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**BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

**PRE-FILED DIRECT TESTIMONY OF**

**ROBERTO R. DENIS**

Sierra Pacific Power Company's

Second Amendment to its 2007 Integrated Resource Plan

Docket No. 08-\_\_\_\_\_

**1. Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

A. My name is Roberto R. Denis. I am the Corporate Senior Vice President of Energy Supply for Sierra Pacific Resources, Nevada Power Company ("Nevada Power") and Sierra Pacific Power Company ("Sierra") (together, the "Companies"). My business address is 6226 West Sahara Avenue, Las Vegas, Nevada 89146.

**2. Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS THE CORPORATE SENIOR VICE PRESIDENT OF ENERGY SUPPLY FOR NEVADA POWER AND SIERRA.**

A. I am responsible all aspects of energy supply for the Companies, including the reliable and efficient operation of Company-owned generation, the procurement of all fuels and purchased power, and resource optimization (i.e., economic dispatch). I report directly to Michael W. Yackira, President and Chief Executive Officer of Sierra Pacific Resources.

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3. Q. WOULD YOU PLEASE DESCRIBE YOUR EXPERIENCE IN MANAGING ENERGY SUPPLIES FOR REGULATED PUBLIC UTILITIES?

A. I have more than thirty-five years of experience in the electric utility industry. The bulk of my utility experience was with Florida Power & Light Company ("FP&L"), a regulated utility in Florida, and with FPL Energy LLC ("FPLE"), an unregulated independent power producer with facilities throughout the United States. Both of these companies are subsidiaries of FPL Group, Inc. ("FPL"), which is one of the nation's largest electric utility holding companies. During my twenty-six years with FP&L, I held various positions with responsibilities in a number of areas, including: state and federal regulatory strategy; the development, implementation and administration of wholesale energy interchange; transmission and purchased power agreements; cogeneration; energy and load management; power supply operations; and system planning (including load forecasting, generation, and transmission system expansions).

While I was employed by FPLE, I held key management positions with responsibility for market analyses, asset valuations, fuel sourcing strategies, risk analytics, and market development. During my tenure with FPLE, I was elected Chairman of the New England Power Pool ("NEPOOL"), the governing institution of New England's fully

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competitive wholesale market. I held the position of NEPOOL Chairman for two years until I resigned to join Sierra Pacific Resources in 2003. I am an electrical engineer by profession, having earned a Bachelor of Electrical Engineering, with honors, from Georgia Institute of Technology. I also am a Registered Professional Engineer in Florida.

4. **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS?**

A. Yes, I have. I have testified before the Public Utilities Commission of Nevada ("Commission") in a number of proceedings involving power procurement and resource planning issues, including most recently: Docket No. 06-06051 (Nevada Power's 2006 Integrated Resource Plan), Docket No. 07-06049 (Sierra's 2007 Integrated Resource Plan), Docket Nos. 08-02044 and 07-05019 (Sierra's 2007 and 2008 Gas Deferred Energy Cases), 07-01022 and 08-02042 (Nevada Power's 2007 and 2008 Deferred Energy Cases), and Docket Nos. 06-12001 and 08-02043 (Sierra's 2006 and 2008 Electric Deferred Energy Cases). Prior to that, I testified extensively in proceedings before the Florida Public Service Commission over a period of twenty years.

My testimony before the Commission and the Florida Public Service Commission has addressed a broad array of topics including resource planning, power and fuel procurement, fuel clause adjustments,

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implementation of federal Qualifying Facility regulations, conservation and load management programs, contractual approvals and disputes, power plant and transmission line certifications, planning standards, retail access and wheeling, generation performance, and RFP design and selection processes. I also have provided deposition testimony in various state and federal proceedings.

5. **Q. WHAT IS THE PURPOSE OF YOUR PRE-FILED DIRECT TESTIMONY IN THIS PROCEEDING?**

A. First, I provide an overview of the Second Amendment filing and a summary of the items for which Sierra is seeking Commission approval. Second, I support the request on behalf of both Nevada Power and Sierra to deviate from the previously approved budget and timeline for permitting and development of the Ely Energy Center ("EEC").

**I. OVERVIEW**

6. **Q. HOW IS THE SECOND AMENDMENT FILING ORGANIZED?**

A. The Second Amendment to the 2007 Integrated Resource Plan (the "2007 IRP") is presented in five books: three text volumes, one technical appendix volume, and a confidential material volume. The Second Amendment is organized as follows:

- Volume I – Cover Letter, Table of Contents and Service List,
- Volume II – Application and Prefiled Direct Testimony

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- Volume III – Second Amendment
- Volume IV – Technical Appendix, and
- Volume V – Confidential Material Volume.

7. Q. **WHAT IS THE PURPOSE OF THIS SECOND AMENDMENT TO SIERRA’S 2007 IRP?**

A. Sierra is filing this Second Amendment to (1) modify the EEC schedule and development budget; (2) obtain Commission authorization for a related power purchase agreement (“Related PPA”) between Sierra (as buyer) and Nevada Power (as seller) for Nevada Power’s proposed ownership share of the Carson Lake Geothermal Power Project (“Carson Lake Project”), (3) fund CO<sub>2</sub> research, and (4) update the Company’s load forecast.

**Modification of EEC Schedule and Budget**

In the Second Amendment, Sierra provides the Commission with an update on the status of the EEC and requests the Commission’s approval to modify the schedule and budget established in Docket Nos. 06-06051 and 06-07010. There the Commission ordered that, following receipt of the final air permit, the Companies are to file a resource plan amendment providing detailed cost and other specified information to support proceeding with the construction of the EEC and the EN-Ti (“EEC Amendment”). Recognizing delays in the permitting process, the

1 Companies are requesting a modification of the timeline for completing  
2 the EEC and for filing the EEC Amendment. Specifically, the Companies  
3 are seeking authority to file the EEC Amendment no later than April 2010,  
4 as well as a corresponding modification of the in-service dates for Units 1  
5 and 2 of the EEC of June 2015 and June 2016, respectively.  
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8 Also in Docket Nos. 06-06051 and 06-07010, the Commission authorized  
9 the Companies to expend up to \$300 million to develop the EEC through  
10 the receipt of the Record of Decision from the Bureau of Land  
11 Management ("BLM"), \$155 million of which could be expended prior to  
12 receipt of the final air permit.<sup>1</sup> With this filing, the Companies are  
13 requesting a modification of this funding authorization. The Companies  
14 now recommend an expenditure of \$155 million through February 2010.  
15 I discuss these requests in more detail in my testimony below. The Pre-  
16 Filed Direct Testimony of David M. Sims addresses the revised schedule  
17 and budget.  
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### 21 Carson Lake Project

22 Sierra is requesting approval of a Related PPA with Nevada Power (as  
23 seller) for Nevada Power's proposed 50 percent ownership share of the  
24 Carson Lake Project, a conventional geothermal power plant project that  
25 Nevada Power is co-developing with ORNI 16 LLC ("Ormat"), a  
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27 <sup>1</sup> It is assumed that 80% of these costs will be allocated to Nevada Power and 20% will be  
28 allocated to Sierra.

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subsidiary of Ormat Nevada Inc. ("ONI"). Specifically, pursuant to the related PPA, Sierra will purchase Nevada Power's 50 percent share of the Carson Lake Project until the EN-Ti is placed into service. The Carson Lake Project and the Related PPA are discussed in more detail in the Amendment and in the Pre-Filed Direct Testimony of Thomas R. Fair and Charles A. Pottey.

**CO<sub>2</sub> Research**

Sierra also is seeking authorization to expend \$1,000,000 per year for a five-year term for CO<sub>2</sub> carbon capture and sequestration research. A portion of these research costs will be shared with Nevada Power. This project is discussed in more detail in the Amendment and in the Pre-Filed Direct Testimony of Ms. Starla Lacy and Mr. John Lescenski.

**Load Forecast**

Finally, Sierra is requesting Commission review and approval of an updated load forecast. The updated load forecast is discussed in more detail in the Amendment and in the Pre-Filed Direct Testimony of Mr. Terry A. Baxter.

8. Q. PLEASE IDENTIFY THE PORTIONS OF THE FILING THAT EACH WITNESS IS SPONSORING.

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A. In addition to myself, several other witnesses are testifying in support of Sierra's Second Amendment. The following is a list of witnesses and the sections they are sponsoring:

- David M. Sims, the Director of Project Development, sponsors the discussion on the EEC permitting and developmental activities including the revised schedule and budget.
- Thomas R. Fair, Executive, Renewable Energy, sponsors the requests that relate to the Carson Lake Project.
- Charles A. Pottey, Manager of Long Term Resource Planning for Nevada Power Company, addresses the Transfer Pricing Mechanism in the related PPA between Nevada Power and Sierra for the Carson Lake Project.
- John W. Lescenski, Manager of Plant Engineering and Technical Services for the Generation Engineering Department, along with Ms. Lacy, sponsors the request for continued CO<sub>2</sub> research.
- Starla S. Lacy, Director, Environmental Services, along with Mr. Lescenski, sponsors the request for continued CO<sub>2</sub> research.
- Terry A. Baxter, Manager of Load Forecasting, sponsors the Load Forecast.

**II. EEC SCHEDULE AND BUDGET MODIFICATION**

9. Q. PLEASE DESCRIBE THE CURRENT STATUS OF THE EEC.

A. As described more fully in the Pre-Filed Direct Testimony of Mr. Sims, development work on the EEC is proceeding. The environmental and water rights permitting for the EEC is underway. The BLM has commenced work on the Environmental Impact Statement ("EIS"), which

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is necessary to allow the use of federal land for the construction of the EEC. Preparatory work for the necessary rail upgrades and negotiations with the rail carriers over rates to allow rail supply for the EEC's coal supply is continuing. Work with the Ely community is ongoing. Discussions with vendors and an EPC contractor concerning terms for acquiring equipment and constructing EEC have continued. However, issuance of the air permit has been delayed and is not expected until April 2008. More significantly, the BLM has advised the Companies that it will not issue the draft EIS, which was previously expected in mid-2008, until November 2008, and that it is unlikely to issue a Final EIS and Record of Decision before December 2009.

10. Q. ARE THE COMPANIES PROPOSING TO MODIFY THE SCHEDULE FOR THE EEC IN LIGHT OF PERMITTING DELAYS?

A. Yes. Recall that in Nevada Power's 2006 IRP and Sierra's accompanying Thirteenth Amendment, the Companies asked for and received Commission approval to begin to secure major owner-furnished equipment prior to obtaining all necessary permits. This "parallel" development path was warranted given Nevada Power's need for significant incremental generation by 2011 and the best available information at the time regarding the BLM's permitting schedule.

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With the BLM's announced delay in the EIS schedule, it appears unlikely that construction on the EEC can commence prior to February 2010 – more than two years later than originally expected. Given this construction start date, the in-service dates for both Units 1 and 2 have slipped considerably. Thus, we have concluded that it is no longer appropriate to begin to procure major owner-furnished equipment while the BLM process is pending. As set forth in detail in Mr. Sims's Pre-Filed Direct Testimony, the Companies instead recommend that the Commission approve a more conservative sequential development approach pursuant to which the in-service dates for Units 1 and 2 are moved to June 2015 and June 2016, respectively.

**11. Q. WHAT IMPACT DO THE DELAYS IN THE ENVIRONMENTAL REVIEW PROCESS HAVE ON THE COMPANIES' PREVIOUSLY APPROVED BUDGET FOR THE EEC?**

A. As described in more detail in Mr. Sims's testimony, in Docket Nos. 06-06051 and 06-07010, the Commission approved the Companies' request to expend up to \$300 million to develop EEC through the receipt of the BLM Record of Decision. Of this amount, the Companies were authorized to spend \$155 million through receipt of the air permit. With this filing, the Companies are requesting authorization to expend \$155 million through February 2010. The Companies will seek the additional development

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funding necessary for the period March 2010 through the completion of the EEC Amendment in a future amendment to Sierra's 2007 IRP.

**12. Q. WHEN WILL THE COMPANIES RETURN TO THE COMMISSION FOR FINAL APPROVAL TO PROCEED WITH THE EEC?**

A. The Companies will file a status update on the EEC and the progress on permitting and development tasks in a future Amendment to Sierra's 2007 IRP. Given the current permitting schedule, the Companies expect to file the EEC Amendment and seek final approval for the EEC in April 2010 — after the issuance of the Record of Decision (expected December 2009), after equipment and EPC bids are updated, revised cost estimates prepared and reviewed by the Staff, the BCP, and an independent third-party consultant (pursuant to Paragraph 230 of the Commission's order in Docket No. 07-06049). The Companies do not propose to proceed with procurement of major owner-furnished equipment until the Commission gives its final approval to proceed.

**13. Q. HAVE THE COMPANIES' PROJECTED CAPITAL COSTS FOR THE EEC CHANGED SINCE SIERRA AND NEVADA POWER ORIGINALLY SUBMITTED THE COSTS TO THE COMMISSION?**

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A. Yes. Like all power generation projects currently in the permitting stage, the EEC is experiencing the effects of cost escalations in equipment, materials and skilled construction labor. The causes for and effects of the current market for new generation plants are discussed in detail by Mr. Sims. The following is an excerpt from the Companies' 10K, which was filed with the Securities and Exchange Commission on February 28, 2008.

The total project costs are estimated to be approximately \$5.0 billion if construction were to begin at the time of this filing. Depending on the timing of construction, negotiation of certain contracts, the potential initiation of any litigation challenging the project, and the timing and terms of permitting, among other factors, actual costs, scope, and timing of the completion of the project will likely differ materially from initial estimates.

Before the Companies request final Commission approval to proceed with EEC, all cost estimates will be refreshed and subject to independent review by the Staff, the BCP and a qualified third-party expert.<sup>2</sup>

**III. CONCLUSION**

14. Q. DOES THIS CONCLUDE YOUR TESTIMONY?  
A. Yes.

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<sup>2</sup> The Companies will utilize the direction provided by the Commission in Paragraph 230 of the Commission's Order in Docket No. 07-06049 in selecting the third-party to review the final cost estimates for the EEC.

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AFFIRMATION

STATE OF NEVADA )  
 ) ss.  
COUNTY OF CLARK )

I, ROBERTO R. DENIS, do hereby swear under penalty of perjury the following:

That I am the person identified in the attached Prefiled Direct Testimony and that such testimony was prepared by me or under my direct supervision; that the answers and information set forth therein are true to the best of my knowledge and belief; and that if asked the questions set forth therein, my answers thereto would, under oath, be the same.



ROBERTO R. DENIS  
Corporate Senior Vice President  
Energy Supply

Subscribed and sworn to before me

this 17<sup>th</sup> day of March 2008.

  
NOTARY PUBLIC