

**BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

Application of Nevada Power Company d/b/a NV Energy for )  
approval of the first amendment to the 2013-2032 Integrated )  
Resource Plan and the Energy Supply Plan Update for 2015 to ) Docket No. 14-05003  
include an initial emissions reduction and capacity replacement )  
plan. )  
\_\_\_\_\_ )

Application of Nevada Power Company d/b/a NV Energy for )  
approval of the second amendment to the 2013-2032 Integrated )  
Resource Plan and Action Plan as it relates to a new ) Docket No. 14-06022  
500kV/230kV autotransformer at the existing Harry Allen )  
substation. )  
\_\_\_\_\_ )

At a general session of the Public Utilities  
Commission of Nevada, held at its offices on  
October 27, 2014.

PRESENT: Chairman Alaina Burtenshaw  
Commissioner Rebecca D. Wagner  
Commissioner David Noble  
Assistant Commission Secretary Breanne Potter

DOCUMENT REVIEW AND APPROVAL ROUTING	
DRAFTED BY:	<u>RB</u>
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## ORDER

The Public Utilities Commission of Nevada (“Commission”) makes the following findings of fact and conclusions of law:

### I. INTRODUCTION

Nevada Power Company d/b/a NV Energy (“Nevada Power” or “Company”) filed an Application with the Commission, designated as Docket No. 14-05003, for approval of the first amendment to the Action Plan of the 2013-2032 Integrated Resource Plan (“IRP”) and the Energy Supply Plan (“ESP”) Update for 2015 to include an initial emissions reduction and capacity replacement plan (“ERCR Plan<sup>1</sup>”) (“First Amendment Application”).

Subsequently, Nevada Power filed an Application, designated as Docket No. 14-06022, for approval of the second amendment to the 2013-2032 IRP and Action Plan as it relates to a new 500-kilovolt (“kV”)/230kV autotransformer (“Harry Allen Transformer”) at the existing Harry Allen substation (“Second Amendment Application”).

### II. SUMMARY

The Commission accepts the Stipulation, attached hereto as Attachment 1, and grants the 2015 ESP Update portion of the First Amendment Application as modified by the Stipulation.

The Commission deems certain portions of the ERCR Plan inadequate and recommends to Nevada Power modifications to the Plan as presented in this Order. The Commission grants the Second Amendment Application as provided in this Order.

### III. PROCEDURAL HISTORY

- On May 1, 2014, Nevada Power filed an Application, designated as Docket No. 14-05003, for approval of the first amendment to the Action Plan of the 2013-2032 IRP and the ESP Update for 2015 to include an initial ERCR Plan. The Application was filed pursuant to Chapters 703 and 704 of the Nevada Revised Statutes (“NRS”) and the Nevada Administrative Code (“NAC”), including, but not limited to, NRS 704.7311 et seq., NRS 704.736 et seq., NAC 704.9005 et seq., and Regulation LCB File No. R131-13. Pursuant to NRS 703.196 and NAC 703.5274, Nevada Power requests that certain information it has filed under seal be deemed confidential and not be publically disclosed for a period of five (5) years.
- The Regulatory Operations Staff of the Commission (“Staff”) participates as a matter of right pursuant to NRS 703.301.

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<sup>1</sup> The ERCR Plan is also referred to as the Plan, the Preferred Plan and Case C.

- On May 8, 2014, the Commission issued a Notice of Application and Notice of Prehearing Conference in Docket No. 14-05003.
- On May 8, 2014, the Attorney General's Bureau of Consumer Protection ("BCP") filed a Notice of Intent to Intervene pursuant to NRS 228.360 in Docket No. 14-05003.
- On May 15, 2014, the Presiding Officer issued a Procedural Order in Docket No. 14-05003.
- On May 16, 2014, Nevada Power, in response to the Procedural Order, provided the Commission with a USB electronic drive containing one electronic copy of the unredacted confidential information previously filed in Docket No. 14-05003.
- On May 28, 2014, Interwest Energy Alliance ("Interwest") filed a Petition for Leave to Intervene ("PLTI") in Docket No. 14-05003.
- On May 29, 2014, Federal Executive Agencies ("FEA") filed a Notice of Intent to Intervene in Docket No. 14-05003.
- On May 30, 2014, Nevada Power filed an Addendum to the Application containing redacted and revised confidential versions of several confidential exhibits previously filed in Docket No. 14-05003.
- On May 30, 2014, Abengoa Solar, LLC ("Abengoa") filed a PLTI in Docket No. 14-05003.
- On June 2, 2014, Bombard Renewable Energy, a division of Bombard Electric LLC ("Bombard"), Sierra Club ("Sierra"), Enel Green Power North America, Inc. ("EGPNA"), Nevadans for Clean Affordable Reliable Energy ("NCARE"), Griffith Energy LLC ("Griffith"), and Switch, Ltd. ("Switch") filed PLTIs; Boyd Gaming Corporation, Las Vegas Sands Corp., MGM Resorts International, Station Casinos, Caesars Entertainment Corporation, and Wynn Las Vegas, LLC (collectively, the "Southern Nevada Hotel Group" or "SNHG") filed a Joint PLTI in Docket No. 14-05003.
- On June 10, 2014, Interwest filed a Request to Be Excused from Prehearing Conference; Ormat Technologies, Inc. and Ormat Nevada Inc. ("Ormat") filed a Late-Filed PLTI in Docket No. 14-05003.
- On June 11, 2014, the Presiding Officer held a prehearing conference in Docket No. 14-05003, in which Nevada Power, FEA, Abengoa, Bombard, BCP, Sierra, EGPNA, NCARE, Griffith, Switch, SNHG, Staff, and Ormat participated; Interwest filed a Notice of Non-Resident Counsel Pursuant to NAC 703.510.
- On June 16, 2014, Nevada Power filed its Second Amendment Application with the Commission requesting approval of the second amendment to its 2013-2032 IRP including approval of the construction of the Harry Allen Transformer at the existing Harry Allen Substation. The Application was filed pursuant to Chapters 703 and 704 of the NRS and the NAC, including, but not limited to, NRS 704.7311 et seq., NRS 704.736 et seq., and NAC

704.9005 et seq. In the Second Amendment Application, Nevada Power also seeks to consolidate Docket No. 14-06022 with Docket No. 14-05003.

- On June 17, 2014, the Commission issued a number of orders granting all the PLTIs filed in Docket No. 14-05003.
- On June 18, 2014, the Commission issued a Notice of Application and Notice of Prehearing Conference in Docket No. 14-06022 and Procedural Order No. 2 in Docket No. 14-05003.
- On June 27, 2014, Nevada Power filed First Amendment to the Application to Approve Amendment to Resource Plan and Energy Supply Plan Update to Recognize Emissions Reduction and Capacity Replacement Plan – Revised Prayer for Relief in Docket No. 14-05003.
- On June 30, 2014, the Attorney General’s Bureau of Consumer Protection (“BCP”) filed a Notice of Intent to Intervene pursuant to Chapter 228 of the NRS in Docket No. 14-06022.
- On July 1, 2014, BCP, Sierra, Staff, Nevada Power, and Interwest filed with the Commission Data Request Status Reports in accordance with the Procedural Order No. 2 in Docket No. 14-05003.
- On July 2, 2014, Griffith, SNHG, Abengoa, and Ormat filed with the Commission Data Request Status Reports in accordance with the Procedural Order No. 2 in Docket No. 14-05003.
- On July 3, 2014, NCARE filed with the Commission a Data Request Status Report in accordance with the Procedural Order No. 2 in Docket No. 14-05003. Nevada Power filed Second Addendum to the Application in Docket No. 14-05003 containing previously omitted exhibits to the ERCR filing.
- On July 8, 2014, Staff filed two identical letters with the Commission in Docket Nos. 14-05003 and 14-06022 advising that it has no objection to Nevada Power’s request for consolidation of Docket Nos. 14-05003 and 14-06022. Griffith filed a letter in Docket No. 14-05003 informing the Commission that it does not intend to file comments in response to Nevada Power’s request for consolidation. Bombard filed a letter in Docket No. 14-05003 containing a data request status report in accordance with the Procedural Order No. 2 in Docket No. 14-05003. Ormat filed a PLTI in Docket No. 14-06022.
- On July 16, 2014, the Presiding Officer held a prehearing conference in Docket No. 14-06022, in which Staff, BCP, Nevada Power, and Ormat participated.
- On July 21, 2014, the Presiding Officer issued Procedural Order No. 3 consolidating Docket Nos. 14-05003 and 14-06022 and adopting the procedural schedule previously established for Docket No. 14-05003.
- On July 28, 2014, FEA filed a Substitution of Counsel notice with the Commission.
- On July 29, 2014, the Commission issued a Notice of Hearing.

- On July 31, 2014, BCP filed a Data Request Status Report.
- On August 1, 2014, SNHG, Staff, Nevada Power, Ormat, Griffith, FEA, Sierra, and Abengoa filed Data Requests Status Reports.
- On August 4, 2014, Bombard, Interwest, and NCARE filed Data Requests Status Reports.
- On August 5, 2014, Switch filed a Data Request Status Report.
- On August 8, 2014, Nevada Power filed Third Addendum to Docket No. 14-05003 Application withdrawing its earlier request for confidential treatment of page 215 of volume 4 of the Application and providing an unredacted version of the page.
- On August 22, 2014, Griffith filed Prepared Direct Testimony of Tina C. Lee.
- On August 25, 2014, BCP filed Prepared Direct Testimonies of Dale Stransky, Patrick Morton, and Jerry Mendl; Sierra filed Comments; NCARE filed Prepared Direct Testimony of Nancy Kelly; SNHG filed Prepared Direct Testimony of Mark Garrett; Ormat filed Prepared Direct Testimony of William Monsen; and Staff filed Prepared Direct Testimonies of Fred Buck, Percival Lucban, Gary Cameron, Adam Danise, Paul Maguire, Yasuji Otsuka, Swetha Venkat, Anita Castledine, and Karen Olesky.
- On September 2, 2014, Nevada Power, Sierra, NCARE, Switch, BCP, SNHG, Ormat, Griffith, and Staff filed Data Request Status Reports.
- On September 3, 2014, Interwest filed a Data Request Status Report.
- On September 8, 2014, Nevada Power filed Prepared Rebuttal Testimonies of David Harrison, Brian Whalen, James Doubek, Robert Kocour, Anita Hart, Kevin Geraghty, Stacey Kusters, and Shawn Elicegui.
- On September 12, 2014, Staff filed Revised Direct Testimonies of Paul Maguire and Adam Danise; BCP filed Erratas to Prepared Direct Testimonies of Dale Stransky and Patrick Morton. Nevada Power filed a Stipulation resolving all ESP issues in Docket No. 14-05003.<sup>2</sup>
- On September 15, 2014, Ormat filed an Errata to Prepared Direct Testimony of William Monsen, and Nevada Power filed an additional signatory page to the Stipulation.

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<sup>2</sup> Nevada Power, BCP, and Staff are the only parties who have filed testimony regarding the ESP Update. Staff, BCP, Nevada Power, NCARE, Griffith, SNHG, Ormat, Switch, and Abengoa signed the Stipulation. FEA, Interwest, and Bombard represented at the September 15, 2014, hearing, on the record, that they did not oppose the Stipulation. (Transcript at 19.) Nevada Power represented on the record, at stated EGPNA's request, that EGPNA did not oppose the Stipulation either. (*Id.* at 17.) Sierra did not participate in the hearing. (*Id.* at 19.)

- On September 15-17, 2014, the Commission held a hearing. Abengoa, BCP, Bombard, FEA, Griffith, NCARE, Nevada Power, Ormat, SNHG, and Staff made appearances. At the conclusion of the hearing, the Presiding Officer granted an oral motion to accept Exhibit Nos. 1-94 and C1-15 into the record as evidence pursuant to NAC 703.730.
- On September 23, 2014, Nevada Power late-filed Exhibit Nos. 72 and C-10.
- On September 29, 2014, Nevada Power late-filed Exhibit No. 34.
- On October 1, 2014, Abengoa, BCP, Griffith, Nevada Power, Ormat, SNHG, and Switch filed Data Request Status Reports.
- On October 10, 2014, Nevada Power late-filed Exhibit Nos. 60 and C-16.
- On October 17, 2014, Nevada Power late-filed Corrected Exhibit Nos. 60 and C-16.

#### **IV. ENERGY SUPPLY PLAN UPDATE**

##### **A. Legal Framework**

1. Pursuant to NAC 704.9506, Nevada Power is obligated to file an ESP update with the Commission in the first and second years after the action plan of the utility is filed. Nevada Power filed an application, designated as Docket No. 12-06053, seeking approval of its 2013-2032 Triennial IRP and 2013-2015 ESP on June 29, 2012. Nevada Power includes its second year ESP update to the 2013-2015 ESP with the First Amendment Application.

2. Because the ESP is part of an integrated resource plan filing, Nevada Power's inclusion of the ESP Update in the First Amendment Application containing the ERCR Plan also allows Nevada Power to comply with the NRS 704.7316(1) mandate of filing the ERCR Plan as a part of an IRP filing. In other words, Nevada Power's ESP Update filing serves a dual purpose of providing an update to the 2013-2015 ESP and contributing the ESP portion of the amendment to the 2013-2032 IRP.

3. Pursuant to NRS 704.7316(2)(d), the ERCR Plan must include a strategy for the commercially reasonable physical procurement of fixed-price natural gas if the Plan includes the



construction or acquisition of one or more natural gas-fired plants. NAC 704.9453(5) sets out requirements for the gas procurement strategy. The ESP Update contains a section devoted to natural gas procurement.

4. NAC 704.9508 requires this ESP Update to be processed within 120 days after the filing, with a hearing taking place within 60 days of the filing. However, the gas procurement portion of the ESP Update reflects aspects of Nevada Power's proposed ERCR Plan and is responsive to NAC 704.9453(5). Accordingly, Nevada Power requests that the Commission waive the 120-day requirement and, instead, consider and approve this ESP Update concurrently with the ERCR Plan. (Ex. 13 at 5.)

### **B. Energy Supply Plan Update Stipulation**

#### **Parties' Position**

5. Parties to the Stipulation request that the Commission accept the Stipulation.

6. The parties recommend that the Commission find the short-term load forecast contained in the ESP Update meets the requirements of NAC 704.9321, 704.9482, and 704.922, and is suitable for making planning decisions during the ESP Update period. The parties further recommend that the Commission accept and approve the following: the Power Procurement Plan and the constituent elements of the plan, including the portfolio optimization plans, but not Nevada Power's "Portfolio Optimization Manual"; the Coal Procurement Plan; the Physical Gas Procurement Plan; and the Gas Transportation Plan, with the proviso that Nevada Power will not issue a request for proposals ("RFP") and award economic bids for up to 40,000 million cubic feet per day of natural gas transportation capacity during the ESP Update period. The parties recommend the Commission approve and accept Nevada Power's Gas Hedging Strategy as it currently exists, until an updated hedging strategy is approved, and find that Nevada Power has

satisfied the directive contained in Docket No. 12-06053 and should continue to conduct quarterly hedging workshops. The parties recommend the Commission accept and approve Nevada Power's Risk Management Strategies. The parties recommend that the Commission make the prudence findings pursuant to NAC 704.9494(3).

7. The parties recommend the Commission accept Nevada Power's plan to continue quarterly workshops with Staff and BCP to review the implementation of the constituent elements of the ESP Update and the approved hedging strategy.

8. Finally, the parties agree that the Commission should grant Nevada Power's request for confidential treatment of certain portions of the ESP Update pursuant to NAC 704.7272.<sup>3</sup>

### **Commission Discussion and Findings**

9. The Commission finds that the Stipulation is a consensus resolution of the issues pursuant to the Parties' negotiations and is a reasonable recommendation and resolution of the issues in this proceeding. The Commission finds that, pursuant to the requirements of NAC 703.845, this Stipulation settles only issues relating to the instant proceeding and does not seek relief that the Commission is not otherwise empowered to grant. Therefore, the Commission finds that it is in the public interest to approve the Stipulation.

10. The Commission finds that Nevada Power's ESP Update should be approved as modified by the Stipulation. The Commission finds that the short-term load forecast contained in the ESP Update meets the requirements of NAC 704.9321, 704.9482, and 704.922, and is suitable for making planning decisions during the ESP Update period. Pursuant to NAC 704.9494, the Commission accepts and approves the following: the Power Procurement Plan and

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<sup>3</sup> The Stipulation references NAC 704.7272 in error. The applicable regulation is NAC 703.5274.

the constituent elements of the plan including the portfolio optimization plans, but not Nevada Power's "Portfolio Optimization Manual"; the Coal Procurement Plan; the Physical Gas Procurement Plan; and the Gas Transportation Plan, with the proviso that Nevada Power will not issue an RFP and award economic bids for up to 40,000 million cubic feet per day of natural gas transportation capacity during the ESP Update period. The Commission approves and accepts Nevada Power's Gas Hedging Strategy as it currently exists, until an updated hedging strategy is approved, and the Risk Management Strategies. The Commission finds that the elements of the ESP Update, as modified by the Stipulation, are prudent pursuant to NAC 704.9494(3).

11. The Commission finds that Nevada Power has complied with the directive contained in the Commission's November 12, 2012, Phase I Order in Docket Nos. 12-06052 and 12-06053, which requires Nevada Power to continue to conduct quarterly gas hedging workshops as described in the stipulation approved in Docket No. 11-09003. The Commission accepts Nevada Power's plan to continue such workshops with Staff and BCP to review the implementation of the elements of the ESP Update and the approved hedging strategy.

12. The Commission grants Nevada Power's request for confidential treatment of certain portions of the ESP Update pursuant to NAC 703.5274.

13. NAC 704.0097 permits deviation from regulations if: (1) good cause appears for the deviation; (2) the person requesting the deviation provides a specific reference to each provision from which the deviation is requested; and (3) the Commission finds that the deviation is in the public interest and is not contrary to statute. The Commission finds that good cause exists to deviate from NAC 704.9508 in this instance to allow the Commission the full 180 days to issue an order addressing portions of the ERCR Plan reflected in the ESP Update. The Commission further finds that the deviation is in the public interest and is not contrary to statute.

## **V. FIRST AMENDMENT TO THE 2013-2032 IRP**

### **A. Background**

14. The ERCR Plan originates from Senate Bill (“SB”) 123, signed into law on June 11, 2013. The law, subsequently codified as NRS 704.7311 et seq., provides for the retirement or elimination of not less than 800 megawatts (“MW”) of coal-fired electric generating capacity and replacement of such capacity with renewable or non-coal conventional generation. NRS 704.7316(1) prescribes that Nevada Power file the ERCR Plan with the Commission as part of an IRP filing. Pursuant to NAC 704.9156, an IRP filing consists of a load forecast, a demand side plan, a supply plan, a financial plan, an energy supply plan, and an action plan.

15. To supplement NRS 704.7311 et seq., the Commission adopted a regulation, LCB File No. R131-13 (“ERCR Regulation”), subsequently codified within NAC Chapter 704, establishing provisions governing the Plan. NAC 704.9453(1) of the ERCR Regulation mandates that the initial Plan be filed by May 1, 2014, and be included with Nevada Power’s supply plan portion of an amendment to the IRP. NAC 704.94893(1) further obligates Nevada Power to file an initial ERCR action plan (“ERCR Action Plan”) by May 1, 2014, as an amendment to the approved IRP. NAC 704.94893(2) contemplates that the ERCR Action Plan will cover only one year, 2015.

16. On May 1, 2014, Nevada Power filed an application to amend its 2013-2032 IRP and to update its ESP. The application contains the initial ERCR Plan and ERCR Action Plan.

### **B. Load Forecast and Fuel and Purchased Power Price Forecasts**

#### **Nevada Power**

17. Nevada Power seeks approval of the load forecast provided in the Load Forecast, Market Fundamentals, and Fuel and Purchase Power volume, Exhibit 4. Nevada Power also

seeks approval of the loads and resources tables for 2015 presented in the ESP Update volume, Exhibit 13, and Economic Analysis and Financial Plan volume, Exhibit 4. (Exhibit 27 at 1.)

Nevada Power requests a finding that the load forecast is based on substantially accurate data that has been adequately demonstrated and defended and has been adequately documented and justified. Nevada Power also requests a finding that the load forecast is appropriate for resource planning decision-making through the Action Plan period. (Ex. 2 at 20; Ex. 27 at 1-2.).

18. Nevada Power seeks approval of the fuel and purchased power price forecasts presented in the Load Forecast and Market Fundamentals volume, Exhibit 4, and seeks a finding that the fuel and purchased power price forecasts are based on substantially accurate data that has been adequately demonstrated and defended and has been adequately documented and justified. Nevada Power also requests a finding that the fuel and purchased power forecasts are appropriate for resource planning decision-making through the Action Plan period. (Ex. 2 at 20; Ex. 27 at 2.)

### **Staff**

19. Staff recommends that the Commission approve Nevada Power's load forecast, as it is based on substantially accurate data, and find that the load forecast is appropriate for resource planning decision-making through the Action Plan period. (Ex. 69 at 2.)

20. Staff recommends that the Commission approve Nevada Power's loads and resources tables for 2015, but only if the Commission accepts Staff's recommendation regarding the acquisition of the Las Vegas Cogeneration Unit 2 ("LV Cogen 2") station contained in Staff Witness Maguire's testimony, Exhibit 79. (Ex. 75 at 3.) Staff states that Nevada Power included LV Cogen 2 as a generation resource for 2015. (*Id.*) Staff adds that Nevada Power's original purchase power agreement for this unit expired in December 2013, and Nevada Power executed a summer-only amendment to the contract for 2014. (*Id.*) Staff argues that if the Commission

does not accept Staff's recommendation to approve the Preferred Plan, which includes the acquisition of LV Cogen 2, then the loads and resources tables are no longer correct and Nevada Power's open position would increase by an additional 224 MW. (*Id.* at 3-4.)

21. Staff recommends that the Commission approve Nevada Power's fuel and purchased power price forecasts, as they are based on substantially accurate data, and find that these forecasts are appropriate for resource planning decision-making through the Action Plan period. (Ex. 69 at 2.)

### **Commission Discussion and Findings**

22. The Commission approves Nevada Power's load forecast provided in the Load Forecast, Market Fundamentals, and Fuel and Purchased Power volume and loads and resources tables for 2015 that are presented in the ESP Update volume and the Economic Analysis and Financial Plan volume. The Commission finds that the load forecast is based on substantially accurate data and is appropriate for resource planning decision-making through the Action Plan period.

23. The Commission approves Nevada Power's fuel and purchased power price forecasts, as they are based on substantially accurate data, and finds that these forecasts are appropriate for resource planning decision-making through the Action Plan period.

### **C. Supply Plan and ERCR Action Plan**

#### **i. Legal Framework**

24. To replace the retired or eliminated coal-fired electric generation, NRS 704.7316(2)(c) contemplates construction or acquisition of 550 MW of non-technology-specific generation to be owned by Nevada Power. The replacement capacity must be constructed or acquired in an orderly and structured manner.

25. NRS 704.7316(2)(b) requires the ERCR Plan to provide for the construction and acquisition of, or contracting for, 350 MW of renewable electric generating capacity. Under the Plan, Nevada Power has to issue three RFPs of 100 MW each for nameplate capacity from renewable energy facilities. The remaining 50 MW of renewable nameplate capacity must come from Nevada Power either constructing or acquiring a portion of new renewable energy facilities.

26. NAC 704.94893 directs Nevada Power to specify within the initial ERCR Action Plan all of the actions that are to take place before the filing of its 2016-2035 IRP and provide a budget for planned expenditures suitable for comparing planned and achieved expenditures.

## **ii. Emissions Reduction**

### **Applicable Authorities**

27. Under NRS 704.7316(2)(a), the ERCR Plan must provide for retirement or elimination of at least 300 MW of coal-fired electric generating capacity by December 31, 2014, 250 MW by December 31, 2017, and another 250 MW by December 31, 2019. NAC 704.9453(2) mandates that the Plan include a schedule specifying the tiered retirement or elimination of coal-fired generation outlined in NRS 704.7316(2)(a). Under NAC 704.9453(2), the Plan must also identify each coal-fired generation facility to be retired or eliminated, the amount of planning capacity associated with such facilities as well as the unamortized balance of investment, decommissioning and remediation costs, and lingering contractual liabilities associated with the facilities.

28. Paragraph (e) of subsection 2 of NRS 704.7316 further prescribes that the ERCR Plan provide “a plan for tracking and specifying the accounting treatment for all costs associated with the decommissioning” of the coal-fired generating plants. NAC 704.9453(6) elaborates that

such costs, including undepreciated amount of each coal-fired plant to be retired or eliminated, must be placed in separate regulatory asset or liability accounts.

### **Nevada Power**

29. Nevada Power seeks the Commission's approval to retire, decommission, and remediate coal-fired generating units. Nevada Power requests approval to retire Reid Gardner Generating Station, units 1- 3, 300 MW of planning capacity, by December 31, 2014, and Reid Gardner Generating Station, unit 4, 257 MW of planning capacity, by December 31, 2017. (Ex. 4 at 149.) Nevada Power also plans to eliminate its interest in the Navajo Generating Station, which supplies 255 MW of planning capacity, by December 31, 2019. (*Id.*) The total planning capacity thus retired and eliminated would equal 812 MW. (*Id.*)

30. Nevada Power estimates the demolition costs for Reid Gardner units 1-4 at \$45.4 million, adjusted for approximately \$10 million in asset recovery/salvage credits. (*Id.* at 151.) The amount does not include approximately \$1.5 million in transmission costs associated with the demolition. (*Id.*) Nevada Power proposes a decommission and demolition schedule, which includes demolition of units 1-3 between March 1, 2015, and December 31, 2016, and unit 4 demolition between January 1, 2018, and December 31, 2019. (*Id.* at 152.) Nevada Power expects to complete base-case corrective remediation actions by the end of 2022 with maintenance and performance monitoring continuing for up to 30 years thereafter.<sup>4</sup> (*Id.* at 154.)

31. With exit negotiations among participants in the Navajo Project ongoing, Nevada Power is unable to provide information regarding decommissioning, demolition, and remediation costs for the Navajo Generating Station. (*Id.* at 155.)

32. Nevada Power presents the following net book values for Reid Gardner units 1-4:

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<sup>4</sup> Nevada Power requested confidential treatment of the remediation costs.



<b>Unit</b>	<b>Retirement Date</b>	<b>Net Book Value (as of retirement date in millions of dollars)</b>
Unit 1	12/31/14	\$26.6
Unit 2	12/31/14	\$24.4
Unit 3	12/31/14	\$25.6
Units 1, 2, and 3 Common	12/31/14	\$57.9
Unit 4	12/31/17	\$53.3
Units 1-4 Common	12/31/17	\$33.8
Unit 4 Acquisition Adjustment	12/31/17	\$25.7
<b>Total</b>		<b>\$247.3</b>

(*Id.*; See also Ex. 2 at 254.)

33. Nevada Power presents the following net book values for the Navajo Generating Station:

<b>Unit</b>	<b>Retirement Date</b>	<b>Net Book Value (as of retirement date in millions of dollars)</b>
Unit 1	12/31/19	\$3.2
Unit 2	12/31/19	\$5.6
Unit 3	12/31/19	\$8.5
Units 1, 2, and 3 Common	12/31/19	\$9.9
Navajo Coalhaul Railroad	12/31/19	\$1.6
<b>Total</b>		<b>\$28.9</b>

(*Id.* at 156; See also Ex. 2 at 254.)

34. Nevada Power proposes to accumulate the costs of retirement, decommissioning, demolition, and remediation for the Reid Gardner and Navajo units in separate regulatory asset

subaccounts. (*Id.*) Nevada Power proposes that a separate regulatory asset account be established for the net book value of each unit and related electric investments on the date of the retirement. (*Id.*)

35. Nevada Power states that the majority of contractual and regulatory obligations for the Reid Gardner Generating Station pertain to remediation costs. (*Id.* at 157.) Nevada Power anticipates liability for the Navajo Station decommissioning costs proportionate to its ownership share. (*Id.*)

### **NCARE**

36. NCARE recommends that the Commission approve Nevada Power's ERCR proposal for the retirement and elimination of 812 MW of coal-fired generating units. (Ex. 56 at 4.)

### **Staff**

37. Staff recommends that the Commission approve Nevada Power's request to retire, decommission, and remediate the coal-fired generating assets per the dates outlined. (Ex. 79 at 2-3.) However, Staff requests that the Commission specify that it is not approving the specific timeline and cost estimates of decommissioning and remediation because it is Nevada Power's responsibility to prudently manage the work and to present the costs for review in the appropriate general rate case application. (*Id.* at 3.)

38. Staff recommends that the Commission order Nevada Power to accumulate the test year certified level of operations and maintenance ("O&M") expenses related to 29 Reid Gardner units 1-3 employees in a regulatory liability or, alternatively, to use these accumulated expenses as an offset against the regulatory asset for O&M costs that will be established pursuant to NRS 704.7317. (Ex. 78 at 1.)

39. Staff notes that the payroll costs of Reid Gardner units 1-3 employees are embedded in certification period O&M expenses of Nevada Power's general rate case filing, Docket No. 14-05004, and thus will be recoverable in rates for the next three years despite the Reid Gardner units 1-3 closure on December 31, 2014. (*Id.* at 2.) At the same time, according to Staff, Nevada Power plans on using the employees to conduct decommissioning work at Reid Gardner or transfer them to other generating facilities. (*Id.* at 3.) Staff contends that either scenario will result in double recovery of payroll costs for the 29 employees. (*Id.* at 3-4.) Staff predicts that payroll costs of the employees to be involved in decommissioning activities or to be transferred to newly-acquired generation facilities will be accumulated in a regulatory asset pursuant to NRS 704.7317 and recovered in the next general rate case. (*Id.*) Staff claims that, alternatively, payroll costs of the employees to be transferred to existing generation facilities will also be double-recovered because payroll costs of those stations, which may have been fully staffed in the test year, have already been reflected in test year O&M expenses (*Id.* at 4.).

40. Thus, to prevent double recovery of the payroll costs, Staff recommends that a rate case adjustment or an accounting order. (*Id.*) Staff contends that the recommendation is consistent with the Commission's mandate of setting just and reasonable rates and NAC 704.9453(6)(b)(5), which states that the ERCR Plan "must provide for salvage and any other appropriate offsets." (*Id.* at 5.)

### **Nevada Power Rebuttal**

41. Nevada Power disagrees with Staff's recommendation not to approve specific decommissioning and remediation timelines and cost estimates. (Ex. 93 at 17.) Nevada Power agrees with Staff that the Company has not yet completed a detailed remediation plan for the Reid Gardner Station because such a plan must be developed in coordination with the Nevada

Division of Environmental Protection. (*Id.*) Nevada Power also agrees with Staff that the Company has not yet completed a detailed decommissioning and remediation plan for the Navajo Station because Nevada Power has yet to negotiate an exit agreement with co-owners of the Navajo Station. (*Id.*) However, Nevada Power disagrees with Staff's assertion that the Reid Gardner decommissioning plan is not sufficiently developed to merit approval in this case. (*Id.* at 17-18.) Nevada Power references its initial filing to demonstrate that it supplied specific timeframes to begin decommissioning of Reid Gardner units 1-3 and that a study included as Technical Appendix GEN-3 provides the basis for the detailed estimates for decommissioning and demolition costs and a detailed decommissioning timeline. (*Id.* at 18.) Nevada Power further notes that it is unaware of any deficiencies in the Reid Gardner decommissioning plan. (*Id.*) Nevada Power recognizes that it is responsible for prudent management of decommissioning and remediation work and is mindful that the Commission's acceptance of the plan does not predetermine Nevada Power's ability to recover the estimated costs through rates. (*Id.* at 18-19.)

42. Nevada Power counters Staff's assertions regarding over-recovery of payroll costs by stating that double recovery is not possible in one of the three circumstances described by Staff and that the existing regulatory environment already protects against the other two double recovery scenarios without requiring the deferral or accumulation of revenue into a regulatory liability. (Ex. 93 at 4.)

43. With respect to the scenario where the employees transfer to another generating station to fill positions at those plants, Nevada Power asserts that double recovery cannot occur because the payroll costs associated with those positions are not eligible for recovery under an alternative ratemaking mechanism such as the one established pursuant to NRS 704.7317. (*Id.*)

44. With respect to the scenarios in which the payroll costs could be recovered through annual revenue requirement during the rate-effective period and could also be included in costs accumulated in an ERCR Plan regulatory asset, Nevada Power cites to NAC 704.9453(6)(b)(5), which already prevents such double recovery. (*Id.* at 5.) Nevada Power references Staff's observation that NAC 704.9453(6)(b)(5) requires that cost recovery through the ERCR Plan regulatory asset established for collecting the costs of decommissioning Reid Gardner units 1-3 provide for "salvage and any other appropriate offsets." (*Id.*) Nevada Power represents that it will track costs as required by the regulations and will present sufficient information in the next rate case for the Commission to determine whether an offset is necessary and the amount of the offset. (*Id.* at 6; Tr. at 630-31.) Accordingly, Nevada Power argues that the establishment of a regulatory liability account or other means of deferring and accumulating the costs of the redeployed employees is unnecessary and predetermines the Commission's decision in a future ratemaking proceeding. (Ex. 93 at 6.)

45. Additionally, Nevada Power states that the acceptance of Staff's recommendation to accumulate \$3.9 million in annual general rate revenues would upset the careful balance struck when Nevada Power agreed in Docket No. 14-05004, its recent general rate case, to no change in annual revenue requirement for the next three years. (*Id.* at 6-8.) Under the settlement agreement reached in Docket No. 14-05004, Nevada Power assumed that all of its revenue will be available to fund operations. (Transcript at 631.) Thus, Nevada Power opposes the creation of a regulatory liability to collect the payroll costs, which will likely result in reduction of O&M expenses. (*Id.* at 631-32; Ex. 93 at 7.)

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### **Commission Discussion and Findings**

46. The Commission approves the components of Nevada Power's ERCR Plan related to the retirement and elimination of 812 MW of coal-fired generating capacity. Nevada Power has adequately demonstrated its plan to retire the Reid Gardner units 1-3, consisting of 300 MW of planning capacity by December 31, 2014; the Reid Gardner unit 4, consisting of 257 MW of planning capacity by December 31, 2017; and eliminate its interest in the Navajo facility, consisting of 255 MW of planning capacity by December 31, 2019. No party objected to the retirement and elimination of 812 MW of coal-fired generation.

47. The Commission approves the components of Nevada Power's ERCR Plan related to the decommissioning and remediation of 812 MW of coal-fired generating capacity. Nevada Power has adequately demonstrated its plan for the decommissioning and remediation of the generating plants based on the information available at this time. The Commission agrees with Staff that while the Commission is approving the decommissioning and remediation plan, it acknowledges that specific timelines and estimated costs are likely to change. Nevada Power remains obligated to prudently manage the timelines and costs of decommissioning and remediation and to minimize costs and maximize salvage value of the retired equipment. The costs of decommissioning and remediation will be subject to review for reasonableness in the appropriate general rate case application.

48. The Commission finds that while the potential for double recovery of the payroll costs exists, establishment of a regulatory liability is not necessary to prevent double recovery. The processes for tracking savings realized from reduced payroll expenses at the decommissioned portion of the Reid Gardner facilities are identical regardless of whether a regulatory liability is established, as proposed by Staff, or if the ERCR regulatory asset amount

is offset at the time of the next general rate case, as proposed by Nevada Power. The key to avoiding the double collection is tracking. Nevada Power's proposal is consistent with NAC 704.9453(6)(b)(5) and the Commission's prior practice. *See e.g.*, Docket Nos. 03-10001 and 03-10002, March 26, 2004, Order, paragraphs 640-42. Accordingly, the Commission adopts Nevada Power's approach of tracking the payroll savings and offsetting the appropriate regulatory asset account at the time of the next general case.

49. Based on the foregoing, the Commission accepts the emission reduction portion of Nevada Power's ERCR Plan and finds that Nevada Power has met the requirements of NRS 704.7316(2)(a) and NAC 704.9453(2)(a-1).

### **iii. Capacity Replacement**

#### **Applicable Authorities**

##### Non-Technology-Specific Capacity Replacement

50. NRS 704.7316(c) provides for Nevada Power to construct or acquire and own 550 MW of non-technology-specific generating capacity, which must be constructed or acquired to replace the coal-fired generating capacity to be retired or eliminated, in an orderly and structured manner.

51. NAC 704.9453(4) requires the ERCR Plan to include a description of the plants Nevada Power proposes to construct or acquire with a budget for each such plant, the dates of initiation and completion of plant construction(s) or the dates of acquisition(s), as applicable, a description of the ancillary utility facilities necessary to operate or interconnect the plant(s), and the performance and reliability standards to which the electric generating plant(s) will be subject and a statement of how those standards compare to standards that the utility has mandated from other electric generating plants with which the utility has executed PPAs. NAC 704.9453(4) also

