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The following is proposed language to Chapters 703 and 704 of NRS to enhance the ability of customers, utilities, and the state of Nevada to provide for our energy future.

Sec. A. Chapter 703 of NRS is hereby amended by adding thereto the provisions set forth as sections w, x, y, and z of this act.

Sec w. 1. *The following definitions apply to terms used in this statute:*

- (a) *Qualifying Facility means a facility as defined by the Federal Energy Regulatory Commission generating power in the form of electricity and/or heat with an energy efficiency rating of at least 42.5%*
- (b) *Avoided cost rates means prices paid by utility for power sold to the grid by a non-utility generator which has been determined by the PUC to be equivalent to the highest marginal cost that the utility would have actually incurred in purchasing or generating power from alternative sources. In calculating avoided cost, the PUC shall develop a fixed rate for capital, associated infrastructure, and ongoing operations costs and a variable rate for fuel costs. The rate shall reflect prices that would have been included in the cost of power from the alternative source, as well as other tangible societal benefits*
- (c) *Distributed Generation (DG) means the generation of electricity by non-utility entities both for their own needs and to sell power back to the utility using either Qualified Facilities or Renewable Energy.*

Sec x. 1. *As part of the Resource Planning Process, the Commission shall develop rates and other policy measures to enhance Distributed Generation projects by addressing the following issues. The policy developed by the Commission must:*

- (a) *Create long term avoided cost rates for purchase contract terms of 10, 15, 20 and 30 years to make feasible the financing of Distributed Generation projects where a portion of the output is sold to the utility.*
- (b) *Develop an approach that allows the imputed generating capacity purchased by the utility from Distributed Generation projects under long term avoided costs with operating and maintenance agreements that create high reliability to be included in rate making for the utility.*
- (c) *Create an incentive rate for standby charges for non-utility entities, which are providing electric power to the grid utilizing Distributed Generation projects under long term avoided cost contracts with operating and maintenance contracts that create high reliability. Rates should provide incentive to early adopters to promote the development of the resource and encompass such benefits as increased reliability, reduced losses, reduced electric capacity requirements, increased security, etc. Such rates should also allow for size and application with strong incentives for small, less than 1mw, developments. Special consideration should be given to applications of 30kw or less to promote the residential and small commercial applications.*

- (d) *Create a special category of transmission or distribution charges for Distributed Generation projects, which are based on the permanence of delivery route from such facilities to another user.*
- (e) *Streamline permitting processes to encourage the development of the DG resource. For smaller projects, less than 1mw, encourage interconnection processing to be complete in less than 60 days. For larger projects, greater than 1mw, interconnection process should be completed in less than 120days.*
- (f) *Net metering should be promoted for small, less than 30kw applications, where energy efficiencies exceed 50%.*

Sec y. The Commission shall develop a policy for long term resource planning that must be followed by the utilities, which supply electricity in this state. The policy developed by the Commission must:

- (a) *Work toward enhancing generation of power within Nevada so that power generation within the state meets or exceeds power consumption; and*
- (b) *Require utility to assess the promotion of Distributed Generation in resource planning requirements based on programs to enhance the reliability of DG facilities in meeting electricity demands.*
- (c) *Encourage non-utility entities to develop Distributed Generation energy projects as a way of reducing the utilities' reliance on out-of-state sources of electricity to meet the needs of consumers in the state.*

Sec z: Qualified Facilities below 30 mw are exempted from the renewable energy portfolio requirements of SB372.

Sec B: NRS 704.771 shall be amended as follows:

NRS 704.771 "Net metering system" defined. "Net metering system" means a facility or energy system for the generation of electricity that:

1. Uses renewable energy *or a qualifying facility* as its primary source of energy to generate electricity;
2. Has a generating capacity of not more than 40 30 kilowatts;
3. Is located on the customer-generator's premises;
4. Operates in parallel with the utility's transmission and distribution facilities; and
5. Is intended primarily to offset part or all of the customer-generator's requirements for electricity.