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Nevada's Energy Bill gets “clean power” right

By STEPHEN HEINS

Now that the dust has started to settle on Nevada's Assembly Bill 03, which was signed into law by Gov. Kenny Guinn on June 17, I would like to review its most forward-looking provisions. This then is another article about "best practices" for utilities, energy legislation, state energy regulation, and energy end-users in the electricity industry. So far, I have written about the State of Pennsylvania, the State of California, General Electric, the Wisconsin Public Service Commission, Alliant Energy, and now Nevada.

First, let me say that the Nevada energy bill is much more targeted than the recently passed federal energy bill. While the national energy bill is ladened with subsidies for controversial, dirty, and costly energy options such as nuclear power and coal-fired power plants, the Nevada bill has almost no such subsidies. It can be read as a practical bill that addresses many state issues without succumbing to the pressures of self-serving industry lobbyists.

By way of background, Nevada is currently the fastest-growing state in the country in terms of population and energy consumption, with consumption increasing nearly 70 percent from 1990 to 2000. While growth in energy consumption has slowed through the energy crisis that gripped all western states, not just California, in 2001, Nevada's economy has since rebounded.

Anyway, the cornerstone of the new Nevada Energy Bill is the emphasis on energy efficiency and “demand-side management” -- but not your father's version of either. Nevada's Energy Bill addresses several key economic issues. First and foremost, it provides financial and technical assistance to the mining and manufacturing sectors. Using recent energy audits, a leading energy efficiency think tank, the Southwestern Energy Efficiency Project (SWEEP), determined that manufacturing could effectively save up to 35 percent of their electricity usage by 2020 and the mining industry could save anywhere from 18 to 37 percent.

In fact, the Western Governor's Association thinks energy efficiency is so important that it adopted a “clean energy resolution” in June 2004, which includes a goal of increasing energy efficiency in the Western United States by 20 percent by 2020. This is similar to the European Union's recent call for 20 percent of energy efficiency from all energy sources by 2020.

In order to dispel any hints of corporate welfare, the Nevada energy bill has a strict measurement and verification protocol; on the other hand, the bill addresses the four important business barriers to business participation -- lack of awareness, difficulty of implementing energy projects, lack of operational priority, and the limited capital available. In fact, SWEEP found that "all of these factors lead industries to typically implement energy-efficiency projects that have a two-year payback or less, if such projects are implemented at all."

Another key component to Nevada's Energy Bill is that it addresses the chasm between landlord and tenant, which is especially problematic when it comes to commercial and industrial properties. In those settings, the landlord generally uses a "triple-net" lease for their property, which requires the tenant to pay all operational expenses for the property including electricity.

Usually, this means that there is no incentive for landlords to make energy-efficiency improvements to existing buildings, because the tenant gets the value of the energy savings. To overcome this problem, Nevada has established a partial exemption from real estate taxes for privately owned buildings that meet some provisions of the green building standards of the U.S. Green Building Council's Leadership in Energy and Environmental Design™ (LEED).

Then, there is the matter of combining energy efficiency and renewable energy into a "clean energy portfolio standard." Like Pennsylvania's "Advanced Energy Technology Portfolio," Nevada's new energy bill establishes clean energy standards that allow energy savings from cost-effective energy-efficiency measures as well as energy supply from more costly but important renewable energy technologies to qualify.

The overall standard was increased to 20 percent of total electricity supply in 2015, and the amount provided by energy efficiency measures is capped so that the emphasis remains on renewable energy technology implementation.

State governments, utilities and regulators are finally starting to treat energy efficiency as a supply side option, with an allowable return on investment. In the case of Nevada's investor-owned utilities, they can now justify to their stockholders their investments to reduce demand and make energy efficiency a growing part of their portfolio of energy options.

Unlike the federal energy bill, the Nevada bill takes meaningful strides to advancing energy efficiency and renewable energy implementation. It will diversify Nevada's energy supply while providing economic and environmental benefits to the state's citizens and businesses.

With great examples of leadership from California, Pennsylvania, Wisconsin and Nevada, there is every reason to be optimistic that real energy solutions will bubble up through the states and finally transform U.S. energy policy.

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