Chair Rochelle Nguyen
Senate Committee on Growth and Infrastructure - Hearing 4/7/2025 3:30pm
RE: Opposition to SB 417 (Formula Rate for Gas Utilities)

The Southwest Energy Efficiency Project ("SWEEP") is opposed to SB 417 and asks for a no vote on this bill. SB 417 allows gas utilities to apply to the Public Utilities Commission of Nevada ("PUCN") for various alternative ratemaking mechanisms including formula rates and multi-year rate plans. This bill is unnecessary and does not allow the Integrated Resource Planning ("IRP") process for gas utilities passed by this body in 2023 to play out. The existence of a similar bill for electric utilities does not necessitate this bill given important differences between the gas and electric industries, which I will discuss in more detail below.

The gas industry is in a time of transition. Because of increases in energy efficiency and improvements in the economics of technologies that run on electricity, we can no longer assume that gas usage will continue to increase in order to support ever-expanding investments by natural gas utilities. Acknowledging this changing environment, this body passed SB 281 in 2023 which requires gas utilities in the state to develop and file IRPs. To implement this legislation, the PUCN conducted a rulemaking and adopted emergency rules in December 2024. Pursuant to these rules the first gas IRPs must be filed with the PUCN by October 1, 2025.

The gas IRPs will provide a forecast of expected gas usage over the next 9 years and lay out the necessary investments and resources a gas utility will use to meet this forecasted usage. The inaugural gas IRPs will provide a first of its kind look into gas utility operations in Nevada and allow the PUCN to assess proposed investments and supply contracts, as well as proposals for energy efficiency. The transparency provided by this process will go a long way towards ensuring gas utilities are appropriately considering the changing economics of the gas transition.

SB 417 would allow a gas utility to file for an alternative ratemaking plan prior to the completion of the first gas IRP. In our opinion it would be more appropriate to let that process play out for one or more iterations before determining that alternative ratemaking is appropriate for gas utilities. Alternative ratemaking plans are most appropriate in an environment where increasing investments to maintain and operate a utility system are necessary as they provide incentives for recovery of costs for large investments and can help to align utility incentives with state policy goals. SWEEP has a lot of concerns about providing these types of incentives to gas utilities given the risks that investments in the gas system made today will become stranded before they are fully paid for. The gas IRP will provide a forum to investigate this issue, and therefore, SB 417 is not needed at this time. The IRP process has been in existence for electric utilities for decades and SB 281 will more closely align gas utility planning with the electric system.

In addition, there are significant differences between the language in SB 417 and similar legislation passed in 2019 regarding electric utilities (SB 300). Section 16(7) of SB 300 requires that the PUCN establish a number of criteria to evaluate alternative ratemaking proposals, including significant customer safeguards that rates balance the interests of customers and utility shareholders and that alternative ratemaking plans align with state public policy, including the prioritization of renewable generation. SB 417 conspicuously lacks these requirements and would severely limit the ability of the PUCN to consider a broader range of criteria when assessing a proposal.

For these reasons SWEEP opposes this legislation and asks for a no vote.

SWEEP promotes the expansion and improvement of electric and gas utility energy efficiency, beneficial electrification, and load management programs in the Southwest. We work on rules and regulations to establish energy savings goals or requirements, decoupling of utility cost recovery and electricity sales, and financial incentives so that utilities and their shareholders are not penalized when they help their customers save energy. We advise utilities as they design and implement energy efficiency programs, and we frequently appear before state utility commissions when utility energy efficiency policies and programs are under review.

SWEEP is a public interest nonprofit organization advancing energy efficiency, beneficial electrification, and clean transportation in Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming.

If you have any questions or would like to discuss this bill further, contact us via:

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