Agenda 03-26; Item No.2B Draft Order for discussion at agenda

THIS ORDER IS NOT A FINAL ORDER AND MAY BE SUBSTANTIALLY REVISED PRIOR TO ENTRY OF A FINAL ORDER BY THE PUBLIC UTILITIES COMMISSION OF NEVADA

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Investigation to address rate misclassifications by Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy.	))))	Docket No. 25-05010

At a general session of the Public Utilities Commission of Nevada, held at its offices on February 24, 2026.

PRESENT: Chair Hayley Williamson
Commissioner Tammy Cordova
Commissioner Randy J. Brown
Assistant Commission Secretary Trisha Osborne

ORDER

The Public Utilities Commission of Nevada ("Commission") makes the following findings of fact and conclusions of law:

I. INTRODUCTION

On May 13, 2025, the Regulatory Operations Staff ("Staff") of the Commission filed with the Commission a petition, designated as Docket No. 25-05010, requesting that the Commission open an investigatory docket to address numerous residential rate misclassifications by Nevada Power Company d/b/a NV Energy ("NPC") and Sierra Pacific Power Company d/b/a NV Energy ("SPPC" and collectively, "NV Energy").

II. SUMMARY

The Commission approves the Report attached hereto as Attachment A.

III. PROCEDURAL HISTORY

- On May 13, 2025, Staff filed with the Commission the petition.

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- On May 19, 2025, the Commission issued a notice of petition.
- On May 20, 2025, May 21, 2025, and June 11, 2025, Tony Simmons filed comments.
- On June 6, 2025, CHR, Inc. filed comments.
- On June 10, 2025, Faith Organizing Alliance filed comments.
- On June 11, 2025, Bureau of Consumer Protection ("BCP"), Chispa Nevada, Solar United Neighbors, and Utility Watch Nevada filed comments.
- On June 11, 2025, BCP filed a Notice of Intent to Intervene pursuant to Chapter 228 of the Nevada Revised Statutes.
- On June 11, 2025, NV Energy filed an Answer in response to Staff's petition.
- On June 18, 2025, the Commission's Office of General Counsel filed a briefing memorandum.
- On June 23, 2025, at a regularly scheduled agenda meeting, the Commission voted to adopt General Counsel's recommendation to grant Staff's petition and initiate the requested investigation.
- On June 27, 2025, the Commission issued an order granting Staff's petition.
- On July 8, 2025, Tony Simmons filed comments.
- On July 28, 2025, the Commission issued a Notice of Investigation and Workshop setting forth a procedural schedule for soliciting comments.
- On August 1, 2025, Angel DeFazio filed comments.
- On August 14, 2025, the Commission held a workshop.
- On September 18, 2025, NV Energy filed comments in response to the July 28, 2025, notice.
- On September 19, 2025, the Commission issued a notice of workshop.
- On October 9, 2025, Staff, the BCP, and the Nevada Conservation League each filed their reply comments in response to the July 28, 2025, notice.
- On October 14, 2025, the Commission held a workshop. On the same date, the presiding officer issued Procedural Order No. 1, requesting NV Energy to provide additional information and establishing a procedural schedule.

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- On October 15, 2025, Angel DeFazio filed comments.
- On November 5, 2025, NV Energy filed documents in compliance with Procedural Order No. 1.
- On December 18, 2025, the Commission issued a notice of workshop.
- On December 19, 2025, the BCP filed its response to NV Energy's November 5, 2025, documents filed.
- On December 22, 2025, Staff filed its response to NV Energy's November 5, 2025, documents filed.
- On January 8, 2026, NV Energy filed its reply to BCP and Staff's response comments.
- On January 20, 2026, NV Energy filed an Offer of Compromise.
- On January 21, 2026, the Commission held a workshop.
- On January 28, 2026, Staff, BCP, Angel DeFazio, and Mission: Data Coalition filed comments.
- On January 29, 2026, NV Energy filed reply comments.

IV. COMMISSION DISCUSSION AND FINDINGS

1. The Commission approves the Report attached as Attachment A.

2. The Commission accepts NV Energy's January 20, 2026, Offer of Compromise as outlined in Attachment 1 to the Offer of Compromise. To highlight some key findings of the Report, and as explained in the Report, the Commission finds that NV Energy's Offer of Compromise provides a fair and reasonable outcome for affected customers that will ensure customers are refunded in a timely manner. As also explained in the Report, NV Energy's refunds shall be paid by NV Energy shareholders and not NV Energy customers. Any refund that goes unclaimed by a customer shall escheat to the State of Nevada. Finally, the Report outlines the next steps for consideration of audits and billing retention schedules, which will be appropriately addressed in Docket No. 25-07003.

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3. The Commission finds that this docket shall remain open until NV Energy submits the following:

a. A report from CBIZ Advisory & Risk Services assessing the reasonableness and accuracy of the measures that NV Energy took to identify all misclassified multifamily residential premises; and

b. An officer's certificate stating that NV Energy has issued bill credits and checks as NV Energy committed to do in the January 20, 2026, Offer.

4. The Commission finds that its acceptance of the January 20, 2026, Offer of Compromise has no bearing on what the appropriate refund interest rate shall be for residential overcharges occurring on or after July 1, 2025, pursuant to Section 1.7 of AB 452 and related implementing regulations.

5. The Commission finds that NV Energy shall apply the reimbursement framework accepted in this docket for all subsequent discoveries of misclassified residential premises for overcharges that occurred before July 1, 2025. For overcharges occurring on or after July 1, 2025, NV Energy must follow the law as set forth in Section 1.7 of AB 452 and pursuant to the Commission's future implementing regulations of that statutory provision.

6. The Commission finds that, as outlined by NV Energy in its January 20, 2026, Offer, NV Energy shall use commercially reasonable efforts to issue the bill credits and mail checks to Impacted Active Customers (defined in Attachment 1) and Impacted Inactive Customers (defined in Attachment 1) within 120 days of the issuance of this Order, and in no event later than 210 days of the issuance of this Order.

Therefore, it is ordered:

1. The Commission approves the Report attached as Attachment A.

2. As detailed in the Report, the Commission accepts NV Energy's January 20, 2026, Offer of Compromise as outlined in Attachment 1 to the Offer of Compromise.

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3. This docket shall remain open until Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy submit the following:

a. A report from CBIZ Advisory & Risk Services assessing the reasonableness and accuracy of the measures that NV Energy took to identify all misclassified multifamily residential premises; and

b. An officer's certificate stating that NV Energy has issued bill credits and checks as NV Energy committed to do in the January 20, 2026, Offer.

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4. The Commission finds that Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy shall apply the reimbursement framework accepted in this docket for all subsequent discoveries of misclassified residential premises for overcharges that occurred before July 1, 2025. For overcharges occurring on or after July 1, 2025, Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy must follow the law as set forth in Section 1.7 of AB 452 and pursuant to the Commission's future implementing regulations of that statutory provision.

By the Commission,

_____

HAYLEY WILLIAMSON, Chair and Presiding Officer

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TAMMY CORDOVA, Commissioner

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RANDY J. BROWN, Commissioner

Attest: _____

TRISHA OSBORNE,
Assistant Commission Secretary

Dated: Carson City, Nevada

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ATTACHMENT A

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Investigation to address rate misclassifications by Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy.	))))	Docket No. 25-05010

At a general session of the Public Utilities Commission of Nevada, held at its offices on February 24, 2026.

PRESENT: Chair Hayley Williamson
Commissioner Tammy Cordova
Commissioner Randy J. Brown
Assistant Commission Secretary Trisha Osborne

REPORT

The Public Utilities Commission of Nevada ("Commission") makes the following findings of fact and conclusions of law:

I. BACKGROUND

On May 13, 2025, the Regulatory Operations Staff ("Staff") of the Commission filed with the Commission a petition, designated as Docket No. 25-05010, requesting that the Commission open an investigatory docket to address numerous residential rate misclassifications by Nevada Power Company d/b/a NV Energy ("NPC") and Sierra Pacific Power Company d/b/a NV Energy ("SPPC" and collectively, "NV Energy"). Prior to Staff filing its petition, it conducted an investigation and discovered that NV Energy misclassified tens of thousands of multi-family residential customers as single-family customers dating back to when NV Energy adopted the multi-family rate schedule. Staff learned of the misclassifications through consumer complaints regarding insufficient refunds.

In its June 11, 2025, answer to Staff's petition, NV Energy acknowledged that it identified certain residential customers who were misclassified in the utility's customer account systems, causing these customers to be billed under an incorrect rate schedule. Specifically, some residential customers who should have received service under the single-family rate schedule instead received service under the multi-family rate schedule, and some residential customers who should have received service under the multi-family rate schedule instead received service under the single-family rate schedule. Also in its June 11, 2025, response, NV Energy stated that, for customers who were misclassified, NV Energy corrected their rate classifications and informed customers of the correction. NV Energy stated that it provided refunds to customers pursuant to NPC's Tariff No. 1-B, Rule 2(K)(3).

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On June 23, 2025, the Commission voted to grant Staff's petition and initiate an investigation, with the scope of the investigation focusing on identifying the full extent of misclassifications that occurred, whether NV Energy misapplied its tariffs, and appropriate remedies.

On August 14, 2025, the Commission held a workshop at which the Commission required NV Energy to further expand on the extent of the rate misclassifications and explain how the misclassifications occurred. On September 18, 2025, NV Energy filed comments acknowledging significant process errors that resulted in the misidentification of more than 42,856 multifamily residential premises as single-family residential premises. In its comments, NV Energy proposed to issue additional refunds to affected customers, going back to June 23, 2017, with interest at NV Energy's customer deposit rate. NV Energy proposed giving the additional refunds as bill credits to active customers, and for former customers with non-active accounts, NV Energy proposed the refunds be mailed to customers' last known addresses.

Staff, in its initial petition and in its October 9, 2025, response to NV Energy's September 18, 2025, comments, objected to NV Energy capping refunds for customers based on any period of limitation. Staff stated that the appropriate refund amount was a full refund (with interest) computed back to the established date on which the error or omission commenced, which Staff estimated was in 2002 for many customers. BCP and other commenters joined in Staff's petition and subsequent response.

On November 5, 2025, at the direction of the Commission, NV Energy filed an estimate of the total dollar amount of all misclassification-related overcharges of customers, including taxes and charges, between 2002 and 2025; and the estimated total dollar amount of all overcharges of customers, including taxes and charges, between 2002 and 2025, using reasonable methods NV Energy believed would be appropriate.[1] In explaining the calculation of its estimate, NV Energy stated that the estimate was based on a series of assumptions necessary to provide an approximation of the amounts overcharged and that the assumptions resulted in a conservative estimate, in that the assumptions upon which the estimate was based likely produced a figure that overstates the actual amount of overcharges. NV Energy's estimate of total overcharges for misclassified premises was $65,477,461.

On December 22, 2025, Staff responded to NV Energy's estimate, stating that it believed the methodology estimating the total overcharge of misclassified residential customers was reasonable and that NV Energy had adequate data and information to fully refund customers back to 2002.

In its January 8, 2026, reply to the positions of Staff and others, NV Energy stated that the Commission lacks jurisdiction to require NV Energy to issue refunds and that the appropriate forum for obtaining any such relief is in court. NV Energy also stated that a third-party (CBIZ Risk & Advisory Services) review of NV Energy's billing system puts the count of misclassified residential premises at 7,767 for SPPC and 37,571 for NPC. On January 20, 2026, NV Energy

[1] The Commission directed NV Energy to calculate the overcharge between 2001 and 2025; however, the billing differential estimate time frame covers April 1, 2002, through 2025 for NPC and June 1, 2002, for SPPC. These are the dates when NPC and SPPC, respectively, began billing under the multi-family rate schedules.

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filed an Offer of Compromise in which it reiterated its legal arguments relating to the Commission's jurisdiction and what it believes are limiting tariff provisions, while also expressing its desire to provide meaningful and timely compensation to adversely affected customers. NV Energy's Offer of Compromise proposed expeditiously providing over $63 million in compensation for affected customers, with the cost of the refunds paid entirely by NV Energy and not recovered through customer rates or charges.

On January 28, 2025, Staff and BCP filed comments addressing NV Energy's Offer of Compromise, and on January 29, 2025, NV Energy filed comments responding to the comments of Staff and BCP.

II. SUMMARY

The Commission accepts NV Energy's January 20, 2026, Offer of Compromise subject to the conditions outlined below, concludes its investigation, and closes this investigatory docket contingent upon NV Energy fulfilling all of the commitments contained in the January 20, 2026, Offer of Compromise.

III. DISCUSSION AND FINDINGS

As discussed below, the Commission finds that it has gathered sufficient information from this investigation to accept NV Energy's January 20, 2026, Offer of Compromise as a fair and reasonable outcome for affected customers. The Commission finds that the proposed $63-million refund provides full compensation to NV Energy's customers and, importantly, ensures that compensation is provided expeditiously.

Assessment of How Misclassifications Occurred and Corrective Actions Taken

In its September 18, 2025, comments, NV Energy explained how it believed the misclassifications happened. In 2002, both NPC and SPPC implemented a distinct rate schedule to serve customers in residential multi-family units, establishing a new, separate rate class for those customers. Generally, the rate schedule applicable to the multi-family residential rate class provided a lower volumetric (per-kilowatt-hour) rate and lower basic service charge than the rate schedule for the single-family residential rate class. NV Energy's multi-family rate schedule applies to separately-metered, single-family dwellings where the dwelling is part of a multi-unit complex. "Multi-unit complex" is not a defined term in NV Energy's rules and tariffs but was historically interpreted as residential dwellings with a common or shared wall, including what would commonly be referred to as duplexes, triplexes, quadplexes, townhomes, apartments, and condominiums.

NV Energy stated that in January 2024, a customer notified NV Energy that the customer's multi-family residence had been incorrectly billed under the single-family rate schedule. NV Energy then reviewed the rates of all of the units within that same multi-family unit complex, discovered the same error, and corrected and adjusted the applicable rate classifications. Between March and June 2024, NV Energy determined that two additional, unrelated multi-family unit complexes were also being billed under the single-family rate

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schedule. This finding led NV Energy to conduct further review of its customer billing system to determine the scope and scale of this issue and whether other premises were misclassified.

NV Energy stated that a broader review identified other premises with similar discrepancies, leading to 42,856 multi-family residential premises identified as misclassified, which is approximately 10 percent of the multi-family residential premises in NV Energy's service territories.

NV Energy stated that the misclassifications occurred in two primary ways. First, when the multi-family rate was introduced in 2002, NV Energy took steps to identify the premises that should be converted to the new classification, but these efforts did not pick up all of the premises. Generally, the premises that were missed during the initial conversion were premises that did not include unit numbers in the addresses.

Second, misclassifications also occurred during premises creation when a new residence or multi-family complex first entered NV Energy's systems. NV Energy stated that because many of the affected premises are multi-family complexes, with some complexes having hundreds of units, a single misclassified complex could result in numerous individual premises being misclassified. NV Energy stated that it also identified approximately 2,451 total premises that it misidentified as single-family residences incorrectly billed on the multi-family rate schedule, resulting in an undercharge to these customers. NV Energy is not seeking repayment of those undercharges.

In its October 9, 2025, comments, Staff questioned NV Energy's explanation for the rate misclassifications. Staff questioned NV Energy's explanation because municipalities throughout the state have code and policy provisions generally requiring the use of unit numbers in addition to a general address for multi-family addresses. Staff stated that NV Energy should have known and accounted for the unit numbers, or lack thereof, through increased quality control. Furthermore, Staff stated that NV Energy repeatedly failed to properly classify new constructions when entering them into its Banner billing system. Staff stated that NV Energy identified no explanation for why these particular errors occurred and would be hard-pressed to do so considering its historical understanding that multi-family residences are those dwellings with a common or shared wall. Staff stated that it believed the misclassifications resulted from a combination of inadequate training, lack of quality control, and professional ineptitude.

Staff stated that on January 31, 2025, NV Energy told Staff that NV Energy had corrected all residential misclassifications. However, when Staff subsequently asked NV Energy to confirm that it reviewed all residential accounts, NV Energy informed Staff in March 2025 that NV Energy identified additional errors. NV Energy stated that in March 2025, a customer informed NV Energy that neighbors in the same residential housing complex were still misclassified. NV Energy conducted a subsequent review and identified an additional approximately 20,000 multi-family premises that were misclassified.

Staff stated that again, on or about May 27, 2025, NV Energy representatives conveyed to Staff that NV Energy was working to confirm the precise universe of residential customers affected by the rate misclassification. Staff stated in its December 22, 2025, comments that it

believed after these several rounds of issues, NV Energy has now identified and corrected the vast majority of the multi-family misclassifications.

NV Energy stated that a significant contributing factor to these misclassifications was the absence of clear controls around accountability and ownership to ensure that as multi-family projects were completed, they received the proper rate classification and dwelling-type designation based on the project design and builder allowance for the project. The lack of controls created conditions where misclassifications could persist and become embedded in the billing process. NV Energy also lacked effective controls to detect and correct these misclassifications quickly. To ensure that similar errors will not occur in the future, NV Energy has taken the following steps to assign responsibility for accuracy of rate classification and dwelling-type designation going forward. Additionally, NV Energy has identified and implemented the following new controls to support this obligation:

1. To ensure correct classification and rate code assignment, designers will indicate the dwelling type for utility coordinator administrators on the design of new multi-family projects. The administrator will verify and document this using the meter set application. The Distribution Design Guidebook will be updated to formally include the checklist procedure for new Banner account creations.

2. Distribution Design will implement standardized language in the project purpose section to classify residential projects. Designers will use one of the following designations: Single-Family Detached Homes; Single-Family Attached Townhomes; or Multi-Family Apartment/Condo.

3. A permanent premises note will be added in Banner to indicate townhome status on or after the February 2024 Rule 9 update.

4. Emails verifying meter set information will be preserved.

5. A meter set report will be generated bi-weekly and reviewed by leadership before customers receive their initial bill.

6. Bi-weekly meetings between New Business and Billing will be held to discuss trends in premises creation and improve interdepartmental communication.

7. A pop-up screen will be developed in Banner prompting users to confirm rate code and dwelling assignment during mass premises creation.

8. An automatic note will be added to accounts when a rate code is modified. A report compiling these notes will be created for the Billing Department to review.

9. A new note type will be developed to indicate that a Banner account has been scrubbed. A 10-year premises note will be added to all previously scrubbed accounts.

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10. NV Energy developed a pop-up message in Banner to prompt users to input missing information before proceeding.

11. A key component of the corrective actions is the implementation of system controls aligned with County Assessor procedures, designed to accurately assign rates according to building and dwelling type in accordance with NV Energy's tariffs.

In its December 22, 2025, comments, Staff stated that the Commission should order NV Energy to complete and file periodic audits assessing the accuracy of rate classifications, maintain all billing records indefinitely, including those going back to June 2017, and ensure that NV Energy implements established controls developed in response to this misclassification issue into its new "Customer to Meter" system (or other customer information system) before that system goes live. Staff additionally recommended NV Energy be required to provide copies of its third-party assessment. In its December 22, 2025, Comments, BCP stated that the Commission should order NV Energy to conduct annual audits of all new customer billing records executed by an external or internal auditor, with costs recovered from shareholders and not ratepayers for said audits.

In its January 20, 2026, Comments, NV Energy filed audit information from CBIZ Risk & Advisory Services, LLC and provided a list of commitments relating to releasing the final findings of this third-party audit.

Staff, in its comments filed on January 28, 2026, recommended that the Commission accept NV Energy's Offer of Compromise, subject to a requirement that before this investigatory docket is closed, NV Energy must file with the Commission as compliance item the CBIZ report assessing the reasonableness and accuracy of the measures NV Energy took to identify all misclassified residential premises.

Commission Findings

While recognizing that the above-listed actions are important steps to prevent misclassifications from happening in the future, the Commission finds that a more robust discussion regarding future auditing and records retention is also warranted. However, given this docket is an investigation and not a contested case or rulemaking, and given that the Commission believes that the discussion regarding auditing and records retention for utilities should apply more broadly going forward, the Commission finds that Docket No. 25-07003 is the most appropriate forum for future discussions related to the development of generally-applicable requirements addressing auditing and records retention. Docket No. 25-07003, the investigation and rulemaking to implement Assembly Bill 452 (2025), is currently exploring records retention issues. The Commission encourages interested participants to participate in Docket No. 25-07003. Furthermore, the Commission notes here that Docket No. 25-07003 will explicitly address auditing sampling sizes, confidence levels, and frequencies for all jurisdictional regulated utilities, as well as retention policies for customer billing records.

The Commission further finds that NV Energy's January 20, 2026, Offer of Compromise contains important commitments from NV Energy regarding the third-party

audit, and the Commission accepts those commitments. NV Energy committed to providing the Commission, Staff, and BCP with a complete, accurate and unredacted copy of the assessment report issued to NV Energy by CBIZ Risk & Advisory Services within five business days of receiving a final report detailing the Assessment. NV Energy also committed to post on NV Energy's website, in a conspicuous location, a copy of the final report from CBIZ Risk & Advisory Services. Finally, in its January 8, 2026, comments, NV Energy stated that it will not seek to recover the costs of the third-party audit from ratepayers. The Commission accepts these commitments as reasonable and significant steps for safeguarding against any future rate misclassifications.

Refunds and Legal Issues

Between the December 2024 refunds and the May 2025 refunds, NV Energy has refunded a total of $5,406,149 to customers affected by the misclassification thus far.

In its September 18, 2025, comments, NV Energy stated that while it initially issued credits for affected customers to refund amounts over a six-month period consistent with Rule 2 of NPC's Tariff No. 1-B, NV Energy also proposed refunding customers dating back to June 23, 2017, with interest pursuant to Rule 13. NV Energy stated that it chose June 23, 2017, as the date because NV Energy's Corporate Records Management Policy provides for retention of customer billing records for seven years.

In its January 8, 2026, comments, NV Energy stated that the Commission lacks jurisdiction to issue refunds and that the appropriate forum for any such relief is a court. NV Energy stated that Nevada statutes expressly contemplate the circumstances wherein a utility may be ordered to refund customers, and NV Energy argued that the governing statutes do not provide the Commission authority to order such a refund to remedy a violation of a rule or a tariff. NV Energy stated that there is a single utility-related statute that references refunds, NRS 703.375, which relates to judicial review.

Additionally, NV Energy stated that NPC's Rule 2(K)(3) limits any refund in NPC's service territory to six months, and that, for equitable reasons, any refund in SPPC's service territory should not vastly exceed the permissible refund in NPC's service territory.

Staff disagreed with NV Energy's Rule 2(K)(3) interpretation in its petition and subsequent comments. Staff stated that Rule 2(K)(3) of NPC's tariff applies only when a customer applies for an incorrect rate, meaning the customer must have affirmatively selected the erroneous rate schedule. Staff stated that NV Energy, and not its customers, caused the misclassification-based billing errors resulting in overcharging. Staff further stated that tariff Rule 5(H)(1) applies for NPC and SPPC and requires a refund back to the date on which the error commenced, which is as far back as 2002 for some of the misclassifications. Staff added that NV Energy's seven-year billing record maintenance is not a bar to fully refunding customers back to 2002.

In addition to joining in Staff's comments, BCP also recommended in its December 22, 2025, comments that NV Energy remit remaining moneys of overcharge from unidentifiable

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customers to the Nevada Treasury Unclaimed Property under NRS Chapter 120A. In its January 8, 2026, comments, NV Energy stated that while it acknowledges the impact that the misclassification error has had on affected multi-family residential customers, the misclassifications did not result in NV Energy being unjustly enriched. NV Energy stated that in its 18 general rate case proceedings since 2002, some billing determinants were included in the wrong class bucket, but the resulting rates did not produce a larger amount of revenue for the utility; the ratemaking process simply resulted in some customers paying slightly more than they should have and other customers paying slightly less. Because the misclassifications were baked into the ratemaking process, the overcharges were essentially offset by corresponding undercharging, so there was never a windfall to NV Energy.

Offer of Compromise

In its January 20, 2026, Offer of Compromise, NV Energy states that its objective throughout this investigation was to provide meaningful and timely compensation to customers adversely affected by the misclassification of multifamily premises as single-family premises. NV Energy states that its Offer of Compromise will provide full compensation to active customers affected by the misclassification error. NV Energy adds that, equally important, the Offer of Compromise ensures that compensation is provided expeditiously. The terms of NV Energy's Offer of Compromise, appended to this report as Attachment 1, are as follows:

1. To provide each Impacted Active Customer (defined in Attachment 1) a bill credit equal to the Misclassification Error Amount (defined in Attachment 1) plus Interest (defined in Attachment 1) for the period between June 23, 2017, and the Refund Date (defined in Attachment 1).

2. For periods prior to June 22, 2017, to provide each Impacted Active Customer a bill credit equal to the Estimated Misclassification Error Amount (defined in Attachment 1) plus Interest (defined in Attachment 1).

3. To mail to last known address of the Impacted Inactive Customer (defined in Attachment 1) as reflected in either NPC or SPPC's customer information system, a check in an amount equal to the Misclassification Error Amount (defined in Attachment 1) to each Impacted Inactive Customer (defined in Attachment 1.)

4. To provide to the Commission, Staff, and BCP, a complete, accurate and unredacted copy of the assessment report issued to NV Energy by CBIZ Risk & Advisory Services within five business days of receiving a final report detailing the Assessment (defined in Attachment 1).

5. To post on NV Energy's website, in a conspicuous location, a copy of the final report from CBIZ Risk & Advisory Services.

6. To provide any subsequently identified Impacted Active Customer (defined in Attachment 1) bill credits equal to the Misclassification Error Amount (defined in Attachment 1)

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within a reasonable period after the identification of a subsequently identified Impacted Active Customer (defined in Attachment 1).

7. To mail to the last known address, as reflected in NV Energy's information system, a check equal to the Misclassification Error Amount (defined in Attachment 1) to any subsequently identified Impacted Inactive Customer (defined in Attachment 1) within a reasonable period after the identification of a subsequently identified Impacted Inactive Customer (defined in Attachment 1).

8. To use commercially reasonable efforts to issue the bill credits and mail checks as specified in Paragraphs 1-3 and 6-7, above, to Impacted Active Customers (defined in Attachment 1) and Impacted Inactive Customers (defined in Attachment 1) with 120 days, and in no event later than 210 days, after the Commission issues an order closing this investigatory docket conditioned upon NV Energy fulfilling its commitments as specified in this Offer.

The definitions in Attachment 1 are as follows:

"Assessment" means the review and validation of NV Energy's work identifying misclassified premises as well the review and assessment of the soundness of the additional processes and controls that NV Energy has designed in order to avoid similar misclassifications in the future, pursuant to the Statement of Work, attached as Exhibit A.

"Estimated Misclassification Error Amount" means an amount equal to the sum of: (a) any difference between the then applicable multifamily basic service charge and the then applicable single-family basic service charge calculated for the applicable billing period; and (b) any difference between the then applicable multifamily volumetric (or kilowatt hour ("kWh")) rates and the then applicable single-family kWh rates for the applicable billing period based on estimated usage for the premises in the amount of 650 kWh per month for premises within NPC's service territory and 458 kWh per month for premises in SPPC's service territory. All estimations shall be based on the dates of occupancy as reflected in each company's customer information systems.

"Impacted Active Customer" means the specific account holder with an associated customer number, as reflected in the each company's customer information system, that: (a) for (i) NPC has, as of the Refund Date, an active account within NPC's service territory and (ii) SPPC, has, as of the Refund Date, an active account within SPPC's service territory; and (b) had a residential account under the same customer number at multifamily premises that was misclassified as a single-family residence at any point between April 1, 2002, for NPC, and June 1, 2002, for SPPC, and the Refund Date.

"Impacted Inactive Customer" means the specific account holder with an associated customer number, as reflected in each company's customer information system, that: (a) for (i) NPC, does not have, as of the Refund Date, an active account within NPC's service territory and (ii) SPPC, does not have, as of the Refund Date, an active account within

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SPPC's service territory; and (b) had residential account under the same customer number at multifamily premises that was misclassified as a single-family residence at any point between the Refund Date and June 23, 2017.

"Interest" shall be calculated based on the annual change in the Gross Domestic Product Deflator ("GDP Deflator") as identified in the Notice of GDP Deflator letters published annually by the Commission going back to January 31, 2011. For the period between 2002 and 2010, NV Energy will calculate the applicable interest rate using the same methodology — taking the difference between the third quarter GDP figures and dividing the annual change by the prior year's third quarter GDP, and then dividing that figure by 12 to determine a monthly interest rate. Interest shall be calculated using the monthly interest rate and compounded annually. The annual interest rates that will be used are attached hereto as Exhibit B.

"Misclassification Error Amount" means an amount equal to the sum of: (a) any difference between the then applicable multifamily basic service charge and the then applicable single-family basic service charge calculated for the applicable billing period; and (b) any difference between the then applicable multifamily volumetric (or kWh) rates and the then applicable single-family kWh rates for the applicable billing period based on the recorded usage for the premises as reflected in each of the companies' respective customer information systems. All calculations shall be based on the data contained and retained in the companies' customer information system.

"Refund Date" means, for each bill credit or check, the business day that is five business days prior to the date on which the respective company issues the applicable bill credit or check.

In its January 20, 2026, Offer of Compromise, NV Energy states that, in addition to the over $5 million in refunds that NV Energy has already issued, NV Energy will issue an additional $57.36 million, which includes interest and taxes, which were remitted by NV Energy to local governments.

In submitting its Offer of Compromise, NV Energy asserts that its Offer of Compromise exceeds NV Energy's legal obligations by tens of millions of dollars and further states that it continues to assert, expressly reserve, and does not waive its legal arguments from January 8, 2026, regarding limitations on refunds pursuant to applicable statutes, rules, and tariffs. NV Energy also reiterates that, while the misclassification error resulted in certain customers paying rates inapplicable to the residences they occupied, the Commission's ratemaking process ensured that this error did not result in a windfall to NV Energy. NV Energy stated that the misclassification errors reflected the allocation of the appropriate revenue requirement between rate classes, meaning that, while some customers were overcharged, others were undercharged.

Staff, in its comments filed on January 28, 2026, recommended that the Commission accept NV Energy's Offer of Compromise, subject to the following conditions:

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1. The Commission's acceptance of the Offer has no bearing on what the appropriate refund interest rate should be for residential overcharges occurring on or after July 1, 2025, pursuant to Section 1.7 of AB 452 and related implementing regulations; and

2. NV Energy will apply the reimbursement framework agreed to by the Commission in this docket for all subsequent discoveries of misclassified residential premises for overcharges that occurred before July 1, 2025. For overcharges occurring on or after July 1, 2025, NV Energy must follow the law as set forth in Section 1.7 of AB 452 and the Commission's future implementing regulations of that statutory provision.

In comments responding to NV Energy's Offer of Compromise, BCP stated that, with more time, it is probable that BCP could resolve many of its outstanding concerns, especially given the trajectory of NV Energy's Offer of Compromise. BCP stated that it agreed with NV Energy on a number of things in the Offer to Compromise, but still outstanding are issues related to the interest rate for the refunds, the already-refunded $5 million and the interest and franchise fees not incorporated in that amount, inactive customer refund amounts, and annual audit reporting for NV Energy. BCP also requested that NV Energy be required to conduct customer outreach to educate ratepayers on the overcharging credits/refunds and educational material for customers to check their own bills.

In its January 29, 2026, comments responding to the comments of Staff and BCP, NV Energy accepted and incorporated into its Offer all of Staff's proposed conditions, as well as BCP's proposal to develop and implement a customer education program.

Commission Findings

As stated above, the Commission accepts NV Energy's January 20, 2026, Offer of Compromise as amended by Staff's proposed conditions and BCP's proposal for NV Energy to develop and implement a customer education program. Based on the information gathered during this investigation, the Commission finds that the commitments contained in NV Energy's Offer of Compromise (modified as described above) adequately resolve this matter. Accordingly, the Commission concludes its investigation and closes this docket contingent upon NV Energy fulfilling all of the aforementioned commitments. However, regarding threshold issues of law and tariff interpretation raised in this investigation, the Commission finds here that the Commission possesses authority to order refunds for overcharges dating to 2002.

First, the Commission notes that it has plenary authority with regard to utility ratemaking in Nevada, and Nevada courts "defer to an agency's interpretation of its governing statutes or regulations if the interpretation is within the language of the statute." *Young v. Nevada Gaming Control Bd.*, 136 Nev. 584, 586, 473 P. 3d 1034, 1036 (2020). Furthermore, the Nevada Supreme Court has confirmed that the Commission may "order refunds as a sanction where a public utility has failed to comply with rules and regulations that affected customers' bills." *See Sw. Gas Corp. v. Pub. Serv. Comm'n*, 96 Nev. 657, 660, 614 P.2d 1080, 1082 (1980) (confirming that Commission-ordered refund for overpayments was within the Commission's "statutory powers and constitutional limitations"); *Nevada Power Co. v. Eighth Jud. Dist. Ct. of Nevada ex rel. Cnty. Of Clark*, 120 Nev. 948, 961 n.40, 102 P.3d 578, 587 (2004). Notably, the very tariff rules

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that NV Energy invokes to limit the period of time to which refunds are applicable clearly contemplate the Commission having jurisdiction and authority to require the issuance of refunds as a remedy under circumstances where customers have been overcharged. Rule No. 5(H) of both SPPC's and NPC's governing tariffs address "refunds for overpayment," and NPC's Rule No. 2(K)(3) describes how "any excess amount paid by the customer shall be refunded by the utility."

Next, the Commission finds NV Energy's reference to NRS 703.375 misplaced, as it applies to a situation that differs significantly from the circumstances under which a utility has inappropriately applied its Commission-approved tariff rules or rate schedules. NRS 703.375(1) states the following:

> If a court determines that the rate or rates considered by the Commission are excessive, and that the public utility has collected those excessive rates, the public utility shall compute and refund the excess or overpayment of the rate or rates pursuant to a plan approved by the Commission within 60 days after the entry of the final judgment of the court.

NRS 703.375(1) applies when a court has determined that the rates approved by the Commission are excessive. It addresses the treatment of funds collected from customers during the pendency of an appeal of a rate case. The billing issue here does not arise from undoing the application of a rate found to be unlawful by a court; rather, it arises from the utility's misapplication of rates and other tariff provisions lawfully established and subject to enforcement by the Commission. By ordering refunds here, the Commission would simply be enforcing compliance with the terms that it indisputably had jurisdiction and authority to create. The Commission is not setting a new rate; it is requiring that the utility appropriately apply rates that were already in effect. Such enforcement authority is inherent in the Commission's jurisdiction to regulate utilities and resolve customer complaints.

Moving on to the arguments regarding limitations on the time periods to which refunds may apply, the Commission finds that NV Energy misinterprets Rule 2(K)(3), which the Commission finds does not limit refunds to six months in NPC's service territory in this case. Rule 2(K)(3) states the following:

> If, for any cause, a Customer applies for and receives service under a rate schedule not applicable to the class of service taken, on discovery of such error all bills rendered during the preceding six months will be recalculated in accordance with the lowest properly applicable rate schedule, and any excess amount paid by the Customer shall be refunded by the Utility, or any balance due shall be paid by the Customer, as the case may be.

The Commission need not look further than the plain language of Rule 2(K)(3), which clearly and unambiguously states that it pertains to when "*a Customer* applies for…" service under the wrong rate schedule. (emphasis added.) Here, no customers applied for the misclassified service. Unlike the scenario envisioned by the plain language of Rule 2(K)(3), here, the *utility*, not the customer, misclassified the customers for service. The customers that NV Energy misclassified had no affirmative actions; rather, NV Energy, upon its own admission, affirmatively misclassified tens of thousands of multifamily customers starting on or around 2002.

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With regard to NV Energy's argument that the words "for any cause" in Rule 2(K)(3) mean that the six-month limitation applies to an error that occurs for any reason, not just when the error is a result of the customer's action, the Commission disagrees and finds that the "for any cause" language applies to the customer's basis for applying for service under the incorrect rate schedule, not to the reason for the misclassification.[2]

The Commission next turns to Rule 5(H), which became effective in 2016 for NPC and SPPC and provides that "[w]hen it is found that an error or omission exists in billing and such error or omission is due to causes, the date of which can be reliably established, billing adjustments shall be made according to the following for 'Services under Residential Tariffs': i. Refunds for overpayment shall be computed back to but not beyond the established date on which the error or omission commenced…" Here, NV Energy directly caused billing errors because it misclassified tens of thousands of residential customers for years. Stated another way, but for NV Energy's rate misclassifications, there would be no billing errors. Furthermore, NV Energy stated that it can trace the misclassifications to specific design, construction, and rate classification dates. The Commission finds that rule 5(H) applies to the rate misclassifications, and thus, the Rule 5(H) refund remedies apply.

The Commission finds no ambiguity in the application of Rule 5(H). NV Energy argues that Rule 5, which applies to "billing errors," because the rate misclassifications are somehow not, or somehow do not directly result in, billing errors. Misclassification is the reason for the billing errors; customers were billed incorrectly—in error—based on their rate schedule misclassification. The Commission finds NV Energy's interpretation of Rule 5(H) so narrow that it twists the plain meaning and application of Rule 5(H) and leads to absurd results. Under NV Energy's proposed interpretation, no rule would exist for SPPC that contemplates a remedy for misclassification that results in overbilling.

The Commission finds that NV Energy's own billing record retention policy of seven years does not bar the Commission from ordering refunds beyond seven years. Rule 5(H) does not require NV Energy to have precise billing records going back to the date of overbilling. Furthermore, NV Energy itself provided a plausible estimate of the scope of overcharges going back beyond seven years (beyond 2017), proving it is possible to dig reasonably back beyond seven years for refund amounts.

While the Commission finds that it does have jurisdiction to order refunds dating back to 2002, here, the Commission need not exercise that power, as NV Energy has voluntarily committed to provide such refunds. The Commission commends Staff and NV Energy for working diligently towards a solution that provides full compensation to active NV Energy customers adversely affected by the misclassification.

The Commission finds NV Energy's January 20, 2026, Offer of Compromise fair and reasonable for several reasons. First, the Commission finds the Offer of Compromise to provide a

[2] The Commission agrees with NV Energy's assertion that Rule 2 takes precedence over Rule 5 for NPC customers but finds that it does not apply here because customers did not apply for service under the incorrect rate schedule. Rule 2(K)(3) protects the utility if the customer applied for service under the wrong rate class. For all other overbilling, the refund dates back to when the error commenced pursuant to Rule 5(H)(1).

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reasonable refund amount. The Offer of Compromise dates back to 2002 for active customers, which is when the misclassifications first occurred, for both NPC and SPPC, and offers full compensation for this time period. The Offer of Compromise also appropriately includes interest and taxes. On November 5, 2025, at the requirement of the Commission, NV Energy filed the estimated total dollar amount of all overcharges of customers, including taxes and charges, between 2002 and 2025; and the estimated total dollar amount of all overcharges of customers, including taxes and charges, between 2002 and 2025, using other reasonable methods that NV Energy believed would be appropriate. In explaining its estimate, NV Energy stated that the estimate was based on a series of assumptions needed to provide an approximation of the amounts overcharged and that the assumptions provided a conservative estimate, in that the assumptions upon which the estimate is premised likely resulted in a figure that overstates the actual amount of overcharges. NV Energy's initial estimate for misclassified premises was $65,477,461. In its January 20, 2026, Offer of Compromise, NV Energy presented the over $63 million dollar amount for misclassified customer refunds, and the Commission finds this amount to be based on reasonable assumptions. Staff agrees that the amount is reasonable and based on reasonable assumptions. Further supporting the reasonableness of NV Energy's Offer is the condition that NV Energy will provide the same refund terms to any further identified misclassified customers.

Second, the Offer of Compromise provides an expeditious solution for customers in the form of a bill credit soon,[3] as opposed to a more distant solution stemming from a lengthier contested case proceeding at the Commission and potential subsequent litigation and appeals. Staff agrees that there is a benefit to customers receiving refunds in the immediate future while avoiding the delays and risks that are inherent to protracted litigation.

Third, the Commission notes that, while some customers were overcharged as a result of the misclassification, those overcharges did not result in a windfall to NV Energy. While some customers were undoubtedly overcharged, others were undercharged as a result of the erroneous rate classifications. NV Energy is not seeking any action for recovery of amounts not collected from undercharged customers.

Fourth, the Commission assigns considerable weight to Staff recommending the Commission accept NV Energy's Offer of Compromise. In its January 28, 2026, comments, Staff stated that, upon reviewing the Offer and supporting workpapers, Staff believes the best course of action is for the Commission to accept the Offer, subject to the terms in this report. Staff states that the Offer is a reasonable resolution of this matter because it provides guaranteed reimbursements to overcharged Nevada customers in the immediate future.

Weighing these factors together, the Commission finds NV Energy's Offer of Compromise to provide the best path forward for customers. The Commission therefore concludes this investigation, contingent upon NV Energy fulfilling its commitments as listed in the Offer of Compromise (Attachment 1) and as delineated in the Order accepting this report.

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[3] As outlined in the Offer, NV Energy agrees to use commercially reasonable efforts to issue the bill credits and mail checks to Impacted Active Customers (defined in Attachment 1) and Impacted Inactive Customers (defined in Attachment 1) within 120 days, and in no event later than 210 days, after the Commission issues an order closing this investigatory docket conditioned upon NV Energy fulfilling its commitments as specified in this Offer.

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The Commission finds that, as agreed to by BCP Staff, and NV Energy, all unclaimed checks will escheat to the State of Nevada pursuant to NRS Chapter 120A.

The Commission finds that, as agreed to by BCP, Staff, and NV Energy, NV Energy shareholders, and not NV Energy customers, shall be responsible for paying the principal and interest associated with the refunds, and all costs related to issuing the refunds to customers, as well as all costs related to the CBIZ Risk & Advisory Services audit.

As explained above, the Commission finds that Docket No. 25-07003 is the most appropriate venue for future discussions regarding auditing and records retention.

Finally, as recommended by BCP and agreed to by NV Energy, the Commission finds that NV Energy shall engage in consumer outreach related to the misclassification issues and associated refunds. NV Energy shall implement a comprehensive consumer communication plan in conjunction with the refunds. Additionally, NV Energy has agreed to develop and implement a customer education program, to inform customers about how single-family and multifamily dwellings are classified and how to determine whether the rates set forth on a customer's bill are single-family or multifamily residential rates. NV Energy has also agreed to meet with Staff and BCP to discuss whether it would be beneficial to propose changes to NV Energy's bills, or other notifications, that make the nature of NV Energy's service more obvious and conspicuous.

By the Commission,

_____

HAYLEY WILLIAMSON, Chair and Presiding Officer

_____

TAMMY CORDOVA, Commissioner

_____

RANDY J. BROWN, Commissioner

Attest: _____

TRISHA OSBORNE,
Assistant Commission Secretary

Dated: Carson City, Nevada

_____

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ATTACHMENT 1

Attachment 1

Offer of Compromise to Resolve Investigatory Docket No. 25-05010

Nevada Power Company d/b/a NV Energy ("Nevada Power") and Sierra Pacific Power Company d/b/a NV Energy ("Sierra" and, together with Nevada Power, the "Companies" and each of which is a "Company"), respectfully submit this Offer of Compromise in order to resolve Investigatory Docket No. 25-05010. In making this Offer, the Companies do not waive any of the arguments previously made in the Companies' Responsive Comments dated January 8, 2026, or any of the rights or defenses available to them under Nevada law and the applicable tariffs.

Pursuant to this Offer, each Company commits as follows:

1. To provide to each Impacted Active Customer (as defined below) a bill credit equal to the Misclassification Error Amount (as defined below) plus Interest (as defined below) for the period between June 23, 2017, and the Refund Date (as defined below).
2. For periods prior to June 22, 2017, to provide to each Impacted Active Customer a bill credit equal to the Estimated Misclassification Error Amount (as defined below) plus Interest.
3. To mail to last known address of the Impacted Inactive Customer (as defined below) as reflected in each Company's customer information system, a check in an amount equal to the Misclassification Error Amount to each Impacted Inactive Customer.
4. To provide to the Commission, the Commission's Regulatory Operations Staff ("Staff"), and the Office of the Attorney General, Bureau of Consumer Protection ("BCP"), a complete, accurate and unredacted copy of the assessment report issued to the Companies by CBIZ Risk & Advisory Services ("CBIZ RAS") within five business days of receiving a final report from CBIZ RAS detailing the Assessment (as defined below).

5. To post on the Companies' website, in a conspicuous location, a copy of the final report from CBIZ RAS.

6. To provide any subsequently identified Impacted Active Customer bill credits equal to the Misclassification Error Amount and the Estimated Misclassification Error Amount within a reasonable period after the identification of a subsequently identified Impacted Active Customer.

7. To mail to the last known address, as reflected in the Companies' customer information system, a check equal to the Misclassification Error Amount to any subsequently identified Impacted Inactive Customer within a reasonable period after the identification of a subsequently identified Impacted Inactive Customer.

8. To use commercially reasonable efforts to issue the bill credits and mail checks as specified in Paragraphs 1-3 and 6-7, above, to Impacted Active Customers and Impacted Inactive Customers with 120 days, and in no event later than 210 days, after the Commission issues an order closing this investigatory docket conditioned upon the Companies fulfilling their commitments as specified in this Offer.

Definitions:

"Assessment" means the review and validation of the Companies' work identifying misclassified premises as well the review and assessment of the soundness of the additional processes and controls that the Companies have designed in order to avoid similar misclassifications in the future, pursuant to the Statement of Work attached hereto as Exhibit A.

"Estimated Misclassification Error Amount" means an amount equal to the sum of: (a) any difference between the then applicable multifamily basic service charge and the then applicable single-family basic service charge calculated for the applicable billing period; and (b) any

difference between the then applicable multifamily volumetric (or kilowatt hour ("kWh")) rates and the then applicable single-family kWh rates for the applicable billing period based on estimated usage for the premises in the amount of 650 kWh per month for premises within Nevada Power's service territory and 458 kWh per month for premises in Sierra's service territory. All estimations shall be based on the dates of occupancy as reflected in each Company's customer information systems.

"Impacted Active Customer" means the specific account holder with an associated customer number, as reflected in the each Company's customer information system, that: (a) for (i) Nevada Power, has, as of the Refund Date, an active account within Nevada Power's service territory and (ii) Sierra, has, as of the Refund Date, an active account within Sierra's service territory; and (b) had a residential account under the same customer number at multifamily premises that was misclassified as a single-family residence at any point between April 1, 2002, for Nevada Power, and June 1, 2002, for Sierra, and the Refund Date.

"Impacted Inactive Customer" means the specific account holder with an associated customer number, as reflected in each Company's customer information system, that: (a) for (i) Nevada Power, does not have, as of the Refund Date, an active account within Nevada Power's service territory and (ii) Sierra, does not have, as of the Refund Date, an active account within Sierra's service territory; and (b) had residential account under the same customer number at multifamily premises that was misclassified as a single-family residence at any point between the Refund Date and June 23, 2017.

"Interest" shall be calculated based on the annual change in the Gross Domestic Product Deflator ("GDP Deflator") as identified in the Notice of GDP Deflator letters published annually by the Commission going back to January 31, 2011. For the period between 2002 and 2010, the

Companies will calculate the applicable interest rate using the same methodology – taking the difference between the third quarter GDP figures and dividing the annual change by the prior year's third quarter GDP, and then dividing that figure by 12 to determine a monthly interest rate. Interest shall be calculated using the monthly interest rate and compounded annually. The annual interest rates that will be used are attached hereto as Exhibit B.

"Misclassification Error Amount" means an amount equal to the sum of: (a) any difference between the then applicable multifamily basic service charge and the then applicable single-family basic service charge calculated for the applicable billing period; and (b) any difference between the then applicable multifamily volumetric (or kWh) rates and the then applicable single-family kWh rates for the applicable billing period based on the recorded usage for the premises as reflected in each of the Companies' respective customer information systems. All calculations shall be based on the data contained and retained in the Companies' customer information system.

"Refund Date" means, for each bill credit or check, the business day that is five business days prior to the date on which the respective Company issues the applicable bill credit or check.

EXHIBIT A

CBIZ

STATEMENT OF WORK

January 14, 2026

The purpose of this Statement of Work ("**SOW**") is to set forth the parameters pursuant to which CBIZ Risk & Advisory Services, LLC ("**CBIZ**") will provide Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy (collectively, "**Client**") with certain Services, described in more detail below.

This SOW is issued pursuant to the Engagement Letter between CBIZ and Client dated December 1, 2025 (the "**Agreement**"). This SOW is subject to the terms and conditions of the Agreement and is made a part thereof. Any term not otherwise defined herein shall have the meaning specified in the Agreement. In the event of any conflict or inconsistency between the terms of this SOW and the terms of this Agreement, the terms of this SOW shall govern and prevail unless this SOW specifically provides otherwise.

This project will be considered "Phase 1" of the larger NV Energy Customer Category Process Review. During Phase 1, CBIZ will:

1. Participate in management meetings and review general background documentation and other relevant material to develop an understanding of the subject matter.
2. Regarding NV Energy's data reconciliation project completed in late 2025:
    a. Assess the processes NV Energy used to identify residential customer accounts in Banner that were potentially miscategorized as a single-family premises (when it should have been a multi-family premises). Obtain evidence of management's review and approval of these processes.
    b. Review documentation (e.g., definitions of premises types; checklists used to guide performers' work; trackers documenting decisions, issues, or follow-ups) created to support management's conclusion as to the appropriate premises type for each residential customer account in Banner.
3. Perform two distinct tests:
    a. TEST 1: Population is all premises in Banner
        i. Obtain report(s) exported from Banner listing all premises, including completeness and accuracy evidence to support that this is a full population.
        ii. From the premises categorized as single-family, select separate, "statistically significant" samples from the North and the South.
        iii. For each sampled premises, review primary sources and confirm the correct rate category is documented in Banner.
    b. TEST 2: Population is all premises that were reclassified to multi-family during NV Energy's data reconciliation project (approximately 46,000 accounts across North and South).
        i. Obtain report(s) of all reclassified premises in the North and South, including completeness and accuracy evidence to support that this is a full population.
        ii. Select separate, "statistically significant" samples from the North and the South.
        iii. For each sampled premises, review primary sources and confirm the correct rate category is in place in Banner.
4. Review and assess the design of the process and system controls implemented (and planned to be implemented) to prevent and detect similar misclassifications going forward. Review and assess the employee training program(s) for these new processes and system controls.
5. Prepare a brief (2-3 page) executive summary describing CBIZ's scope, approach, sampling methodology, and results.

Assumptions:

- CBIZ will review the primary sources of Google maps, Google Earth, and the county assessor records for each sampled premises. In cases where the primary source material disagrees or is unavailable, CBIZ will work with NV Energy staff to review the data in NV Energy's iConnect system.
- CBIZ will identify statistically significant sample sizes based on four criteria: confidence level, margin of error (precision), population variability, and population size. CBIZ will present the sample approach and sample sizes to management for approval.
- CBIZ will only charge for hours worked.
- Travel time and expenses are not included in this estimate. If it is determined that CBIZ personnel need to travel, we will provide a cost estimate and obtain management's approval in advance.
- No hours are estimated for expert witness testimony.

Out of scope for CBIZ:

- Identifying accounts that have been charged the wrong amounts or calculating potential refunds
- Re-performing management's assessment
- Confirming accuracy and effectiveness of Banner logic to ensure bills align with tariffs or rates

Estimated hours and timeline:

- Estimated hours for 95% confidence level testing: 773 – 1,251
- Estimated fees: $193,244 - $312,728
- Estimated timeline: Assuming CBIZ has access to the NV Energy files by Friday, January 16, we are targeting the end of March to complete testing and provide results and outstanding premises conflicts to management. We anticipate sending the draft report to management one week after resolution of final open conflicts.

CBIZ Risk & Advisory Services, LLC

By: Jennifer Brandt

Name: Jennifer Brandt

Title: Managing Director

Date: January 14, 2026

NV Energy

By: _____

Name: Shawn M. Elicegui

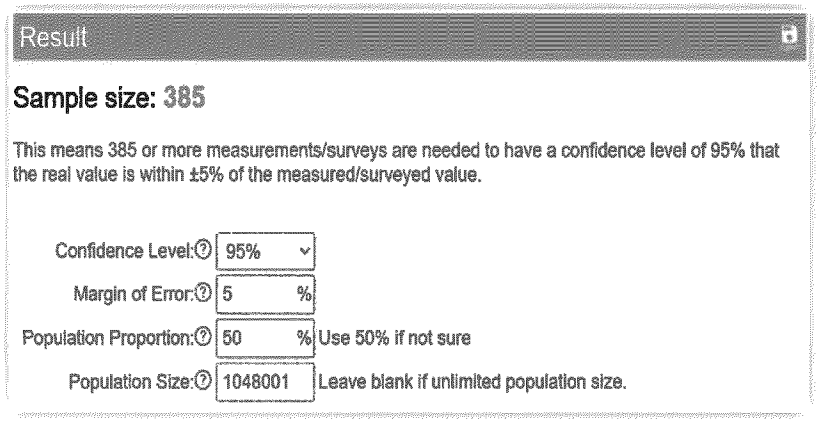
Title: SVP, Regulation & Resource Planning

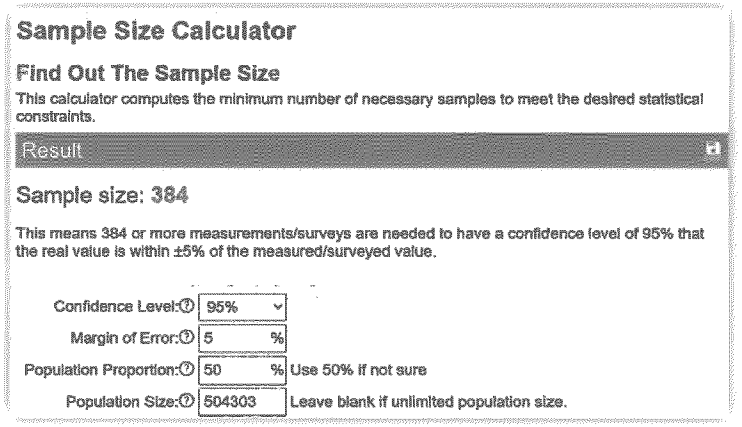
Date: 1/16/2026

NV Energy
Customer Categorization Process Review
Sample Size Determination

These populations were pulled from the "CBIZ_Res_all_north" and "CBIZ_Res_all_south" reports.

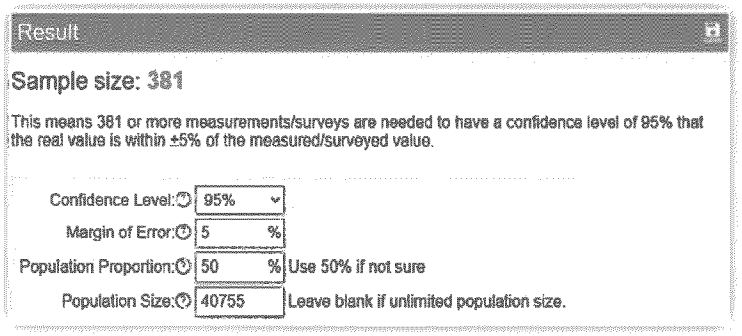
TEST ONE:	Population Single Family	Confidence level	Margin of Error	Population Variability	Sample Size
Nevada Power Company (Southern Nevada)	1,048,001	95%	5%	50%	385
Sierra Pacific Power Company (Northern Nevada)	504,303	95%	5%	50%	384





These populations were pulled from the "North_misclassified_premises" and "South_misclassified_premesis" reports.

TEST TWO:	Populations - North/South Single Family	Confidence level	Margin of Error	Population Variability	Sample Size
Nevada Power Company (Southern Nevada)	40,755	95%	5%	50%	381
Sierra Pacific Power Company (Northern Nevada)	8,020	95%	5%	50%	367



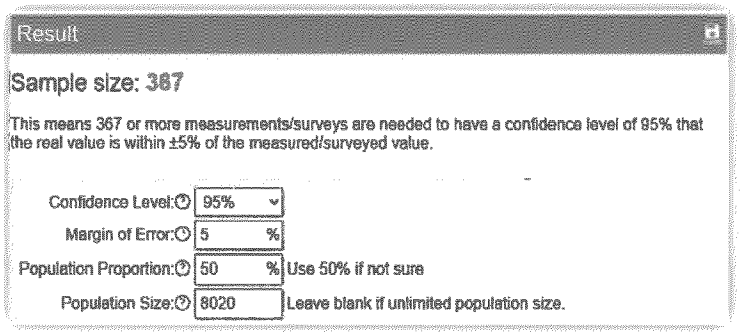


EXHIBIT B

Year	Yearly Percentage for GDP Deflator	Notes
2002	1.465%	Calculated by NVE using PUCN formula
2003	2.008%	Calculated by NVE using PUCN formula
2004	2.793%	Calculated by NVE using PUCN formula
2005	3.245%	Calculated by NVE using PUCN formula
2006	3.138%	Calculated by NVE using PUCN formula
2007	2.574%	Calculated by NVE using PUCN formula
2008	2.028%	Calculated by NVE using PUCN formula
2009	0.115%	Calculated by NVE using PUCN formula
2010	1.403%	Calculated by NVE using PUCN formula
2011	1.460%	Published January 31, 2011
2012	2.236%	Published January 20, 2012
2013	1.730%	Published January 30, 2013
2014	0.986%	Published January 30, 2014
2015	1.709%	Published January 30, 2015
2016	1.313%	Published January 29, 2016
2017	1.471%	Published January 31, 2017
2018	1.761%	Published January 31, 2018
2019	2.389%	Published January 31, 2019
2020	1.713%	Published January 31, 2020
2021	1.260%	Published January 29, 2021
2022	4.590%	Published January 31, 2022
2023	7.148%	Published January 31, 2023
2024	3.194%	Published January 31, 2024
2025	2.251%	Published January 31, 2025

The PUCN formula is:

$$I = \frac{N1 - N2}{N2}$$

Where *I* is the interest rate for a given year (*e.g.*, 2002), *N*1 is the third quarter GDP deflator of a given year (*e.g.*, 2002), and *N*2 is the third quarter GDP deflator from the prior year (*e.g.*, 2001).

Section 24 of LCB File No. R036-10 in pertinent part defines the GDP deflator as being published by the Bureau of Economic Analysis of the U.S. Department of Commerce, as found in "Table 1.1.9 Implicit Price Deflators for Gross Domestic Product[1]" (accessed Wednesday, January 14, 2026). The implicit price deflators for GDP were last revised on December 23, 2025.

[1]https://apps.bea.gov/iTable/?reqid=19&step=3&isuri=1&1921=survey&1903=13&_gl=1*ikout9*_ga*OTQzMTc0Mjc2LjE3Njg0MzYyOTQ.*_ga_J4698JNNFT*czE3Njg0MzYyOTMkbzEkZzEkdDE3Njg0MzgwODEkajYwJGwwJGgw#eyJhcHBpZCI6MTksInN0ZXBzIjpbMSwyLDMsM10sImRhdGEiOltbIk5JUEFfVGFibGVfTGlzdCIsIjEzIl0sWyJDYXRlZ29yaWVzIiwiU3VydmV5Il0sWyJGaXJzdF9ZZWFyIiwiMjAyNSJdLFsiTGFzdF9ZZWFyIiwiMjAwMSJdLFsiU2NhbGUiLCIwIl0sWyJTZXJpZXMiLCJRIl1dfQ==