

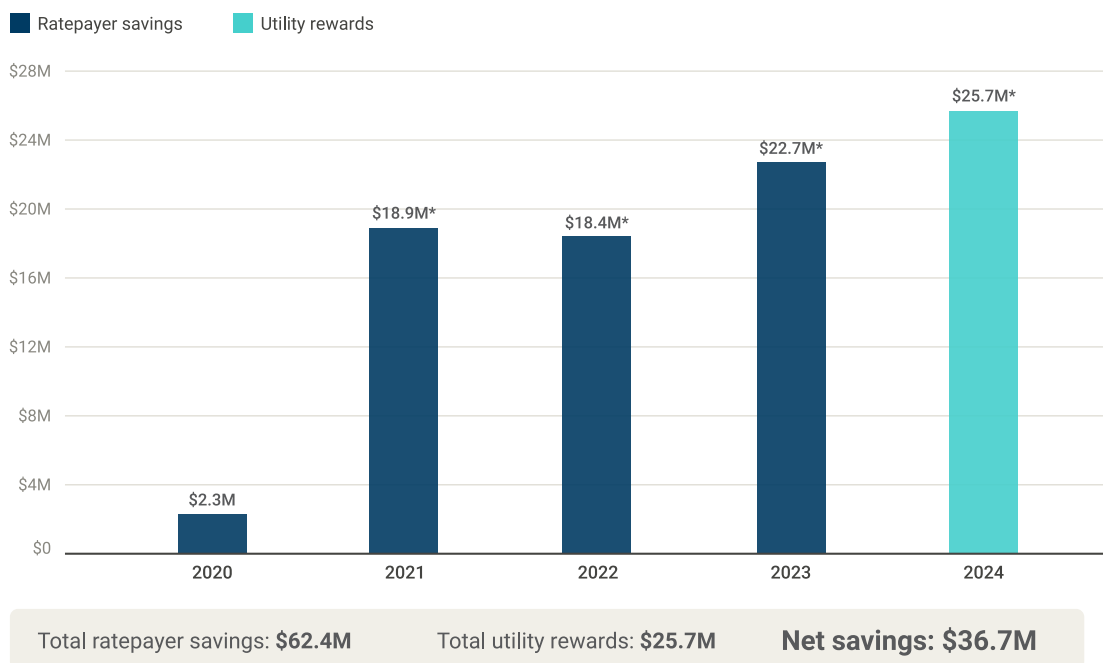
# Fuel Cost-Sharing Could Have Delivered Savings For Nevada Utility Customers

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RMI analysis shows that a well-designed fuel cost-sharing policy, in which a utility would cover some of the excess costs for fuel, **could have delivered \$36.7 million** in net cumulative savings for Nevada utility customers between 2020 and 2024. By shielding customers from some of the risks of fuel price volatility and incentivizing good utility fuel-cost management, fuel cost-sharing can deliver on energy affordability goals by directly reducing customer fuel costs.<sup>i</sup>

## Savings under a fuel cost-sharing policy in Nevada (2020–2024)



Dollar amounts for each year are inflation-adjusted, rounded to the nearest million, and reported in 2025 dollars.

\*Our analysis assumes that the amount of sharing annually would be capped at 0.5% of the prior year's total retail electric sales revenues. The cap was hit in 2021, 2022, 2023, and 2024.

## Delivering customer savings through fuel cost-sharing

Utilities in Nevada currently pass 100% of fuel costs to customers through the Deferred Energy Accounting Adjustment (DEAA),<sup>ii</sup> which insulates utilities in the state from the financial consequences of fuel procurement decisions. If Nevada utilities manage to reduce their fuel costs, they retain none of the savings; if they spend more than is budgeted, their customers pick up the bill. This reduces incentives for utilities to manage fuel costs or explore alternatives that could reduce customer exposure to volatile fuel markets.

<sup>i</sup> For additional discussion of this dynamic, see Joe Daniel et al., *Strategies for Encouraging Good Fuel-Cost Management: A Handbook for Utility Regulators*, RMI, 2023, <https://rmi.org/insight/strategies-for-encouraging-good-fuel-cost-management/>.

<sup>ii</sup> Nevada's electric utilities currently recover fuel costs through a two-part fuel adjustment mechanism consisting of the Base Tariff Energy Rate (BTER) and the Deferred Energy Accounting Adjustment (DEAA). The BTER is a forward-looking estimate of fuel and purchased power costs to be collected from customers, and the DEAA is a true-up mechanism that adjusts for the difference between actual costs and the revenues collected under the BTER. These rates are updated quarterly and reviewed annually by the commission.

