

Design Considerations for Implementing a Voluntary Tariff-Based Green Pricing Program for Nevada

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Executive Summary

Green power markets (GPMs) are voluntary markets that allow customers to support greater levels of utility investment in renewable energy (RE) above and beyond Renewable Portfolio Standards (RPSs). Green power markets are rapidly expanding in both competitive and regulated energy markets. The national GPM is comprised of three distinct market activities: tradable renewable credits (TRCs), competitive market renewable electricity products (REPs), and regulated utility green pricing programs (GPPs), such that:

GPMs = TRCs + REPs + GPPs; with:

TRCs active in both the competitive REPs and regulated GPPs.

Voluntary green power markets provide an opportunity for utilities to build renewable generating capacity, diversify generation resource mix, improve air quality, develop institutional expertise in the growing field of renewable energy, improve environmental performance, build customer loyalty, expand business lines and expertise, and hedge against volatile fossil fuel prices.

Customer interest in GPMs is quickly building nationwide. Currently, more than 350 electric utilities in 33 states are engaged in some form of green power market. These programs allow customers to purchase all or a portion of their power supply as RE or contribute to funds for the utility to invest in RE development. Because most renewables use no fuel and have fixed costs over time, an increasing number of utilities are exempting REPs and GPPs from the variable-priced fossil fuel energy charge by substituting a fixed-price green power charge, with the green tariff including the same non-fuel related utility costs as before. Benefits include stable rates and a hedging from gas price volatility, with the opportunity for the fixed-price green power charge to decrease over time relative to the variable-priced fossil-fuel energy charge.

This report recommends that Nevada stakeholders' consider the following parameters and options for a voluntary tariff-based green pricing program (GPP) for Nevada.

- **Implement voluntary green power tariff(s), available to all Nevada Power and Sierra Pacific customer classes.** Customers could choose discrete amounts of energy to be supplied from RE sources in 100-kWh blocks, or as a fixed percentage of service requirements, up to 100% of customers' energy requirements from renewables.
- **Substitute a fixed-price green power charge for the utility's fossil fuel energy charge and future fuel cost adjustments,** with the green tariff including the same non-fuel related utility costs as before, such that:

GPP rate = fixed-price green power costs (**GPBTER**) + non-fuel related utility costs (BTGR)¹

Existing rate = variable fossil fuel energy costs (BTER) + non-fuel related utility costs (BTGR)

- **Offer multiple GPPs to appeal different market segments**, with Nevada Power Company (NP) and Sierra Pacific Power Company (SPP) acquiring blended renewable resource(s) through either ownership or purchase of all or a portion of a new renewable resource(s).

The new renewable resource(s) could be part of or an expansion of planned renewable resources under Nevada's RPS, or new renewables independent of and complementary to the RPS.

- **Work with the Center for Resource Solutions (San Francisco) for green power accreditation.**
- **Work with the Western Resource Advocates (Boulder, CO) on a community-based approach to marketing green power.**

¹ Electric utility rates are comprised of two components: variable and fixed costs.

Variable costs include the cost of fossil fuel energy costs reflected in electric tariffs as the BTER or Base Tariff Energy Rate.

Fixed costs include all other non-fuel related costs such as but not limited to the capital investment in utility infrastructure generation facilities, reflected in electric tariffs as the BTGR or Base Tariff General Rate.