Feb 23, 2024

Members of the Growth and Infrastructure Committee,

I write to you on behalf of the Solar Energy Industries Association[1] (SEIA) regarding recent discussions surrounding third-party solar developers and the procurement practices of NV Energy, particularly in light of their implications for renewable energy development in the state of Nevada. SEIA is the national trade association for the solar and storage industries, building a comprehensive vision for the advancement of these technologies. SEIA works with its 1,200 member companies and other strategic partners to create jobs and diversity, champion the use of cost-competitive solar in America, remove market barriers, and educate the public on the benefits of solar energy. The solar industry employs more than 7,500 people in Nevada.

It has come to our attention that there exists a narrative suggesting that challenges in meeting recent procurement obligations stem from the actions of third-party developers. SEIA strongly disputes this, along with the portrayal of third-party developers as unreliable. These characterizations not only undermine consumer confidence, but also deter financial partners from investing in renewable energy projects. They are also untrue.

Over the past two years, the global solar market has experienced significant price fluctuations due to supply chain disruptions, leading to an increased cost for solar panels and essential raw materials. As a result, developers have been forced to renegotiate existing contracts. During this period of renegotiation, NV Energy opted not to adjust contract terms, resulting in the cancellation of 1,200 megawatts (MW) of renewable power purchase agreements and build transfer projects.

Notably, NV Energy has shifted its resource plans away from third-party developed projects to an energy development mix, favoring new natural gas and internally developed projects ostensibly to address concerns regarding third party development. That said, NV Energy's development efforts have met the same challenges confronting third party developers. For example, NV Energy's company owned Dry Lake Solar project is delayed and will not meet its original projected commercial operation date. It perhaps is not surprising that the utility has struggled with its initial foray into renewable development, as it has little to no experience in that arena. As you know, while the utility has developed many thermal generation projects throughout its history, it is not a renewable developer. This is concerning given the size and scope of the utility's proposed renewable development plans. For example, it recently sought approval from the Public Utilities Commission to develop the Sierra Solar Project. NV Energy estimates the cost of the project will exceed $1.5 billion. It is concerning that the utility is choosing to pursue the development of such an impactful project without a history of successfully developing renewable projects on time and on budget.

What's more, the utility has shifted its development approach to a method that presents substantial risk to ratepayers—substantially more than third party development. For Sierra Solar NV Energy has proposed to include the project in rate base without any contractual protections for ratepayers. As such, NV Energy is proposing that ratepayers be potentially liable for the total project costs regardless of whether the project

[1] The comments contained in this letter represent the position of SEIA as an organization, but not necessarily the views of any particular member with respect to any issue

comes in on budget and/or on time. This is very different than a third party developed project in connection with which the utility negotiates a fixed per Mwh price for energy that is only required to be paid if the project meets the various contractual requirements—including commercial operation date. Thus, while NV Energy professes to need to develop its own renewable projects to protect ratepayers from contractual breaches by third party developers, it will not bind itself to those same types of commitments. What's more, the utility would be entitled to a regulated return on the investment. This is not a feature of third party developed projects under power purchase agreements.

NV Energy's effort to pivot away from third party development in favor of company developed rate based renewable projects is also evident from Request for Proposal (RFP) process. In 2023, the utility instituted significantly shortened timelines for developers to adjust to new requirements not only relating to pricing but also to restraints on supplier relationships. To secure selection, developers had to hold a price for longer than financially viable.

While the recent passage of AB524 regulates NV Energy's procurement practices, the 1,200 MW of canceled projects occurred before the legislation's effective date. Consequently, the affected developers were not afforded the protections and guidelines outlined in the new statute, which exacerbated the challenge of developing the lowest-cost options for Nevadans.

The regulatory and procurement shifts initiated by NV Energy have presented obstacles for renewable energy developers in Nevada. More broadly, third-party developers have adapted to changes, developing risk mitigation measures and strengthening supplier relationships with proactive procurement and supply diversification. Among other things, the last twelve months has seen the announcement of an expansion of photovoltaic panel manufacturing, which will support the continued third-party development of renewable resources in Nevada.

SEIA and its members look forward to continuing to support the advancement of Nevada's energy goals. Please reach out to me at 415-385-7240 or sbirmingham@siea.org with any questions or concerns.

Sincerely,

Sara Birmingham
Vice President of State Affairs
Solar Energy Industries Association