

Agenda ~~10-16~~; Item No ~~26~~ Draft Order for discussion at utility agenda. 2016 MAY 23 PM 3: 53

**THIS ORDER IS NOT A FINAL ORDER AND MAY BE SUBSTANTIALLY REVISED PRIOR TO ENTRY OF A FINAL ORDER BY THE PUBLIC UTILITIES COMMISSION OF NEVADA**

**BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

Application of Nevada Power Company d/b/a NV Energy )  
filed under Advice Letter No. 459 to revise Tariff No. 1- )  
B to establish an Optional Flexible Payment Program. ) Docket No. 15-11003  
\_\_\_\_\_ )

Application of Sierra Pacific Power Company d/b/a NV )  
Energy filed under Advice Letter No. 577-E to revise )  
Electric Tariff No. 1 to establish an Optional Flexible ) Docket No. 15-11004  
Payment Program. )  
\_\_\_\_\_ )

Application of Sierra Pacific Power Company d/b/a NV )  
Energy filed under Advice Letter No. 315-G to revise )  
Gas Tariff No. 1 to establish an Optional Flexible ) Docket No. 15-11005  
Payment Program. )  
\_\_\_\_\_ )

At a general session of the Public Utilities Commission of Nevada, held at its offices on May 26, 2016.

PRESENT: Chairman Paul A. Thomsen  
Commissioner Alaina Burtenshaw  
Commissioner David Noble  
Assistant Commission Secretary Trisha Osborne

**[PROPOSED] ORDER**

The Public Utilities Commission of Nevada (“Commission”) makes the following findings of fact and conclusions of law:

**I. INTRODUCTION**

Nevada Power Company d/b/a NV Energy (“NPC”), filed under Advice Letter No. 459 to revise Tariff No. 1-B to establish an Optional Flexible Payment Program (“Flex Pay

DOCUMENT REVIEW AND APPROVAL ROUTING

DRAFTED BY: PT

FINAL DRAFT ON 5/23/2016 AT 3:52 P M

REVIEWED & APPROVED BY: \_\_\_\_\_ DATE \_\_\_\_\_

- ADMIN / ASST. ( \_\_\_\_\_ ) \_\_\_\_\_ / /
- COMM / COUNSEL DH for H.W 5/23/2016
- SECRETARY / ASST. SEC. \_\_\_\_\_ / /
- OTHER ( \_\_\_\_\_ ) \_\_\_\_\_ / /

Program”). Sierra Pacific Power Company d/b/a NV Energy (“SPPC”) filed under Advice Letter No. 577-E to revise Electric Tariff No. 1 to establish a Flex Program, and under Advice Letter No. 315-G to revise Gas Tariff No. 1 to establish a Flex Program. The Commission consolidated the Applications of NPC and SPPC (collectively, “NV Energy”).

## II. SUMMARY

The Commission grants the Applications as modified by this Order.

## III. PROCEDURAL HISTORY

- On November 3, 2015, NPC filed its Application under Advice Letter No. 459, which has been designated as Docket No. 15-11003.
- On November 3, 2015, SPPC filed its Application under Advice Letter No. 577-E, which has been designated as Docket No. 15-11004.
- On November 3, 2015, SPPC filed its Application under Advice Letter No. 315-G, which has been designated as Docket No. 15-11005.
- NPC and SPPC filed the Applications pursuant to the Nevada Revised Statutes (“NRS”) and the Nevada Administrative Code (“NAC”), Chapters 703 and 704, including, but not limited to, NRS 704.100 and NAC 703.400.
- The Regulatory Operations Staff of the Commission (“Staff”) participates as a matter of right pursuant to NRS 703.301.
- On November 9, 2015, the Commission issued a Notice of Application to Revise Tariff in Docket Nos. 15-11003, 15-11004, and 15-11005.
- On November 10, 2015, the Attorney General’s Bureau of Consumer Protection (“BCP”) filed a Notice of Intent to Intervene in Docket Nos. 15-11003 and 15-11004.
- On December 1, 2015, the Commission issued a Notice of Prehearing Conference in Docket Nos. 15-11003 and 15-11004.
- On December 1, 2015, BCP filed three identical Motions for an Order Setting a Prehearing Conference and an Order Consolidating Docket No. 15-11004 with Docket No. 15-11003 and Docket No. 15-11005 (“BCP’s Motions”) in Docket Nos. 15-11003, 15-11004, and 15-11005.
- On December 2, 2015, NV Energy filed three identical responses to BCP’s Motions in Docket Nos. 15-11003, 15-11004, and 15-11005; Staff also filed three identical letters in response to BCP’s Motions in Docket Nos. 15-11003, 15-11004, and 15-11005.
- On December 15, 2015, the Presiding Officer held prehearing conferences, at which BCP, NV Energy, and Staff participated, in Docket Nos. 15-11003, 15-11004, and 15-11005, which

were consolidated.

- On December 15, 2015, BCP filed a Notice of Intent to Intervene in Docket No. 15-11005.
- On December 15, 2015, the Presiding Officer held a prehearing conference at which BCP, NV Energy, and Staff participated.
- On January 6, 2016, NV Energy filed direct testimony.
- On March 29, 2016, Staff and BCP filed direct testimony.
- On April 12, 2016, NV Energy filed rebuttal testimony.
- On April 19, 2016, the Presiding Officer held a hearing at which BCP, NV Energy, and Staff participated. At the conclusion of the hearing, the Presiding Officer granted an oral motion to accept Exhibits 1-16 and Confidential Exhibit C1 into the record pursuant to NAC 703.730.

#### **IV. FLEX PAY PROGRAM**

##### **NV Energy's Position**

1. NV Energy seeks approval to establish the Flex Pay Program that would be available in late 2016 or early 2017.

2. NV Energy states that the Flex Pay Program is a voluntary payment alternative that will be available to most residential customers. Studies show that many customers want and value an alternative to pay before, rather than after, receiving electric service. NV Energy would use current infrastructure to implement the Flex Pay Program in a manner that minimizes the cost-impact that the Flex Pay Program will have on customers. (Ex. 4 at 1-2.)

3. NV Energy states that, at a high level, it believes the Flex Pay Program will provide an attractive option to a significant portion of residential customers, including customers who are heavy users of technology and are pre-disposed to monitor and manage their payments, balances and usage; customers who travel frequently and may have both intermittent usage patterns and enjoy handling billing and payment remotely; customers who will see a benefit in managing day-to-day and week-to-week usage through providing a balance and monitoring their

usage and the cost against that balance; customers who want to avoid having to pay all their utility and monthly bills at one time; and customers who seek a benefit in avoiding a deposit, late fees and building up credit with NV Energy. (Ex. 4 at 5-6.)

4. NV Energy states that the Flex Pay Program replaces the traditional process of customers being sent a bill after a month long billing period with a process in which the customer prepays for energy usage, deciding how much money to place in his or her account and how often to fund it. (Ex. 4 at 8.) NV Energy states that prepayment programs offered by other utilities see increased participation over time, and customers surveyed about their participation tend to be very satisfied and appreciative of having the option. (Ex. 4 at 6.)

5. NV Energy states that the Flex Pay Program also serves as a payment and credit risk management tool that benefits both participating and non-participating customers. If approved, NV Energy should see a reduction in the total amount of uncollected revenue and bad debt write-off, which will ultimately benefit all customers. The utilization of the Flex Pay Program will also benefit customers who would otherwise need to provide NV Energy with a deposit prior to provision of service. Customers who successfully utilize the Flex Pay Program gain positive credit with both NV Energy and their own personal credit evaluation. Non-participating customers also benefit by reducing the amount of arrears to which all customers are exposed to currently. (Ex. 4 at 6-7.)

6. NV Energy states that the Flex Pay Program utilizes advanced metering infrastructure (“AMI”) and leverages AMI usage and tracking communications technology provided through NV Energy’s MyAccount function. Once enrolled, customers will be able to make payments through all current payment channels (US Mail, online, Shop & Pay network, Interactive Voice Response, telephone or kiosk), will receive frequent messages from NV

Energy regarding their current and projected use, and will be able to monitor both payment and usage through the MyAccount customer portal. For those customers who choose to enroll, the experience will be similar to a prepayment for cell phone usage, cable service, or the utilization of gift cards for use at retail establishments. (Ex. 4 at 8-9.)

7. NV Energy states that the overarching customer benefit of the Flex Pay Program is that it provides customers with a connection between expenditures and value for their utility service. Flex Pay Program participants will find that it gives them a sense of awareness and control over their energy usage and costs. Customers will be equipped with the tools and provided access through several channels to monitor and manage their energy usage. In addition to providing a customer with the ability to reach out to easily get their energy usage data from NV Energy's MyAccount web feature, program participants will periodically receive usage alerts through a computer, smart phone, or other mobile device. Messaging to program participants will also include recommendations to help customers better manage their energy usage. (Ex. 4 at 9.)

8. NV Energy states that customers are increasingly familiar with frequent messaging from NV Energy, as over half a million customers receive billing and usage summaries from NV Energy today. Customers are also increasingly using NV Energy's mobile application as well as the MyAccount portal. The mobile application has achieved over 40,000 downloads in the first six months since making it available to customers, and indications are that customers are frequently using it to do everything from checking usage, account balances, garnering outage and restoration information and gaining energy efficiency tips. Current usage indicates that NV Energy is averaging over 200,000 logins monthly to the mobile application. When added to the over 350,000 average monthly MyAccount logins, the access to the

MyAccount portal is exceeding half a million logins per month, which is a clear demonstration that NV Energy's customers have embraced the technology that underpins the Flex Pay Program approach. (Ex. 9-10.)

9. NV Energy states that under the Flex Pay Program, the customer is proactively provided usage information and his/her account balance, which provides the ability to break the costs for utility service into manageable units. The Flex Pay Program provides customers choice on when and how to pay for their electric service, which allows them to decide what payment options and schedules best meet their needs. Participants can elect to make payments to their Flex Pay Program account whenever, and as often as they like, to be more in-line with their cash flows. (Ex. 4 at 10.)

10. NV Energy states that the Flex Pay Program provides customers with a number of benefits that flow from facilitating a connection between expenditures and value. Such benefits include the following: 1) the Flex Pay Program provides an additional payment option for all eligible residential customers; 2) customers are better equipped to manage their energy usage, giving them greater control over their usage and costs; 3) most customers who participate in the Flex Pay Program will increase their awareness of their energy usage and, by doing so, have the potential to save a significant amount of energy, thus reducing their energy bills; 4) customers will be able to match the pace of their payment for energy to the pace of their income stream. If customers are paid weekly, they can pay weekly for their utility service; 5) the requirement for customer deposits, late charges, and reconnection charges (with the exception of gas customers) are eliminated for Flex Pay Program participants; 6) the Flex Pay Program will work to reduce arrears balances that directly benefit Program participants and all other customers by reducing overall bad debt write-offs; and 7) survey data shows that customers on similar programs at other

utilities like this payment option, thereby buoying overall customer satisfaction with NV Energy's service. (Ex. 4 at 11-12.)

11. NV Energy states that if approved, it will implement the Flex Pay Program and move forward with customer utilization, including customer awareness. In support of the proposed implementation timeline, NV Energy has initiated drafting a customer outreach and education plan that will leverage existing customer communication channels. The contact center representatives will also be trained to describe the Flex Pay Program. (Ex. 4 at 12.)

12. NV Energy states that a prime driver for the proposed Flex Pay Program is the customer satisfaction improvement demonstrated among customers of other utilities that have implemented a prepayment program. The Flex Pay Program, along with a variety of other services and products, are intended to make customer interaction with NV Energy more convenient and in alignment with increasing demands of their customers. (Ex. 4 at 18-19.)

13. NV Energy states that one element of customer convenience is the amount customers will pay under the Flex Pay Program. While there is a monthly service charge for the Flex Pay Program, customers will avoid paying a deposit, late fees, or reconnection charges (with the exception of gas customers who require reconnection). With the added notice provisions, customers will be much less likely to have to go through termination of service or potentially have to reach a payment arrangement and pay a new deposit. Instead, customers will be well informed that their service may be terminated, and if it is in fact terminated, customers will not have to pay any late fees or reconnection charges. (Ex. 4 at 21-22.)

14. NV Energy states that it has since added two significant additional facets designed to augment customer protections under the Flex Pay Program: 1) a detailed and easy to read Flex Pay Program Customer Agreement intended to ensure that the customer is fully aware of and



acknowledges the communication and notice provisions of the Flex Pay Program; and 2) an Emergency Contact feature to ensure that if, for whatever reason, both of the requisite communication channels fails to provide the customer with adequate notice, the Emergency Contact will be sent the 48 hour and 24 hour notices of termination, thus providing an additional layer of notice for the potentially affected customer. (Ex. 4 at 22-23.)

15. NV Energy states that it designed the Flex Pay Program to be nondiscriminatory and to ensure that participation is voluntary. A customer must request to participate in the Flex Pay Program and cannot be required to do so. Aside from the monthly charge, customers will pay the same energy rate and basic service charge as customers who are on otherwise applicable rate schedules. (Ex. 4 at 24-25.)

16. NV Energy states that the Flex Pay Program is only available to residential, full requirements, flat rate customers. The customers must also meet the following requirements:

- a) A customer must have a remote connect and disconnect capable AMI electric meter (and AMI gas module if customer is receiving gas service from NV Energy) and is being billed with remotely obtained AMI meter readings;
- b) A customer must have a starting balance in the Flex Pay Program account equal to \$50 within two calendar days of enrollment;
- c) A customer must have internet access and provide two channels for communication chosen from email, SMS/text, or voicemail;
- d) A customer or participant must pay 75% of any delinquent bill balance owed by the customer or applicant;
- e) A customer must not be identified by the utility for evidence of tampering with a meter;
- f) A customer must not qualify for postponement of service termination due to a health issue pursuant to NAC 704.370.
- g) A customer must not require an in person termination notice pursuant to NAC 704.390;

h) A customer must not be taking service under riders provided on the Net Metering Rider schedules.

(Ex. 6 at 2-3.)

17. NV Energy states that if a customer enrolls in the Flex Pay Program with no past due balance or existing deposit, the customer will be enrolled in the Flex Pay Program the following day. The customer must make an initial payment of \$50 within two calendar days of enrollment. The customer's final bill on the prior rate schedule, if any, will be transferred to the Flex Pay Program as a usage grace period balance. No new deposit or credit check will be required. (Ex. 6 at 4-5.)

18. The Companies state that if a customer requesting enrollment in the Flex Pay Program has no past due balance but has an existing deposit, the customer will be enrolled in the program the following day. The customer's deposit will be transferred to the Flex Pay Program as a Flexible Payment account credit, if applicable. The customer must make an initial payment that brings the starting balance in the Flexible Payment account to at least \$50 within two calendar days of enrollment to remain enrolled. No new deposit or credit check will be required.

(*Id.*)

19. NV Energy states that a usage grace period balance will be provided for Flex Pay Program participants for up to the first two days of service upon enrollment in the program to enable time for the new program participant to make the required initial payment; the value of the final postpaid bill after the amount of any existing deposit is subtracted; when a disconnect order is pending but termination of service is not allowed due to the time of the day, the day of the week or for the period of a weather moratorium; the balance upon enrollment in the Flex Pay Program of any past due amount from a previous postpaid rate schedule, after subtracting 75% minimum payment and any remaining deposit balance; and for cases when a customer has not

received sufficient notice of termination and to allow sufficient time for the issuance of the written 10 day and 48 hour notices. (Ex. 6 at 5.)

20. NV Energy states that usage grace period balances are settled by applying a portion of future payments to the grace period balance. If the amount of the usage grace period balance is \$250 or less, 25% of each payment made will be applied to pay down the balance until the usage grace period is fully repaid. If the usage grace period balance is greater than \$250, 50% of each payment will be applied to pay down the usage grace period until it is \$250 or less, at which time, 25% of each payment will go toward paying down the balance. This process provides an automatic payment arrangement that enables a Participant to settle any credit that has been provided to them. (Ex. 6 at 6.)

21. NV Energy states that customers may elect to leave the Flex Pay Program by contacting the NV Energy contact center 24 hours a day, seven days a week, excluding holidays. If the customer chooses an alternative payment mechanism, the account will be transferred to a postpaid residential rate schedule. At that time, the customer will receive the standard bill statement applicable to the postpaid residential rate schedule and will be subject to NV Energy's regular deposit requirements, to the extent to which they apply to that particular customer. If a customer is on the Flex Pay Program for less than 12 consecutive months and has a history of satisfactory credit under the postpaid residential rate schedule, the account will not require a deposit. If a new customer is on the program for less than 12 months, the account is subject to deposit requirements, per Rule 13, to the extent that they apply to that particular customer. (Ex. 6 at 7.)

22. NV Energy states that it will communicate the following information to Flex Pay Program customers:

- a) Days Remaining – The number of days of service remaining based on the balance in the Flex Pay Program account. The days remaining messages automatically occur on a daily basis when the calculated days remaining are ten or less.
- b) Statements – A message is sent to a customer when his/her monthly statement is posted and ready for review on MyAccount. The monthly statement includes information required to be provided on bills of non-Program customers except monthly statement will not reflect an amount due. The statement will include the Flex Pay Program account balance carried forward from the previous period, usage grace period balance carried forward from the previous period, the amount paid for service during the current period along with any other applicable regulated charges. The basic service charge will be prorated over the course of the monthly billing period.
- c) Energy efficiency messages – Messages are delivered electronically, and web postings include information regarding the actions that Flex Pay Program customers can take to reduce their consumption of electric energy. The energy efficiency and conservation messaging and supporting web portal information and tools will be designed to help Flex Pay Program customers reduce their consumption and extend the period over which the Flex Pay Program balance will cover.
- d) Notices – Notices will be provided electronically via the communication channels selected by each Flex Pay Program customer. The key content of the notice will be provided in the electronic communications sent to the Flex Pay Program customer with supporting and additional required information being provided in MyAccount. Notices include the 48 hour and 24 hour notice of a potential termination of service, and other notices that may be required by regulation. If the customer designates a third party emergency contact, the emergency contact will receive notifications of any 48-hour and 24-hour notices of potential termination. If a two-day notice of intended termination of service is issued and a permanent communications failure has occurred on both communications channels, NV Energy will revert to written notices until one or both of the communication channels are restored by the customer. Upon reverting to written notices, NV Energy will delay pending termination of service and issue a written 10-day notice of intended termination. If NV Energy receives no response to the first written notice, it will send a second written notice at least five days prior to terminating service.
- e) Payment confirmation – Each time a Flex Pay Program customer makes a payment, a confirmation receipt of that payment will be sent to them via the electronic channels they selected.
- f) Information required by regulations – NV Energy will send messages notifying Flex Pay Program customers of information NV Energy is required to provide, such as pending rate cases or changes in rates. The information will also be posted on NV Energy's website.

(Ex. 6 at 8-9.)

23. NV Energy states that Flex Pay Program customers can make a payment through any of the existing pay channels including US mail, online, Shop & Pay, Interactive Voice Response, telephone, or kiosk. The minimum payment, after establishing an initial balance of \$50, is \$20. Each Flex Pay Program customer may control the amount and timing of each payment and can choose the payment frequency that meets his/her needs. (Ex. 6 at 10.)

24. NV Energy states that each Flex Pay Program customer will be responsible for maintaining a positive balance in his/her Flex Pay Program account. Should a customer allow the balance to drop to zero, a disconnect order will be issued, and service will be disconnected on the next day allowed due to lack of payment. Termination of service for Flex Pay Program customers will be subject to the same limitations that apply to all other residential customers in terms of weather conditions, days of the week, and time of day. For those periods when the customer's balance is zero and service cannot be terminated due to these limitations, NV Energy will utilize the usage grace period balance of the customer for the cost of service. Should service be disconnected, a Flex Pay Program customer will not be required to pay a deposit or be charged a late fee or a remote reconnection charge when service is re-established, with the exception of gas service disconnection, which lags electric disconnection by five business days. (Ex. 6 at 12.)

25. NV Energy states that to restore terminated service, Flex Pay Program customers are only required to make a payment. For a customer with no usage grace period balance, a minimum of a \$20 payment is required. For a customer with a usage grace period balance, the minimum payment required to restore service will be 50% of the usage grace period balance plus \$20 to create a Flex Pay Program account credit balance. Should a customer not repay a usage grace period balance after termination of service, the usage grace period balance will be subject

to the same collections processes and customer cost responsibility as applies to a residential customer with a past due balance who received service under any other rate schedule. (Ex. 6 at 13.)

26. NV Energy states that, should a Flex Pay Program customer become ineligible or self-identify as ineligible after previously enrolling in the Flex Pay Program, she/he will be transferred to the otherwise applicable flat rate schedule. An example of such a situation would include a customer who encounters health issues such that termination restrictions apply. Any outstanding usage grace period balance would be treated as a past due balance and a deferred payment arrangement would be negotiated with the customer consistent with the Consumer Bill of Rights. Similarly, if a deposit is required, the amount would be subject to payment in installments pursuant in the Consumer Bill of Rights. A deposit would not be required if the customer maintained a positive balance in the Flex Pay Program account for each day in the preceding 12 months, or if the customer was otherwise in good standing and did not require a deposit under Rule 13. (Ex. 6 at 14.)

27. NV Energy states that Flex Pay Program customers will have the same access to financial assistance as any other residential customer who pays for service after receiving it, rather than before receiving service. In the event that NV Energy is notified that energy assistance has been approved for a customer pending disconnection, the disconnection will be suspended or canceled. NV Energy states that currently, energy assistance providers make a payment to NV Energy using either an Automated Clearing House through their financial institution or by way of paper check. When these payments are received, they are coded in the payment ledger as energy assistance payments and applied to the customer's account balance that results in a system-generated cancellation order for the pending disconnection. (Ex. 6 at 16.)

28. NV Energy states that it will handle pending disconnections of a Flex Pay Program customer disputing an amount due by populating a code in the Banner Customer Information System indicating the presence of a dispute. The Banner Customer Information System then blocks any disconnection order for that account while that dispute code is in effect. The process is similar to NV Energy's current practice. (*Id.*)

29. NV Energy states that the Flex Pay Program will provide financial benefits in the form of reductions in NV Energy's costs. Such cost savings include a reduction in mailings, bill and notice production, call center traffic, and reduced costs for past due bill collections and bad debt write-offs. NV Energy's projections of these reductions are based on data received from utilities that have implemented similar prepay programs. Enrollment in the Flex Pay Program requires that a customer participate in paperless billing, thereby avoiding printing and mailing expenditures. Additional printing and mailing costs are avoided as notices and messages will be provided to Flex Pay Program customers using the customer's preferred electric channels. (Ex. 7 at 8.)

30. NV Energy states that Contact Center costs will be reduced. The communications provided by the Flex Pay Program are proactive and frequent. As Flex Pay Program customers become comfortable with the reliability of the information provided to them through the Flex Pay Program, the number of calls made by Flex Pay Program customers to ask questions about account balances, terminations, past due balances and payment arrangements will be reduced. The reduced volume of Contact Center traffic will generate cost savings. (Ex. at 8-9.)

31. NV Energy states that the Flex Pay Program prevents a customer from building up a significant past due balance, eliminating the need for a deposit. With a smaller possible past due balance, the amount of potential bad debt write-offs are significantly reduced. The

corresponding costs associated with tracking and working the recovery of the bad-debt are also reduced, as is the significant customer correspondence that goes with managing arrears, debt and payment arrangements. Based on observed customer behavior at other utilities that have implemented prepayment programs, it is expected that customers in the Flex Pay Program will make more frequent payments each month. This increase in payments trigger a cost reduction in NV Energy's contract with Shop & Pay, resulting in a decrease in the per transaction cost for all payments, both Flex Pay Program and otherwise, made at Shop & Pay locations. NV Energy anticipates such cost reduction benefits to reach \$3,626,048 annually by the year 2026. (Ex. 7 at 9-10; Table JE-1.)

32. NV Energy states that there are costs that will be incurred in offering the Flex Pay Program. The first cost is the software service provided by PayGo that serves as the basic engine of the program. The second set of costs are those incurred through other vendors that will support the ongoing delivery of the Flex Pay Program. Experience with existing electric prepayment programs have shown that participants in those programs make smaller but more frequent payments. The cost for the Shop & Pay program and kiosks are billed on a per transaction basis and therefore the cost for Shop & Pay kiosk services for Flex Pay Program customers will increase on a per customer basis as compared to customers who are not participating in the program. A second vendor expense stems from services required to send text messages, emails, and voice messages that are core to the Flex Pay Program delivery. A third vendor expense is incurred for the customer outreach services to communicate Flex Pay Program benefits to consumers. There will also be variable licensing fees charged by PayGo once the Flex Pay Program is launched.<sup>1</sup> (Ex. 7 at 13.)

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<sup>1</sup> Table JE-2 in Exhibit 7 on page 13 provides estimated costs for implementation services, licensing fees, communication and payment transactions, and program management.



33. NV Energy states that it incurred costs from 2013 through 2015 for expenditures related to the Flex Pay Program. The expenditures in 2013 related to block or fixed license fees and customer outreach services and NV Energy labor related to regulatory activity and Flex Pay Program planning. The Flex Pay Program was originally envisioned to have been approved as part of the NPC General Rate Case (“GRC”) in Docket No. 14-05004, but was removed from the GRC filing subsequent to the fixed license and customer outreach service fee expenditures. Such expenditures were executed per the terms of the NV Energy and PayGo contract. Expenditures from 2014 and 2015 were related to regulatory activity. (Ex. 7 at 14.)

34. NV Energy states that the Flex Pay Program financial analysis assumes a launch date in late 2016, an enrollment rate of 7.5% of the residential customer population by 2021, and enrollment of 10% of the residential customer population by 2026.<sup>2</sup> NV Energy believes these numbers can be achieved due to customer satisfaction, convenience, and energy saving benefits to the customers. NV Energy will initiate a customer outreach and communication program to convey such benefits to all customers. Other utility enrollment experiences lead NV Energy to believe the forecasted enrollment rates are achievable. (Ex. 7 at 15.)

35. NV Energy states that it expects to realize cost-reduction benefits of the Flex Pay Program equivalent to approximately 62.5% of the operational costs from 2016-2021. Combined with the service charge, NV Energy expects to recover approximately 98% of operational costs. (Ex. 7 at 16.)

36. NV Energy states that it researched the prepay industry to determine the relationship between prepay service charges and customer enrollment in programs. Due to the lack of any reliable sensitive analyses, NV Energy was not able to determine the existence of a

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<sup>2</sup> Table JE-3 provides estimated enrollment percentage by year for the Flex Pay Program.

correlation between the customer charge and participation rates. Industry rates range between \$0 and \$5.00.<sup>3</sup> While NV Energy and the Commission can adjust the rates as they gain experience with customer acceptance of the fees, NV Energy believes a \$2.00 service charge should not negatively affect customer participation levels while recovering an increased portion of the Flex Pay Program's operating costs. (Ex. 7 at 17.)

37. NV Energy states that prepaid utility services appear to be growing in scale, with positive results in customer utilization, acceptance and satisfaction. According to Prepaid Energy Hub, well over 200 electric utilities in the United States are offering, piloting, or planning to introduce prepaid service based on AMI. Electric cooperatives and municipal utilities have offered prepayment for many years. (Ex. 7 at 21-22.)

38. NV Energy states that it will track and report data as discussed on page 12 of the Commission's August 31, 2015 Order in Docket No. 14-10019. Reporting will include the number of participants, number of service disconnects, number of participants that obtained good credit through the Flex Pay Program, average payment amount, number of payments, average number of payments, method of payments, number of customers-written communications, and number of customers who transfer back to original rate schedules with their reasons why. NV Energy will uniquely identify Flex Pay Program customers in its Banner Customer Information System. (Ex. 7 at 22-23.)

39. NV Energy states that regulatory accounting and ratemaking treatment for the fixed costs of the Flex Pay Program was built on a cost recovery methodology proposed by Staff and presented to the Commission in NV Energy's July 13, 2015 comments in Docket No. 14-10019. The Commission accepted the proposal in its Order in Docket No. 14-10019 issued on

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<sup>3</sup> Table JE-4 on page 18 of Exhibit 7 provides a table comparing enrollment percentages to incremental service charge fees for eight different utilities that provide a prepayment program.

August 31, 2015. (Ex. 8 at 4.) If the net benefits at the end of the five years do not exceed Flex Pay Program operating costs, then NV Energy would not add carrying charges for the time the fixed costs are in the regulatory asset and would write-off a share of the fixed costs in proportion to the ratio of the net benefits after five years to the costs. NV Energy would only recover an amount equal to the product of multiplying the fixed costs by the ratio of the net benefits after five years to the costs. For this scenario, recovery would be accomplished by including the adjusted regulatory asset balance in a GRC and amortizing it over a three-year period. The regulatory asset would not be put in rate base. The five-year waiting period for meeting the program thresholds would commence on January 1, 2017, or the first date the Flex Pay Program is made available for customer enrollment, whichever is later. (Ex. 8 at 5.)

40. NV Energy states that they request deviations from NAC 704.441, NAC 704.372, and NAC 704.375(4) in order to offer consumer protections superior to the rights and obligations found in the Consumer Bill of Rights. NAC 704.341 pertains to the program for deferred payment of a delinquent bill. Since the optional prepayment program requires the customer to prepay their bill, this section is inapplicable. NAC 704.372 pertains to the termination of service. Postponement of a termination upon entering into an agreement to pay a delinquent bill is also not applicable because the Flex Pay Program participants prepay their bill. NAC 704.375(4) pertains to the termination of service. Since this section applies to termination for nonpayment, it does not apply to the Flex Pay Program and thus is inapplicable.

#### **BCP's Position**

41. BCP states that the Commission should reject the Flex Pay Program or, in the alternative, request modifications with respect to aspects of payment transactions, cost recovery, deposits, compliance with the Consumer Bill of Rights, marketing, customer agreements,

