

## Issue Brief: Nevada Power Company's Residential Demand Charge Proposal

### Demand Charge Proposal Summary

In its 2025 general rate case the Nevada Power Company (NPC) proposed a significant change in how residential customers are charged for electric service through the establishment of a mandatory "daily demand" (\$/kW) charge.<sup>1 2</sup> The daily demand charge, proposed at a rate of \$0.18/kW, is designed to recover the portion of distribution system costs that are not included in the monthly fixed charge. For residential customers, those costs are currently recovered through the volumetric (\$/kWh) rate.<sup>3</sup>

Under the daily demand pricing design, the customer's monthly charge would be calculated as the sum of a customer's highest demand (kW) on each day of a billing period times the daily demand rate. For example, if a customer had an average maximum daily demand of 5 kW over a 30 day billing period, the sum would be 150 kW and the resultant monthly charge would be \$27.00 for that month (150 kW X \$0.18/kW). NPC proposed that the new rate structure be implemented starting April 1, 2026.

### Analysis of Precedent for NPC's Proposal

EQ Research conducted a review of prevailing investor-owned utility (IOU) rates throughout the country, and past IOU proposals to apply demand charge rate designs broadly to residential distribution rates in different ways. Those different ways consist of: (i) mandatory rates with no opt-out provision, (ii) default rates that allow a customer to opt-out into a non-demand rate, and (iii) mandatory rates that apply only to customers with on-site distributed generation (DG). That research produced the following conclusions:

1. There is not a single IOU in the country that imposes a demand charge for distribution service as a mandatory rate broadly applicable to most or all residential customers.<sup>4</sup>
2. We are able to identify only a single example where a utility proposed a fully mandatory residential demand charge for distribution service similar in scope to what NPC proposes, which was ultimately withdrawn in a settlement.<sup>5</sup>
3. Default residential demand rates, which would still permit customers to opt-out into a non-demand rate, have only been proposed twice in recent history. In one instance (Oklahoma) the proposal was affirmatively rejected by regulators.<sup>6</sup> In the other instance (Georgia), a

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<sup>1</sup> Public Utilities Commission of Nevada Docket No. 25-02016.

<sup>2</sup> NPC also proposed a revision to small commercial rates that would include a maximum monthly demand charge.

<sup>3</sup> NPC currently offers a daily demand rate as an optional residential rate (Schedule ORS-DDP), but the present proposal makes the daily demand charge mandatory for all residential customers.

<sup>4</sup> We are aware of certain infrequent instances where a demand charge or minimum bill based in some way on demand is employed for a small subset of residential customers (e.g., customers with very high demands, customers that receive 3-phase service).

<sup>5</sup> Pepco - District of Columbia (DC), 2017 general rate case in DC PSC Docket No. FC 1050.

<sup>6</sup> Oklahoma Gas and Electric (OK), 2015 general rate case in OCC Docket No. 201500273.

demand rate was adopted as the default rate for new residential customers (i.e., newly constructed homes) in a settlement.<sup>7</sup> However, the default rate designation for the demand rate was eliminated in the utility's next rate case.<sup>8</sup>

4. Dating back to 2013, we have identified 25 instances in which an IOU made a specific proposal to require residential DG customers to take service under a demand rate.<sup>9</sup> Only one IOU (Black Hills Power - WY) currently requires residential DG customers to take service under a demand rate in a broadly applicable manner. Another IOU (Dominion Energy - Virginia) employs transmission and distribution standby charges that are based on customer demand, but only for residential customers with DG systems larger than 15 kW.<sup>10</sup>

In sum, our research indicates that NPC's proposal itself is highly unusual, and its adoption would be unprecedented. In addition, despite numerous efforts by utilities to require residential DG customers to take demand rate service, such proposals have gained almost zero traction, with only two current examples, of which one applies only narrowly to a small subset of customers with large DG systems. Accordingly, we conclude that demand rate designs remain broadly and nearly universally considered unacceptable as an appropriate rate structure for residential customers, including customers equipped with DG systems.

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<sup>7</sup> Georgia Power (GA), 2019 general rate case in GA PSC Docket No. 42516.

<sup>8</sup> Georgia Power (GA), 2022 general rate case in GA PSC Docket No. 44280.

<sup>9</sup> This number does not include several other regulatory proceedings where a utility voiced support for placing residential DG customers on demand rates, such as in comments in a rulemaking, but did not make a specific proposal to do so.

<sup>10</sup> The standby charge is required by Virginia's net metering law so regulators had only a limited amount of discretion in the matter.