



February 27, 2019

Ms. Trisha Osborne  
Assistant Commission Secretary  
Public Utilities Commission of Nevada  
1150 East William Street  
Carson City, Nevada 89701-3109

RE: Docket No. 18-11015 - Application of Nevada Power Company d/b/a NV Energy, filed under Advice Letter No. 491, to implement NV GreenEnergy 2.0 Rider Schedule No. NGR 2.0 to allow eligible commercial bundled service customers to voluntarily contract with the utility to increase their use of reliance on renewable energy at current market-based fixed prices.

Docket No. 18-11016 - Application of Sierra Pacific Power Company d/b/a NV Energy, filed under Advice Letter No. 614-E, to implement NV GreenEnergy 2.0 Rider Schedule No. NGR 2.0 to allow eligible commercial bundled service customers to voluntarily contract with the utility to increase their use of reliance on renewable energy at current market-based fixed prices.

Dear Ms. Osborne:

Nevada Power Company d/b/a NV Energy (“Nevada Power”) and Sierra Pacific Power Company d/b/a NV Energy (“Sierra” and, together with Nevada Power, the “Companies”) provide this response to the February 21, 2019 Procedural Order (the “Procedural Order”). The Procedural Order requires the Companies to file:

1. A red-line version of proposed tariffs identifying with specificity any improvements to the NV GreenEnergy Rider 2.0 (“NGR 2.0”) program that the Companies would like to make to enhance customer acceptance;
2. A form contract that the Companies plan to use to implement the program;
3. A description of the pricing methodology for the resource rate;
4. A description of the methodology for calculating the program rate;
5. The Companies’ proposed timeline for requests to participate, standards for participant volumes and contract terms;
6. Any limitations the Companies propose to apply to the program, including the maximum number of megawatt hours to be offered;
7. Whether the Companies plan to apply this program to government agencies;
8. The terms and conditions for participating government entities; and,
9. The proposed effective date for the tariffs.

## **I. Introduction**

The Companies designed the NGR 2.0 program to provide certain customers – namely those eligible to file an application pursuant to Chapter 704B of the Nevada Revised Statutes – with an option. The program provides those customers with an energy rate that would replace the base

tariff energy rate and deferred energy accounting adjustment. The NGR 2.0 rate consists of two components – the Resource Rate and the Program Rate, both of which are discussed below. The goal is to have a NGR 2.0 rate that yields an all-in effective rate that is competitive with market options available to such customers. While the program could lead to the acquisition of incremental renewable energy, the program does not provide renewable energy and environmental attributes to participating customers, though the program can be tailored to provide such attributes at an appropriate price should a customer desire.

## **II. Responses to Procedural Order**

### **A. Paragraph 16(a)(i):**

**Attachment 1** to this filing contains a red-line version of the proposed tariffs. The Companies have discussed NGR 2.0 with customers. Based upon the feedback received during those discussions, the Companies have identified improvements to the program that better meet customer needs. To provide context for the program improvements, the program enhancements are described in Section III, below.

### **B. Paragraph 16(a)(ii):**

**Attachment 2** to this filing contains a copy of the form contract that the Companies propose to use for all participating customers. The Companies may modify the form contract in non-substantive ways; any substantive or material changes shall be presented to the Commission for review and approval.

### **C. Paragraph 16(a)(iii):**

The Companies propose that the Resource Rate reflect the levelized cost of energy associated with the following projects:

1. Eagle Shadow Mountain Solar,
2. Dodge Flat Solar,
3. Copper Mountain 5 Solar,
4. Techren V Solar,
5. Battle Mountain Solar, and
6. Fish Springs Ranch Solar.

The Commission approved these six projects in 2018. Collectively, the projects have a weighted average levelized cost of energy of \$26.23 per megawatt hour. **See Attachment 3.**

As explained in more detail below (see Section F), the Companies will make this Resource Rate available to the first 840,000 MWh of subscribing customers within Nevada Power's service territory and 560,000 MWh of subscribing customers in Sierra's service territory.

NV Energy is also proposing a modified Renewable Resource rate that would allow an eligible customer to receive an immediate benefit at the time they begin service under the NGR 2.0 tariff. The modified Renewable Resource rate includes a premium above the current Renewable

Resource rate that recovers the benefit over the term of the NGR 2.0 agreement. The first step in determining the premium is to determine the estimated annual NGR 2.0 savings (using the quarterly forecasted BTER and DEAA rates minus the current NGR 2.0 rate) during the time prior to January 2022. The next step is to determine a recovery rate that is equal to the present worth of the savings for the period prior to January 2022 divided by the present worth of the energy during the full NGR 2.0 term using an annual discount rate equal to inflation. The recovery rate is then added to the current Renewable Resource rate over the term of the NGR 2.0 agreement to ensure any initial discount is captured over the term of the agreement.

The Companies also have contemplated expanding the program in connection with the addition of new renewable energy resources. For instance, the Companies requested renewable energy proposals (“RFP”) from developers in October 2018 and received responses to that request in December 2018. If there is customer interest to add additional capacity to the NGR 2.0 program, renewable facilities from the RFP can be used. The Companies would then reduce the current Resource Rate to account for the new facilities included in the program.

**D. Paragraph 16(a)(iv):**

The Program Participation rate is made of up of four fixed components that are contained within the BTER. By paying these four fixed components it removes any cost shift of fixed costs to other customers. The four components are:

1. Gas transportation costs. Each utility has entered into long term fixed gas contracts necessary to ensure that there is adequate supply of natural gas to fuel power plants.
2. Above market renewable energy costs: Recovery of long term renewable purchase power contracts that each utility entered into to meet the state’s renewable portfolio standard. These out of money PPAs were entered into on behalf of all customers, the NGR2.0 customer should continue to pay these costs to avoid shifting these costs to other customers.
3. Wholesale capacity purchases. From time to time, each utility has entered in wholesale capacity and energy transaction such as tolling agreements.
4. Rooftop solar purchases: Assembly Bill 405 from the 2017 legislative session enacted provisions where NV Energy is required to pay for excess energy at a percentage of the retail rate of the utility.

Examples of the calculation using 12-month historic average from December 31, 2018, of such costs for both Nevada Power and Sierra are included in **Attachment 4**.

**E. Paragraph 16(a)(v):**

At the prehearing conference, the Commission and customers expressed interest on when the Companies would open enrollment for the program, and how the Companies would handle enrollment going forward. The Companies intend to use an “open window” period for enrollment. The Companies also plan to use a first-in-time, first-in-right approach for participation allotments, based on communications with customers a pro-rata approach did not meet customer interests and did not deliver the value the NGR 2.0 program was designed by the Companies to provide.

Because customers have expressed interest in the NGR 2.0 program, the Companies plans to open the first enrollment window while the application for approval of the program is pending before the Commission. Nevada Power and Sierra will open the first enrollment window on March 18, 2019, at 12:00 p.m. (Pacific). To facilitate this enrollment window, Nevada Power and Sierra will post a notice of the enrollment window on NV Energy's corporate website. The notice would be posted on March 11, 2019. The notice would provide a link to the form contract, a description of the program rates with an exemplar calculation and a description of the resource rate with a calculation of that rate based on the six contracts listed in section II(c), above. The notice also would contain a link to the enrollment form, which would solicit basic information (e.g., account number, premises, historical annual consumption and subscription amount). Finally, the notice would indicate that the Companies will accept enrollment forms and signed contracts on a first-come, first-served basis beginning March 18, 2019, at 12:00 p.m. (Pacific). Enrollment forms will need to be sent to a specific email address. The email receipt time will indicate the customer's priority for allocation purposes. A signed contract must be provided within 45 days, as specified in the tariff. Failure to return a signed contract within 45 days results in the subscription being released to the first customer on the waiting list.

The enrollment window will remain open until Nevada Power receives 565,000 MWh of applications and Sierra receives 375,000 MWh of applications. Based on the improvements described in Section III regarding the one-time subscription revision, and the 10-percent bandwidth provisions, these allocations limitations would leave some level of subscription room for additional open windows (approximately 100,000 MWh of applications in southern Nevada and 75,000 MWh of applications in northern Nevada). As noted above, based on interest NV Energy can bring forward additional resources for the NGR 2.0 program from the RFP in 2019, subject to Commission approval of those resources.

**F. Paragraph 16(a)(vi):**

Initially, the program would be limited to 1,400,000 MWh statewide, with 840,000 MWh in Nevada Power's service territory and 560,000 MWh in Sierra's service territory. The Companies believe that certain customers (e.g., those who have incremental energy needs and who may directly access wholesale markets with either no impact fee or a minimal impact fee) fall outside of these program participation limitations and are eligible to contract for specific incremental resources. Moreover, such customers are uniquely situated and a different customer-specific program rate is appropriate.

**G. Paragraph 16(a)(vii):**

The Companies acknowledge that as originally drafted, the NGR 2.0 tariff language is a bit ambiguous on whether or not a government entity, with a load factor of less than 50 percent can participate. It was not the Companies' intent to exclude governmental agencies. The Companies have revised the tariff language to make it clear that a government entity, with a load factor of less than 50 percent can participate in the program. **See Attachment 1.**

**H. Paragraph 16(a)(viii)**

**See Attachment 1.**

**J. Paragraph 16(a)(ix):**

As noted above, the Companies' intend to open enrollment on March 18, 2019. The tariff will become effective 30 days after the Commission issues its order approving the tariffs in these dockets. All NGR 2.0 contracts would become effective at that time.

**III. Program Enhancements**

Extension of the Term of the Contract. As originally drafted, the NGR 2.0 tariff did not contemplate an extension of the contract term. As drafted, customers may set the initial term of the contract provided that the term is no less than three years and no longer than the life of the resources associated with the contract. After discussion with customers, the Companies agree it is important for the parties to have the opportunity to extend the term of the contract. In order to ensure sufficient capacity, the customer must provide the Companies notice one year prior to termination of the contract of its intent to extend the term. The length of the extension period would be specified in the contract.

One-Time Subscription Amount Adjustment. As originally drafted, the NGR 2.0 tariff did not provide an option for the customer to adjust its subscription amount. Given the operational realities of our customers, the Companies agree it is important for the customer to have the ability to increase or decrease its subscription amount one time during the term of the contract. To ensure that the Companies can properly manage the program, the customer cannot request an adjustment until 18 months from the effective date of the contract, and the adjustment cannot exceed 20 percent of the original subscription amount.

Subscription Amount Bandwidth. As originally drafted, the NGR 2.0 tariff provides that if the customer's energy usage is less than the subscription amount in a given quarter, the customer still must pay the entire subscription amount. Conversely, if the customer's energy usage in a given quarter exceeds its subscription amount, the customer must pay the deferred energy accounting adjustment and its base energy tariff rate for any amount in excess of its subscription amount. After discussion with customers and again in recognition of the operational realities of our customers and the businesses they run, the Companies agree that it will be beneficial to customers to provide a 10 percent annual bandwidth on the subscription amount in which the customer will not be penalized for either under or over use of the subscription amount.

Program Participation Rate. As originally drafted, the NGR 2.0 tariff includes a Program Participation Rate that is fixed for the term of the agreement. The Companies understand that some its customers prefer options and flexibility, so the Companies agree it is important to allow the customer to choose at the execution of the contract whether the Program Participation Rate is fixed or adjusts annually (either increases or decreases) over the term of the contract.

Should you have any questions regarding this filing, please contact me at (775) 834-5678 or tclausen@nvenergy.com.

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Respectfully submitted,

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Timothy Clausen  
Senior Attorney