

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 Thursday, December 4, 2014 at the Moapa Valley Community Center, 320 North Moapa Blvd., Overton, Nevada, 89040.

STAFF MEMBERS PRESENT

Craig Pyper, Hydropower Program Manager

Carla Miguel, Administrative Assistant II

Ann Pongracz, Special Counsel to the Colorado River Commission of Nevada (CRC)

Sandra Fairchild, Consultant to the CRC

OTHERS PRESENT

Kelynn Miller, Nevada Department of Transportation (NDOT)

Pauline Beigel, NDOT

Joseph Davis, Moapa Valley Water District (MVWD)

Lon Dalley, MVWD

Suzette Wheeler, City of Henderson

Aaron Baker, City of Mesquite

Following introductions, Mr. Pyper explained the purpose of the meeting was to present the Hoover Schedule D allocation criteria and application form approved by the Commission on November 13, 2014, and to walk through and answer any questions on the application. Mr. Pyper reminded the attendees the purpose of this meeting was to address the CRC's allocation process, which is different than the Western Area Power Administration (Western) allocation process. Mr. Pyper stated that the CRC will allocate 11.5 megawatts (MW) of Hoover Schedule D power with associated energy. Mr. Pyper explained that 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". He stated that the Governor's office, as well as the legislature, has indicated the following policy goals are important to the state: economic development, education, and support of state, local and tribal governments, in no particular order.

Mr. Pyper explained he would indicate how and where the Commission's allocation and general eligibility criteria and other requirements and conditions would apply, as they walked through the application. He said most of the questions were self-explanatory, but if anyone had any questions, now was the time to ask. Mr. Pyper stated that applicants should enter "N/A" to questions that do not apply to them. Mr. Pyper also noted that a Microsoft Word version of the application is available on CRC's website, and that text boxes in the Word document will expand as data is entered into the form.

Mr. Pyper then reviewed the specific items on the application form. Item 1a, the entity is the legal name of the applicant. Item 1b, the contact person should be the person CRC staff would call if they have a question. Item 1c, this would be the type of entity or organization. Ms. Pongracz asked the MVWD which category they would fit into. Mr. Davis said they were a subsidiary of the state. Item 1d, Ms. Wheeler asked if the parent entity was the City of Henderson. Mr. Pyper agreed that was correct, and said that for the MVWD, it would be the State of Nevada.

Item 1e applies primarily to entities that may form a single entity to aggregate loads to meet the 1 MW load requirement.

Item 1f asks the applicant to cite the applicable law that created the entity. Mr. Pyper explained the CRC was established under NRS 538 and that other governmental agencies have a similar law they should cite.

Mr. Pyper said the entity listed in Item 1g must be an entity the CRC can legally serve and they must have a 1 MW load. Ms. Wheeler said in response to this question on Western's application, they listed the CRC as the entity they interacted with regarding contracts. Would it be the same for CRC's application? Mr. Pyper said they should list City of Henderson. Mr. Davis said since they currently receive their power from Overton Power District (OPD) would OPD be interacting with the CRC or MVWD. Mr. Pyper said if MVWD receives an allocation, MVWD would be a customer of, and interact directly with, the CRC. They would need transmission arrangements with OPD, which would be addressed in a separate process by October 1, 2016.

For Item 1h, Mr. Pyper told the applicants to list their entire load requirements. If an applicant has a load of 10 MW, ask for it. Don't ask for 15 MW if your load is 5 MW. Although the CRC would not be allocating Hoover Schedule D power to serve an applicant's entire load, they will consider the amount of an applicant's load in the evaluation process.

Item 2a, list the type of customers you serve and the type of loads. For example, NDOT has the buildings and lights, which serve NDOT employees and taxpayers. For the City of Henderson and the City of Mesquite, consider the number of residents and businesses. Also, consider ancillary benefits such as tourists using roads and facilities, and frequenting businesses. Ms. Pongracz and Mr. Pyper explained that the application 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 their quantification, it would help the Staff and Commission understand the applicant's situation. Commission Staff will review and evaluate the applications and will provide recommendations to the Executive Director. From there it will be submitted to the Commission. The Commission will then conduct a hearing and issue the allocation decision.

Ms. Beigel requested clarification about how to respond to the Type of Service under 2a. What does the CRC want regarding type of service versus type of customer? For the City of Mesquite, Mr. Baker said he was listing "government entity" for the type of service and for customer type, "buildings and lights". Mr. Pyper and Ms. Pongracz agreed. NDOT could list State Agency for type of service and under type, list the various service areas: roads, buildings, and lights. Ms. Wheeler said they provide services to the residents of Henderson. Mr. Pyper suggested they err on the side of providing too much information and suggested they call him or Lisa Ray if they have any questions when completing the application. Again, he reiterated that Staff needs to understand how an allocation would help the state meets its mandate of providing the "greatest possible benefit to this state".

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. Ms. Beigel asked when the applications were due and if they could use 2014 load data. Mr. Pyper said the applications were due

January 9, 2015 and since the application requested data from 2011, 2012, or 2013, the CRC would have to be consistent and could only accept data from those years.

Ms. Wheeler said for Western's process they had an NV Energy load and a CRC load. For the CRC application, she created two separate boxes: one for NV Energy and one for retail access load. Mr. Pyper said this would be acceptable, however, it would be best if she combined the load. The City of Henderson would need to decide if they want the power delivered through NV Energy's or CRC's line. Mr. Pyper said he doubted the CRC would be able to split the delivery.

Item 2c, if the information is estimated in 2b, describe how the loads were calculated. For Western's application, Ms. Beigel said they had all their energy loads, but had to estimate their peak demand loads.

Item 2d, identify projects which are firm and will be built within the next five years. Mr. Pyper said most agencies have budgeted projects, but changing conditions may preclude them from being built.

Item 2e, list your host utility(s) and if you have your own generation such as solar, or are self-supplying some of the load. For item 2e, sub ii and iii, indicate if you self-supply or have your own contract for power. Mr. Pyper said these would most likely not apply to those attending the meeting.

Item 2f, sub i, Mr. Pyper said transmission arrangements will need to be made with each successful applicant's host utility. He said all the affected utilities are familiar with the requirement although the actual process and arrangements haven't been finalized yet. NV Energy will be developing a tariff as required by the Public Utilities Commission. Mr. Pyper said that s in NV Energy service territory should list NV Energy. Applicants in Overton Power District should list Overton Power District (OPD). OPD already receives power through the CRC, and has existing contractual arrangements with the CRC.

Mr. Pyper stated that, for the point of distribution, the new Hoover Schedule D customer must have a 1 MW peak load and the CRC will deliver power to the peak load. If an applicant has multiple loads, the CRC recommends the applicant list the load with the single highest peak. Ms. Beigel said NDOT's two highest loads are located on a piece of property with two separate meters, and she asked how those should be listed, and whether it would be one or two loads. Mr. Pyper said meters are served by one line could be considered one load.

Ms. Wheeler said the City of Henderson's response on Western's application was "Mead 230 kV substation." Mr. Pyper said the City of Henderson has two transmission paths: one through the CRC and one through NV Energy. He suggested they list both. For those in the Overton Power District, list Mead 230 kV substation. Applicants receiving voltage through an existing system don't need to list voltage and capacity desired.

Item 2f, sub ii, attach a letter from the applicant's local utility. Ms. Pongracz suggested the CRC prepare a form letter, incorporating language from NRS 704.787, which could be signed by the host utility. Although not required for applicants located outside Nevada Power Company's service area, Ms. Pongracz suggested it would be prudent for all applicants to have such documentation in their application package. Staff will discuss and provide written recommendations via email and on CRC's website.

Item 2f, sub iii, Mr. Pyper said successful applicants must be able to receive Hoover Schedule D power by October 1, 2017. The CRC Staff has been having, and is continuing to have, discussions with the host utilities to develop transmission arrangements. Ms. Wheeler asked if the response they provided to Western would apply in the CRC application. Mr. Pyper said it would.

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 provide the "greatest possible benefit to this state." The CRC has 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.

All fees, with the exception of repayable advances, are incorporated into the CRC's estimate of the future Hoover rate. The current Hoover energy rate is around \$.08/kWh. The general rate is around \$0.022/kWh. The CRC estimates the general rate in 2017 will be around \$0.028/kWh, which would not include the rates which successful applicants will need to pay to their host utility for transmission, meters, and other components provided by the host utility.

In addition to the charges listed, above, successful applicants will have to pay a one-time additional charge referred to as the repayable advance, which is, payable over 5 years. The cost of operating and maintaining Hoover Dam is factored in the rates. The repayable advance charge recovers payments made for previous upgrades to Hoover Dam. For example, the current customers are paying for wide-head turbines to be installed, but they all won't come online until 2017. As such, they are losing 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.

Ms. Pongracz asked Mr. Pyper to explain how the factor of "benefiting rural communities" which was approved by the Commission would be taken into consideration by the CRC and how this factor was treated differently in Western's process. Mr. Pyper provided the following explanation. He said that Western considered host utilities' receipt of Hoover power in their allocation process. Because most of the rural utilities in Southern Nevada already receive a large amount of Hoover power, applicants in these service areas were basically eliminated from Western's process. Mr. Pyper said the Commission has wide discretion to allocate Hoover Schedule D power for the greatest possible benefit to this state. Mr. Pyper posed the question - 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 \$100 to every resident in a rural area? Who would get the best benefit? This is the decision the Commission must make. Ms. Pongracz said information regarding this factor could be provided in the narrative portion of the application and she recommended that applicants keep in mind that the CRC Staff and Commission may not have a lot of knowledge about applicants and their situations. Mr. Pyper added that another item for consideration is whether cost savings realized by receipt of Hoover Schedule D power would allow a stalled project to move forward if additional monies were available.

Regarding Section 5, Mr. Pyper stated that governmental agencies are exempt from the collateral requirements in Section 5, and not required to provide collateral. The Commission only applies collateral requirements to customers who are private businesses. For example, one of the retail industries

currently served by the CRC must provide collateral and a letter of credit. However, there are situations where certain municipalities may be struggling and the CRC would take this into consideration when evaluating applications. 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 all customers, including governmental agencies, a month ahead.

Items 5a and b do not apply to the agencies.

Item 5c would not apply to a state agency. Ms. Wheeler said the City of Henderson has bond ratings for their debt. Mr. Pyper recommended she include this information with the application.

Regarding Item 5d, Ms. Beigel asked if the CRC wanted NDOT's statewide budget or just southern Nevada. Mr. Pyper said he would follow up with Ms. Beigel to discuss the type of data she has available. For the City of Henderson and City of Mesquite, Ms. Wheeler and Mr. Baker said they could provide the last three years of their audited budgets.

Item 5e may or may not apply. Mr. Pyper said the CRC has required credit references in the past in certain circumstances. Ms. Wheeler said the City of Henderson had to provide letter of credit for their water and wastewater facilities in the past. Mr. Pyper said this was required for a different circumstance and contract and the city wouldn't have to provide a letter of credit for this process. Ms. Pongracz told Ms. Wheeler if they needed to discuss other contracts between the CRC and the City of Henderson, she would be happy to meet with her and the city's attorney.

Mr. Pyper stated that Item 5g only applies to a private corporation. Governmental agencies do not need to attach a signed statement.

Item 5h, if an applicant has independent rate setting authority and the ability to raise rates and cover expenses, then mark yes and explain. Mr. Davis said this would apply to MVWD.

Item 5i, this would apply to the City of Henderson and the City of Mesquite as they have the authority to implement tax increases, if needed.

Item 5j, provide any additional documentation supporting the applicant's financial situation and ability to pay their debts.

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.

Sections 7 and 8 go together. 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 contract. 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 that may 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.

Staff expects to issue a draft order by the end of January or early February, with possible action by the Commission on April 14, 2015. The draft order will include a list of proposed allottees and allocations. Draft contracts will not be issued until late 2015 or early to mid-2016. 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.

Ms. Biebel asked if someone dropped out in 2020, how would their allocation be redistributed? Mr. Pyper said if they were a Hoover Schedule A or B customer, then it would most likely be offered to an existing Hoover Schedule A or B customer. If it were a Hoover Schedule D allotment, the CRC would most likely redistribute the power to other Hoover Schedule D allottees. The process is described in new regulations in NAC 538, which were adopted this year, but hasn't been codified yet. Regardless, any redistribution would be conducted in a public process and would be subject to the Commission's discretion.

Mr. Pyper said Hoover power has traditionally been less expensive than market power. The CRC is offering energy only, not transmission arrangements. For Hoover Schedule D power, the CRC is not offering anything beyond what is required by law. With existing customers, the CRC can firm up to their existing load. With Hoover Schedule D customers, at this time, the CRC can only firm up or buy power to their allocation.

Ms. Pongracz said that part of the difference between Hoover and market power is the authorized rate of return which is applied to most investor owned utility rates, are not included in charges applied by the CRC. The CRC's charges are straight flow-through of costs, so opposed to some investor owned utilities that have additional returns on top of their costs.

Mr. Pyper reminded everyone about the confidentiality statement on the application. If an applicant requests their information be kept confidential, then mark those sections as such. However the CRC is a public agency, and as such, is subject to state statutory requirements whereby anyone can request public documents.

The CRC must receive all applications by close of business (5:00 pm) on January 9, 2015. The application can be mailed, faxed or sent electronically by email. The CRC will be verifying all loads prior to making any allocations. 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.