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.