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PUCN to consider revised rates for customers who participate in net energy metering

Carson City, Nev. – At its Dec. 22 meeting, the Public Utilities Commission of Nevada (PUCN) will consider a draft order proposed by Commissioner David Noble implementing new rates for NV Energy customers who participate in net energy metering (net metering). As the presiding officer, Commissioner Noble conducted hearings Nov. 18-20.

Net metering allows customers to receive credit on their bills for electricity generated by solar energy systems that they own or lease.

During its 2015 legislative session, the Nevada Legislature passed Senate Bill 374, directing the PUCN to examine the rates applicable to net metering customers and to identify and eliminate any unreasonable shifts in costs from net metering customers to other customers. SB 374 set a Dec. 31 deadline for the PUCN to approve new rates, which will take effect Jan. 1, 2016.

The draft order outlines a transition of all small commercial and residential net metering customers to a cost-based rate structure over the next four years that will eliminate unreasonable cost shifts between ratepayers without resulting in any additional profits to NV Energy. The draft order adopts the following changes:

- Separate ratepayer classes for all small commercial and residential net metering customers to ensure no cost shift to other ratepayers.
- Excess energy produced through net metering systems (e.g., rooftop solar energy systems) will be compensated at the wholesale market rate.
- An increase to the fixed charge and corresponding decrease to the volumetric commodity charge to reduce inequities amongst net metering customers.
- An optional time-of-use pricing option to allow net metering customers to take advantage of energy generation that occurs during peak and off-peak demand periods.
- Incremental implementation of new rates over four years.

If the draft order is adopted by the three-member PUCN at its meeting on Dec. 22, NV Energy will then calculate the exact amounts of the rates based on the PUCN's instructions. The new rates will be filed with the PUCN for final review within seven days of the effective date of the order.

(more)

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Additional Information Regarding the Draft Order

Unreasonable cost shift:

The draft order finds that, under existing rates, costs are being unreasonably shifted away from small commercial and residential net metering customers to other ratepayers, resulting in non-net metering customers paying higher rates to compensate for the reduced collection of revenue from net metering customers. The annual subsidy associated with the existing shift in fixed costs from net metering customers to other customers is approximately \$623 for each residential net metering customer in southern Nevada and \$471 for each residential net metering customer in northern Nevada.

Separate ratepayer classes to eliminate subsidies:

The draft order finds that current rates enable net metering customers to avoid paying for some of the fixed costs associated with the sale of electric service by NV Energy to net metering customers. For example, NV Energy incurs significant costs investing in the infrastructure necessary to ensure that it can meet net metering customers' full electricity demands when the customers' solar energy systems are not generating electricity. Thus, when allocating costs, the draft order reasons that net metering customers should be responsible for their share of costs that are incurred regardless of their use of solar energy systems to reduce the total amount of electricity that they purchase from NV Energy. Creating separate ratepayer classes for net metering customers ensures that costs allocated to net metering customers stay with net metering customers when determining rates.

Compensation received by net metering customers for generation of excess electricity:

The draft order finds that the current requirement for NV Energy to credit excess electricity produced by net metering customers' rooftop solar energy systems at the full retail rate unreasonably increases the costs that are ultimately borne by other ratepayers. To reflect the true value of the excess electricity, net metering customers will receive a credit equal to the avoided cost rate (the price that NV Energy would have to pay to generate the electricity itself or acquire the electricity on the open market).

Charges:

The draft order proposes an increase to the fixed charge and a corresponding decrease to the volumetric commodity charge to reduce inequities amongst net metering customers.

Optional rates:

The draft order proposes net metering customers have the option to take service under time-of-use and time-of-production rates to allow them to take full advantage of energy generation during peak and off-peak periods. Time-of-use pricing will enable net metering customers to respond to price signals for both the excess generation produced by their net metering systems and the electricity delivered by NV Energy, while positioning them to benefit from future advancements in technologies such as storage.

Gradual implementation of new rates:

The draft order proposes an annual incremental implementation of the new rates for net metering customers to reduce and ultimately eliminate the current inequity between net metering customers and those who do not participate in net metering. The new rates will be fully implemented on Jan. 1, 2020.

PUCN's duty under SB 374:

The PUCN's role is not to unilaterally set state energy policy; instead, the legislative process determines the state's energy policy, and the PUCN follows legislative direction. SB 374 tasked the PUCN with ensuring that net metering will not unreasonably shift costs from one group of ratepayers to another. The draft order reflects the PUCN's duty to design rates accordingly.

The draft order finds that a cost-based approach to ratemaking will transition Nevada to a net metering framework that allows the rooftop solar industry to stand on its own without receiving a hidden subsidy in the form of a discriminatory rate design that benefits net metering customers at the expense of other ratepayers. The draft order also explains that it is inappropriate for the PUCN to design rates based on unreliable estimates of the number of jobs that will be affected by a change to net metering pricing in Nevada.

The draft order's proposed net metering framework continues to incentivize the development of solar energy resources in Nevada, but it does so reasonably and transparently by establishing cost-based rates and providing fair value for excess generation.

Information about the draft order and underlying applications can be found on the PUCN's website at puc.nv.gov. From the top navigational bar on the home page, select Dockets, followed by Electric Dockets. Scroll to Docket Nos. 15-07041 and 15-07042 and select View.