

1 **BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

2 **PRE-FILED DIRECT TESTIMONY OF**

3 **ROBERTO R. DENIS**

4 **Sierra Pacific Power Company**

5 **Third Amendment to its 2008-2027 Integrated Resource Plan**

6 **Docket No. 08-05_____**

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

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

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

20 **A.** I am responsible for all aspects of energy supply for the Companies,
21 including the reliable and efficient operation of Company-owned
22 generation, the procurement of all fuels and purchased power, and
23 resource optimization (i.e., economic dispatch). I report directly to
24 Michael W. Yackira, President and Chief Executive Officer of Sierra
25 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

1 competitive wholesale market. I held the position of NEPOOL Chairman
2 for two years until I resigned to join Sierra Pacific Resources in 2003.
3 I am an electrical engineer by profession, having earned a Bachelor of
4 Electrical Engineering, with honors, from Georgia Institute of
5 Technology. I also am a Registered Professional Engineer in Florida.
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8 **4. Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY**
9 **PROCEEDINGS?**

10 A. Yes, I have. I have testified before the Public Utilities Commission of
11 Nevada ("Commission") in a number of proceedings involving power
12 procurement and resource planning issues, including most recently:
13 Docket No. 07-12001 (Sierra's 2007 General Rate Case), Docket No. 06-
14 06051 (Nevada Power's 2006 Integrated Resource Plan), Docket No. 07-
15 06049 (Sierra's 2007 Integrated Resource Plan), Docket Nos. 08-02044
16 and 07-05019 (Sierra's 2007 and 2008 Gas Deferred Energy Cases), 07-
17 01022 and 08-02042 (Nevada Power's 2007 and 2008 Deferred Energy
18 Cases), and Docket Nos. 06-12001 and 08-02043 (Sierra's 2006 and 2008
19 Electric Deferred Energy Cases). Prior to that, I testified extensively in
20 proceedings before the Florida Public Service Commission over a period
21 of twenty years.
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25 My testimony before the Commission and the Florida Public Service
26 Commission has addressed a broad array of topics including resource
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1 planning, power and fuel procurement, fuel clause adjustments,
2 implementation of federal Qualifying Facility regulations, conservation
3 and load management programs, contractual approvals and disputes,
4 power plant and transmission line certifications, planning standards, retail
5 access and wheeling, generation performance, and RFP design and
6 selection processes. I also have provided deposition testimony in various
7 state and federal proceedings.
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10 5. Q. **WHAT IS THE PURPOSE OF YOUR PRE-FILED DIRECT**
11 **TESTIMONY IN THIS PROCEEDING?**

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

20 6. Q. **HOW IS THE THIRD AMENDMENT FILING ORGANIZED?**

21 A. The Third Amendment to the 2007 Integrated Resource Plan (the "2007
22 IRP") is presented in three volumes organized as follows:

- 23
- 24 • Volume I – Cover Letter, Table of Contents and Service List;
 - 25 • Volume II – Application, Prefiled Direct Testimony, and Third
26 Amendment; and
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- Volume III – Confidential Material.

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

A. In the Third Amendment, Sierra provides the Commission with a complete update on the status of the EEC and requests the Commission's approval to modify the development 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 ("EEC Amendment") providing detailed cost and other specified information to support proceeding with the construction of the EEC. Recognizing delays in the permitting process, the Companies are requesting a modification of the timeline for completing the EEC and for filing the EEC Amendment. Specifically, the Companies are seeking authority to file the EEC Amendment no later than April 2010, as well as a corresponding modification of the in-service dates for Units 1 and 2 of the EEC of June 2015 and June 2016, respectively.

Also in Docket Nos. 06-06051 and 06-07010, the Commission authorized the Companies to expend up to \$300 million to develop the EEC through the receipt of the Record of Decision ("ROD") from the Bureau of Land Management ("BLM"), \$155 million of which could be expended prior to receipt of the final air permit. With this filing, the Companies are

1 requesting a modification of this funding authorization. The Companies
2 now recommend an expenditure of \$155 million through February 2010.
3 I discuss these requests in more detail later in my testimony. The Pre-
4 Filed Direct Testimony of David M. Sims addresses the revised schedule
5 and budget.

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

10 A. In addition to myself, the other witness testifying in support of Sierra's
11 Third Amendment is David M. Sims, the Director of Project
12 Development, who sponsors the discussion on the EEC permitting and
13 developmental activities including the revised schedule and budget.
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16 **II. EEC SCHEDULE AND BUDGET MODIFICATION**

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

19 A. As described more fully in the Pre-Filed Direct Testimony of Mr. Sims,
20 development work on the EEC is proceeding. The environmental and
21 water rights permitting for the EEC is underway. The BLM has
22 commenced work on the Environmental Impact Statement ("EIS"), which
23 is necessary to allow the use of federal land for the construction of the
24 EEC. Preparatory work for the necessary rail upgrades and negotiations
25 with the rail carriers over rates to allow rail supply for the EEC's coal
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1 supply is continuing. Work with the Ely community is ongoing.
2 Discussions with vendors and an engineering, procurement and
3 construction (“EPC”) contractor concerning terms for acquiring equipment
4 and constructing EEC have continued. However, issuance of the air
5 permit has been delayed and is not expected until the summer of 2008.
6 More significantly, the BLM has advised the Companies that it will not
7 issue the draft EIS, which was previously expected in November 2007,
8 until November 2008, and that it is unlikely to issue a Final EIS and ROD
9 before December 2009.
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12 **10. Q. ARE THE COMPANIES PROPOSING TO MODIFY THE**
13 **SCHEDULE FOR THE EEC IN LIGHT OF PERMITTING**
14 **DELAYS?**

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16 A. Yes. Recall that in Nevada Power’s 2006 IRP and Sierra’s accompanying
17 Thirteenth Amendment the Companies asked for and received
18 Commission approval to begin to secure major owner-furnished
19 equipment prior to obtaining all necessary permits. This “parallel”
20 development path was warranted given Nevada Power’s need for
21 significant incremental generation by 2011 and the best available
22 information at the time regarding the BLM’s permitting schedule.
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25 With the BLM’s announced delay in the EIS schedule, it appears unlikely
26 that construction on the EEC can commence prior to February 2010 –
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1 approximately 17 months later than originally expected. Given this
2 construction start date, the in-service dates for both Units 1 and 2 have
3 slipped considerably. Further, there has been heightened public discussion
4 about the effect that coal units may have on the global climate, with some
5 arguing for yet-to-be-enacted carbon control regimes. Therefore, the
6 Companies have concluded that it is no longer appropriate to begin to
7 procure major owner-furnished equipment while the licensing process,
8 including the BLM process is pending. As set forth in detail in Mr. Sims's
9 Pre-Filed Direct Testimony, the Companies instead recommend that the
10 Commission approve a more conservative sequential development
11 approach pursuant to which the in-service dates for Units 1 and 2 are
12 moved to June 2015 and June 2016, respectively.
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16 **11. Q. WHAT IMPACT DO THE DELAYS IN THE ENVIRONMENTAL**
17 **REVIEW PROCESS HAVE ON THE COMPANIES' PREVIOUSLY**
18 **APPROVED BUDGET FOR THE EEC?**

19 A. As described in more detail in Mr. Sims's testimony, in Docket Nos. 06-
20 06051 and 06-07010, the Commission approved the Companies' request to
21 expend up to \$300 million to develop EEC through receipt of the BLM
22 ROD. Of this amount, the Companies were authorized to spend \$155
23 million through receipt of the air permit which was originally expected in
24 the first quarter of 2008. With this filing, the Companies are requesting
25 authorization to expend \$155 million through February 2010. The
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1 Companies will seek any additional development funding necessary for
2 the period March 2010 through final approval of a future EEC
3 Amendment by the companies requesting authorization to begin
4 construction.

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6 **12. Q. WHEN WILL THE COMPANIES RETURN TO THE**
7 **COMMISSION FOR FINAL APPROVAL TO PROCEED WITH**
8 **THE EEC?**
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10 A. The Companies will file a status update on the EEC and the progress on
11 permitting and development tasks in a future Amendment to Sierra's 2007
12 IRP and Nevada Power's 2009 IRP. Given the current permitting
13 schedule, the Companies expect to file the EEC Amendment and seek
14 final approval for the EEC in April 2010 — after (1) the issuance of the
15 ROD (expected December 2009), (2) equipment and EPC bids are
16 updated, and (3) revised cost estimates are prepared and reviewed by the
17 Staff, the BCP, and an independent third-party consultant (pursuant to
18 Paragraph 230 of the Commission's order in Docket No. 07-06049).¹ The
19 Companies do not propose to proceed with procurement of major owner-
20 furnished equipment until the Commission gives its final approval to
21 proceed.
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26 ¹ The Companies will utilize the direction provided by the Commission in Paragraph 230 of the
27 Commission's Order in Docket No. 07-06049 in selecting the third-party to review the final cost
28 estimates for the EEC.

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

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 and Mr. Connell. 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 updated and subject to independent review by the Staff, the BCP and a qualified third-party expert.²

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² 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.

III. CONCLUSION

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14. Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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AFFIRMATION

STATE OF NEVADA)
) ss.
COUNTY OF CLARK)

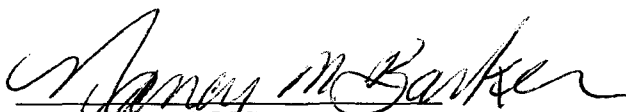
I, ROBERTO R. DENIS, do hereby swear under penalty of perjury the following:

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 15th day of May 2008.


NOTARY PUBLIC