Agenda 10-16; Item No 2B 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 Payment Program.	Docket No. 15-11004
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 Payment Program.	Docket No. 15-11005

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		
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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 customers 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.[1] (Ex. 7 at 13.)

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[1] 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.[2] 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

[2] 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.[3] 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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[3] 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,

handling of prepaid gas customers, metrics, and methodology for reporting data. (Ex. 9 at 1-3.)

42. BCP states that NV Energy's pilot of a similar program related to Docket No. 04-5003 struggled to get participation and required employee participation. Of the 37 participants, 37% of the 22 long-term participants reduced their usage. 21% of participants increased their energy consumption by 25% or more. Overall, participants reduced their kilowatt-hour usage by 1.6%. The Phase II expansion of the pilot prepaid program for 50 residential customers was approved approximately two years later, and NV Energy requested to discontinue the program in their 2008 GRC. At that time, the majority of the customers on the prepaid schedule were employees of NV Energy. The lack of participation after nearly two years coupled with the closure of the recharging facilities ended the pilot program. (Ex. 9 at 4.)

43. BCP states that NV Energy filed a new prepaid program in their 2014 GRC (Docket No. 14-05004). As part of the stipulation resolving that Docket, NV Energy withdrew the prepaid program from consideration and agreed to open an investigation (Docket 14-10019) to review and evaluate the merits and detriments of a prepayment program. The "non-evidentiary report" resulting from the investigation recommended NV Energy pursue the prepayment program through a tariff filing with the Commission. The report expressed concerns that the benefits may not materialize, the non-participants may not be insulated from the program cost, and that further information needs to be provided regarding the appropriate service charge, as the proposed charge was insufficient to cover the cost of the proposed program. (Ex. 9 at 4-5.)

44. BCP states that in response to data requests in this Docket, NV Energy stated that it intends to recover both operating and capital from the regulatory asset. As recently as March 3, 2016, NV Energy changed its position and stated the capital cost would be recovered from the

regulatory asset and the operating costs would be recovered in the revenue requirement in future GRCs. Similarly, program operating benefits and service charge revenue would be reflected in the results of operations in the revenue requirement in future GRCs. (Ex. 9 at 24.)

45. BCP states that a prepayment program in a non-regulated company would face hurdles from a capital committee. In a regulated utility environment, costs can be deferred into a regulatory asset, operating costs can be absorbed in GRCs by asking for rate relief, and a utility can earn a return on the rate base if a project is unsuccessful, diminishing risk. A regulated monopoly utility is more insulated from market forces and the Commission must act as a surrogate for competition. NV Energy has proposed the Flex Pay Program without customer outreach and wants other ratepayers to act as a backstop if the Flex Pay Program should fail. (Ex. 9 at 6.)

46. BCP states that NV Energy did not consult with likely or potentially affected customers as it developed the Flex Pay Program proposal. Much like the proposal submitted for prepaid meters to the California Public Utilities Commission ("CPUC") by San Diego Gas & Electric, no customer outreach was performed. The CPUC was highly critical of this approach. The Commission should also be concerned. Any representations made by NV Energy on the customers' behalf may be misleading considering NV Energy did not seek customer input. The Flex Pay Program is a program devised by NV Energy for NV Energy. (Ex. 9 at 7.)

47. BCP states NV Energy cited a flawed national survey and a flawed 2014 Cogent Utility Brand Trusted Engagement survey as justification for interest and need of a prepayment program. Both studies have self-selection bias and include a non-random sample of population. The surveys themselves state that re not a probability sample. (Ex. 9 at 7-8.)

48. BCP states that NV Energy certified the Applications for tariff approvals in this

case under an advice letter. The certification asserted that the proposed change in schedules would not change any rate or result in an increase to the annual gross operating revenue of an amount that exceeds $15,000 for each utility. BCP believes the certification is incorrect, as the anticipated customer participation and monthly service charges for the Flex Pay Program would easily generate more than $15,000 in gross operating revenues on an annual basis.[4] BCP asserts that approval of a tariff filed under an advice letter would be inappropriate due to the gross revenues from a 12-month period exceeding the allotted threshold, and should not proceed. (Ex. 9 at 8-9.)

49. BCP states that national experience demonstrates that prepaid participants are concentrated among low- or moderate-income populations facing unaffordable deposit requirements or disconnection for non-payment. While no one can accurately predict the participants in NV Energy's Flex Pay Program, it is advantageous to look at the Salt River Project's M-Power program, which is one of the largest and most documented prepaid programs. Based on a 2009 study, customers were more likely to be young, low-income, credit challenged, live in apartments, have families and were generally low electricity users. A 2010 study revealed the median age of 35 and a median annual income level of $17,900. 50% of the M-Power customers were between the ages of 18-34 and 82% made less than $30,000 annually. (Ex. 9 at 10.)

50. BCP states that low-income users will be attracted to the Flex Pay Program. The prospect of no initial cash deposit would be attractive to people under budget limitations or low income. The avoidance of reconnection fees might also stimulate interest. Opting in may be done in order to retain service in the immediate term, even at the increased peril of losing future

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[4] BCP provided PAM-2, which provided their calculations showing gross revenues exceeding $15,000 annually from the Flex Pay Program for 2017 and beyond.

service. (Ex. 9 at 10.)

51. BCP states that NV Energy researched low-income users and usage in Docket No. 09-06029, submitting a March 7, 2012 report titled the "Final Report for the Research and Analysis of Energy Usage for NV Energy Low Income Customers" (the "Report"). The Report provided information on energy use, consumption behavior, and demographics for both low-income and high-income customers. Based on the Report, low-income households tend to have more members and tend to be less educated. They are also more likely to have children five years of age or younger, or a disabled person. 28.4% of low-income persons found it very difficult to pay their bills over the last 12 months and 16.6% paid most or all of their utility/fuel bills late. The ratio of spending on energy to the total income of the household is 13.8%. In 2012, it was estimated that NV Energy had 190,000 low-income customers out of 1,010,699 residential ratepayers. 73.3% of low-income customers made less than $20,000 in 2010. (Ex. 9 at 11.)

52. BCP states that, problematically, NV Energy would essentially require internet access and either phone text messages, email, or voice mail to participate in the Flex Pay Program. 78.1% of low-income customers use cell phones and only 59.9% had internet access in the home. In Clark County, 23.1% of homes did not have internet access in 2011. When power is disconnected, routers and modems no longer work and a customer likely has trouble charging this/her cell phones. Customers that have trouble paying their bill will also likely have problems paying their phone and internet service bills. (Ex. 9 at 11-12.)

53. BCP states that low-income customers trade off regulatory protections, relinquish the right to participate in equal payment programs, and negotiable payment terms for the avoidance of paying a deposit to participate in the Flex Pay Program. Prepayment programs tend

to blur or conceal the low-income inability-to-pay issue and instead pass the problem along to the user instead of addressing the problem. Customers that have issues paying under a post-pay model would most likely still have problems under the prepay model. Low-income households are inclined to have more household members, children, or disabled members, leaving little room in "controlling" energy use. A second class of inequitable service is created by the sacrifices that an individual trades while paying the same electric rate or more as another wholly served individual in the post-pay model. It is within NV Energy's duty of care to provide service and to do so without unreasonable discrimination. (Ex. 9 at 12-13.)

54. BCP states that the Flex Pay Program is targeted at low-income customers. The prepaid financial model expects to collect twice the amount of bad debt from prepaid customers versus the general customer population. People with high rates of disconnects, who are financially struggling, and seek avoidance of deposits will be attracted to the Flex Pay Program. The Flex Pay Program is designed for the financially struggling participants to pay in small amounts with increased transactions. The Flex Pay Program is a collection tool geared to the payment-troubled. Notably, North Las Vegas has a disproportionate amount of Shop & Pay locations. The area has a high poverty rate of 37.7% and low per capita income. The "prepaid business case financial model" and rhetoric do not match. (Ex. 9 at 13.)

55. BCP states that prepaid programs are frequently used in third world countries. The quality of life that Nevada wishes to project and protect for its citizens needs to be weighed. Vulnerable households with single parents, children, elderly and the handicapped should be taken into consideration. The constant feeling of having to monitor your usage, pay, and make tradeoffs to pay for electricity is something the Commission should consider. (Ex. 9 at 14.)

56. BCP states that many listed benefits of the Flex Pay Program are already available

to customers. All customers currently have a choice on when and in what frequency to pay. Under the present post-pay model, customers can pay in advance. Similarly, all customers can already monitor their energy use. Customers enrolled in MyAccount can also already proactively receive information about usage, account balances, energy saving tips, estimated cost to date, forecasted bills, weather data, and weekly comparisons. (Ex. 9 at 14-15.)

57. BCP states that the claim of establishing credit is dubious. NV Energy proposed such credit would be established if, during a 12-month period, there have been three or fewer terminations. In the cited Salt River Project, 20% of prepaid customers were disconnected twice in a month. In the Arizona Public Service Company's prepaid program, 33% of participants were disconnected five or more times. (Ex. 9 at 15.)

58. BCP states that the proposed Flex Pay Program may be superficially alluring, but could be insidious to participants due to "life tradeoffs", deprivation, and the creation of second-class service. Non-participants could be faced with paying for a subsidy with increasing cost over time in the event the cost outweighs the benefits. Normally in prepaid programs, there is a high cost to serve the customer base that would participate. The high cost is in part due to the payment transaction processing costs, prepayment engine ongoing cost, and communication transaction costs, among others. These costs are transparent in most programs by the service charges and the passing on of other fees to participants. However, the Flex Pay Program gives very little mention to the frequency of payment transactions, which adds to the cost to serve. The Flex Pay Program also masks the true cost to participate by charging a fee that only covers a small portion of the Program costs. The remaining costs are expected to be subsidized and recovered in future GRCs from non-participants, should the purported benefits, that cannot be quantified directly, fail to materialize. (Ex. 9 at 16.)

59. BCP states that bad debt reduction represents 73% of the purported benefits, and is one of the central justifications for the Flex Pay Program. This bad debt reduction is highly dependent on the type of person that participates and the number of participants. According to the business case, once the Flex Pay Program is established, NV Energy anticipates reducing bad debt on average by $2.9 million. The ongoing operating cost that will be layered into future GRCs is $2.9 million. (Ex. 9 at 17.)

60. BCP speculates that NV Energy cites bad debt reduction and other smaller cost reductions to all residential customers as a pretext to justify and entangle other ratepayers in picking up the capitalized (fixed) cost in the event the Flex Pay Program expense exceeds the benefits. Problematically, this bad debt benefit cannot be quantified directly. The Flex Pay Program should be viewed as a standalone project where the direct revenue generated from the Program is used to offset the costs. In a GRC, it would be able to be determined whether any true benefit materialized through a lower cost to serve. If this lower cost to service can be attributed to the Flex Pay Program, then it needs to be reflected as a lower rate for the Flex Pay Program. The people who shouldered the Flex Pay Program since inception should reap the benefits, hopefully through reduced prepay rates. Conversely, the cost causer should be held accountable by setting the correct rate in the prepaid schedule, should the cost exceed the benefits. The Flex Pay Program customers should be given a discount since prepayment reduces risk, lessens need to find working capital, improves cash flow and lessens what a company may need to borrow. (*Id.*)

61. BCP states that the participation level anticipated NV Energy is overly optimistic given the short time frame. JEA Municipal launched its prepaid program in June of 2013, and by October 2015 reached 1.7% adoption. Brunswick Electric Membership Corporation started

prepaid meters in 1991 and had reached 8% participation by 2009, almost 18 years later. The Salt River Project's M-Power program's average yearly growth rate over the 15 year time period was 0.783%. NV Energy's adoption rate appears optimistic in comparison. NV Energy's adoption rates not appear to follow the traditional S-Curve of adoption rates empirically experienced in marketing. (Ex. at 19-21.)

62. BCP states that the bad debt write-off reduction resulting from Flex Pay Program customers is dependent on the participation level and type of customer who adopt the Flex Pay Program. The Flex Pay Program's contribution write-offs will be cyclical due to the amount of churn from participating customers. Further, bad debt write-offs will still be very cyclical for NV Energy as a whole, as bad debt is a function of the economy, weather, and a variety of other factors. With a recessionary period, one can expect write-offs to increase due to job loss among Flex Pay Program participants and non-participants. (*Id.*)

63. BCP states that besides the bad debt and adoption rates, NV Energy adjusted for operating cost that was being capitalized as a fixed cost. One should separate operating costs from fixed costs. By capitalizing the first year of PayGo, the five-year evaluation on operating costs appears more favorable. The service charge also appears to cover more of the operating costs at first glance. Another factor adjusted was the cash transaction percentages. The numerous transactions are dependent on the type of participant in the Flex Pay Program. The Flex Pay Program financial model assumes to collect bad debt at twice the rate of normal ratepayers. The low-income and payment troubled participants, and the unbanked, will pay mostly in cash. Based on historical information, NV Energy assumes this percentage will remain constant, ignoring that this is a new program outside the historical norm. In 2004, the Salt River Project experienced two million prepaid transactions with 99% being conducted at a pay center.

BCP used a 60% cash payment assumption but believes that percentage could be higher. (Ex. 9 at 22-23.)

64. BCP states that its model changed the inputs in the NV Energy model for bad debt multiplier, participation rate, cash transactions, and the PayGo capitalization adjustment. Based on the BCP sensitivities, the cumulative net benefit would still not be positive by 2026. The net would be barely positive in 2022, and the five-year revenue neutral computation would no longer hold. In order to avoid a subsidy and cover all of the operating expenses, the correct monthly service charge in a five-year period should be set at $7.64 and $2.35 to cover capital cost for a total standalone cost of $9.99 for the entire program. The proposed $2.00 service charge only covers 26.2% of the operating cost of the Flex Pay Program. The purported benefits only cover 39.3% of the operating costs. (Ex. 9 at 23-24.)

65. BCP states that it does not agree with the cost recovery requested by NV Energy. NV Energy created the Flex Pay Program proposal without any customer outreach. NV Energy has already spent $1.9 million of $3.6 million in capital cost for the Flex Pay Program without getting Commission approval. NV Energy's proposal would comingle the revenue generated from the service charge with all other revenue at the utility level. NV Energy also entangles non-participants of the Flex Pay Program with the operating costs by placing the cost in the revenue requirement before NV Energy's proposed five-year period. NV Energy might only be at risk for a portion of the capital cost, which only represents $3.9 million of the $20.6 million cost of the Flex Pay Program. (Ex. 9 at 24-25.)

66. BCP states that during the higher use months, transactions increase in the Flex Pay Program. Using Salt River Project's figures, NPC residential single-family customers would have a total of 80 annual transactions, or about 7 rounded transactions per month and residential

multi-family customers would have 45 annual transactions, or an average of about 4 rounder transactions per month. For SPPC, the residential single-family customers would have a total of 47 annual transactions or an average of about 4 rounded transactions per month. The residential multi-family customers would have a total of 28 annual transactions, or an average of about 3 rounded up per month. Flex Pay Program customers will pay many more times a month, increasing the cost burden. Costs should be appropriately assigned to the participating customer and not subsidized by others. (Ex. 9 at 27.)

67. BCP states that it agrees with NV Energy that a $20 minimum transaction payment should be established. Some customers may make small daily transactions, thereby generating more fees. The $20 minimum encourages less frequent transactions and generates less cost. Customers should also be encouraged to make less frequent payments. A price signal needs to be sent to the Flex Pay Program customers regarding the frequently of their payments. If there is no inducement to limit transaction amounts, customers may abuse the system by making daily transactions. (Ex. 9 at 28.)

68. BCP states that the current Consumer Bill of Rights offers three options to payment-troubled and low-income customers. The first option is a standard plan of paying back arrearages at one-fourth over time and paying a full deposit. The second option is a standard plan paying back arrearages one-fourth over time and one-third deposit over time. The third option is an equal payment plan that involves paying 50% of arrearages and paying a full deposit in order to participate. NV Energy now proposes a fourth option in the Flex Pay Program that requires no deposit, no reconnection fee, paying 75% of arrears, and a $50 startup credit that goes toward the participant's use. Any time a customer with arrears pays for use, 25% of the payment will go to paying of the remaining arrears. The Flex Pay Program is less expensive

over a 12-month period due to the avoidance of the deposit, but does not capture or cover operating cost and the fixed cost so other ratepayers could be exposed and required to pay for the Flex Pay Program. The Flex Pay Program is deceptive since it does not shoulder the true cost of operating, or the fixed cost, and it requires other ratepayers to potentially subsidize the Program. (Ex. 9 at 30-31.)

69. BCP states that NV Energy should have given more consideration to individuals who may wish to leave the Flex Pay Program. While NV Energy hypes the program as offering consumer protections superior to the Consumer Bill of Rights, consumer protections are extremely deficient in the Flex Pay Program. Barriers to transition could be viewed as entrapment. Flex Pay Program customers should be easily permitted to return to the post pay model. The Arkansas Valley Electric prepayment plan allows customers to return to their traditional plan without having to pay for a new deposit, credit check, and connection fee in order to smooth the transition. Should the Commission approve the Flex Pay Program, the deposit rule as codified in NAC 704.332 and payment arrangements under NAC 704.341 must be changed to accommodate Flex Pay Program participants wishing to leave before the Program is finally instituted. In the Flex Pay Program disputes over a bill, service, or charge are not adequately addressed since there is no amount due like the post pay model. The Flex Pay Program participant should be able to dispute a bill, charge, or service during any time before credit runs out, and should not be terminated until the dispute is resolved. NV Energy seeks waivers and concessions from the Consumer Bill of Rights but offers no concessions in return to protect customers. (Ex. 9 at 32-33.)

70. BCP states that they recommend moving forward with a rulemaking to ensure consumer protections are fully vetted, especially in regard to this new program and its impact to

consumers. If approved, BCP wishes to provide notice and exercise the right to move forward with a rulemaking proceeding as agreed in the October 15, 2014 stipulation in Docket No. 14-10019. BCP further requests a stay in this case until the completion of the requested rulemaking. (Ex. 9 at 33.)

71. BCP states that it has concerns regarding the marketing of the Flex Pay Program. The avoidance of service termination is a strong motivator. Some customers may be willing to give up basic regulatory consumer protections in order to protect their families. Under such duress, it is difficult to say the choice is voluntary since the bargaining strength is on the side of NV Energy. BCP recommends NV Energy not be allowed to exclusively market the Flex Pay Program, and instead present other options such as payment or deposit arrangements at the same time it offers the Flex Pay Program. (Ex. 9 at 33-34.)

72. BCP states that the proposed customer agreement in the filing is inadequate from the consumer protection prospective because it is one-sided and does nothing to provide awareness to the wide range of implications and ramifications likely to occur from the risk of cutoff. Notification and disclosures are important before someone signs up for a prepaid service. The customer agreement should provide notice that the frequent disconnection in power may result in the spoilage of food or medicine that require electricity to preserve. The notice should also provide awareness that the Flex Pay Program participant may need to consider any additional time requirements and access to transportation customers may need in order to pay at locations offered. The customer should also be aware that he/she may dispute a bill, charge, or service during any time prior to disconnection. (Ex. 9 at 34-35.)

73. BCP recommends that gas tariff 6M(1), under Special Conditions, Item 19, Resumption of Service, specifically state that the participant will incur an applicable charge of

$40 for reconnection the next day in regard to SPPC's gas Flex Pay Program. The Flex Pay Program customer agreement should have similar language and clearly point out the impact regarding frequent disconnects, including that the cost can be significant ($40 for next day, $60 for same day or after hours). The customer agreement of the gas Flex Pay Program should specifically state a reconnect fee may be incurred and the amount of the fee. (Ex. 9 at 35.)

74. BCP states that it recommends the tracking of customer reasons for joining the Flex Pay Program, the length of time customers remain in the Flex Pay Program, and average length of time in the Program. BCP further recommends tracking the specific number of disconnections for non-payment ("DNP"); number of service reconnections after DNP; reasons for DNP; tracking the duration of DNP by days, hours and average before reconnection; frequency of disconnects on a monthly basis; and tracking of the geographic breakdown of DNP by zip code. Such metrics would provide a better understanding of Flex Pay Program participation, any clear misconceptions, and the effect of DNP. (Ex. 9 at 36.)

75. BCP states that NV Energy did not include energy savings benefits in its business case, but intends to quantify and report the energy savings realized by participants. NV Energy might later propose the Flex Pay Program in their Demand Side Management ("DSM") portfolio. BCP believes that for many, outside of deposits and reconnection fees, affordability of energy is not at issue. Forced reduction or disconnection of service should not be considered an enhancement to service quality, as the consumer's motivation is financial savings, not energy savings. BCP believes such deprivation is not conservation, and as such, the Flex Pay Program should not be re-compensated for lost sales from a DSM perspective. (Ex. 9 at 37-38.)

76. BCP states that the measurement of energy savings should be over the five-year term of the evaluation of the Flex Pay Program to match the same timeframe of evaluation as the

measurement of the benefits and cost. The prepay effect diminishes over the length of time that a customer is enrolled in the Flex Pay Program. Behavior focused programs show signs of backsliding over time. Energy savings should be measured over the evaluation period and not on a year-to-year-snapshot. The customer survey should similarly focus on the long term of the Flex Pay Program instead of the first few months to adequately capture the post purchase buying decision. (Ex. 9 at 38.)

Staff's Position

77. Staff states that it recommends the following: 1) approve the Flex Pay Program with a monthly service charge of $2.50; 2) direct NPC and SPPC to jointly file an annual Flex Pay Program report on the metrics associated with the Flex Pay Program, and direct NV Energy to include metrics for the reduction in required deposits, the past due balances of Flex Pay Program customers at the time of Program enrollment, and the monthly number of calls received by the call center regarding the Flex Pay Program; 3) approve NV Energy's request to establish a regulatory asset account for the fixed costs related to the Flex Pay Program; and 4) approve NV Energy's proposed methods of allocation of costs and benefits between NPC and SPPC. (Ex. 12 at 1; Ex. 13 at 1-2.)

78. Staff recommends approving the Flex Pay Program with a monthly service charge of $2.50. In general, Staff supports the Flex Pay Program and believes it is a well-designed program that gives customers more payment choices while at the same time provides adequate consumer protections. NV Energy has made numerous improvements to the Flex Pay Program since the Program was first brought before the Commission in Docket No. 14-05004, including the addition of a Flex Pay Program customer agreement, which all customers requesting enrollment in the Program must review and acknowledge. (Ex. 13 at 1-2.)

79. Staff states that the monthly service charge should be set so that it is expected to recover the greatest amount of Flex Pay Program costs while also not deterring an unacceptable level of potential participation. The revenues collected from the monthly service charge will help protect non-participants from cost responsibility absent sufficient realized benefits. A higher service charge may increase revenues, but it also has the potential to deter participation, which reduces revenues. The Report in Docket 14-05004 states that a service charge that only recovered 20% of Flex Pay Program costs in the five-year period from 2016-2021 was insufficient and must be analyzed further. As requested by the Commission, NV Energy provided an analysis regarding the appropriate amount for monthly service charges to optimize operating cost recovery while maintaining Flex Pay Program participation levels. (Ex. 13 at 5.)

80. Staff recommends increasing NV Energy's proposed monthly service charge from $2.00 to $2.50. According to the analysis provided by NV Energy, a service fee of $2.50 will recover approximately 44% of the estimated Flex Pay Program operating costs between 2016 and 2021. This would reduce the risk that non-participating customers will be asked to subsidize a program from which they do not benefit. Staff hesitates to recommend a fee higher than $2.50 without knowing what impact it would have on participation levels. (Ex. 13 at 5-6.)

81. Staff states that the service charge can be adjusted in the future. If after reviewing the Flex Pay Program participation levels and costs and benefits it is determined that the service charge needs to be adjusted, the service charge can be changed through a GRC, an advice letter, or other appropriate filing. (Ex. 13 at 6.)

82. Staff states that the Commission should direct NPC and SPPC to jointly file an annual Flex Pay Program report on the metrics associated with the Flex Pay Program, and direct NPC and SPPC to include metrics for the reduction in required deposits, the past due balances of

Flex Pay Program customers at the time of the program enrollment, and the monthly number of calls received by the Call Center regarding the Flex Pay Program. NV Energy should also track and report the following information regarding the Flex Pay Program: number of participants, service disconnects, number of participants that obtained satisfactory credit via the Flex Pay Program, the average payment, number of payments, the average number of payments per month per participant, method of payments, number of customers who receive paper disconnection notices after losing their chosen communication methods, number of customers who transfer to their otherwise applicable rate schedule, and other assumptions used in calculating the benefits. (Ex. 13 at 7-8.)

83. Staff states that the Commission should direct NV Energy to use Staff's proposed method to calculate the benefits that cannot be quantified directly. Such benefits include 1) reduction in bad debt write-offs; 2) reduction in bad debt recovery fees; 3) reduction/increase in Call Center volume; and 4) reduction in paper notices. The expectation is that the Flex Pay Program will reduce the amount of bad debts accounts written off and the bad debt recovery fees because Flex Pay Program customers are not allow to accumulate arrears. However, the bad debt account write-offs or bad debt recovery fees that would have been associated with a Flex Pay Program customer if that customer had not enrolled in the Flex Pay Program cannot be observed. In other words, there is no counterfactual group that can be used to quantify the benefits. Likewise, the Flex Pay Program could result in a reduction in the number of paper notices sent, and a reduction or increase in Call Center volume, but the reductions/increases cannot be directly observed. Instead, the quantifications of these benefits and costs are dependent on various assumptions and comparisons to quantifiable values. (Ex. 13 at 8.)

84. Staff states that NV Energy proposes to calculate the monthly write-off reduction

benefit by taking the difference between the average monthly residential bad debt write-off per residential customer during the three years prior to the start of the Flex Pay Program and the average monthly residential bad debt write off per Flex Pay Program customer in the month being evaluated. The total monthly write-off reduction benefit would be obtained by multiplying the difference by the number of Flex Pay Program customers. NV Energy's proposed method assumes that write-offs would have continued to occur at a level consistent with historical write-offs if the Flex Pay Program had not been implemented. By taking the average write-off per customer, the method accounts for changes in residential customer counts between years. However, the method does not account for changes in bad debt write-offs due to other factors besides the Flex Pay Program, such as the local economy, weather, and random monthly variations in write-off amounts. (Ex. 13 at 8-9.)

85. Staff states that its method's goal is to quantify the difference between what the write-offs associated with the Flex Pay Program customers would have been had they not enrolled in the Flex Pay Program. Staff's proposed method is similar to NV Energy's in that both methods both assume that prior to the implementation of the Flex Pay Program, the population of future Flex Pay Program customers have the same write-off rate as other residential customers. Staff's method differs in that instead of assuming that the write-off rate of Flex Pay Program customers would have continued at the historical average in absence of the Flex Pay Program, it assumes that it would have continued at the same write-off rate as other residential customers. Instead of using the historical write-off rate as the baseline, Staff proposes using the current write-off rate for the non-Flex Pay Program group. (Ex. 13 at 8-9.)

86. Staff proposes calculating the bad debt recovery fee reduction benefit as the difference between the non-Flex Pay Program group's current average recovery fee per customer

and the Flex Pay Program group's current average recovery fee per customer, multiplied by the number of Flex Pay Program Customers. (Ex. 13 at 12-13.)

87. Staff proposes quantifying the reduction or increase in Call Center volume by using the same basic method proposed for quantifying the reduction in write-offs. For the month being evaluated, the Call Center volume reduction benefit or cost would be calculated as the difference between the non-Flex Pay Program group's average number of calls per customer related to payment arrangements and disconnects for nonpayment per customer and the Flex Pay Program group's average number of calls per customer for the same type of calls, multiplied by the number of Flex Pay Program customers and the average cost per call. If the Flex Pay Program group has a lower average call rate than the non-Flex Pay Program group, the result is considered a program benefit, and if the Flex Pay Program group has a higher average call rate than the non-Flex Pay Program group, the result is considered a program cost. (Ex. 13 at 13-14.)

88. Staff proposes using the same basic method proposed for quantifying the reduction in write-offs. For the month being evaluated, the benefit from a reduction in paper notices would be calculated as the different between the non-Flex Pay Program group's average notices mailed per customer and the Flex Pay Program group's average notices mailed per customer, multiplied by the number of Flex Pay Program customers and the total cost per notice. (Ex. 13 at 14.)

89. Staff supports the establishment of a regulatory asset account. Regulatory asset accounts serve to defer and hold program costs for review during a GRC. During a GRC, all of the costs recorded can be reviewed and evaluated by all parties allowing for adjustments to occur before any of the recorded costs are recovered from ratepayers. NV Energy proposes to evaluate the operating costs and benefits associated with the Flex Pay Program at the end of a five-year

period. If the benefits exceed the ongoing operating costs, NV Energy proposes to include the regulatory asset account in rates during NPC and SPPC's next respective GRC after the five-year period has ended. In this scenario, the regulatory asset would be placed in rate base and amortized over the book life of the asset. If at the end of the five-year period the benefits do not exceed ongoing operating costs, NV Energy proposes that it would only recover the balance, without carrying costs, of the regulatory asset account equal to the percentage of Flex Pay Program benefits divided by Flex Pay Program operating costs. Staff states that it finds it reasonable for NV Energy to recover the amount of prudently incurred costs that are recorded in the regulatory asset account over the life of the asset. Staff does not agree with NV Energy's methodology that predetermines that any portion of the costs could be recovered. (Ex. 12 at 2.)

90. Staff proposes a specific method for recovery of the regulatory asset account in the instance where benefits do not exceed the costs for the Flex Pay Program. When NPC and SPPC file their respective GRCs that include a proposed recovery of these costs, Staff would evaluate all of the costs recorded in the regulatory asset account and make its determination with respect to recovery based on how the various components of the Flex Pay Program can and are being used to benefit all ratepayers. This evaluation could result in the recovery of more or less of the regulatory asset account balance than the percentage methodology proposed by NV Energy. (Ex. 12 at 3.)

91. Staff states that NV Energy has indicated that it will use two allocation methods for allocating costs and benefits between NPC and SPPC. NV Energy proposes allocating on-going operating costs and benefits based on the number of customers at NPC and SPPC utilizing the Flex Pay Program. Staff finds this allocation methodology to be a reasonable way to lessen the possibility of customers in one service territory paying a disproportionate amount of costs or

benefits associated with customer activity in another area. (Ex. 12 at 3-4.)

92. Staff states that NV Energy proposes allocating the fixed costs recorded in a regulatory asset account based on the total number of customers in each service territory. For modeling purposes, NV Energy indicated that 60% would be allocated to NPC and 40% to SPPC. The amount allocated to SPPC would be split such that 84% would go to SPPC-Electric and 16% would be charged to SPPC-Gas customers. Staff agrees with this allocation methodology, but would clarify that total residential customer counts should be used. Since the Flex Pay Program would be available for use by residential customers in all service territories, residential customer count appears to be a reasonable method for allocating fixed costs. (Ex 12 at 4.)

NV Energy's Rebuttal Position

93. NV Energy states that it partially agrees with Staff's recommendations for cost recovery. In a situation where the annual benefits do not exceed annual costs at year five, Staff recommends that no predetermination of any portion of the costs be covered and that Staff would evaluate all of the costs recorded in the regulatory asset account to determine recovery based on how the various components of the Flex Pay Program are being used to benefit all ratepayers. This approach differs from NV Energy's proposal, as well as the Commission's August 31, 2015 Order in Docket No. 14-10019 ("Order").[5] (Ex 14 at 3.)

94. NV Energy states that under its proposal, after the fifth year if the benefits do not exceed the operating costs for the same period, then NV Energy would not receive a carry charge and would write off a share of the fixed costs in proportion to the ratio of benefits to costs determined after the fifth year of the Flex Pay Program. The determination of the benefits ratio

[5] *See* Docket No. 14-10019, Section IV "Analysis and recommendations regarding implementation of a prepayment program for electric services" at page 12 of Attachment 1 "Report."

will be based upon the comparison of benefits to cost of the last 12 months' performance. NV Energy would only recover an amount equal to the product of multiplying the fixed costs by the ratio of the benefits to the costs. The regulatory asset would not be placed in the rate base; instead, the adjusted amount would be recovered in rate base and be amortized over a three-year period. NV Energy's methodology for cost recovery is consistent with the Commission's directive in the Order. NV Energy agrees that the Commission always retains the ability to review costs to ensure they were incurred prudently. (Ex 14 at 3.)

95. NV Energy disagrees with BCP's recommendations regarding cost recovery because they are not consistent with the Order. BCP attempts to advance arguments previously rejected in a previous docket, urging that costs should be recorded in Account 186 without the benefit of a carrying charge, even if the Flex Pay Program benefits exceed costs. BCP opposes the recovery of a carry charge under any circumstance. (Ex. 14 at 4.)

96. NV Energy states that BCP's recommendation to set the monthly service charge to a level that recovers all costs of the Flex Pay Program is unreasonable. BCP only considers the costs of the Flex Pay Program and ignores that when conducting a cost-benefit test at the end of the five-year period there will be several tangible benefits generated by the Flex Pay Program to offset costs. Setting the monthly service charge at a level that will recover the entire cost of the Flex Pay Program without recognizing the value of the benefits would discourage customer participation in the Flex Pay Program. Staff and BCP both recommend that the metrics be tracked and reported, which will inform the Commission on the progress of the Flex Pay Program while allowing for an examination in future proceedings to determine whether the monthly service charge amount requires an adjustment. (Ex. 14 at 5.)

97. NV Energy disagrees with BCP that the cost-benefit test be conducted on a

combined basis with NPC and SPPC. The results will be tracked and allocated on an individual company basis, making it logical for the performance test to be conducted on an individual company basis. Any adjustments the Commission may make in the future to the recovery of costs would be done on a company-specific basis. Performing company-specific cost-benefit tests supports company-specific ratemaking. (Ex. 14 at 5.)

98. NV Energy disagrees with BCP's conclusion that NV Energy's Applications should not proceed because they were done under an advice letter filing. The filings were appropriate under an advice letter because they do not effect a change to an existing tariff. The Flex Pay Program would be a new voluntary payment option and as such the filing complies with the requirements set forth in NAC 703.400(1), which states in part that "a tariff sheet covering a service or commodity not previously furnished, a tariff sheet modifying an existing service and a tariff sheet that does not alter any rate or charge may be filed by a letter of advice as described in NAC 703.390." The filings were also made in compliance with the recommendation contained in the Report approved by the Commission in the Order. The filings are not increasing rates beyond the threshold that BCP addresses, which is described in NAC 703.400(2). (Ex. 14 at .6)

99. NV Energy disagrees with BCP's recommendation that Gas Tariff 6M(1) should state the reconnection charge or refer to schedule MC. Schedule MC, like the Statement of Rates, places all charges in one location within the tariff so that the charges can be easily found and modified. The alternative would be to state all of the miscellaneous charges throughout the several tariffs that the charge would apply to. BCP's suggestion is inconsistent with various tariffs and rules, such as Rule 16, which describes the connection process for gas service. (Ex. 14 at 6.)

100. NV Energy states that it agrees with Staff's recommendation to increase the

monthly service charge from $2.00 to $2.50. Such an increase strikes an appropriate balance between recovering the greatest amount of the Flex Pay Program costs while not unduly deterring Flex Pay Program participation. NV Energy additionally proposes a $0.75 transaction charge on Shop & Pay and kiosk transactions in excess of four per month, resulting in a total offset of approximately 51.4% of the 2016-2021 Flex Pay Program operating costs. The transaction charge would only apply to non-credit and non-debit card payments made at Shop & Pay or kiosk locations, and customers would continue to be responsible for credit and debit fees. (Ex. 15 at 9.) NV Energy proposes four free monthly payments through these channels to align payments with anticipated weekly use or the alignment of the timing of their income. It also pays mind to the fact that customers do not pay a fee for transactions currently handled through these channels. The transaction fee of $0.75 was selected to closely align with the expected average cost per payment transaction fee once the expected number of Flex Pay Program enrollees occurs. (Ex. 15 at 9-10.)

101. NV Energy states that it expects Flex Pay Program customers to make more frequent numbers of payments each month compared to non-Flex Pay Program customers. NV Energy anticipates Flex Pay Program customers to average six payment transactions each month. For each payment transaction executed at a Shop & Pay or kiosk location, NV Energy incurs a cost. NV Energy agrees with BCP regarding the intent to manage the number of such payments, as each payment generates an associated charge borne by the Flex Pay Program. NV Energy believes it is prudent and appropriate to limit the payment transaction fees included at no cost to Flex Pay Program customers to ensure that non-Flex Pay Program customers do not pay for Flex Pay Program costs. If customers incur a fee for five or more payments in a given month, NV Energy believes this will encourage customers to plan accordingly, thereby reducing the total

number of Shop & Pay and kiosk payments. (Ex. 15 at 9-10.)

102. NV Energy states that if operating costs, including payment transaction costs, exceed the combined expected value of the Flex Pay Program service charge and Flex Pay Program benefits, the excess of operating costs will be passed to the entire customer population via rates. The proposed changes allow Flex Pay Program customers to make payments of any value at a frequency of their choosing while limiting NV Energy's exposure to the cost of a large number of payment transactions a month. The proposed changes would decrease Flex Pay Program operating costs by approximately $2.3 million between 2016 and 2021. By implementing these changes, the $20 minimum payment threshold would no longer be necessary. Other means of payment, through the MyAccount Customer Portal or interactive voice response phone system would still be available without incurring any fees to the company or customer. (Ex. 15 at 10-11.)

103. NV Energy states that it disagrees with BCP's comments on adoption rates. BCP's discussion of other utilities draws inaccurate conclusions. While Salt River Project's prepaid program initially launched in 1993, the expanded availability of a kiosk and payment center was not implemented until 2004, and the use of current technologies were not implemented until 2005. The extensive payment channels, technology, and infrastructure that did not exist then are currently in place. From 2005 to 2010, participation the Salt River Project prepaid program grew 8.4%. As of April of 2016, Salt River Project's prepaid program population is equivalent to approximately 17% of their customer base. Comparing the first five years of a program that started over two decades ago to potential growth at NV Energy in 2016 ignores vast improvements in technology and the fact that the core technologies are already in place for customers to convert to prepayment. BCP also did not consider that American

consumers are much more comfortable with utilizing prepayment services. (Ex. 15 at 11-12.)

104. NV Energy states that BCP's reference to NPC's 2004 pilot program is not useful in assessing the likelihood of success for the Flex Pay Program. The technologies used to implement the 2004 pilot rolled out to NV Energy's employees were cumbersome and would not be utilized in the Flex Pay Program. Given that NV Energy has already invested in and installed all of the core enabling infrastructure and technology, NV Energy is ideally situated to offer the Flex Pay Program. The significant growth in internet and mobile device technology and associated changes in customer behavior also provides reason for optimism in customer adoption. Given the enrollment success of other utilities' prepayment programs, NV Energy thinks it is reasonable to assume it will achieve similar results. (Ex. 15 at 13.)

105. NV Energy states that other investor-owned utilities have implemented or are considering prepay programs. Georgia Power, Westar Energy, Arizona Public Service, Duke Energy and Hawaiian Electric Company are piloting prepaid programs. Consumers Energy is planning to begin a prepaid energy pilot shortly. The Public Service Company of Oklahoma is seeking regulatory approval to proceed with their prepaid energy programs. Exelon Energy Delivery and Oklahoma gas & Electric are actively investigating implementing prepaid programs. NV Energy believes over 200 electric utility companies in the United States, which they assume are investor-owned, cooperatives, and municipal are offering, piloting, or planning to introduce prepaid service based on AMI infrastructure. (Ex. 15 at 14.)

106. NV Energy states that it is not proposing any changes to the cost recovery methodology directed by the Commission in Docket No. 14-10019. (Ex. 15 at 15.)

107. NV Energy states that the Flex Pay Program is not directed at low-income users. The Flex Pay Program is entirely voluntary and only available to eligible customers. A customer

may easily transition from the Flex Pay Program to a post payment plan at any time. There is not a defined minimum time that a customer is required to remain on the Flex Pay Program. NV Energy believes there are a large range of customers who will be attracted to the Flex Pay Program, such as frequent travelers, technology-centric customers, customers who will see benefit in not banking a deposit with NV Energy, and customers who would want to utilize it as a way to better manage their energy usage in shorter increments that the current postpaid, monthly cycle allows. (Ex. 16 at 2.)

108. NV Energy states that the Flex Pay Program is non-discriminatory and all participation is voluntary. The customer must request to participate and is not required to enroll. Other utilities report that customers across a broad range of income strata participate in prepaid programs. While some customers may be motivated by avoiding a deposit, low-income customers are not the only type of customers required to pay a deposit. Customers who are new to NV Energy or are not diligent in paying their bills may also be assessed a deposit. If a customer is required to pay a deposit, they may elect to pay it in a lump sum or installments, as provided by the Consumer Bill of Rights. NV Energy also frequently grants payment arrangements and adheres to a policy that it will honor customer requests to allow for payment arrangements beyond the default by 60 days. If approved, the Flex Pay Program will provide customers with another option, which requires no deposit. (Ex.16 at 3.)

109. NV Energy states that a rulemaking is not necessary to implement the Flex Pay Program. The Flex Pay Program was first submitted to the Commission in NPC's 2014 GRC. That docket was settled by a stipulation where the parties requested that the Commission proceed with an investigatory docket into prepayment programs. In that docket, the Commission vetted the applicability of the Consumer Bill of Rights, deposit policy and the interplay of other

applicable tariffs as they would apply to participating customers and concluded that no new regulations were necessary. The Commission came to this conclusion because the prepayment program was optional and offered notification and communication features that were, in many respects, superior to those required by the current Consumer Bill of Rights.[6] Subsequent to the Report in that docket, NV Energy has received feedback from stakeholders and further enhanced some of the customer protections to ensure clear communication and customer understanding of how the Flex Pay Program works and what options customers will have going forward. (Ex. 16 at 4.)

110. NV Energy states that an additional rulemaking would be a redundant procedure. The pertinent issues have already been identified and vetted, and parties have been given ample opportunity to provide perspectives on the Flex Pay Program over the last two years. NV Energy believes that opening up a rulemaking docket would impose an unnecessary delay and stall an offering that many other utilities are making with significant customer support and success. (Ex. 16 at 5.)

111. NV Energy states that since this filing, it has added a series of questions about customer interest and acceptance of a prepay option to its regular cycle of 2016 surveys. (Ex. 16 at 5.) NV Energy anticipates survey results in mid to late May of 2016. (Tr. at 100.)

112. NV Energy states that the Commission should not include directives in its order in these Dockets related to customer education and outreach for the Flex Pay Program, such as the ones proposed by BCP. The Commission has continuing oversight and supervisory powers over NV Energy's operation and has the ability to address any concerns about the marketing of the Flex Pay Program should issues arise in the future. NV Energy has already drafted a

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[6] *See* Docket No. 14-10019, Order issued August 31, 2014, at Report p. 12.

communications and training program that will be launched upon Commission approval of the Flex Pay Program by leveraging existing communication channels. The contact center customer representatives will be trained on communicating with customers about the Flex Pay Program, answer pertinent questions, and guide eligible potential participants through the enrollment process, including the acknowledgement of the Flex Pay Program customer agreement. (Ex. 16 at 6-7.)

113. NV Energy states that it does not view the Flex Pay Program as a standalone "service" offering. The Flex Pay Program is not a unique and specific type of electric service. The Flex Pay Program is a convenience that would be offered to all residential customers. The Flex Pay Program is not conceptually different than other customer convenience programs offered by NV Energy. NV Energy and its customers have substantial investments in the systems and infrastructure that would be utilized to facilitate the Flex Pay Program, and offering more beneficial programs makes such investments more productive. NV Energy is obligated to assist its customers by reducing costs and continually making access to services more convenient. Managing bad debt write-off and assisting customers ensure they meet their obligations is a major benefit of the Flex Pay Program. (Ex. 16 at 9-10.)

114. NV Energy states that internet access is not a limitation to the Flex Pay Program, as a significant percentage of Nevadans have an internet connection. A National 2015 survey found that approximately 74% of people own smartphones. NV Energy believes that given MyAccount enrollment rates and mobile application downloads, the voluntary Flex Pay Program along with its included features and functionality will be available to the vast majority of Nevadans. (Ex. 16 at 13.)

115. NV Energy states that it has incorporated suggestions from various parties to

fashion adequate consumer protections over the course of this proceeding and related dockets. NV Energy has changed the notification provisions to notify customers each day they are within ten days of termination; has offered a written customer agreement that must be fully acknowledged by the customer; and has offered designation of a third-party emergency contact. NV Energy has withdrawn payday loan centers as a payment channel for customers and has reduced the cost of the Flex Pay Program by providing a limit of four no fee transactions through the kiosks and Shop & Pay monthly. (Ex. 16 at 16.)

116. NV Energy states that it has given significant consideration to customers transitioning back to postpaid service, and it is not much different than a customer signing up for service for the first time. While it is possible customers may have arrearages if a usage grace period applies, the amount would be minimal. The credit building opportunities and deposit options offered by law and company policy are a benefit to the customer wishing to leave the prepay model. NV Energy is unaware of any other utility that does not charge a deposit, where appropriate, for customers transitioning from prepaid to postpaid service. (Ex. 16 at 17-19.)

V. REQUEST FOR DEVIATIONS FROM CONSUMER BILL OF RIGHTS

NV Energy's Position

117. NV Energy requests deviations from the Consumer Bill of Rights as codified in NAC 704.302 through NAC 704.390. NV Energy asserts that the proposed consumer protections offered by the Flex Pay Program are superior to the existing rights and obligations under the Consumer Bill of Rights. (Ex. 8 at 5.)

118. NV Energy states that NAC 704.341 pertains to the program for deferred payment of delinquent bills. Since the Flex Pay Program requires the customer to prepay his other bill, this section of the regulations is not applicable. 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 since the Flex Pay Program customer prepays his/her bill. Finally, NAC 704.375(4) pertains to termination of service. Again, since this section applies to termination for non-payment, it does not apply to the Flex Pay Program and thus is not applicable. For these reasons, NV Energy requests permission to deviate from these regulations pursuant to NAC 704.0097. (Ex. 8 at 5-6.)

Staff's Position

119. Staff states that the Commission should approve NV Energy's request for deviations from NAC 704.341, 704.372, and 704.375(4). NAC 704.321 allows for a gas or electric utility to enter into an agreement with a customer under terms that are more favorable to the customer than those provided by the Consumer Bill of Rights regulations found in NAC 704.302 through NAC 704.391. In order to offer the Flex Pay Program, deviations from certain provisions of the Consumer Bill of Rights are necessary. The Report considered this issue and concluded that the Flex Pay Program is an optional program, and that the notification and communication features of the Flex Pay Program are in many ways superior to those required by the current Consumer Bill of Rights. The Report thus directed NV Energy to include appropriate requests for waivers from existing protection regulations. (Ex. 13 at 15-16)

120. Staff states that it believes the Flex Pay Program will provide participants with protection sufficiently to meet and in some instances exceed the protections provided by the Consumer Bill of Rights. NV Energy has also proposed that participating customers be required to enter into an agreement specifically acknowledging that the customer protections by the Flex Pay Program differ from those found in the existing regulations. (Ex. 13 at 16.)

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VI. COMMISSION DISCUSSION AND FINDINGS

121. The Commission finds that the filing mechanisms in this case, advice letters, do not preclude the Commission from considering and approving the Flex Pay Program. Here, the "advice letters" should be construed as applications. NRS 704.100(1)(a) states that a public utility shall not make changes in any schedule unless it: 1) files with the Commission an application to make the proposed changes and the Commission approves the proposed changes; or 2) files the proposed changes with the Commission using a letter of advice. NRS 704.100(1)(f) limits the use of advice letters to instances where the proposed change in a schedule does not result in an increase in the utility's gross operating revenue by an amount that exceeds $15,000. Here, approval of each of NV Energy's "advice letters" would potentially result in an increase in gross operating revenue beyond $15,000. Thus, NV Energy's filings, though titled "Advice Letter No. 459," "Advice Letter No. 577-E," and "Advice Letter No. 315-G," are not advice letters capable of receiving Commission approval. NV Energy should have formatted its requests as applications pursuant to NRS 704.100(1)(a)(1).

122. NAC 703.530(3) requires that "the presiding officer shall liberally construe the pleadings and disregard any defects which do not affect the substantial rights of any party." Here, because NVE's potentially improper use of advice letters did not affect the substantial rights of any party, the Presiding Officer may appropriately construe NVE's filings as applications requesting approval to change/implement new schedules. No party advanced any argument that its rights were substantially affected in this regard. The Commission finds that the defects, if any, in the form of the filing did not substantially affect the rights of any party. In light of this, the Commission construes the filings in this case to be applications, even though the filings were made as advice letters.

123. The Commission finds that the change in schedule for the Flex Pay Program outside of a GRC is appropriate. NRS 704.062 defines an "application" to include, *without limitation*: 1) a general rate application; 2) an application to recover the increased cost of purchased fuel, purchased power, or natural gas purchased for resale; 3) an annual deferred energy accounting adjustment application (Emphasis added). The statutes do not limit an "application" to a general rate application. Further, NRS 704.110(3), by distinguishing "general rate applications" from other "applications to make changes in schedules," clarifies that the Commission may accept and approve an application to change a schedule outside of a GRC.

124. The Commission finds good cause to allow deviation from NAC 703.2201 through 703.2481, which govern applications that propose a change in rates. The Commission may deviate from certain regulations pursuant to NAC 703.115 if: 1) good cause for the deviation appears; 2) the person requesting deviation provides a specific reference to each provision from which deviation is requested; and 3) the Commission finds that the deviation is in the public interest and not contrary to statute. NAC 703.2201 through 703.2481 outline requirements for all applications that propose to change rates. At this time, the regulations do not contemplate an application to change rates that are not a general rate application; therefore the regulations require all rate-change applications to include the general rate application requirements listed in NRS 704.110(3). Since the regulations do not contemplate a rate change application or a new rate schedule such as the Flex Pay Program in this case, the Commission must deviate from these regulations. The Commission finds that deviating from NAC 703.2201 through 703.2481 is in the public interest and not contrary to statute. Good cause for deviation exists because deviation will avoid unnecessary, lengthy, and expensive additional filings and proceedings that would accompany the filing of new applications. Deviation is in the public

interest because deviation will expedite resolution of the matter, allowing the establishment of a useful new program.

125. The Commission finds that the Flex Pay Program will offer customers additional choices in how to pay for and manage their electrical usage. Customers today expect 21st century convenience and innovation when it comes to managing energy consumption and their budgets. The Flex Pay Program provides an entirely voluntary option that will utilize AMI, the MyAccount web portal, interactive voice recognition, and the 24/7 operation of contact centers, kiosk networks, and mobile device applications to provide customers who are interested, a real sense of awareness and control over their energy usage and costs. The Flex Pay Program has the potential to appeal to a cross section of customers and provide the additional advantage of reducing bad debt write-offs to the benefit of all ratepayers.

126. The Commission finds that the Flex Pay Program's voluntary nature, ability to build credit with NV Energy, and manner in which it prevents customers from accruing significant arrearages serve as substantial benefits to customers with low and fixed incomes.

127. The Commission finds that the ability of Flex Pay Program participants to take advantage of the same financial assistance as any other residential postpaid customer to be an important safety feature of the Flex Pay Program. If NV Energy is notified that a customer pending disconnection is approved for energy assistance, then the disconnection will be suspended or canceled. In addition, NV Energy receives a list of customers approved to receive assistance. Such customers' accounts are coded to indicate assistance is forthcoming and the disconnection is stopped.

128. The Commission finds BCP's characterizations of the Flex Pay Program as punitive for those with lower incomes and as a second-class service to be unfounded. Customers

in the Flex Pay Program will receive superior notifications and protections that largely exceed the minimums guaranteed by the Consumer Bill of Rights. Furthermore, upon leaving the Flex Pay Program, the Consumer Bill of Rights notifications and protections are in effect. BCP's assertions ignore the ability of customers to enter and leave Flex Pay Program at any time. BCP's assertions also ignore the many benefits that Flex Pay Program participants receive, such as additional payment options for all eligible residential customers; the ability to optimally manage energy usage; greater control over energy usage and costs; and the elimination of customer deposits, late charges, and reconnection charges (with the exception of gas customers) for Flex Pay Program participants.

129. For reasons discussed in greater detail below, the Commission approves the Flex Pay Program, subject to modifications consistent in this Order.

A. Service charges and cost recovery methodology

130. The Commission accepts the proposed $2.50 monthly service charge, agreed upon by NV Energy and Staff, as an adequate fee that addresses cost recovery concerns by recovering a greater amount than originally proposed while not deterring an unacceptable level of participation. The fee, which may be adjusted in future proceedings, projects to recover 44% of operating costs from 2016-2021, thereby reducing the risk of a cost shift to non-Flex Pay Program participants. In conjunction with other benefits, the $2.50 charge projects to meet or exceed Flex Pay Program operational costs.

131. BCP is opposed to the proposed $2.50 monthly service charge, instead requesting a standalone program with a monthly service charge of $9.99. The Commission rejects BCP's proposal, as it may potentially deter Flex Pay Program participation and does not give proper weight to related benefits such as bad debt write-off. If the $2.50 monthly service charge is later

deemed inadequate to recover costs, the Commission retains the ability to adjust it accordingly in future proceedings.

132. The Commission finds that a $0.75 transaction fee for Shop & Go and kiosk payments in excess of four transactions, applicable to non-credit card and non-debit card transactions only is appropriate. The $0.75 transaction fee limits exposure to increased costs due to excess monthly payments, allows customers who get paid weekly to align payments with their paychecks, and gives mind to the fact that such payments are currently free. The transaction fee is projected to recover the equivalent projected average cost per transaction that would be incurred once the anticipated Flex Pay Program participation is achieved. Such transaction charges project to increase the total operating costs paid directly by participants from 44% to 51.4% over the 2016 through 2021 period.

133. The Commission agrees with BCP's position on imposing a $20 minimum transaction payment. The minimum payment amount would encourage less frequent transactions, resulting in fewer program costs.

134. The Commission finds that the Flex Pay Program customer agreement must include a statement regarding the $0.75 transaction charge on Shop & Pay and kiosk transactions in excess of four per month.

135. The Commission accepts NV Energy's proposed fixed cost recovery methodology, finding it prudent and reasonable as it relates to fixed program costs. Such methodology affords NV Energy some regulatory certainty in regards to cost recovery. NV Energy's methodology also allocates risk to NV Energy by restricting cost recovery in the event the Flex Pay Program's operating costs exceed the benefits. Further, the costs are subject to evaluation and adjustment in future proceedings.

136. The Commission accepts NV Energy's proposed Flex Pay Program cost allocation methodologies. The Commission finds Staff's recommendations unnecessary. NV Energy's financial model's allocation of fixed costs between NPC and SPPC use the number of residential customers as the allocator. Using residential customers to allocate the Flex Pay Program's fixed costs between NPC and SPPC reasonably assigns the costs based on potential participants while providing consistency with the Flex Pay Program allocation scheme.

B. Program benefit calculations

137. The Commission accepts Staff's recommendation that the estimate of the bad debt write-off reduction benefit per Flex Pay Program customer should be quantified as the difference between the current write-off rate for the non-Flex Pay Program group (non-Flex Pay Program account write-offs divided by number of non-Flex Pay Program customers) and the current write-off rate for the Flex Pay Program group (Flex Pay Program account write-offs divided by number of Flex Pay Program customers). The total write-off benefits are the benefit per Flex Pay Program customer multiplied by the number of Flex Pay Program customers. Staff's method accounts for time-varying variables, such as the economy and weather, which might affect the write-off rate for the Flex Pay Program group regardless of their enrollment in the Flex Pay Program. Such factors are necessary to consider to ensure the estimated achieved benefits are limited to the Flex Pay Program, and not extraneous influences. While the Commission accepts Staff's current methodology, the Commission encourages NV Energy to propose other benefit calculation methodologies for bad debt write-offs in its annual report filed with the Commission or other appropriate proceeding.

138. The Commission accepts Staff's recommendation that any effects to the Call Center volume due to the Flex Pay Program should be calculated by comparing the Flex Pay

Program participant Call Center volume for payment arrangements and disconnects expressed as calls per customer to the non-Flex Pay Program participant per customer rate with the difference being multiplied by the number of participants. The resulting amount would then be multiplied by the average cost per call.

139. The Commission accepts Staff's recommendation that any reductions in paper notices for the month being evaluated should be calculated by comparing the number of ten-day and 48-hour notices mailed to Flex Pay Program participants (expressed on a per customer basis) to that for the non-Flex Pay Program participants, with the difference between the two being multiplied by the number of Flex Pay Program participants.

140. The Commission approves reviewing energy savings from the Flex Pay Program in any appropriate future proceeding, including but not limited to, Flex Pay Program annual reviews, DSM updates, and integrated resource plan filings.

C. **Data tracking methods**

141. The Commission approves Flex Pay Program data tracking methods that were previously approved in the Commission's August 31, 2015 Order in Docket No. 14-10019, at page 12. Data tracking should include number of participants in the Flex Pay Program, the number of service disconnects, the number of participants that obtained good credit through the Flex Pay Program, the average payment amount, the number of payments, the average number of payments, the method of payments, the number of customers-written communications, and the number of customers who transfer back to original rate schedules from the Flex Pay Program and their reasons why. NV Energy should track the information by uniquely identifying Flex Pay Program customers in the Banner Customer Information System and query the System for data reporting.

142. The Commission approves Staff's recommendations that NV Energy file annual joint reports of NPC and SPPC Flex Pay Program metrics to provide the Commission with better opportunities to review the Flex Pay Programs. The Commission approves Staff's recommendations that NV Energy tracks and report the reduction in required deposits, past due balances of Flex Pay Program customers at the time of program enrollment, and the monthly number of calls received by the call center regarding the Flex Pay Program.

143. The Commission finds that the following recommendations by BCP are helpful and necessary to track as part of the Flex Pay Program and therefore accepts them: the length of time customers remain in the Flex Pay Program; the average length of time in the Flex Pay Program; the specific number of disconnections for non-payment ("DNP"); the number of service reconnections after DNP; the number of DNP by days, hours and average before reconnection; the frequency of disconnects on a monthly basis; the geographic breakdown of DNP by zip code; the number of deposit arrangements and payment arrangements entered into by participants leaving the Flex Pay Program; and the gas service charge reconnection dollar amount and frequency incurred.

144. The Commission finds that BCP's recommendation to track the reasons for joining the Flex Pay Program are only necessary for the first two full years of the Flex Pay Program to facilitate marketing of the Program. After two years from the date of this Order this metric will then be subject to evaluation in future proceedings and re-approved as necessary. The Commission rejects BCP's recommendation to track reasons a customer is disconnected for nonpayment. Disconnections for non-pay would only occur in the event a customer's did not maintain a balance, making such a metric unnecessary.

145. The Commission accepts NV Energy's proposed annual filing of the metrics

ordered in this proceeding as part of the Annual Quality of Service Report, to be filed by April 1st annually. The Commission further accepts Staff's proposal that NPC and SPPC file this report jointly as a matter of convenience. However, NPC and SPPC must track the information as separate entities.

146. The Commission finds that NV Energy shall provide the results of the 2016 customer survey covering the interest and acceptance of a prepayment option as part of the Annual Quality of Service Report prior to the beginning of the fourth quarter of 2016.

D. Gas reconnection charge

147. The Commission rejects BCP's recommendation requiring NV Energy's gas tariff to specifically state that an SPPC-Gas Division Flex Pay Program participant will incur an applicable charge of $40 for reconnection the next day. BCP failed to provide a persuasive reason to justify deviating from NV Energy's current process of referring all tariffs with miscellaneous charges to a single rate schedule. The Commission accepts BCP's recommendation that the Flex Pay Program customer agreement for the Gas Division specifically state a reconnect fee may be incurred but rejects using the specific reconnection fee amount. Stating the exact amount of a reconnect fee is unnecessary and may cause potential confusion, as reconnection fees are subject to potential changes. The Commission accepts BCP's recommendation requiring the Flex Pay Program customer agreement to have language highlighting the impact of frequent disconnects, including that the cost could be significant.

148. The Commission accepts NV Energy's proposed reconnection charge for gas customers. Due to AMI, the Flex Pay Program can utilize technology to disconnect and reconnect service remotely. Gas customers require NV Energy to send employees to the physical location of the customer's residence, which is an additional expense incurred by NV

Energy that must be accounted for.

E. Marketing plan

149. The Commission rejects BCP's recommendation requiring marketing of the Flex Pay Program with other payment options. NV Energy's current marketing and outreach plans related to the Flex Pay Program are sufficient.

F. Customer disputes

150. BCP expressed concerns regarding the disconnection of a Flex Pay Program participant's service if he/she is in the process of disputing a bill. NV Energy agreed. NV Energy shall be required to handle pending disconnections of Flex Pay Program participants disputing an amount due by indicating the presence of a dispute in NV Energy's Banner Customer Information System. The Banner Customer Information System must block any disconnection order for a disputed account while the dispute code is in effect and until the dispute is resolved, in the same manner NV Energy does for postpaid customers.

G. Rulemaking

151. The Commission rejects BCP's recommendation to move forward with a rulemaking. The October 15, 2014 stipulation in Docket No. 14-05004, accepted by the Commission, states that "if [the Commission] after investigation determines to approve the prepayment program, the Signatories agree to request that the Commission proceed with a rulemaking proceeding to make any necessary changes."[7] The Commission rejects the request for a rulemaking proceeding, as there are no compulsory changes to regulations to make at this time.

152. BCP's request for a rulemaking relates to ensuring consumer protections are fully

[7] October 15, 2014 Stipulation in Docket No. 14-05004 Order at 9-10.

vetted in regard to the Flex Pay Program. The Commission finds that the procedural history of the Flex Pay Program, including but not necessarily limited to the 2014 GRC, subsequent investigatory docket and the instant proceeding have adequately vetted such concerns. Since the original proposal, the Flex Pay Program has undergone significant scrutiny and evaluation to come to the greatly improved iteration that stands today. Opening a rulemaking docket would impose an unnecessary delay on the Flex Pay Program and add unnecessary expenses.

H. Companies' request for deviations

153. The Commission rejects NV Energy's requested deviation from NAC 704.341, 704.372, and 704.375(4).

154. NAC 704.341 states that "Except as otherwise provided in this section and NAC 704.338, a utility shall provide a program for the deferred payment of a delinquent bill for any customer who requests the program and agrees in writing to pay…" This provision only becomes applicable should a Flex Pay Program participant incur a usage grace period balance. NV Energy states that after termination of service, "[a]ny outstanding usage grace period balance would then be treated as a past due balance and a deferred payment arrangement would be arranged with the customer consistent with the Consumer Bill of Rights as delineated in NAC 704.341," making deviation unnecessary.

155. NAC 704.372 states that "If the service of a customer is being terminated for nonpayment of a delinquent bill or any installment due on such a bill, the utility may postpone the termination, regardless of whether the customer is qualified to make deferred payments pursuant to NAC 704.388 or 704.341, if the utility determines that the customer is able to pay the amount owed and the customer agrees to a plan for payment." "Nonpayment of a delinquent bill or any installment due on such a bill" is never the basis for termination under the Flex Pay

Program, and therefore 704.375(4) is not applicable, making deviation unnecessary.

156. NAC 704.375(4) states, "An electric utility may not terminate service to an advanced service delivery meter customer because of nonpayment if the outstanding amount owed by the customer is $100 or less." An "outstanding amount" is never the basis for termination under the Flex Pay Program, and therefore 704.375(4) is not applicable, making deviation unnecessary.

157. All arguments of the parties raised in these proceedings not expressly addressed herein have been considered and either rejected or found to be non-essential for further discussion in this order.

THEREFORE, it is ORDERED that:

1. The 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, designated as Docket No. 15-11003, is GRANTED as modified by this Order.

2. The 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 Payment Program, designated as Docket No. 15-11004, is GRANTED as modified by this Order.

3. The 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 Payment Program, designated as Docket No. 15-11005, is GRANTED as modified by this Order.

Compliances:

4. Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy must jointly file an annual Flex Pay Program report consistent with the requirements set forth in this Order.

5. Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy shall provide the results of the 2016 customer survey covering the interest and acceptance of a prepayment option as part of the Annual Quality of Service Report prior to the beginning of the fourth quarter of 2016.

6. The Commission may correct any errors that have occurred in the drafting or issuance of this Order without further proceedings.

By the Commission,

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PAUL A. THOMSEN, Chairman and Presiding Officer

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ALAINA BURTENSHAW, Commissioner

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DAVID NOBLE, Commissioner

Attest: _______________________________
TRISHA OSBORNE,
Assistant Commission Secretary

Dated: Carson City, Nevada

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(SEAL)