

DSM Incentives in Nevada

May 19, 2005

1. Context

- a. Restructuring Legislation passed in 1997
- b. NV was planning to initiate a restructured market in late 1999.
- c. As part of restructuring, energy efficiency and DSM services to be competitively services so NV utilities stopped EE and DSM programs.
- d. Restructuring was delayed and then reversed in 2001.
- e. Exception: customers with > 1 MW of load can still self-provide if they prove all other customers will be held harmless.

2. Back to basics

- a. DSM expenditures were restarted in 2002 and it has grown to about \$12 million/year.
- b. Revision of IRP regulations began in 2002 (Docket No. 02-5030) and were completed and adopted in May of 2004.
- c. Revision of regulations includes a 5% ROE adder to encourage DSM (base ROE is 10.25%).
- d. NPC has one of the lowest load factors in the country due to extreme summer temperatures, DSM incentive a response to address this problem.

3. Results of the incentive

- a. Top level management buy-in is evident
- b. Utility has migrated from RIM test to TRC test

4. Issues related to the incentive

- a. Incentive not tied to results but to expenditures
- b. No incentive to implement DSM or EE that do not build rate base
- c. Does nothing to promote TOU rates as revenues are still coupled with sales

5. Additional opportunities for DSM and EE in NV

- a. Revision of IRP regulation also provided the utilities with the opportunity to create regulatory assets for programs that assist the utility in meeting statutory goals.
- b. SB 188 under consideration this legislative session
 - i. Renewable Portfolio Standard (15% by 2013) is being amended to allow some efficiency programs to qualify for "portfolio energy credits" via SB 188 which is expected to pass.
 - ii. Measurement and verification will be important.

6. Why not decoupling, lost revenue, or some other mechanism?

- a. It is not clear to me whether we have statutory authority to specifically implement either lost revenue or decoupling.
- b. If SB 188 passes then this may cause us to take another look at the whole incentive structure for DSM and EE programs and make sure that programs are coherent as a whole.