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BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Annual Deferred Energy Accounting Adjustment Application of the Electric Division of Sierra Pacific 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 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, 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

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APPLICATION

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

2 Annual Deferred Energy Accounting Adjustment)
3 Application of the Electric Division of Sierra Pacific)
4 Power Company d/b/a NV Energy for the 12-month)
5 period ending December 31, 2019, reset the Temporary)
6 Renewable Energy Development Charge, reset all)
7 components of the Renewable Energy Program Rate,)
8 reset the Base Energy Efficiency Program Rates, reset)
9 the Base Energy Efficiency Implementation Rates,)
10 reset the Energy Efficiency Program Amortization)
11 Rate, reset the Energy Efficiency Implementation)
12 Amortization Rate, and refund the total amount of)
13 Energy Efficiency Implementation Rate Adjustment)
14 revenue received in 2019, including carrying charges.)
15)

Docket No. 20-02____

11 **APPLICATION**

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

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

23 **I. Summary of Application**

24 Because Sierra now changes the electric division’s Deferred Energy Accounting
25 Adjustment (“DEAA”) each quarter, this Application does not propose any DEAA changes.

1 Instead, the Application provides a forum for Commission review of fuel and purchased
 2 power costs and financial transactions that were recorded during the Deferral Period.

3 As of December 31, 2019, the adjusted cumulative balance in the Company’s
 4 deferred energy account was \$(14,892,650). This balance reflects the reasonable cost of fuel
 5 and purchased power transactions undertaken by Sierra to provide electric service to its
 6 customers. The Application demonstrates that these costs were prudently incurred and are
 7 reasonable and, consequently, requests a finding that the costs should be recovered. Exhibit
 8 D-1 shows the derivation of the cumulative balance.

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

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

17 Sierra proposes to establish the following TRED charge and REPR.

18 **Table 1**

	Current – per kWh	Proposed – per kWh
TRED	\$0.00093	\$0.00089
REPR	\$0.00026	\$(0.00249)

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

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1 The funding requirement is then divided by historical sales for the rate effective period.
 2 Exhibit I shows the calculation of the proposed REPR. The TRED and REPR adjustments
 3 would become effective on October 1, 2020. Exhibit J shows the Base EEPR and Base EEIR
 4 proposed by Sierra. Exhibit K shows the Amortization EEPR and Amortization EEIR
 5 proposed by Sierra.

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

8 **Table 2**
 9 **Quarterly BTERs**

Quarterly BTER Adjustment	Test Period for Quarterly BTER Adjustment	Test Period Costs Previously Reviewed
Docket No. 19-02018	12 Months Ending December 31, 2018	Docket No. 19-03002 (1 st , 2 nd , 3 rd , 4 th Qtr. 2018)
Docket No. 19-05024	12 Months Ending March 31, 2019	Docket No. 19-03002 (2 nd , 3 rd , 4 th Qtr. 2018)
Docket No. 19-08017	12 Months Ending June 30, 2019	Docket No. 19-03002 (3 rd & 4 th Qtr. 2018)
Docket No. 19-11017	12 Months Ending September 30, 2019	Docket No. 19-03002 (4 th Qtr. 2018)

16 Sierra does not propose to change the BTER in this filing. Ms. Margaret McWilliams
 17 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 resulting
 20 modifications to NAC § 704.9523(4), the Company is proposing to refund the total amount
 21 of EEIR revenue received in 2019, including carrying charges, on a class-specific basis. The
 22 Earned Rate of Return calculation is shown in Exhibit F sponsored by Ms. McWilliams.
 23 Exhibit L details the calculation of the credit rate to be received by each customer class.
 24 Exhibit L details the calculation of the credit rate to be received by each customer class.
 25 This results in a refund of \$1,053,882. Mr. Jeffrey Bohrman describes the EEIR revenue
 26 refund mechanism, as illustrated in Exhibit L, in his testimony.

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C. Witnesses Supporting the Application

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

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

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

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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.

Joseph R. Brignola, Manager, Coal Procurement and Operations. Mr. Brignola supports the prudence of the cost of using coal to generate electricity at Sierra’s Valmy Generating Station for the 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 Sierra’s

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cumulative balance in Federal Energy Regulatory Commission (“FERC”) Account No. 182.3 for the Deferral Period for the Solar Program, Wind Program, Water Program, Small and Large Energy Storage programs, Electric Vehicle programs, and Lower Income Solar Energy program. Ms. Chatterjee also supports the projected costs associated with these 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 approved 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 EEP and Base EEIR.

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 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.

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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 Sierra 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, Executive, Generation. Mr. Rekowski describes the generating units owned by Sierra that were available to serve its load during the Deferral Period. Mr. Rekowski also provides information regarding the Net Capacity Factor and the Equivalent Availability Factor of each unit. Further, Mr. Rekowski discusses the availability and reliability of the generating fleet, including significant events that restricted the availability of the units. Mr. Rekowski supports Technical Appendix 5.

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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 applied for 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. In addition, he also 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 Period. Finally, Mr. Taylor describes and supports activities performed as part of the Company's compliance with Commission orders from previous dockets related to wear and tear costs.

D. Exhibits and appendices supporting the Application

The witnesses sponsor the following, which support the Application:

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 – Electric Department	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 EEPR and Base EEIR	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	Calculations of Amortization EEPR and Amortization EEIR	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

Finally, six appendices support the Application. Appendix 1 contains the minutes and presentations from Gas Hedging workshops. Ms. Chang sponsors the material found in Appendix 1. Appendix 2 contains the Enterprise Risk Management and Control Policy, the Energy Risk Management and Control Policy, and the Credit Risk Management and Control Policy. Mr. Reyes sponsors Appendix 2. Appendix 3 contains a list of the ESP, and the ESP

1 updates and orders that governed the Company's activities. Mr. McGinley sponsors
2 Appendix 3. Ms. McWilliams sponsors Appendix 4, which is the support for the Earned
3 Rate of Return calculations. Mr. Rekowski sponsors Appendix 5, which provides
4 information regarding the Company's capitalization policy and long-term service
5 agreements. Appendix 6 contains Energy Risk Committee meeting minutes and
6 presentations. Mr. Reyes sponsors Appendix 6.

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

11 **II. The Applicant**

12 Sierra is a Nevada corporation and wholly-owned subsidiary of NV Energy, Inc.,
13 which is itself an indirect wholly owned subsidiary of Berkshire Hathaway Energy. Sierra
14 is a public utility as defined in NRS § 704.020, and is subject to the jurisdiction of the
15 Commission. Sierra has been authorized by the Commission to conduct its business within
16 its certificated areas in Nevada pursuant to Certificates of Public Convenience and Necessity
17 issued by the Commission. Sierra provides electric service to the public in portions of
18 fourteen northern Nevada counties, including the communities of Carson City, Minden,
19 Gardnerville, Reno, Sparks, and Elko. Sierra also owns and operates a certificated local
20 distribution company engaged in the retail sale of natural gas to customers in the Reno-
21 Sparks metropolitan area.

22 Sierra's primary business office is located at 6100 Neil Road in Reno, Nevada. All
23 correspondence related to this Application should be served electronically upon the
24 following address: regulatory@nvenergy.com. Hardcopy documents should be transmitted
25 to Sierra's counsel as set forth below:

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

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

9 Sierra makes this application pursuant to NRS §§ 704.061 to 704.068 (definitions
10 and acts deemed to be a change in schedule), NRS §§ 704.110 (procedure for changing
11 schedule), NRS § 704.187 (use of deferred accounting by certain electric utilities), and the
12 regulations implementing those provisions, including, but not limited to: NAC § 703.115
13 (governing deviations from Commission regulations), NAC §§ 703.375 to 703.410 (public
14 utility tariffs), NAC §§ 703.530 to 703.577 (pleadings), NAC § 703.710 (prepared
15 testimony), NAC § 703.715 (documentary evidence), and NAC §§ 704.023 to 704.195
16 (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 is
19 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. The
22 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), Sierra uses deferred energy accounting to record all
26 increases and decreases in its cost for purchased fuel and power. Each month, Sierra
27 accumulates the difference between the cost of purchasing fuel and purchased power and
28 fuel and purchased power revenues (i.e., BTER and DEAA revenue) pursuant to NAC §

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

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

5 Sierra purchased fuel and power during the Deferral Period in furtherance of its
6 statutory obligation to provide safe and reliable electric service to customers. All purchased
7 fuel and power costs are recorded and accounted for by month. The monthly accounting of
8 all purchased fuel transactions is set forth in Exhibit E-1. The monthly accounting of all
9 purchased power costs by supplier is set forth in Exhibit E-2. The recording and accounting
10 of the costs of all purchased fuel and power transactions during the Deferral Period are
11 supported by the testimony of Ms. Olijar. Sierra requests a finding that the costs recorded
12 in the deferred energy account during the Deferral Period were prudently incurred and are
13 reasonable.

14 **2. Procurement and Risk Control Practices and the Reasonableness**
15 **of Recorded Costs**

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

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

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

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

23 3. Calculation of Carrying Charges and Earned Rate of Return

24 NAC § 704.150 provides that the carrying charge to be applied to the deferred
25 balances is calculated based on the Company's last authorized overall rate of return. Two
26 adjustments are made to the carrying charge calculation. First, Sierra's authorized rate of
27 return is grossed up to reflect the taxes payable on the equity component of the rate of return.
28

1 Second, a deferred tax offset must be applied. Accordingly, the tax-effected rate of return
2 is applied to the average monthly balance less accumulated deferred income taxes. Exhibit
3 D-1 and Ms. McWilliams support the carrying charge calculations.

4 Sierra's balance sheet and income statements are provided as Exhibit C and
5 supported by Ms. Olijar. Sierra's jurisdictional earned rate of return for the Deferral Period
6 is provided for in Exhibit F and supported by Mr. Purtee.

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

8 During 2019, Sierra made four quarterly adjustment applications based on monthly
9 costs. Table 2 provides the docket number for each quarterly adjustment, the applicable test
10 period, and a reference to the dockets in which test period costs have been reviewed by the
11 Commission. All of the recorded costs were either reviewed in Sierra's previous deferred
12 energy cases, or are being presented for review in this case. None of the transactions that
13 were reviewed in previous dockets were found to be imprudent. Ms. McWilliams addresses
14 the quarterly BTER adjustments in his prepared direct 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 TRED
18 trust, including, without limitation, the cost of reserves advanced by the
19 utility provider to the TRED trust, the taxes assessed on the utility
20 provider for amounts related to the TRED trust and the fees charged by
21 the trustee, must be considered expenses associated with the acquisition
22 of purchased power, must be booked by the utility provider in FERC
account 557 as an 'other expense' associated with purchasing power and
may be recovered by the utility provider pursuant to the deferred energy
accounting process set forth in NAC § 704.023 to § 704.195, inclusive.

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

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

6 **C. Justification of the REPR**

7 Sections 701B.140 and 701B.495 of the NAC require Sierra to include in its annual
8 deferred energy applications a Solar Program rate, a Wind Program rate, and a Water
9 Program rate. These three rates, along with the Small Energy Storage Program, Large
10 Energy Storage Program and Electric Vehicle Program rates, have been combined in the
11 proposed REPR.

12 Consistent with the Commission's regulations, Sierra has calculated a two-part rate
13 for the Solar, Wind, Water, Small Energy Storage, Large Energy Storage and Electric
14 Vehicle programs. Each of the applicable regulations calls for a prospective rate determined
15 by dividing projected program costs by projected kilowatt hours for the calendar year. For
16 consistency with NAC Chapter 701B Annual Plan filings and in light of statutory mandates,²
17 the Company has been using projected kilowatt hours for the program year that runs from
18 July 1 through June 30 in the denominator to calculate the prospective rate. The regulation
19 additionally provides for a clearing rate, which is calculated by dividing the cumulative
20 balance in the applicable subaccount of FERC Account No. 182.3 at the end of the deferred
21 energy test period by the appropriate test period sales. To the extent necessary, the Company
22 requests a deviation from NAC §§ 701B.140(a), 701B.495(a) and 701B.675(a), which
23 require the use of projected kilowatt hours for the calendar year.

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

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² See, e.g., NRS § 701B.005.

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1 The calculation of rates for Solar, Wind, Water, Small Energy Storage, Large Energy
2 Storage and Electric Vehicle programs is shown on Exhibit I, pages 1 and 2 of 3. Part (a) of
3 each rate utilizes the projected program costs divided by projected sales for the program year
4 July 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 program balances as well as
7 the future cost projections for the programs. The Company requests a deviation from NAC
8 §§ 701B.140(a), 701B.495(a) and 701B.675(a), which require total program costs filed with
9 the Annual Plan and instead it proposes the projected program costs as presented by Ms.
10 Chatterjee. The projected costs reflect the dollars Sierra believes will be spent in the
11 program year based on history and estimated customer project completion rates and statutory
12 limitations.

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

14 This portion of the Application is made pursuant to NRS § 704.785 and NAC §§
15 703.535 and 704.9523. EE&C programs have a positive impact on the community Sierra
16 serves, improving the quality of life, assisting customers in saving energy and money, and
17 reducing or deferring the need for new generation, transmission and distribution facilities.
18 The EEPRs provide for the recovery of the cost associated with delivering EE&C programs
19 to customers. Those costs include, among other things, costs for labor, overhead, materials,
20 incentives paid to customer, advertising, marketing, monitoring and evaluation.

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

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1 Pursuant to NAC § 704.9523, the Company sets prospective base rates using
2 projected program costs. In this Application, the Company uses its approved demand side
3 management plan to establish projected program costs as presented by Mr. Grant. The
4 Company anticipates spending a total of \$13,600,000 on EE&C programs in 2020. The total
5 approved budgeted amount shown in Exhibit J-2 to the filing of program costs and the
6 calculated implementation revenue is allocated across classes using the percentage of total
7 combined marginal costs of generation and energy from the Company's Marginal Cost of
8 Service Study (Table 1, Page 1) approved in the most recent general rate case. Mr. Bohrman
9 provides the detailed description of the methodology used to calculate the Base EEPR, the
10 Amortization EEIR and EEPR and the EEIR adjustment rate.

11 Mr. Bohrman also sponsors Exhibit L to the Application, which illustrates the
12 calculation of the ordered EEIR Adjustment. The amount of Base EEIR revenue including
13 carrying charges, by class, is in Column (b) and the forecast sales for 2020 shown in Column
14 (c). Dividing the revenue received by the forecast sales produces the class specific EEIR
15 Adjustment rate. In 2019 the Company recovered \$1,017,117 in Base EEIR revenue across
16 all customer classes. In addition, \$36,765 in carrying charges were added to the balance. Of
17 the \$1,053,882 total, approximately \$339,000 (32 percent of the total) was recovered from
18 the Single-Family Residential (D-1) class. The refund of this amount will result in an
19 adjustment credit for the D-1 class of \$0.00016 per kWh.

20 Further the Company requests permission to reset the Amortization EEIR and
21 Amortization EEPR rates. These rates reflect program costs recorded between during the
22 Deferral Period, and lost sales suffered by the Company during the same period. Mr. Grant
23 supports the program cost expenditures, demonstrating that the program costs were
24 prudently incurred and are reasonable. Mr. Bohrman is responsible for calculating the
25 Amortization EEPR and Amortization EEIR.

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