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18-08007

Public Utilities Commission of Nevada
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BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Sierra Pacific Power Company d/b/a NV Energy
Docket No. 18-08007
Golden Road Motor Inn, Inc. d/b/a Atlantis Casino Resort Spa
NRS Chapter 704B Departure Application
Prepared Direct Testimony of

SHAWN M. ELICEGUI

Nevada Power Company
and Sierra Pacific Power Company
d/b/a NV Energy

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8 1. Q. PLEASE STATE YOUR NAME, OCCUPATION, BUSINESS ADDRESS AND
9 PARTY FOR WHOM YOU ARE FILING TESTIMONY.

10 A. My name is Shawn M. Elicegui. My current position is Senior Vice President,
11 Regulation and Business Planning for Sierra Pacific Power Company d/b/a NV
12 Energy (“Sierra”) and Nevada Power Company d/b/a NV Energy (“Nevada Power,”
13 and together with Sierra, the “Companies” or “NV Energy”). My business address is
14 6100 Neil Road in Reno, Nevada. I am filing testimony on behalf of Sierra.

15
16 2. Q. PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.

17 A. My responsibilities include supervision of NV Energy’s regulatory pricing,
18 regulatory policy, resource planning functions and the development of business,
19 regulatory, legislative policies and positions. I am also responsible for supervising
20 the preparation of filings with the Public Utilities Commission of Nevada
21 (“Commission”), including energy supply plans, integrated resource plans and fuel
22 and purchased power prudence review and general rate review filings.

23
24 3. Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE IN THE
25 UTILITY INDUSTRY.

26 A. I hold a Bachelor of Arts Degree with a major in Political Science and International
27 Affairs. The degree was conferred by the University of Nevada, Reno. I earned a law

1 degree from the University of California, Davis. Before joining the Companies in
2 2009, I was a shareholder in the law firm of Lionel Sawyer and Collins. Between
3 2009 and 2013, I served as an Associate General Counsel for the Companies,
4 focusing on matters related to ratemaking and resource planning. Since 2014, I have
5 held several positions with NV Energy, including positions in the customer
6 operations, regulatory and resource planning functions.

7
8 **4. Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

9 A. Yes, I have.

10
11 **5. Q. ARE YOU SPONSORING ANY EXHIBITS?**

12 A. Yes. I sponsor the following exhibits:

- 13 ▪ Exhibit Elicegui-Direct 1, Statement of qualifications
- 14 ▪ Exhibit Elicegui-Direct 2, Lump Sum Impact Model
- 15 ▪ Exhibit Elicegui-Direct 3, Non-bypassable Model

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17 **6. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. I provide support for the Company's position regarding the transaction proposed by
19 Golden Road Motor Inn, Inc. d/b/a Atlantis Casino Resort Spa (the "Applicant"). The
20 Applicant filed an application pursuant to Chapter 704B of the Nevada Revised
21 Statutes (the "Application") requesting approval of a proposed transaction with a
22 provider of a new electric resource.

23
24 **7. Q. HOW IS YOUR TESTIMONY ORGANIZED?**

25 A. My testimony is separated into three sections. Section I discusses the history and
26 goals of NRS Chapter 704B. Section II discusses the Application's legal deficiencies
27

1 and assesses whether the application is in the public interest. In Section III, I discuss
2 adjustments to the Regulatory Operation Staff's ("Staff") final impact analysis and
3 support the Company's alternative analysis.
4

5 **SECTION I. NRS 704B BACKGROUND AND OBJECTIVES**

6 **8. Q. WHAT IS THE GOAL OF THE COMMISSION'S REVIEW OF THE**
7 **APPLICATION THAT INITIATED THIS DOCKET?**

8 A. As provided for in Chapter 704B of the Nevada Revised Statutes ("NRS"), the
9 Commission's role is to "protect the electric utilities in this state and their remaining
10 customers . . ."¹ "[A]ll transactions proposed by eligible customers pursuant to
11 [Chapter 704B] *must* be carefully reviewed by the [Commission] to *ensure* that . . .
12 remaining customers are not subject to increased costs as a result of the transaction
13 and that the proposed transactions are not otherwise contrary to the public interest."²
14

15 **9. Q. WHO IS RESPONSIBLE FOR DEMONSTRATING THAT THE PROPOSED**
16 **TRANSACTION IS NOT CONTRARY TO THE PUBLIC INTEREST?**

17 A. The Applicant. Because the transaction must be carefully reviewed to make certain
18 that Sierra's customers will not experience price increases as a result of the
19 transaction, the bar should be a high one.
20

21 The regulatory process has been and is functioning well in Nevada. The Company,
22 subject to the Commission's supervision and oversight, has implemented the State's
23 energy policy objectives. At the same time, electricity prices have remained
24 reasonable. According to the Department of Energy's Energy Information
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26
27 ¹ 2001 Statutes of Nevada 3223, Chapter 604.

² Id. (emphasis added).

1 Administration, the average price of electricity for Nevada’s industrial sector was
2 6.35 cents per kilowatt-hour for the first 10 months of 2018, which was about 8.8
3 percent below the national average. The average commercial sector electric price in
4 Nevada was 7.89 per kWh, which was 26 percent below the national average.
5

6 NV Energy has, subject to the Commission’s oversight, achieved the State’s goals of
7 advancing renewable energy and diversifying the economy by attracting new
8 businesses while reliably producing and delivering reasonably priced electricity.
9 Applicants who propose to secure their own supply of electricity should demonstrate
10 that the transactions they propose will benefit Nevadans.
11

12 **10. Q. WHAT STANDARDS DOES CHAPTER 704B ESTABLISH FOR**
13 **EVALUATING A PROPOSED TRANSACTION.**

14 A. NRS 704B.310 establishes the decision-making standard in this proceeding: the
15 Commission has to determine whether the transaction proposed by the Applicant will
16 be contrary to the public interest. In making that determination, the Commission must
17 consider at least five items:

- 18 1. Whether NV Energy will be burdened by increased costs as a result of the proposed
19 transactions;
- 20 2. Whether any remaining customers will pay increased rates for electric service as a
21 result of the proposed transaction;
- 22 3. Whether the proposed transaction will impair system reliability;
- 23 4. Whether the proposed transaction will impair NV Energy’s ability to provide
24 electric service to its remaining customers; and
- 25 5. Whether the proposed transaction will add energy, capacity or ancillary services to
26 the supply of this State.
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This list is not exhaustive.

The Commission’s review of the transaction proposed by the Applicant should center on how approval of the application would affect Sierra and its remaining customers. A key question is whether granting the application and reducing the scope of the Company’s operations (relative to not granting the Application) will increase the price of electricity to the Company’s remaining customers. Where the Commission identifies consequences of the proposed transaction that run counter to or undermine the public interest, the Commission may deny the application or order terms, conditions and payments as it deems necessary and appropriate to ensure that the proposed transaction will not be contrary to the public interest.

11. Q. WHAT WAS THE CONTEXT IN WHICH THE LEGISLATURE ESTABLISHED CHAPTER 704B?

A. The Legislature adopted NRS Chapter 704B in 2001. The energy industry in general and the energy market, both in Nevada and the western United States, were quite different. The Legislature recognized this, making several findings when it adopted NRS Chapter 704B. Some of those findings are:

1. The electric utilities in this state depend on regional energy markets to purchase approximately 50 percent of the electricity needed to serve their customers in this state, and such purchases are often made pursuant to agreements with terms of 1 year or less.
2. The energy markets in the western United States currently are characterized by critical shortages in the supply of electricity and extremely high prices for

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electricity, both of which are damaging to the strength of the economy of this state and to the well-being of the residents of this state.

- 3. The residents of this state would benefit from construction of new generation assets in this state and from access to other new electric resources, wherever located, that provide lower-priced electricity.
- 4. The development and use of new generation assets and other new electric resources by eligible customers would permit the electric utilities in this state to reduce their dependence on purchases of excessively priced electricity from dysfunctional, short-term energy markets and would thereby reduce the average system costs for such electric utilities.
- 5. The development and use of new generation assets and other new electric resources can be encouraged by allowing eligible customers to use their own resources, initiative, expertise and credit to develop, access and enter into agreements for the purchase of electricity from new generation assets and other new electric resources.

12. Q. HAVE THE UNDERLYING FACTUAL CIRCUMSTANCES CHANGED?

A. Yes. First, Nevada Power and Sierra are not dependent on regional energy markets; while Nevada Power and Sierra purchase energy in regional energy markets, the Companies generally do so for economic reasons. Second, the energy markets in the western United States are generally not viewed as “dysfunctional.” Third, eligible customers recently have not proposed transactions in which they are using their own resources, initiative, expertise and credit to develop new generation resources within the Nevada balancing area authority.³

³ A resource and load does not need to be geographically located in Nevada in order to be in the Nevada balancing area authority (i.e., the Nevada market). For instance, load in California is within the Nevada balancing authority area and generating resources physically located in Nevada are in the California Independent System Operator’s balancing area authority.

1 13. Q. **WHY ARE SOME OF THESE CHANGES IMPORTANT?**

2 A. In 2001, it was very clear that a proposed transaction by an eligible customer to
3 purchase energy in a regional market could benefit remaining customers. This is
4 because each of the Companies had *significant* avoidable short-run costs – namely,
5 “excessively” priced energy (or, “extremely high priced”) purchased in
6 “dysfunctional markets.” This assumed benefit no longer exists. Second, another
7 foundational benefit upon which the Legislature grounded Chapter 704B – that
8 eligible customers would use their financial resource to bring new, lower-priced
9 energy resources to Nevada’s market – also has not proven true.

10
11 **SECTION II: THE APPLICATION IS DEFICIENT**

12 A. **THE APPLICATION CONTAINS SEVERAL LEGAL DEFICIENCIES**
13 **THAT SHOULD BE REMEDIED BEFORE THE COMMISSION RENDERS**
14 **A DECISION**

15
16 14. Q. **DOES THE APPLICANT PROVIDE SUFFICIENT INFORMATION IN THE**
17 **APPLICATION TO MEET ITS BURDEN THAT THE PROPOSED**
18 **TRANSACTION IS NOT CONTRARY TO THE PUBLIC INTEREST?**

19 A. No. NRS 704.310(6) provides the criteria that the Commission must determine to
20 ensure the proposed transaction is not contrary to the public interest. Specifically,
21 NRS 704.310(6) states:

22 In determining whether the proposed transaction will be contrary to the public
23 interest, the Commission shall consider, without limitation:

24 (a) Whether the electric utility that has been providing electric service to the eligible
25 customer will be burdened by increased costs as a result of the proposed transaction
26 or whether any remaining customer of the electric utility will pay increased costs for
27 electric service as a result of the proposed transaction;

(b) Whether the proposed transaction will impair system reliability or the ability of
the electric utility to provide electric service to its remaining customers; and

(c) Whether the proposed transaction will add energy, capacity or ancillary services
to the supply in this State.

1 15. Q. DOES THE APPLICATION PROVIDE ANY INFORMATION ON HOW THE
2 PROPOSED TRANSACTION WILL NOT INCREASE COSTS FOR THE
3 ELECTRIC UTILITY OR REMAINING CUSTOMERS OF THE
4 COMPANY?

5 A. No. The Applicant has provided no evidence or information on how the proposed
6 transaction will not increase costs for the electric utility or remaining customers of
7 the Company. The Applicant acknowledges that this is a requirement, however, it
8 then discusses how the proposed transaction will financially benefit the Applicant.⁴
9

10 16. Q. DOES GRANTING 704B APPLICATIONS INHERENTLY PUT UPWARD
11 PRESSURE ON ELECTRIC PRICES?

12 A. Yes. Sierra proposed and this Commission approved investments in long-lived assets
13 and long-term obligations with the expectation that Sierra would serve customers in
14 the State of Nevada. Base tariff general revenue requirement and Sierra's fuel and
15 purchased power revenue requirement will be spread over fewer billing determinants,
16 resulting in electric prices that are higher than they need to be and, more importantly,
17 were expected to be. One way the Commission has attempted to address this fact is
18 through the assessment of an impact fee. However, the Application is silent as to
19 whether or not the Applicant will pay an impact fee or if the impact fee is a sufficient
20 amount to ensure that the Company's and remaining customer's costs are not
21 increased.
22

23 17. Q. COULD GRANTING THE APPLICATION IMPOSE COSTS ON NV
24 ENERGY?
25
26

27 ⁴ See Application at 4 & 5.

1 A. Yes. In Nevada Power’s 2017 general rate review proceeding, the Commission
2 directed Nevada Power to begin calculating “carrying charges” on “the unamortized
3 BTGR portion of the impact fees paid to Nevada Power”⁵ Nevada Power is now
4 experiencing increased interest expense because of transactions proposed by eligible
5 customers. This outcome is inconsistent with Chapter 704B. To the extent the
6 Commission directs the Company to accrue carrying charges on an impact fee
7 payment, NV Energy requests that the Commission gross up the impact fee payment
8 to reflect the carrying charges and impose this cost on the Applicant. The Applicant
9 proposed the transaction that is the subject of this proceeding, not NV Energy.

10
11 **18. Q. DOES THE APPLICATION PROVIDE ANY EVIDENCE THAT THE**
12 **PROPOSED TRANSACTION WILL NOT IMPAIR SYSTEM RELIABILITY**
13 **OR THE ABILITY TO PROVIDE ELECTRIC SERVICE TO REMAINING**
14 **CUSTOMERS?**

15 A. No. The Applicant once again glosses over this requirement. As of the date of this
16 testimony, the Applicant has not requested the Company conduct a distribution or
17 transmission system impact study.

18
19 **19. Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION**
20 **REGARDING THESE LEGAL DEFICIENCIES?**

21 A. The application contains legal deficiencies in that it does not contain all of the
22 information required by Chapter 704B. The Commission should require the
23 Applicant to amend its application by curing the deficiencies. This will ensure that
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27 ⁵ Application of Nevada Power Company, P.U.C.N. Docket No. 17-06003, Order at ¶ 182 (iss. December 29,
2017).

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the Commission has a completed record and is able to carefully review the proposed transaction, as required by Chapter 704B.

B. THE PROPOSED TRANSACTION DOES NOT ADVANCE THE GOALS (OR OBJECTIVES) OF CHAPTER 704B.

20. Q. DOES THE PROPOSED TRANSACTION ADD ENERGY, CAPACITY AND ANCILLARY SERVICES TO THE SUPPLY IN THIS STATE?

A. No. In determining whether the transaction proposed by the Applicant will be contrary to the public interest, Chapter 704B also requires that the Commission consider whether the “proposed transaction will add energy, capacity or ancillary services to the supply in this State.” The transaction proposed by the Applicant does not add any energy, capacity or ancillary services to the supply in this State.

The Applicant proposes to purchase energy from Tenaska pursuant to a WSPP Schedule C contract. The Applicant has not proposed to: (a) build or contract with a to-be-built generation resource located within the Nevada balancing authority area or (b) invest in transmission assets that would provide access to a different regional energy market. Instead, the Applicant proposes to buy energy that might be available in a regional market to which NV Energy already has access. In the following questions and answers, I will explain why this proposed transaction does not add “energy, capacity or ancillary services *to the supply in this State*” as contemplated by Chapter 704B.⁶

⁶ Nev. Rev. Stat. § 704B.310(6)(c).

1 **21. Q. PLEASE EXPLAIN NV ENERGY’S POSITION.**

2 A. The Legislative findings contained in Assembly Bill 661 (now Chapter 704B) makes
3 it clear that the Legislature believed all Nevadans would benefit from transactions
4 proposed by eligible customers if either (a) the proposed transaction involved the
5 addition of new generating resources located in Nevada or (b) involved a transaction
6 with resource located in another market if, but only if, the resource “provide[d] lower-
7 priced electricity.”⁷
8

9 **22. Q. HAVE THE TRANSACTIONS PROPOSED BY ELIGIBLE CUSTOMERS
10 MET EITHER OF THESE STANDARDS.**

11 A. No. First, since 2014, no applicant has proposed in their application to build (or
12 support the construction of) a new generating resource located in Nevada. Second,
13 Staff’s analysis of and recommendations regarding “10-percent” contracts,⁸ in
14 several recent 704B applications demonstrates that this statutory objective is not
15 being met.⁹
16

17 In Docket No. 15-05017, when Staff analyzed the 10-percent contract, it first found
18 that “the pricing, term and conditions contained in the 10-percent contract are
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20
21

22 ⁷ See 2001 Statutes of Nevada at 3222.

23 ⁸ The 10-percent contract is not a defined term but it is an additional amount of energy which is equal to 10 percent
24 of the total amount of energy that the eligible customer is purchasing for its own use under the proposed transaction and
25 which is purchased at the same price, terms and conditions as the energy purchased by the eligible customer for its own
26 use, the capacity and ancillary services associated with the additional amount of energy at the same price, terms and
27 conditions as the capacity and ancillary services purchased by the eligible customer for its own use; and offers to assign
28 the rights to the contract to the electric utility for use by the remaining customers of the electric utility. See Nev. Rev.
Stat. § 704B.320(2).

⁹ I understand that Atlantis is not required to offer Sierra a 10 percent contract pursuant to the Nevada Revised
Statutes. However, because Nevada Power and Sierra are similarly situated and can purchase from the same markets, I
use Staff’s analysis as an example that is applicable to both Sierra and Nevada Power.

1 substantially similar to the price, terms, and conditions that are contained within the
2 Retail Services Agreement between MGM and Tenaska.”¹⁰ Then Staff concluded:
3 But quantitatively, Nevada Power has the credit and operations ability to
4 procure market based products. Additionally, since the 10-percent contract
5 would only be for approximately 17 MWs, *and comes with a substantial
6 cost adder*, it would be *uneconomical* and administratively burdensome
7 for Nevada Power to execute, manage, and enforce such a small contract.¹¹

8 Stated simply, Staff implicitly concluded that the 10-percent contract proposed by the
9 applicant (and, therefore, the transaction proposed by the applicant) did not offer
10 electricity at a price lower than that already available to Sierra.

11 **23. Q. DOES NV ENERGY PURCHASE ENERGY AND CAPACITY PRODUCED
12 IN OTHER MARKETS AND DELIVER THAT ENERGY TO NEVADA?**

13 A. Yes. NV Energy makes economic purchases in regional markets and delivers that
14 energy to Nevada. NV Energy has, in the past, entered into capacity contracts with
15 generating resources located outside of the Nevada balancing authority area. Finally,
16 NV Energy’s energy supply plan does rely on forward firm energy purchases to close
17 open summer capacity positions.

18
19 **24. Q. WHY DOESN’T A SIMILAR TRANSACTION PROPOSED BY AN
20 ELIGIBLE CUSTOMER “ADD ENERGY” TO “THE SUPPLY IN THIS
21 STATE?”**

22 A. The answer is found, in my view, in the Legislative findings, the purpose of Chapter
23 704B and the changes that have occurred since 2001. In 2001, there was insufficient
24 electric generating capacity located within the two Nevada balancing authority areas
25 and regional markets. At the same time, NV Energy’s two operating subsidiaries were

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27 ¹⁰ See Docket No. 15-05017, Staff’s Final Analysis, filed March 21, 2016, p. 3.

¹¹ Id., p. 4.

1 on the verge of bankruptcy; they lacked the credit and financial resources to purchase
2 extremely high priced energy needed to serve customers. The basic purpose of
3 Chapter 704B was to remedy this situation by allowing large, sophisticated
4 corporations to use their initiative, financial resources and credit to bring new
5 supplies of energy and capacity to Nevada, either through the construction of new
6 resources within the balancing authority areas or by securing lower-priced contracts
7 from suppliers in regional markets. If eligible customers proposed transactions that
8 accomplished either of these goals, the objectives of Chapter 704B were met – *all*
9 residents of Nevada benefited. The conditions that resulted in the adoption of Chapter
10 704B no longer exist; moreover, the transaction proposed by the Applicant does not
11 meet either of the goals of Chapter 704B.

12
13 Thus, I believe that when an eligible customer proposes to purchase and import
14 financially firm energy from a regional market to which NV Energy already has
15 access, the transaction does not add energy or capacity to the *supply* of energy and
16 capacity in Nevada. The transaction may result in the delivery of energy to Nevada,
17 but it does not increase the supply-side equation. The same level of generation and
18 transmission system capacity that existed prior to the 704B application remains.
19 Stated differently, Chapter 704B, at its core, has a resource planning objective; the
20 objective was to improve resource adequacy. The transaction proposed by this
21 Applicant does not do that; indeed, it results in a deterioration of resource adequacy
22 by shifting the resource balance through reduced optimization opportunities between
23 internal generation and market purchases available to existing customers.¹²

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27 ¹² The 704B customer's specific Point of Delivery can have a direct and or indirect impact on native loads ability to purchase from system tie lines - therefore, restricting existing access to multiple external markets.

1 To illustrate this point, the transaction proposed by the Applicant includes the ability
2 to import 100 percent of the Applicant’s energy and capacity needs. NV Energy does
3 not have the ability to import 100 percent of the energy and capacity needs of its
4 native load customers. This realization highlights a simple point: the need to evaluate
5 704B transactions and determine whether they improve or reduce resource adequacy.
6 If a transaction improves resources adequacy within the Nevada balancing authority
7 area, it adds to the supply of energy, capacity and ancillary services. If a transaction
8 does not improve resource adequacy, it does not add to the “supply in this state” as
9 contemplated by Chapter 704B.

10
11 **25. Q. WHAT CONCLUSION SHOULD THE COMMISSION REACH IF AN**
12 **ELIGIBLE CUSTOMER IS PROPOSING TO PURCHASE THE SAME**
13 **PRODUCT THAT NV ENERGY CAN PURCHASE ON THE WHOLESALE**
14 **MARKET?**

15 A. When an eligible customer proposes to buy energy at indexed prices in a market
16 where NV Energy “has the credit and operations ability to procure” energy in the
17 same market without a substantial cost adder, the Commission should reach the
18 logical conclusion that the transaction does not add energy or capacity (let alone
19 ancillary services) to the “supply” in Nevada. Delivering energy from a regional
20 market – where NV Energy has the credit and operations ability to buy energy and
21 deliver that energy to Nevada – does not add any new supply to the state as
22 contemplated by Chapter 704B.

23
24 **26. Q. PLEASE EXPLAIN WHY YOU CONCLUDE THAT A CUSTOMER WHO**
25 **PROPOSES TO PURCHASE ENERGY PURSUANT TO A WSPP**
26 **SCHEDULE C CONTRACT IN A REGIONAL MARKET TO WHICH NV**

**ENERGY ALREADY HAS ACCESS DOES NOT ADD TO THE “SUPPLY”
OF ENERGY, CAPACITY OR ANCILLARY SERVICES “IN THIS STATE.”**

A. If a customer proposed to build a generation resource within the balancing authority area – as did Barrick Gold and Newmont – the transaction would add a supply to the state. If, on the other hand, the customer proposes to purchase energy in a regional market, with which NV Energy currently has an interconnection, then there is no new energy being added to the supply in this state unless NV Energy is incapable for some reason – e.g., its credit characteristics – of purchasing energy in that market. This very well could have been the case in 2001; however, the fact is that NV Energy has the operational ability and the financial characteristics to purchase energy in the same markets that the Applicant’s supplier, Tenaska plans to access.¹³

The Legislative findings make it clear that one important purpose of Chapter 704B was to either (a) result in the development of new generation resources within Nevada or (b) because of the specific initiative and financial attributes of an applicant, result in the delivery of lower-priced energy (than that which NV Energy is capable of purchase) to both the Applicant and NV Energy.¹⁴ The Applicant has not shown that either of these objectives will be satisfied. Therefore, the Commission has two remedies I can identify: (1) it can require the Applicant to amend the application to address this issue and reset the 150-day timeframe to review the application or (2) deny the application as filed and allow the Applicant to refile the application when it can provide the information to meet its burden of proof.

¹³ There are transactions in which a supplier might have control of a specific resource or might be proposing a transmission investment that would inject new supply into Nevada. The Applicant has not produced any evidence that Tenaska will be adding to the supply of low-priced energy in Nevada by dedicating a new resource – one not otherwise available to NV Energy – or bringing a new transmission investment that provides access to a new regional market.

¹⁴ This is the reason why the Legislature included the 10-percent contract provision – so that applicants who entered into power purchase agreements would also deliver additional, lower-cost energy to Nevada, benefiting *all* of the residents of this state, not just the Applicant.

1 **SECTION III: ALTERNATIVE ANALYSIS**

2 27. Q. PLEASE SUMMARIZE THE COMPANY’S ALTERNATIVE ANALYSIS.

3 A. The Company’s alternative analysis removes from the Base Tariff Energy Rate
4 component of the impact fee “credits” associated with putative efficiency gains
5 embedded in Staff’s Final analysis.

6
7 28. Q. WHY DID THE COMPANY REMOVE THE IMPACT FEE CREDITS?

8 A. Staff’s directive requires the Company to remove all “placeholders” from the supply
9 portfolio when conducting production cost modeling. This direction results in a
10 supply plan that relies more heavily on wholesale markets for the purchase of energy
11 and capacity than NV Energy’s approved energy supply plan and integrated resource
12 planning philosophy. Removal of the credits provides a more accurate depiction of
13 the Company’s energy supply plan an integrated resource plans approved by the
14 Commission.

15
16 29. Q. IN ADDITION TO THE REMOVAL OF THE CREDITS, DOES THE
17 COMPANY HAVE ANY OTHER RECOMMENDATIONS THE
18 COMMISSION SHOULD IMPOSE ON THE APPLICANT’S IMPACT FEE?

19 A. Yes. If the Commission concludes that the transaction will not be contrary to the
20 public interest, it should assess an impact fee using a six-year time period, compared
21 to Staff’s recommended three-year time period. In addition, the Commission should
22 modify Staff’s “lump sum” analysis by requiring the Applicant to pay a non-
23 bypassable RBTER charge beginning in April 2025 for the remainder of the life of
24 the RBTER contracts or, if the Commission uses the non-bypassable charge
25 methodology, to pay a the RBTER charge for the life of the underlying contracts.

1 30. Q. **WHY SHOULD THE COMMISSION ASSESS A SIX YEAR IMPACT FEE?**

2 A. A large factor on determining the time period for the impact fee is the assumption
3 that the Company will have steady load growth to off-set the impact of the Applicant
4 no longer being a fully bundled customer. However, due to the Commission's recent
5 order in Docket No. 18-06009, and a number of existing large customers expressing
6 interest in filing an NRS 704B application, the steady load growth assumption must
7 be revisited.
8

9 31. Q. **WHY DID THE COMMISSION'S ORDER IN DOCKET NO. 18-06009 MAKE
10 THE COMPANY RECOMMEND A LONGER TIME PERIOD FOR THE
11 IMPACT FEE ANALYSIS?**

12 A. The Commission's order in Docket No. 18-06009 specifically differentiated between
13 incremental load (i.e. new customers) and existing load (i.e. existing customers) and
14 who is required to pay an impact fee. Specifically, the Commission found that new
15 businesses to Nevada do not have to pay an impact fee or for non-bypassable charges
16 for their incremental load because the Company did not specifically plan for that
17 entity in its load forecast. The Company believes that this finding will impact its load
18 growth in its large commercial and industrial class and that the previous assumptions
19 of load growth to determine the impact fee time period need to be expanded.
20

21 32. Q. **IS IT YOUR TESTIMONY THE COMPANY WILL NOT EXPERIENCE ANY
22 LOAD GROWTH?**

23 A. No. I am stating that facts of large commercial and industrial customer load growth
24 has changed since the Commission adopted the three-year time period analysis for
25 the impact fee. Although the Company will experience load growth, the rate is not
26 nearly as large when the Commission first used the three-year time period.
27

1 33. Q. DO YOU THINK THAT THE APPLICANT'S CONSULTANT AGREES
2 WILL AGREE WITH THIS RECOMMENDATION?

3 A. No. In Docket No. 18-09003, which is the LV Stadium Events Company, LLC
4 application, the Applicant's same consultant/witness testified that the Company will
5 experience load growth regardless if the Commission does not assess an impact fee
6 on incremental load. In that docket, he contends that there is still load growth based
7 upon residential and small commercial classes so the time frame does not need to be
8 reassessed. The Applicant's consultant/witness included four tables to support his
9 conclusion.

10
11 34. Q. DO YOU AGREE WITH THE APPLICANT'S CONSULTANT/WITNESS'
12 CONCLUSION?

13 A. No. First, the tables included in the consultant/witness' testimony in Docket No. 18-
14 09003 assume that the large commercial and industrial load remains flat, largely
15 based upon the Company's load forecast in its recently approved joint Integrated
16 Resource Plan. However, since the load forecast was approved, the Company has
17 received additional 704B applications and letters of intent to proceed with the NRS
18 Chapter 704B process that were not included in the forecast. Additionally, the three-
19 year time period for the impact analysis was based upon on a different set of
20 assumptions related to the load forecast. Based upon the recent Commission orders
21 and continued interest of existing customers to file 704B applications, these
22 assumptions have changed, which leads to the conclusion that the time period for
23 impact analysis needs to be revisited.

1 35. Q. WHY SHOULD THE COMMISSION REQUIRE THE APPLICANT TO PAY
2 THE RBTER CHARGES FOR THE REMAINDER OF THE LIFE OF THE
3 REBER CONTRACTS?

4 A. The RBTER is the portion of the Base Tariff Energy Rate that represents the costs
5 for “out of the money” renewable energy power purchase agreements that the
6 Company entered into to comply with Nevada’s Renewable Portfolio Standard.
7 Staff’s final impact analysis only factors in three years of these costs. NV Energy
8 enters into long-term power purchase agreements pursuant to federal and state public
9 policy directives based on long-term load forecasts. These must-take obligations
10 represent non-variable costs; stated differently, the costs to NV Energy and its
11 customers associated with these contracts do not vary based on sales. The transaction
12 proposed by the Applicant will reduce NV Energy’s sales and will not result in a
13 reduction of “RBTER” costs. To mitigate this increase in the cost of electricity to
14 non-participating customers, Staff’s final analysis needs to be modified.

15
16 36. Q. WHAT IS THE COMPANY’S RECOMMENDATION IN REGARDS TO THE
17 APPLICANT’S APPLICATION?

18 A. The Commission has two remedies: (1) it can require the Applicant to amend the
19 application to address this issue and reset the 150-day timeframe to review the
20 application or (2) deny the application as filed and allow the Applicant to refile the
21 application when it can provide the information to meet its burden of proof. If the
22 Commission determines that the application as filed is not contrary to the public
23 interest, then the Company recommends the Commission assess an impact fee using
24 a six-year time period, along with implementing the Company’s modifications to
25 Staff’s final analysis that are discussed above. See **Exhibit Elicegui-Direct 2** and
26 **Exhibit Elicegui-Direct 3**.

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37. Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

A. Yes.

EXHIBIT ELICEGUI-DIRECT-1

