

**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 2:00 p.m. on Friday, December 5, 2014 at the Grant Sawyer Office Building, Room 3100, 555 East Washington Avenue, Las Vegas, NV 89101.

**STAFF MEMBERS PRESENT**

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

**OTHERS PRESENT**

Lloyd Webb, Olin Corporation  
Vanessa Chavez, College of Southern Nevada  
Charles Trushel, City of Las Vegas  
Douglas Brooks, NV Energy  
Russ Dapsauski, Nevada State Parks  
Vinny Spottleson, Senator Reid's Office  
Don Land, University of Nevada, Las Vegas  
Matthew Hортt, Henderson District Libraries

Following introductions, Mr. Pyper explained that the purpose of the meeting was to present the Hoover Schedule D power allocation criteria and application form approved by the Commission on November 13, 2014, and to walk through and answer any questions on the application form. He reminded everyone the applications are 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. If anyone has additional questions following the meeting or would like Staff to review their application, Staff is available to meet individually with the applicant prior to submittal of the application.

Mr. Webb asked if minutes of the meeting would be made available to the public. Ms. Fairchild said they should be available the following week.

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", and 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 or priority.

Mr. Pyper reminded everyone this is CRC's allocation process, which is different from the Western Area Power Administration (Western) process. Western's process was much more formulaic and mathematical. The CRC's process will be more subjective. Mr. Pyper said Western considered a host utility's receipt of Hoover power in their allocation process. While the CRC will consider the amount of hydropower the host utility currently receives, it will not be "weighted" as was done by Western.

Because most of the Southern Nevada rural utilities already receive a large amount of Hoover power, applicants in those 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 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. Dapsauski said they were able to combine agencies in their application to Western. Would they be able to do this for the CRC process? Mr. Pyper asked if they were planning to submit as separate agencies or aggregate their loads. Mr. Dapsauski said they submitted as State Parks and the Division of Forestry and combined their loads. Mr. Pyper said the CRC needs to know who they would be doing business with and whose creditworthiness would be reviewed. Ms. Pongracz asked who the CRC would contract with in State Parks' application. Mr. Dapsauski said it would be the Department of Conservation and Natural Resources (DCNR). However, the State of Nevada is the overall entity. A question was asked who would sign the contract, at which Mr. Dapsauski said it would be DCNR, and that their Deputy Attorney General (DAG) would review and approve the contract. Ms. Pongracz suggested Mr. Dapsauski have DCNR's DAG contact her with any questions.

Mr. Dapsauski was asked if they had loads in different service territories. He said during Western's process, they opted out of including loads in Lincoln County due to the electric utility's receipt of a large amount of hydropower. Mr. Pyper said the CRC would not be implementing a weighted factor on an applicant's host utility's receipt of hydropower. He suggested they include their entire load requirements. If the CRC had questions after receipt of the application, Staff would follow up with the applicant. Mr. Pyper said that applicants need to keep in mind allocations will be made in 1 MW or higher increments. It will be difficult if not impossible to split loads into smaller increments.

Mr. Pyper began his review of the application form with Item 1a, under which the entity is the legal name of the Applicant requesting the allocation. Item 1b, the contact person should be the person CRC staff would call if they have a question. Item 1c, would be the type of entity or organization. Item 1d, parent entity or organization; for public entities it would be different than a private corporation. For example, Mr. Webb's organization is a multi-level corporation, whereas for some agencies in the room it would be the State of Nevada or a municipality. Mr. Pyper said for the DCNR application, 1d may be the DCNR and 1e could be the various agencies under DCNR.

Item 1f, list the applicable law that created the entity.

Item 1g should be the entity the CRC will send bills to and call with billing questions.

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, but don't ask for 50 MW if your load is 5 MW. Although the CRC would not be allocating the applicant's entire load, CRC will consider the amount of an applicant's load in the evaluation process. Mr. Webb asked for clarification about whether they should list their full load requirement, which in their case is significant. Mr. Pyper said to list their entire load. However, keep in mind the CRC only has 11.5 MW of Hoover Schedule D power to allocate.

Item 2a, list the type of service the applicant entity provides and the type of customers served. For example, for the City of Las Vegas, consider number of residents, businesses and tourists served annually in Las Vegas. For the school district, consider the number of buildings, full and part-time students, and employees. Mr. Pyper said this is the applicant's 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 CRC Staff and Commission to understand the applicant's situation. CRC 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 issue the final decision.

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. Provide backup documentation if available. Before the CRC begins their evaluation process, they will verify the load data to make sure the applicant meets the 1 MW peak requirements.

Mr. Dapsauski asked if the CRC wanted the most current year. Mr. Pyper said the applicant should select the highest peak year from calendar years 2011, 2012, or 2013. Someone had asked at the Overton meeting if they could use calendar year 2014, but 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.

Item 2c, if the information is estimated in 2b, describe how the loads were calculated.

Item 2d, identify projects that 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. Mr. Trushel asked if projects in their CIP budget be listed in this section. Mr. Pyper said he shouldn't list them here unless they are approved and will be built within the next five years. Mr. Spottleson asked if they should list how they will be implementing energy efficiencies to reduce their load requirements. Mr. Pyper said there is another section in the application where this information should be provided (Section 4).

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. Item 2e, sub ii and iii, indicate if you self-supply or have your own contract for power. Mr. Pyper reminded everyone to add this to their load if applicable, no matter how small. Mr. Dapsauski asked if this is where you mention if you have solar. Mr. Pyper said yes. If you own your own solar, it should be listed under 2e, sub i. If you contract with someone else, then list it under 2e, sub ii.

Item 2f, sub i, Mr. Pyper said transmission arrangements will need to be made with a successful applicant's host utility. He said all the affected utilities are working with the CRC. However, the actual process and arrangements haven't been finalized yet. Hoover Schedule D power will be delivered to Mead substation and delivered through an allottee's host utility.

Item 2f, sub ii, attach a letter from the applicant's local utility. By the time the CRC offers a contract to a successful applicant, they will need to have transmission arrangements and a signed contract with their host utility for the loads they are going to serve, unless Nevada Power is their host utility. Nevada Power by law must develop a tariff that is approved by the Public Utilities Commission of Nevada. If located outside Nevada Power's service area, the applicant must obtain a letter from the host utility and attach it to the application.

Item 2f, sub iii, Mr. Pyper said successful applicants must be able to receive Hoover Schedule D power by October 1, 2017. To respond to this question, state delivery would be through the host utility's transmission system.

Section 3, does not apply to non-utility applicants.

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 meet their goals of achieving the "greatest possible benefit to this state." If an applicant is able to quantify the direct and indirect benefits, it would help the Staff in their evaluation process.

Section 5 deals with creditworthiness of the applicant. Mr. Pyper said the CRC is a straight pass-through agency, without a working capital fund. For power delivered beginning October 1, 2017, the CRC would bill a customer on November 1, 2017. Payment will be due 10-15 days after the CRC issues the billing. The CRC has a 5 day window to pay Western. In the future, based on new regulations, the CRC may implement a pre-payment system and bill a month ahead or establish a work capital fund.

A retail corporation would have an additional requirement of providing collateral. They would have to provide a letter of credit, cash, or combination of both. There are no collateral requirements for utilities or public entities. However, there are situations where certain municipalities may be struggling and the CRC would take this into consideration when evaluating applications.

If an entity has a bond rating, provide the information in 5c. For private corporations, the CRC does look at their bond rating. Also they need to provide their exchange and symbol (5a) if publically traded and their Dun and Bradstreet number (5b).

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

Item 5e, provide a least three-credit references. These may be vendors an entity does business with. Mr. Pyper said the CRC has provided credit references for some of its utility customers.

Item 5f and 5g, only applies to a private corporation. The CRC may have to ask for parental guarantees. Governmental agencies do not need to attach a signed statement.

Item 5h, if an applicant has independent rate setting authority, the ability to raise rates and cover expenses, then mark yes and explain. If not applicable, put N/A.

Item 5i, this would apply to entities which have authority to implement tax increases. If not applicable, put N/A.

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. Mr. Trushel said they have a plan expansion at their wastewater plant which is currently designed at 90 percent. They've held off from completing due to the economy. The project may be completed in 2020 if

budget is available. Mr. Pyper explained the applicant should explain how a cost savings realized by receipt of Hoover Schedule D power could help them complete the project.

Section 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 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 if they were to become available. If an applicant does apply and doesn't get an allocation in this round, they still may eligible if a successful applicant declines the contract.

All fees, with the exception of repayable advances, are incorporated in the estimated Hoover rate. The fees include MSCP and CRC administration costs. Currently, the general rate is around \$0.022/kWh. The CRC estimates the general rate in 2017 will be around \$0.028/kWh. A successful applicant will still need to pay their host utility for transmission, meters, and other components the host utility provides. A question was asked what was driving the increased costs. Mr. Pyper said it was related to lower hydrology and associated costs to upgrade dam equipment due to the lower lake levels. All customers will be part of the same power factor, meaning each customer will be receiving the same ratio of energy to capacity. So the rate structure will be the same for all Hoover Schedule D customers. For CRC's current customers, they have different energy to capacity ratios, so their rate structure is different.

Mr. Pyper said the CRC will be posting the anticipated future cost of Hoover Schedule D power on CRC's website and via email to everyone on CRC's mailing list. He said new customers will still be required to pay their host utility for transmission service and other energy, and other components provided by the host utility. The CRC does not anticipate Hoover Schedule D will be any customer's full load.

All new Hoover Schedule D customers will be required to pay a one-time repayable advance, which can be repaid over 5 years. The repayable advance covers the cost of past and current Hoover Dam upgrades paid for by current customers. The wide-head turbines currently being installed won't come online until 2017. As such, current 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.

Mr. Pyper said the CRC was working with Western on the contract between the CRC and Western. The contract will be a 50 year contract, but he's not sure what the term will be between the CRC and new customers. The terms will be set by the Commissioners.

The integrated resource plan described in 7d refers to efficiencies and savings. Western requires all customers to submit a 5 year plan every year describing how they've implemented or plan to implement specific energy conservation measures. All new customers will be required to submit this information to CRC annually. The CRC will compile the information and submit to Western.

Mr. Webb asked if it is possible for the CRC to provide a "take or pay cost" if no power was delivered. He said he needed written documentation from the agency for management review. Mr. Pyper said if a customer had a contract with the CRC and no power was delivered, the customer would still receive a bill. He said the CRC would provide Mr. Webb with an estimated cost of Hoover over a 5 year period.

Mr. Pyper said the estimate would be based on the current Hoover rate structure, minus special projects, which is approximately \$10-15 million.

Mr. Webb asked if the dam stopped producing hydropower, does the CRC have an obligation to serve anyone who signs a contract. With existing customers, the CRC can firm up to their existing load. With Schedule D customers, at this time, the CRC can only firm up or buy power to their allocation.

Mr. Pyper said even if a customer receives a 1 MW allocation, they would not be receiving exactly 1 MW. The current plant capacity is approximately 75 percent. Generation of Hoover power is based on downstream water orders. Mr. Pyper said the CRC could develop speculative scenarios based on basin conditions and other hydrological variables, but basically it is a take and pay situation. Customers will be paying for operation and maintenance of Hoover Dam and the benefit for the power received will be based on downstream water demand.

Ms. Pongracz and Mr. Pyper explained that the CRC and other federal Hoover customers are currently working with Western and the Bureau of Reclamation regarding contract language which would add a level of protection to the customers due to reduced generation and also changing conditions in the electrical markets.

The CRC must receive all applications by close of business (5:00 p.m.) on January 9, 2015. Applications can be hand delivered, mailed, faxed or sent electronically by email. The CRC will verify 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 following an open public hearing at which comments will be accepted.

Western should conclude its allocation process by the end of December 2014. Afterwards, the CRC will work with Western to finalize the contract between the federal Hoover contractors and Western. Once the Western contract is finalized, the CRC's contracting process with its customers will commence. Throughout the process, the CRC will keep its existing and new customers apprised through one-on-one and regular meetings, web postings and other communications.

Mr. Land asked who provides all the power to Boulder City. Mr. Pyper said they have contracts from Western for Hoover and a contract with the CRC for power from Glen Canyon, which accounts for 70% of their power, plus they have a cooperative agreement with the Silver State Energy Association.

Mr. Lloyd asked if Staff would be available over the holidays to answer questions. Mr. Pyper said he was out during the week of Christmas, but other Staff would be available.