

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Joint Application of Sierra Pacific Power Company d/b/a)
NV Energy and Nevada Power Company d/b/a NV)
Energy for authority to establish and implement three) Docket No. 12-05003
separate trial non-standard metering option riders)
pursuant to the Order issued in Docket No. 11-10007.)
_____)

At a special session of the Public Utilities
Commission of Nevada, held at its offices
on November 27, 2012.

PRESENT: Chairman Alaina Burtenshaw
Commissioner Rebecca D. Wagner
Commissioner David Noble
Assistant Commission Secretary Breanne Potter

ORDER

The Public Utilities Commission of Nevada ("Commission") makes the following
findings of fact and conclusions of law:

I. INTRODUCTION

Sierra Pacific Power Company d/b/a NV Energy ("SPPC") and Nevada Power Company d/b/a NV Energy ("NPC") (collectively, "NV Energy") filed a Joint Application with the Public Utilities Commission of Nevada ("Commission"), designated as Docket No. 12-05003, pursuant to the Order issued in Docket No. 11-10007. In the Joint Application, NV Energy is requesting authority to establish and implement three separate trial non-standard metering option ("Trial NSMO") riders for NPC, SPPC's electric operations, and SPPC's natural gas operations. Additionally, NV Energy is requesting approval of proposed changes to existing rules and schedules associated with its implementation of the Trial NSMO riders.

II. SUMMARY

The Commission grants NV Energy's Joint Application as modified by this Order.

III. PROCEDURAL HISTORY

- On May 1, 2012, NV Energy filed the Joint Application. The matter was designated as Docket No. 12-05003.
- The Joint Application was filed pursuant to the Nevada Revised Statutes ("NRS") and the Nevada Administrative Code ("NAC"), Chapters 703 and 704, including but not limited to NAC 703.535.

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- On May 2, 2012, the Nevada Attorney General's Bureau of Consumer Protection ("BCP") filed a Notice of Intent to Intervene pursuant to NRS Chapter 228.
- On May 10, 2012, AARP Nevada ("AARP") filed a Notice of Intent to Participate as a Commenter ("NIPC").
- On May 11, 2012, the Commission issued a Notice of Joint Application and Notice of Prehearing Conference.
- On May 14, 2012, the National Toxic Encephalopathy Foundation ("NTEF") filed a Petition for Leave to Intervene ("PLTI").
- On May 18, 2012, NIPCs were filed by Tony Simmons, Mike Hazard, and Joyce Hazard. On May 23, 2012, Jonathan Friedrich filed a NIPC. On May 29, 2012, NIPCs were filed by Sheila Stirling, Karen Smith, Mary Lahren, John Snatic, Bruce Kittess, and Fred Voltz. On May 31, 2012, NIPCs were filed by Christian Salmon, Richard Salmon, and Rapatsorn Salmon. On June 2, 2012, Eleanor Ahern filed a NIPC. On June 4, 2012, NIPCs were filed by Penny Hess, Angel De Fazio, NV Energy Stop Smart Meters/S.A.F.E.R., Lisa Toulouse, Cheryl Wisecup, Wendy Ellis, Joseph Lavenburg, Neil Ohriner, John Mahler, Crystal Smith, Ru Dugdale, Charles Noce, and Cynthia Coletti. Also on June 4, 2012, Bruce Kittess filed Comments. On June 5, 2012, NIPCs were filed by Andrea Glenn, Katrin Ivanoff, Richard Schweickert, Robert Frank, Rita Hickey, and Daniel Hickey. On June 6, 2012, NIPCs were filed by George Sovitsky, Patty Vinikow, and Matthew and Melody Chutter. Also on June 6, 2012, Comments were filed by Sheila Stirling, Carole Fineberg, A. Jane Lyon, and Fred Voltz. On June 11, 2012, Comments were filed by Angel De Fazio, NV Energy Stop Smart Meters/S.A.F.E.R., NTEF, Mary Lahren, and John Snatic.
- On June 13, 2012, NV Energy filed a Response to NTEF's PLTI.
- On June 14, 2012, NTEF filed a Reply to NV Energy's Response.
- On June 15, 2012, Mike Hazard and Joyce Hazard filed Comments.
- On June 19, 2012, the Commission held a Prehearing Conference. Appearances were made by NV Energy, BCP, and Staff. The PLTI of NTEF and a procedural schedule were discussed, and public comments were allowed.
- On June 26, 2012, the Presiding Officer issued Procedural Order No. 1 setting a procedural schedule for NTEF to revise its PLTI, the filing of testimony, and a hearing.
- On July 2, 2012, the Commission issued a Notice of Hearing.
- On July 3, 2012, NTEF filed an Amended PLTI, and on July 6, 2012, NTEF filed an Amended Certificate of Service.
- On July 10, 2012, NV Energy filed a Response to NTEF's Amended PLTI.

- On July 17, 2012, NTEF filed a Reply to NV Energy's Response to Amended PLTI.
- On August 8, 2012, the Commission issued an Order denying NTEF's PLTI (the "Order").
- On August 22, 2012, NTEF filed a Request for Rehearing/Reconsideration of Order on PLTI of NTEF ("Petition").
- On August 22, 2012, the Presiding Officer issued Procedural Order No. 2, deviating from the regulations and shortening the time for filing an answer pursuant to NAC 703.801 from ten (10) business days to three (3) business days.
- On August 27, 2012, NV Energy filed its Answer to NTEF's Petition.
- On August 27, 2012, NTEF filed a Notice of Representation for Petitioner Regarding Request for Rehearing/Reconsideration of Order on Petition for Leave to Intervene of the National Toxic Encephalopathy Foundation and Request for Rescheduling for Dates in this Docket to Conform under Due Process ("Request for Rescheduling").
- On September 4, 2012, the Presiding Officer issued an Order on Petition for Reconsideration/Rehearing of the National Toxic Encephalopathy Foundation.
- On September 11, 2012, BCP and Staff filed Prepared Direct Testimony.
- On September 18, 2012, Bruce Kittess filed Comments. On September 19, 2012, Fred Voltz filed Comments. On September 20, Sheila Stirling filed Comments. On September 21, 2012, Mike Hazard filed Comments.
- On September 25, 2012, NV Energy filed Prepared Rebuttal Testimony.
- On September 26, 2012, Jonathan Friedrich filed Comments. On September 28, 2012, Fred Voltz filed Comments. On October 1, 2012, Comments were filed by Crystal Smith, Penny Hess, Mary Lahren, John Snatic, Richard Schweickert, Daniel and Rita Hickey, Cheryl Wisecup, Matthew and Melody Chutter, Joyce Hazard, Wendy Ellis, John Mahler, Neil Ohriner, Jonathan Friedrich, George Sovitsky, and Cynthia Coletti. On October 2, 2012, Comments were filed by Angel De Fazio, NV Energy Stop Smart Meters and SAFER, NTEF, Mike Hazard, and Robert and Louise Frank. On October 3, 2012, the AARP filed Comments.
- On October 3-4, 2012, the Commission held a hearing. Appearances were made by NV Energy, BCP, and Staff. Exhibit Nos. 1 through 17 and Confidential Exhibit No. 1 were entered into evidence. Administrative Notice was also taken of the Commission's Docket Nos. 04-5003, 10-02009, 10-03023, 10-07024, and 11-10007.

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IV. JOINT APPLICATION

A. BACKGROUND

1. In Docket Nos. 10-02009 and 10-03023, NV Energy¹ obtained Commission approval to implement its proposed Advanced Service Delivery program (“ASD Program”). The ASD Program involves the replacement of all analog and digital meters within NV Energy’s service territory (approximately 1.35 million electric meters) with new, solid-state electric meters. (Docket No. 10-02009, et al., Order at ¶ 177.) The new meters feature integrated advanced metering infrastructure (“AMI”) communications, integrated remote disconnect/reconnect, and integrated Zigbee communications. (*Id.*) Also as part of the ASD Program, SPPC proposed to add communications modules to approximately 156,000 of its gas meters. (*Id.*)

2. NV Energy informed the Commission that the new meters would communicate through wireless communications on Federal Communication Commission (“FCC”) frequencies with 144 towers that would be constructed inside NV Energy’s substations. (*Id.* at ¶ 178.) At the substations, the data from the meters would enter NV Energy’s fiber-optic facilities to be converted into information that would be delivered to NV Energy’s information systems. (*Id.* at ¶ 177.)

3. NV Energy testified that it had budgeted approximately \$301 million for the ASD Program. (*Id.* at ¶ 176.) Approximately \$138 million of the ASD Program cost was to be funded by the United States Department of Energy (“DOE”) through its Smart Grid Investment Grant Program (“SGIG”). (*Id.*) This funding is part of the American Recovery and Reinvestment Act of 2009 (“ARRA”). (*Id.*)

¹ Specifically, NPC and SPPC’s electric division.

4. The Commission held two consumer sessions on May 10, 2010 to provide the opportunity for consumers to comment on NV Energy's triennial integrated resource plan which included the ASD Program.

5. Thereafter, given the complaints made during the Commission's general consumer sessions on October 3-4, 2011, the Commission voted on October 25, 2011, to open an investigation regarding NV Energy's ASD Program and its implementation. That investigation was designated as Docket No. 11-10007. The Commission approved and issued a Report and Order on its investigatory findings on March 2, 2012.

6. Based on the Report and Order issued in Docket No. 11-10007, the Commission ordered NV Energy to file a trial "Opt-out Tariff" allowing customers the opportunity to "opt-out" of participation in NV Energy's ASD Program ("Trial Opt-out Program"), consistent with the recommendations contained in the Commission's Report. (Docket No. 11-10007, Order at 3.) In the Report, the Commission recommended that NV Energy offer a digital NMSO that is capable of drive-by reading. (Docket No. 11-10007, Report at 26.) Specifically, the Commission stated:

The combination of a digital meter that is capable of drive-by reading is the alternative that NV Energy should offer to customers who demand a non-standard meter. NV Energy currently utilizes this type of meter when there are access issues with an analog meter. As stated above, the digital meters are relatively low cost, do not communicate or store interval data, and can be periodically read by the customer with less frequency of costly meter reading errors when compared to analog meters. While upfront costs of a digital meter could increase by adding a drive-by meter reading function, the monthly meter reading costs will be reduced because it will be possible to read more meters in one day. Therefore, the total costs to the customer selecting the opt-out tariff will be reduced.

(*Id.* at 28.)

7. There are five issues before the Commission in this proceeding. The first issue is whether the NSMO proposed by NV Energy for use in the Trial Opt-out Program comports with the Commission's Order and Report in Docket No. 11-10007 and should be utilized in the Trial Opt-out Program. The second issue is whether the rates for participating in the Trial Opt-out Program should be set in this proceeding and, if so, what the rates should be. The third issue turns on whether the Trial Opt-out Program is terminated after the trial period, and if so, concerns whether refunds should be given to customers who participated in the Trial Opt-out Program. The fourth issue concerns whether NV Energy should be allowed to defer recovery of any unrecovered, but incurred costs resulting from the Trial Opt-out Program to a future general rate case. The fifth issue is whether a separate customer class of opt-out customers should be created in this proceeding.

B. NON-STANDARD METER OPTION ("NSMO")

NV Energy's Position

8. NV Energy states that after consideration of available drive-by meters, it selected the Itron Centron C1SR AMR meter ("C1SR") as the electric NSMO, and the Itron 40G ("40G") as the gas NSMO. (Exhibit 5 at 3, 9.) NV Energy asserts that these meters comply with the Commission's Report which recommends that the meters be digital, capable of drive-by reading, and do not store or transmit interval data. (*Id.* at 10-11.) NV Energy selected these meters due to NV Energy's familiarity with Itron technology, the reliability of the products, the compatibility of the meters with existing meter reading equipment, and the suitability of the meters for their intended use. (*Id.* at 3.)

9. NV Energy notes that the C1SR meters currently are compatible with existing handheld meter reading devices owned by NV Energy. (*Id.* at 8.) However, NV Energy will

need to purchase 20 new handheld meter reading devices because the existing devices must be retired in December 2012 as Itron will no longer be providing maintenance support for them (e.g., parts will be discontinued, support analysts will no longer be employed to answer questions regarding the devices, and software updates for Microsoft operating system patches will no longer be performed). (*Id.*; Tr. at 31.)

10. NV Energy asserts that the C1SR electric meter measures kilowatt hour (“kWh”) usage which is transmitted either to a handheld device or vehicle-based device. (Exhibit 5 at 4.) The C1SR meter does not record, store, or transmit interval data that connects to NV Energy’s smart meter network. (*Id.*) The C1SR meter has a one-way radio that is programmed to transmit data once every two seconds with a random scheduling of the transmission within that two-second period. (*Id.* at 4-5; Tr. at 34-35.) The C1SR meter has similar security characteristics to that afforded remote meter reads already being performed by NV Energy. (Exhibit 5 at 6-7.) In addition, all customer data collected by the C1SR meter is safeguarded pursuant to statute, regulation, and corporate policies. (*Id.* at 7.)

11. As noted above, NV Energy selected the 40G meter for its gas operations. (*Id.* at 9.) NV Energy asserts that the 40G, although similar in many ways to the C1SR, is different in that it operates in traditional wake-up mode whereby a wake-up radio signal is sent to the meter by either a handheld or mobile reading device. (*Id.* at 9-10.) In response to the wake-up signal, the 40G meter transmits meter read and tamper data back to the handheld or mobile device. (*Id.* at 10.) Although the data submitted is not encrypted, it does not contain personal information. (*Id.*)

BCP’s Position

12. BCP did not address this issue in its direct testimony.

Staff's Position

13. Staff states that the NSMO proposed by NV Energy attempts to technically meet the recommendations set forth in the Commission's Report in Docket No. 11-10007. (Exhibit 12 at 2.) However, Staff identifies two areas of concern regarding the proposed NSMO. (*Id.* at 4.) First, the kWh data signal is being transmitted using a proprietary protocol, but the data is not being sent with any type of security encryption. (*Id.*) Second, the near-constant transmission of cumulative kWh data raises interval/demand data concerns. (*Id.*) Staff asserts that these characteristics render the proposed NSMO inconsistent with the intent of the Commission's implementation of the Trial Opt-out Program. (*Id.* at 3-4.)

14. Staff states that it investigated whether corrective action could be taken to address the encryption issues and near-constant transmission of data. (*Id.* at 6.) Staff states that its review of the vendor specifications confirmed that C1SR meters are incapable of operating in wake-up mode because the meter does not have a communications receiver. (*Id.*) In addition, the transmission interval is not an adjustable function because the meter is not equipped with an internal clock or calendaring function. (*Id.*)

15. Staff did its own research in an attempt to identify a digital meter capable of drive-by reading that could operate in a wake-up mode, such that the meter only transmits a customer's cumulative kWh information once a month when the actual meter read is occurring. (*Id.* at 9.) Staff was unable to find a metering technology that performs this exact function. (*Id.*) The additional metering technologies researched by Staff were no longer in production, no longer supported, stored interval data, or had radio transmission concerns similar to the NSMO proposed by NV Energy. (*Id.* at 7.)

16. Staff states that if the Commission agrees with its concerns regarding the NSMO proposed by NV Energy, Staff recommends that a non-communicating electric digital meter be used for the Trial Opt-out Program. (*Id.* at 9, 14.) Staff believes that the use of a non-communicating digital meter will likely result in little cost difference (or savings) as opposed to performing drive-by meter readings. (*Id.* at 9-10.) Staff states that it is likely that participants in this program will be scattered throughout NV Energy's service territory, and the majority of time a meter reader will spend obtaining meter reads from customers choosing the NSMO will be in travel time to and from the office. (*Id.* at 10.) This will be the same regardless of whether the meter is capable of being read by driving by the meter location slowly and/or if the meter reader has to stop and manually walk-up to the digital meter and record the information. (*Id.*)

17. Staff further testifies that the handheld devices used to perform the drive-by readings require some level of operator involvement and stopping of the meter reading vehicle. (*Id.*) The current procedure involves stopping the vehicle in front of the customer's house and waving the handheld device outside of the window in order to obtain the signal being transmitted from the NSMO. (*Id.*) Once the signal is obtained by the handheld device, the meter reader must start the process of uploading the meter information by pressing one of the buttons on the handheld device. (*Id.*)

18. If a non-communicating digital meter is used as the electric NSMO, it is likely that the gas NSMO will have to be manually read as well. (*Id.* at 11.) There will be no benefit associated with manually reading the electric meter and remotely reading the gas meter. (*Id.*)

19. Staff also investigated a pre-paid metering option, which was the same technology NV Energy offered for a short period of time between 2005 and 2009. (*Id.* at 12.) Staff asserts that pre-paid metering technology is evolving. (*Id.*) Staff states that the concept of pre-paid

service places the responsibility of consumption onto the customer by forcing them to control their own spending and electricity usage. (*Id.*) NV Energy did perform a trial pre-paid metering program for its employees in Docket No. 04-5003; however, Staff states that its research on the outcome of the trial program was inconclusive. (*Id.*; Tr. at 119-20.)

NV Energy's Rebuttal

20. NV Energy recommends the Commission accept as the electric NSMO either the CISR proposed in its direct case or the non-communicating digital meter proposed by Staff. (Exhibit 17 at 1.) NV Energy states that it is ready, willing and able to use a non-communicating digital meter. (Exhibit 15 at 8; Exhibit 17 at 2.) NV Energy asserts, however, that accepting Staff's non-communicating digital meter recommendation will change the cost of the NSMO. (Exhibit 16 at 45.) The monthly charge for NPC customers will increase by \$1.98 to \$9.22, and the monthly charge for SPPC's electric service will decrease by \$0.14 to \$10.66 and SPPC's gas service will decrease by \$1.20 to \$0.00. (*Id.*)

21. NV Energy contends that there is no reason for the Commission to investigate the use of pre-paid meter service. (Exhibit 15 at 8.) NV Energy asserts that an investigation will only delay and potentially financially impact the ASD Program. (*Id.*) NV Energy testifies that the pre-paid meter trial program was not inconclusive, but ended as a failure. (Tr. at 149.) The trial was not only expensive, but also difficult to administer due to low customer satisfaction, software difficulties, and the need for customers to physically pay at local pay stations. (Exhibit 15 at 9; Tr. at 149-51.) NV Energy notes that technological advances associated with the pre-paid meters have occurred that reduce the stated difficulties. (Exhibit 12 at 10.) However, these modern advances use the new smart meter networks to perform the same functions without the additional investment, and using the smart meter network obviously is not a viable solution for

the Trial Opt-out Program. (Exhibit 15 at 10; Tr. at 151-53.)

Commission Discussion and Findings

22. The Commission accepts Staff's recommendation to utilize a non-communicating digital meter for electric service in the Trial Opt-out Program. Although Staff's proposed digital meter does not strictly conform to the recommendations laid out by the Commission in its Report in Docket No. 11-10007, the precise meter envisioned by the Commission when it issued the Report is not available. NV Energy also expressly supports the use of Staff's meter in its rebuttal testimony and proposed a similar meter option during the course of the Commission's investigation in Docket No. 11-10007.

23. The C1SR meter proposed by NV Energy also meets certain, but not all criteria outlined in the Commission's Report in Docket No. 11-10007. However, the Commission is troubled by the continuous communication feature of the C1SR meter. Given commenter concerns regarding frequent communications capabilities of smart meters, the Commission believes that Staff's proposed non-communicating digital meter better addresses customer concerns associated with smart meters, radio transmissions, and the collection of interval data.

24. In addition, the Commission finds that Staff's proposed meter is still relatively low in cost. Based on NV Energy's pricing methodology, the change in rates associated with the non-communicating digital meter will decrease NV Energy's proposed residential monthly rate for SPPC customers, and will only increase the proposed residential monthly rates for NPC customers by less than \$2.00.

C. TIMING FOR IMPLEMENTATION OF NSMO RATES

NV Energy's Position

25. NV Energy filed the Trial Opt-out Program tariffs pursuant to the Commission's

directive in Docket No. 11-10007. (Exhibit 1 at 1.) NV Energy states that implementation of the Trial Opt-out Program rates will begin immediately after the Commission approves the tariffs.

(Tr. at 20.)

BCP's Position

26. BCP recommends the Commission reconsider its decision in Docket No. 11-10007 to set rates for the Trial Opt-out Program prior to NV Energy's general rate cases which will reflect ASD Program savings. (Exhibit 9 at 11, 12.) BCP argues that ASD Program savings should be used to offset any incremental costs. (*Id.* at 11.)

27. BCP asserts that the ASD Program costs and/or benefits are not reflected in existing rates. (*Id.* at 6.) Nevertheless, the benefits of the ASD Program will be realized immediately. (*Id.* at 10.) BCP states that any operational savings will be retained by NV Energy until such time as the ASD Program costs and benefits are recognized in general rates. (*Id.*) Additionally, other factors have emerged to suggest that offsetting cost increases in other areas have not materialized, creating better earnings potential for NV Energy. (*Id.* at 10-11.) BCP states that the rates associated with the Trial Opt-out Program contribute to increased future earnings by raising rates for customers electing to opt-out of the new standard "smart" meters. (*Id.* at 11.)

Staff's Position

28. Staff recommends the Commission establish rates for the Trial Opt-out Program in this proceeding. (Exhibit 13 at 8.) Staff contends that at least two significant policy implications exist if the Trial Opt-out Program is provided at no charge, including: (a) an improper price signal and (b) difficulty charging a customer, at a later date, for a service that was previously provided at no cost. (*Id.* at 7-8.) Staff further states that if the rates for the Trial Opt-

out Program are not initially set at full cost, NV Energy has the ability to later seek recovery of the subsidy provided to opt-out customers from the remaining body of ratepayers. (*Id.* at 8.)

NV Energy's Rebuttal

29. NV Energy recommends the Commission deny BCP's proposal to defer implementation of the Trial Opt-out Program tariff rates until NV Energy's next general rate case. (Exhibit 16 at 24, 45.)

30. NV Energy testifies that because NSMO customers are choosing not to be part of the smart meter network, they are not adding to or facilitating any of the benefits that will accrue from the ASD Program. (Tr. at 172.) The benefits from the ASD Program accrue because of the dollars spent and because of the other customers who are participating in the smart meter program. (*Id.*)

31. NV Energy asserts that, due to the expected high price elasticity for opt-out service, rates for the Trial Opt-out Program should be established in this proceeding. (Exhibit 16 at 23.) NV Energy testifies that customer participation in the Trial Opt-out Program will depend on the cost of the program. (Tr. at 173.) If the price is initially set at \$0, customers may make the decision to participate. (*Id.*) If a higher price is later imposed, those same customers may change their decision to participate. (*Id.*)

32. NV Energy argues that it is reasonable to expect an exodus of opt-out customers who initially obtained the opt-out service for free to want to return to the standard service schedule after rates are set in a general rate case. (Exhibit 16 at 23.) Moreover, NV Energy states that if a significant number of customers switch to standard meter service after rates are set in a general rate case, the participation data used to establish the rates for the opt-out service will be meaningless and will result in rates unreflective of the underlying costs to implement the Trial

Opt-out Program. (*Id.*)

33. NV Energy asserts that not instituting a one-time (non-recurring) fee to initiate service may result in costs being incurred during the no-charge period that will not be collected from participants in the Trial Opt-out Program. (*Id.*) For example, a customer may move or no longer be a customer by the time the charges are imposed. (*Id.*) NV Energy argues that implementing the Trial Opt-out Program at no cost will make it difficult to begin charging customers for this service at a later date. (*Id.*)

34. NV Energy states that its current rates do not include the \$152 million of ASD Program costs. (Tr. at 166.) NV Energy believes that it justified implementation of the ASD Program in its 2010 Integrated Resource Plan by showing that the benefits will offset the costs, and both benefits and costs will be included in rates. (*Id.*) NV Energy states that to the extent the savings exceed the costs they will be passed back to the ratepayers. (*Id.*) NV Energy testifies that it has to wait to include the costs and benefits in a rate case when both are known. (*Id.*)

35. Additionally, NV Energy contends developing rates to recover the full incremental cost of the Trial Opt-out Program should focus on inter-customer equity issues. (Exhibit 16 at 7.) NV Energy argues that as a standalone service, the Trial Opt-out Program should not be leveraged against existing resources that serve NV Energy's other customers. (*Id.* at 14.) The rate for this service should cover all of the identified incremental costs; otherwise, the NSMO service will inappropriately "piggyback" on resources and costs being incurred for the general body of ratepayers. (*Id.*)

Commission Discussion and Findings

36. The Commission finds that NV Energy shall immediately begin charging customers to participate in the Trial Opt-out Program upon approval of the tariffs. The Commission envisioned that the Trial Opt-out Program would provide a choice to customers who, for whatever reason, choose not to participate in the ASD Program. By choosing to opt-out of the ASD Program, participants are causing additional incremental costs to be incurred on NV Energy's system, including the cost to develop and maintain an additional meter reading infrastructure.

37. The Commission finds that in order for customers to make informed decisions regarding whether to participate in the Trial Opt-out Program, customers must be advised of the cost immediately. The costs associated with the Trial Opt-out Program were not contemplated at the time general rates were established for the NV Energy entities. The Commission is concerned that by not establishing rates for the Trial Opt-out Program in this proceeding, inaccurate price signals may influence customers to participate in the Trial Opt-out Program where they might have elected otherwise.

38. Furthermore, delaying the implementation of rates associated with the Trial Opt-out Program presents another concern. When the Trial Opt-out Program rates are ultimately instituted after a subsequent general rate case and customers become aware of the actual cost to participate, a number of customers may elect to terminate their participation in the Trial Opt-out Program. In turn, this will result in rates that are unrepresentative of the underlying costs and/or customer acceptance problems, neither of which serves the public interest. In order to properly assess the viability, economics, and customer interest and acceptance of the Trial Opt-out Program, the Commission finds that opt-out service rates must be adopted in this proceeding.

39. The Commission notes that it is fully aware that the costs associated with the ASD Program are not in NV Energy's existing customer rates; rather, current rates reflect the analog system costs. To the extent any savings are realized when the ASD Program is completed, such savings will be evaluated at the same time as the ASD Program costs and both will be reflected in rates. When the Commission authorized the ASD Program, the Commission expressly determined that the operational savings would accrue to NV Energy in the interim. The purpose of that ruling was to provide an incentive to NV Energy to reduce costs. Placing the costs of the Trial Opt-out Program, with relatively few participants, on NV Energy will erode the benefits from the ASD Program that are expected to ultimately flow to the general body of ratepayers.

D. NSMO TARIFF RATES

NV Energy's Position

40. NV Energy asserts that it is necessary to set the rates for the Trial Opt-out Program at the cost to provide this service. (Tr. at 65.) This will allow the customer to make an informed decision. (*Id.*)

41. NV Energy is proposing the following charges for the Trial Opt-out Program:

Charge	NPC	SPPC (Electric)	SPPC (Gas)
Non-Recurring (Upfront)	\$98.75	\$107.66	\$6.08
Recurring (Monthly)	\$7.61	\$11.01	\$1.20

(Exhibit 8 at 3.)

42. NV Energy asserts that, in accordance with the Commission's Order in Docket No. 11-10007, the proposed charges are designed to recover the entire marginal and incremental cost of implementing and maintaining the Trial Opt-out Program. (Exhibit 2 at 12.) In order to identify the marginal costs necessary to offer the Trial Opt-out Program to residential customers,

NV Energy retained Black & Veatch to prepare a cost study. (*Id.* at 6; Exhibit 6 at 1.) The cost study was performed based on the following assumptions:

- a. A SPPC customer with both electric and gas service that participates in the Trial Opt-out Program must do so for both services. The trial NSMO costs associated with both electric and gas service will apply.
- b. Ongoing costs to implement the Trial Opt-out Program are assigned solely to electric customers because implementing the trial NSMO gas service does not result in additional costs.
- c. While NV Energy was awarded a SGIG in the amount of approximately \$138 million, the costs associated with the Trial NSMO Program are not reimbursable through the SGIG Program.
- d. The estimated total number of electric customers choosing to participate in the Trial Opt-out Program is 7,500 (4,500 in NPC's service territory and 3,000 in SPPC's service territory).

(Exhibit 2, App. 1 at 1.)

43. The cost study identified several different types of costs NV Energy reasonably expects to incur in the provision of the Trial Opt-out Program. (Exhibit 2 at 7; Exhibit 6 at 1.) Once the categories of costs were identified, the costs were developed using NV Energy's internal costing information (i.e., SPPC's collective bargaining agreement with the International Brotherhood of Electrical Workers Local 1245) and vendor data (i.e., Itron, Inc.'s computer server specifications). (Exhibit 6 at 1-12.)

44. NV Energy classified the identifiable costs by the type of occurrence, non-recurring or recurring. (Exhibit 2 at 13; Exhibit 8 at 7.) Specifically, NV Energy classified the following costs as non-recurring: (a) installation labor, (b) customer support and application processing labor, (c) ancillary meter supplies, (d) customer communication materials, and (e) reinstallation of a standard meter when the customer served by a trial NSMO discontinues service. (Exhibit 2 at 7.) NV Energy classifies the following costs as recurring: (a) meter and module expenditures; (b) systems modifications; (c) handheld acquisition and maintenance; (d) vehicular meter reading costs; (e) service technician costs; (f) route analyst costs; (g) billing

customer service representative ("CSR") costs; (h) materials costs; (i) mobile collector annual maintenance costs; (j) annual hardware maintenance costs; and (k) annual software maintenance costs. (*Id.*) Although the cost of the NSMO is technically non-recurring, NV Energy asserts that classification of the NSMO cost as a recurring charge (essentially a rental fee) is comparable to how meter costs are classified for the development of the monthly Basic Service Charge for standard meters. (*Id.* at 13; Exhibit 8 at 7; Tr. at 60-61.)

45. NV Energy asserts that the proposed non-recurring charge is consistent with the methodology used for calculating marginal customer costs and the development of the Basic Service Charge.² (Exhibit 8 at 4; Tr. at 53.) In mirroring the current marginal cost methodology, the rates developed for the Trial Opt-out Program are incremental to, and designed to be consistent with, the application of the monthly Basic Service Charge. (Exhibit 8 at 4, 7; Tr. at 54-55.)

46. NV Energy notes that classifying the cost of the NSMO as recurring presumes that the meter will be used by another customer if a participant in the Trial Opt-out Program terminates service. (Tr. at 74.) If this does not occur, or the Trial Opt-out Program is terminated, the unrecovered meter costs will become part of rate base, but will not be supported by a revenue source. (*Id.* at 74-75.)

47. NV Energy testifies that the non-recurring charge for the gas NSMO is also developed using the electric NSMO methodology. (Exhibit 8 at 5.) However, because the basic service charge for gas service is developed using an embedded cost of service methodology, the monthly recurring charge for the gas NSMO was also developed using an embedded cost of service methodology. (*Id.*)

² Administrative and general expenses were excluded because these costs are already included in the existing Basic Service Charge and the economic carrying charge applicable to the meter investment reflects the life of the proposed meter. (Exhibit 2 at 13-14; Exhibit 8 at 5; Tr. at 57-58.)

48. NV Energy states that classifying the cost of reinstalling a smart meter as a non-recurring upfront cost recognizes that the NSMO configuration will need to be replaced with a standard meter configuration if a customer stops service or no longer wishes to participate in the Trial Opt-out Program. (*Id.* at 6.) The estimated reinstallation costs for the NSMO proposed by NV Energy have been reduced by the cost to install the standard smart meter. (*Id.* at 6-7; Tr. at 59-60.)

49. NV Energy explains that the monthly recurring charge is dependent upon the number of customers subscribing to the service. (Exhibit 8 at 8.) NV Energy states that, pursuant to the Order in Docket 11-10007, the recurring costs were developed assuming NPC has 4,500 NSMO subscribers and SPPC has 3,000 subscribers. (Exhibit 2 at 3, 12-13; Exhibit 8 at 9.) NV Energy asserts that if the number of customers who actually participate in the Trial Opt-out Program differs significantly from the numbers above, NV Energy will either over or under-recover the actual cost through the proposed rates. (Exhibit 8 at 9.)

50. NV Energy asserts that the meter reading function was priced assuming two incremental full-time equivalent service technicians for both NPC and SPPC. (Exhibit 2, App. 1 at 7; Exhibit 6 at 11.) The service technician's hourly wages were those set by the utility's respective bargaining agreement and were increased for labor loadings. (Exhibit 2, App. 1 at 7-8.) Labor loadings include supervisor rates of 31.18 percent for NPC, 53.18 percent for SPPC's electric operations, and 27.27 percent for SPPC's gas operations. (Exhibit 6 at 3.) NV Energy states that NPC will acquire 4 handheld meter reading devices (Exhibit 2, App. 1 at 7.), and SPPC will acquire 16 handheld meter reading devices, which will be spread to its dispersed district offices. (*Id.* at 6-7.)

BCP's Position

51. BCP asserts that NV Energy has taken a fairly aggressive costing approach to maximize shareholder return rather than truly recovering any shortfall in the cost of providing service to opt-out customers. (Exhibit 9 at 13.)

52. BCP testifies that its alternative calculation of incremental costs to be charged to opt-out customers is a more conservative approach to considering and quantifying incremental costs. (*Id.*) BCP asserts that incremental costing does not mean that the opt-out prices should recover a reasonable allocation of joint or common costs which are already being recovered in existing rates. (Exhibit 10 at 3.) Instead, incremental costing should identify the net impact of cost increases and reductions that can be expected to occur as a result of the new opt-out service. (*Id.*)

53. BCP states that eight changes to the NSMO rates should be adopted. (*Id.*) First, overhead costs that are not incremental should not be included. (*Id.*) BCP observes that NV Energy's labor loading costs include supervisory labor. (*Id.* at 4.) However, NV Energy represented that they do not intend to hire additional supervisors. (*Id.*) BCP states that these supervisory costs, which should be reflected in labor loading costs, are not incremental to the opt-out service and should not be borne by opt-out customers. (*Id.* at 4-5.)

54. Second, under NV Energy's proposal, employees who perform drive-by meter reading are set to receive wages that are approximately \$5 higher than union meter readers currently employed by NV Energy. (*Id.* at 5.) Wages should be set at the meter reader rates, not service technician rates. (*Id.* at 6.)

55. Third, NV Energy plans to use two route schedulers, but scheduling should be routine and equivalent to one full-time position (e.g., one-half full-time employee in the north

and one-half full-time employee in the south). (*Id.* at 7-8.)

56. Fourth, NV Energy's proposed rates assume the time equivalent of one full-time customer service position in the north and south to resolve billing problems associated with the drive-by system. (*Id.* at 8.) Given the assumed participation rates, the customer service time in the north should be reduced from a 0.5 full-time employee to a 0.33 full-time employee. (*Id.*)

57. Fifth, BCP argues that NV Energy should have used the labor rates for a standard CSR instead of the rate for a senior CSR. (*Id.* at 8-9.)

58. Sixth, NV Energy's proposed rates include an adjustment for cost savings that will occur when smart meters are retrieved from opt-out customers. (*Id.* at 9.) The cost was overstated by NV Energy and when corrected reduces the monthly charge by about 20 cents. (*Id.* at 8-9.)

59. Seventh, BCP supports elimination of what it considers to be a premature recovery of smart meter reinstallation costs. (*Id.* at 12-13.)

60. Eighth, BCP supports an adjustment for double charging for the manual meter reading that will occur until basic service charge rates are updated in subsequent rate cases. (*Id.* at 13.)

Staff's Position

61. Staff recommends the Commission classify the incremental meter costs and system upgrade costs as a non-recurring cost rather than recurring monthly costs as proposed by NV Energy. (Exhibit 13 at 4, Att. ML-2.) Staff is concerned that a higher probability exists that NV Energy's proposed rates for the Trial Opt-out Program will generate insufficient revenues to recover all the associated costs. (*Id.* at 3-4.) Increasing the non-recurring upfront charge reduces the estimated costs that might otherwise be stranded if recovered through recurring charges. (*Id.*

at 4.)

62. In addition, Staff recommends the Commission use only 75 percent of the value of NV Energy's proposed rates. (*Id.* at 1, 11, 18.) Staff contends that this recommendation addresses the uncertainty associated with determining the incremental NSMO service costs. (*Id.* at 11-12.) Staff lays out two scenarios to justify its reasoning, including one scenario in which the rates are increased by 50 percent and one scenario in which the rates are reduced by 50 percent. (*Id.* at 12-13.) Staff acknowledges that, while its recommendation is predicated upon professional judgment and experience, it is also somewhat arbitrary. (*Id.* at 11-12.)

NV Energy's Rebuttal

63. NV Energy proposes three changes to its direct case for the cost estimates for participation in the Trial Opt-out Program. First, NV Energy states that there is an error in the smart meter cost used in the calculation of the proposed NSMO rates. (Exhibit 16 at 8.) The total cost of the standard smart meter originally used in the calculation was \$50, which was then reduced by 50 percent to \$25, to reflect the fact that part of the meter cost is reimbursed by DOE. (*Id.*) The correct cost of a smart meter for a typical residential customer is actually \$100; the \$50 cost used by NV Energy included the 50 percent DOE reimbursement and should not have been reduced again. (*Id.*) The impact of this error on the proposed monthly recurring charges is small, or a decrease of \$0.21 at SPPC and a decrease of \$0.20 at NPC. (*Id.*)

64. The second revision applies only to NPC customers and reflects a lower incremental labor rate cost of a "standard" CSR instead of the higher labor rate of a senior CSR. (*Id.*) This change decreases the proposed monthly recurring charge for NPC by \$0.17. (*Id.*) No change was necessary to the SPPC cost model. (*Id.*)

65. The third revision was the removal of Field Collection System annual maintenance costs from the total system cost category. (*Id.*) By removing this cost from the system costs category, the proposed monthly recurring rates decreased by \$0.02 at SPPC and \$0.01 at NPC. (*Id.* at 9.)

66. The combined effect of these three revisions is that the proposed charges for SPPC's electric NSMO monthly recurring charge decreases by \$0.21 from \$11.01 to \$10.80 per month. (*Id.*) The proposed charges for SPPC's gas NSMO monthly recurring charges do not change. (*Id.*) The charge for NPC's NSMO monthly recurring charge decreases by \$0.37 from \$7.61 to \$7.24. (*Id.*) The upfront costs do not change from that which was originally proposed. (*Id.*; Tr. at 154-55.) A comparison of the revised proposed rates are as follows:

	NV Energy Rebuttal	Staff	BCP
SPPC Electric Service			
Upfront Charge	\$107.66	\$96.15	\$65.01
Monthly Charge	\$10.80	\$6.68	\$7.96
SPPC Gas Service			
Upfront Charge	\$6.08	--	\$6.08
Monthly Charge	\$1.20	--	\$0.90
NPC			
Upfront Charge	\$98.75	\$92.74	\$62.06
Monthly Charge	\$7.24	\$5.86	\$4.95

(Exhibit 16 at 12; Tr. 155-56.)

67. NV Energy reiterates its contention that the Commission's Order in Docket No. 11-10007 requires the rates to be set to recover the full incremental cost associated with the trial opt-out tariff applying the same methodologies used to establish general rates. (Exhibit 16 at 5-6.)

68. In responding to BCP's proposal to exclude overhead from incremental costs, NV Energy asserts that overhead costs are part of incremental costs. (*Id.* at 13.) Overhead costs are part of the true cost to provide this service and should be accounted for in the cost models. (*Id.*)

69. In response to BCP's assertion that meter readers, not service technicians, should be used for the drive-by meter reading, NV Energy believes BCP is mistaken that using two dedicated meter readers in each service territory will be cheaper than spreading the work across service technicians. (Exhibit 15 at 3-4.) Meter reading will be added to the duties of these employees and reading will be coordinated along with their other work. (*Id.*) Further, NV Energy asserts that using only meter readers will require the hiring of an additional meter reader by each utility as no fractional full-time equivalent position will be available to serve non-metropolitan areas. (*Id.*)

70. NV Energy asserts that BCP's recommendation regarding the one full-time employee route scheduler is unreasonable and cannot be implemented by NV Energy as it is inconsistent with collective bargaining agreements. (*Id.* at 4.)

71. NV Energy argues that BCP's adjustment from a 0.5 full-time employee in the north to a 0.33 full-time employee was proposed for no compelling or sound reason. (*Id.* at 8.) While recognizing that there are fewer customers projected to participate in the Trial Opt-out Program in the north, NV Energy's cost model recognizes that the billing issues in the north are more intricate and subject to additional review because most also include billing for gas consumption in addition to electric consumption. (*Id.* at 6.)

72. NV Energy agrees with BCP that it is appropriate to use standard CSR labor wages instead of senior CSR labor wages, but disagrees with the wages themselves. (*Id.* at 7.) NV Energy states that the BCP correctly uses the standard CSR labor wage for NPC, but uses the

incorrect labor wage for SPPC. (*Id.*) NV Energy believes this error may have been due to a misunderstanding of NV Energy's response to BCP's Data Request No. 5-11. (*Id.*) BCP used the call center CSR wage rather than the more experienced billing CSR wage of \$21.90. (*Id.*)

73. NV Energy opposes BCP's assertion that the monthly opt-out charge should not include recovery for the cost of the NSMO. (Exhibit 16 at 14.) NV Energy states that the foundation of this proceeding is to identify the incremental costs of providing a new service, and develop cost-based rates that reflect those costs. (*Id.*) The Commission's Report states that "any customer demanding a non-standard metering arrangement should be responsible for the attendant incremental costs, which should be recovered through a premise-specific one-time fee and a recurring monthly charge." (*Id.*)

74. NV Energy asserts that it is appropriate to include in NV Energy's NSMO cost models the costs associated with returning NV Energy's networks to the standard smart meter configuration. (*Id.* at 17.) NV Energy argues that if this cost is not taken into consideration there is a higher likelihood that the costs will not be recovered from participants in the Trial Opt-out Program, but from the general body of ratepayers. (*Id.*)

75. NV Energy argues that Staff's recommendation to use 75 percent of the levels proposed by NV Energy for determining the rates is an arbitrary proposal. (*Id.* at 39.) Rather, the rates to participate in the Trial Opt-out Program should be based on reasonable cost estimates. (*Id.*)

76. NV Energy opposes Staff's recommended one-time and monthly recurring costs. NV Energy states that incremental system upgrade costs generally do occur upfront as suggested by Staff, but the recurring monthly charge is consistent with current rate design practices used for developing rates. (*Id.* at 36.) Moreover, if treated as non-recurring charges, any costs

associated with system upgrades must be recovered from either new customers and/or the general body of ratepayers. (*Id.* at 37.) NV Energy states that Staff assumes that the upfront costs will increase the likelihood of revenue recovery. (*Id.*) This shift does not minimize potential rate making issues surrounding the Trial Opt-out Program, and it may exacerbate them. (*Id.* at 38.)

77. NV Energy states that if the Commission adopts Staff's recommendation to use the non-communicating digital meter requiring manual meter reading, the NSMO service charges will be adjusted as follows:

Charge	NPC	SPPC – Electric	SPPC – Gas
Non-Recurring (Upfront)	\$98.75	\$107.66	\$6.08
Recurring (Monthly)	\$9.22	\$10.66	\$0.00

(*Id.*, Att. 1 at 6-8.)

Commission Discussion and Findings

78. The Commission must determine whether or not the methodology and inputs used by NV Energy to estimate the cost of providing the NSMO service are appropriate for estimating just and reasonable rates. The Commission finds that NV Energy's methodologies are appropriate and the majority of its inputs are reasonable. The Commission, however, grants BCP's adjustment to exclude the incremental costs associated with the supervisory labor in the Trial Opt-out Program rates.

79. NV Energy's methodology attempts to establish rates to recover all the costs of providing the service in accordance with the guidance provided by the Commission's Report in Docket No. 11-10007. NV Energy calculated the monthly recurring charge in a manner similar to the approved marginal cost of service methodology used to develop the monthly basic service charge. The Commission finds that NV Energy has made reasonable efforts to remove

potentially duplicative costs.

80. Notwithstanding, the record in this proceeding indicates that supervisory costs should be excluded from the recurring charge as they have not been shown to be incremental costs. Rather, such costs appear to be similar to the administrative and general costs which were appropriately excluded because they are already included in the existing basic service charge. Therefore, the Commission accepts NV Energy's revised Trial Opt-out Program rates associated with utilizing the Staff recommended non-communicating digital meter as adjusted to exclude the incremental supervisory costs.

81. The Commission finds that NV Energy adequately demonstrated in its rebuttal testimony that the majority of changes proposed by BCP to NV Energy's cost model are unlikely to be realized during implementation of the Trial Opt-out Program. While BCP's proposed changes to the rates may seem appealing at this time, the proposals simply increase the probability that costs resulting from the Trial Opt-out Program will become stranded and fall on the general body of ratepayers. Similarly, Staff's recommendation may produce the same results. The Commission therefore finds that NV Energy's proposal, as adjusted herein and set forth above, will result in just and reasonable rates.

E. TERMINATION OF TRIAL OPT-OUT PROGRAM

NV Energy's Position

82. NV Energy asserts that it filed the Trial Opt-out Program pursuant to the Commission's Order in Docket No. 11-10007, and the proposed tariff is consistent with the recommendations in the Commission's Report. (Exhibit 1 at 1; Exhibit 2 at 3.) The applicability section of the tariff states that the Trial Opt-out Program will continue until NV Energy files a request with the Commission to either terminate the Program or continue the Program as a

permanent offering. (Exhibit 3 at 3.) NV Energy states that it will not make such a filing with the Commission until it has at least 12 months of operating results and information regarding subscription to the service. (*Id.* at 3, 6, 9; Tr. at 20, 22.)

BCP's Position

83. BCP recommends that if the Trial Opt-out Program is terminated in the future, the customers who participated in the Program should be refunded the upfront or non-recurring charge. (Exhibit 9 at 12.) BCP contends that the customer will have made the initial investment with the anticipation that the benefit period will have been longer than a few months or years. (*Id.*)

Staff's Position

84. Staff did not address this issue in its direct testimony.

NV Energy's Rebuttal

85. NV Energy recommends the Commission deny BCP's proposal to refund the non-recurring payment if the Trial Opt-out Program is canceled in the future. (Exhibit 16 at 24.) NV Energy argues that termination of the Program does not eliminate the costs that were reimbursed by the non-recurring charge. (*Id.* at 24-25.) Refunding the costs will simply shift the defunct NSMO costs to the general body of ratepayers. (*Id.* at 24.)

Commission Discussion and Findings

86. The Commission's Report in Docket No. 11-10007 recommended that the duration of the Trial Opt-out Program be linked to the first available general rate case after the Program has been in effect for all 12 months of the test year. This concept makes sense from a rate-making perspective. However, BCP argues in this proceeding that participants in the Trial Opt-out Program will have made the initial investment to participate with the expectation that the

benefit period will be longer than a few months or years. Moreover, the Commission believes that tying the Trial Opt-out Program to rate cases presents a problematic possibility that NPC customers will have a shorter trial period than SPPC customers given the difference in timing of general rate case filings for each entity pursuant to NRS 704.110(3)(a)-(b).

87. The Commission agrees with BCP's reasoning, but rejects BCP's proposal to refund the non-recurring charge to opt-out customers because the effect of doing so will merely transfer the costs recovered by the non-recurring charge from the opt-out customers who created the cost to the general body of ratepayers. Rather, given the uncertainty of the rate case cycle coupled with customer unawareness of this cycle, the Commission finds that it is preferable to impose a fixed term for the Trial Opt-out Program on both NV Energy entities.

88. The Commission believes that a four-year investment period, ending on or about December 31, 2016, for both SPPC and NPC customers should provide an adequate period of time for customer investment purposes and to assess the viability of the Trial Opt-out Program. Therefore, NV Energy shall file with the Commission either an updated Trial Opt-out Program tariff, or a proposal to end the Trial Opt-out Program and a transition plan, no later than April 1, 2016.

F. DEFERRED ACCOUNTING VS. BALANCING ACCOUNT

NV Energy's Position

89. NV Energy asserts that any costs incurred but not recovered from the opt-out customers will have to be deferred and recovered from all customers in general rates established in a future proceeding. (Exhibit 8 at 8.)

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BCP's Position

90. BCP recommends denying any deferred accounting for opt-out service. (Exhibit 10 at 17.) BCP argues that if NV Energy retains any overall cost savings associated with the ASD Program, it will be unfair to allow NV Energy to defer any subset of incremental costs prior to NPC's or SPPC's subsequent general rate case. (*Id.*)

Staff's Position

91. Staff recommends the Commission establish a balancing account to track both the costs and revenues associated with the Trial Opt-out Tariffs. (Exhibit 13 at 17-18.) Staff argues that establishing a balancing account will allow the collection of data to determine the actual costs associated with offering this service. (*Id.* at 17.) Staff asserts that NV Energy has instituted a project identification system that will allow the tracking of the Trial Opt-out Program costs. (Exhibit 11 at 2.) Staff recommends the Commission require that these costs be recorded in FERC Account No. 186.201 (Job Orders). (*Id.*) Upon the Commission establishing a regulatory asset account or liability account in a future proceeding (e.g., potentially a general rate case or separate balancing account process), the funds will be transferred to FERC Account No. 182.3, and either collected or refunded to the customers participating in the Trial Opt-out Program. (*Id.*; Tr. at 104-05.)

NV Energy's Rebuttal

92. NV Energy recommends the Commission not establish a balancing account for the Trial Opt-out Program. (Exhibit 16 at 46.) NV Energy asserts that a balancing account is not justified because: (a) it comprises only a small percentage of revenues (less than one-tenth of one percent); (b) the costs span all of NV Energy's customer service and accounting functions; and (c) the cost of administering the balancing account will be borne by the small group of opt-out

customers. (*Id.* at 39-40.) Furthermore, a significant customer acceptance problem could arise if a significant charge or refund was to occur years after electing the service. (*Id.* at 40.)

Commission Discussion and Findings

93. In developing the Trial Opt-out Program tariffs, NV Energy was required to make certain assumptions regarding participation in order to estimate program costs. The Commission acknowledges that the economics of this Trial Opt-out Program will be driven by program participation although the number of participants is uncertain at this time. Thus, the Commission recognizes that variations in participation and other factors may result in costs that will be stranded. This Commission must determine how to address the stranded costs and whether such costs should be borne by the Trial Opt-out Program participants or by the general body of ratepayers. The parties have presented three different alternatives to address the stranded costs.

94. BCP's recommendation that NV Energy should not be allowed to defer any subset of incremental costs prior to its subsequent general rate cases is contrary to the Commission's Order in Docket No. 10-02009 et al. BCP argues that it is unfair for NV Energy to retain the overall cost savings associated with the ASD Program and defer certain incremental costs associated with the Trial Opt-out Program until a subsequent general rate case. When the Commission authorized the ASD Program, the Commission agreed that the operational saving would accrue to NV Energy in the interim, in order to incentivize NV Energy to reduce costs. When the customer rates are reset in a subsequent general rate case, any savings will then accrue for the remaining life of the ASD Program to ratepayers. Placing the costs of the Trial Opt-out Program, with relatively few participants, on NV Energy will ultimately erode the benefits that are expected to flow to the general body of ratepayers from the ASD Program.

95. The Commission rejects Staff's recommendation to create a balancing account. NV Energy identifies several practical concerns with administering a balancing account for the Trial Opt-out Program costs, including that the cost of administering the balancing account will be borne by the potentially small opt-out customer base and additional problems with customer acceptance may result.

96. The Commission finds that any costs incurred but not recovered from the Trial Opt-out Program will have to be deferred and recovered in general rates established in a future proceeding. While the Commission acknowledges that this approach is problematic, it nevertheless provides the most practical approach for handling any potentially stranded costs that might arise from this Trial Opt-out Program. Therefore, the Commission approves NV Energy's proposal to defer and recover the stranded costs in general rates as established in a future proceeding.

G. CREATION OF NSMO CUSTOMER CLASS

NV Energy's Position

97. NV Energy did not address this issue in its direct testimony.

BCP's Position

98. BCP did not address this issue in its direct testimony.

Staff's Position

99. In the event the Trial Opt-out Program is retained as permanent after the proposed trial period, Staff recommends that the Commission require NV Energy to establish a separate rate class for this opt-out service for both cost of service and rate design purposes. (Exhibit 13 at 17-18.)

NV Energy's Rebuttal

100. NV Energy recommends that the Commission deny Staff's recommendation for a separate rate class. (Exhibit 16 at 43.) NV Energy asserts that the opt-out service provided by the rider will not provide an accumulation of hourly load data necessary for use as the basis for the cost of service for the opt-out class. (*Id.*) NV Energy further asserts that it will be reasonable to assume this subset of customers will not have different load characteristics than the otherwise applicable class. (*Id.*) Additionally, NV Energy contends that the Trial Opt-out Program tariff identifies the cost differences between the opt-out service and the standard residential class service. (*Id.*)

Commission Discussion and Findings

101. The threshold question before the Commission is whether or not participants in the opt-out program will have energy use patterns that are different from non-participants. The Commission finds that it is unclear from the evidence whether Staff is asserting that the Trial Opt-out Program customers will have load characteristics that differ significantly from the standard residential service customers, or if the cost to serve the opt-out customers differs due to the type of metering configuration. Prospectively, there is no reason to believe that energy use patterns among participants will be different from non-participants. Therefore, the Commission finds that a new rate class is unsupported at this time and denies Staff's recommendation.

102. All arguments of the parties raised in these proceedings not expressly discussed herein have been considered and either rejected or found to be non-essential for further support of this Order.

THEREFORE, it is ORDERED that:

1. The Joint Application filed by Sierra Pacific Power Company d/b/a NV Energy and Nevada Power Company d/b/a NV Energy, designated as Docket No. 12-05003 is GRANTED as modified by this Order.

Compliance

2. Sierra Pacific Power Company d/b/a NV Energy and Nevada Power Company d/b/a NV Energy shall file new tariff sheets reflecting the results of the Commission's findings in this Order within 5 business days of the date of issuance of this Order.

Directives

3. The Regulatory Operations Staff is directed to review the above-referenced revised tariff sheets for consistency with the Commission's Order. The revised tariff sheets shall become effective upon the completion of the Regulatory Operations Staff's review.

4. Sierra Pacific Power Company d/b/a NV Energy and Nevada Power Company d/b/a NV Energy shall file with the Commission either an updated Trial Opt-out Program tariff, or a proposal to end the Trial Opt-out Program and a transition plan, no later than April 1, 2016.

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5. The Commission may correct errors that have occurred in the drafting or issuance of this Order.

By the Commission,



ALAINA BURTENSHAW, Chairman and
Presiding Officer

DISSENTING

REBECCA D. WAGNER, Commissioner



DAVID NOBLE, Commissioner

Attest: 
BREANNE POTTER,
Assistant Commission Secretary

Dated: Carson City, Nevada

11-27-12
(SEAL)

