NRA Statement on AB 206
Assembly Committee on Commerce and Labor
April 5, 2017

Good afternoon Madam Chairman and Committee Members. My name is Virginia Valentine, and I am the president of the Nevada Resort Association. The NRA represent almost 70 resort hotels in the state of Nevada. Our tourism industry directly employs over 300,000 people, indirectly employs nearly 70,000 people, and creates another 97,400 jobs in related businesses.

Every one of our members strives to operate efficiently, to conserve energy and to maximize the use of renewable energy. However, the members of the NRA, as the state's largest employers and largest taxpayers, have a duty to consider the potential impact this bill may have on our employees, our customers, and our businesses.

Accordingly, I am here today to express our concerns about AB 206. As leaders in implementing clean energy policies in our properties and in this state, we appreciate and respect Assemblyman Brooks' desire to increasing the renewable portfolio standard, but we are concerned that this bill may be too much and too soon.

I am not here today as an energy expert, but rather to represent the questions and concerns that our members, and their own energy experts, have with the bill. In our numerous conversations about the bill, those experts have repeatedly advised that they have not seen sufficient information on the effect it may have on rates, reliability, and more broadly, the Western energy market in which our state's utilities and energy providers transact. At the same time, we look to California and the issues that state is confronting because of the renewable mandates created there. These issues force us to pause and question whether we have enough information at this point to create such an aggressive new energy policy.

Implementation of the new standard is a mandate that does not consider whether additional energy resources are needed, nor does it evaluate electrical grid support requirements. In other words, utilities and energy suppliers would be required to purchase additional renewable energy whether or not additional energy resources are actually needed and without regard to the electrical grid investments necessary to provide stability and import capability. This has the potential unintended consequence of layering costs for new generating resources and grid support that may be unnecessary given investments that have already been committed. We are also concerned about how this renewable energy policy will align with an uncertain future related to electric deregulation in the state. We do not see these matters as mutually exclusive, as the new RPS will require the construction of new facilities and infrastructure that may need to be divested by the utility (whether a physical asset or a purchased power agreement) under a deregulated environment, potentially creating additional stranded costs that ultimately must be paid by all energy consumers.

Our concern is not about renewable energy pricing; we do not dispute that renewable energy pricing has come down substantially. Instead, we have questions about the following:

- What energy resources are needed;
- What other clean and cost-effective options exist to reduce peak energy demand;
- How will new technologies such as battery storage change the way energy is used;
- When and where is grid support needed;

- How will more non-dispatchable generation affect today's generating dispatch order and grid reliability;
- To what extent will existing generating assets sit idle as new mandated energy resources come on-line;
- How will the saturation of must-run generation during certain hours of the day affect the broader energy markets;
- How will the pending expiration of federal investment tax credits for renewable energy resources impact pricing;
- To what extent will a known renewable energy mandate with very significant near-term requirements drive a premium from renewable energy suppliers that understand that few resources to meet this requirement currently exist; and
- What will the future of energy supply and delivery look like in a deregulated environment.

The impact that AB 206 has on these issues, and the associated costs of meeting an aggressively accelerated renewable portfolio standard, requires a thorough and prudent approach to evaluate the consequences of this proposal—on ratepayers, reliability, and the Western energy market—by the Governor's Energy Choice Committee.

Notwithstanding these very real concerns, we support more renewable energy in Nevada and a move toward a lower carbon economy. Our leading efforts in this area speak to that commitment. Moreover, we believe increasing the renewable energy portfolio standard could be prudent if (1) more explicitly linked to a need for new energy resources; (2) consideration is given to grid support requirements; and (3) consideration is given to how new resources contribute to reducing peak energy demand.

We understand these are complex issues and even harder to evaluate with the uncertainty of deregulation on the horizon. Given the importance of this matter, we applaud Assemblyman Brooks's objectives and will continue to work with him on these very important issues, but we cannot as employers and large energy users support this bill as written.