

## Regulatory Assistance Project Electric Resource Long-range Planning Survey<sup>1</sup>

State: **Nevada** Date: 11/21/03  
Name of Agency: Public Utilities Commission of Nevada (PUC)  
Source: phone interviews and email correspondence  
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### Policies

1. Is any form of long-range electrical resource and/or investment planning required?

Yes

2. What is it called?

Resource Planning

3. What is the process?

Every three years the two regulated electric utilities must file a triennial resource plan. Nevada Power filed in 2003. Sierra Pacific Power will file in 2004. As a result of a recent PUC decision in on-going Docket No. 02-5030, future resource plans must include annual supply procurement plans, with the possibility of pre-approval of either the purchasing strategy, or the purchase itself. That nuance has yet to be decided, but will continue to be considered in Docket No. 02-5030.

Once the formal hearing process begins, the PUC “Regulatory Operations Staff” is a party to the proceeding, distinct from the PUC. The Staff interacts informally with the utilities prior to filing, which results in less “misdirection.” The Attorney General’s Bureau of Consumer Protection (BCP) is a “party of right” and usually intervenes. The following parties regularly attempt to be involved in Nevada Power’s filings: one or two casino consortia, energy buyers, the Independent Energy Coalition (“qualifying facilities”), Southern Nevada Water Authority, Sierra Club and AARP. The following parties regularly attempt to be involved in Sierra Pacific Power’s filings: gold mines, casinos, Northern Nevada Power Producers (“qualifying facilities”), non-utility generators and industry customer groups. Western Resource Advocates are often a party, usually with commenter status. The PUC narrowly

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<sup>1</sup> All responses written from notes compiled and edited by Cathie Murray, consultant to RAP. Corrections to the draft document, suggested by the contact persons, have been incorporated.

interprets which parties have a “direct and substantial interest” in the proceeding and who can practice before the PUC. As a result, few parties are granted intervenor status.

4. Describe the analysis required by the regulatory body

The utilities must describe the balance between resources and load over a 20-year period, including a short-range demand and supply plan for each of the next three years. The utilities must present base, high and low case scenarios with an analysis of attendant risks. The regulations arising from Docket No. 02-5030 will change the way those scenarios are constructed. The utilities and the PUC are relying more on probability models (e.g. Henwood model) than deterministic models.

5. Is it statewide or utility-specific planning? What types of entities are required to participate?

It is utility specific. There are presently two electric utilities that must participate: Nevada Power in the southern part of the state, and Sierra Pacific Power in the northern part of the state. These investor-owned utilities have common ownership, but are not interconnected. Both utilities have a very small percent of load outside Nevada borders. Munis and cooperatives do not participate in the process.

6. This form of planning has been required since what date?

This planning has been required since the late 1970’s. However, it was perfunctory until the early 1990’s when the Federal Energy Policy Act took effect. New regulations due to Docket No. 02-5030 decisions should be finalized later this year.

**Required Elements**

7. Which of the following resources must be evaluated/included:

Generation	Yes
Transmission	Yes
Distribution	Yes
Energy efficiency	Yes
Load Management	Yes

8. Is a comparison of supply and demand side options/resources required?

The plan must include a Demand Side (aka “conservation and load management”) plan. A very important component of the resource plan is the Loads and Resources Table. The impacts of the Demand Side plan will be included in this table.

9. The plans' objectives, from the regulatory perspective:

The PUC hopes to see a resource portfolio that reflects the least possible reasonable cost subject to public worth, reliability and market reliability. The PUC used to look for the "greatest social worth consistent with least cost."

10. The plans' objectives, from the utility perspective:

The utility is fulfilling its responsibilities. There is a subtext of achieving approval for investments and avoiding disallowances. The utilities were recently hit with about a half billion dollars of short term purchase disallowances. In their most recent Resource Plan (Docket No. 03-7004) Nevada Power asked for "commission approval of...supply side projects...generally, as follows: 80 MW turbine...gas hedging strategy" and recovery of expenses associated with RTO participation. However, approval of the plan does not inoculate the utility against future disallowances. They still have to meet the "just and reasonable" standard.

11. Are alternative scenarios analyzed as part of the plan?

Yes, a minimum of five scenarios are analyzed, including different combinations of resources. The sensitivity analysis includes growth, weather, and fuel prices.

12. Are externalities considered?

Economic and environmental externalities are not required in the analysis, but parties may raise them as part of a subjective analysis. The PUC is allowed to accept a plan that is not least cost if they can show quantified/qualified "social worth" aspects required by the legislation. Currently the PUC is concerned about reliance on natural gas purchases, and a desire for diversity figures into considerations.

13. What is the planning horizon?	20 years
Length of Energy and Demand forecasts	20 years
Length of Short-term Action Plan	3 years

14. How often do utilities have to file plans? Update plans? What actually happens?

Utilities must file resource plans every three years. PUC staff usually sees 4-5 demand side amendments during the three-year period between plans. New regulations will likely require utilities to file annual updates to their supply procurement plans.

15. What monitoring or other processes are used to determine consistency of investments with plans?

Although there is a presumption that facilities proposed in an "accepted" plan will be approved for cost recovery, the utility is still taking a risk. The PUC uses prudence

reviews to consider whether the investment was built on a reasonable budget and timetable, and is “used and useful.” For example, Sierra Pacific Power built a demonstration coal gasification plant that never worked. The PUC will decide how much cost recovery will be allowed.

16. Are environmental issues considered in the planning process? Yes

State and federal laws are considered and often impact the plans. Attainment and non-attainment areas impact generation choices. In Nevada the public interest explicitly includes the environment.

### **Agency Process**

17. Agency holds public hearings on utility plans. Yes.

A public hearing is statutorily required within 60 days of filing. The PUC is also required to hold a consumer session. After the docket is opened and intervention status is determined, “parties of record” may be involved in a stipulation. Sometimes different portions of the Resource Plans are stipulated, e.g. the forecast, the DSM plan, or the supply side plan.

18. Other ways public participates and comments on plans are:

Members of the public who are not intervenors may be granted “commenter” status. They may not be involved in stipulations. Their comments will be on the record, but not treated as testimony. Any members of the public may submit comments on plans and attend any public hearings that are held.

19. What action does the Commission take on the plan(s)?

The PUC reviews the plans, and may accept them. The last Nevada Power plan was never accepted, but since there was no new investment included in it, its lack of acceptance had few implications.

20. Have resource acquisition decisions changed as a result of the planning process?

Yes, the process is useful and constructive and results in changes.

21. Are competitive processes used to acquire new resources? Yes

22. Do utilities file an energy efficiency or DSM plan?

Yes, it is integrated with the triennial Resource Plan. The northern DSM plan is about 20% the size of the southern plan due to less weather-induced peaking. There is an on-going adhoc group, which has almost systematized intervention on DSM

planning. This collaborative, which includes the utilities, meets on demand-side issues to develop plans. The ad-hoc group includes consultants to the PUC and BCP (e.g. Harold Geller, Synapse), PUC staff (e.g. John Candelaria), and others. They are attempting to put more rigor in the system. One issue is that utilities generally keep DSM programs at the experimental level rather than at full implementation.

23. Is competitive bidding used to acquire EE resources? Yes

Generally competitive bidding is used. Sometimes the element sought is so specific the utility must use sole-sourcing.

24. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes

25. Citation and description:

Dockets 03-8002 and 03-10003: advice as to whether power plant to be built in California will be considered a renewable energy plant in Nevada.

Docket 03-7004: Nevada Power's triennial Resource Plan, consolidated with Docket 03-6056 (amendment to a previous Demand Side plan). An order was issued in these Dockets on 11/12/2003.

Docket 02-5030: possible revisions to resource planning regulations and new regulations for annual supply procurement plan. The scope of this docket was expanded in 8/02 to review the resource planning regulations generally including, but not limited to, obsolete sections, DG, renewable energy credits, RTO's, filing requirements for amended plans of action, risk et al.

Docket 03-6022: amendment to Sierra Pacific Power's Demand Side plan. An order was issued in this Docket on 10/10/2003.

26. Are filed plans available on-line?

They may be on the utility websites, but confidential matters will not be included. See <http://www.nevadapower.com/resources/> for their most recent Resource Plan.

27. Citation and description of State policies governing planning:

Statutes: NRS 704.741 and 704.746

<http://www.leg.state.nv.us/NRS/NRS-704.html>

Regulations: NAC 704.9005-704.9525

<http://www.leg.state.nv.us/NAC/NAC-704.html>

28. Do you anticipate any changes to this process in the near future?

Docket No. 02-5030 will definitely result in changes.

29. Does your state do performance-based regulation? Are there incentives for EE/RE?

Parties have agreed in a Stipulation to discuss PBR. PUC Staff, although supportive, is concerned that the statute may not allow it. The plan is to work within the statute for now and recommend changes to the statute if needed. Re: incentives, utilities may earn a return on cost-effective DSM programs that move from trial to full implementation status; they risk a penalty for mismanaged programs. There is a Renewable Portfolio Standard. RE credits are structured to give incentives for on-site use and/or independence from the transmission and distribution system.

### **State Energy Plan**

30. Is there a State Energy Plan? Yes

Nevada State Office of Energy, *The Status of Energy in Nevada*, 1/30/03  
<http://energy.state.nv.us/2003%20Report/2003%20Report.htm>

This report/plan includes:

Appendix I: the recommendations of the Nevada Electric Energy Policy Committee, which formed the basis of the Nevada Energy Protection Plan (NEPP). The NEPP resulted in the legislation that stopped divestiture in Nevada, and began to engage with issues of energy reliability and security in Nevada.

Appendix II: Three Year Strategic Action Plan. This plan builds on the NEPP and outlines the goals, strategies and responsibilities for implementing the Comprehensive Energy Plan for Nevada (CEPN).

<http://energy.state.nv.us/inside/comprehensiveplan.pdf>

There is also a Division of Emergency Management, *State Energy Conservation Plan*  
<http://dem.state.nv.us/SWEEP%20Number%202.pdf>

31. Is it connected to the planning described above? Pending

According to *The Status of Energy in Nevada*, implementation of the Comprehensive Energy Plan for Nevada will require coordination between the IRP Process and the [State Energy] Action Plan.

32. If yes, who is responsible for the Plan?

The Nevada State Office of Energy, which is part of the Governor's Office.  
<http://energy.state.nv.us>.

The Renewable Energy and Energy Conservation Task Force is charged with advising the SOE on renewable energy and energy conservation aspects of the plan.  
<http://energy.state.nv.us/taskforce/default.htm>

33. What is included in the Plan, apropos of long-range electrical planning?

According to *The Status of Energy in Nevada*, the Action Plan will “facilitate the identification of issues that need to be considered in resource planning proceedings and should result in the direct participation of advocates of alternative energy futures in the resource planning process...A key task of the Action Plan will be to encourage and facilitate the participation of individuals and entities with divergent interests in the resource planning process.”

The author of this plan, Carl Linvill, was recently appointed as a PUC commissioner.