

(a) A public utility shall not make changes in any schedule, unless the public utility:

(1) Files with the Commission an application to make the proposed changes and the Commission approves the proposed changes pursuant to NRS 704.110; or

(2) Files the proposed changes with the Commission using a letter of advice in accordance with the provisions of paragraph (f) or (g).

(b) A public utility shall adjust its rates on a quarterly basis between annual rate adjustment applications pursuant to subsection 8 of NRS 704.110 based on changes in the public utility's recorded costs of natural gas purchased for resale.



(c) An electric utility shall, between annual deferred energy accounting adjustment applications filed pursuant to NRS 704.187, adjust its rates on a quarterly basis pursuant to subsection 10 of NRS 704.110.

(d) A public utility shall post copies of all proposed schedules and all new or amended schedules in the same offices and in substantially the same form, manner and places as required by NRS 704.070 for the posting of copies of schedules that are currently in force.

(e) A public utility may not set forth as justification for a rate increase any items of expense or rate base that previously have been considered and disallowed by the Commission, unless those items are clearly identified in the application and new facts or considerations of policy for each item are advanced in the application to justify a reversal of the prior decision of the Commission.

(f) Except as otherwise provided in paragraph (g), if the proposed change in any schedule does not change any rate or will result in an increase in annual gross operating revenue in an amount that does not exceed \$15,000:

(1) The public utility may file the proposed change with the Commission using a letter of advice in lieu of filing an application; and

(2) The Commission shall determine whether it should dispense with a hearing regarding the proposed change.

↪ A letter of advice filed pursuant to this paragraph must include a certification by the attorney for the public utility or an affidavit by an authorized representative of the public utility that to the best of the signatory's knowledge, information and belief, formed after a reasonable inquiry, the proposed change in schedule does not change any rate or result in an increase in the annual gross operating revenue of the public utility in an amount that exceeds \$15,000.

(g) If the applicant is a small-scale provider of last resort and the proposed change in any schedule will result in an increase in annual gross operating revenue in an amount that does not exceed \$50,000 or 10 percent of the applicant's annual gross operating revenue, whichever is less:

(1) The small-scale provider of last resort may file the proposed change with the Commission using a letter of advice in lieu of filing an application if the small-scale provider of last resort:

(I) Includes with the letter of advice a certification by the attorney for the small-scale provider of last resort or an affidavit by an authorized representative of the small-scale provider of last resort



that to the best of the signatory's knowledge, information and belief, formed after a reasonable inquiry, the proposed change in schedule does not change any rate or result in an increase in the annual gross operating revenue of the small-scale provider of last resort in an amount that exceeds \$50,000 or 10 percent, whichever is less;

(II) Demonstrates that the proposed change in schedule is required by or directly related to a regulation or order of the Federal Communications Commission; and

(III) Except as otherwise provided in subsection 2, files the letter of advice not later than 5 years after the Commission has issued a final order on a general rate application filed by the applicant in accordance with subsection 3 of NRS 704.110; and

(2) The Commission shall determine whether it should dispense with a hearing regarding the proposed change.

➔ Not later than 10 business days after the filing of a letter of advice pursuant to subparagraph (1), the Regulatory Operations Staff of the Commission or any other interested party may file with the Commission a request that the Commission order an applicant to file a general rate application in accordance with subsection 3 of NRS 704.110. The Commission may hold a hearing to consider such a request.

(h) In making the determination pursuant to paragraph (f) or (g), the Commission shall first consider all timely written protests, any presentation that the Regulatory Operations Staff of the Commission may desire to present, the application of the public utility and any other matters deemed relevant by the Commission.

2. An applicant that is a small-scale provider of last resort may submit to the Commission a written request for a waiver of the 5-year period specified in sub-subparagraph (III) of subparagraph (1) of paragraph (g) of subsection 1. The Commission shall, not later than 90 days after receipt of such a request, issue an order approving or denying the request. The Commission may approve the request if the applicant provides proof satisfactory to the Commission that the applicant is not earning more than the rate of return authorized by the Commission and that it is in the public interest for the Commission to grant the request for a waiver. The Commission shall not approve a request for a waiver if the request is submitted later than 7 years after the issuance by the Commission of a final order on a general rate application filed by the applicant in accordance with subsection 3 of NRS 704.110. If the Commission approves a request for a waiver submitted pursuant to this subsection, the applicant shall file the letter of advice pursuant to subparagraph (1) of paragraph (g) of subsection 1 not earlier than



120 days after the date on which the applicant submitted the request for a waiver pursuant to this subsection, unless the order issued by the Commission approving the request for a waiver specifies a different period for the filing of the letter of advice.

3. As used in this section, “electric utility” has the meaning ascribed to it in NRS 704.187.

Sec. 20. NRS 704.110 is hereby amended to read as follows:

704.110 Except as otherwise provided in NRS 704.075 and 704.68861 to 704.68887, inclusive, or as may otherwise be provided by the Commission pursuant to NRS 704.095 , ~~for~~ 704.097 ~~or~~ *section 17 of this act:*

1. If a public utility files with the Commission an application to make changes in any schedule, including, without limitation, changes that will result in a discontinuance, modification or restriction of service, the Commission shall investigate the propriety of the proposed changes to determine whether to approve or disapprove the proposed changes. If an electric utility files such an application and the application is a general rate application or an annual deferred energy accounting adjustment application, the Consumer’s Advocate shall be deemed a party of record.

2. Except as otherwise provided in subsection 3, if a public utility files with the Commission an application to make changes in any schedule, the Commission shall, not later than 210 days after the date on which the application is filed, issue a written order approving or disapproving, in whole or in part, the proposed changes.

3. If a public utility files with the Commission a general rate application, the public utility shall submit with its application a statement showing the recorded results of revenues, expenses, investments and costs of capital for its most recent 12 months for which data were available when the application was prepared. Except as otherwise provided in subsection 4, in determining whether to approve or disapprove any increased rates, the Commission shall consider evidence in support of the increased rates based upon actual recorded results of operations for the same 12 months, adjusted for increased revenues, any increased investment in facilities, increased expenses for depreciation, certain other operating expenses as approved by the Commission and changes in the costs of securities which are known and are measurable with reasonable accuracy at the time of filing and which will become effective within 6 months after the last month of those 12 months, but the public utility shall not place into effect any increased rates until the changes have been experienced and



certified by the public utility to the Commission and the Commission has approved the increased rates. The Commission shall also consider evidence supporting expenses for depreciation, calculated on an annual basis, applicable to major components of the public utility's plant placed into service during the recorded test period or the period for certification as set forth in the application. Adjustments to revenues, operating expenses and costs of securities must be calculated on an annual basis. Within 90 days after the date on which the certification required by this subsection is filed with the Commission, or within the period set forth in subsection 2, whichever time is longer, the Commission shall make such order in reference to the increased rates as is required by this chapter. The following public utilities shall each file a general rate application pursuant to this subsection based on the following schedule:

(a) An electric utility that primarily serves less densely populated counties shall file a general rate application ~~not~~:

(1) *Not* later than 5 p.m. on or before the first Monday in June ~~[2010.] 2019;~~ and ~~[at least once]~~

(2) *Once* every 36 months thereafter ~~[.]~~ *or on a date specified in an alternative rate-making plan approved by the Commission pursuant to section 17 of this act.*

(b) An electric utility that primarily serves densely populated counties shall file a general rate application ~~not~~:

(1) *Not* later than 5 p.m. on or before the first Monday in June ~~[2011.] 2020;~~ and ~~[at least once]~~

(2) *Once* every 36 months thereafter ~~[.]~~ *or on a date specified in an alternative rate-making plan approved by the Commission pursuant to section 17 of this act.*

(c) A public utility that furnishes water for municipal, industrial or domestic purposes or services for the disposal of sewage, or both, which had an annual gross operating revenue of \$2,000,000 or more for at least 1 year during the immediately preceding 3 years and which had not filed a general rate application with the Commission on or after July 1, 2005, shall file a general rate application on or before June 30, 2008, and at least once every 36 months thereafter unless waived by the Commission pursuant to standards adopted by regulation of the Commission. If a public utility furnishes both water and services for the disposal of sewage, its annual gross operating revenue for each service must be considered separately for determining whether the public utility meets the requirements of this paragraph for either service.

(d) A public utility that furnishes water for municipal, industrial or domestic purposes or services for the disposal of sewage, or both,



which had an annual gross operating revenue of \$2,000,000 or more for at least 1 year during the immediately preceding 3 years and which had filed a general rate application with the Commission on or after July 1, 2005, shall file a general rate application on or before June 30, 2009, and at least once every 36 months thereafter unless waived by the Commission pursuant to standards adopted by regulation of the Commission. If a public utility furnishes both water and services for the disposal of sewage, its annual gross operating revenue for each service must be considered separately for determining whether the public utility meets the requirements of this paragraph for either service.

↪ The Commission shall adopt regulations setting forth standards for waivers pursuant to paragraphs (c) and (d) and for including the costs incurred by the public utility in preparing and presenting the general rate application before the effective date of any change in rates.

4. In addition to submitting the statement required pursuant to subsection 3, a public utility may submit with its general rate application a statement showing the effects, on an annualized basis, of all expected changes in circumstances. If such a statement is filed, it must include all increases and decreases in revenue and expenses which may occur within 210 days after the date on which its general rate application is filed with the Commission if such expected changes in circumstances are reasonably known and are measurable with reasonable accuracy. If a public utility submits such a statement, the public utility has the burden of proving that the expected changes in circumstances set forth in the statement are reasonably known and are measurable with reasonable accuracy. The Commission shall consider expected changes in circumstances to be reasonably known and measurable with reasonable accuracy if the expected changes in circumstances consist of specific and identifiable events or programs rather than general trends, patterns or developments, have an objectively high probability of occurring to the degree, in the amount and at the time expected, are primarily measurable by recorded or verifiable revenues and expenses and are easily and objectively calculated, with the calculation of the expected changes relying only secondarily on estimates, forecasts, projections or budgets. If the Commission determines that the public utility has met its burden of proof:

(a) The Commission shall consider the statement submitted pursuant to this subsection and evidence relevant to the statement, including all reasonable projected or forecasted offsets in revenue and expenses that are directly attributable to or associated with the



expected changes in circumstances under consideration, in addition to the statement required pursuant to subsection 3 as evidence in establishing just and reasonable rates for the public utility; and

(b) The public utility is not required to file with the Commission the certification that would otherwise be required pursuant to subsection 3.

5. If a public utility files with the Commission an application to make changes in any schedule and the Commission does not issue a final written order regarding the proposed changes within the time required by this section, the proposed changes shall be deemed to be approved by the Commission.

6. If a public utility files with the Commission a general rate application, the public utility shall not file with the Commission another general rate application until all pending general rate applications filed by that public utility have been decided by the Commission unless, after application and hearing, the Commission determines that a substantial financial emergency would exist if the public utility is not permitted to file another general rate application sooner. The provisions of this subsection do not prohibit the public utility from filing with the Commission, while a general rate application is pending, an application to recover the increased cost of purchased fuel, purchased power, or natural gas purchased for resale pursuant to subsection 7, a quarterly rate adjustment pursuant to subsection 8 or 10, any information relating to deferred accounting requirements pursuant to NRS 704.185 or an annual deferred energy accounting adjustment application pursuant to NRS 704.187, if the public utility is otherwise authorized to so file by those provisions.

7. A public utility may file an application to recover the increased cost of purchased fuel, purchased power, or natural gas purchased for resale once every 30 days. The provisions of this subsection do not apply to:

(a) An electric utility which is required to adjust its rates on a quarterly basis pursuant to subsection 10; or

(b) A public utility which purchases natural gas for resale and which adjusts its rates on a quarterly basis pursuant to subsection 8.

8. A public utility which purchases natural gas for resale must request approval from the Commission to adjust its rates on a quarterly basis between annual rate adjustment applications based on changes in the public utility's recorded costs of natural gas purchased for resale. A public utility which purchases natural gas for resale and which adjusts its rates on a quarterly basis may request approval from the Commission to make quarterly



adjustments to its deferred energy accounting adjustment. The Commission shall approve or deny such a request not later than 120 days after the application is filed with the Commission. The Commission may approve the request if the Commission finds that approval of the request is in the public interest. If the Commission approves a request to make quarterly adjustments to the deferred energy accounting adjustment of a public utility pursuant to this subsection, any quarterly adjustment to the deferred energy accounting adjustment must not exceed 2.5 cents per therm of natural gas. If the balance of the public utility's deferred account varies by less than 5 percent from the public utility's annual recorded costs of natural gas which are used to calculate quarterly rate adjustments, the deferred energy accounting adjustment must be set to zero cents per therm of natural gas.

9. If the Commission approves a request to make any rate adjustments on a quarterly basis pursuant to subsection 8:

(a) The public utility shall file written notice with the Commission before the public utility makes a quarterly rate adjustment. A quarterly rate adjustment is not subject to the requirements for notice and a hearing pursuant to NRS 703.320 or the requirements for a consumer session pursuant to subsection 1 of NRS 704.069.

(b) The public utility shall provide written notice of each quarterly rate adjustment to its customers by including the written notice with a customer's regular monthly bill. The public utility shall begin providing such written notice to its customers not later than 30 days after the date on which the public utility files its written notice with the Commission pursuant to paragraph (a). The written notice that is included with a customer's regular monthly bill:

(1) Must be printed separately on fluorescent-colored paper and must not be attached to the pages of the bill; and

(2) Must include the following:

(I) The total amount of the increase or decrease in the public utility's revenues from the rate adjustment, stated in dollars and as a percentage;

(II) The amount of the monthly increase or decrease in charges for each class of customer or class of service, stated in dollars and as a percentage;

(III) A statement that customers may send written comments or protests regarding the rate adjustment to the Commission;



(IV) A statement that the transactions and recorded costs of natural gas which are the basis for any quarterly rate adjustment will be reviewed for reasonableness and prudence in the next proceeding held by the Commission to review the annual rate adjustment application pursuant to paragraph (d); and

(V) Any other information required by the Commission.

(c) The public utility shall file an annual rate adjustment application with the Commission. The annual rate adjustment application is subject to the requirements for notice and a hearing pursuant to NRS 703.320 and the requirements for a consumer session pursuant to subsection 1 of NRS 704.069.

(d) The proceeding regarding the annual rate adjustment application must include a review of each quarterly rate adjustment and the transactions and recorded costs of natural gas included in each quarterly filing and the annual rate adjustment application. There is no presumption of reasonableness or prudence for any quarterly rate adjustment or for any transactions or recorded costs of natural gas included in any quarterly rate adjustment or the annual rate adjustment application, and the public utility has the burden of proving reasonableness and prudence in the proceeding.

(e) The Commission shall not allow the public utility to recover any recorded costs of natural gas which were the result of any practice or transaction that was unreasonable or was undertaken, managed or performed imprudently by the public utility, and the Commission shall order the public utility to adjust its rates if the Commission determines that any recorded costs of natural gas included in any quarterly rate adjustment or the annual rate adjustment application were not reasonable or prudent.

10. An electric utility shall adjust its rates on a quarterly basis based on changes in the electric utility's recorded costs of purchased fuel or purchased power. In addition to adjusting its rates on a quarterly basis, an electric utility may request approval from the Commission to make quarterly adjustments to its deferred energy accounting adjustment. The Commission shall approve or deny such a request not later than 120 days after the application is filed with the Commission. The Commission may approve the request if the Commission finds that approval of the request is in the public interest. If the Commission approves a request to make quarterly adjustments to the deferred energy accounting adjustment of an electric utility pursuant to this subsection, any quarterly adjustment to the deferred energy accounting adjustment must not exceed 0.25 cents per kilowatt-hour of electricity. If the balance of the electric utility's deferred account varies by less than 5 percent from the



electric utility's annual recorded costs for purchased fuel or purchased power which are used to calculate quarterly rate adjustments, the deferred energy accounting adjustment must be set to zero cents per kilowatt-hour of electricity.

11. A quarterly rate adjustment filed pursuant to subsection 10 is subject to the following requirements:

(a) The electric utility shall file written notice with the Commission on or before August 15, 2007, and every quarter thereafter of the quarterly rate adjustment to be made by the electric utility for the following quarter. The first quarterly rate adjustment by the electric utility will take effect on October 1, 2007, and each subsequent quarterly rate adjustment will take effect every quarter thereafter. The first quarterly adjustment to a deferred energy accounting adjustment must be made pursuant to an order issued by the Commission approving the application of an electric utility to make quarterly adjustments to its deferred energy accounting adjustment. A quarterly rate adjustment is not subject to the requirements for notice and a hearing pursuant to NRS 703.320 or the requirements for a consumer session pursuant to subsection 1 of NRS 704.069.

(b) The electric utility shall provide written notice of each quarterly rate adjustment to its customers by including the written notice with a customer's regular monthly bill. The electric utility shall begin providing such written notice to its customers not later than 30 days after the date on which the electric utility files a written notice with the Commission pursuant to paragraph (a). The written notice that is included with a customer's regular monthly bill:

(1) Must be printed separately on fluorescent-colored paper and must not be attached to the pages of the bill; and

(2) Must include the following:

(I) The total amount of the increase or decrease in the electric utility's revenues from the rate adjustment, stated in dollars and as a percentage;

(II) The amount of the monthly increase or decrease in charges for each class of customer or class of service, stated in dollars and as a percentage;

(III) A statement that customers may send written comments or protests regarding the rate adjustment to the Commission;

(IV) A statement that the transactions and recorded costs of purchased fuel or purchased power which are the basis for any quarterly rate adjustment will be reviewed for reasonableness and prudence in the next proceeding held by the Commission to review



the annual deferred energy accounting adjustment application pursuant to paragraph (d); and

(V) Any other information required by the Commission.

(c) The electric utility shall file an annual deferred energy accounting adjustment application pursuant to NRS 704.187 with the Commission. The annual deferred energy accounting adjustment application is subject to the requirements for notice and a hearing pursuant to NRS 703.320 and the requirements for a consumer session pursuant to subsection 1 of NRS 704.069.

(d) The proceeding regarding the annual deferred energy accounting adjustment application must include a review of each quarterly rate adjustment and the transactions and recorded costs of purchased fuel and purchased power included in each quarterly filing and the annual deferred energy accounting adjustment application. There is no presumption of reasonableness or prudence for any quarterly rate adjustment or for any transactions or recorded costs of purchased fuel and purchased power included in any quarterly rate adjustment or the annual deferred energy accounting adjustment application, and the electric utility has the burden of proving reasonableness and prudence in the proceeding.

(e) The Commission shall not allow the electric utility to recover any recorded costs of purchased fuel and purchased power which were the result of any practice or transaction that was unreasonable or was undertaken, managed or performed imprudently by the electric utility, and the Commission shall order the electric utility to adjust its rates if the Commission determines that any recorded costs of purchased fuel and purchased power included in any quarterly rate adjustment or the annual deferred energy accounting adjustment application were not reasonable or prudent.

12. If an electric utility files an annual deferred energy accounting adjustment application pursuant to subsection 11 and NRS 704.187 while a general rate application is pending, the electric utility shall:

(a) Submit with its annual deferred energy accounting adjustment application information relating to the cost of service and rate design; and

(b) Supplement its general rate application with the same information, if such information was not submitted with the general rate application.

13. A utility facility identified in a 3-year plan submitted pursuant to NRS 704.741 and accepted by the Commission for acquisition or construction pursuant to NRS 704.751 and the regulations adopted pursuant thereto, or the retirement or



elimination of a utility facility identified in an emissions reduction and capacity replacement plan submitted pursuant to NRS 704.7316 and accepted by the Commission for retirement or elimination pursuant to NRS 704.751 and the regulations adopted pursuant thereto, shall be deemed to be a prudent investment. The utility may recover all just and reasonable costs of planning and constructing, or retiring or eliminating, as applicable, such a facility. For the purposes of this subsection, a plan or an amendment to a plan shall be deemed to be accepted by the Commission only as to that portion of the plan or amendment accepted as filed or modified with the consent of the utility pursuant to NRS 704.751.

14. In regard to any rate or schedule approved or disapproved pursuant to this section, the Commission may, after a hearing:

(a) Upon the request of the utility, approve a new rate but delay the implementation of that new rate:

(1) Until a date determined by the Commission; and

(2) Under conditions as determined by the Commission, including, without limitation, a requirement that interest charges be included in the collection of the new rate; and

(b) Authorize a utility to implement a reduced rate for low-income residential customers.

15. The Commission may, upon request and for good cause shown, permit a public utility which purchases natural gas for resale or an electric utility to make a quarterly adjustment to its deferred energy accounting adjustment in excess of the maximum allowable adjustment pursuant to subsection 8 or 10.

16. A public utility which purchases natural gas for resale or an electric utility that makes quarterly adjustments to its deferred energy accounting adjustment pursuant to subsection 8 or 10 may submit to the Commission for approval an application to discontinue making quarterly adjustments to its deferred energy accounting adjustment and to subsequently make annual adjustments to its deferred energy accounting adjustment. The Commission may approve an application submitted pursuant to this subsection if the Commission finds that approval of the application is in the public interest.

17. As used in this section:

(a) “Deferred energy accounting adjustment” means the rate of a public utility which purchases natural gas for resale or an electric utility that is calculated by dividing the balance of a deferred account during a specified period by the total therms or kilowatt-hours which have been sold in the geographical area to which the rate applies during the specified period.



(b) “Electric utility” has the meaning ascribed to it in NRS 704.187.

(c) “Electric utility that primarily serves densely populated counties” means an electric utility that, with regard to the provision of electric service, derives more of its annual gross operating revenue in this State from customers located in counties whose population is 700,000 or more than it does from customers located in counties whose population is less than 700,000.

(d) “Electric utility that primarily serves less densely populated counties” means an electric utility that, with regard to the provision of electric service, derives more of its annual gross operating revenue in this State from customers located in counties whose population is less than 700,000 than it does from customers located in counties whose population is 700,000 or more.

Sec. 20.1. 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 June 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. Two or more utilities that are affiliated through common ownership and that have an interconnected system for the transmission of electricity shall submit a joint plan.

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 or utilities 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 or utilities to include in the plan:

(a) An energy efficiency 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.

(b) A proposal for the expenditure of not less than 5 percent of the total expenditures related to energy efficiency and conservation programs on energy efficiency and conservation programs directed to low-income customers of the electric utility.



(c) 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 that includes the deployment of distributed generation.

(d) An analysis of the effects of the requirements of NRS 704.766 to ~~704.777,~~ 704.776, inclusive, on the reliability of the distribution system of the utility or utilities and the costs to the utility or utilities to provide electric service to all customers. The analysis must include an evaluation of the costs and benefits of addressing issues of reliability through investment in the distribution system.

(e) A list of the utility's or utilities' assets described in NRS 704.7338.

(f) A surplus asset retirement plan as required by NRS 704.734.

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

5. The Commission shall require the utility or utilities to include in the plan a distributed resources plan. The distributed resources plan must:

(a) Evaluate the locational benefits and costs of distributed resources. This evaluation must be based on reductions or increases in local generation capacity needs, avoided or increased investments in distribution infrastructure, safety benefits, reliability benefits and any other savings the distributed resources provide to the electricity grid for this State or costs to customers of the electric utility or utilities.

(b) Propose or identify standard tariffs, contracts or other mechanisms for the deployment of cost-effective distributed resources that satisfy the objectives for distribution planning.

(c) Propose cost-effective methods of effectively coordinating existing programs approved by the Commission, incentives and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources.

(d) Identify any additional spending necessary to integrate cost-effective distributed resources into distribution planning consistent with the goal of yielding a net benefit to the customers of the electric utility or utilities.

(e) Identify barriers to the deployment of distributed resources, including, without limitation, safety standards related to technology



or operation of the distribution system in a manner that ensures reliable service.

6. As used in this section:

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

(b) “Distributed generation system” has the meaning ascribed to it in NRS 701.380.

(c) “Distributed resources” means distributed generation systems, energy efficiency, energy storage, electric vehicles and demand-response technologies.

(d) “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. 20.2. NRS 704.766 is hereby amended to read as follows:

704.766 It is hereby declared to be the purpose and policy of the Legislature in enacting NRS 704.766 to ~~704.777,]~~ **704.776,** inclusive, to:

1. Encourage private investment in renewable energy resources;

2. Stimulate the economic growth of this State;

3. Enhance the continued diversification of the energy resources used in this State; and

4. Streamline the process for customers of a utility to apply for and install net metering systems.

Sec. 20.3. NRS 704.767 is hereby amended to read as follows:

704.767 As used in NRS 704.766 to ~~704.777,]~~ **704.776,** inclusive, unless the context otherwise requires, the words and terms defined in NRS 704.7675 to 704.772, inclusive, have the meanings ascribed to them in those sections.

Sec. 20.4. NRS 704.773 is hereby amended to read as follows:

704.773 1. A utility shall offer net metering in accordance with the provisions of NRS 704.766 to ~~704.777,]~~ **704.776,** inclusive, to the customer-generators operating within its service area.

2. If the net metering system of a customer-generator who accepts the offer of a utility for net metering has a capacity of not more than 25 kilowatts, the utility:

(a) Shall offer to make available to the customer-generator an energy meter that is capable of registering the flow of electricity in two directions.



(b) May, at its own expense and with the written consent of the customer-generator, install one or more additional meters to monitor the flow of electricity in each direction.

(c) Except as otherwise provided in subsection 7, shall not charge the customer-generator any fee or charge that is different than that charged to other customers of the utility in the rate class to which the customer-generator would belong if the customer-generator did not have a net metering system.

(d) Shall not reduce the minimum monthly charge of the customer-generator based on the electricity generated by the customer-generator and fed back to the utility.

3. If the net metering system of a customer-generator who accepts the offer of a utility for net metering has a capacity of more than 25 kilowatts, the utility:

(a) May require the customer-generator to install at its own cost:

(1) An energy meter that is capable of measuring generation output and customer load; and

(2) Any upgrades to the system of the utility that are required to make the net metering system compatible with the system of the utility.

(b) Except as otherwise provided in paragraph (d) and subsection 7, shall not charge the customer-generator any fee or charge that is different than that charged to other customers of the utility in the rate class to which the customer-generator would belong if the customer-generator did not have a net metering system, including, without limitation, customer, demand and facility charges.

(c) Shall not reduce the minimum monthly charge of the customer-generator based on the electricity generated by the customer-generator and fed back to the utility.

(d) Shall not charge the customer-generator any standby charge.

4. At the time of installation or upgrade of any portion of a net metering system, the utility must allow a customer-generator governed by subsection 3 to pay the entire cost of the installation or upgrade of the portion of the net metering system.

5. Except as otherwise provided in subsections 2, 3 and 6 and NRS 704.7732, the utility shall not for any purpose assign a customer-generator to a rate class other than the rate class to which the customer-generator would belong if the customer-generator did not have a net metering system, including, without limitation, for the purpose of any fee or charge.



6. If the net metering system of a customer-generator is a net metering system described in paragraph (b) or (c) of subsection 1 of NRS 704.771 and:

(a) The system is intended primarily to offset part or all of the customer-generator's requirements for electricity on property contiguous to the property on which the net metering system is located; and

(b) The customer-generator sells or transfers his or her interest in the contiguous property,

➤ the net metering system ceases to be eligible to participate in net metering.

7. A utility shall assess against a customer-generator:

(a) If applicable, the universal energy charge imposed pursuant to NRS 702.160; and

(b) Any charges imposed pursuant to chapter 701B of NRS or NRS 704.7827 or 704.785 which are assessed against other customers in the same rate class as the customer-generator.

➤ For any such charges calculated on the basis of a kilowatt-hour rate, the customer-generator must only be charged with respect to kilowatt-hours of energy delivered by the utility to the customer-generator.

8. The Commission and the utility must allow a customer-generator who accepts the offer of the utility for net metering to continue net metering pursuant to NRS 704.766 to ~~704.777,~~ **704.776**, inclusive, at the location at which the net metering system is originally installed for 20 years. For the purposes of this subsection, "to continue net metering" includes, without limitation:

(a) Retaining the percentage set forth in subsection 3 of NRS 704.7732 to be used to determine the credit for electricity governed by paragraph (c) of subsection 2 of NRS 704.775, which is applicable to the customer-generator; and

(b) Replacing the originally installed net metering system, as needed, at any time before 20 years after the date of the installation of the originally installed net metering system.

9. The Commission shall adopt regulations prescribing the form and substance for a net metering tariff and a standard net metering contract. The regulations must include, without limitation:

(a) The particular provisions, limitations and responsibilities of a customer-generator which must be included in a net metering tariff with regard to:

- (1) Metering equipment;
- (2) Net energy metering and billing; and
- (3) Interconnection,



↪ based on the allowable size of the net metering system.

(b) The particular provisions, limitations and responsibilities of a customer-generator and the utility which must be included in a standard net metering contract.

(c) A timeline for processing applications and contracts for net metering applicants.

(d) Any other provisions the Commission finds necessary to carry out the provisions of NRS 704.766 to ~~[704.777,]~~ 704.776, inclusive.

Sec. 20.5. NRS 704.776 is hereby amended to read as follows:

704.776 If the Legislature provides by law for an open, competitive retail electric energy market for all electricity customers within a service territory:

1. Each person providing electric service in that service territory shall be deemed to be a utility for the purposes of NRS 704.766 to ~~[704.777,]~~ 704.776, inclusive;

2. The Commission or any other agency designated by law to regulate electric service in this State shall prohibit any person providing electric service in the service territory from impeding or interrupting the operation or performance or otherwise restrict the output of an existing net metering system; and

3. A customer-generator must be required to pay any costs charged to other customers of the person providing electric service to the customer-generator in the rate class to which the customer-generator would belong if the customer-generator did not have a net metering system.

Sec. 20.6. NRS 704.7815 is hereby amended to read as follows:

704.7815 “Renewable energy system” means:

1. A facility or energy system that uses renewable energy or energy from a qualified energy recovery process to generate electricity and:

(a) Uses the electricity that it generates from renewable energy or energy from a qualified recovery process in this State; or

(b) Transmits or distributes the electricity that it generates from renewable energy or energy from a qualified energy recovery process to a provider of electric service for delivery into and use in this State.

2. A solar energy system that reduces the consumption of electricity or any fossil fuel.

3. A net metering system used by a customer-generator pursuant to NRS 704.766 to ~~[704.777,]~~ 704.776, inclusive.



Sec. 20.7. NRS 598.9804 is hereby amended to read as follows:

598.9804 “Distributed generation system” means a system or facility for the generation of electricity:

1. That uses solar energy to generate electricity;
2. That is located on the property of a customer of an electric utility;
3. That is connected on the customer’s side of the electricity meter;
4. That provides electricity primarily to offset customer load on that property; and
5. The excess generation from which is periodically exported to the grid in accordance with the provisions governing net metering systems used by customer-generators pursuant to NRS 704.766 to ~~704.777,~~ 704.776, inclusive.

Sec. 21. The provisions of this act must not be construed to invalidate the effectiveness of any rate, charge, classification or joint rate fixed by the Commission before the effective date of this act, and such rates, charges, classifications and joint rates remain in force, and are prima facie lawful, from the date of the order of the Commission fixing such rates, charges, classifications and joint rates until changed or modified by the Commission, or pursuant to NRS 703.373 to 703.376, inclusive.

Sec. 21.5. NRS 704.777 is hereby repealed.

Sec. 22. This act becomes effective upon passage and approval.



