

Testimony SB 448 5.17.21

Laura Granier, for the record, on behalf of Nevada Resort Association. Good afternoon, Chair Harris and Committee members. I'd like to thank Senator Brooks for his work on this bill and acknowledge his efforts to advance renewable energy development and job creation. My full statement is being submitted to the Committee for the record out of time considerations.

We have worked hard to seek resolution of our concerns and appreciate the time and effort on that. The timeline here has been challenging given that we are 14 days from sine die and faced with major policy changes and a proposed directive for billions of dollars of utility expenditures that could lead to rate hikes and additional costs or surcharges for customers. We hope to keep working with the sponsor to resolve these concerns.

Nevada's resort industry is a world-class leader in sustainability, environmental protection, and clean energy development. NRA's members are committed to identifying and implementing solutions to reduce greenhouse gas and carbon emissions and promote energy and water conservation. For instance, MGM Resorts recently built America's largest contiguous rooftop solar array at the Mandalay Bay Convention Center, one of many examples of NRA members' leadership on sustainability and renewable energy issues.

NRA does not oppose the Legislature's decision to have the Greenlink transmission projects constructed by 2028. Although the PUCN determined that construction of Greenlink North would put too much risk on utility customers at this time, we understand the State may have policy reasons for requiring that it proceed.

We are concerned, however, about the costs to customers and I think we all can agree that we don't want these projects to be any more expensive to customers than they need to be. We are concerned not only as businesses but also for our hundreds of thousands of employees who all will be impacted by what very well could be large rate hikes.

We have proposed clarifying changes that would not affect the completion of these projects by 2028, but would ensure that the PUCN retains authority and regulatory discretion to protect customers from the utility making those projects more expensive for customers than necessary.

While the utility suggests that customers are not vulnerable to large rate hikes, S.B. 448 appears to authorize the utility to seek to raise customer rates during construction of the transmission lines – before they're in service – or seek financial incentives if they defer recovery – either of which will make the projects unnecessarily expensive for customers. This is inconsistent with the general rule in ratemaking that the utility must have a project in service before it starts charging customers for that asset. Recovery of costs for construction of the lines before they're in service was something NVE requested and, ultimately was not approved by the PUCN in the utility's recent resource planning docket that just concluded. We hope it is not the intention to reverse that decision or require NVE to get financial incentives above and beyond their guaranteed rate of return on billions of dollars of projects.

Earlier this year during the Integrated Resource Planning process, PUCN's staff outlined concerns that Greenlink's risks and NVE's projected benefits had not been adequately discussed and, therefore, opposed moving forward with Greenlink with a firm in-service date of 2031. After extensive investigation and a hearing with stakeholder input, the PUCN denied construction of Greenlink North at this time out of concern for spending "billions now on constructing the project and having ratepayers take on the risk that other regional transmission projects will go forward."

With this decision in mind, if construction of the Greenlink North and West transmission lines by 2028 is mandated by SB 448, then the bill should also preserve clear and explicit protections for customers and preserve the PUCN's regulatory authority and discretion to protect customer interests.

The utility asserts that it has a risk of recovery for its billions of dollars that will be put into constructing these projects and won't know what dollars it will recover until the general rate case. This does not reflect how the process works. The utility will get a "prudency" determination from the PUCN in the Integrated Resource Plan that must be filed in September of this year. So long as the utility does not have significant budget or cost over-runs and stays within the projects approved in that plan, that all but guarantees it will recover every dollar spent on approved projects, along with a guaranteed rate of return.

We have proposed minor changes to the bill that would help ensure the PUCN's discretion and full regulatory authority protections remain in place and the utility will not attempt to use language in the bill to try to limit that discretion when it comes to additional financial incentives beyond its reasonable rate of return. We hope those changes will be considered to help ensure the PUCN can keep an eye on unnecessary costs for customers such as extra financial incentives for the utility above its rate of return.

It is critical that the PUCN retain all of its tools, discretion and jurisdiction to monitor this utility that has over-earned for several years now. In 2020, during the global pandemic, the utility over-earned by approximately \$100 million. This is estimated based on the utility's filing with the PUCN reporting that the customers' 50% share of those over-earnings amounts to approximately \$62 million. While the utility talks about providing customers refunds, they did not do this voluntarily. The Bureau of Consumer Protection, NRA members, and other stakeholders, argued and advocated for these refunds before the PUCN. The utility has, in fact, argued it should be allowed to retain 100% of its over-earnings.

With regard to S.B. 448's EV infrastructure provisions, NRA members understand the importance of transportation electrification and support the provisions in the bill that encourage investment in Electric Vehicle Charging Stations. NRA members have a proven track record of capital investments to install EV charging stations at their sites for their employees and guests to use at their convenience.

The utility appears to seek to create surcharges or rate increases for energy used at these EV charging stations and to do so on an expedited basis, outside of a general rate case. The proposed

90-day time period for the initial TE program and \$100 million investment, will not allow adequate time to investigate what, if any, surcharges or rate increases are appropriate for energy supplied to EV charging stations. Given that one of the objectives of the bill is to encourage installation and use of EV charging stations, and we support that objective, it should be clear that the utility cannot create anti-competitive rates or rates that will adversely affect private owners of EV charging station owners. We propose minor changes to address this concern and to ensure that the utility does not impose prohibitive costs for electricity EV charging station end users.

We have proposed other changes to protect customers and to ensure that the utility does not seek financial incentives beyond the virtually no-risk rate of return and return on equity the utility already receives, currently 9.2%.

While the utility touts that it has not had “rate increases”, it increasingly seeks to create special line item surcharges and asks the PUCN to set these charges outside of rate cases. This makes it difficult for customers to understand if they’re really experiencing overall rate decreases and also for the PUCN to holistically evaluate the utility’s expenditures as it does in a general rate case.

The utility is guaranteed to earn a reasonable rate of return on its investments. We seek only a few clarifying changes to try to ensure transparency with this complex process, so that these projects are not made more expensive for customers above and beyond the utility’s guaranteed rate of return, and to ensure that the PUCN maintains its important role in protecting customer interests.

Once again, we appreciate Sen. Brooks’ efforts to promote renewable energy development and acknowledge his work to facilitate a meaningful dialogue around S.B. 448. Thank you, Chair Harris and members of the Committee for the opportunity to testify today.