Efficiency as a Resource
Nevada Update

Larry Holmes
Manager, Customer Strategy and Programs

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Introduction

- **NV Energy**
- **Demand Side Management is Resurrected**
- **Energy Efficiency as a Resource**
- **Impact of Recession**
- **Energy Efficiency and the Integrated Resource Plan**

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Where are we?

- 1.2 Million Customers
- Peak Load 7,600 MW

2001 DSM Resurrected

- DSM had been discontinued due to the pending implementation of deregulation
  - Utility prohibited from offering programs
- Deregulation cancelled at last minute in response to the energy crisis
- 2001-2004 DSM programs are offered to give customers options to offset increasing costs

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2005 - Energy Efficiency as a Resource is Born in Nevada

- 2005 Legislature Assembly Bill 3
  - Revised Renewable Portfolio Standard
    - Increased end point from 15% to 20%
    - Added energy efficiency as an option to comply
      - Up to 25% of the annual requirement
      - Of the 25% at least 50 % must come from residential sources
    - Penalties were included for noncompliance with annual requirements

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RPS Annual Requirements

	RPS	EE
2004	5%	1.3%
2005-2006	6%	1.5%
2007-2008	9%	2.3%
2009-2010	12%	3.0%
2011-2012	15%	3.8%
2013-2014	18%	4.5%
2015-2019	20%	5.0%
2020-2024	22%	5.5%
2025	25%	6.3%

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Program Economics

- Incentive:
  - Capital recovery mechanism with 5% equity adder to return
  - General rate case
  - Recovery over 2-6 years
- No lost revenue recovery

NV Energy Responds

- Business environment
  - Las Vegas leads the country in growth
  - Reno not far behind
  - Multiple capital investment opportunities
  - Negative impact on revenues masked by high growth rate
- NV Energy filed multiple Integrated Resource Plans and amendments to add and expand EE programs

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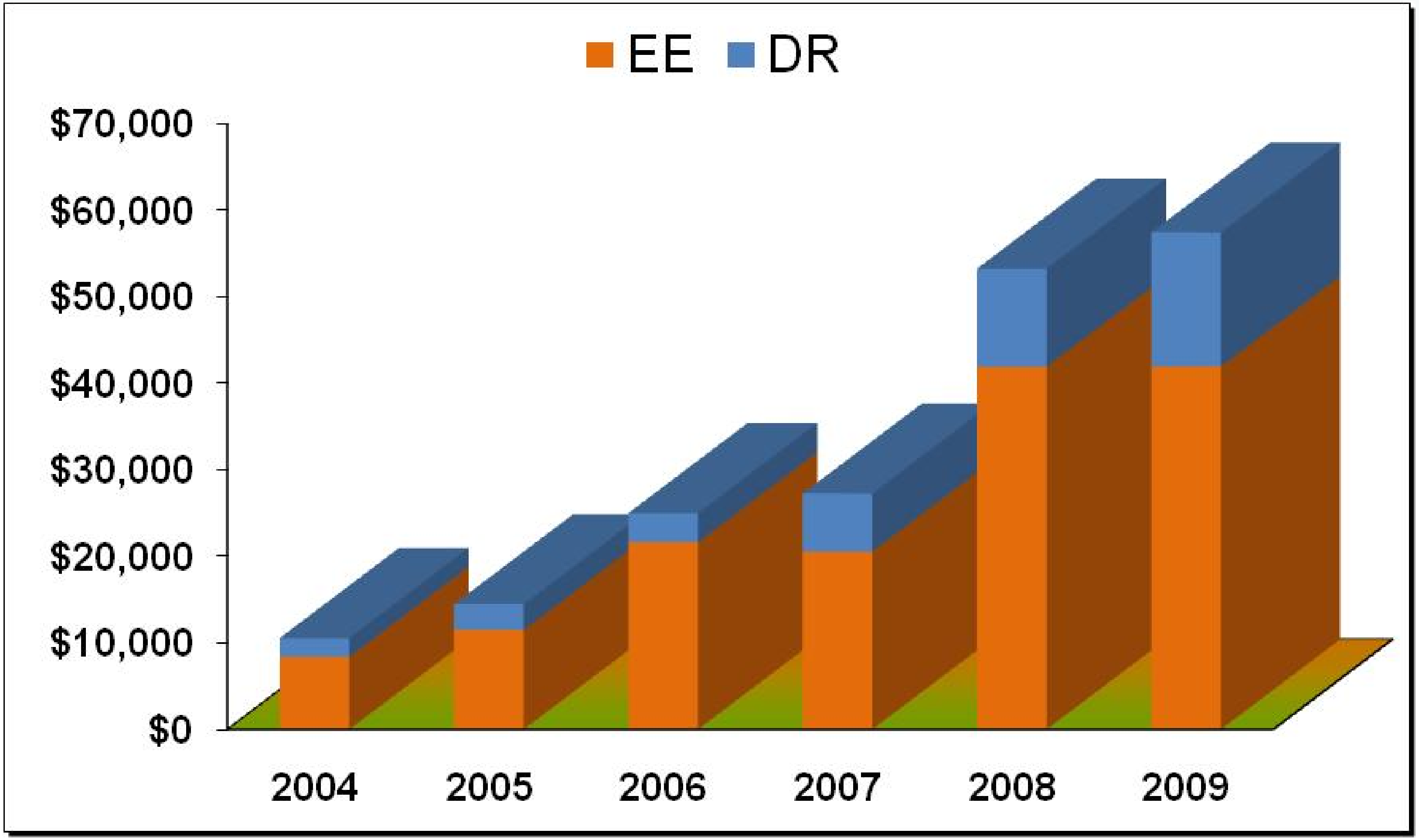
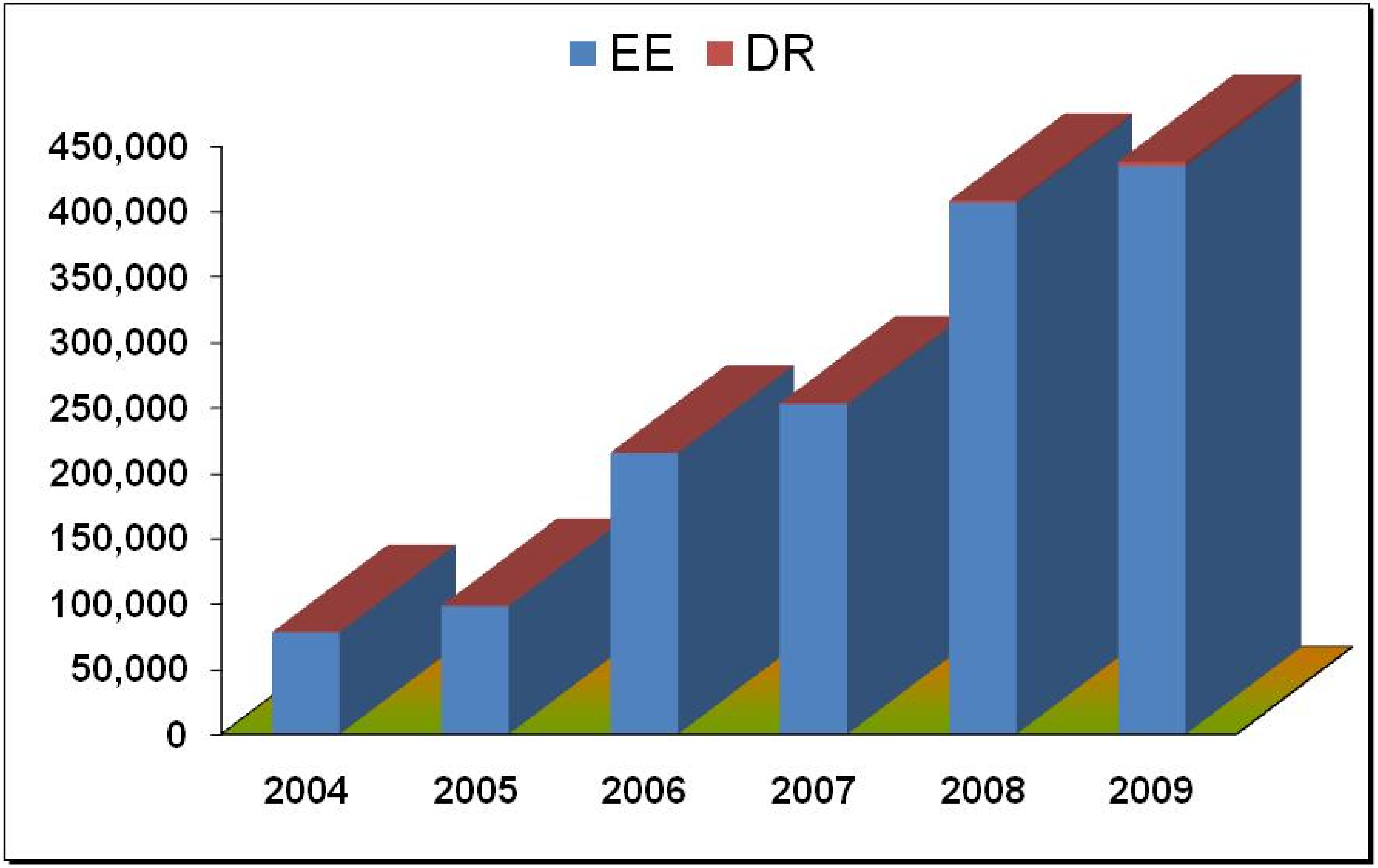
Rapid Expansion of Energy Efficiency Programs

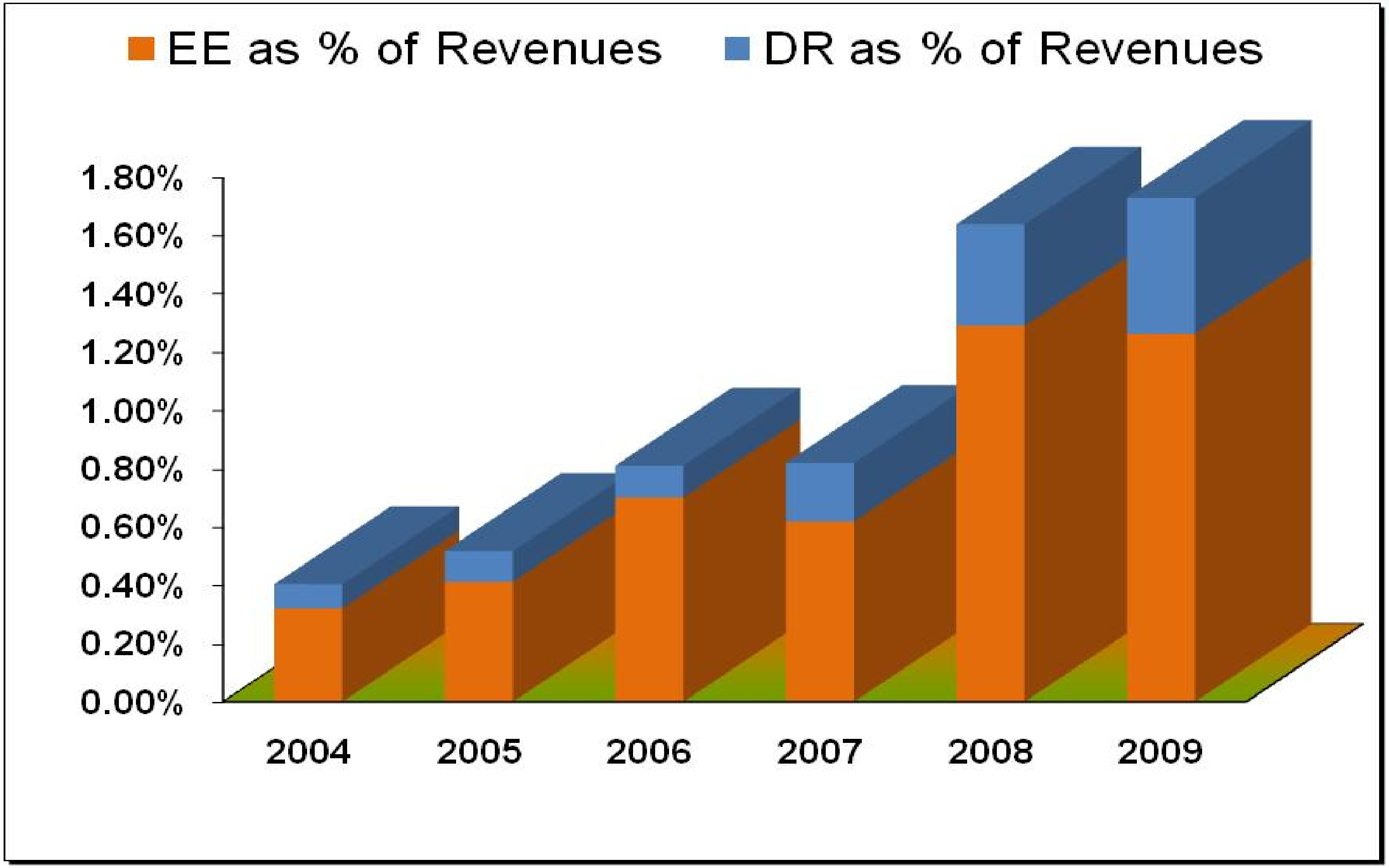
Program Expenditures Grow



Energy Savings Grow



Percent of Revenues Grows



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Impact on 2010 MWh Sales

- MWh sales in 2010 would have been 6% higher in the absence of EE programs over the previous nine years

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The Recession Brings Major Changes

The Equation Changes

- Las Vegas leads the nation in mortgage foreclosures
- Multiple construction projects abandoned
- Unemployment soars over 14%
- Las Vegas experiences negative growth
- Company revenues are adversely impacted
- Slow load growth projected for many years

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EE Impact on Revenues

- Previously lost revenues were masked by rapid growth
- Slow growth brought attention to EE program impact on revenues
- Capital recovery mechanism with 5% equity adder was determined to fall far short of offsetting EE program impacts on revenues

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Recognition of Adverse Impacts

- 2009 Legislature - Senate Bill 358 -
  - Authorizes processes to be determined to remove disincentives to utilities for investing in EE and DR
  - Incentives authorized – none specified
  - Impact on rates to be considered by the Commission

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Commission Adopts Implementing Regulations

- Effective July 2010
- Capital recovery with incentive eliminated
- Provides for lost revenue recovery
- Annual filings for cost recovery
- No incentive mechanism specified

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First Lost Revenue Filing

- Highly contested proceedings
- Revenue decisions based on M&V and freeridership values
- Bureau of Consumer Protection presented vehement arguments to eliminate all EE and DR programs
- Commission expresses concern regarding rate impacts during tough economic times

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Inhibiting Factors

- Low growth rates
- Adequate generation supplies
- Decreased avoided costs
- Opposition to rate increases
- Significant lingering effects of the recession

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In Progress

- Banked EE credits will fulfill the RPS requirements through about 2016
- Highly contested filings continue
- Uncertainty regarding incentives
- Proposed 2012 EE program budgets are 25% lower than the budgets approved in the Three Year 2009 IRP Action Plan

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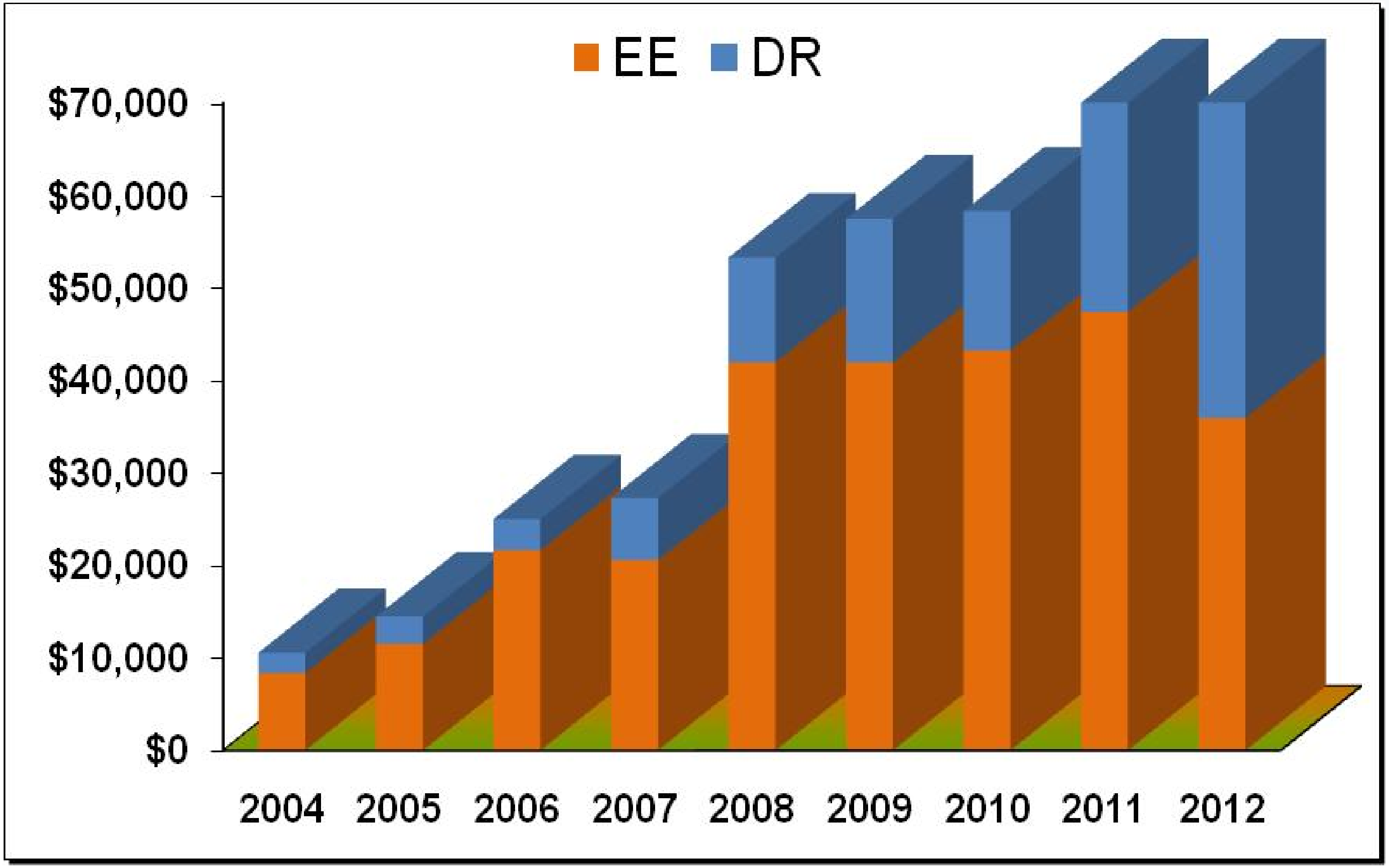
Program Expenditures for EE Reduced



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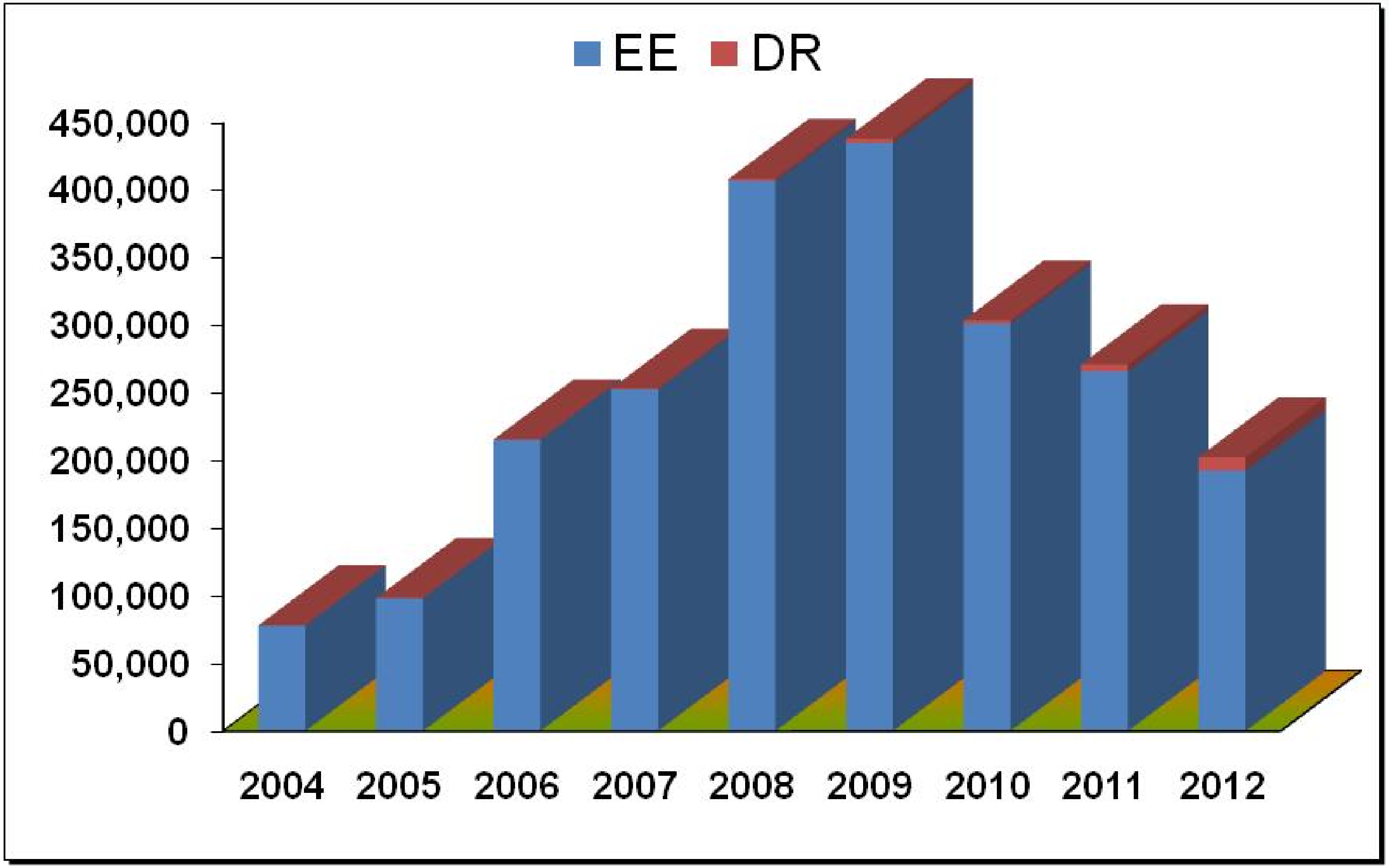
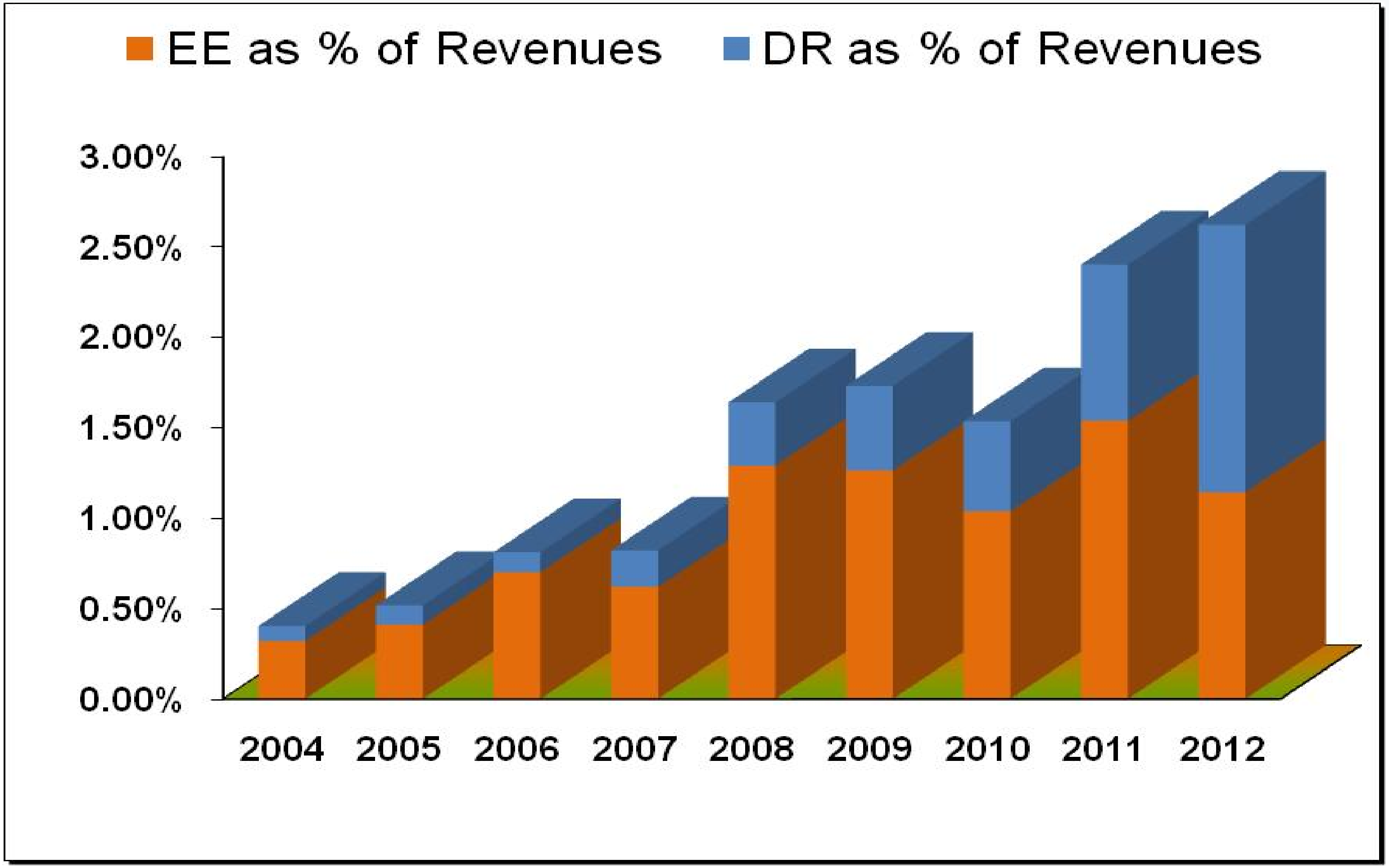
Energy Savings Decrease



Decline in Projected Energy Savings

Good Bye Old Friend

EE Percent of Revenues Declines



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Projected EE Impact 2012-2020

- Each year EE programs will contribute annual savings of approximately 0.7% of kWh sales

Integrated Resource Plan

- Energy efficiency estimates are inputs to the 25 year load forecast
- DSM Plan is filed as part of triennial IRP
- EE is fully integrated except the determination of the magnitude of the programs
  - EE is subtracted from the load forecast before other resources are considered

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Evolving IRP Process

- Reid Gardner retirement alternative
- Internal IRP process review
  - More fully integrate EE
    - Competing Resource
    - Competing Investment

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Summary

- From 2001-2010 EE became a major resource for NV Energy
- Polices and conditions have changed
- EE must compete effectively with other resource options for all stakeholders
- EE is projected to be a moderate scale resource in the next ten years

Thank you!