



June 15, 2011

**Transmission Legislation
Renewable Transmission Initiative
NV Energy Company Statement**

Background

In 2009, the Nevada Legislature required the Public Utilities Commission of Nevada (“PUCN”) to designate specific geographic zones where renewable energy resources would be sufficient for development, but where transmission constraints prevented the delivery of such resources to customers (the “Renewable Energy Zones”). The Legislature also required that NV Energy (NVE) file a conceptual plan on how to serve these designated Renewable Energy Zones (“REZ”). NVE filed the required conceptual plan as part of its resource plan filings in 2010. Although Nevada has a strong interest in fostering renewable development within the State, due to the limited size of the Nevada market, renewable energy projects require access to additional, larger markets to achieve such development. Therefore, for economic development purposes, service to the REZ would be for export to a great extent in furtherance of the State’s goals to be an exporter of renewable energy. However, contrary to the State’s apparent desires, certain parties argued that REZ development should be limited to our State’s compliance with the Renewable Portfolio Standard.

In 2009, the Legislature also passed SB 358, creating the “New Energy Industry Task Force, Renewable Energy and Energy Efficiency Authority” (“Task Force”) an appointed group with industry expertise. The Task Force is comprised of industry leaders in the geothermal, solar, wind, electric utility (including NVE), labor, and environmental fields. The Task Force also has an advisory group which included Valley Electric Association, other municipal utilities in the state, and labor and industry interested parties. The Task Force subsequently met on several occasions and its first policy recommendation, unanimously approved by the Task Force, was the following:

“Insert into NRS Chapter 704 sections regarding Integrated Resource Plans (NRS 704.741-704.754) authorization for PUC to approve transmission plans and specific project requests regardless of location of end users of the renewable energy (BDR).” See link below.

http://renewableenergy.state.nv.us/Meetings/2010/2010-11-03_agenda_Renewable.pdf

The recommendation approved by the Task Force is consistent with AB416 regarding the clarification of the PUCN’s authority to approve projects for export. Since then, Nevada and many policy makers have reiterated their strong interest in making our state an exporter of renewable energy for economic development purposes. Development of renewable projects in the REZ is dependent on new transmission facilities to access potential export markets such as California and the Desert Southwest. With such development, new construction, and long term operation and maintenance jobs will be created thus adding revenue to local and state governments through increased property and sales tax.

AB 416 2011 Nevada State Legislative Session

This bill clarifies the PUCN's authority to evaluate and approve utility proposed transmission projects for export in light of these broader policy objectives. It also defines a process for PUCN review and approval to minimize customer risk and assure the costs associated with building such projects are prudently incurred and in support of State policies. AB 416 does not automatically approve transmission projects; the PUCN is ultimately tasked with pre and post-approval of these activities. It simply recognizes that timing for review and approval must harmonize with other planning activities that must occur in connection with this transmission development. Although Nevadans stand to gain significant economic benefits from AB416, the bill does not place the cost of building these transmission lines on Nevada's ratepayers, rather, it supports NVE's proposed Renewable Transmission Initiative which is designed to have the developers or end users of the transmission lines needed to support renewable development pay for their cost. If the projects are not supported by prospective participants, they will not be presented to the PUCN for approval. To state that the legislation could cost ratepayers a billion dollars is simply not true.

This bill does not prevent other transmission developers from building projects. It simply allows NVE to also participate in furthering the State's objectives, and to bring projects before the PUCN for consideration.

Several parties worked together to craft the amendment ultimately incorporated into AB 416 with regard to this process. In fact, the Bureau of Consumer Protection (BCP) requested that NVE make certain changes to the language, which changes were ultimately included in the final amendment.

Regional Transmission Initiative

NVE recently announced its Renewable Transmission Initiative (RTI), a process designed to engage renewable energy developers, load-serving entities and others, to assess their interest in obtaining transmission service from REZ in Nevada to other markets, particularly California and the Desert Southwest. The initiative will facilitate the development of new renewable projects, including geothermal, wind and solar, by allowing the Company to solicit collective interests in projects that would otherwise not be viable on a one-off basis. Under the RTI, NVE will gauge whether there is sufficient interest in building these lines to transport renewable energy out of the State, and if so, whether or not it makes economic sense to make a filing with the PUCN to construct them. NVE will hold informational meetings in Reno and Las Vegas in August for those who may be interested, and then evaluate whether or not to move forward. Depending on market interest, the RTI could ultimately result in the construction of up to 570 miles of new overhead transmission lines and associated facilities. However, it is important to note that this is just a proposal for consideration and does not necessarily mean 570 miles will be constructed. What ultimately is built will depend on market interest and support and approvals by both the PUCN and the Federal Energy Regulatory Commission.