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19-06008

Public Utilities Commission of Nevada  
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Filed For: Nevada Power Company and Sierra Pacific Power Company

In accordance with NRS Chapter 719,  
this filing has been electronically signed and filed  
by: /s Christina Gabatino

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By electronically filing the document(s),  
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This filing has been electronically filed and deemed to be signed by an authorized  
agent or  
representative of the signer(s) and  
Nevada Power Company and Sierra Pacific Power Company

BEFORE THE NEVADA PUBLIC UTILITIES COMMISSION

Rulemaking to amend, adopt, and/or repeal regulations in accordance with Senate Bill 300 (2019) ) Docket No. 19-06008 ) /

COMMENTS OF NEVADA POWER COMPANY AND SIERRA PACIFIC POWER COMPANY

On August 23, 2022, the Public Utilities Commission of Nevada (“Commission”) issued a Notice of Intent to Act Upon a Regulation and Notice of Workshop, and Notice of Hearing for Adoption, Amendment, and Repeal of Regulations (“Notice”) in the above-referenced Docket inviting interested persons to file comments prior to the hearing and workshop. Nevada Power Company d/b/a NV Energy (“Nevada Power”) and Sierra Pacific Power Company d/b/a NV Energy (“Sierra Pacific”) (together with Nevada Power, the “Companies”) hereby submit these Comments.

The proposed regulations, as drafted, place overly burdensome requirements around the filing, review, and approval of an alternative rate-making plan (“Plan”), as discussed thoroughly and repeatedly in the Companies’ prior comments:

The Company is also concerned with the onerous requirements of an alternative ratemaking plan application provided by the draft regulations. Although the regulations in Procedural Order No. 15 included beneficial changes to the regulations to reduce this burden, these requirements remain extremely onerous and will impact whether or not the Companies elect to file an alternative ratemaking plan in the future.<sup>1</sup>

The draft regulations place overly burdensome requirements around the filing, review, and approval of a plan. The Companies’ prior comments have been significantly overlooked and dismissed, even though the ultimate Plan will be that of the Companies, if one is ever filed. Even more concerning is the fact that the prior draft regulations were already burdensome, and now the changes that have been made to these draft regulations only make the process even more burdensome with the additional inclusion of intervening parties. SB 300 was meant to provide an alternative approach to traditional utility practices, not usurp them into a wide-reaching reformation of existing regulatory processes.<sup>2</sup>

<sup>1</sup> Docket No. 19-06008, January 18, 2022, Comments of Nevada Power Company and Sierra Pacific Power Company, page 2.

<sup>2</sup> Docket No. 19-06008, November 16, 2022, Comments of Nevada Power Company and Sierra Pacific Power Company, page 13-14.

Nevada Power Company and Sierra Pacific Power Company d/b/a NV Energy

1 The draft regulations exceed the scope of SB300 and put burdensome  
2 requirements around the filing, review, and approval of a filed Plan.<sup>3</sup>

3 Unfortunately, the regulations as drafted make it extremely unlikely that the  
4 Companies will ever apply for a Plan. The onerous nature of the requirements  
5 for filing a Plan under the regulations, as written, including an unachievable  
6 timeline, virtually ensures that the Companies will not and could not file a  
7 successful Plan.<sup>4</sup>

8 Furthermore, the Companies prior attempts at redlining the regulations resulted in minimal to no  
9 changes, even though the Companies have raised their concern that they would not be able to  
10 file a Plan based upon the current language in the regulations.<sup>5</sup> Unfortunately almost all of the  
11 issues that the Companies have raised remain in the regulations and the Companies still do not  
12 believe that they could file a successful plan.

13 For example, the regulations as written require the Companies to compare the rates in  
14 the Plan to “established rates.” While this language on its face sounds acceptable, when you  
15 consider how this language would be applied to a Plan it becomes unreasonable. Specifically,  
16 the first two applications for an approval of a Plan are required to be filed on the same date as a  
17 general rate case application. The Companies assume that the purpose of this concurrent filing  
18 is to ensure the parties have the ability to compare the Plan to the concurrently filed general rate  
19 case application and determine if the Plan’s rates are similar or lower than the general rate review  
20 proceeding rates. However, when you look at this exact language, which has slightly different  
21 variations throughout the regulations,<sup>6</sup> it is unclear what “established rate” the Companies would  
22 be required to use for this comparison. For example, do the Companies use the rate established  
23 in the prior general rate review proceeding; will the Plan be held in abeyance until the  
24 concurrently filed general rate review proceeding is completed and a final rate is established; or  
25 do the Companies compare the rate that has been filed in the concurrently filed general rate  
26 review proceeding and the Plan? If the intent is to use and compare the currently filed general

27 <sup>3</sup> Docket No. 19-06008, September 27, 2021, Comments of Nevada Power Company and Sierra Pacific Power  
28 Company, page 13.

<sup>4</sup> Docket No. 19-06008, September 13, 2021, Comments of Nevada Power Company and Sierra Pacific Power  
Company, page 3.

<sup>5</sup> See Exhibit A and Exhibit B, Nevada Power Company and Sierra Pacific Power Company Redlined regulations  
from September 13, 2021 and November 16, 2021.

<sup>6</sup> Draft regulation sections: 13(2)(a); 14(3)(e); 17(2)(b), and 22(1)(b)

1 rate review proceeding rates, the use of the word “established” must be amended to clarify that  
2 it is the proposed rates included in the concurrently filed general rate review proceeding  
3 application.

4 Another example of a practical issue in the regulations is whether the regulations’ usage  
5 of the word “rates” refers to the revenue requirement, actual base tariff general rates charged to  
6 customers by class, or are “rates” expanded to non-general rates such as surcharge or program  
7 rates. The Companies note that even with an identical revenue requirement from a previous  
8 general rate review proceeding, updating a cost of service study, whether embedded or marginal,  
9 would result in higher or lower rates for classes based on updates to cost study inputs.

10 A third example is the use of the term “average embedded cost of providing service.”  
11 This term is not defined anywhere in the draft regulations, nor is it a common or generally  
12 accepted term with regard to economic cost of service modelling. The Companies continue to  
13 disagree with the inclusion of such proscriptive language with regard to the cost of providing  
14 service, particularly when so much time and effort has been made in other proceedings to remove  
15 similar guidelines in other areas of Nevada regulation.<sup>7</sup> Finally, without a clear understanding  
16 of what the vague term “average embedded cost” actually means, the amount of interpretation  
17 left up to the Companies, other parties, and the Commission would make compliance with this  
18 requirement unnecessarily contentious.

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28 <sup>7</sup> Docket No. 2357, Commission Opinion, July 6, 1982, p. 2; Docket No. 11-12025; Docket No. 19-12026.

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The August 1, 2022, deadline for the Companies to file a petition with a list of goals and outcomes has passed, as such, the Companies request changing this date to May 1, 2023.

NV Energy looks forward to addressing comments and having more discussions regarding regulations at the upcoming workshop and hearing.

Respectfully submitted this 7<sup>th</sup> day of October, 2022.

**NV ENERGY**

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## **EXHIBIT A**

**Exhibit A**

**NEVADA POWER COMPANY AND  
SIERRA PACIFIC POWER COMPANY  
AMENDED DRAFT REGULATION OF  
THE PUBLIC UTILITIES COMMISSION OF NEVADA**

**Docket No. 19-06008**

**September 13, 2021**

EXPLANATION Matter in **underlined bold italics** is new; matter in brackets ~~[omitted materials]~~ is material to be omitted.

AUTHORITY: Senate Bill 300 of the 80<sup>st</sup> (2019) Nevada Legislature

A REGULATION relating to public utilities

**Sec. 1. NAC 704.XXX, Definitions**

- a. "Alternative ratemaking application" means an application for approval of an alternative ratemaking plan filed in accordance with NRS 704.7621.
- b. "Alternative ratemaking plan" has the definition contained in NRS 704.7612.
- c. "Alternative ratemaking mechanism" means:
  - i. Any alternative rate-making mechanism listed in NRS 704.7611 other than an existing alternative ratemaking mechanism; and
  - ii. Any other rate-making mechanism the Commission deems an alternative ratemaking mechanism by regulation, excluding existing alternative ratemaking mechanisms not expressly permitted by NRS 704.7611 in a Commission order, which ~~may include any existing alternative ratemaking mechanism.~~
- d. "Deadband" is a Commission-approved range around a performance target for which the utility does not receive a reward or penalty, which recognizes the inherent uncertainty or margin of error in measuring and calculating a particular benchmark or baseline. A utility's performance within the deadband of a performance goal would be deemed reasonable performance under the mechanism.

- e. "Existing alternative ratemaking mechanisms" include, but are not necessarily limited to, the following:
  - i. ~~Any schedule, tariff or rate rider approved by the Commission that applies only to a select set of residential or non-residential customers and is not applicable to an entire class of service or class of customers;~~
  - ii. All time-of-use rates for residential and non-residential customers;
  - iii. Any earnings sharing mechanisms;
  - iv. Electric utility investment support mechanisms, which include but are not limited to, incentives for critical facilities, rate-based construction work in progress, enhanced returns on allowance for funds used during construction, and regulatory assets and liabilities;
  - v. Any decoupling or lost revenue adjustment mechanism approved in accordance with NRS 704.785;
  - vi. Any financial incentives awarded to an electric utility for implementation of an energy efficiency and conservation program;
  - vii. Any Commission approved mitigation of the impact of imputed debt on the capital structure of the utility in accordance with NRS 704.7821; and
  - viii. Any Commission approved recovery of expenses associated with issuance of a variable-rate security in accordance with NRS 704.324.
- f. "Greenhouse gas emissions" means releases into the atmosphere of a greenhouse gas as that term is defined by NRS 445B.137.
- g. "Metrics" are the data and/or analysis used to set a performance benchmark, deadband, or incentive level, or ~~used~~ to track and evaluate utility progress towards an outcome or specified performance.
- h. "Off-ramps" means a mechanism or mechanisms approved by the Commission in an alternative ratemaking plan that includes specified circumstances set forth in a Commission order that will cause:
  - i. A petition to be submitted to determine whether the alternative ratemaking plan continues to serve the public interest;
  - ii. An electric utility to file an amendment to the approved plan;



- iii. An alternative ratemaking plan mechanism to terminate and require the electric utility to file a general rate application pursuant to NRS 704.110 within a specified time period; or
- ~~iv. The Commission, in its own discretion, to order a utility to file a general rate case or amendment to an alternative ratemaking plan.~~
- i. "Performance incentive mechanism" means a mechanism approved by the Commission that:
  - i. Provides a specific incentive or disincentive, whether monetary or in any other form chosen by the Commission, based on an electric utility's achievement of Commission-approved benchmarks, metrics, or measurements of performance;
  - ii. Is based on actual or statistical methods of measuring whether an electric utility has achieved Commission-approved benchmarks or measurements of performance; ~~and~~
  - iii. Is subject to reasonable conditions or limitations approved by the Commission; ~~and~~
  - iv. Incentives and disincentives may be symmetrical or asymmetrical.

**Sec. 2. NAC 704.XXX, Alternative Rate-making Application, Timing of Consideration, Pre-filing Requirements, Commission Action on Application, Limitations on Utility after Filing an Application**

- 1. The utility may file an alternative rate making application within the rate effective period of its most recently approved general rate application pursuant to NRS 704.110~~If a utility files an alternative ratemaking application, unless otherwise provided in subsection 2, an electric utility shall file an alternative ratemaking application on or before February 1 in the year following the filing of a general rate application pursuant to NRS 704.110.~~
- ~~2. An electric utility is required to:
 
  - a. File its first two alternative ratemaking applications in accordance with subsection 1.~~
- ~~3. After subpart a. of this subsection is no longer applicable, an electric utility may seek to file an alternative ratemaking application on a date other than specified in subsection 1 by filing a petition with the Commission to demonstrate, where applicable, why the electric utility does not need to file an alternative ratemaking application in accordance with subsection 1, which may include evidence of the following:
 
  - 1. The electric utility can demonstrate with reasonable justification, including, at a minimum, an embedded cost of~~

~~service study, that the rates adopted pursuant to this section will be comparable or lower than rates adopted in accordance with NRS 704.110;~~

~~2. The electric utility can demonstrate with reasonable justification that the filing of a new alternative rate-making application is administratively efficient and will benefit ratepayers as compared to the filing of a general rate application in accordance with NRS 704.110; or~~

~~2. The electric utility can demonstrate with reasonable justification that its alternative rate-making application will include evidence equivalent to or consistent with the requirements set forth in NRS 704.110 and the Commission's regulations that implement NRS 704.110.~~

~~a. For purposes of this section, "reasonable justification" means the Commission may find that an electric utility's claims are true and accurate.~~

➔ ~~The Commission must act on a petition within 90 days by issuing an order granting, denying or modifying the utility's request to deviate from subsection 1 of this section.~~

The electric utility shall be required to meet and confer with the Bureau of Consumer Protection in the Office of the Attorney General and the Regulatory Operations Staff of the Commission at least 920 days before the anticipated date for filing of an alternative ratemaking application. At the meeting:

- b. The electric utility shall provide information regarding the application, including:
  - i. Detailed information about the design of the proposed alternative ratemaking mechanisms;
  - ii. Whether the electric utility will be proposing any performance incentive mechanisms as part of its alternative ratemaking application;
  - iii. A detailed description of how the alternative ratemaking application deviates from traditional ratemaking principles generally understood in the industry and stated in the relevant Commission statutes and regulations, which include but are not limited to, NRS 704.110 and NAC 703.2201 through 703.2481;

~~iv. Any changes to cost of capital, depreciation, cost of service or~~

~~rate design that will be proposed in the alternative ratemaking application as compared to a prior general rate application or alternative ratemaking application;~~

- v. ~~If the electric utility has not filed a general rate application within the last two years or the Commission has approved a petition in accordance with subpart b of subsection 2 of this section, the information that the electric utility will be filing to demonstrate that the rates proposed revenue requirement in the alternative ratemaking application are is comparable to any rates the revenue requirement that would be approved pursuant to NRS 704.110.~~

➡ ~~The same information will be filed with the electric utility's alternative ratemaking application, and the electric utility shall describe in detail whether any of its filing has been modified as a result of the meeting held in accordance with subsection 3 of this section.~~

- e. ~~The electric utility, the Bureau of Consumer Protection in the Office of the Attorney General and the Regulatory Operations Staff of the Commission shall also confer and engage in good faith efforts to reach an agreement on the development of guidelines for the examination and review of the currently effective alternative ratemaking plan pursuant to NAC 703.2209. The guidelines must address all matters relating to the review of any necessary books, records, and data, including:~~
  - i. ~~The timing of the review of any necessary books, records, and data of the utility and any necessary meetings to coordinate reviews conducted at the site, whether within or outside the State, by the Regulatory Operations Staff and specialized personnel from the public utility and the Bureau of Consumer Protection in the Office of the Attorney General;~~
  - ii. ~~the number of persons representing each interest who will participate in the reviews;~~
  - iii. ~~The facilities and the supplies that the Bureau of Consumer Protection in the Office of the Attorney General and the Regulatory Operations Staff will need at the locations of the reviews; and~~
  - iv. ~~Whether the Bureau of Consumer Protection in the Office of the Attorney General or the Regulatory Operations Staff of the Commission will need access to any specialized modeling programs or software used by the utility in support of its currently effective alternative ratemaking plan.~~

- ~~d. If the electric utility, the Bureau of Consumer Protection, and the Regulatory Operations Staff of the Commission cannot reach an agreement as outlined in section (b), the Presiding Officer may prescribe the guidelines for the examination and review of the currently effective alternative ratemaking plan application.~~
  - ~~e. The electric utility, the Bureau of Consumer Protection in the Office of the Attorney General and the Regulatory Operations Staff of the Commission shall discuss and attempt to reach agreement on:
    - ~~i. A plan and schedule for discovery, and methods of minimizing the duplication of discovery requests;~~
    - ~~ii. The use of agreements for the confidentiality of information;~~
    - ~~iii. The items on the master document for the request of data that are applicable to an alternative ratemaking plan and should be produced by the electric utility upon the filing of its alternative ratemaking application;~~
    - ~~iv. The need for and timing of future meetings, including meetings regarding settlement conferences.~~~~
4. The Commission shall approve, with or without modifications, or deny an alternative ratemaking application no later than 210 days after an application is filed unless the Commission finds that there is good cause to extend the time for consideration of an alternative ratemaking application by an additional 90 days. A request to extend the time for consideration of an alternative ratemaking application may be considered by the Commission on its own motion or made in writing by:
- a. An electric utility;
  - b. The Bureau of Consumer Protection in the Office of the Attorney General or the Regulatory Operations Staff of the Commission; or
  - c. Any person or association granted leave to intervene in the alternative ratemaking application proceeding.
- ➡ If the Commission issues an order modifying the plan, the electric utility may accept or reject the modified plan by filing with the Commission a notice to that effect. Any such notice must be filed not later than 30 days after the date of issuance of the order. ~~If such a notice is filed, any petition for reconsideration or rehearing of the order must be filed with the Commission not later than 10 business days after the date the notice is filed.~~
5. If an electric utility files for approval of multi-year rate plan or any other alternative ratemaking mechanism that seeks to modify the time between

general rate applications from the 36 months established in accordance with NRS 704.110, the Commission shall:

- a. Specify time period that the alternative ratemaking plan will be in place;
- b. Set a deadline for an electric utility to file its next general rate application pursuant to NRS 704.110; and
- c. Establish off-ramps that would require the filing of a general rate application pursuant to NRS 704.110.

➡ An electric utility operating under an approved alternative ratemaking plan is not permitted to file a general rate application pursuant to NRS 704.110(3) or propose to terminate an alternative ratemaking plan without specific Commission authority.

### **Sec. 3. NAC 704.XXX, Contents of Application for an Alternative Rate-making Plan, Burden of Proof**

- ~~1. An electric utility that files an alternative rate-making application must be prepared to go forward at a hearing on the data which has been submitted. To avoid delay by the Commission in its consideration of the proposed changes, the applicant must ensure that the material an electric utility files in its alternative ratemaking application is of such composition, scope and format that it would serve as its complete case if the matter is set for hearing.~~
2. An electric utility that files an alternative ratemaking application shall sustain the burden of proof by establishing that its proposed changes are just and reasonable, not unduly discriminatory or preferential, and satisfies the criteria set forth in NRS 704.762(1)(g).
3. The alternative ratemaking application shall include the statements and schedules set forth in NAC 703.2271 through 703.2452 and be filed, where applicable, with supporting workpapers in paper and electronic executable form.

➡ If the applicant omits any required statement or schedule in the belief that it is not applicable, a written explanation for the omission must be submitted in lieu of the required statement or schedule.

4. An electric utility shall include in its alternative rate-making application, at a minimum:
  - ~~a. An embedded class cost of service study; and~~
  - b. An analysis estimating and comparing:

- i. The rates that would be charged and the revenue that would be collected under the alternative rate-making plan proposed in the application; and
  - ii. The rates that would be charged and the revenue that would be collected pursuant to the rate-making process established by NRS 704.110.
- 5. ~~Every alternative rate-making application shall include an earnings-sharing mechanism as part of its alternative rate-making plan that balances the interests of the ratepayers and the shareholders of the electric utility.~~
- 6. Nothing in this section shall exempt an electric utility from filing a study of depreciation in accordance with NAC 703.276.

**Sec. 4. NAC 704.XXX, Scope of the Available Types of Alternative Rate-Making Mechanisms**

- 1. An electric utility is permitted to file for approval of any alternative ratemaking mechanism in an alternative ratemaking application.
- 2. If an electric utility files for approval of a multi-year rate plan or any other alternative ratemaking mechanism that seeks to modify the time between general rate applications from the 36 months established in accordance with NRS 704.110, the electric utility shall bear the burden of proof to demonstrate why the modified timeframe:
  - a. Serves the public interest;
  - b. Yields a net benefit to the customers of the electric utility;
  - c. Results in just and reasonable rates over the proposed effective date of rates; and
  - d. Proposes appropriate off-ramps that will ensure ~~persistent~~ just and reasonable rates for the duration of the plan.
- 3. An electric utility shall provide the following supporting information for ~~all~~ existing alternative ratemaking mechanisms ~~in~~ that are directly affected by its alternative ratemaking application:
  - a. A list of ~~all~~ the affected existing alternative ratemaking mechanisms that have been previously approved by the Commission and the date and docket number in which those alternative ratemaking mechanisms were approved;
  - b. An update as to how the affected existing alternative mechanism is performing, which may include, but is not limited to:
    - i. An update on the number of customers subscribed to any schedule, tariff or rate rider approved by Commission that is an existing alternative ratemaking mechanism, as well as an accounting of the revenues collected from those customers pursuant to the schedule, tariff or rider;

- ii. The total dollar amount of electric utility investment support mechanisms or other incentives that qualify as an existing alternative ratemaking mechanism paid to or that otherwise benefit an electric utility, how long the mechanisms or incentives are intended to continue, ~~and a full analysis of all customer rates affected by the mechanisms or incentives;~~
  - iii. A detailed description of each regulatory asset and liability, the docket it was approved in, the amortization period that applies to the regulatory asset or liability, and an estimate of the revenue and rate impact that a regulatory asset or liability will have on customer rates throughout its amortization period;
  - iv. The status of any currently approved earnings sharing mechanism, whether that mechanism has resulted in any earnings returned to customers, and the amount of those earnings;
  - v. The status of any revenues collected pursuant to a decoupling or lost revenue adjustment mechanism approved in accordance with NRS 704.785; and
  - vi. ~~Any other details regarding existing alternative ratemaking mechanisms requested by the Commission, the Bureau of Consumer Protection in the Office of the Attorney General, and the Regulatory Operations Staff.~~
- ~~4. An electric utility is not required to file for approval of existing alternative ratemaking mechanisms in an alternative ratemaking application unless otherwise ordered by the Commission.~~

**Sec. 5. NAC 704.XXX, Off-ramps that Mandate Filing of General Rate Application or Amendment to Alternative Ratemaking Plan**

- 1. An electric utility is required to propose off-ramps and resultant actions in its alternative ratemaking application. The result of which will be approved, and/or modified, by the Commission and remain effective for the duration of the alternative ratemaking plan.
- 2. ~~The Commission shall order, at its discretion, that specified Approved off-ramps may result in:~~
  - a. A requirement to file a new alternative ratemaking application;
  - b. A requirement to file a new general rate application pursuant to NRS 704.110;
  - ~~c. A mandate to reinstate rates approved in the electric utility's last general rate case filed pursuant to NRS 704.110;~~

- d. A requirement for the electric utility to file an amendment to an existing alternative ratemaking plan; or
  - e. A combination of any requirements ~~or mandates~~ listed above.
3. ~~An off-ramp may be triggered by:~~
- a. ~~Action taken by the Commission at its own discretion; or~~
  - b. ~~A petition filed by:~~
    - i. ~~The electric utility; or~~
    - ii. ~~The Bureau of Consumer Protection in the Office of the Attorney General; or~~
    - iii. ~~The Regulatory Operations Staff of the Commission; or~~
  - e. ~~Information received in an annual update to the utility's alternative ratemaking plan.~~
4. The Commission shall ~~adopt~~ approve off-ramp triggers proposed in the plan that may include, but are not limited to, the following scenarios:
- a. Earnings are significantly higher or lower than a Commission-approved ~~deadband~~ range around a specified return on equity, such that the utility's financial integrity is threatened, the balance between shareholders of the utility and ratepayers is no longer maintained, or future harm to ratepayers is anticipated.
  - b. ~~The electric utility is not achieving specified metrics or performance incentive mechanisms that were approved as part of the existing alternative ratemaking plan.~~
  - c. ~~Payments or incentives associated with performance mechanisms are threatening the utility's financial integrity or pose future harm to ratepayers.~~
  - d. Unforeseen events, a force majeure, or other events ~~are threatening the utility's financial integrity or~~ that pose future harm to ratepayers or the shareholders.
  - e. A restructuring, transfer of control, merger, or other corporate-level change.

## **Sec. 6. NAC 704.XXX, Annual Filings to Update Commission on Progress of Alternative Ratemaking Plan**

1. An electric utility operating pursuant to an approved alternative ratemaking plan shall file an annual update to its alternative ratemaking plan on the first Monday in June in the year following a full year of implementation of the utility's plan.
2. The annual update shall include:



- a. A narrative explanation of how the Commission-approved alternative ratemaking plan is functioning and how the plan overall ~~and each mechanism, individually,~~ is affecting:
  - i. Revenue;
  - ii. Costs, including administrative costs of the utility;
  - iii. Credit worthiness;
  - iv. Reliability and resiliency;
  - v. ~~Customer acceptance;~~
  - vi. Achievement of Commission-set metrics, performance incentive mechanisms, and goals;
  - vii. Reduction of greenhouse gas emissions; and
  - viii. The balance of the interests between customers and shareholders; ~~and~~
  - ix. ~~Low and moderate income customer interests.~~
- ➔ ~~The electric utility shall separately and individually address each alternative ratemaking mechanism, and separately, the alternative ratemaking plan as whole.~~
- b. Data and workpapers to support the update in paper and electronic executable format.
- 3. The Commission shall use the data and information filed in the annual update to determine if the electric utility is achieving any applicable ~~the~~ Commission-set performance incentive and earnings sharing mechanisms, ~~to the extent that they are included in an approved plan.~~
- 4. All progress towards achievement of incentives will be calculated in the annual update filing.
- 5. ~~If applicable and after an opportunity for hearing, the Commission may issue an order adjusting rates or schedules consistent with the terms of an approved alternative ratemaking plan.~~
- 6. A consumer session shall be held for each annual filing that has the potential to impact rates.

**Sec. 7. NAC 704.XXX, Amendments to a Commission-Approved Alternative Ratemaking Plan**

An electric utility is only permitted to file an amendment to its Commission-approved alternative ratemaking plan if:

- 1. An off-ramp requires the filing of an amendment; ~~or~~

2. ~~Upon the Commission's own motion, or a petition from the electric utility, the Regulatory Operations Staff of the Commission, or the Bureau of Consumer Protection in the Office of Attorney General.~~

## **Sec. 8. NAC 704.XXX, Evaluation of an Electric Utility's Alternative Ratemaking Plan**

1. An electric utility that files an alternative ratemaking application must demonstrate whether each proposed alternative ratemaking mechanism and the alternative ratemaking application as a whole will support, contradict or be neutral to each of the following evaluation criteria: ~~including whether the proposed alternative ratemaking mechanisms and alternative ratemaking plan:~~
  - a. Aligns an economically viable utility model with state public policy goals, including reduction of greenhouse gas emissions;
  - b. Provides for just and reasonable rates that are comparable to rates established pursuant to NRS 704.110;
  - ~~c. Enables electric service options that provide value to customers without imposing incremental net costs to customers;~~
  - d. Fosters statewide improvements to the economic and operational efficiency of the electrical grid;
  - e. Furthers the public interest, including, without limitation, the promotion of safe, economic, efficient and reliable electric service to all customers of the electric utility;
  - f. Enhances the resilience and security of the electrical grid while addressing concerns regarding customer privacy;
  - ~~g. Ensures that customers of an electric utility benefit from lower regulatory administrative costs;~~
  - h. Facilitates the research and development of innovative electric utility services and options to benefit customers;
  - i. Balances the interest of customers and shareholders by providing for services that customers want while preserving reasonable shareholder value; and
  - J. ~~Ensures low and moderate income customer interests are holistically considered and that their economic interests are meaningfully addressed.~~

2. In determining whether the alternative ratemaking mechanisms support, contradict or are neutral to the evaluation criteria listed in subsection 1, the electric utility shall:
  - a. State the ~~cost-benefit~~ methodology the utility relied upon in determining how each alternative ratemaking mechanism satisfies the evaluation criteria; and
  - b. ~~Demonstrate~~ Explain why the utility chose the ~~cost-benefit~~ methodology it is using, ~~including stating whether the methodology is externally validated, has been adopted by other states, and why the chosen cost-benefit methodology is appropriate for evaluating the utility's proposed alternative ratemaking mechanisms.~~
- ➡ ~~Using the utility's chosen cost-benefit methodology, the electric utility shall quantify the measurable costs and benefits or state whether data is insufficiently available to quantify the measurable costs and benefits, offering an explanation why qualitative information should be considered by the Commission.~~
3. ~~The Bureau of Consumer Protection, Regulatory Operations Staff, and any party granted intervention may propose alternative cost-benefit methodologies. Such proposals must include justification for the use of such methodologies supported by models that support their proposed methodologies, filed in a digital, executable format with documentation sufficient to reproduce modelling results.~~
4. ~~Using the evidence presented pursuant to subsections 1 and 2, and subsection 3, if applicable, the Commission shall evaluate whether the electric utility's alternative ratemaking application is sufficient to support a finding the alternative ratemaking plan:~~
  - a. ~~Is in the public interest;~~
  - b. ~~Will result in just and reasonable rates;~~
  - c. ~~Protects the interests of the customers of the electric utility; and~~
  - d. ~~Supports, rather than contradicts or staying neutral, as to the evaluation criteria identified in subsection 1.~~

**Section 9. NAC 704.XXX, Demonstration that Electric Utility's Alternative Ratemaking Plan Aligns with Commission Goals and Outcomes for Alternative Ratemaking**

1. On or before July 1, 2022, the Commission shall adopt a list of goals and outcomes that alternative ratemaking plans should seek to achieve. The

goals and outcomes should be consistent with one or more of the criteria set forth in NRS 704.762(1)(g), in addition to other criteria deemed appropriate by the Commission.

2. Upon notice and hearing, the Commission may consider and adopt modifications to the list adopted pursuant to subsection 1. Proceedings to modify the list adopted pursuant to subsection 1 may be initiated by the Commission or via a petition filed with the Commission.
3. The Commission shall publish the approved list of goals and outcomes pursuant to section 1 on its website.

### **Section 10. NAC 704.XXX, Consumer Session, Customer Education**

1. If an electric utility files an alternative ratemaking application, it is required to conduct at least one consumer session in accordance with NRS 704.069, but the Commission may require that an electric utility conduct more than one consumer session regarding an alternative ratemaking application.
2. If an electric utility's alternative ratemaking application proposes alternative ratemaking mechanisms that have not been previously approved by the Commission, the electric utility is required to:
  - a. Explain each new alternative ratemaking mechanism to consumers at a minimum of one consumer session in the most populous county of the utility's service territory;
  - b. Provide an explanation of the proposed alternative ratemaking mechanism( s) on its website; and
  - c. Post a customer notification, prominently displayed on the electric utility's website and additionally distributed via electronic mail and mobile application notifications, explaining the alternative ratemaking mechanism(s) in addition to other available means of distributing such notice, including, but not limited to, electronic mail and mobile application notifications.
3. If an electric utility files an alternative ratemaking application, it is required to file a plan for the education of customers of the utility with respect to the proposals in its application. A plan to educate customers must include:
  - a. Multiple venues for providing information to and engaging with customers, which may include but are not limited to:
    - i. Social media;
    - ii. Focus groups;

- iii. Informational or learning sessions; and
  - iv. A dedicated website with interactive tools.
- b. If an electric utility proposes subscription pricing or any special tariff, schedule, or rate rider that applies only to a select set of residential or non-residential customers and is not applicable to an entire class of service or class of customers, a specific proposal to educate such customers or to engage customers that might qualify for such pricing, tariff, schedule, or rider, and a specific proposal that educates non-eligible customers of any potential cost shifts.
4. Nothing in this section shall be construed to relieve a utility of any of its otherwise applicable noticing and consumer outreach obligations.

## **Section 11. NAC 704.XXX, Records Retention**

1. An electric utility that has an alternative rate-making plan approved by the Commission shall keep all information and records that the utility would be required to submit is required to submit to the Commission as part of an application pursuant to NRS 704.110 or 704.187.
2. The electric utility shall be required to produce such information and records upon the request of the Commission, ~~on its own motion~~, or upon a motion by the Regulatory Operations Staff of the Commission.

## **EXHIBIT B**

**NEVADA POWER COMPANY AND  
SIERRA PACIFIC POWER COMPANY  
AMENDED DRAFT REGULATION OF  
THE PUBLIC UTILITIES COMMISSION OF NEVADA**

**Docket No. 19-06008**

**November 16, 2021**

**EXPLANATION** - Matter in **highlighted underlined bold italics** is NV Energy's recommended new language; matter in highlighted brackets ~~[omitted materials]~~ is material to be omitted.

**AUTHORITY:** Senate Bill 300 of the 80<sup>st</sup> (2019) Nevada Legislature

A REGULATION relating to public utilities

**Sec. 1. NAC 704.XXX, Definitions**

- a. "Alternative ratemaking application" means an application for approval of an alternative ratemaking plan filed in accordance with NRS 704.7621.
- b. "Alternative ratemaking plan" has the definition contained in NRS 704.7612.
- c. "Alternative ratemaking mechanism" means:
  - i. Any alternative rate-making mechanism listed in NRS 704.7611 other than an existing alternative ratemaking mechanism; and
  - ii. Any other rate-making mechanism the Commission deems an alternative ratemaking mechanism **by regulation, excluding existing alternative ratemaking mechanisms not expressly permitted by NRS 704.7611** ~~[in a Commission order, which may include any existing alternative ratemaking mechanism]~~.
- d. "Deadband" is a Commission-approved range around a performance target for which the utility does not receive a reward or penalty, ~~[which recognizes the inherent uncertainty or margin of error in measuring and calculating a particular benchmark or baseline]~~. A utility's performance within the deadband of a performance goal would be deemed reasonable performance under the mechanism.
- e. "Existing alternative ratemaking mechanisms" include, but are not necessarily limited to, the following:
  - ~~i. [Any schedule, tariff or rate rider approved by the Commission that applies only to a select set of residential or non-residential customers and is not applicable to an entire class of service or class of customers;~~
  - ~~ii. All time-of-use rates for residential and non-residential customers;~~
  - iii. Any earnings sharing mechanisms;
  - iv. Electric utility investment support mechanisms, which include but are not limited to, incentives for critical facilities, rate-based construction work in progress, **and** enhanced returns on allowance for funds used during construction, ~~[and regulatory assets and liabilities;]~~
  - v. Any decoupling or lost revenue adjustment mechanism approved in accordance with NRS 704.785;
  - ~~vi. [Any financial incentives awarded to an electric utility for implementation of an energy efficiency and conservation program;~~
  - ~~vii. Any Commission approved mitigation of the impact of imputed debt on the capital structure of the utility in accordance with NRS 704.7821; and~~

- ~~viii. Any Commission approved recovery of expenses associated with issuance of a variable rate security in accordance with NRS 704.324.]~~
- f. "Greenhouse gas emissions" means releases into the atmosphere of a greenhouse gas as that term is defined by NRS 445B.137.
- g. "Metrics" are the data and/or analysis used to set a performance benchmark, deadband, or incentive level, or used to track and evaluate utility progress towards an outcome or specified performance.
- h. "Off-ramps" means a mechanism or mechanisms approved by the Commission in an alternative ratemaking plan that includes specified circumstances set forth in a Commission order that ~~[will]~~ could cause:
  - i. A petition to be submitted to determine whether the alternative ratemaking plan continues to serve the public interest;
  - ii. An electric utility to file an amendment to the approved plan;
  - iii. An alternative ratemaking plan mechanism to terminate and require the electric utility to file a general rate application pursuant to NRS 704.110 within a specified time period; or
  - iv. ~~[The Commission, in its own discretion, to order a utility to file a general rate case or amendment to an alternative ratemaking plan.]~~
- i. "Performance incentive mechanism" means a mechanism approved by the Commission that:
  - i. Provides a specific incentive or disincentive, whether monetary or in any other form proposed by a utility and approved ~~[chosen]~~ by the Commission, based on an electric utility's achievement of Commission-approved benchmarks, metrics, or measurements of performance;
  - ii. Is based on actual or statistical methods of measuring whether an electric utility has achieved Commission-approved benchmarks or measurements of performance; ~~[and]~~
  - iii. Is subject to reasonable conditions or limitations approved by the Commission; ~~[and]~~
  - iv. Incentives and disincentives may be symmetrical or asymmetrical.
- ~~j. "Low income household" has the meaning ascribed to it in Section 13 of Senate Bill 448 (2021)]~~
- k. "Historically Underserved Communities" ~~[has the meaning ascribed to it in Section 12 of Senate Bill 448 (2021)]~~

## **Sec. 2. NAC 704.XXX, Alternative Rate-making Application, Timing of Consideration, Pre-filing Requirements, Commission Action on Application, Limitations on Utility after Filing an Application**

1. *An electric utility may, in its own discretion, submit an alternative rate-making application.* If a utility files an alternative ratemaking application, unless otherwise provided in subsection 2, an electric utility shall file an alternative ratemaking application ~~[on or before February-April 1 in the year following the filing of]~~ separately from, but concurrently with a general rate application pursuant to NRS 704.110.
2. An electric utility is required to:
  - a. File its first two alternative ratemaking applications in accordance with subsection 1.
  - b. After subpart a. of this subsection is no longer applicable, an electric utility may ~~[seek to]~~ file an alternative ratemaking application on a date other than specified in subsection 1 ~~[by filing a petition with the Commission to demonstrate, where applicable, why the electric utility does not need to file an alternative ratemaking application in accordance with subsection 1, which may include evidence of the following:~~
    - ~~i. The electric utility can demonstrate with reasonable justification, including, at a minimum, an embedded cost of service study, that the rates adopted pursuant to this section will be comparable or lower than rates adopted in accordance with NRS 704.110;~~
    - ~~ii. The electric utility can demonstrate with reasonable justification that the filing of a new~~



alternative rate-making application is administratively efficient and will benefit ratepayers as compared to the filing of a general rate application in accordance with NRS 704.110; or

iii. The electric utility can demonstrate with reasonable justification that its alternative rate-making application will include evidence equivalent to or consistent with the requirements set forth in NRS 704.110 and the Commission's regulations that implement NRS 704.110.

c. For purposes of this section, "reasonable justification" means the Commission may find that an electric utility's claims are true and accurate.

→The Commission must act on a petition within 90 days by issuing an order granting, denying or modifying the utility's request to deviate from subsection 1 of this section].

3. The electric utility shall be required to meet and confer at least **9045** days before the anticipated date for filing of an alternative ratemaking application with the Bureau of Consumer Protection in the Office of the Attorney General **and** the Regulatory Operations Staff of the Commission, **and any other interested stakeholders. The utility must provide advance notice of the meeting in a manner reasonably calculated to inform potentially interested stakeholders.** At the meeting:

d. The electric utility shall provide information regarding the application, including:

- i. ~~[Detailed i]~~ Information about the design of the proposed alternative ratemaking mechanisms;
- ii. Whether the electric utility will be proposing any performance incentive mechanisms as part of its alternative ratemaking application;
- iii. A ~~[detailed]~~ description of how the alternative ratemaking application deviates from traditional ratemaking principles generally understood in the industry and stated in the relevant Commission statutes and regulations, which include but are not limited to, NRS 704.110 and NAC 703.2201 through 703.2481;
- iv. ~~[Any]~~ **Expected** changes to cost of capital, depreciation, cost of service or rate design that will be proposed in the alternative ratemaking application as compared to a prior general rate application or alternative ratemaking application;
- v. If the electric utility has not filed a general rate application within the last two years ~~[or the Commission has approved a petition in accordance with subpart b of subsection 2 of this section]~~, the information that the electric utility will be filing to demonstrate that the ~~[rates]~~ proposed **revenue requirement** in the alternative ratemaking application ~~[are]~~ **is** comparable to ~~[any rates]~~ **the revenue requirement** that would be approved pursuant to NRS 704.110.

→This~~[e same]~~ information will be filed with the electric utility's alternative ratemaking application, and the electric utility shall describe ~~[in detail]~~ whether any of its filing has been modified as a result of the meeting held in accordance with subsection 3 of this section.

b. **The electric utility, the Bureau of Consumer Protection in the Office of the Attorney General and the Regulatory Operations Staff of the Commission shall discuss and attempt to reach agreement on:**

- i. **A plan and schedule for discovery, including guidelines pursuant to NAC 703.2209, and methods of minimizing the duplication of discovery requests;**
- ii. **The use of agreements for the confidentiality of information;**
- iii. **The items on the master document for the request of data that are applicable to an alternative ratemaking plan and should be produced by the electric utility upon the filing of its alternative ratemaking application;**
- iv. **The need for and timing of future meetings, including meetings regarding settlement conferences.**

c. The electric utility, the Bureau of Consumer Protection in the Office of the Attorney General and the Regulatory Operations Staff of the Commission shall also confer and engage in good faith

efforts to reach an agreement on the development of guidelines for the examination and review of the currently effective alternative ratemaking plan. The guidelines must address all matters relating to the review of any necessary books, records, and data, including:

- i. The timing of the review of any necessary books, records, and data of the utility and any necessary meetings to coordinate reviews conducted at the site, whether within or outside the State, by the Regulatory Operations Staff and specialized personnel from the public utility and the Bureau of Consumer Protection in the Office of the Attorney General;
  - ii. the number of persons representing each interest who will participate in the reviews;
  - iii. The facilities and the supplies that the Bureau of Consumer Protection in the Office of the Attorney General and the Regulatory Operations Staff will need at the locations of the reviews; and
  - iv. Whether the Bureau of Consumer Protection in the Office of the Attorney General or the Regulatory Operations Staff of the Commission will need access to any specialized modeling programs or software used by the utility in support of its currently effective alternative ratemaking plan.
- d. If the electric utility, the Bureau of Consumer Protection, and the Regulatory Operations Staff of the Commission cannot reach an agreement as outlined in section (b)(7), the Presiding Officer may prescribe the guidelines for the examination and review of the currently effective alternative ratemaking plan.
- e. The electric utility, the Bureau of Consumer Protection in the Office of the Attorney General and the Regulatory Operations Staff of the Commission shall discuss attempt to reach agreement on:
- i. A plan and scheduled for discovery, and methods of minimizing the duplication of discovery requests;
  - ii. The use of agreements for the confidentiality of information;
  - iii. The items on the master document for the request of data that are applicable to an alternative ratemaking plan and should be produced by the electric utility upon the filing of its alternative ratemaking application;
  - iv. The need for and timing of future meetings, including meetings regarding settlement conferences.
4. The Commission shall approve, with or without modifications, or deny an alternative ratemaking application no later than 210 days after an application is filed unless the Commission finds that there is good cause to extend the time for consideration of an alternative ratemaking application by an additional 90 days. A request to extend the time for consideration of an alternative ratemaking application may be considered by the Commission on its own motion or made in writing by:
- a. An electric utility;
  - b. The Bureau of Consumer Protection in the Office of the Attorney General or the Regulatory Operations Staff of the Commission; or
  - c. Any person or association granted leave to intervene in the alternative ratemaking application proceeding.

→If the Commission issues an order modifying the plan, the electric utility may accept or reject the modified plan by filing with the Commission a notice to that effect. Any such notice must be filed not later than 30 days after the date of issuance of the order. ~~[If such a notice is filed, any petition for reconsideration or rehearing of the order must be filed with the Commission not later than 10 business days after the date the notice is filed.]~~

5. If an electric utility files for approval of multi-year rate plan or any other alternative ratemaking mechanism that seeks to modify the time between general rate applications from the 36 months established in accordance with NRS 704.110, the Commission shall:
- a. Specify time period that the alternative ratemaking plan will be in place;
  - b. Set a deadline for an electric utility to file its next general rate application pursuant to NRS 704.110; and

- c. Establish off-ramps that would require the filing of a general rate application pursuant to NRS 704.110.

→An electric utility operating under an approved alternative ratemaking plan is not permitted to file a general rate application pursuant to NRS 704.110(3) or propose to terminate an alternative ratemaking plan without specific Commission authority.

### **Sec. 3. NAC 704.XXX, Contents of Application for an Alternative Rate-making Plan, Burden of Proof**

- ~~1. *An electric utility may, in its own discretion, submit an alternative rate-making application.*~~
2. An electric utility that files an alternative rate-making application must be prepared to go forward at a hearing on the data which has been submitted. To avoid delay by the Commission in its consideration of the proposed changes, the applicant must ensure that the material an electric utility files in its alternative ratemaking application is of such composition, scope and format that it would serve as its complete case if the matter is set for hearing.
3. An electric utility that files an alternative ratemaking application shall sustain the burden of proof by establishing that its proposed changes are just and reasonable, not unduly discriminatory or preferential, and satisfies the criteria set forth in NRS 704.762(1)(g).
4. The alternative ratemaking application shall include the statements and schedules set forth in NAC 703.2271 through 703.2452 and be filed, where applicable, with supporting workpapers in paper and electronic executable form.

→If the applicant omits any required statement or schedule in the belief that it is not applicable, a written explanation for the omission must be submitted in lieu of the required statement or schedule.

5. An electric utility shall include in its alternative rate-making application, at a minimum:
  - a. An ~~embedded~~ class cost of service study; and
  - b. An analysis estimating and comparing:
    - i. The rates that would be charged and the revenue that would be collected under the alternative rate-making plan proposed in the application; and
    - ii. The rates that would be charged and the revenue that would be collected pursuant to the rate-making process established by NRS 704.110.
6. Every alternative rate-making application that seeks a multi-year rate plan shall also include ~~an~~ a symmetrical earnings-sharing mechanism, as part of its alternative rate-making plan, that balances the interests of the ratepayers and the shareholders of the electric utility. Nothing in this section shall prohibit the consideration of an earnings-sharing mechanism in an alternative rate-making application that does not seek a multi-year rate plan or any other type of proceeding.
7. Nothing in this section shall exempt an electric utility from filing a study of depreciation in accordance with NAC 703.276.

### **Sec. 4. NAC 704.XXX, Scope of the Available Types of Alternative Rate-Making Mechanisms**

1. An electric utility is permitted to file for approval of any alternative ratemaking mechanism in an alternative ratemaking application.
2. If an electric utility files for approval of a multi-year rate plan or any other alternative ratemaking mechanism that seeks to modify the time between general rate applications from the 36 months established in accordance with NRS 704.110, the electric utility shall bear the burden of proof to demonstrate why the modified timeframe:

- a. Serves the public interest;
  - b. **Yields a net benefit to the customers of the electric utility;**
  - c. Results in just and reasonable rates over the proposed effective date of rates; and
  - d. Proposes appropriate off-ramps that will ensure [~~persistent~~] just and reasonable rates.
3. An electric utility [~~shall~~] **may** provide the following supporting information for all existing alternative ratemaking mechanisms in its alternative rate-making application, **if applicable**:
- a. A list of all existing alternative ratemaking mechanisms that have been previously approved by the Commission and the date and docket number in which those alternative ratemaking mechanisms were approved;
  - b. An update as to how the existing alternative mechanism is performing, which may include, but is not limited to:
    - i. An update on the number of customers subscribed to any schedule, tariff or rate rider approved by Commission that is an existing alternative ratemaking mechanism, as well as an accounting of the revenues collected from those customers pursuant to the schedule, tariff or rider;
    - ii. The total dollar amount of electric utility investment support mechanisms or other incentives that qualify as an existing alternative ratemaking mechanism paid to or that otherwise benefit an electric utility and how long the mechanisms or incentives are intended to continue[, and a full analysis of all customer rates affected by the mechanisms or incentives];
    - iii. [~~A detailed description of each regulatory asset and liability, the docket it was approved in, the amortization period that applies to the regulatory asset or liability, and an estimate of the revenue and rate impact that a regulatory asset or liability will have on customer rates throughout its amortization period;~~]
    - iv. The status of any currently approved earnings sharing mechanism **approved pursuant to an alternative ratemaking plan**, whether that mechanism has resulted in any earnings returned to customers, and the amount of those earnings;
    - v. The status of any revenues collected pursuant to a decoupling or lost revenue adjustment mechanism approved in accordance with NRS 704.785; and
    - vi. Any other details regarding existing alternative ratemaking mechanisms requested by the Commission, the Bureau of Consumer Protection in the Office of the Attorney General, and the Regulatory Operations Staff.
4. [~~An electric utility is not required to file for approval of existing alternative ratemaking mechanisms in an alternative ratemaking application unless otherwise ordered by the Commission.~~]

## **Sec. 5. NAC 704.XXX, Off-ramps that Mandate Filing of General Rate Application or Amendment to Alternative Ratemaking Plan**

1. An electric utility is required to propose off-ramps in its alternative ratemaking application.
2. The Commission shall **include in its** order [~~, at its discretion, that~~] specified off-ramps **that** may result in:
  - a. A requirement to file a new alternative ratemaking application;
  - b. A requirement to file a new general rate application pursuant to NRS 704.110;
  - c. A mandate to reinstate rates approved in the electric utility's last general rate case filed pursuant to NRS 704.110;
  - d. A requirement for the electric utility to file an amendment to an existing alternative ratemaking plan; or
  - e. A combination of any requirements or mandates listed above.
3. An off-ramp may be triggered by:
  - a. Action taken by the Commission at its own discretion; ~~or~~

- b. A petition filed by:
  - i. The electric utility; ~~or~~
  - ii. The Bureau of Consumer Protection in the Office of the Attorney General; ~~or~~
  - iii. The Regulatory Operations Staff of the Commission; or
  - iv. Any customer of the electric utility that can demonstrate that they have been directly and substantially harmed by the alternative ratemaking plan.
- c. Information received in an annual update to the utility's alternative ratemaking plan.
- 4. A Petition seeking to trigger an off-ramp must adequately demonstrate that:
  - i. good cause exists to utilize the off-ramp; and
  - ii. the criteria established by the applicable approved alternative ratemaking plan for that off-ramp has been met.
- 5. The Commission shall adopt off-ramps that may include, but are not limited to, the following scenarios:
  - a. Earnings are significantly higher or lower than a Commission-approved deadband around a specified return on equity, such that the utility's financial integrity is threatened, the balance between shareholders of the utility and ratepayers is no longer maintained, or future harm to ratepayers is anticipated.
  - b. The electric utility is not achieving specified Commission metrics or performance incentive mechanisms.
  - c. Payments or incentives associated with performance mechanisms are threatening the utility's financial integrity or pose future harm to ratepayers or shareholders.
  - d. Unforeseen events, a force majeure, or other events are threatening the utility's financial integrity or pose future harm to ratepayers.
  - e. A restructuring, transfer of control, merger, or other corporate-level change.
- 6. Parties to an alternative ratemaking proceeding may propose off-ramps not included in the underlying alternative ratemaking application.

## Sec. 6. NAC 704.XXX, Annual Filings to Update Commission on Progress of Alternative Ratemaking Plan

- 1. An electric utility operating pursuant to an approved alternative ratemaking plan shall file an annual update to its alternative ratemaking plan on the first Monday in June in the year following a full ~~year~~ twelve calendar months of implementation of the utility's plan and every year thereafter until the plan is discontinued or a new alternative ratemaking plan is adopted.
- 2. The annual update shall include:
  - a. A narrative explanation of how the Commission-approved alternative ratemaking plan is functioning and how the plan overall and each mechanism, individually, is affecting:
    - i. Revenue;
    - ii. Costs, including administrative costs of the utility;
    - iii. Credit worthiness;
    - iv. Reliability and resiliency;
    - v. ~~[Customer acceptance];~~
    - vi. Achievement of Commission ~~[set]~~ approved metrics, performance incentive mechanisms, and goals;
    - vii. Reduction of greenhouse gas emissions;
    - viii. The balance of the interests between customers and shareholders; ~~and~~
    - ix. ~~[Low and moderate income customer interests Interests of low income households and historically underserved communities.]~~

→The electric utility shall, if applicable, separately and individually address each alternative ratemaking mechanism, and separately, the alternative ratemaking plan as whole.

- b. Data and workpapers to support the update in paper and electronic executable format.

3. The Commission shall use the data and information filed in the annual update to determine if the electric utility is achieving the Commission-set performance incentive and earnings sharing mechanisms, to the extent that they are included in an approved plan.
4. All progress towards achievement of incentives will be calculated in the annual update filing.
5. If applicable and after an opportunity for hearing, the Commission may issue an order adjusting rates or schedules consistent with the terms of an approved alternative ratemaking plan.
6. A consumer session shall be held for each annual filing that has the potential to impact rates.

## **Sec. 7. NAC 704.XXX, Amendments to a Commission-Approved Alternative Ratemaking Plan**

An electric utility is only permitted to file an amendment to its Commission-approved alternative ratemaking plan if

1. An off-ramp requires the filing of an amendment; or
2. Upon ~~[the Commission's own motion, or]~~ a petition from the electric utility~~[- the Regulatory Operations Staff of the Commission, or the Bureau of Consumer Protection in the Office of Attorney General].~~

## **Sec. 8. NAC 704.XXX, Evaluation of an Electric Utility's Alternative Ratemaking Plan**

1. An electric utility that files an alternative ratemaking application must demonstrate whether each proposed alternative ratemaking mechanism and the alternative ratemaking application as a whole will support, contradict or be neutral to each of the following evaluation criteria ~~[- including whether the proposed alternative ratemaking mechanisms and alternative ratemaking plan]:~~
  - a. Aligns an economically viable utility model with state public policy goals, including reduction of greenhouse gas emissions;
  - b. Provides for just and reasonable rates that are comparable to rates established pursuant to NRS 704.110;
  - ~~e. [Enables electric service options that provide value to customers without imposing incremental net costs to customers];~~
  - d. Fosters statewide improvements to the economic and operational efficiency of the electrical grid;
  - ~~e. [Further the public interest, including, without limitation, the promotion of safe, economic, efficient and reliable electric service to all customers of the electric utility];~~
  - f. Enhances the resilience and security of the electrical grid ~~[while addressing concerns regarding customer privacy];~~
  - ~~g. [Ensures that customers of an electric utility benefit from lower regulatory administrative costs;]~~
  - h. ~~[Facilitates the research and development of innovative electric utility services and options to benefit customers];~~
    1. Balances the interest of customers and shareholders by providing for services that customers want while preserving reasonable shareholder value; ~~and~~
    - J. ~~[Ensures low and moderate income customer household interests and historically underserved communities' interests are holistically meaningfully considered and that their economic interests are meaningfully addressed.]~~
2. In determining whether the alternative ratemaking mechanisms support, contradict or are neutral to the evaluation criteria listed in subsection 1, the electric utility shall:
  - a. State the ~~[cost-benefit]~~ methodology the utility relied upon in determining how each alternative ratemaking mechanism satisfies the evaluation criteria; and

- b. Demonstrate why the utility chose the [cost-benefit] methodology it is using, including stating whether the methodology is externally validated, has been adopted by other states, and why the chosen [cost-benefit] methodology is appropriate for evaluating the utility's proposed alternative ratemaking mechanisms.

~~Using the utility's chosen cost-benefit methodology, the electric utility shall quantify the measurable costs and benefits or state whether data is insufficiently available to quantify the measurable costs and benefits, offering an explanation why qualitative information should be considered by the Commission.~~

~~3. The Bureau of Consumer Protection, Regulatory Operations Staff, and any party granted intervention may propose alternative cost-benefit methodologies. Such proposals must include justification for the use of such methodologies supported by models that support their proposed methodologies, filed in a digital, executable format with documentation sufficient to reproduce modelling results.~~

~~4. Using the evidence presented pursuant to subsections 1 and 2, and subsection 3, if applicable, the Commission shall evaluate whether the electric utility's alternative ratemaking application is sufficient to support a finding the alternative ratemaking plan:~~

- a. Is in the public interest;
- b. Will result in just and reasonable rates;
- c. Protects the interests of the customers of the electric utility; and
- d. Supports, rather than contradicts or staying neutral, as to the evaluation criteria identified in subsection 1.

## Section 9. NAC 704.XXX, Demonstration that Electric Utility's Alternative Ratemaking Plan Aligns with Commission Goals and Outcomes for Alternative Ratemaking

1. On or before July 1, 2022, the Commission shall adopt a list of goals and outcomes that alternative ratemaking plans should seek to achieve. The goals and outcomes should be consistent with one or more of the criteria set forth in NRS 704.762(1)(g), in addition to other criteria deemed appropriate by the Commission.
2. Upon notice and hearing, the Commission may consider and adopt modifications to the list adopted pursuant to subsection 1. Proceedings to modify the list adopted pursuant to subsection 1 may be initiated by the Commission or via a petition filed with the Commission.
3. The Commission shall publish the approved list of goals and outcomes pursuant to section 1 on its website.
4. **The list of goals and outcomes that are in place at the time of the application [approval] of an alternative ratemaking plan remain in effect for the duration of that plan unless otherwise triggered by an off-ramp.**

## Section 10. NAC 704.XXX, Consumer Session, Customer Education

1. If an electric utility files an alternative ratemaking application, ***the Commission, in coordination with the electric utility, it ~~must-is required to~~ conduct at least one consumer session to educate customers on the application and solicit comments from the public in accordance with NRS 704.069, but t***The Commission may require ***that an electric utility conduct*** more than one consumer session ***be conducted*** regarding an alternative ratemaking application.
2. If an electric utility's alternative ratemaking application proposes alternative ratemaking mechanisms that have not been previously approved by the Commission, the electric utility is required to:

- a. Explain each new alternative ratemaking mechanism to consumers at a minimum of one consumer session in the most populous county of the utility's service territory;
  - b. Provide an explanation of the proposed alternative ratemaking mechanism(s) on its website; and
  - c. Post a customer notification, prominently displayed on the electric utility's website and additionally distributed via electronic mail and mobile application notifications, explaining the alternative ratemaking mechanism(s) in addition to other available means of distributing such notice, including, but not limited to, electronic mail and mobile application notifications.
3. If an electric utility files an alternative ratemaking application that proposes alternative ratemaking mechanisms that have not been previously approved by the Commission, it is required to file a plan for the education of customers of the utility with respect to the proposals in its application. A plan to educate customers must include:
- a. Multiple venues for providing information to and engaging with customers, which may include but are not limited to:
    - i. Social media;
    - ii. Focus groups;
    - iii. Informational or learning sessions; and
    - iv. A dedicated website with interactive tools.
  - ~~b. [If an electric utility proposes subscription pricing or any special tariff, schedule, or rate rider that applies only to a select set of residential or non-residential customers and is not applicable to an entire class of service or class of customers, a specific proposal to educate such customers or to engage customers that might qualify for such pricing, tariff, schedule, or rider, and a specific proposal that educates non-eligible customers of any potential cost shifts.]~~
4. Nothing in this section shall be construed to relieve a utility of any of its otherwise applicable noticing and consumer outreach obligations.

## Section 11. NAC 704.XXX, Records Retention

1. An electric utility that has an alternative rate-making plan approved by the Commission shall keep all information and records that the utility would be required to submit is required to submit to the Commission as part of an application pursuant to NRS 704.110 or 704.187.
2. The electric utility shall be required to produce such information and records upon the request of the Commission, on its own motion, or the Regulatory Operations Staff of the Commission.



**CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing filing of **NEVADA POWER COMPANY D/B/A NV ENERGY and SIERRA PACIFIC POWER COMPANY D/B/A NV ENERGY** in Docket No. 19-06008 upon the persons listed below by electronic service:

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