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BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Annual Deferred Energy Accounting Adjustment Application of Nevada Power Company d/b/a NV Energy for the 12-month period ending December 31, 2019, reset the Temporary Renewable Energy Development Charge, reset all components of the Total Renewable Energy Program Rate, reset the Base Energy Efficiency Program Rates, reset the Base Energy Efficiency Implementation Rates, reset the Energy Efficiency Program Amortization Rate, and reset the Energy Efficiency Implementation Amortization Rate and refund the total amount of Energy Efficiency Implementation Rate Adjustment revenue received in 2019, including carrying charges.

Docket No. 20-02 ____

VOLUME 2 OF 12

APPLICATION, DRAFT NOTICE AND EXHIBITS

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APPLICATION

1 **BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

2 Annual Deferred Energy Accounting Adjustment)
3 Application of Nevada Power Company d/b/a NV)
4 Energy for the 12-month period ending December)
5 31, 2019, reset the Temporary Renewable Energy)
6 Development Charge, reset all components of the)
7 Total Renewable Energy Program Rate, reset the)
8 Base Energy Efficiency Program Rates, reset the) Docket No. 20-02____
9 Base Energy Efficiency Implementation Rates,)
10 reset the Energy Efficiency Program Amortization)
11 Rate, and reset the Energy Efficiency)
12 Implementation Amortization Rate and refund the)
13 total amount of Energy Efficiency Implementation)
14 Rate Adjustment revenue received in 2019,)
15 including carrying charges.)

11 **APPLICATION**

12 Nevada Power Company d/b/a NV Energy (“Nevada Power” or the “Company”)
13 respectfully submits this application (the “Application”) pursuant to Sections
14 704.110(11)(c) and 704.187(3) of the Nevada Revised Statutes (“NRS”). The primary
15 purpose of the Application is to satisfy the requirement of NRS § 704.110(11)(c) by
16 providing a forum for the Public Utilities Commission of Nevada (the “Commission”) to
17 review the Company’s fuel and purchased power transactions for the 12-month period
18 ending December 31, 2019 (the “Deferral Period”). The Application also seeks the
19 authority to reset several other rate elements.

20 The Application is based on the prepared direct testimony of 17 witnesses filed in
21 support of the Application, the exhibits to the Application, and the appendices that
22 accompany the Application.

23 **I. Summary of Application**

24 Because Nevada Power changes its deferred energy accounting adjustment
25 (“DEAA”) charges each quarter, this Application does not propose any DEAA changes.
26 Instead, the Application provides a forum for Commission review of fuel and purchased
27 power and financial transactions that were recorded during the Deferral Period.

1 As of December 31, 2019, the adjusted cumulative balance in the Company’s
 2 deferred energy account was \$(46,330,438). This balance reflects the reasonable cost of
 3 fuel and purchased power transactions undertaken by Nevada Power to provide electric
 4 service to its customers. The Application demonstrates that these costs were prudently
 5 incurred and are reasonable and, consequently, requests a finding that the costs should be
 6 recovered. Exhibit D-1 shows the derivation of the adjusted cumulative credit balance.

7 The Application also requests authorization to reset the Temporary Renewable
 8 Energy Development (“TRED”) charge, reset Renewable Energy Program Rate
 9 (“REPR”), reset the Base Energy Efficiency Program Rates (“Base EEPR”), reset the
 10 Base Energy Efficiency Implementation Rates (“Base EEIR”), reset the Energy
 11 Efficiency Program Amortization Rate (“Amortization EEPR”), reset the Energy
 12 Efficiency Implementation Amortization Rate (“Amortization EEIR”), and refund the
 13 total amount of Base EEIR revenue received in 2019, including carrying charges.

14 **A. The TRED, the REPR and the Energy Efficiency Rates**

15 Nevada Power proposes to establish the following TRED charges and REPR.

16 **Table 1**

	Current – per kWh	Proposed – per kWh
TRED (Res)	\$0.00070	\$0.00075
TRED (Non-Res)	\$0.00068	\$0.00068
REPR (Res & Non-Res)	\$(0.00039)	\$(0.00028)

19
 20 Exhibit H shows the calculation of the updated TRED charge pursuant to Section
 21 704.8898(3) of the Nevada Administrative Code (“NAC”). The TRED charge is based
 22 on the total funding required for the year that the charge will be in effect which is October
 23 1, 2020, through September 30, 2021. Total TRED requirements are calculated by
 24 forecasting total receipts (including interest earned on the trust balance) and
 25 disbursements to the trust plus the minimum balance requirement less the projected
 26 balance at September 30, 2020. The funding requirement is then divided by historical
 27 sales to calculate the rate for the rate effective period. Exhibit I shows the calculation of
 28

1 the proposed REPR. The TRED and REPR adjustments would become effective on
 2 October 1, 2020. Exhibit J shows the Base EEPR and Base EEIR rates proposed by
 3 Nevada Power. Exhibit K shows the EEPR Amortization and EEIR Amortization rates
 4 proposed by Nevada Power. Exhibit L shows the rates resulting from the refund of Base
 5 EEIR revenue received in 2019 proposed by Nevada Power.

6 Nevada Power updated its Base Tariff Energy Rate (“BTER”) each quarter in
 7 2019. Table 2 identifies each of the quarterly filings.

8 **Table 2**
Quarterly Adjustments

Quarterly BTER Adjustment	Test Period for Quarterly BTER Adjustment	Test Period Costs Previously Reviewed
Docket No. 19-02017	12 Months Ending December 31, 2018	Docket No. 19-03001 (1 st , 2 nd , 3 rd , 4 th Qtr. 2018)
Docket No. 19-05023	12 Months Ending March 31, 2019	Docket No. 19-03001 (2 nd , 3 rd , 4 th Qtr. 2018)
Docket No. 19-08016	12 Months Ending June 30, 2019	Docket No. 19-03001 (3 rd & 4 th Qtr. 2018)
Docket No. 19-11016	12 Months Ending September 30, 2019	Docket No. 19-03001 (4 th Qtr. 2018)

16 Nevada Power does not propose to change the BTER in this filing. Ms. Margaret
 17 McWilliams describes the quarterly BTER adjustments in her testimony.

18 **B. EEIR Revenue Adjustment**

19 Consistent with the Commission’s Order in Docket No. 13-04014 and the
 20 resulting modifications to NAC § 704.9523(4), the Company is proposing to refund the
 21 total amount of EEIR revenue received in 2019, including carrying charges, on a class-
 22 specific basis. The rate of return calculation is shown in Exhibit F sponsored by Ms.
 23 McWilliams. Exhibit L details the calculation of the credit rate to be received by each
 24 customer class. This results in a refund of \$3,836,028. Mr. Jeffrey Bohrman describes
 25 the EEIR revenue refund mechanism, as illustrated in Exhibit L, in his testimony.

1 **C. Witnesses Supporting the Application**

2 Collectively, the prepared direct testimony of the Company’s witnesses
3 demonstrates that the Company (a) dispatched its generating units in an efficient and
4 appropriate manner in light of the prevailing conditions; (b) procured fuel for its
5 generating units in a prudent manner; (c) bought and sold power in a prudent manner; (d)
6 optimized its fuel resources in an appropriate manner to capture value for the benefit of
7 its customers by offsetting fuel and purchased power costs; and, (e) optimized its gas
8 transportation capacity to capture value for the benefit of its customers by offsetting fuel
9 and purchased power costs. In summary, the following witnesses’ testimony filed in
10 support of the Application demonstrates that the fuel, transportation, and purchased
11 power transactions during the Deferral Period were prudent and the attendant costs
12 included in the deferred energy account balances are reasonable.

13 **John P. McGinley**, Vice President, Regulatory. Mr. McGinley presents
14 an overview of the filing. He also discusses how the procurement of
15 energy and fuel is consistent with the approved Energy Supply Plans
16 (“ESP”) and ESP updates, and the processes that the Company has put in
17 place to comply with the ESP and ESP updates in the Deferral Period.
18 Additionally, he identifies compliance items the Company has satisfied in
19 this filing. Mr. McGinley also discusses the current state of Hoover D
20 credits. Finally, Mr. McGinley provides a short conclusion and
21 recommendation to the Commission.

22 **Cynthia Alejandre**, Manager, Energy Supply Contract Management.
23 Ms. Alejandre’s testimony addresses (a) long-term non-renewable power
24 purchase agreements, pursuant to which the Company recorded costs
25 during the Deferral Period; (b) renewable energy and portfolio energy
26 credit purchase agreements, pursuant to which the Company recorded
27 costs during Deferral Period; (c) NV GreenEnergy Rider agreements; and
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(d) portfolio energy credit replacement costs for several renewable power purchase agreements.

Jeffrey Bohrman, Manager, Regulatory Pricing and Economic Analysis. Mr. Bohrman supports the proposed Base EEPR and Base EEIR, the calculation of the Amortization EEPR and the Amortization EEIR and the calculation of the class-specific EEIR adjustment. Mr. Bohrman calculates (a) the class and the total revenue requirements associated with the implementation of energy efficiency and conservation (“EE&C”) programs, (b) the Base EEIR for each class designed to recover this revenue requirement, (c) the Base EEPR by class designed to recover projected EE&C program costs, (d) the Amortization EEIR and EEPR, and (e) the EEIR adjustment by class to return to customers EEIR revenue collected by the Company in Deferral Period.

Stacy C. Chang, Manager, Market Operations and Trading. Ms. Chang describes the Company’s risk management and control policies governing the purchase and sale of energy products. Ms. Chang also identifies the power and fuel transactions, and any financial transactions which occurred during the Deferral Period, all of which were made in accordance with strategies and policies that are established by the Risk Committee. Finally, Ms. Chang describes how the Company’s gas, power, and gas transportation resources are optimized for the benefit of our retail customers. Ms. Chang supports Technical Appendix 1.

Sarah Chatterjee, Director, Renewable Energy Programs. Ms. Chatterjee supports prudence and reasonableness of the costs included in Nevada Power’s cumulative balance in Federal Energy Regulatory Commission (“FERC”) Account No. 182.3 for the Deferral Period for Solar and Wind programs. Ms. Chatterjee also supports the projected

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costs associated with the Solar, Wind, Energy Storage and Electric Vehicle programs.

Adam Grant, Manager, Demand Side Management, Program Delivery. Mr. Grant supports the reasonableness of the Energy Efficiency Program (“EEP”) costs that are requested for recovery in this case and explains that EEP costs recorded during the Deferral Period were necessarily incurred in connection with the delivery of EE&C programs and were reasonable under the circumstances. Mr. Grant also sponsors and presents Exhibit J-2, 2020 Forecast Demand Side Management Program Costs, which provides the Company’s estimated program costs for EE&C programs for program year 2020. Exhibit J-2 provides the basis for calculating the Base EEPR and Base EEIR.

Blake Groen, Director, Financial and Corporate Planning. Mr. Groen describes the proposed regulatory return calculation and earnings sharing calculation for Nevada Power prepared in compliance with the Commission’s Initial Order (dated December 29, 2017) and Modified Final Order (dated December 19, 2018) in Docket No. 17-06003.

Anita Hart, Director, Resource Planning and Analysis. Ms. Hart supports the Company’s portfolio of gas transportation assets and associated financial transactions that occurred during the Deferral Period.

Robert Kocour, Jr., Manager, Trading Operations. Mr. Kocour describes and supports the Company’s portfolio optimization of participating resources through active participation in the California Independent System Operator’s (“CAISO”) Energy Imbalance Market (“EIM”) for the Deferral Period.

Joshua Langdon, Director, Grid Reliability and System Operations. Mr. Langdon explains the procedures that the Company has in place to balance

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loads and resources, and supports the prudence of those procedures. Mr. Langdon discusses the Company’s participation in the EIM and the operational changes as a result of the EIM operations.

Margaret McWilliams, Revenue Requirements and FERC Manager. Ms. McWilliams calculates the DEAA balance, the TRED charge and the REPR. Ms. McWilliams sponsors proposed tariffs, current tariffs, the calculation of earned rate of return and the calculation of rate impacts on the various rate classes. Ms. McWilliams also supports the calculations of Nevada Power’s four quarterly BTER and DEAA updates filed with the Commission. Finally, Ms. McWilliams supports Technical Appendix 4.

Eugene T. Meehan, National Economic Research Associates. Mr. Meehan examines the prudence of all non-renewable power transactions for terms of less than three years made by Nevada Power for delivery during the Deferral Period, concluding that the Company acted in a prudent manner and that the costs associated with purchased power transactions are reasonable.

Stephanie Olijar, Senior Business Analyst, Accounting. Ms. Olijar sponsors the Company’s financial statements as well as Exhibits E-1 and E-2, which reflect the recorded costs of fuel and purchased power. Ms. Olijar also explains the Companies’ EIM accounting procedures and protocols and describes and supports the Company’s methodology in allocating invoice activity related to the Joint Dispatch Agreement (“JDA”), EIM, and the calculation related to joint saving and transfer payments.

Dariusz Rekowski, Vice President, Generation. Mr. Rekowski describes the generating units owned by Nevada Power that were available to serve its load during the Deferral Period. He discusses the availability and

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reliability of the generating fleet, including significant events that restricted the availability of the units, and the costs associated with wear and tear of generating units. Mr. Rekowski also provides information regarding the Net Capacity Factor and the Equivalent Availability Factor of each unit. Mr. Rekowski supports Technical Appendix 5.

Marc Reyes, Treasurer. Mr. Reyes summarizes the Companies' risk control strategies and describes the risk control organization and functions. Mr. Reyes supports the prudence and reasonableness of recorded fuel and purchase power costs, concluding the transactions that resulted in fuel and purchased power costs recorded during the Deferral Period were conducted in accordance with the Company's corporate governance policies and procedures. Finally, Mr. Reyes identifies relevant compliance items and reports the status of the Company's efforts to satisfy those directives. Mr. Reyes supports Technical Appendices 2A, 2B and 2C, as well as Technical Appendix 6.

Kurt G. Strunk, National Economic Research Associates. Mr. Strunk assesses the reasonableness of the Company's physical natural gas commodity transactions for the Deferral Period. Mr. Strunk concludes that the Company's physical natural gas procurement costs are reasonable and prudent expenditures.

Vernon W. Taylor, Director, Market Analytics. Mr. Taylor describes and supports the Company's optimization of energy supply resources under the JDA for the Deferral Period. In addition, he describes and supports the Company's calculation of benefits from EIM transactions for the Deferral Period. Mr. Taylor also supports the Company's forward sales of wholesale electricity. Additionally, he describes and supports the economic dispatch of the Company's generating assets during the Deferral

1 Period. Finally, Mr. Taylor describes and supports activities performed as
2 part of the Company’s compliance with Commission orders from previous
3 dockets related to wear and tear costs.

4 **D. Exhibits and appendices supporting the Application**

5 The witnesses sponsor the following, which support the Application:

6 **Table 3**

Exhibit	Description	Witness
Exhibit A	Proposed Tariffs	Ms. McWilliams
Exhibit B	Current Tariffs	Ms. McWilliams
Exhibit C	Balance Sheet and Income Statement	Ms. Olijar
Exhibit D	Summary of Deferred Energy Accounts	Ms. McWilliams
Exhibit D-1	Calculation of Deferred Energy Balancing Account	Ms. McWilliams
Exhibit D-2	kWh Sales – Billed and Unbilled	Ms. McWilliams
Exhibit E-1	Purchased Fuel Costs	Ms. Olijar
Exhibit E-2	Purchased Power Costs	Ms. Olijar
Exhibit F	Earned Rate of Return	Ms. McWilliams
Exhibit G	Present and Proposed Rate Revenue	Ms. McWilliams
Exhibit H	Calculation of TRED Charge	Ms. McWilliams
Exhibit I	Calculation of Renewable Energy Program Rate	Ms. McWilliams
Exhibit J	Calculation of Base EEIR & Base EEPR	Mr. Bohrman
Exhibit J-1	2020 Class-Specific Sales Forecast	Mr. Bohrman
Exhibit J-2	Forecast 2020 Demand Side Management Program Costs	Mr. Grant
Exhibit K	Calculation of Amortization EEIR and EEPR	Mr. Bohrman
Exhibit K-1	Recorded Energy Efficiency and Conservation Program Costs	Mr. Bohrman and Mr. Grant
Exhibit K-2	Accrued Energy Efficiency Implementation Rate Revenue	Mr. Bohrman
Exhibit L	EEIR Adjustment Rate	Mr. Bohrman
Exhibit M	Regulatory Return and Earnings Sharing	Mr. Groen

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24 Finally, seven appendices support the Application. Appendix 1 contains the
25 minutes and presentations from Gas Hedging workshops. Ms. Chang sponsors the
26 material found in Appendix 1. Appendix 2 contains the Enterprise Risk Management and
27 Control Policy, the Energy Risk Management and Control Policy, and the Credit Risk
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1 Management and Control Policy. Mr. Reyes sponsors Appendix 2. Appendix 3 contains
2 a list of ESP and ESP updates and orders that governed the Company's activities. Mr.
3 McGinley sponsors Appendix 3. Ms. McWilliams sponsors Appendix 4, which contains
4 the workpapers supporting the calculation of the Earned Rate of Return. Mr. Rekowski
5 sponsors Appendix 5, which provides information regarding the Company's
6 capitalization policy and long-term service agreements. Appendix 6 contains the Energy
7 Risk Committee meeting minutes and presentations. Mr. Reyes sponsors Appendix 6.
8 Appendix 7 contains the modified regulatory return on equity calculation and earning
9 sharing calculation. Mr. Groen sponsors Appendix 7.

10 The Application, prepared direct testimony, exhibits to the Application and
11 appendices set forth all material facts upon which the Commission may base a decision
12 granting the requested rate changes and finding that recorded fuel and purchased power
13 and financial transaction costs are reasonable and were prudently incurred.

14 **II. The Applicant**

15 Nevada Power is a Nevada corporation and wholly-owned subsidiary of NV
16 Energy, Inc. Nevada Power is a public utility as defined in NRS § 704.020, and is subject
17 to the jurisdiction of the Commission. Nevada Power has been authorized by the
18 Commission to conduct its business within its certificated areas in Nevada pursuant to
19 Certificates of Public Convenience and Necessity issued by the Commission. Nevada
20 Power is engaged in providing electric service to the public in portions of Clark and Nye
21 Counties, Nevada.

22 Nevada Power's primary business office is located at 6226 West Sahara Avenue
23 in Las Vegas, Nevada. All correspondence related to this Application should be served
24 electronically upon the following address: regulatory@nvenergy.com. Hardcopy
25 documents should be transmitted to Nevada Power's counsel and Manager, Regulatory
26 Services as set forth below:

27
28

1 Tim Clausen
2 Senior Attorney
3 6100 Neil Road
4 Reno, Nevada 89511
5 Telephone: 775.834.5678
6 Facsimile: 775.834.4098
7 tclausen@nvenergy.com

Manager, Regulatory Services
6100 Neil Road
Reno, NV 89511
regulatory@nvenergy.com

8 **III. Statutes and Regulations Supporting the Requested Action.**

9 Nevada Power makes this application pursuant to NRS §§ 704.061 to 704.068
10 (definitions and acts deemed to be a change in schedule), NRS § 704.110 (procedure for
11 changing schedule), NRS § 704.187 (use of deferred accounting by certain electric
12 utilities), and the regulations implementing those provisions, including, but not limited
13 to: NAC § 703.115 (governing deviations from Commission regulations), NAC §§
14 703.375 to 703.410 (public utility tariffs), NAC §§ 703.530 to 703.577 (pleadings), NAC
15 § 703.710 (prepared testimony), NAC § 703.715 (documentary evidence), and NAC §§
16 704.023 to 704.195 (deferred accounting by certain electric and natural gas utilities).

17 **IV. Adjustment Date and Proposed Amortization Period**

18 The adjustment date within the meaning of NAC § 704.024 for this Application
19 is December 31, 2019. As Ms. McWilliams explains, the balance has been calculated in
20 accordance with the NAC, including NAC § 704.045. Exhibit D-1 shows the monthly
21 expenses and revenues, as well as the shortfall or surplus between costs and revenues.
22 The exhibit also shows accumulated balances, adjustments and carrying charges.

23 **V. Justification for the Proposed Rates and the DEAA Balance**

24 **A. The DEAA Balance**

25 Pursuant to NRS § 704.187(1), Nevada Power uses deferred energy accounting to
26 record all increases and decreases in its cost for purchased fuel and power. Each month,
27 Nevada Power accumulates the difference between the cost of purchasing fuel and power
28 and fuel and power revenues (i.e., BTER and DEAA revenue) pursuant to NAC §

1 704.075. Nevada Power calculates appropriate carrying charges on a monthly basis.
2 Accordingly, the difference between costs and BTER revenue was calculated monthly
3 and accumulated in the DEAA account.

4 **1. Calculation of Deferral Period Costs**

5 Nevada Power purchased fuel and power during the Deferral Period in furtherance
6 of its statutory obligation to provide safe and reliable electric service to customers. All
7 purchased fuel and power costs are recorded and accounted for by month. The monthly
8 accounting of all purchased fuel transactions is set forth in Exhibit E-1. The monthly
9 accounting of all purchased power costs by supplier is set forth in Exhibit E-2. The
10 recording and accounting of the costs of all purchased fuel and power transactions during
11 the Deferral Period are supported by the testimony of Ms. Olijar.

12 **2. Procurement and Risk Control Practices and the**
13 **Reasonableness of Recorded Costs**

14 Nevada Power procures physical natural gas and financial products pursuant to an
15 ESP and ESP updates. Ms. Chang describes and supports the procurement and resource
16 optimization strategies pursuant to which Nevada Power made purchase and sale
17 transactions that resulted in recorded costs during the Deferral Period. Ms. Chang's
18 prepared testimony demonstrates that Nevada Power's procurement and optimization
19 activities resulted in just and reasonable costs. Ms. Chang demonstrates that Nevada
20 Power procured natural gas in compliance with applicable policies. Similarly, Ms. Hart
21 demonstrates that the Company procured natural gas transportation services in
22 compliance with the applicable energy supply plan policies. Together, these witnesses
23 show that recorded fuel costs are just and reasonable.

24 Ms. Alejandre demonstrates Nevada Power's long-term non-renewable and
25 renewable energy purchases were prudent and that the costs associated with those
26 purchases were just and reasonable. Mr. McGinley discusses how the procurement of
27 energy and fuel is consistent with the approved ESP and ESP updates, and the processes
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1 that the Company has put in place to comply with the ESP and ESP updates in the Deferral
2 Period. Mr. Reyes describes and supports the risk control measures in effect to ensure
3 compliance with applicable ESP and ESP updates. Mr. Reyes concludes that the
4 Company's activities were consistent with applicable policies.

5 Nevada Power's witnesses, in short, demonstrate that the costs reflected in the
6 deferred energy balance reflect the results of transactions that occurred in compliance
7 with the governing ESP and ESP update. Transactions occurred at prevailing market
8 conditions and Nevada Power took reasonable and appropriate steps to optimize resources
9 for the benefit of its retail customers.

10 In addition, Nevada Power retained Mr. Strunk to provide an independent
11 assessment of Nevada Power's physical gas procurement activities. Mr. Strunk concludes
12 that Nevada Power's gas purchasing practices and transactions were prudent. Nevada
13 Power also retained Mr. Meehan to conduct an independent review of Nevada Power's
14 power procurement activity and optimization efforts. Mr. Meehan concludes that Nevada
15 Power's power procurement and optimization strategies were prudent, and Nevada Power
16 used its generating resources in an appropriate and efficient manner to provide safe and
17 reliable electric service to customers at just and reasonable rates. In summary, the
18 independent analysis conducted by National Economic Research Associates corroborates
19 the conclusions of Nevada Power's witnesses – namely, that the recorded balances in
20 Nevada Power's deferred energy accounts reflect the results of prudent transactions and
21 are just and reasonable.

22 **3. Calculation of Carrying Charges and Earned Rate of Return**

23 NAC § 704.150 provides that the carrying charge to be applied to the deferred
24 balances is calculated based on the Company's last authorized overall rate of return. Two
25 adjustments are made to the carrying charge calculation. First, Nevada Power's
26 authorized rate of return is grossed up to reflect the taxes payable on the equity component
27 of the rate of return. Second, a deferred tax offset must be applied. Accordingly, the tax-
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1 effected rate of return is applied to the average monthly balance less accumulated deferred
2 income taxes. Exhibit D-1 and Ms. McWilliams support the carrying charge calculations.

3 Nevada Power's balance sheet and income statements are provided as Exhibit C
4 and are supported by Ms. Olijar. Nevada Power's earned rate of return for the Deferral
5 Period is provided in Exhibit F and supported by Ms. McWilliams.

6 **4. Justification for the Quarterly BTER Adjustments**

7 During 2019, Nevada Power made four quarterly adjustment applications based
8 on monthly costs. Table 2 provides the docket number for each quarterly adjustment, the
9 applicable test period, and a reference to the dockets in which test period costs have been
10 reviewed by the Commission. All of the recorded costs were either reviewed in Nevada
11 Power's previous deferred energy cases, or are being presented for review in this case.
12 None of the transactions that were reviewed in previous dockets were found to be
13 imprudent. Ms. McWilliams addresses the quarterly adjustments in her prepared direct
14 testimony.

15 **B. Justification of the TRED Charge.**

16 NAC § 704.8897(4) provides that:

17 [t]he costs incurred by a utility provider to initiate and maintain a
18 TRED trust, including, without limitation, the cost of reserves
19 advanced by the utility provider to the TRED trust, the taxes
20 assessed on the utility provider for amounts related to the TRED
21 trust and the fees charged by the trustee, must be considered
22 expenses associated with the acquisition of purchased power, must
23 be booked by the utility provider in FERC account 557 as an 'other
24 expense' associated with purchasing power and may be recovered
25 by the utility provider pursuant to the deferred energy accounting
26 process set forth in NAC § 704.023 to § 704.195, inclusive.

24 Only one TRED-eligible renewable energy project is expected to deliver
25 renewable energy or portfolio credits to Nevada Power during the proposed rate effective
26 period. Nevada Power has contracted with Solargenix Energy, LLC (now known as
27 Nevada Solar One or "NSO"), to purchase a portion of the output of a concentrating solar
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1 thermal power plant. Under the current Commission approved agreements, Nevada
2 Power receives 68 percent of the output of the facility, and Sierra receives 32 percent of
3 the output of the facility.¹

4 Based upon the expected costs associated with the NSO project as well as the
5 related costs that the Company is directed to recover through the TRED charge pursuant
6 to NAC § 704.8897(4), Ms. McWilliams calculates the proposed TRED charge in
7 Exhibit H.

8 **C. Justification of the REPR**

9 Sections 701B.140 and 701B.495 of the NAC require Nevada Power to include
10 in its annual deferred energy applications a Solar Program rate and a Wind Program rate.
11 These two rates, along with the new Small and Large Energy Storage programs and
12 Electric Vehicle Program rates, have been combined in the proposed REPR.

13 Consistent with the Commission's regulations, Nevada Power has calculated a
14 two-part rate for the Solar, Wind, Small and Large Energy Storage and Electric Vehicle
15 programs. Each of the applicable regulations calls for a prospective rate determined by
16 dividing projected program costs by projected kilowatt hours for the calendar year. For
17 consistency with the NAC Chapter 701B Clean Energy Programs Annual Plan filings and
18 in light of statutory mandates,² the Company has been using projected kilowatt hours for
19 the program year that runs from July 1 through June 30 in the denominator to calculate
20 the prospective rate. To the extent necessary, the Company requests a deviation from
21 NAC §§ 701B.140(a), 701B.495(a) and 701B.675(a), which require the use of projected
22 kilowatt hours for the calendar year.

23 The regulation additionally provides for a clearing rate, which is calculated by
24 dividing the cumulative balance in the applicable subaccount of FERC Account No. 182.3
25 at the end of the deferred energy test period by the appropriate test period sales.

26
27 ¹ See Docket Nos. 05-6027 and 05-6028.

28 ² See, e.g., NRS § 701B.005.

1 The calculation of rates for Solar, Wind, Small and Large Energy Storage and
2 Electric Vehicle programs is shown on Exhibit I, pages 1 and 2 of 3. Part (a) of each rate
3 utilizes the projected program costs divided by projected sales for the program year July
4 1, 2020, through June 30, 2021, shown on Exhibit I, page 3 of 3. Part (b) divides the
5 applicable regulatory asset balance (Account No. 182.3) by calendar year 2019 sales from
6 Exhibit D-2. Ms. Chatterjee supports the prudence of existing Solar and Wind program
7 balances as well as the future cost projections for the Solar, Wind, Small and Large
8 Energy Storage and Electric Vehicle programs. The Company requests a deviation from
9 NAC §§ 701B.140(a), 701B.495(a) and 701B.675(a), which require the use of total
10 program costs filed with the Annual Plan and, instead, it proposes to use the projected
11 program costs as presented by Ms. Chatterjee. The projected costs reflect the dollars
12 Nevada Power believes will be spent in the program year based on history and estimated
13 customer project completion rates and statutory limitations.

14 **D. Justification for the EEPR and EEIR Rates**

15 This portion of the Application is made pursuant to NRS § 704.785 and NAC §§
16 703.535 and 704.9523.

17 EE&C programs have a positive impact on the community Nevada Power serves,
18 improving the quality of life, assisting customers in saving energy and money, and
19 reducing or deferring the need for new generation, transmission and distribution facilities.
20 The EEPRs provide for the recovery of the cost associated with delivering EE&C
21 programs to customers. These costs include, among other things, costs for labor,
22 overhead, materials, incentives paid to customer, advertising, marketing, monitoring and
23 evaluation.

24 Consistent with NRS § 704.785 enacted by the 2009 Nevada Legislature, the
25 EEIRs eliminate a financial disincentive associated with energy efficiency programs.
26 Energy efficiency programs offer Nevada Power's customers the opportunity to conserve
27 energy. By doing so, the Company's customers not only reduce their electric bills, but
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1 also reduce the overall, long-run cost of providing electric service. However, Nevada
2 Power's successful EE&C deployment efforts also reduce the Company's sales and
3 revenue.

4 Pursuant to NAC § 704.9523, the Company sets prospective base rates using
5 projected program costs. As shown on Exhibit J-2, Nevada Power projects spending a
6 total of \$41,400,000 on EE&C programs in 2020. The total projected budgeted amount
7 shown in Exhibit J-2 to the filing of program costs and the calculated implementation
8 revenue is allocated across classes using the percentage of total combined marginal costs
9 of generation and energy from the Company's Marginal Cost of Service Study (Table 1,
10 Page 1) approved in the most recent general rate case. Mr. Bohrman provides the detailed
11 description of the methodology used to calculate the Base EEPR, the Amortization EEIR
12 and EEPR, and the EEIR adjustment rate.

13 Mr. Bohrman also sponsors Exhibit L to the Application, which illustrates the
14 calculation of the ordered EEIR Adjustment. The amount of Base EEIR revenue including
15 carrying charges, by class, is in Column (b) and the forecast sales for 2020 are shown in
16 Column (c). Dividing the revenue received by the forecast sales produces the class
17 specific EEIR Adjustment rate. In 2019, the Company recovered \$3,685,939 in Base
18 EEIR revenue across all customer classes. In addition, \$150,089 in carrying charges were
19 added to the balance over the course of 2019. Of the \$3,836,028 total, approximately \$1.7
20 million (45 percent of the total) was recovered from the Single-Family Residential (RS)
21 class. The refund of this amount will result in an adjustment credit for the RS class of
22 \$0.00023.

23 Further, the Company also requests permission to reset the Amortization EEIR
24 and Amortization EEPR rates. These rates reflect program costs recorded during the
25 Deferral Period, and lost sales suffered by the Company during the same period. Mr.
26 Grant supports the program cost expenditures, demonstrating that the program costs were
27
28

