NV Energy Schedule NV GreenEnergy Rider ("NGR") Updates

Pursuant to Docket No. 19-11019, Nevada Power Company d/b/a NV Energy ("Nevada Power") and Sierra Pacific Power Company d/b/a NV Energy ("Sierra" and with Nevada Power, "NV Energy" or the "Companies") prepared this document to describe and support the proposed updates to NGR tariffs. These updates were agreed upon by all interested parties that participated in Docket No. 19-11019.

I. Introduction

In 2013 and 2014, the Public Utilities Commission of Nevada ("Commission") approved Sierra and Nevada Power's request to establish its NV GreenEnergy Rider ("NGR") program, respectively.[1] This program consisted of two options for Sierra: Option 1 offers residential, small general service, commercial and industrial customers to meet up to 50 or 100 percent of their electric energy needs through renewable energy options, while Option 2 allows larger commercial and industrial customers (GS-2 and above) to enter into a special contract with Sierra to tailor their participation in the NGR program to meet their specific business needs. Nevada Power's NGR program is currently only available to LGS-1 and larger commercial customers, and allows the customer to enter into a special contract that provides for dedication of a new or existing renewable resource with power owned or procured by Nevada Power and dedicated to the customer. Nevada Power's NGR program does not have an Option 1, such as Sierra's. Since the inception of the NGR program, NV Energy has been successful in attracting customer interest in the programs. Although customer interest in Sierra's Option 1 program has been negligible, there are participating customers. In contrast, both Sierra's Option 2 and Nevada Power's NGR programs have been successful in meeting certain customers' goals to be 100 percent renewable and has led to the

[1] Docket No. 14-06031

development of hundreds of megawatts of new renewable resources in both northern and southern Nevada.

As businesses and governments continue to adopt green energy goals and policies, the NGR programs serve as important tools for the Companies to meet these customers' goals and policies. However, the Companies understand that the current program has been lacking in some respects to meet the customers' evolving needs. Additionally, the Companies currently have several customers that want to participate in the NGR programs once this investigatory docket is resolved. Therefore, as noted in Procedural Order 3 in Docket No. 19-11019, updates are proposed to the Schedule NGR and program so that continued customer interest can be attracted to this program such that customers' sustainability goals and policies are supported. Specifically, program design, implementation, commitment length, pricing and compliance are discussed in this document.

II. Program Design and Eligibility

As noted in comments filed by different parties in response to Procedural Order 3 in Docket No. 19-11019, the following program design elements are proposed to provide value to both residential and non-residential customers while maintaining the ongoing benefits for participating customers under the NGR program:

- Updated schedules do not include a distinction between Option 1 and Option 2 for both residential and non-residential customers, as it will streamline the eligibility for participating customers. As a result, the Sierra and Nevada Power programs will now differ only by the renewable energy resources and system costs used to determine the renewable energy credit price.
- Two groups of customers are proposed based on the underlying resources that will support these participants: 1) those who use an existing renewable resource and 2) those who work with NV Energy to identify and assign a new resource. Several parties expressed the need for additionality

to meet their renewable energy and sustainability goals (i.e., a new renewable energy resource is built expressly to fulfill the customers' particular goals and objectives). The new resource option will continue to support these objectives while promoting renewable energy growth in Nevada. It will be helpful for the existing resource option to be made available to residential customers as those customers cannot participate in the Companies' other market-based pricing products.

- Existing Renewable Resource customer option:
    - An existing resource for each utility is defined as a resource under contractual agreement with that utility that achieves commercial operation by July 1 of the year when the new rates will go into effect.
    - Customers who use an existing resource will include all existing Option 1 customers and Option 2 customers who are currently using an existing resource (e.g., Truckee Meadows Community College). These existing participants will be grandfathered into the existing resource customer option.
    - This option will be made available to all customer classes, (i.e., no minimum size requirement). See Program Implementation and Pricing section below for specific requirements for non-residential customers who are interested in fixed price for a term longer than one year.
    - Customers will be able to offset 50 percent or 100 percent of their usage, which is the same as that under the current Sierra Option 1 and will continue to maintain administrative efficiency for the program.
- New Renewable Resource customer option
    - Customers who participate under this option will work with NV Energy to identify and assign a new resource to meet the customer's load. These customers will execute a

special contract with the utility that must:

  - Be filed for the Commission approval along with the underlying resource. This special contract cannot be brought forward for approval without an underlying resource.
  - Be in the public interest.
  - Show benefits to the non-participants.

- This option will establish a minimum 1 MW load threshold with aggregation allowed for non-residential customers with several premises under same ownership.

III. Program Implementation and Pricing

The following program implementation and pricing updates are included in the NGR schedule updates:

- NV Energy will select the underlying resources that will support the existing resource option from a set of existing resources to match the customer demand, and the renewable resource rate ("RRR') will be set using the production weighted average pricing for those resources.
- The RRR for existing resource option customers will be paid in addition to the Otherwise Applicable Rate Schedule ("OARS") rate and the RRR cannot be zero or negative. The RRR will also hold other customers harmless (i.e., it will account for the fact that the Companies are selling portfolio energy credits ("PCs") that would otherwise be used to meet the Renewable Portfolio Standard ("RPS") on behalf of all customers).
- The RRR calculation methodology will be like that currently used for Option 2 customers (e.g., Truckee Meadows Community College), based on an existing resource(s). As noted above, the weighted average blend of existing resources will be used, and this will result in an objective rate versus market price or another methodology that might have different results based on different reference(s) used.

- Sierra and Nevada Power's RRR will be based on each utility's resources and long term avoided costs ("LTAC"), and thus, each utility will likely have a different price.
- The RRR will be calculated annually for inclusion in an annual filing and may change due to changes in the LTAC or underlying resources.
- A residential customers' term will renew automatically until the residential customer affirmatively terminates service under this Schedule and the Utility will terminate the Customers' service within 90 days.
- Non-residential customers under the existing renewable resource option will have a minimum term of twelve months, or until service at the Customer's account is discontinued, whichever occurs first, and a maximum term of five years for a standardized form agreement that will not require Commission approval. For a term longer than five years, any agreement between the non-residential customer and each utility will require Commission approval.
- NV Energy may also propose a percent allocation of underlying resource capacity between residential and non-residential customers. If upon the conclusion of the annual open season, there is a possibility of unused capacity in either customer category, NV Energy might petition the Commission to move the unused capacity from one customer category to the other.
- NV Energy will develop a standardized contract for a term less than five years (minimum one-year term and maximum five years for this simplified contract) with no regulatory approval required for these contracts. This will assist in maintaining adequate administrative efficiency for all parties.
- For residential customers, a pilot program will be conducted for one year to assist in assessing customer demand for the program which will inform NV Energy of the company resources and costs required to implement a permanent residential program and help determine the allocation of annual renewable resource capacity between customer classes as contemplated above. At the

conclusion of the one-year pilot program, NV Energy will propose a permanent NGR program for residential customers.

The initial assessment conducted during the pilot program will: (1) identify any modifications to NV Energy's billing or other systems necessary to administer residential customer participation in the program; (2) estimate the incremental costs and resources to implement the program; and (3) evaluate demand and interest received. If it is determined that significant incremental NV Energy system modifications, costs or other company resources will be needed to implement the permanent program, they will be evaluated and discussed with the stakeholders prior to requesting Commission approval of a permanent residential program. The pilot program size will have a five MW (three MW and two MW for Nevada Power and Sierra, respectively) renewable resource capacity allocated to the residential customers. Nevada Power and Sierra allocations are in the same proportion as those for the Companies' Expanded Solar Access Program ("ESAP"). A five MW residential pilot program size will ensure that NV Energy can manage the initial tranche of residential participants while ensuring adequate resources are available for continued support of the program for all customer classes. Once a permanent program is established, if the prior open season's demand is high and the allocation is quickly filled, the Companies may raise the residential allocation for the next open season. Conversely, if the demand is low, the Companies may lower the residential allocation for the next open season. Additionally, cost and manpower requirements will be evaluated for each annual open season of the permanent program and program modifications may be proposed. Analogous to the ESAP program implementation plan, and subject to customer demand, incremental cost categories may include program administration, call center, application tools and processing. In light of the above discussion, once a permanent program has been established, any cost impact above $100,000 will be evaluated and discussed with the stakeholders prior to the launch of next open season for residential customers.

- If a customer renews their participation in the NGR program, the customer will be required to provide an extension notice at least 90 days prior to the term expiration.
- NV Energy will also conduct an open season for customer enrollment once a year in first quarter of every year to gauge customer demand. Applicable details of this open season will be included in the annual filing detailed in the Compliance section below.
- If a customer terminates prior to the term specified in the agreement, the Customer will be switched to the OARS within 30 days after termination and the customer will not be eligible to participate in Schedule No. NGR through a future annual open season.
- NV Energy will make an annual program filing that will include specific items including, but not limited to, the annual program limits and rate calculations, as described in Section IV below.

IV. Compliance

The following items will be important for continued compliance with the NGR schedule updates and regulatory review requirements:

- Updated NGR schedules require NV Energy to establish an annual cap or limit on participation and this cap or limit will also be included in the annual filing discussed below. The cap will be determined by NV Energy every year based on several variables like the RPS target for each utility and its progress to meet that target, customer demand for PCs as a result of this and other programs, performance of existing and underlying renewable resources, development pipeline of new resources, etc. This will also provide NV Energy flexibility to account for changing circumstances such as resources not coming online as planned or large annual increases in the RPS.
- The annual cap included in the filing may not be a specific number but can be percentage of the PC surplus.

- Annual renewable resource rate calculation and cap filing will be made at the same time, but separate from, annual RPS compliance report. Rates and cap will be effective from July 1 to June 30. The July 1 start date is intended to sync up with the completion of the annual filing that will have 90 days for review and will be filed at the same time as the RPS compliance report (i.e., April 1). Finally, each utility will have separate caps based on each utility's surplus PECs and any PECs borrowed will count against each utility's cap.

V. Pricing

The renewable resource rate for the existing and new resource options will be determined as follows:

- For the existing resource option, a renewable resource rate will be required to be paid in addition to the OARS but cannot be zero or negative and will be estimated using the following RRR calculation methodology that is currently used for Option 2 participating customers (e.g., Truckee Meadows Community College):

  RRR = Present value of the annual difference between the Levelized Cost of Energy of Underlying Resources including energy pricing in respective resource procurement agreement(s) with NV Energy plus all integration and applicable costs to fully integrate these resource(s) in NV Energy's system and the final annual LTAC approved in the most recent Integrated Resource Plan divided by the Present Value of the Annual Production of Underlying Resources for the period equal to the term of respective resource procurement agreement(s) with NV Energy.

  For years where the Levelized Cost of Energy of Underlying Resources is lower than the LTAC the difference will be zero. The present value calculations will be based on each utility's most recently approved weighted average cost of capital.

  Applicable Western Renewable Energy Generation Information System certification and transfer fees will be added to the RRR above to estimate the total RRR for the participating customers.

- For the new resource option, applicable portions of the existing "special contract" language from Option 2 will be applicable. Additionally, the renewable resource rate will take into account all costs of the new resource, integrating the resource, and the cost to provide energy/PECs to the customers when its facility isn't producing and appropriate contributions to all rate components (e.g., BTGR, BTER, public policy costs, etc.). The rate may also include a TOU or hourly rate reflective of when the facility is producing and when it's not. The rate calculation methodology may vary by contract and the contract will be filed for Commission approval.

VI. Conclusion

The proposed program updates provide the required elements of pricing and stability, driven from existing and new renewable energy projects, and achieves balance and fairness by also providing substantial, ongoing benefits for all customers. These updates strike a balance to provide solutions for both residential and non-residential customers while providing flexibility to large customers who would like to work with NV Energy to identify and assign a new underlying resource to support their load. NV Energy requests approval of these updates so that the Companies can continue to attract both new and existing customers to support renewable energy and economic growth goals of the State of Nevada.