

**COMMENTS SUBMITTED TO THE NEVADA PUBLIC SERVICE  
COMMISSION:  
REVISED REGULATIONS OF THE  
PUBLIC UTILITIES COMMISSION OF NEVADA  
LCB File: No. R144-01**

**Submitted by the Nevada AFL-CIO  
With the Assistance of the  
Renewable Energy Policy Project  
April 29, 2002**

**Comments of the AFL-CIO:** In our Initial Comments to the Commission we stated our broad support for the Renewable Portfolio Standard and provided evidence that the RPS provides substantial job creation and water saving potential. The Legislature in passing the RPS for Nevada recognized that the addition of renewable resources at this time will provide benefits beyond those traditionally associated with the generation of electricity. Specifically, the RPS was passed in order to provide price stability, environmental mitigation, economic development, and other benefits, all at a just and reasonable cost.

The Commission in its Proposed Regulations to implement the RPS legislation, and specifically in Sections 29 and 30 that evaluate the price of the renewable energy, recognizes these benefits. However, based on the clear Legislative intent we believe the Proposed Regulations should do more. The Commission in the Proposed Regulations in Sections 29 and 30 states that economic development potential will be one of the factors considered in its evaluation of the price of renewable electricity. Our argument is that the Commission should go beyond that simple review. The RPS was passed in order to create the potential for these (and other) benefits for the state. While it is of course appropriate to consider them in the determination of the just and reasonable standard for evaluating the renewables, it is also appropriate to align the incentives in the RPS to actively attempt to capture as many of these potential benefits as possible for Nevada. The Regulations should reflect recognition that the potential capture of these benefits is a large part of the reason for the creation of the RPS in the first place. The effect of this recognition is to encourage the Commission to actively pursue these benefits through the structure of the regulations.

Based on that legislative intent, we request that the Commission look at these benefits not only after the fact, that is in the determination of the reasonableness of the price of renewable electricity, but also before the fact, that is in the incentives built into the Regulations that will determine the operation of the RPS. We urge the Commission to look specifically at the various ways in which incentives can be built into the RPS

so that the actions of the utilities and project developers taken to meet the RPS requirements deliver as many of the intended benefits as possible to Nevada.

In order to capture the economic development potential of the RPS, incentives should be given to encourage local manufacturing, proper certification and installation of PV and solar hot water systems on residential and small commercial establishments. In order to save and divert water for local uses, the regulations should allow water saved from renewable generation to be bid for by local users before it can be used for generation exported from the state. Finally, assuring that the resource procurement process is open, competitive, and able to provide renewable resources at the lowest possible cost are critical to assuring that the cost of meeting the RPS requirements are just and reasonable.

### **Recommendations on Providing Specific Incentives to Capture Economic Development Potential**

**AFL-CIO Position:** The Regulations developed to implement the RPS should provide positive incentives in order to capture as much in-state manufacturing related to the development of renewable projects as is consistent with maintaining the just and reasonable cost of the RPS. The Regulations should also encourage the development of a supporting infrastructure, especially as it relates to training, certification, and installation. We believe that our initial Comments, which are incorporated by reference here, support this position. In the initial round of Comments we demonstrated that local manufacturing will provide substantially more employment and that this additional employment translated directly to greater public benefits.

**AFL-CIO Analysis:** In the previously filed Comments we stated:

“Briefly, we assumed an initial retail kWh sales figure for 2003, calculated the required RPS generation for that year and assumed a breakdown for the various generation types to meet those requirements. Sales by technology type were then turned into installed capacity, which is used with the REPP jobs analysis to derive jobs. Jobs are broken down into a number of skill sets and also divided into broad categories. For these purposes, it is important to recognize that a number of the jobs calculated will be in the manufacturing process which may not be located in Nevada. The installation and on-going O&M jobs are also calculated and those

are shown separately. The full calculations shown in Appendix A show that the RPS will create 8,092 FTE jobs in Nevada for the installation and O&M employment. Since the FTE calculation is for the entire ten-year period, on average the installation and O&M will add 809 jobs in Nevada for the period. Those are of course direct jobs and do not count any indirect employment multiplier. If the entire manufacturing process is added to the installation and O&M employment, the total rises to 27,229 for the ten-year or 2,729 on average. Of course, the manufacturing will have to be relocated to Nevada and so it is unrealistic to consider the full employment figure. As will be explained below, the difference between the employment value with and without manufacturing can be used to measure the value and the importance of providing incentives to suppliers to locate employment in Nevada...The calculations discussed here will only consider the avoided unemployment compensation. Appendix A has the full set of calculations but REPP does not recommend using the incubator cost per job estimate. At the high end, the calculation assumes that all jobs, i.e. manufacturing, installation, and O&M are located in Nevada and that the value to Nevada of each FTE equivalent job is \$16,104. Based on that calculation, the total offset for the ten year implementation period is \$438,503,429. That can be converted to a kWh figure by dividing the total offset by the RPS kWh's supplied for the period. On that basis, the value of the job creation potential is \$.001368 per kWh. Alternatively, if only the installation and O&M jobs are assumed to be in Nevada, the total cost offset is \$130,311,537 and the offset per kWh is \$.00407. This analysis clearly shows that manufacturing adds to the job benefits of the RPS. It supports favoring bids to meet the RPS requirements that also locate manufacturing in the state.”

The analysis presented in our initial Comments supports the proposition that projects that locate manufacturing in Nevada have substantial value to the state. The specific quantitative evaluation we presented shows that projects with local manufacturing are approximately three times as valuable as those that only offer installation and O&M employment.

**AFL-CIO Recommendation:** Accordingly, we believe that the Commission should propose Regulations that allow for up to twice the RPS credits for project proposals that have substantial local manufacturing related to the project. The standard should be flexible and the awarding of extra RPS credits should be part of a screening of projects and contracts done by the Commission prior to approval. We believe this incentive will be a powerful lure for project developers to locate much of the equipment manufacturing in Nevada.

The Commission must also recognize that the development of a supporting infrastructure is critically important to the long-term success of the RPS. The market

for residential and small commercial PV and solar heating systems requires the systematic development of standards for installation and interconnection, the certification of installers and systems, and the development of a number of businesses to actually carry out the installation. As we stated, we believe that PV and solar heating systems should receive RPS Credits, which can be trade, i.e. sold, to the utilities that need the credits. In order to provide an incentive for certification and proper installation, we propose Regulations that would provide double credits for PV and solar heating systems with the credits to be split between property owners and installers. This system would provide an important financial incentive for installer to get certification, which would provide an incentive for the development of certification programs.

### **Recommendations on Providing Specific Incentives to Capture Water Savings**

**AFL-CIO Recommendation:** Our earlier Comments established the general proposition that renewable generation will, as a general rule, save the water used in thermo-electric generation. The precise level of potential savings still remains to be established. Regardless of the precise level, we believe that the saved water can be productively redirected to other, higher value uses in Nevada. To accomplish this we urge the Commission to adopt Regulations that would allow for an auction of water rights at set dates for fixed periods of time. For example, at some point before the next years RPS requirements became effective, the potential for saved water would be determined and made available to all interested parties to bid on with the highest bidder capturing the right to use the water. The purpose of the auction is to prevent the utility generators from continuing to use the water to generate electricity for export from Nevada. The auction would not prevent these exports, it would however require the utility to assess whether the value of the export contracts would support the proper cost of the water related to the generation.

### **Structuring Bidding and Evaluation to Provide Clear Opportunities for Renewable Developers and Just and Reasonable Cost for RPS Compliance**

**AFL-CIO Position:** The just and reasonable cost of complying to the RPS should be assured by adopting Regulations that require a transparent, open, and competitive process to meet the requirements. The process should be transparent, that is all potential suppliers of renewable energy, including utilities, independent power project developers, and individuals, should have the same information about the expected needs to meet the RPS requirements. This information should be made available to all potential project developers so that they can reasonably respond to requests for proposals, have the proposals evaluated, and find project financing. The process should be open, that is all potential renewable suppliers should have equal opportunities to supply renewable energy. The Regulations should be competitive, that is all potential suppliers should be able to offer their best terms with the selection of the winning bids based on the criteria proposed by the Commission in the Proposed Regulations. This standard would apply to utility owned generation as well as to projects the utilities would contract with for generation.

**Analysis of Proposed Regulations:** The Regulations as they are currently written do not allow for the transparent, open, competitive process we believe is critical to assuring that the costs of meeting the RPS are just and reasonable. Specifically, renewable projects owned by utilities are treated differently than those contacted for with third party developers and also from individual systems on residential or small commercial establishments. Sections 26 through 30 are the Sections that essentially describe the process for procuring renewable energy. Section 26 requires a Report from the utilities describing how they met the RPS requirements for the preceeding year. It provides information after the fact. Section 26 also states that utilities will consider:

*“d) The total number of kilowatt-hours that the provider generated or acquired from renewable energy systems during the most recently completed compliance year and, from that total number of kilowatt-hours, subtotals for the number of kilowatt-hours:*

- (1) Generated by the provider from its own renewable energy systems;*
- (2) Acquired by the provider pursuant to preexisting renewable energy contracts;*
- (3) Acquired by the provider pursuant to new renewable energy contracts;*

*(4) Attributable to the provider from solar thermal systems;*

*(5) Fed back to the provider from net metering systems used by customer-generators”*

We are concerned that the implication of this language is that for solar thermal systems and any renewable system that uses net metering, the utility will not have to acquire or purchase the renewable energy but will have it “attributed” to it. This is a disincentive to the development of these systems. Section 27 describes how the Commission will determine compliance and provides for a penalty for non-compliance. Section 28 describes the conditions that would entitle the utility to an exemption. Sections 29 and 30 are the heart of the present Regulations attempt to establish the just and reasonable costs for meeting the RPS requirements. Section 29 specifically states: *“1. If a utility provider executes a new renewable energy contract, the utility provider shall submit the new renewable energy contract to the commission for approval. The new renewable energy contract shall be deemed to be a long-term purchase obligation for the purposes of NAC 704.9005 to 704.9525, inclusive, regardless of the term of the contract or the amount of electricity to be acquired pursuant to the contract, and the utility provider shall submit the contract to the commission for approval in accordance with the provisions of those sections.*

*2. To approve a new renewable energy contract executed by a utility provider, the commission must determine that the terms and conditions of the new renewable energy*

*contract are just and reasonable. In making its determination, the commission will consider, without limitation:”* The Commission lists 24 specific conditions it intends to review before approving the renewable energy contract. Our concern is that these conditions only apply to new contracts. In other words, the Proposed Regulations treat projects developed under a contract between a utility and an independent developer differently and much harsher than a project developed by the utility itself. These regulations pose a barrier to open, competitive bidding to meet the requirements of the RPS. As such they act as a barrier to assuring that the costs of meeting the RPS are just and reasonable.

**Proposed Regulations:** Our recommendations fall into three main areas. First, the trading of credits should be allowed at least for “non-traditional” generators such as those that qualify for net metering or solar hot water systems. Second, all renewable energy

eligible to meet the RPS should have to be acquired by the utility at a price that reflects the value of the renewable energy. Residential PV systems and solar hot water systems should be able to sell the anticipated certified renewable energy credits to utilities that will then be able to count them towards their RPS requirements. Third, utility owned projects and new contracts should be subjected to the same evaluation process.

“Non-traditional” suppliers of renewable energy such as residential PV systems and solar hot water systems have the potential to develop quickly in Nevada. It should also be noted that these technologies provide greater job creation potential on a kWh basis than many of the other more traditional resources. Consistent with our positions taken with respect to capturing economic development potential, it is imperative that the Regulations adopted to implement the RPS provide every reasonable incentive to these systems. A kWh generated by a residential PV system, for example, should be eligible for a fair net metering tariff. But this will only provide the owner of the system with the average tariff rate. It will not provide any financial recognition of the value of the kWh in meeting the requirements of the RPS. The Regulations should allow every kWh generated by these non-traditional sources to be allocated an RPS Credit. The Commission could easily monitor the Credits due to residential and small commercial PV systems and solar hot water systems. Individual Credits could be aggregated and sold to the highest utility bidder. Allowing for the trading of credits related to renewable energy production will also allow the Regulations to encourage the development of the infrastructure required to serve the demand for the systems. As we states above, we believe it is reasonable to provide extra credits for systems that are installed by certified workers. The Commission must recognize that the RPS can both support and be supported with well-trained, certified workers. Without adequate infrastructure, systems will be improperly installed. Expectations will be created and then not met. It is appropriate to award extra RPS Credits to systems that have been installed by certified workers.