

STATE OF NEVADA
Colorado River Commission of Nevada

Minutes of Public Meeting on
Allocation Criteria for Marketing Nevada's Share of Hoover Schedule D Electric Power

The public meeting was held at 10:00 a.m. on Friday, December 5, 2014 at the Bob Rudd Community Center, Room B, North Highway 160, Pahrump, Nevada 89060.

STAFF MEMBERS PRESENT

Craig Pyper, Hydropower Program Manager
Ann Pongracz, Special Counsel to the Colorado River Commission of Nevada (CRC)
Sandra Fairchild, Consultant to Colorado River Commission of Nevada

OTHERS PRESENT

Darrell Lacy, Nye County
Tim Sutton, Nye County

Craig Pyper welcomed everyone and said the purpose of the meeting was to present the allocation criteria and application form approved by the Commission on November 13, 2014 and to walk through and answer any questions on the application. He reminded everyone the applications were due by close of business (5:00 p.m.) on January 9, 2015. Applications can be hand delivered, mailed, faxed or sent electronically. The CRC will accept an electronic copy delivered by 5:00 p.m. on Friday, January 9, 2015, followed by a paper copy the following week.

Mr. Pyper said one of the first things the Staff will review is whether the applicant is eligible to receive Hoover Schedule D power based upon verification of their load data. This analysis will consider whether the applicant meets the 1 MW load requirement and is in the Boulder Canyon Project Service Area. Mr. Lacy asked if the allocations were going to be in 1 MW lots, or could the CRC allocate 1.5 MW. Mr. Pyper said the CRC could allocate 1.5 MW but chances are it would be less when actually delivered, because the full amount may not always be available. These are the type of scheduling issues the CRC is addressing with the host utilities. Mr. Pyper said applicants do not need to have the transmission agreements in place prior to submittal of the application. However, the applicant will need to attach a letter from their host utility with their application (see Item 2f, sub ii).

Mr. Pyper said the Commission adopted the final allocation criteria based on an overall goal of allocating Hoover Schedule D power "for the greatest possible benefit to this state." The Governor's office as well as the legislature has indicated that the following policy goals are important to the state: economic development, education, and support of state, local and tribal governments, in no particular order. He said Western's allocation process was very formulaic and mathematical, but the CRC's process would be more subjective.

Mr. Pyper said he would indicate how and where the allocation and general eligibility criteria and other requirements and conditions would apply as they walked through the application. A Microsoft Word version of the application is available on CRC's website. Text boxes in the Word document will expand as data is entered into the form.

Mr. Lacy and Mr. Sutton said Nye County is considering submittal of an application consisting of a coalition of smaller governmental entities: Nye County, Nye County School System, the Town of Pahrump, the Town of Amargosa Valley, Town of Beatty, and the Nye County Library. A discussion ensued regarding legal, accounting, and contractual requirements among the potential entities and the CRC's regulatory requirements pursuant to federal and state laws. Mr. Lacy and Mr. Sutton agreed that due to the time sensitive nature of the application deadline, they would submit the application on behalf of Nye County, and if successful, intergovernmental agreements could be developed in the future. Mr. Lacy asked if he and Mr. Sutton could prepare a draft application and meet with the CRC to discuss prior to submittal. Ms. Pongracz and Mr. Pyper agreed they could meet and discuss.

For item 1h, Mr. Pyper told the applicants to list their entire load requirements. Although the CRC would not be allocating the applicants' entire load, the CRC will consider the amount of an applicant's load in the evaluation process.

For item 2a, Mr. Lacy said the power would be used on municipal buildings. Mr. Pyper recommended that Mr. Lacy consider whom Nye County serves: residents, businesses, and tourists. Mr. Sutton asked for clarification for completing the type of service question. Is there a listing or categories, or should applicants come up with their own? Ms. Pongracz and Mr. Pyper explained this is the applicants' opportunity to "educate" the CRC Staff and Commission. Unlike Western's allocation process, the CRC's process will be more subjective and less formulaic. However, if an applicant can quantify, indirect or direct benefit, and provide backup documentation to support the responses, it would help the Staff and Commission understand the Applicant's situation.

Mr. Pyper said if the CRC had \$2 million to distribute, how could it benefit the most people? Would it be more beneficial to give \$1 to every resident in an urban area, or \$500 to every resident in a rural area? Who would get the best benefit? These are the type of decisions the Commission must make.

Mr. Pyper then reviewed items on the application form, beginning with Item 2b, list actual load for each month for one of the last three years; pick the highest load. Mr. Pyper said this information would be the same as in Western's application. Mr. Pyper said the CRC would verify load data before processing any applications for further evaluation. Mr. Lacy asked if he should provide billing information with the application. Mr. Pyper said to err on the side of providing too much information, so yes.

Item 2c, if the information is estimated in 2b, describe how the loads were calculated. Mr. Pyper said an applicant may know how many kWh (energy) they pay for in a month, but when it comes to demand, they don't understand how to calculate. For example, they may have one or two big loads out of a 100 meter read, so they would have to estimate the demand for the two larger loads. He said he could help applicants with this calculation if necessary.

Item 2d, identify projects that are firm and will be built within the next five years. Mr. Pyper said most agencies have planned projects, but changing conditions may preclude them from being built. Projects listed here should be firm, with all approvals met. Ms. Pongracz said these types of projects could meet the economic development criteria. For example, the Tesla facility was set up in an economic development zone which was created to encourage businesses to relocate to the area.

Item 2e, list an applicant's host utility(s) and if the applicant has their own generation such as solar, or are self-supplying some of their load. Item 2e, sub ii and iii, indicate if the applicant has a self-supply or

their own contract for power. Mr. Lacy said they have one 16 kW solar project on a roof. Mr. Pyper said to add this to their load.

Item 2f, sub i, Mr. Pyper said a successful Nye County customer would receive Hoover Schedule D power through Valley Electric's transmission system. Valley already has an interconnection with the CRC and with Western: Mead 230kV Amargosa, over Valley's transmission system to their load.

Item 2f, sub ii, the applicant must submit a letter from the Applicant's local utility (Valley Electric). A successful applicant must have transmission arrangements in place by October 1, 2016.

Item 2f, sub iii, Mr. Pyper explained that successful applicants must be able to receive Hoover Schedule D power by October 1, 2017. Mr. Sutton asked for clarification on this question – "is this just a functional question, not what they are going to do with the power, but the nuts and bolts of how they would receive the power?" Mr. Pyper said in this section an applicant would indicate how they would receive the power: build their own transmission system, however, for Nye County's situation, the answer would be the same as Item 2f, sub i – Mead 230 KV Amargosa, through Valley Electric's transmission system.

Section 3, does not apply to non-utility applicants. Mark "N/A."

For Section 4, Mr. Pyper said this was the applicant's opportunity to describe in detail, how an allocation of Hoover Schedule D power would benefit the applicant and help the Commission achieve their goal of providing the "greatest possible benefit to this state." If an applicant can quantify the direct and indirect benefit by explaining how saving X would benefit Y, would help the Staff understand the applicant's situation and help the Commission make an informed decision. Mr. Lacy discussed some potential projects in Nye County could benefit from realized cost savings. Ms. Pongracz cautioned projects should be firm with a high likelihood of being built, not speculative.

For Section 5, governmental agencies are exempt and are not required to provide collateral. Most of this section only applies to private businesses. If not applicable, mark N/A. Mr. Pyper said the CRC is billed after the fact from Western, except on some transmission which is billed a month ahead. For power delivered beginning October 1, 2017, the CRC would bill a customer on November 1, 2017. Bills will be due 10-15 days after the CRC issues the billing. The CRC has a 5 day window to pay Western. As a straight pass-through agency, without a working capital fund, non-payment by an entity would be problematic for the CRC. In the future, based on new regulations, the CRC may implement a pre-payment system and bill a month ahead.

If Nye County has a bonding rating, then complete 5c.

Item 5d, if the County has audited budgets, attach budgets from the last three years to the application.

Item 5e, Mr. Lacy said Nye County could provide credit references from NV Energy and Valley Electric.

Items 5h and 5i, if an applicant has independent rate setting or taxing authority; the ability to raise rates and cover expenses, then mark yes and explain. Mr. Sutton asked if the question was related to contemplation of a new tax. Mr. Pyper said no.

Question 6 is the applicant's opportunity to provide additional information supporting reasons why they should receive an allocation of Hoover power. The information in this section can be more subjective.

Section 7 and 8 are combined. By signing the application in section 8, the applicant acknowledges that they would be subject to the contract provisions listed in section 7 if they are offered a Schedule D contract. Mr. Pyper said Staff had developed preliminary Hoover Schedule D cost estimates to help applicants evaluate costs and potential savings. These estimates will be distributed via email and posted on CRC's website. Currently, the rate is around \$0.022/kWh. The CRC estimates the general rate in 2018 will be around \$0.028/kWh. This does not include the rates for distribution and transmission or payment of repayable advances. The repayable advance is a one-time additional charge, which can be repayable over 5 years.

Mr. Pyper reminded everyone there is no fee for submitting an application and if offered a contract, the applicant has up to 90 days to accept and sign a contract once offered. However, if an entity does not submit an application by the January 9, 2015 due date, they will not be eligible for any future allocations if they were to become available. If an applicant does apply and doesn't get an allocation in this round, they still may be eligible if a successful applicant declines the contract.

Ms. Pongracz said the CRC is currently working with Western to finalize the contract between Western and the CRC. Western expects to finalize their allocations by December 31, 2014, with contracts issued in early to mid-2015. The CRC must finalize their contracting process with Western before proceeding with contracts between the CRC and existing and new customers. Contracts between the CRC and their customers will most likely be issued in late 2015 or early to mid-2016. Mr. Pyper said the CRC's goal is to have all CRC customer contracts completed by October 1, 2016. Afterwards, the CRC will be working on transmission and other supplementary agreements which will need to be completed before October 1, 2017. If offered a contract, a successful applicant should have enough lead time to review and obtain approvals from their governing boards. Mr. Pyper said the CRC would be willing to meet with the successful applicant(s) and their governing boards to keep them apprised of the process and costs.

Mr. Sutton asked if the Boulder Canyon Implementation Agreement and Multi-Species Conservation Program costs were set in stone. Mr. Pyper said the Implementation Agreement was drafted in the 1990s between the customers and Western, after contracts were signed to address issues that weren't resolved in the original contracts. Repayable advances are a component of the Implementation Agreement. There are no additional costs for participation in the Implementation Agreement outside of acknowledgement from the customer indicating they will pay the repayable advances. Currently, existing Hoover customers are paying for all the costs and improvements of Hoover Dam. The current customers are paying for wide-head turbines to be installed, but they all won't come online until 2017. In 2017, the existing Hoover customers will lose 5 percent of their investment. At this time, Western anticipates the total repayable advance to be around \$150 million. Considering the 5 percent loss, the amount to be repaid by new customers will be around \$7.5 million, which would be divided by 106 MW of capacity. The CRC anticipates the one-time repayable advance will be around \$70,000 per 1 MW allocation.

Regarding the MSCP, these costs are rolled into the current \$0.022/kWh rate.

The Integrated Resource Planning requirement is something the CRC must comply with to show how the agency is trying to reduce CRC's own loads by implementing energy savings. The 5 year report must be updated and sent to Western annually. Mr. Lacy asked if this had to be in place by 2017. Mr. Pyper said

no, the response in the application is just an acknowledgement that the successful applicant would implement these types of programs if offered a contract.

Regarding 7f, the CRC paid the debt associated with the Hoover Visitor Center and air slots. CRC was paying this through Western's base charges, but now it's been taken out of their debt and paid by the CRC at a lower interest charge, funded by the CRC's Hoover customers.

Regarding 7g, an applicant may be required to make payments to a cash working capital fund, prepay for power, or provide collateral. Mr. Pyper explained these conditions were incorporated into CRC's new regulations and may be implemented in the future. By signing Section 8, the applicant acknowledges these may become part of an offered contract. Ms. Pongracz said if any of these requirements were implemented or any other changes would affect a contract, the decision to do so would be made by the Commission in an open public.

Ms. Fairchild reminded everyone that the CRC must receive all applications by 5:00 pm on January 9, 2015. The applications can be hand delivered, mailed, faxed or sent electronically by email. After the Staff evaluates the applications, they will issue a draft order in late January 2015 or early to mid-February listing the proposed allottees and allocation amounts. Staff anticipates the Commission will issue a decision at the April 14, 2014 Commission meeting. This will be an open public hearing and comments will be accepted.