



**NEVADA LEGISLATURE  
LEGISLATIVE COMMITTEE ON ENERGY**  
*(Nevada Revised Statutes [NRS] 218E.805)*

**SUMMARY MINUTES AND ACTION REPORT**

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The first meeting of the Nevada Legislature's Legislative Committee on Energy was held on Monday, January 13, 2014, at 9:30 a.m. in Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. A copy of this set of "Summary Minutes and Action Report," including the "Meeting Notice and Agenda" (Exhibit A) and other substantive exhibits, is available on the Nevada Legislature's website at <http://www.leg.state.nv.us/interim/77th2013/committee/>. In addition, copies of the audio or video record are available through the Legislative Counsel Bureau's Publications Office (e-mail: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775/684-6835).

**COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Senator Kelvin Atkinson, Chair  
Assemblywoman Marilyn Kirkpatrick, Vice Chair  
Senator Aaron D. Ford  
Senator Michael Roberson  
Assemblyman David P. Bobzien  
Assemblyman Crescent Hardy

**LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:**

Marji Paslov Thomas, Principal Research Analyst, Research Division  
Dan Yu, Principal Deputy Legislative Counsel, Legal Division  
Matt Mundy, Senior Deputy Legislative Counsel, Legal Division  
Gayle Nadeau, Senior Research Secretary, Research Division

## **OPENING REMARKS AND INTRODUCTIONS**

- Chair Atkinson welcomed Committee members, staff, and the audience to the first meeting of the Legislative Committee on Energy. Chair Atkinson shared there have been previous interim legislative committees dealing with energy in Nevada. He expressed his enthusiasm for the creation of this statutory committee by the 2013 Nevada Legislature that will again address energy in the State. He stated it is vital for legislators and all Nevadans to engage in dialogue about Nevada's energy issues, not only during the odd-numbered legislative session years but also during the interim periods.

## **PUBLIC COMMENT**

- Chair Atkinson called for public comment; however, no testimony was presented.

## **REVIEW OF THE COMMITTEE'S DUTIES AND WORK PLAN**

- Marji Paslov Thomas, Principal Research Analyst, Research Division, Legislative Counsel Bureau (LCB), reviewed the Committee's duties under Section 25.25 of Assembly Bill 428 (Chapter 510, *Statutes of Nevada 2013*). She noted copies of this bill and other major energy legislation passed during the 2013 Legislative Session were in the members' meeting binders, as well as posted on the Committee's webpage under the January 13, 2014, meeting link. (Please see Exhibit B, Exhibit C, Exhibit D, Exhibit E, Exhibit F, and Exhibit G.)

In conclusion, Ms. Paslov Thomas shared the Legislative Committee on Energy was approved to meet six times during the 2013-2014 Interim and called attention to the schedule of meetings (Exhibit H) for this interim behind the Agenda Item III tab in the meeting binders.

## **PRESENTATION ON NEVADA'S EVOLVING ENERGY LANDSCAPE AND STATUS REPORT ON THE MERGER BETWEEN MIDAMERICAN ENERGY HOLDINGS COMPANY AND NV ENERGY**

- Tony Sanchez, Senior Vice President, Government and Community Strategy, NV Energy, began his testimony by referring to page 2 of his slide presentation (Exhibit I) and stated that electricity is a unique product in that it must be generated and delivered at the precise moment it is needed.

Mr. Sanchez shared Nevada is on the "cutting edge" of technologies in such areas as lithium battery storage and the Crescent Dunes Solar Energy Project in Tonopah, Nevada, the latter of which has 110 megawatts (MW) of molten salt storage capability that can power and produce electricity four to five hours after the sun sets. He noted, while electricity must be generated and delivered at the precise moment it is needed, the

Crescent Dunes project is an important resource for the future of electric generation and delivery because of the energy storage aspect.

Mr. Sanchez discussed the following areas listed in his slide presentation (Exhibit I):

- Electricity facts;
- Energy terms;
- How electricity is generated and delivered;
- The company—NV Energy;
- Nevada’s energy independence;
- Renewable energy (qualifying, per Nevada statutes, is solar, wind, geothermal, small hydroelectric, biomass, and heat recovery);
- Nevada’s renewable portfolio standard;
- Renewable projects in Nevada;
- Senate Bill 123 (Chapter 490, *Statutes of Nevada 2013*) relative to emission reduction and capacity replacement;
- “Net Metering” in Nevada relative to A.B. 428;
- A.B. 239 (Chapter 504, *Statutes of Nevada 2013*) relative to: (1) tax abatements and review process with respect to transmission and large renewable projects, and also a new approach to planning and permitting large renewable and transmission projects; (2) the “Economic Development Electric Rate Rider Program”; (3) clarifying statutes for a utility that elects to build transmission that will not serve Nevadans; (4) enhancing coordination with local governments; and (5) providing a dispute process through the Public Utilities Commission of Nevada (PUCN).

Mr. Sanchez opined there has been misplaced criticism that Nevada has some of the higher energy rates in the West. However, he pointed out there is a 50-MW pool of energy available to Nevada’s Office of Economic Development (OED) for use in attracting out-of-state companies to relocate to Nevada.

- Responding to Mr. Sanchez’s comments, Vice Chair Kirkpatrick clarified the 50-MW energy pool available to the OED is strictly for manufacturing companies because of the shortage of this industry in the State.
- Responding to Vice Chair Kirkpatrick, Mr. Sanchez acknowledged there are qualifying limitations on the use of the 50-MW pool. He stated NV Energy will continue to monitor this issue.
- Vice Chair Kirkpatrick stated there is controversy regarding how much Nevada does for new companies but emphasized manufacturing is an economic area in the State needing more competition. She expressed optimism that the 50-MW pool will encourage more manufacturing companies to bring their industry to Nevada.

- Mr. Sanchez agreed and added NV Energy will monitor companies that may avail themselves of this provision, which allows the following energy rate reductions for companies doing business in Nevada: (1) 30 percent in the first year; (2) 20 percent in the second and third years; and (3) up to a 10-percent reduction in the fourth year. He noted NV Energy would like the fund to be self-perpetuating so other companies, as Vice Chair Kirkpatrick described, would locate to Nevada to take advantage of the energy rate reductions.

Commenting, Mr. Sanchez stated NV Energy considers its electric rates competitive, but due to varying policies, procedures, and requirements in surrounding states, sometimes there are advantages in those states. However, he noted the Economic Development Electric Rate Rider Program might enable greater equality for Nevada. He stated the PUCN has approved aspects of the energy rate reductions provision, and NV Energy is preparing a tariff to file with the Commission.

Mr. Sanchez continued his presentation by discussing the remainder of his slides regarding:

- The “One Nevada Transmission Line”;
  - NV Energize (NVE);
  - NVE / California Independent System Operator’s Energy Imbalance Market announcement;
  - NV Energy / MidAmerican Energy Holdings Company (MEHC) merger;
  - Discussion of MEHC and NV Energy;
  - Customer service;
  - Employee commitment;
  - Operational excellence;
  - Regulator integrity; and
  - Environmental respect.
- Vice Chair Kirkpatrick commented she met with management of NV Energy, and it is essential the leadership of the Company understands the importance of rates and priority of jobs to Nevada consumers. Additionally, Ms. Kirkpatrick stressed the necessity for NV Energy to be involved in Nevada’s communities.
- Mr. Sanchez responded by sharing the background of Paul Caudill, president of NV Energy since December 2013. He noted Mr. Caudill has an extensive background in all forms of generation, with his most recent tenure focused on renewable energy. During Mr. Caudill’s travels to Nevada communities, he has heard similar concerns to those expressed by Ms. Kirkpatrick, especially with respect to community involvement, jobs, and the priority of rates for Nevada consumers.

- Chair Atkinson echoed Vice Chair Kirkpatrick's comments, noting he also met with NV Energy's new leadership and requested they meet with the other members of the Committee as well as other legislative members to enable all of Nevada's legislators the same opportunity of mutual communication.

Chair Atkinson requested, for the record, that NV Energy diligently monitor the energy legislation passed during the 2013 Legislative Session with respect to S.B. 123, A.B. 239, and A.B. 428 so the legislative intent is ensured. He reminded Mr. Sanchez that NV Energy has the oversight of the PUCN as well as the Nevada Legislature to guarantee these measures are implemented as legislated.

- Mr. Sanchez declared, because of the "forward-thinking" energy legislation passed by the 2013 Legislature, Nevada is viewed as an energy policy leader throughout the country. He specifically cited S.B. 123 as "industry leading" for NV Energy and other energy companies interested in locating to Nevada with respect to the United States Environmental Protection Agency (EPA) bringing up issues during the 2013 summer relative to S.B. 123 legislation, such as carbon futures in Nevada.

Mr. Sanchez acknowledged NV Energy has important responsibilities in bringing to fruition the mandates of S.B. 123, A.B. 239, and A.B. 428, because many states are just starting to address some of the energy issues the Nevada Legislature has already initiated.

- Assemblyman Bobzien said he appreciates the accolades of the Legislature, particularly in leading the conversation about energy issues and tracking emission reductions, as well as recognizing that the EPA's Section 111(d) of the Clean Air Act was forthcoming. He said it is important for the State to receive credit and to ensure that any necessary future actions by the Legislature are taken so Nevada continues to benefit by receiving credit with the EPA for monitoring emission reductions, especially as mandates of the State's energy legislation are implemented.
- Mr. Sanchez pointed out Nevada is in a unique position with its small population to have an inordinately sophisticated energy advocacy environment with national organizations visiting Nevada as they develop energy policy. He contended it is important that Nevada receive credit as the industry leader for energy issues around the country because it benefits Nevada's energy customers and economic development, and it sends a message to other companies that Nevada is a good place to do business.
- Assemblyman Bobzien queried if current efforts are sufficient to track and demonstrate emission reductions under early retirement of a minimum of 800 MW of coal-fired generation in southern Nevada by NV Energy.

- Mr. Sanchez responded NV Energy's environmental department is conversing with the EPA on a regular basis to protect the State's accomplishments. In fact, he pointed out, the EPA was on a recent national speaking tour to promulgate EPA regulations, not only for new coal-fired facilities but also to announce regulations expected to be published within a year for existing generating plants.

## **OVERVIEW OF THE PUBLIC UTILITIES COMMISSION OF NEVADA ROLE AND RESPONSIBILITIES CONCERNING UTILITY REGULATION**

- Anne-Marie Cuneo, Director, Regulatory Operations, PUCN, shared that her presentation would cover the procedure used by the PUCN to establish utility rates and also address the PUCN's role in the oversight of the construction of new power plants in the State of Nevada.

Ms. Cuneo said, as an independent body, the PUCN's responsibility is to supervise and regulate operations and maintenance of public utilities to balance the interests of the ratepayers and utilities in the State. From the customers' perspective, the PUCN attempts to ensure there are just and reasonable rates, and for the utilities, they deserve a fair return on their investment. She stated the PUCN's mission is to enable universal access to affordable, efficient, safe, and reliable utility service. The PUCN regulates electric, natural gas, telephone, water, sewer, wastewater, geothermal heat, gas and electric master meters mobile home parks, and certain propane systems, along with railroads. In addressing her slide presentation (Exhibit J), Ms. Cuneo covered the following topics:

- The work of the PUCN;
- Electric rate components:
  - BTGR (Base Tariff General Rate)
  - BTER (Base Tariff Energy Rate)
  - DEAA (Deferred Energy Accounting Adjustment)
  - EE (Energy Efficiency Rates)
  - REPR (Renewable Energy Program Rate)
  - TRED (Temporary Renewable Energy Development)
  - UEC (Universal Energy Charge)
- The four phases of general rate cases;
- Cost of service ratemaking – BTGR;
- BTGR cost of capital and rate of return (example);
- Depreciation;
- Revenue requirement (“used and useful,” “just and reasonable,” and “prudent”);
- Cost of service rate design;
- Rate design (or fair vs. equal);
- Integrated resource planning (IRP); and

- Components of IRP:
  - Energy Supply Plan
  - Financial Plan
  - Fuel and Forecasts
  - Supply Plan
  - Demand-side Plan
  - Preferred Plan

Ms. Cuneo shared the PUCN is responsible for annual filings and uncontested matters, and it is also the investigatory and compliance “arm” for many of Nevada’s statutes and regulations. She explained the Commission has the authority to enforce the statutes it has oversight for through administrative fines. In 2013 the PUCN collected more than \$650,000 in penalties that were then deposited in the State’s General Fund. Most of the fines were for failure to meet the renewable portfolio standard, pipeline safety, and “call before you dig” violations.

Addressing Assemblyman Bobzien’s inquiry about the Section 111(d) of the Clean Air Act and Nevada receiving credit for being proactive in monitoring carbon emissions, Ms. Cuneo shared she and David Noble, Commissioner, PUCN, recently attended a meeting regarding tracking carbon emissions with EPA Region 9; EPA Headquarters in Washington, D.C.; and Nevada’s Division of Environmental Protection within the State Department of Conservation and Natural Resources. She emphasized the PUCN is closely involved in this issue to ensure Nevada receives credit for all of its actions to monitor carbon emissions in the State.

- Chair Atkinson asked if a formula is used to set customer service costs.
- Ms. Cuneo answered that a formula is not used. She explained customer service costs, that is, the basic service charge (BSC), are extremely variable and that the BSC is a “fixed” charge that recovers only a portion of the fixed costs. What portion, she added, is debated at every general rate case. Ms. Cuneo said the PUCN decided to take the BSC out of the variable charge, because that recovery method was not efficient, and put those costs into the fixed charge.
- Chair Atkinson explained his inquiry was for the benefit of customers or citizens listening to the meeting. He wanted to ensure they understand the “fixed” charge is predicated off the “revenue requirement,” and it can change in the future by the PUCN, to which Ms. Cuneo affirmed the Chair’s explanation.
- Vice Chair Kirkpatrick said the legislators receive a great deal of calls from constituents who are unclear of what charges are regulated and unregulated; therefore, she suggested the PUCN list on its website the regulated and unregulated charges. Additionally, Ms. Kirkpatrick asked that the PUCN’s website clearly identify for customers how to lodge complaints.

- Ms. Cuneo responded the PUCN revised its website so customers can easily access a link to file a complaint.

## **PROGRESS REPORT ON THE IMPLEMENTATION OF SENATE BILL 123, SENATE BILL 252, ASSEMBLY BILL 239, AND ASSEMBLY BILL 428 FROM THE 2013 LEGISLATIVE SESSION BY THE PUCN**

- Rebecca D. Wagner, Commissioner, PUCN, stated her testimony would address—what she referred to as “landmark legislation” from the 2013 Session—S.B. 123 and briefly discuss S.B. 252 (Chapter 423, *Statutes of Nevada 2013*). She pointed out all parties involved in the rulemaking process have been amenable, and her objective is for the timely completion of the rulemaking to meet the deadlines detailed in the legislation.

Commissioner Wagner noted the Reid Gardner Generating Station coal units’ closure is due by the end of 2014. To meet this deadline, she stated the rulemaking was split into two phases:

- Phase 1 — Determine what NV Energy needs to provide the PUCN in its initial Emission Reduction Capacity Replacement (ERCR) filing.
- Phase 2 — Involves more challenging issues such as how ancillary services are handled; creating a “request of proposals” evaluation process for renewable projects by an independent evaluator to ensure it is fair; and benchmarking of emissions tracking, which is not a requirement for the first filing but is critical so Nevada is fully credited toward this requirement by the EPA.

To expedite the rulemaking process, NV Energy was asked to draft the initial language for it because the Company was most familiar with S.B. 123. Subsequently, written comments and reply comments to the written comments were provided by stakeholders, such as renewable developers from the distributive generation interests, the coal industry, the consumer’s advocate, and PUCN staff headed by Ms. Cuneo. Finally, a number of workshops were held regarding the rulemaking.

Commissioner Wagner detailed the rulemaking status as follows:

- The Legal Division of LCB returned its version of the regulations in December of 2013, which were distributed for comments.
- A formal workshop pursuant to Chapter 233B of NRS (“Nevada Administrative Procedure Act”) was scheduled for January 23, 2014; the formal hearing was scheduled for January 30, 2014; and the regulations was scheduled to be presented to the PUCN for a vote on February 14, 2014.
- After the vote by the PUCN, the regulations will be submitted to the Legislative Commission’s Subcommittee to Review Regulations



(NRS 233B.067) and then to the Legislative Commission (NRS 218E.150) for a vote, so NV Energy will be able to meet its filing deadline of May 1, 2014.

Discussing S.B. 252, Commissioner Wagner explained there are two components. One is assigned to Commissioner Noble, and she is responsible for the other component, which involves the change to the PUCN's existing regulations with respect to energy efficiency and how it relates to the portfolio energy credits.

- Assemblyman Bobzien interjected the basic service charge increase needs to be examined, noting he understands the PUCN views it in terms of building a rate structure that more adequately captures costs. He also called attention to the net metering component in A.B. 428. Mr. Bobzien requested the net metering study be broadly focused to scrutinize all its cost benefits so legislators would have a comprehensive understanding of net metering and how it should be addressed from a policy standpoint.
- Commissioner Wagner disclosed, at the request of Nevada's Bureau of Consumer Protection, the net metering component is currently under reconsideration to not base the BSC on net metering but rather on the level of increase to the BSC. With respect to net metering and the BSC, Commissioner Wagner shared that a lot of criticism of the PUCN's decision has been lodged. She, therefore, encouraged anyone concerned to listen to prior PUCN meetings to learn more about the cost of service and the allocation of fixed costs versus variable costs. Commissioner Wagner stated one of the fundamental issues with the debate over net metering is the underlying rate design, which she pointed out, she has made that statement publicly in the past. In fact, she opined, once the BSC rates are fairly determined for everyone, irrespective of net metering, then the results of the net metering study, which is in Commissioner Noble's docket, can be addressed to determine the appropriate balance.
- Assemblyman Bobzien responded he appreciated Commissioner Wagner's disclosure and her further comments. He opined energy efficiency and its impacts on an individual's incentive to conserve energy is an important topic for future discussion by this Committee.
- Vice Chair Kirkpatrick expressed concern that the legislative intent is not always easily determined from what was entered or not entered into the record by the Legislature. She noted the Legislative Commission has a responsibility to ensure the legislative intent of the Legislature.
- Commissioner Wagner stated it can be extraordinarily challenging to translate the intent of the Legislature and ensure it is accurately applied by the PUCN. She added if bills can be clearly connected to their legislative intent by reviewing the minutes and listening to floor statements, then ensuring that the intent is met is easy. However, if legislation can be read in more than one way, then interpreting the legislative intent is problematic. Commissioner Wagner opined the PUCN's goal is for rate stability.

- Assemblyman Bobzien commented on the rebate program and suggested the Legislature provide as much latitude to the PUCN as possible to establish a program that addresses the level of incentives and how they are set, opining that the most optimal approach would be to set the rate rather than link it to NV Energy's annual filing.
- Commissioner Noble began his testimony by stating he currently is responsible for three dockets and is the presiding officer for various legislation passed during the 2013 Session.

The first docket pertains to Section 14 of S.B. 252, which directed the PUCN to open an investigatory docket to review the process for the sale of the portfolio energy credits and determine whether or not that process can be improved. Commissioner Noble shared the docket was opened in December 2013 with comments and reply comments in the review process. The initial workshop on this matter will take place on March 26, 2014, with a report to the Legislature by the deadline of January 31, 2015.

Commissioner Noble said the second docket relates to Section 26.5 of A.B. 428, directing the PUCN to examine the costs and benefits of net metering. The PUCN worked from late summer 2013 through late fall 2013 to adopt a scope of work for the net metering study. Solicitation for a consultant was announced in October 2013, and the California company E3 (Energy and Environmental Economics, Inc.) was selected. He shared a stakeholder meeting was held the week of January 6, 2014, to review the assumptions that will be used by E3 to process data and draft the net metering study. Commissioner Noble also shared he met with professionals from Lawrence Berkeley National Laboratory, who have served as unbiased advisors on the net metering study process. He said the final study should be submitted to the PUCN by July 1, 2014. Stakeholders will then have an opportunity to provide feedback. Their feedback, as well as the study, will be used to draft a report on net metering to present to the full Commission. The study will be provided to the Legislature by the October 2014 deadline.

The final docket pertains to Section 27 of A.B. 428, which addresses adopting the regulations to implement A.B. 428. That process was worked on through the summer and fall of 2013, and draft regulations were submitted to the Legislative Counsel Bureau's Legal Division in November 2013. Those regulations, requiring approximately 40 pages of substantial rewrite pertaining to the energy programs, were turned around in 35 days. Comments were filed on the draft regulations on Thursday, January 9, 2014, with reply comments due on January 14, 2014. A workshop and hearing were scheduled for January 16, 2014, and January 23, 2014, respectively, with the draft regulations scheduled for presentation to the PUCN for adoption on January 30, 2014. The draft regulations will be brought to the Legislative Commission as soon as possible after the PUCN adopts them.

- Assemblyman Bobzien queried Commissioner Noble on the basic service charge increase and the sequencing for the completion of the net metering study as specified in

A.B. 428. He also asked about the issue of coupling the step-down rebates and how that will be addressed in NV Energy's annual filing, or whether or not it is necessary.

- Commissioner Noble addressed the BSC, which he pointed out is proposed for reconsideration by the PUCN. He stated NV Energy brought up net metering before the PUCN as an issue related to the BSC, and he then explained the breakdown of the BSC. Commissioner Noble, in further addressing A.B. 428 and the regulations, stated Solar City is suggesting rates be set in regulation; however, he stressed he does not advocate that approach because if a mistake is made, it is more difficult to change a regulation than it would be to have a utility company file a petition to change the figures in its annual plan. He also indicated it is his intent for the utilities to propose the incentive amounts in their annual plans, which the PUCN would then set. Commissioner Noble stated the only time he would anticipate the incentive amounts being changed is if there are future problems with the annual plans, and it is his aim to have the regulations set so that the plans establishing the incentives would be in effect until 2021.
- Vice Chair Kirkpatrick requested the PUCN communicate suggestions to the Legislature for simplifying the rulemaking process because term limits have depleted the knowledge base of the Legislature, and it is important to provide new legislators with the tools to maintain stability and predictability that is typically tapped into from experienced legislators.
- Commissioner Noble reiterated Commissioner Wagner's feedback to have legislators explain their thought process on proposed legislation during floor sessions or committee hearings because it is immensely helpful to confirm legislative intent when the legislators have their intentions for the legislation put on the record. Otherwise, he anticipates the PUCN will send letters to the Legislature asking for clarification on what was intended for the particular legislation. Unless the legislator were the sponsor of the bill whose explanations would be more reliable, he opined, he would be reluctant to have individual legislators offer their thoughts "after the fact," because so often each legislator has a different understanding of the intent of the bill.

In addition, Commissioner Noble understood the Legislative Commission, in reviewing the regulations, will provide (per statute) written direction to the PUCN to correct any mistakes that may be made in the writing of the initial regulations.

- Senator Roberson said it was his understanding of A.B. 428 that the PUCN would set the incentive structure in the regulations to provide predictability and reliability, but he thought an earlier comment by Commissioner Noble indicated that responsibility would be delegated to the utilities to develop and publish incentive levels in their annual plan. Therefore, Senator Roberson asked if the PUCN plans to investigate a market-sensitive strategy that has been effective in other states—such as when the demand increases, the incentive decreases.

- Commissioner Noble clarified the suggestion was offered by Solar City to have the incentive structure in regulations, and as he testified earlier, he disagrees with that approach because changing regulations is a more difficult task than modifying an annual plan of a utility company. He explained the PUCN thoroughly vets annual plans without delegating the Commission's responsibilities. With regard to what other states have done in their rate structures, the PUCN researches other states' programs and adapts various options to the landscape in Nevada.
- Senator Roberson opined it is important the intent of the Legislature is understood to ensure predictability and reliability on the incentives.
- Donald Lomoljo, Utilities Hearing Officer, Senior Attorney, PUCN, testified he was assigned the rulemaking element for A.B. 239. He stated this bill left three tasks to the Commission for rulemaking. The first two tasks involved conforming existing PUCN regulations to portions of A.B. 239 on Integrated Resource Planning amendments and Environmental Protection Act utility changes. The third task was to develop regulations implementing the Economic Development Electric Rate Rider Program. He noted all three tasks were completed with Commission approval of the regulation in November 2013 and the final regulation (Exhibit K) was approved by the Legislative Commission on December 20, 2013.

## **OVERVIEW OF ENERGY COOPERATIVES IN NEVADA**

- Susan Fisher, Executive Vice President, Government Relations and Marketing, Valley Electric Association (VEA), Inc., provided an overview of energy cooperatives in Nevada and Valley Electric Association, specifically. Addressing various statistics in her handout (Exhibit L), Ms. Fisher shared VEA was incorporated in the mid-1960s to better serve the members of the cooperatives because of the merger of a number of small cooperatives.

Highlights addressed by Ms. Fisher from her handout included: (1) electric cooperatives in the United States; (2) the common business model of cooperatives; (3) VEA's community involvement in Nevada, and (4) recent VEA achievements. She noted VEA's service area covers 6,800 square miles from Sandy Valley in Clark County, north to Esmeralda County, and west into parts of Mono and Inyo Counties in California. Currently VEA is not interconnected with transmission lines between southern Nevada and the northern most part of its service territory; however, the Association is in the early planning stages to address building a transmission system.

Ms. Fisher pointed out VEA is a member-owned cooperative and is regulated by the member-consumer owners. They elect the Board of Directors, and the Board meetings are open to the members. The Board regulates rates, service rules, and business and business strategy. Additionally, the VEA is regulated in part by: (1) the PUCN, which issues the VEA's Certificate of Public Convenience and Necessity under NRS 704.330;

(2) the California Public Utilities Commission; (3) Western Electricity Coordinating Council; (4) North American Electric Reliability Corporation; and (5) Federal Energy Regulatory Commission. Ms. Fisher pointed out VEA's power sources include hydro generation, solar generation, and natural gas, which is purchased on the open market.

Ms. Fisher stated VEA became the first out-of-state utility to join the California Independent System Operator Corporation (CAISO), which among many reasons, enabled VEA to participate in a larger market and to enhance the development of renewable energy generation in Nevada. In addition, Ms. Fisher explained, with VEA being a member of CAISO, it enables the Association to provide excess transmission capacity from its system to CAISO, which helps VEA maximize its assets and stabilize rates. She emphasized VEA's overriding goal is to keep the rates stable for its members.

As a common business model, Ms. Fisher explained, there are many large businesses throughout the United States that are energy cooperatives, such as Welch's; Sunkist Growers, Incorporated; Ocean Spray; REI; and Whole Foods Market. Cooperatives follow seven cooperative rules: (1) voluntary and open membership; (2) democratic member control; (3) members' economic participation; (4) autonomy and independence; (5) education, training, and information; (6) cooperation among cooperatives; and (7) concern for community.

Ms. Fisher shared that cooperatives are not mandated by law to be involved in beneficial programs in communities. However, the Association is involved in the community, such as the VEA Charitable Foundation that is funded in part by the national "Operation Round Up" assistance programs where all VEA members are encouraged to "round" their bills up to the nearest dollar and then VEA donates those pennies to VEA's Charitable Foundation to help members throughout the Association's service areas. Another beneficial program Ms. Fisher drew attention to is the VEA Ambassador Program, which is a grassroots organization designed to provide members the opportunity to have direct involvement in company activities.

In closing, Ms. Fisher called attention to various achievements by VEA (see page 5 of Exhibit L), one being the implementation of voluntary net metering for VEA members. Ms. Fisher also distributed a booklet (Exhibit M) during meeting titled *Valley Electric Association, Inc., 2013 Economic Impact Report*.

- Clay Fitch, Executive Director, Nevada Rural Electric Association (NREA), shared he is also the Chief Executive Office for Wells Rural Electric Company. He began his remarks by providing background information on NREA and pointing out the Association represents six electric cooperatives, two power districts, and a municipality in the State of Nevada. Mr. Fitch noted his handout (Exhibit N) was a little outdated, but relevant, and he addressed the following matters covered in it:

- Renewable energy;
- Energy efficiency;
- Community involvement;
- NREA is a service organization as founded on the “Seven Cooperative Principals,” as noted by Ms. Fisher during her presentation;
- NREA’s history and membership;
- How to contact NREA;
- NREA’s size and locations; and
- Structure and governance of NREA’s cooperatives, power district, and municipalities.

Mr. Fitch disclosed that some of its members, specifically Mt. Wheeler Power Energy Cooperative and Wells Rural Electric Company, have union shops.

## **OVERVIEW OF THE CONSUMER ADVOCATE’S ROLE AND RESPONSIBILITIES CONCERNING PUBLIC UTILITIES PROCEEDINGS**

- Daniel O. Jacobsen, Technical Staff Manager, Bureau of Consumer Protection (BCP), Office of the Attorney General, began his overview explaining the Bureau has two main areas of responsibility: (1) enforcing consumer protection statutes; and (2) representing consumers and small business customers in proceedings at the PUCN, the Federal Energy Regulatory Commission, the Nevada Legislature, and sometimes in court. Mr. Jacobsen pointed out the Bureau focuses on privately owned Nevada utilities, and the BCP does not have any involvement with energy cooperatives. (Exhibit O)

In representing consumers from a public interest standpoint, the BCP’s focus is ensuring the most reasonable rates and reliable service as possible. Mr. Jacobsen said the BCP takes part in every general rate case and every resource proceeding, monitoring how much consumer money will be invested. Another area of involvement by the Bureau is in the annual PUCN proceedings dealing with energy supply plans.

Mr. Jacobsen explained the Bureau closely monitors the types of energy that are available. The BCP studies energy efficiency trends throughout the world to learn what is happening and working or not working. From the information gathered on energy efficiency trends, the Bureau offers recommendations during proceedings of the PUCN. An example cited by Mr. Jacobsen of the Bureau’s involvement in PUCN proceedings was the merger of MEHC and NV Energy. The Bureau was integrally involved in the negotiations with PUCN staff and NV Energy to arrive at a stipulation that would protect consumers.

Continuing his overview of the Consumer Advocate’s role and responsibilities concerning public utilities proceedings, Mr. Jacobsen discussed the following matters:

- Involvement by the Bureau in 2014 when NV Power, a subsidiary of NV Energy, files a general rate case;

- Study “smart meters” to determine if the benefits outweigh the costs;
- If managers lose their jobs as a result of the merger between NV Energy and MEHC, the Bureau’s goal is to ensure those salary and benefit savings are passed on to the ratepayers;
- Monitor NV Energy’s filing of its energy and balance proposal for renewable energy throughout the region to ensure the ratepayers’ costs are commensurate with the benefits they will receive;
- Follow NV Energy’s filing in early May 2014 to implement S.B. 123 relative to the retiring of coal plants and the period of time the cost of those coal plants will be recovered from ratepayers;
- Monitor the building of the 550-MW plant to ensure it is not built before it is needed to meet customer service demands, otherwise rates will be higher than necessary; and
- During 2014 before the next legislative session, the Bureau will examine what is referred to as “lost sales compensation,” which involves NV Energy charging all customers for the energy it was not able to sell as a result of customers’ energy efficiency efforts, which is frustrating to customers to have to pay a specific rate because they conserved.

In closing, Mr. Jacobsen stated NV Energy agreed to meet with the BCP and the PUCN during 2014 to establish a more equitable system to bring to the Legislature in 2015 for setting rates rather than once every three years, which results in the Company either over earning or under earning. The goal of the Bureau would be to adjust the rates more frequently to keep them more closely aligned to what NV Energy is authorized to earn by the PUCN.

## **OVERVIEW OF THE ROLE AND RESPONSIBILITIES OF THE OFFICE OF ENERGY AND PROGRESS REPORT ON THE IMPLEMENTATION OF SENATE BILL 142, ASSEMBLY BILL 239, ASSEMBLY BILL 333, AND ASSEMBLY BILL 428 FROM THE 2013 LEGISLATIVE SESSION BY THE OFFICE OF ENERGY**

- Paul Thomsen, Director, Office of Energy, Office of the Governor, provided an overview of the role and responsibilities of the Office of Energy (the Office) and a progress report on the implementation of S.B. 142 (Chapter 392, *Statutes of Nevada 2013*), A.B. 239, A.B. 333 (Chapter 168, *Statutes of Nevada 2013*), and A.B. 428. Mr. Thomsen explained the Office of Energy focuses on three areas: (1) renewable energy development; (2) promotion of energy efficiency; and (3) exportation or transmission of energy.

The Office has program managers for each of the three focus areas, and grants and funding are also aligned to each focus area. For the renewable energy component, the Office handles renewable energy tax abatements, loans under a million dollars to assist small renewable projects that promote the development of renewable energy, and

monitors the PUCN and the many cases before the Commission that may affect the development of net metering or renewable energy projects.

The program manager for the promotion of energy efficiency oversees three federal grants. One grant relates to performance contracting for public buildings; another for “Energy Fit Nevada,” which evaluates energy efficiency in residential homes; and the third focuses on education for performance contracting.

The third component the Office of Energy focuses on exportation or transmission of energy. Transmission is currently the major focus of the third component, Mr. Thomsen stated, but as the State develops potential for fossil fuels, the Office will coordinate the exportation of that energy source. He said, as it relates to transmission, the Office of Energy is watching how the merger with MEHC will affect NV Energy’s role in potential build-outs of transmission and efforts to create a market that encourages renewable energy developers to move energy more easily in the western marketplace.

Continuing, Mr. Thomsen provided an update on the following legislation from the 2013 Session:

- S.B. 142 — Mr. Thomsen cited Section 3 of the bill (Exhibit D) as it applies to the Office of Energy. He noted the requirements in Section 3 are being funded through a federal grant of approximately \$700,000.
- A.B. 239 — After discussions with interested parties on implementing statutory changes required in this legislation (Exhibit E), an agreement was reached on a draft regulation, which was submitted to LCB on December 20, 2013, and is scheduled to be heard before the Legislative Commission in February 2014. Because local jurisdictions now keep a larger percentage of the tax abatements, which have been vital to bringing renewable developers to Nevada, Mr. Thomsen noted, a regulation regarding A.B. 239 was drafted to create a modest fee structure to recover costs for administrative tasks and materials when processing tax abatements by the Office of Energy.
- A.B. 333 — This bill (Exhibit F) requires the Office of Economic Development and the Office of Energy to conduct periodic audits related to the abatement of taxes or other incentives for economic development and report the results and findings to the Chief of the Budget Division of the Department of Administration. Mr. Thomsen stated the audit form has not yet been created, but he noted there is a stringent initial application process to qualify for tax abatements. He shared the State of Nevada has invested approximately \$400 million in energy projects and received about \$4 billion from capital investment in the State, which is about a 10 to 1 return on the abatements for these projects.



- A.B. 428 — Mr. Thomsen reported the Office of Energy has a minimal role in A.B. 428, but the Office can provide comment on its implementation. He noted the Office of Energy is closely monitoring the measure at the PUCN and is available for discussions on policy or impressions about how this legislation can support the development of more renewable generation in the State, which is the goal of the Office of Energy.

Concluding his presentation, Mr. Thomsen discussed A.B. 33 (Chapter 502, *Statutes of Nevada 2013*) from the last legislative session, which involves the Leadership in Energy and Environmental Design (LEED) Green Building Rating System. He said the Office of Energy scheduled a workshop for January 22, 2014, to discuss the rulemaking for the LEED regulations so anybody implementing those energy efficiency processes can receive the proper abatement from the Office of Energy.

- Vice Chair Kirkpatrick advised the audits as required in A.B. 333 be conducted expeditiously, because they are related to abatement of taxes or other incentives for economic development and are crucial to ensuring that only responsible businesses are receiving tax abatements or other economic development incentives in this State.
- Mr. Thomsen responded that in the current regulations, the Director of the Office of Energy is allowed to implement an audit at any time, conduct field visits, and request any additional information from an entity partnering with the State for the incentives. He asked if legislators have concerns about any business that may need an immediate audit, to inform the Office of Energy, and it will conduct an audit to ensure that business is meeting the criteria of the legislation in A.B. 333.

## **PUBLIC COMMENT**

- Tom Clark, Lobbyist, Sempra U.S. Gas and Power, stated Sempra is the largest developer of Solar PV (photovoltaic) energy in the country, and it is located in Clark County. The Company currently has three existing projects. The first project, Copper Mountain 1 (CM1), has 58 MW. The President of the United States visited CM1 a couple years ago. There is Copper Mountain 2, which has 92 MW, and is scheduled to be upgraded in Phase 2 of that project, which adds approximately 58 MW. In addition, Copper Mountain 3 is under construction, which will have 250 MW of PV solar power.

Mr. Clark noted Sempra's projects are being constructed on Boulder City, Nevada, property, which is economically beneficial to the City as prevailing wage jobs are being created. Because the projects are on Boulder City property, there are not any environmental impact statement requirements, unless transmission corridors are necessary at a later time.

Concluding his remarks, Mr. Clark requested an opportunity to have Sempra's executives testify before for the Legislative Committee on Energy, in particular, about

the Copper Mountain PV projects because, he stated, those projects are beneficial to the economy in southern Nevada.

- Danny L. Thompson, Lobbyist, Nevada State AFL-CIO, prefaced his remarks by saying energy cooperatives are important. However, he pointed out, during the 2013 Session a bill was passed by the Senate and Assembly that provided for regulating energy cooperatives by the PUCN that make the business decision to operate outside their existing service territory. Operating within their existing service territory allows the cooperatives to be self-regulated, and they are also not required to adhere to the portfolio standard, which is an expensive requirement otherwise. The bill was ultimately vetoed by Governor Brian Sandoval. Mr. Thompson said the concern is that a regulated utility cannot compete with an unregulated utility, and the vetoed bill will not negate the problem.
- David Sweetman, resident, Dyer, Nevada, expressed support for energy cooperatives and called attention to the value they serve in the rural areas of Nevada. He requested the Legislature, through the Legislative Committee on Energy, consider what is beneficial for rural Nevada as well as for urban Nevada. His second point was sharing that in a number of studies published by various institutions, Nevada ranks just above 50 percent in terms of energy efficiency, renewable energy portfolios, and the like. He opined Nevada can do significantly better than 50 percent, and expressed his support for the Legislature to continue working toward bringing Nevada into the top 10 to 20 percent in its ranking related to energy issues.

Mr. Sweetman also encouraged the Committee, if they are not already doing so, to generate renewable energy in their own homes, such as solar, water, heating, PV, and wind. In doing so, one will learn more about energy when making it for oneself in their own homes and will value the benefits when seeing the effect on one's personal energy bill.

Concluding, Mr. Sweetman complimented the PUCN for the creation of the renewable energy credit system. He noted Nevada needs to take credit for and expand the system.

- Mary Langston, Nevada resident, expressed concerns regarding the business ventures that Valley Electric Association is engaging in with the U.S. Government to serve the various test sites and Air Force bases in southern Nevada. An example she cited, from her understanding, was that VEA allowed the U.S. Department of Energy (DOE) to pay less per kilowatt-hour than regular ratepayers—the customers the cooperatives were established to serve. Ms. Langston noted the following questions during her remarks:
  1. Are VEA ratepayers subsidizing the DOE?
  2. In reading an article in the *Pahrump Valley Times*, VEA spent millions of dollars upgrading its facilities and transmission lines to ensure acquisition of government contracts. If the business arrangement involves a 5-year contract

with the DOE, will the ratepayers have to subsidize the costs VEA would need to recover as a result of its agreements with the DOE?

3. Addressing her greatest concern, Ms. Langston stated, again referencing an article in the *Pahrump Valley Times*, the press can be asked to leave the Board meetings of the VEA that are supposed to be open to the public for transparency. She averred there are no open meeting laws that govern energy cooperatives in Nevada and questioned if that meant public members attending the Board meetings can also be asked to leave if they say something against the management of VEA.

In her concluding remarks, Ms. Langston said she asks these questions as a long-time resident and voter in the State of Nevada. She noted that while an energy cooperative is supposed to have oversight by electing its board members, it seems VEA has no other oversight to protect its ratepayers from subsidizing costs for contracts it makes with the DOE.

- Chair Atkinson acknowledged Ms. Langston's questions she posed during her remarks and said an effort will be made to get them answered.
- Tom Polikalas, Southwest Energy Efficiency Project (SWEET), emphasized SWEET's support to promote energy-efficient program, policies, and technologies in the State of Nevada. He referenced a study SWEET authored that concluded energy efficiency programs in the State represent a tremendous economic development opportunity over the next 10 years of approximately \$3.4 billion, which result in tremendous job creation potential.
- Chair Atkinson concluded the meeting by announcing the Legislative Committee on Energy has five remaining meetings and asked the Committee members to provide suggestions to him or Ms. Paslov Thomas on future meeting topics. He also reminded the members of the Committee that it has ten bill drafts, and if there are legislative proposals that merit using a bill draft, it is important those issues are brought forward to be responsive to this Committee and the citizens of the State of Nevada. Chair Atkinson also praised the members of the Assembly serving on the Legislative Committee on Energy for ensuring the creation of this Committee in Assembly Bill 428, as it is immensely important to the citizens of Nevada to discuss energy issues on a year-round basis.