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Annual Report to the Nevada Legislature and the Governor of the State of Nevada

January 30, 2007

Executive Summary

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January 30, 2007

Governor Jim Gibbons
Nevada State Legislature

Dear Governor and Legislators:

As Chair of the Nevada Renewable Energy and Energy Conservation Task Force (NRS 701.350–701.380), my colleagues and I have taken great pleasure in serving Nevada’s renewable energy, energy efficiency and energy conservation industries.

In this three volume report you will find a comprehensive record of the Task Force’s activities during 2006 including: implementation of the SolarGenerations Program; development of legislative concepts to further expand Nevada’s renewable energy development and to increase energy conservation and energy efficiency in Nevada; event and workshop sponsorships; and other public education and outreach activities.

The Task Force also provided recommendations, support, coordination and assistance to numerous state and federal entities including: United States Senator Harry Reid; the United States Military, the Western Governors’ Association, the California Energy Commission, the Nevada Legislature, the Nevada State Office of Energy; the Nevada Commission on Economic Development; the Nevada Department of Business and Industry; the Nevada Division of Minerals; the Great Basin Center for Geothermal Energy; the Public Utilities Commission of Nevada; White Pine County; the Nevada Biomass Working Group; the Nevada Wind Working Group, Sierra Pacific Power Company, Nevada Power Company and others.

The Task Force acknowledges the insight and guidance of many sources including the Nevada State Office of Energy, the Public Utilities Commission of Nevada, the public utilities, members of industry, and the many Legislators who both participated in the creation of this body and assisted our efforts since our inception.

The Task Force believes that with a thoughtful, measured, and expedient approach to the development of its renewable resources, as well as strong conservation and efficiency measures, Nevada can grow its renewable energy industry, reduce the state’s dependence on energy from other states and enhance our energy security.

We look forward to continuing this important dialogue with the Legislature, the Governor’s Office and other interested stakeholders as we move Nevada to a new level of energy independence and national renewable energy and energy conservation leadership.

Sincerely,

A handwritten signature in black ink, appearing to read "Russ Fields". The signature is written in a cursive, flowing style.

Russ Fields
Chair
Nevada Renewable Energy and Energy Conservation Task Force

Office of the Attorney General • Bureau of Consumer Protection
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EXECUTIVE SUMMARY

The 2007 Annual Report from the Nevada Renewable Energy and Energy Task Force (Task Force) is a detailed look at the status of renewable energy in Nevada along with ongoing efforts towards energy efficiency and energy conservation in the private and public sectors.

The full report begins with the status of renewable energy, energy efficiency and energy conservation in Nevada. It identifies some of the remaining state and federal barriers to the fulfillment of the state's Portfolio Standard, and respectfully offers several programmatic and policy concepts for consideration by the Nevada Legislature and the Governor of Nevada. It also contains a summary of recommendations the Task Force made to other state and federal policy makers. Finally, the report details additional Task Force activities, anticipated developments moving forward, and the state of the Task Force's finances, administration and 2006 expenditures.

Status Overview

During 2006 real progress was made toward meeting Nevada's Portfolio Standard, which requires that by 2015 not less than 20% of the electricity sold by the state's regulated utilities be derived from renewable resources. Of that 20%, 5% must be generated from solar resources and not more than 25% may be based on energy efficiency measures.

Nevada Power Company and Sierra Pacific Power Company completed negotiations with 8 new renewable energy projects representing a total of 150 megawatts, with the projects expected to come online between 2007 and 2010.

The solar portion of Nevada's Renewable Portfolio Standard continues to be unmet; however, the utilities have developed an aggressive compliance plan that has received the approval of the Public Utilities Commission of Nevada.

The utilities portfolio compliance plan relies on a three-part strategy with an estimated cost of \$18.4 million. The plan includes long-term power purchase agreements, investing in ownership of renewable power facilities and activities to reduce the demand for electricity (referred to a "Demand Side Management"). Their aim is to fill the current short fall in meeting the current renewable standards for 2007 and 2008 and move to full compliance with the portfolio standard law. The plan's success or failure will be determined by the utilities' ability to expand their geothermal power purchases and completion of Nevada Solar One - a concentrating solar power plant near Henderson and Boulder City, Nevada. Additionally, the plan calls for a rapid expansion of Demand Side Management programs to reach the maximum 25% allowance for energy efficiency and conservation savings and bringing online approximately 200 megawatts of wind power.

Also necessary for the plan's success is the development of the transmission line identified in the utilities' Integrated Resource Plan, tying the state's northern and southern electric grids together. There are a number of outside factors that could influence the outcome of the utilities' compliance plan - including the concerns of the US Air Force over the impact of wind turbine operation on radar systems and its desire to expand the airspace in Nevada used for training purposes.

The utilities also meet the Portfolio Standard through the Renewable Energy Credits (REC's) generated by the SolarGenerations Program, a rebate program for residents, small business, schools and other public buildings for the installation of small-scale solar photovoltaic (PV) projects. The SolarGenerations program is managed by the Task Force and executed by the utilities with oversight from the Public Utilities Commission of Nevada. To date, this highly successful Program has provided \$3,176,503 in rebates for the installation of 782 kilowatts of solar PV power.

Nevada's energy efficiency and energy conservation strategy is outlined in "Nevada's Energy Efficiency Strategy" published by Governor Kenny Guinn in 2005. To meet the state's goals, the 22nd Special Session of the Nevada Legislature enacted two new energy efficiency and energy conservation programs. The first program, Leadership in Energy and Environmental Design (LEED), calls for standards and incentives for green building design based on a standard developed by the United States Green Building Council. The second initiative requires state agencies to achieve 20% energy savings by the year 2015.

The value of achieving significant energy efficiency cannot be overstated. As much as 25% of the Renewable Portfolio Standard can be achieved through Energy Efficiency Credits (EECs) generated from energy efficiency programs. In 2006, the Public Utilities Commission approved \$36.1 million in Demand Side Management Programs to help achieve the state's efficiency and energy conservation mandates.

Report Conclusions

In this report, the Task Force respectfully submits a number of legislative concepts for consideration by the 2007 Nevada Legislature and the Governor.

One concept put forth by Task Force involves Nevada's net metering law. The current limits to the size of a net metered project have proven problematic for entities such as the Clark County School District, whose escalating energy bills could be addressed by net metered renewable energy projects. Nevada's current statutes only allow systems of up to 150 kilowatts to be net metered; yet a school may need a renewable energy system of up to a megawatt in size to meet the schools' needs. Additional benefits to addressing the state's net metering project limits are noted in the full report.

The Task Force also explored another option for Nevada's school districts. That option is to allow the districts to purchase electricity directly from a renewable energy project. At the moment, only a regulated utility or a customer with a load greater than 1 megawatt can purchase electricity directly from a third party renewable energy project. The Task Force supports Nevada's school district pursuit of all means to control the cost of their electricity.

Another area discussed is the mandate for the Nevada Department of Business and Industry to utilize Industrial Development Revenue Bonds for renewable energy projects. The Legislature has also mandated that the Director of the Nevada State Office of Energy work with renewable energy project developers to apply for the Bonds. However, the Office of Energy is hampered by a lack of staff, technical expertise and budget resources to significantly assist renewable energy developers in applying for bonds. Also, the Office is largely funded by the federal government—and those funds have recently been cut. One of the Task Force's suggestions is to have the Nevada State Office of Energy funded by the State of Nevada. Suggested revenue sources for the funds are contained in the report.

In general, our recommendations can be summarized as follows:

In the area of renewable energy development, we recommend initiatives to standardize definitions of renewable energy and systems; create incentive programs for small, non-solar projects modeled after the successful small solar initiatives; increase the size of projects that can be net metered and adopt recommendations for biomass power from the work done by the Legislative Committee on Public Lands.

In the areas of energy efficiency, energy conservation and performance contracting, we recommend initiatives to increase the purchase payback period for performance contracting, extend cost savings payback for the Life Cycle Cost Analysis of a ground source heat pump.

We also recommend expanding the successful SolarGenerations Program by increasing support, make the program permanent as long as the Portfolio Standard exists, streamline approval through one Master Application and other incentives outlined in the report to provide flexibility for the utilities to respond to market demand, expand the number and kinds of public buildings that can apply and provide for an increased rebate and a continuous application period. We further recommend expanding the program to include solar hot water systems, encourage low-income Nevadans through a new participant category and study how new home developers can participate in a SolarGenerations type program.

Finally, the report addresses the future of the Task Force itself. The Task Force is currently funded at the rate of \$125,000 per year. To date, the Legislature has directed these funds come from the Public Utilities Commission of Nevada. The Task Force respectfully requests the funds be made available from the General Fund.

An alternative funding mechanism for the Task Force would be to create a staff position within the Nevada State Office of Energy. The person in this position would act as the Task Force consultant, replacing the current consultant who is retained via a Request for Proposal process. The person would also work on issues to advance renewable energy and energy conservation development. There is precedent for this type of arrangement. As an added benefit, this arrangement would provide the Task Force and the Nevada State Office of Energy with opportunities to leverage additional federal dollars from the Department of Energy on renewable energy and energy conservation issues.

Under either scenario, a citizen Task Force financed by the General Fund, or a Task Force housed within the State Office of Energy, the Legislature needs to consider the Task Force's future. The Task Force has statutory oversight of the SolarGenerations Program, which continues to 2010. The Task Force's funding runs out in June 2007. To solve this paradox the Legislature must change either the SolarGenerations statutes or the statutes governing the Task Force.

We believe Nevada has reached a critical moment in the path towards final compliance with Nevada's Renewable Portfolio Standard by 2015. We wish to thank our state's legislative leaders, the Nevada State Office of Energy, our state's utilities, the office of the Public Utilities Commission, along with many industry experts, state and federal agency representatives, our state's Congressional Delegation, business owners, skilled workers, and citizens who have given their advice, time and talents towards the Task Force's mission.

We respectfully submit this report of our activities and recommendations for your consideration.