

# **AB3 Legislation Drives Market for Energy Efficiency in Nevada**

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## **ABSTRACT**

Nevada's Assembly Bill 3 (AB3), enacted into law in June 2005, may prove to be one of the most significant pieces of legislation in the United States to stimulate energy efficiency and green building practices. The bill encourages energy efficiency and green building practices through the portfolio standard and tax incentives aimed at both the new construction and renovation markets.

Through AB3, regulated electric utilities in Nevada are subject to a portfolio standard that requires that 20% of the total amount of electricity sold to retail customers be met by renewable or energy efficiency projects by 2015. Of the total amount required under the portfolio standard, up to 25% of that amount may be based on energy efficiency measures, of which 50% must be saved from the residential sector.

The green building incentives contained in the bill are significant as well. For instance, a 50% property tax credit is available for up to 10 years for buildings that meet the equivalent of LEED Silver certification.

This paper will review the key components of AB3 and will provide a comparison of Nevada's portfolio standard with other states. Additionally, the paper will address how AB3 is affecting the energy efficiency market in Nevada, specifically with respect to Nevada Power Company (NPC) and Sierra Pacific Power (SPPC) activities. Enactment of AB3 fundamentally changed each of these companies' perspective on and approach to DSM planning and implementation.

## **Introduction**

Nevada's Assembly Bill 3 (AB3), enacted into law in June 2005, may prove to be one of the most significant pieces of legislation in the United States to stimulate energy efficiency and green building practices. The bill encourages energy efficiency and green building practices through the portfolio standard and tax incentives aimed at both the new construction and renovation markets. The major components of the bill are as follows:

- Revising provisions relating to the portfolio standard for renewable energy and energy from a qualified energy recovery processes;
- Allowing a provider of electric service to receive credits under the portfolio standard for energy savings from energy efficiency measures; and
- Partial abatement of property taxes for certain energy efficient buildings and green buildings.

Through AB3, regulated electric utilities in Nevada are subject to a portfolio standard that requires that 20% of the total amount of electricity sold to retail customers be met by renewable or energy efficiency projects by 2015. Of the total amount required under the portfolio standard,

up to 25% may be based on energy efficiency measures, of which 50% must be saved from the residential sector. The green building incentives contained in the bill are significant as well. For instance, a 50% property tax credit is available for up to 10 years for buildings that meet the equivalent of LEED Silver certification.

This paper will review the key components of AB3 and will provide a comparison of Nevada's portfolio standard with other states. Additionally, the paper will address how AB3 is affecting the energy efficiency market in of Nevada, specifically with respect to NPC and SPPC activities.

## **Assembly Bill 3 Overview**

AB3 made various changes to the existing renewable energy legislation to incorporate energy efficiency measures into the state's portfolio standard. The bill also created incentives and standards for green buildings. The intent of the legislation was to promote energy conservation and to create successful markets for energy efficiency measures so that those measures will be used in residences, schools, public buildings, and businesses to decrease demand for electricity, especially during periods of peak loads. The legislation also seeks to balance interests of customers and shareholders of public utilities with the opportunity to earn a fair return on investment while providing customers with just and reasonable rates.

### **Portfolio Standard**

Through AB3, the Nevada renewable portfolio standard adopted in 2001 was restructured into a portfolio standard that allows providers of electric service to receive credits for energy efficiency savings in addition to renewable generation. "It is cutting-edge legislation. There is no question," Jon Wellinghoff, a lobbyist for renewable energy and conservation interests, said of AB3.<sup>1</sup>

While previous legislation required electric utilities to provide 15% of the total amount of electricity sold to retail customers be met by renewable resources such as wind, solar, and geothermal sources by 2013, AB3 increases the minimum requirement to 20% by 2015 and changes the legislation to allow energy savings from efficiency measures to qualify under the portfolio standard.

For each provider of electric service, the Public Utilities Commission of Nevada (PUCN) is responsible for establishing a portfolio standard. The portfolio standard requires the utility to generate, acquire, or save electricity from portfolio energy systems or efficiency measures in an amount that is not less than the requirements outlined in Table 1.

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<sup>1</sup> Associated Press, June 8, 2005

**Table 1. Nevada Portfolio Standard Minimum Requirements**

Years	Minimum Requirement
2005-06	6%
2007-08	9%
2009-10	12%
2011-2012	15%
2013-2014	18%
2015 and later	20%

Source: AB 3 legislation, 2005

Of the total amount of electricity that the provider is required to generate, not less than 5% must be generated from solar electric systems.

For the purposes of the portfolio standard, “renewable energy” includes the following:

- Biomass;
- Fuel cells;
- Geothermal energy;
- Solar energy;
- Waterpower;
- Wind.

**Portfolio energy credit.** Portfolio Energy Credit means any credit that a provider has earned from a portfolio energy system or efficiency measure and that a provider is entitled to use to comply with the portfolio standard, as determined by the PUCN.

An electric service provider is entitled to a portfolio energy credit for each kilowatt-hour (kWh) of electricity that the provider generates, acquires, or saves from a portfolio energy system or efficiency measure.

**Energy efficiency portfolio energy credits.** AB3 established the provision for energy efficiency portfolio energy credits. Of the total amount required under the portfolio standard in Nevada, up to 25 percent of that amount can be based on energy efficiency measures. However, at least 50% of the energy efficiency portfolio energy credits must be saved from the residential sector.<sup>2</sup>

AB3 defines “energy efficiency measure” as follows:

- Any measure designed, intended or used to improve energy efficiency if
  - o Measure installed after January 1, 2005 at service location of retail customer of a provider of electric service in Nevada;
  - o Measure decreases consumption of energy by retail customer;
  - o Costs of the acquisition are directly reimbursed, in whole or in part, by provider of electric service;
- The regulations exclude the following:
  - o Demand response or load limiting measures
  - o Solar energy systems that qualify as renewable electric measures.

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<sup>2</sup> AB3 allows the Commission to approve a different percentage for the minimum percentage of residential savings.

As a result of AB3, electric service providers are now allowed to get energy credits for savings resulting from their energy efficiency programs or certain other energy efficiency measures with verifiable savings.

In January 2005, the PUCN adopted rules that allow electric service providers such as MPC of Las Vegas and SPPC of Reno to reduce their requirements for renewable energy use by providing financial incentives to consumers and other customers who make improvements to save power.<sup>3</sup> For each kWh of electricity saved, the utilities can deduct one kWh of electricity they are required to get from renewable energy, such as wind, solar, and geothermal resources, up to a maximum of 25 percent of the portfolio standard requirement. For each kWh saved during periods of peak power demand, the utilities can subtract twice the amount from the renewable energy requirement under the new regulation. "Whether it's renewables or we use more energy conservation, it benefits the public," said Sen. Randolph Townsend, R-Reno, chairman of the Senate Commerce Committee.<sup>4</sup>

**Enforcement mechanisms.** The PUCN is responsible for determining the enforcement mechanisms for the portfolio standard. The PUCN will be able to impose administrative fines. Administrative fines will not be considered a cost of service, and the utilities cannot include any portion of the fine in any application for rate adjustment or rate increase.

## **Green Building**

The green building incentives contained in AB3 are significant. Up to a 50% property tax credit is available for up to 10 years for buildings that meet the equivalent of LEED Silver certification. In April 2006, proposed rules were filed by the State Director of the Office of Energy and the Commission on Economic Development to further define the green building components of the AB3 legislation.<sup>5</sup> For the purposes of determining eligibility for tax abatements or tax exemptions that are authorized by AB3, the proposed regulations clarify that LEED will be defined by the LEED Green Building Rating System developed by the U.S. Green Building Council. Table 2 outlines the proposed partial tax abatement structure for new construction (NC) and existing buildings (EB).

State-owned buildings are also required to adopt green building practices. AB3 requires the State to reduce grid-based purchases for state-owned buildings by 20% by 2015. In addition, during each biennium, at least two occupied public buildings must be certified or equivalent to LEED Silver performance, or higher.<sup>6</sup> Before construction or renovation of any occupied public building that is greater than 20,000 square feet, each agency of the State or a political subdivision, district, or authority must analyze measures to conserve water and energy that will generate cost savings within 10 years – must consider the use of energy that is alternative to fossil fuels.

AB3 promotes training in green building issues through the requirement that universities and community colleges provide instruction in areas related to green buildings.

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<sup>3</sup> Las Vegas Review-Journal (Nevada) January 18, 2006

<sup>4</sup> Et al

<sup>5</sup> Proposed Regulation of the Director of the Office of Energy, LCB File No. RO25-06, April 20, 2006. Proposed Regulation of the Commission on Economic Development, LCB File No. R220-05, April 20, 2006.

<sup>6</sup> Leadership in Energy and Environmental Design Green Building Rating System or an equivalent standard as adopted by the Director of the Office of Energy in Nevada. Occupied space is defined as office space or area for persons employed by the State or local government.

## Building Standards

AB3 provides the impetus for the adoption of the first nonresidential building codes in Nevada. Under AB3, the Director of the Office of Energy is required to adopt regulations, plans, and guidelines regarding building standards and energy efficiency in the State of Nevada. The bill states that the building code regulations should be based on the most recent versions of the International Energy Conservation Code (IECC), issued by the International Code Council. In addition, the bill requires that the building code regulations provide for the most recent version of IECC to be adopted at least every third year. The standards adopted by the Director will be the minimum standards for energy efficiency and will apply only to areas in which the governing body of the local government has not adopted standards for energy efficiency in buildings.

**Table 2. Proposed Partial Property Tax Abatement**

LEED Level	LEED-NC	LEED-EB	Term of Abatement	Amount of Abatement
<b>Silver</b>	33	40	5 years	50%
	34	41	5 years	50%
		42	5 years	50%
	35	43	6 years	50%
	36	44	6 years	50%
		45	6 years	50%
	37	46	7 years	50%
<b>Gold</b>	38	47	7 years	50%
	39	48	8 years	50%
	40	49	8 years	50%
		50	8 years	50%
	41	51	9 years	50%
	42	52	9 years	50%
		53	9 years	50%
	43 or more	54 or more	10 years	50%

Source: Proposed Regulation of the Commission on Economic Development, LCB File No. R220-05, 4/06.

Representatives from local building departments, Associated General Contractors and the Southern Nevada Home Builders Association worked for about a year to put together a version of the International Energy Conservation Code that would be applicable to building conditions in Southern Nevada such as soil and weather. “This was truly a team effort that required the collaboration of the construction industry and local jurisdictions to bring the new International Energy Conservation Code to our valley,” said Michael Bouse, Director of Building and Fire Safety for the city of Henderson.<sup>7</sup>

In commercial construction, the upgrades will cost about \$1.60 per square foot, with energy bill savings of about 68 cents per square foot per year, meaning the upgrades would pay for themselves in about 2.4 years. A report from the Southwest Energy Efficiency Project and the Nevada State Office of Energy estimated that adoption of the new building code will produce a savings in energy costs of about \$1.86 billion from 2006 through 2020.<sup>8</sup>

<sup>7</sup> Las Vegas Review-Journal (Nevada) June 10 2005.

<sup>8</sup> et. al.

## Comparison of Nevada’s Portfolio Standard with other States

While approximately 20 states have renewable portfolio standards, only 4 states—Nevada, Pennsylvania, Hawaii and Connecticut—include energy efficiency in their portfolio standard (Table 3).

**Table 3. States with Energy Efficiency in Renewable Portfolio Standards**

State	Bill	Year	Type	Requirement (Minimum % of Sales)	End-Year	Energy Efficiency
Nevada	AB3	2005	Portfolio Standard	20%	2015	25% cap on energy efficiency contribution, of which 50% must come from residential
Pennsylvania	SB 1030	2004	Alternative Energy Portfolio Standard (AEPS)	8% renewable plus 10% Advanced Energy Resources (Tier 2)	2021 <sup>9</sup>	10% minimum requirement for Advanced Energy Resources (Tier 2).
Connecticut	PA 03-135	2003/2005	Renewable Portfolio Standard	10%	2010	1% of supply must be purchased from efficiency and CHP by 2007 and 4% by 2010
Hawaii	Act 95	2004	Renewable Portfolio Standard	20%	2020	No cap on energy efficiency

Source: KEMA, Inc.<sup>10</sup>

- Pennsylvania.** The Pennsylvania legislature adopted an Alternative Energy Portfolio Standard in 2004. There is a two-tier system in Pennsylvania, with minimum requirements for each tier. The regulations require that 18% of power sold must be met by renewable energy (8%) and advanced energy (10%) within 15 years after implementation. Implementation is scheduled to start in 2006. Tier 2 resources include energy efficiency, hydropower, and waste coal generation.<sup>11</sup> The energy efficiency component includes load management and demand response technologies that shift load from periods of higher demand to periods of lower demand, including pump storage technologies.<sup>12</sup>
- Hawaii.** In Hawaii, energy efficiency is considered a resource under the renewable portfolio standard. There is no cap on the amount of energy efficiency that can be utilized to meet the renewable portfolio standard. In 2004, renewable energy and energy efficiency resources accounted for slightly over 11% of retail electricity sales, with energy efficiency accounting for 32% of the total credits claimed.<sup>13</sup>
- Connecticut.** Connecticut now has three classes of resources under its renewable portfolio standard. Class I renewable resources include solar, wind, new sustainable

<sup>9</sup> Implementation scheduled to begin in 2006. Minimum requirement must be met in 15 years after implementation.

<sup>10</sup> Source of information: <http://www.aceee.org/energy/eesavings.htm>

<sup>11</sup> <http://www.aceee.org/energy/eesavings.htm>

<sup>12</sup> <http://www2.legis.state.pa.us/WU01/LI/BI/BT/2003/0/SB1030P1973.pdf>

<sup>13</sup> Hawaiian Electric Co., 2005, "Renewable Portfolio Standard Status Report." Kauai Island Utility Cooperative, 2004, "Renewable Portfolio Standards (RPS) Status Report."

biomass, landfill gas, and fuel cells (renewable or non-renewable fuel). Class II resources include trash-to-energy facilities, biomass facilities not included in Class I, and certain approved hydropower facilities.

In June 2005, Connecticut adopted legislation that added Class III requirements covering energy efficiency and combined heat and power plants. Class III renewable energy sources are now defined in statute as "electricity output from combined heat and power systems with an operating efficiency level of no less than fifty per cent that are part of customer-side distributed resources developed at commercial and industrial facilities in [Connecticut] on or after January 1, 2006, or the electricity savings created at commercial and industrial facilities in [Connecticut] from conservation and load management programs begun on or after January 1, 2006." Conn. Gen. Stat. Ann. §16-1(44).<sup>14</sup> Electric distribution companies and electric suppliers must provide 1% of their load from Class III sources by January 1, 2007. This requirement increases by 1% per year to 4% by January 1, 2010. The Connecticut Department of Public Utility Control is authorized to collect a deficiency charge of up to 5.5 cents per kWh if the requirements are not met.<sup>15</sup>

## **Nevada Power and Sierra Pacific Power Plans for Expanding Energy Efficiency Programs as A Result of AB3**

NPC and SPPC, both subsidiaries of Sierra Pacific Resources, are the only investor-owned electric utilities in Nevada. Both companies have been extremely active in stepping up their demand side management (DSM) programs as a result of AB3. Figure 1 displays the projected retail sales for NPC and SPPC as compared to the requirements of the portfolio standards. As displayed, the total requirements are roughly 1,700 GWh in 2006 and 7,300 in 2015.

The portion of the portfolio standard that can be met by energy efficiency is displayed in Figure 2. As displayed, it is projected that over 1,800 GWh of energy efficiency credits will be needed by 2015 across the two service territories, roughly a 400% increase over 2006 levels.

In the near term, NPC is short of meeting its portfolio standard goal. SPC, on the other hand, has sufficient renewable resources to meet the portfolio credit until 2008. Of course, DSM programs must be cost competitive with other supply-side options. As Figure 3 displays, Nevada Power's avoided cost of energy is approximately \$50 per MWh. Thus, the DSM programs in NPC's portfolio need to be priced under this benchmark.

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<sup>14</sup> <http://www.retailenergy.com/statelin/0512olsn.htm>

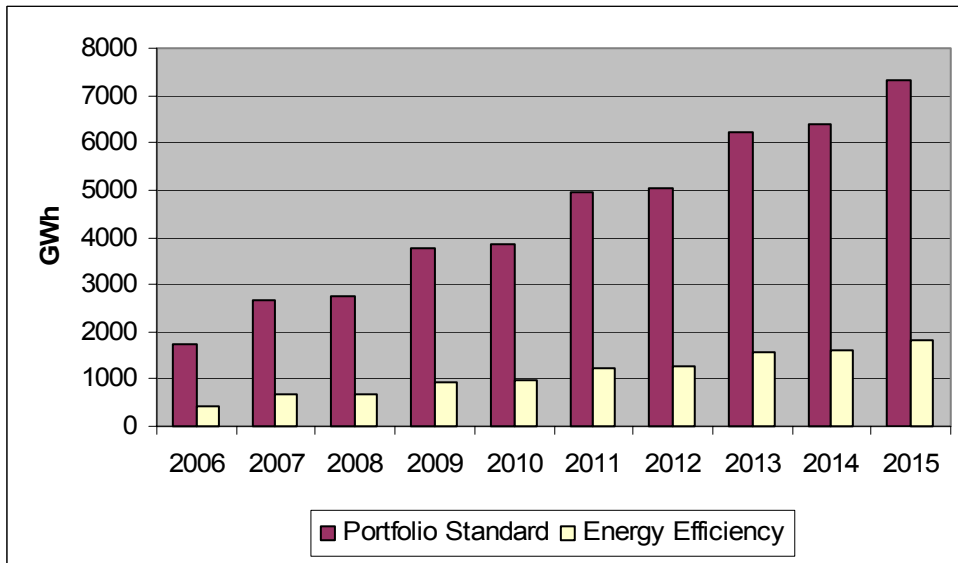
<sup>15</sup> et. al.

**Figure 1. Portfolio Standard Requirements for NPC and SPPC**



Source: KEMA, Inc.

**Figure 2. Energy Efficiency Credit Potential for NPC and SPPC**

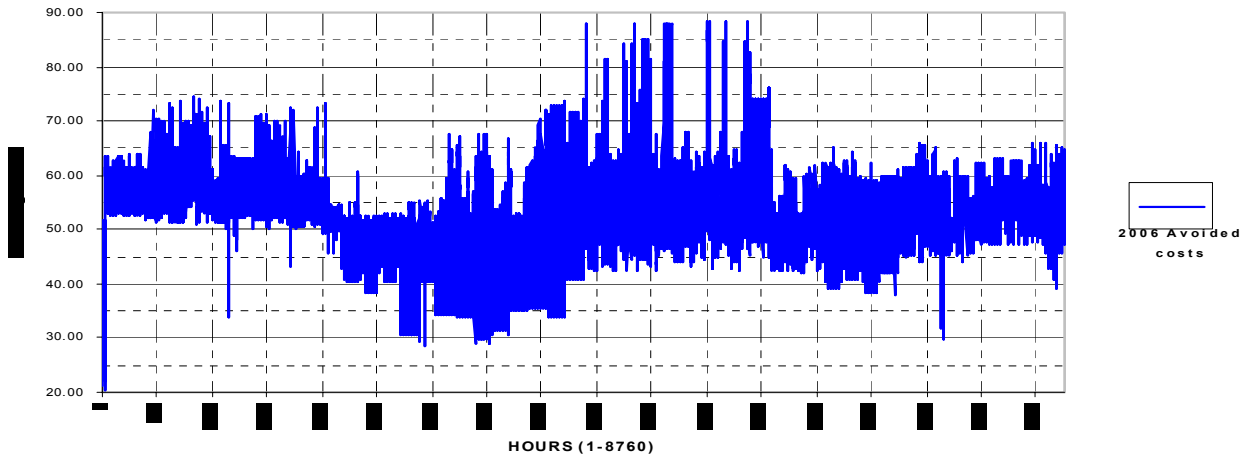


Source: KEMA, Inc.



**Figure 3. Nevada Power Avoided Cost of Energy**

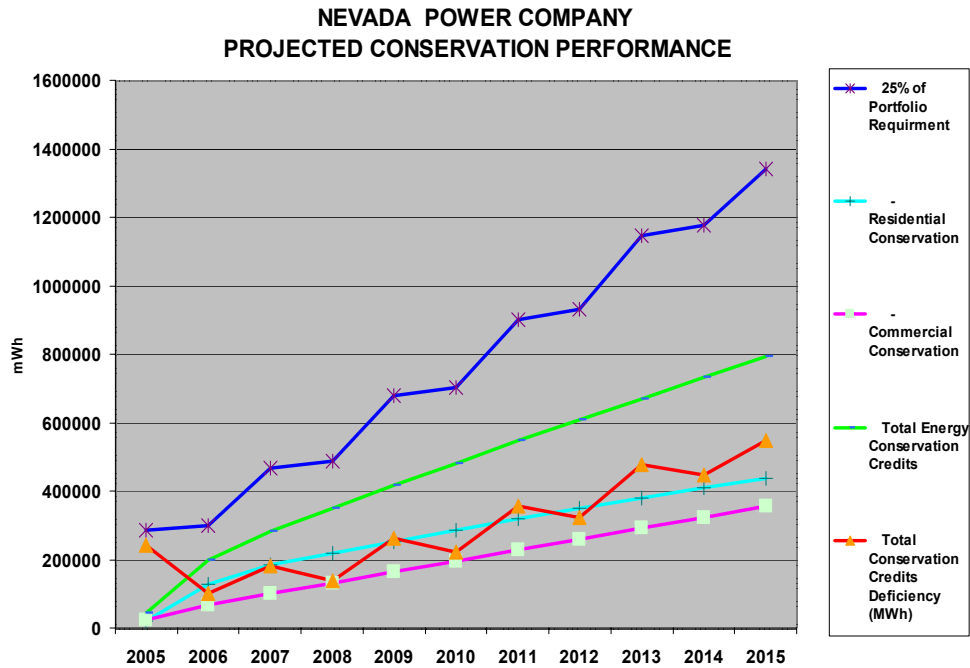
**Nevada Power Avoided Costs 2006**



Source: Nevada Power Company

Figure 4 displays the total energy conservation credit deficiency in NPC territory under current or “business as usual” funding levels.

**Figure 4. NPC Projected Energy Conservation Credit Deficiency**



Source: Nevada Power Company

As displayed, the projected deficiency of conservation credits in NPC territory is quite substantial, amounting to approximately 800 GWh by 2015. As a result of the projected energy credit deficiency, NPC and SPPC have worked with the PUCN staff, the Bureau of Consumer

Protection, and the Nevada DSM Collaborative (“Collaborative) toward developing DSM program designs and analyses that will achieve the energy efficiency objectives set out in AB3. In early 2006, both NPC and SPPC filed Amendments to their Integrated Resource Plans (IRPs) to request additional funding for their DSM programs.<sup>16</sup> Tables 4 and 5 display the proposed program changes by NPC and SPPC, respectively.

**Table 4. NPC Proposed Program Changes – Budget (11<sup>th</sup> Amendment to IRP)**

<b>Program</b>	<b>Base 2006 Budget</b>	<b>Additional Requested</b>	<b>Total 2006 Budget</b>
<b>Expansions</b>			
ENERGY STAR LIGHTING AND APPLIANCE PROJECT	\$700,000	\$1,525,000	\$2,225,000
Sure Bet Commercial Customer Incentives	\$1,600,000	\$500,000	\$2,100,000
2 <sup>nd</sup> Refrigerator Collection and Recycling	\$500,000	\$715,000	\$1,215,000
<b>New</b>			
Low Income A/C Replacement	NA	\$500,000	\$500,000
<b>Total</b>	<b>\$2,800,000</b>	<b>\$3,240,000</b>	<b>\$6,040,000</b>

**Table 5. SPPC Proposed Program Changes—Budget (10<sup>th</sup> Amendment to IRP)**

<b>Program</b>	<b>Base 2006/2007 Budget</b>	<b>Additional</b>	<b>Total 2006/2007 Budget (each yr)</b>
		<b>Requested</b>	
<b>Expansions</b>			
Energy Star Appliances	\$500,000	\$500,000	\$1,000,000
Sure Bet Commercial Incentives	\$700,000	\$500,000	\$1,200,000
<b>Total</b>	<b>\$1,200,000</b>	<b>\$1,000,000</b>	<b>\$2,200,000</b>

The proposed amendments in both territories affect only a small portion of the utilities’ total portfolio of DSM programs. In NPC’s territory, the proposed changes would increase the 2006 DSM budget by approximately 14% over current funding levels, amounting to a new total budget of \$25.7 million. In SPPC’s territory, the amendment would increase the total 2006 and 2007 DSM budget by approximately 27% to \$4.7 million annually.

Both utilities are required to file IRPs every 3 years. In the summer of 2006, NPC will file a new IRP that will propose further expansion of its DSM budgets and portfolio of programs. Table 6 outlines NPC’s proposed DSM program expansion plan.

<sup>16</sup> Nevada Power Company Eleventh Amendment to the Action Plan for its 2003-2022 Integrated Resource Plan, March 2006. Sierra Pacific Power Company Tenth Amendment to the Action Plan for Its 2005-2024 Integrated Resource Plan, April 2006.

**Table 6. NPC Proposed DSM Budget in 2006 IRP Filing<sup>17</sup>**

<u>Demand Side Projects</u>	Budget		
	2007	2008	2009
(\$000)	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
<b><u>Energy Education and Consultation</u></b>			
Non-Profit Agency Grants	\$100	\$100	\$100
Energy Education	\$400	\$400	\$400
<b><u>Low Income Customers</u></b>			
Low Income Projects	\$2,200	\$3,380	\$3,380
<b><u>Misc. Market and Technology Trials</u></b>			
Market and Technology Trials	\$425	\$400	\$400
<b><u>Air Conditioning Load Management</u></b>			
Subtotal Part III – ACLM Programs	\$13,372	\$20,433	\$23,282
<b><u>All Other Programs</u></b>			
Residential A/C Maintenance	\$3,750	\$3,750	\$3,750
Cool Controls	\$1,180	\$1,340	\$0
Zero Energy Homes	\$100	\$330	\$270
Refrigerator Recycling	\$1,650	\$1,650	\$1,650
Energy Star Manufactured Homes	\$350	\$358	\$411
Energy Star Appliances	\$3,100	\$3,100	\$3,100
Sure Bet Commercial Incentives	\$6,000	\$6,000	\$5,000
Energy Star Residential Products	\$2,538	\$3,161	\$3,183
Schools--CHPs model or Surebet	\$400	\$400	\$400
Sure Bet New Construction	\$1,600	\$1,600	\$1,600
High Efficiency Residential A/C Units	\$8,500	\$8,500	\$8,500
<b>Total Demand Side Programs</b>	<b>\$45,665</b>	<b>\$54,902</b>	<b>\$55,426</b>

As displayed, NPC is proposing to expand their portfolio of DSM programs and increase their annual DSM budget to \$55 million by 2009, a 240% increase over the current funding levels.<sup>18</sup>

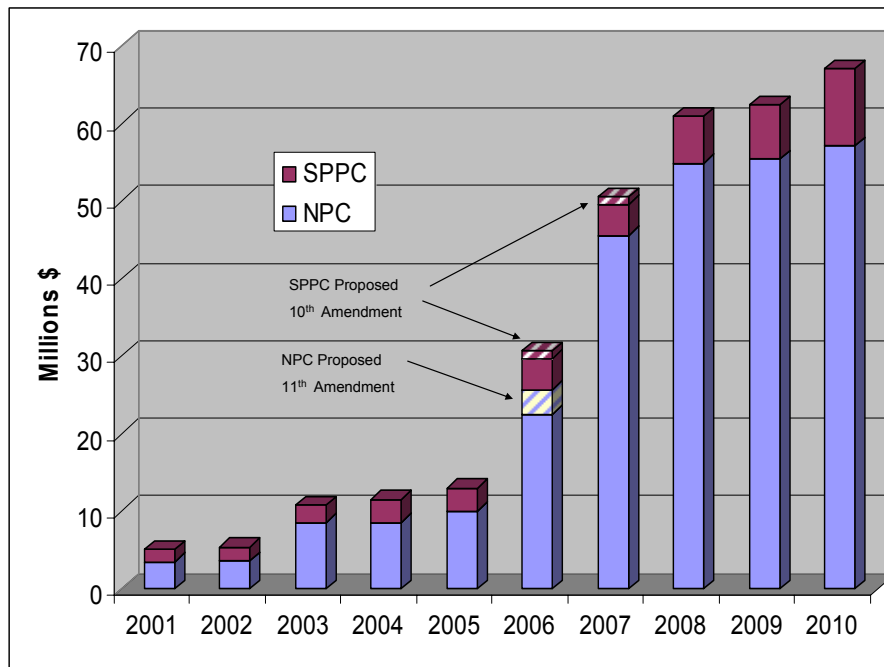
SPPC will file an IRP in the summer of 2007 for the planning period of 2008-2024. At this time, there are no data available on the specific expansion plan for SPPC territory. SPPC will also propose expanding its portfolio of DSM programs and budgets significantly. However, projected growth rates in SPPC's territory are lower than in NPC's territory due to lower conservation credit deficiencies.

Figure 5 displays the projected DSM budgets for NPC and SPPC service territories through 2010. As displayed, the DSM budgets are projected to increase by more than a factor of 10 from 2001 to 2010. While the increase in budgets from 2001 to 2004 was primarily the utility reacting to market forces, the increase from 2005 through 2010 is due to the new emphasis on energy efficiency under AB3. The total projected budget expenditures for DSM programs in 2010 are roughly \$65 million for NPC and SPPC. Of course, these DSM budget projections are preliminary and must be approved by the PUCN through the IRP process.

<sup>17</sup> Draft IRP work papers, Nevada Power Company, May 2006.

<sup>18</sup> The currently approved 2006 DSM budget in NPC territory is \$22.5 million. The 11<sup>th</sup> Amendment to NPC's IRP proposed increasing the 2006 DSM budget to \$25.7 million. As of May 2006, this Amendment is pending approval by the PUCN.

**Figure 5. Projected DSM Budgets for NPC and SPPC**



Source: KEMA

## Key Issues

Key issues that remain to be resolved regarding AB3 include the following:

- Whether or not to estimate freeridership and look at net savings rather than gross savings in determining AB 3 credits
- Difficulties presented by the requirement that 50% of savings credits come from the residential sector
- Who gets ownership of the savings credits if the utility is contributing a small amount to the cost of implementing an EE project.

The utilities contend that AB3 makes no mention freeridership issues. In fact, AB3 has sections that specifically discuss energy efficiency contracting under a scenario where customers should be allowed to sell conservation credits to the utility, presumably even after the project has been installed. Thus, the utilities believe that the intent of the legislation was not to limit conservation credits due to freeridership and that the appropriate time to deal with this issue is during the IRPs process.

With respect to the difficulties presented by the requirement that 50% of the savings credits must come from the residential sector, both NPC and SPPC are currently expanding their residential programs at a faster pace than the nonresidential programs. In fact, the current draft plan for the IRP in NPC territory calls for a two to one ratio of investment in residential versus nonresidential DSM programs. At this point in time, nonresidential DSM programs are constrained by the requirement that in each utility service territory, nonresidential conservation credits may not exceed residential conservation credits.

Ownership of conservation credits is another issue that has received a lot of discussion, particularly with respect to ownership rights if the utility contribution is small relative to the total cost of implementing the energy efficiency measure. Both NPC and SPPC are designing programs that are intended to influence the customer's investment decisions. Ownership rights of conservation credits will depend on the agreement between the customer and the utility. Conservation credits will be claimed only for those measures where incentives have been paid.

## **Conclusions**

AB3 has proven to be a significant market driver for the energy efficiency market in Nevada. As utilities have increased DSM expenditures in the last several years, key industry market actors have emerged to make this a vibrant emerging industry in Nevada. Growth rates are staggering, both with respect to total dollars invested by the utilities to stimulate investment in energy efficiency measures and in energy savings. For instance, in the next 3 years, NPC estimates that they will install 10,000 high SEER air conditioning units a year, representing more than a 60% increase over 2005 activity. As a result of a new program that was launched in 2005, builders of new homes now recognize that energy efficiency is becoming increasingly important to new home buyers and have committed to installing high SEER units as well as ENERGY STAR appliances in their new homes. Well over 90% of the major developers in the Las Vegas area have now committed to install high-efficiency air conditioning equipment units their new homes. The refrigerator recycling program is also experiencing significant growth. In 2005, NPC was recycling slightly less than 3,000 units per year. Starting in 2007, NPC is proposing to recycle 10,000 units annually.

Nonresidential energy efficiency activity has also increased significantly over the last several years. NPC and SPPC responded to the recommendations of the DSM Collaborative and participants in the rule making docket 05-7050 by increasing the maximum allowable rebate per project to \$100,000 for 2006. This increase, combined with customer concern for increasing energy costs, produced a significant jump in customer interest in the nonresidential programs. As a result, the 2006 Sure Bet Incentive programs in NPC and SPPC territories were sold out during the first quarter of 2006.

AB3 is also stimulating green building practices in Nevada. In the last year, NPC and SPPC worked diligently to educate key market actors including the Green Building Council, Architect and Engineering firms, developers and property managers. Whereas 1 year ago there were only a handful of projects that were considering LEED projects, now there are dozens of LEED projects in the planning stages. Of course, the tax incentives contained in AB3 have proven to be the major market driver with respect to stimulating green building practices in Nevada. Although it will take time to stimulate this industry in Nevada, AB3 has proven to be instrumental in jump starting the market.

Thus, enactment of AB3 has changed fundamentally NPC's and SPPC's perspective on and approach to DSM planning and implementation. Overall, the legislation has proven to be a significant market driver to stimulate the energy efficiency and green building markets in Nevada.