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23-03004

Public Utilities Commission of Nevada
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June 26, 2023

Trisha Osborne
Assistant Commission Secretary
Public Utilities Commission of Nevada
1150 East William Street
Carson City, NV 89701

Re: Docket No. 23-03004

Dear Ms. Osborne:

Please accept for filing the Testimony of David S. Chairez filed on behalf of the Bureau of Consumer Protection in the above-referenced docket.

Should you have any questions regarding this filing, please contact me at (775) 684-1164.

Sincerely,

ERNEST FIGUEROA
Consumer Advocate

/s/ Michelle Newman
MICHELLE NEWMAN
Senior Deputy Attorney General
Bureau of Consumer Protection
100 N. Carson Street
Carson City, NV 89701

MN:jw

cc: Parties of Record

1 **BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**
2 **JOINT APPLICATION OF NEVADA POWER COMPANY D/B/A NV ENERGY AND**
3 **SIERRA PACIFIC POWER COMPANY D/B/A NV ENERGY FOR APPROVAL OF**
4 **THE COST RECOVERY OF THE REGULATORY ASSETS RELATING TO THE**
5 **DEVELOPMENT AND IMPLEMENTATION OF THEIR JOINT NATURAL**
6 **DISASTER PROTECTION PLAN**

7 **DOCKET NO. 23-03004**

8 **PREPARED DIRECT TESTIMONY OF**
9 **DAVID S. CHAIREZ, REGULATORY MANAGER, ON BEHALF OF THE**
10 **BUREAU OF CONSUMER PROTECTION**

11
12 **1. Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
13 **ADDRESS.**

14 A. My name is David S. Chairez. I am the Regulatory Manager for the Bureau of
15 Consumer Protection (“BCP”). My business address is: Bureau of Consumer
16 Protection, 8945 W. Russell Road, Suite 204, Las Vegas, Nevada 89148.

17
18 **2. Q. DOES ATTACHMENT DSC-1 SUMMARIZE YOUR QUALIFICATIONS?**

19 A. Yes, it does.

20
21 **3. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. The purpose of my testimony is to provide BCP’s recommendations on the Joint
23 Application of Nevada Power Company (“NPC”) and Sierra Pacific Power
24 Company (“SPPC”) (collectively referred to as “the public utilities”) for approval
25 from the Public Utilities Commission of Nevada (“Commission”) of cost recovery
26 of their 2022 Natural Disaster Protection Plan (“NDPP”) separate regulatory

1 asset accounts.¹ My testimony offers recommendations related to the limited
2 purpose of the NDPP in Nevada Revised Statute (“NRS”) 704.7983, including
3 the following matters: 1) Whether the Commission should shift 2022 NDPP costs
4 incurred in SPPC’s service territory to cost recovery from NPC’s customers, and
5 2) The just and reasonable rates to set for the four NDPP regulatory asset
6 accounts at issue in this proceeding.

7
8 **4. Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION**
9 **REGARDING THE ISSUES OUTLINED IN Q/A 3?**

10 **A.** I recommend that the Commission:

- 11 1) Find that the purpose of the NDPP is to minimize the risk of the public
12 utilities’ electrical infrastructure causing a fire and to mitigate the risk of
13 the effects of natural disasters on the public utilities’ electrical
14 infrastructure;
- 15 2) Find that all of the NDPP costs incurred in 2022 were direct costs that
16 were incurred in either NPC’s separate service territory or in SPPC’s
17 separate service territory;
- 18 3) Find that it is inappropriate to shift any direct NDPP costs from SPPC’s
19 service territory for cost recovery from NPC’s customers;
- 20

21 ¹ Section 13 of the Commission’s NDPP regulations, LCB File No. R085-19, requires NPC and SPPC to have
22 separate regulatory asset accounts for their NDPP costs given that this section of the regulation refers to: (1)
23 rates of return; (2) depreciation rates; (3) general rates; (4) customer classes; and (5) customers. There is no
dispute that these five items are different and/or separate for NPC and SPPC, and therefore each utility must
have separate NDPP regulatory asset accounts.

24 Furthermore, in Paragraph 391 of the Commission’s Second Modified Final Order in Docket Nos. 20-02031/32,
25 the Commission ordered NPC and SPPC to have separate NDPP regulatory asset accounts consistent with
26 Section 13 of LCB File No. R085-19 and directed each utility to further separate their NDPP regulatory asset
27 accounts into the distribution function and transmission function. Hence, there are four separate NDPP
regulatory asset accounts: (1) NPC-Distribution; (2) NPC-Transmission; (3) SPPC-Distribution; and (4) SPPC-
Transmission. It is improper for the public utilities to refer to the singular NDPP regulatory asset account in its
application. (See the public utilities’ Joint Application at 1:13 – 1:15.)

- 1 4) Consistent with Recommendation #3, set an NDPP rate of \$0.00019 per
2 kilowatt-hour (“kWh”) for NPC’s bundled customers and \$0.00017 per
3 kWh for NPC’s distribution-only service (“DOS”) customers;
- 4 5) Consistent with Recommendation #3, set an NDPP rate of \$0.00295 per
5 kWh for SPPC’s bundled customers and \$0.00249 per kWh for SPPC’s
6 DOS customers;
- 7 6) Alternatively, if the Commission believes it has the legal authority to shift
8 direct NDPP costs from SPPC’s service territory for cost recovery from
9 NPC’s customers, find that there is no electrical service benefit to NPC’s
10 customers for any NDPP work on SPPC’s distribution system, and
11 therefore there is no justification for shifting any NDPP distribution costs
12 from SPPC’s service territory for cost recovery from NPC’s customers;
- 13 7) Alternatively, if the Commission believes it has the legal authority to shift
14 direct NDPP costs from SPPC’s service territory for cost recovery from
15 NPC’s customers, find that no more than 50 percent of the NDPP
16 transmission costs be allocated on a holding company basis;
- 17 8) Consistent with Alternative Recommendations #6 and #7, set an NDPP
18 rate of \$0.00025 per kWh for NPC’s bundled customers and \$0.00017 per
19 kWh for NPC’s DOS customers; and
- 20 9) Consistent with Alternative Recommendations #6 and #7, set an NDPP
21 rate of \$0.00279 per kWh for SPPC’s bundled customers and \$0.00249 per
22 kWh for SPPC’s DOS customers.

1 **RECOMMENDATION #1: FIND THAT THE PURPOSE OF THE NDPP IS TO**
2 **MINIMIZE THE RISK OF THE PUBLIC UTILITIES' ELECTRICAL**
3 **INFRASTRUCTURE CAUSING A FIRE AND TO MITIGATE THE RISK OF THE**
4 **EFFECTS OF NATURAL DISASTERS ON THE PUBLIC UTILITIES' ELECTRICAL**
5 **INFRASTRUCTURE.**

6
7 **5. Q. IS THE PURPOSE OF THE NDPP "TO PREVENT NATURAL**
8 **DISASTERS"?**

9 A. No. No amount of NDPP spending is going to prevent a natural disaster that
10 results from a lightning strike igniting a wildfire in a drought-stricken forested
11 area. No amount of NDPP spending is going to prevent a human-caused disaster
12 that results from a person igniting a wildfire by tossing a cigarette in a drought-
13 stricken forested area. No amount of NDPP spending is going to change the
14 geological science of the causes of earthquakes. Unfortunately, some of the public
15 utilities' witnesses have inaccurately overstated the purpose of the NDPP. For
16 example, Mr. McGinley, testifying in the public utilities' rebuttal case in Docket
17 No. 22-03006, inaccurately stated the following: "Preventing natural disasters is
18 critical to the entire state of Nevada, by protecting all Nevadans."²

19
20 **6. Q. WHAT IS THE PURPOSE OF THE NDPP IF IT IS NOT TO PREVENT**
21 **NATURAL DISASTERS?**

22 A. The purpose of the NDPP is to ensure that the public utilities have a plan to
23 provide safe and reliable electrical service³ by addressing the following issues:
24

25 ² See Updated Exhibit ("Ex.") 117 (Prepared Rebuttal Testimony of John McGinley) in Docket No. 22-03006 at
26 17:2 – 17:3.

27 ³ NPC's and SPPC's statutory obligation to provide safe and reliable electrical service existed prior to the
28 enactment of the NDPP statute in 2019 as clearly delineated in NRS 704.001.

- 1 • Identifying areas within the service territory of an electric utility that are
- 2 subject to a heightened threat of a fire or other natural disaster;⁴
- 3 • Minimizing the risks of the public utilities' electrical infrastructure from
- 4 causing a fire;⁵ and
- 5 • Restoration of the distribution system in the event of a natural disaster.⁶
- 6

7 In the petition for reconsideration filed by the public utilities in Docket No. 21-
8 03004, the public utilities succinctly summarized the purpose of the NDPP as
9 follows:

10 “SB 329 required certain electric utilities in the State of Nevada to
11 file a triennial Natural Disaster Protection Plan (“NDPP”) with the
12 Commission to mitigate the risk of a potential fire or other natural
13 disaster on its infrastructure and to minimize the risk of electric
14 infrastructure causing a fire.”⁷

14 **7. Q. HOW DOES A PUBLIC UTILITY MINIMIZE THE RISK OF ITS**
15 **ELECTRICAL INFRASTRUCTURE CAUSING A FIRE?**

16 A. The primary method to minimize the risk of the public utilities' electrical
17 infrastructure from causing a fire is through vegetation management. Even in
18 the original safety regulation adopted by the Commission predecessor on
19 December 2, 1911, Rule 27 stated the following:
20
21
22

23 ⁴ NRS 704.7983(2)(a). Please note that this paragraph refers to NPC and SPPC as electric utilities because they
24 have exclusive service territories to provide electric service in Nevada. The direct holding company, NV Energy,
25 Inc., does not have a service territory in Nevada to provide electric service.

25 ⁵ NRS 704.7983(2)(c).

26 ⁶ NRS 704.7983(2)(i).

27 ⁷ See NPC and SPPC Petition for Clarification or in the Alternative Reconsideration filed on September 20, 2021,
28 in Docket No. 21-03004 at 1:16 – 1:19.

SAFETY REGULATIONS FOR ELECTRIC UTILITIES

[Adopted December 2, 1911]

The following regulations are issued for electric utilities in this state, for the purpose of protecting the lives of employees and securing greater safety for the public :

27. Trees should not be permitted to stand within striking distance of high-tension lines should they fall toward the line.

Another equally important method is the Public Safety Outage Management ("PSOM") program in Heightened Threat Areas ("HTAs"). The public utilities' affiliate in Oregon, PacifiCorp, was found by a jury to be responsible for causing wildfires during Labor Day Weekend in 2020 because PacifiCorp failed to deenergize its electrical lines despite extreme wind warnings.

PacifiCorp liable in wildfires

Oregon jury awards millions of dollars to affected homeowners

By Andrew Selsky
The Associated Press

PORTLAND, Ore. — A jury in Oregon has found electric utility PacifiCorp responsible for causing devastating fires during Labor Day 2020 in a civil lawsuit.

The jury returned its decision Monday, saying the utility should be held financially liable for homes destroyed in the blaze. The jury awarded millions of dollars each to 17 homeowners who sued PacifiCorp a month after the fires, with most receiving \$4.5 million and some \$3 million for emotional distress.

The jury also applied its liability finding to a larger class including the owners of nearly 2,500 properties damaged in the fires, which could push the price tag for damages to more than \$1 billion. Those damages will be determined later.

No official cause has been determined for the 2020 Labor Day fires that killed nine people, burned more

than 1,875 square miles in Oregon and destroyed upward of 5,000 homes and structures. The blazes were one of the worst natural disasters in Oregon history.

The Portland utility, owned by Berkshire Hathaway, didn't shut off power to its 600,000 customers during the windstorm over Labor Day weekend in 2020 despite warnings from then-Gov. Kate Brown's chief-of-staff and top fire officials, plaintiffs alleged. Its lines have been implicated in multiple blazes.

The seven-week trial in Multnomah County Circuit Court wrapped with closing arguments June 7, Oregon Public Radio reported.

Jurors in the Multnomah County trial were to determine PacifiCorp's responsibility, if any, in four blazes: the Santiam Canyon fires east of Salem; the Echo Mountain Complex near Lincoln City; the South Oben-chain fire near Eagle Point; and the Two Four Two fire near the southwest Oregon town of Chiloquin.

Plaintiffs allege PacifiCorp was negligent when it didn't shut off its power lines despite extreme wind warnings over the holiday weekend. "(PacifiCorp) started the fires ..." plaintiffs' attorney Cody Berne said during closing statements. "And now they have come before you and are asking not to be held accountable."

In his closing arguments, PacifiCorp lawyer Douglas Dixon detailed "alleged power line fires" in Santiam Canyon, where more than half the class members live, saying they could not have spread to plaintiffs' homes. Plus, PacifiCorp has no equipment in some areas where it is accused of causing damage, he said.

The fires were unprecedented, the result of climate change and were an act of God, PacifiCorp lawyers said.

Nicholas Rosinia, a lawyer for the plaintiffs, asked jurors not to be swayed by claims that climate change was to blame. Without a spark from electrical lines, many of the fires would not have started, he said.

⁸ Las Vegas Review-Journal Print Edition, June 13, 2023, Page 1XB.

1 Finally, selective undergrounding of power lines in HTAs minimizes the risk of
2 electrical infrastructure from causing a fire. The public utilities discuss these
3 three methods in their NDPP.⁹

4
5 **8. Q. HOW DOES A PUBLIC UTILITY MITIGATE THE RISK OF A FIRE OR**
6 **OTHER NATURAL DISASTER ON ITS INFRASTRUCTURE?**

7 A. The primary method is the grid resilience and system hardening projects
8 discussed on pages 69 to 104 of the NDPP filed in Docket No. 23-03003. In
9 addition, vegetation management and selective undergrounding mitigate the
10 risk of a fire or other natural disaster on a public utilities' electrical
11 infrastructure.

12
13 **9. Q. DOES BCP SUPPORT THE NDPP AND ITS STATED PURPOSE?**

14 A. Absolutely. It is BCP's position that all public utilities have an obligation to
15 provide safe and reliable service, and this obligation has always existed in
16 exchange for being granted a government sanctioned monopoly service territory.
17 The Nevada Legislature makes this obligation very clear in NRS 704.001(3).

18 **NRS 704.001 Purpose and policy of Legislature in enacting**
19 **chapter.** It is hereby declared to be the purpose and policy of the
20 Legislature in enacting this chapter:

21 ...

22 3. To provide for the safe, economic, efficient, prudent and reliable
23 operation and service of public utilities;

24

25
26 ⁹ See the NDPP in Docket No. 23-03003 at pages 55 to 60 for vegetation management, pages 52 to 53 for PSOM,
27 and pages 76 to 82 for undergrounding.

1 **10. Q. WHY IS THIS FINDING NECESSARY FOR THE COMMISSION TO SET**
2 **JUST AND REASONABLE NDPP RATES FOR NPC'S AND SPPC'S**
3 **SEPARATE CUSTOMERS?**

4 A. In the past three NDPP cost recovery orders,¹⁰ there has been a focus on spillover
5 benefits¹¹ of the NDPP to set NDPP rates rather than the direct benefits of the
6 NDPP. There is no dispute that the NDPP is about the electrical infrastructure
7 of NPC and SPPC. There is no dispute that the electrical infrastructure for NPC
8 and SPPC is separate, with the exception of the One Nevada Transmission Line
9 (“ON Line”). There is no dispute that electrical infrastructure is used to provide
10 electric service to the customers of an electric utility. Therefore, there should be
11 no dispute that capital expenditures for electrical infrastructure and operations
12 & maintenance (“O&M”) costs incurred on that electrical infrastructure provides
13 a direct benefit to those who receive electric service from that electrical
14 infrastructure.

15
16 Setting NDPP rates based on spillover benefits rather than direct benefits does
17 not result in just and reasonable rates. In this instant proceeding, the public
18 utilities request that NPC’s customers pay 67.4 percent of the 2022 NDPP O&M
19 costs even though NPC’s customers only received 12.0 percent of the direct
20 benefit from the 2022 NDPP O&M spending on electrical infrastructure that
21 provides service to them.

22
23
24
25
26 ¹⁰ Docket Nos. 20-02032, 21-03001, and 22-03006.

27 ¹¹ BCP Economist Patrick Morton provides BCP’s economic testimony for this proceeding and explains the
28 economic concept of spillover benefits.

1 11. Q. PLEASE SUMMARIZE YOUR RECOMMENDATION ON THIS ISSUE?

2 A. I recommend that the Commission find the purpose of the NDPP is to minimize
3 the risk of the public utilities' electrical infrastructure causing a fire and to
4 mitigate the risk of the effects of natural disasters on the public utilities'
5 electrical infrastructure.
6

7 **RECOMMENDATION #2: FIND THAT ALL OF THE NDPP COSTS INCURRED IN**
8 **2022 WERE DIRECT COSTS THAT WERE INCURRED IN EITHER NPC'S**
9 **SEPARATE SERVICE TERRITORY OR IN SPPC'S SEPARATE SERVICE**
10 **TERRITORY.**
11

12 12. Q. HOW IS A DIRECT COST DEFINED ?

13 A. The National Association of Regulatory Utility Commissioners ("NARUC")
14 defines "direct costs" in its Guidelines for Cost Allocations and Affiliate
15 Transactions as follows:

16 **Direct Costs** – costs which can be specifically identified with a
17 particular service or product.¹²

18 13. Q. DO THE WORKPAPERS FOR EXHIBIT D IN THE JOINT
19 APPLICATION, SUMMARY OF 2022 NDPP PLANT IN SERVICE, SHOW
20 THAT ALL OF THE CAPITAL EXPENDITURES WERE DIRECT COSTS
21 IN EITHER NPC'S SEPARATE SERVICE TERRITORY OR IN SPPC'S
22 SEPARATE SERVICE TERRITORY?

23 A. Yes. In these Excel workpapers, there is a tab titled, "Plant adds by month." The
24 first column of this Excel spreadsheet is titled, "Company." Every capital
25

26 ¹² *Guidelines for Cost Allocations and Affiliate Transactions*, NARUC.ORG,
27 <https://pubs.naruc.org/pub.cfm?id=539BF2CD-2354-D714-51C4-0D70A5A95C65> (last visited June 25, 2023).

1 expenditure for plant additions for the 2022 NDPP is specifically identified in
2 the Excel workpapers for Exhibit D as either being incurred in NPC's separate
3 service territory or in SPPC's separate service territory.

4
5 **14. Q. DO THE WORKPAPERS FOR EXHIBIT E IN THE JOINT**
6 **APPLICATION, SUMMARY OF THE 2022 NDPP O&M COSTS, SHOW**
7 **THAT ALL OF THE O&M COSTS WERE DIRECT COSTS IN EITHER**
8 **NPC'S SEPARATE SERVICE TERRITORY OR IN SPPC'S SEPARATE**
9 **SERVICE TERRITORY?**

10 A. In these Excel workpapers, there is a tab titled, "E.3 Data." Excel Column I of
11 this spreadsheet is titled, "Business Unit Description." Every O&M cost
12 contained in this spreadsheet is either specifically identified as NVPWR for NPC
13 or as SPPCO for SPPC.

14
15 **15. Q. WHY IS THIS FINDING NECESSARY FOR THE COMMISSION TO SET**
16 **JUST AND REASONABLE NDPP RATES FOR NPC'S AND SPPC'S**
17 **SEPARATE CUSTOMERS?**

18 A. With respect to affiliated public utilities, direct costs are assigned – not allocated
19 – to the utility that can be specifically identified as where the cost was incurred.
20 Given that the costs can be specifically identified as occurring in the service
21 territory of a public utility, there is no justifiable reason to allocate the costs
22 between the two public utilities. In contrast, indirect costs, or more precisely,
23 common costs, cannot be specifically identified as occurring in the service
24 territory of affiliated public utilities and therefore must be allocated between the
25 affiliated public utilities. For example, the salary of the CEO of NV Energy, Inc.

1 is an indirect cost that is allocated between the holding company, NPC, and
2 SPPC.

3
4 However, if one public utility's customers are required to pay for the direct costs
5 of a different public utility, then this is not a cost allocation, but a cost shifting
6 mechanism. It is important that that the Commission and the public utilities do
7 not misrepresent what is occurring with respect to the NDPP cost recovery by
8 referring to a cost shifting mechanism as a cost allocation.

9
10 **16. Q. DOES THE COMMISSION'S REGULATORY OPERATIONS STAFF**
11 **SHARE YOUR VIEW THAT THE NDPP COST RECOVERY TO DATE**
12 **HAS BEEN A COST SHIFTING MECHANISM?**

13 A. Yes. The economist who testified for the Commission's Regulatory Operations
14 Staff ("Staff") in Docket No. 20-02032 stated the following in her Q/A 15:

15 NV Energy's proposed methodology is less of a cost sharing
16 mechanism and more of a cost shifting mechanism, because a
17 significant portion of the NDPP costs and investments are tied to
18 SPPC's service territory in the Lake Tahoe area yet the majority of
19 billing determinants are in NPC's service territory in the Las Vegas
20 area. Specifically, the rate design proposed by NV Energy shifts
21 \$5,261,657 from SPPC's customers to be paid by NPC's customers.
22 Aside from costs being improperly allocated across SPPC and NPC
23 customers¹³

24 **17. Q. PLEASE SUMMARIZE YOUR RECOMMENDATION ON THIS ISSUE.**

25 A. I recommend that the Commission find that all of the NDPP costs incurred in
26 2022 were direct costs that were incurred in either NPC's separate service
27 territory or in SPPC's separate service territory. This finding is indisputable

28

¹³ See Ex. 303 (Prepared Direct Testimony of Cristina M. Zuniga) in Docket Nos. 20-02031/32 at 4:22 – 5:3.

1 given that the public utilities have specifically identified in their workpapers all
2 2022 NDPP costs as being incurred for either NPC or for SPPC.

3
4 **RECOMMENDATION #3: FIND THAT IT IS INAPPROPRIATE TO SHIFT ANY**
5 **DIRECT NDPP COSTS FROM SPPC'S SERVICE TERRITORY FOR COST**
6 **RECOVERY FROM NPC'S CUSTOMERS.**

7
8 **18. Q. WHY IS IT INAPPROPRIATE TO SHIFT DIRECT NDPP COSTS**
9 **INCURRED IN SPPC'S SERVICE TERRITORY FOR COST RECOVERY**
10 **FROM NPC'S CUSTOMERS?**

11 A. A shifting of direct costs incurred on the electrical infrastructure that is used to
12 provide electric service for SPPC's customers, which is a direct benefit for these
13 customers, onto NPC's customers on the pretense of spillover benefits, without
14 any finding that the spillover benefits for NPC's customers are greater than the
15 direct benefit for SPPC's customers, does not result in just and reasonable NDPP
16 rates. The justification that spillover benefits – while ignoring the more
17 applicable direct benefits – allows the Commission to shift two-thirds of SPPC's
18 NDPP O&M costs onto NPC's customers is a “tail wagging the dog” form of
19 ratemaking.

20
21 The burden for departing from cost causation principles falls on the joint
22 applicants, not on the interveners.¹⁴ NRS 704.7983 does not exempt NDPP
23
24

25 ¹⁴ Unfortunately, the Commission's Modified Final Order in Docket No. 22-03006, issued on October 12, 2022,
26 places the burden on the interveners arguing against a cost shift in Paragraph 151, which reads as follows:
27 “[T]hose parties fail to present substantial evidence quantifying or adequately comparing the relative benefits of
28 the proposed NDPP programs and projects.”

1 ratemaking from the just and reasonable rate requirement in NRS 704.040.¹⁵ As
2 stated by the United States Court of Appeals for the District of Columbia Circuit
3 (“D.C. Circuit”) in its March 4, 2022 Order in *Long Island Power Authority v.*
4 *Federal Energy Regulatory Commission* (“FERC”), just and reasonable rates
5 must reflect to some degree the costs actually caused by the customer who must
6 pay them.

7 The Federal Power Act required utilities to charge “just and
8 reasonable” rates for the transmission of electricity in interstate
9 commerce. 16 U.S.C. § 824d(a). To be just and reasonable, rates
10 must “reflect to some degree the costs actually caused by the
11 customer who must pay them.” *Midwest ISO Transmission Owners*
12 *v. FERC*, 373 F.3d 1361, 1368 (D.C. Cir. 2004) (cleaned up). This
13 “cost causation principle” requires “comparing the costs assessed
14 against a party to the burdens imposed or benefits drawn by that
15 party.” *Id.* If FERC determines that a particular rate is unjust or
16 unreasonable, it must “determine the just and reasonable rate.: 16
17 U.S.C. § 824e(a).¹⁶

18 The burden imposed on NPC’s customers has been the cross-subsidy¹⁷ they have
19 paid for NDPP costs incurred in SPPC’s service territory, which provide a direct
20 benefit to SPPC’s customers, and some unquantified spillover benefit to NPC’s
21 customers. To date, the Commission-approved cross-subsidies from NPC’s

22 ¹⁵ NRS 704.040 Public utilities required to provide reasonably adequate service and facilities;
23 charges for services required to be just and reasonable; unjust and unreasonable charges unlawful

24 * * * *
25 1. Every public utility shall furnish reasonably adequate service and facilities. Subject to the provisions of
26 subsection 3, the charges made for any service rendered or to be rendered, or for any service in connection
27 therewith or incidental thereto, must be just and reasonable.

28 2. Every unjust and unreasonable charge for service of a public utility is unlawful

¹⁶ See *Long Island Power Auth. v. FERC*, 27 F.4th 705, 709 (D.C. Cir. 2022) [hereinafter “Long Island”].

¹⁷ BCP’s use of the word “cross-subsidy” is factual and should not be viewed by the public utilities as
inflammatory as stated in the rebuttal testimony of Mr. Jesse Murray in Docket No. 23-03003. There is no
dispute that NDPP costs are being shifted from SPPC’s NDPP regulatory asset accounts onto NPC’s customers.
This is an inter-utility subsidy or cross-subsidy. In contrast, the public utilities, in every general rate case, claim
that there is a residential subsidy because of the results of how a single flawed cost of service study allocates
indirect costs to the customer classes. See the testimony of Samantha Prest in Docket No. 23-06007 at Q/A 21.

1 customers to SPPC's customers for NDPP costs incurred in SPPC's service
2 territory has been \$47.6 million dollars, comprising of the following:

- 3 • 2019 - \$5.4 million
- 4 • 2020 - \$12.0 million
- 5 • 2021 - \$30.2 million.
- 6 • **Total - \$47.6 million.**

7 If the Commission approves the instant joint application as filed, then NPC's
8 customers will add another \$19.6 million dollars for 2022 to the cross-subsidies
9 they have already paid for NDPP costs incurred in SPPC's service territory as
10 shown on Line 27 of Table 1 below. Hence, the total cross-subsidies for the first
11 four years of the NDPP would total \$67.2 million dollars, with 2023 NDPP costs
12 still pending from the initial NDPP.¹⁸

13 //

14 //

15 //

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24

25 ¹⁸ The Commission's Modified Final Order on Reconsideration in Docket No. 20-02031/32, issued on December
26 22, 2020, found BCP's estimate that the cost shifts for the first five years of the NDPP would total \$72.3 million
27 dollars to be inaccurate in Paragraph 84. Unfortunately, the Commission was correct because it appears that
the cross-subsidies will be above \$72.3 million dollars, not below \$72.3 million dollars that the Commission
believed in 2020.

Table 1

NEVADA POWER COMPANY, SIERRA PACIFIC POWER COMPANY, & NV ENERGY, INC. Table Shelton-Patchell Direct - 1
 CALCULATION OF NATURAL DISASTER PROTECTION PLAN RATE ("NDPP") Workpaper 3.0
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 BCP COST SHIFTS & CROSS SUBSIDIES ADDED
 EFFECTIVE OCTOBER 1, 2023
 (IN THOUSANDS)

Ln No	(a) Description	(b) Reference	(c) NPC	(d) SPPC	(e) Total	Ln No
1						1
2	NDPP Statewide Component					2
3	Total NDPP OMAG Distribution Costs	Page 2 & 3, Col (o), Ln 60	\$ 3,937	\$ 27,082	\$ 31,020	3
4	NDPP Allocated OMAG Transmission Costs ⁽¹⁾	Page 4 & 5, Col (o), Ln 60	324	4,061	4,385	4
5	Total NDPP OMAG Costs		\$ 4,262	\$ 31,143	\$ 35,405	5
6		COSTS WITH SHIFT	23,869	11,536		6
7	NPC & SPPC kWh (Sales) ⁽²⁾	Page 6 & 7, Col (n), Ln 6			35,318,460.991	7
8		% of Direct OMAG	12.0%	88.0%		8
9		% of Shifted OMAG	67.4%	32.6%		9
10						10
11	Total Statewide Component per kWh (Ln 5 ÷ Ln 7)		\$ 0.00100	\$ 0.00100		11
12						12
13	NDPP Capital Component					13
14	Total NDPP Capital Distribution Costs	Page 2 & 3, Col (o), Ln 46	\$ 209	\$ 1,618		14
15	NDPP Allocated Capital Transmission Costs ⁽¹⁾	Page 4 & 5, Col (o), Ln 46	30	(43)		15
16	Total NDPP Capital Costs		\$ 239	\$ 1,575		16
17						17
18	NPC & SPPC kWh (Sales) ⁽²⁾	Page 6 & 7, Col (n), Ln 6	23,810,583.974	11,507,877.017		18
19						19
20	Total NDPP Capital Component per kWh (Ln 15 ÷ Ln 17)		\$ 0.00001	\$ 0.00014		20
21						21
22	Total NDPP per kWh (Ln 9 + Ln 19)		\$ 0.00101	\$ 0.00114		22
23			To 1.0, column (c), line 3	To 1.0, column (c), line 4		23
24	⁽¹⁾ Total adjusted costs (transmission allocated)					24
25	⁽²⁾ Total kWh includes all customers - Retail and DOS					25
26						26
27	CROSS SUBSIDY VS BCP PUBLIC UTILITY RATES		19,607,303	(19,607,303)		27
28						28
29	CROSS SUBSIDY VS BCP HOLDING COMPANY RATES		18,221,178	(18,221,178)		29

19. Q. DOES TABLE 1 PROVIDE ANY INFORMATION ON THE BURDENS IMPOSED OR BENEFITS DRAWN FOR NPC'S AND SPPC'S RESPECTIVE CUSTOMERS?

A. Yes, on Line 8 of Table 1, it shows that NPC's customers received 12.0 percent of the direct benefit of 2022 NDPP O&M spending while SPPC's customers received 88 percent of the direct benefit. However, the public utilities' proposed holding company NDPP rates places a 67.4 percent burden of these costs onto NPC's customers and only 32.6 percent on SPPC's customers. The asymmetrical benefits drawn/burden imposed does not result in just and reasonable NDPP rates and must finally be rejected by the Commission in this proceeding.

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20. Q. DOES THE NDPP STATUTE, NRS 704.7983, REQUIRE THE COMMISSION TO SHIFT NDPP COSTS INCURRED IN SPPC'S SERVICE TERRITORY ONTO NPC'S CUSTOMERS?

A. No. In fact, BCP and the gaming companies have argued in their legal briefs submitted in Docket Nos. 21-03004 and 22-03006 that NDPP cost shifts are unlawful.

21. Q. DO THE NDPP REGULATIONS, LCB FILE NO. R085-19, REQUIRE THE COMMISSION TO SHIFT NDPP COSTS INCURRED IN SPPC'S SERVICE TERRITORY ONTO NPC'S CUSTOMERS?

A. No. Section 13 of LCB File No. R085-19 is the cost recovery section of the NDPP regulations. There is no language in Section 13 that requires, nor even allows, NDPP costs recorded in SPPC's NDPP regulatory asset accounts to be cleared (recovered) from NPC's customers. It is perplexing that this approved regulation is being ignored in the NDPP cost recovery proceedings.

22. Q. DOES SHIFTING COSTS FROM SPPC'S NDPP REGULATORY ASSET ACCOUNTS TO BE RECOVERED FROM NPC'S CUSTOMERS RESULT IN AN INEQUITY FOR NPC'S CUSTOMERS?

A. Yes. Exhibit F in the joint application shows that NPC's single-family residential customers had an average monthly bill of \$193.57 at the time of filing, whereas SPPC's single-family residential customers had an average bill of \$130.02. Why the public utilities believe that it is okay to shift costs onto the customers with the higher monthly bill – \$63.55, or 48.9 percent – from customers with the lower monthly bill is perplexing and inequitable to NPC's customers.

1
2 Likewise, Exhibit F shows that NPC's multi-family residential customers had an
3 average monthly bill of \$114.87 at the time of filing, whereas SPPC's multi-
4 family residential customers had an average bill of \$73.90. Once again, it is
5 inequitable to shift NDPP costs onto customers that pay \$40.97 more per month,
6 or 53.3 percent, from customers with the lower monthly bill.

7
8 **23. Q. WHY ARE ELECTRIC BILLS HIGHER FOR NPC'S CUSTOMERS THAN**
9 **SPPC'S CUSTOMERS?**

10 A. There are two factors. First, the rates are higher for NPC than SPPC. Second,
11 the kWh usage is higher for NPC than SPPC because Las Vegas is located in the
12 hot Mojave Desert, which requires much more air conditioning than that needed
13 in Northern Nevada. For example, NPC's 2022 FERC Form 1 shows that NPC's
14 single-family residential customers consumed an average of 14,227 kWh in 2022
15 with an average cost of 13.27 cents per kWh. In contrast, SPPC's 2022 FERC
16 Form 1 shows that SPPC's single-family residential customers consumed an
17 average of 9,694 kWh in 2022 with an average cost of 12.41 cents per kWh.¹⁹

18
19
20 **24. Q. PLEASE SUMMARIZE YOUR RECOMMENDATION ON THIS ISSUE.**

21 A. I recommend that the Commission find that it is inappropriate to shift any direct
22 NDPP costs from SPPC's service territory for cost recovery from NPC's
23 customers. This cost shift is asymmetrical with respect to benefits drawn/costs
24 imposed and therefore does not result in just and reasonable NDPP rates.

25
26
27 ¹⁹ NPC's and SPPC's 2022 FERC Form 1 are available on the Commission's website in Docket No. 23-01002.

1 **RECOMMENDATION #4: CONSISTENT WITH RECOMMENDATION #3, SET AN**
2 **NDPP RATE OF \$0.00019 PER KWH FOR NPC'S BUNDLED CUSTOMERS AND**
3 **\$0.00017 PER KWH FOR NPC'S DOS CUSTOMERS.**

4
5 **RECOMMENDATION #5: CONSISTENT WITH RECOMMENDATION #3, SET AN**
6 **NDPP RATE OF \$0.00295 PER KWH FOR SPPC'S BUNDLED CUSTOMERS AND**
7 **\$0.00249 PER KWH FOR SPPC'S DOS CUSTOMERS.**

8
9 **25. Q. WHY DO YOU RECOMMEND DIFFERENT RATES FOR BUNDLED AND**
10 **DOS CUSTOMERS AT THE TWO PUBLIC UTILITIES?**

11 A. In three NDPP cost recovery proceedings – Docket Nos. 20-02032, 21-03004, and
12 22-03006 – I have consistently recommended separate NDPP rates for bundled
13 and DOS customers. There is no dispute, as the name implies, that DOS
14 customers only receive distribution service from NPC and SPPC. It is inequitable
15 to charge them a NDPP transmission rate given that DOS customers pay a third
16 party for transmission service.

17
18 Furthermore, NPC and SPPC are required, with limited exceptions, to join a
19 regional transmission organization (“RTO”) before 2030 pursuant to NRS
20 704.79886. At that time, any transmission costs recorded in a state commission
21 approved regulatory asset account will not be recoverable in FERC approved
22 RTO rates. The same principle applies to current DOS customers who pay FERC
23 approved transmission rates through their third-party provider.

1 **26. Q. DO YOUR RECOMMENDED NDPP RATES INCLUDE ANY COSTS**
 2 **SHIFTS OR CROSS-SUBSIDIES TO RECOGNIZE SPILLOVER**
 3 **BENEFITS?**

4 A. No. As Mr. Morton highlights in his testimony, renewable energy has spillover
 5 benefits. However, there are no cost shifts of NPC's renewable energy costs,
 6 which on average contain higher cost contracts, onto SPPC's customers.

7
 8 **27. Q. HOW DID YOU CALCULATE YOUR NO COST SHIFT / NO CROSS-**
 9 **SUBSIDY NDPP RATES?**

10 A. Table 2 below shows the calculation of the public utility NDPP rates that has
 11 each public utility's customers paying only for the NDPP costs that directly
 12 benefit them without any cost shifts or cross-subsidies for spillover benefits.

Table 2

NEVADA POWER COMPANY & SIERRA PACIFIC POWER COMPANY				Table Shelton-Patchell Direct - 1	
CALCULATION OF NATURAL DISASTER PROTECTION PLAN RATE ("NDPP")				Workpaper 3.0	
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022				BCP PUBLIC UTILITY REVISIONS	
EFFECTIVE OCTOBER 1, 2023					
(IN THOUSANDS)					
Ln No	(a) Description	(b) Reference	(c) NPC	(d) SPPC	Ln No
1					1
2	NDPP Distribution Component				2
3	NDPP OMAG Distribution Costs	Page 2 & 3, Col (o), Ln 60	\$ 3,937	\$ 27,082	3
4	NDPP Capital Distribution Costs	Page 2 & 3, Col (o), Ln 46	\$ 209	\$ 1,618	4
5	Total NDPP Distribution Costs		\$ 4,146	\$ 28,700	5
6					6
7	NPC & SPPC kWh (Bundled + DOS Sales)	Page 6 & 7, Col (n), Ln 6	23,810,583.974	11,507,877.017	7
8					8
9	Distribution NDPP Rate per kWh [Ln 5 ÷ Ln 7]		\$ 0.00017	\$ 0.00249	9
10					10
11					11
12	NDPP Transmission Component				12
13	NDPP OMAG Transmission Costs	Page 4 & 5, Col (o), Ln 60	324	4,061	13
14	NDPP Capital Transmission Costs	Page 4 & 5, Col (o), Ln 46	30	(43)	14
15	Total NDPP Transmission Costs		\$ 355	\$ 4,018	15
16					16
17	NPC & SPPC kWh (Bundled Sales)	Page 6 & 7, Col (n), Ln 3 & 2	21,025,235.369	8,751,392,710	17
18					18
19	Transmission NDPP Rate per kWh [Ln 15 ÷ Ln 17]		\$ 0.00002	\$ 0.00046	19
20					20
21	Total Bundled NDPP Rate [Ln 9 + Ln 19]		\$ 0.00019	\$ 0.00295	21

1 RECOMMENDATION #6: ALTERNATIVELY, IF THE COMMISSION BELIEVES IT
2 HAS LEGAL AUTHORITY TO SHIFT DIRECT NDPP COSTS FROM SPPC'S
3 SERVICE TERRITORY FOR COST RECOVERY FROM NPC'S CUSTOMERS, FIND
4 THAT THERE IS NO ELECTRICAL SERVICE BENEFIT TO NPC'S CUSTOMERS
5 FOR ANY NDPP WORK ON SPPC'S DISTRIBUTION SYSTEM, AND THEREFORE
6 THERE IS NO JUSTIFICATION FOR SHIFTING ANY NDPP DISTRIBUTION
7 COSTS FROM SPPC'S SERVICE TERRITORY FOR COST RECOVERY FROM NPC'S
8 CUSTOMERS.

9
10 28. Q. WHAT IS THE DISTRIBUTION SYSTEM OF AN ELECTRIC UTILITY
11 AND HOW DOES IT OPERATE?

12 A. The NARUC Electric Utility Cost Allocation Manual provides a simple
13 description of an electric utility's distribution system and the operation of the
14 distribution system.

15 D. Distribution

16 **T**he distribution facilities connect the customer with the transmission grid to
17 provide the customer with access to the electrical power that has been generated and
18 transmitted. The distribution plant includes substations, primary and secondary
19 conductors, poles and line transformers that are jointly used and in the public right of
20 way, as well as the services, meters and installations that are on the customer's own
21 premises.

22 Typically, transmission and distribution plant is separated by large power trans-
23 formers located in a substation. The substation power transformer "steps down" the volt-
24 age to a level that is more practical to install on and under city streets. Distribution
25 substations usually have two or more circuits that radiate from the power transformer like
26 spokes on a wheel, hence the expression, "radial distribution circuits". These circuits
27 will often tie to each other for operating convenience and emergency service, but under
28 normal operation an open switch keeps them electrically separate. Thus, in contrast to
the transmission system where a change of load at any point on the system will result in a
change in load on the entire system, a change in load on one part of the distribution sys-
tem will not normally affect load on any other part of the distribution system.

1 Distribution circuits are divided into primary and secondary voltages with the pri-
2 mary voltages usually ranging between 35 KV and 4 KV and the secondary below 4 KV.
3 Primary distribution voltages run between the power transformer in the substation and
4 the smaller line transformers at the points of service. Advances in equipment and cable
5 technology permit using the higher voltages for new installation. Since the ability to
6 carry power in an electrical conductor is proportional to the square of the voltage, these
7 higher primary voltages allow a reasonably sized conductor to carry power to more cus-
8 tomers at greater distances.

20

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10
11
12 **29. Q. DO THE DISTRIBUTION SYSTEMS OF NPC AND SPPC**
13 **INTERCONNECT WITH EACH OTHER?**

14 A. No. The only direct interconnection between NPC and SPPC is the ON Line,
15 which is a 500 kV transmission line, not a 4 kV distribution line.

16
17
18 **30. Q. ONCE THE VOLTAGE OF ELECTRICITY IS STEPPED DOWN TO**
19 **DISTRIBUTION VOLTAGE FOR DELIVERY TO CUSTOMERS IN**
20 **SPPC'S SERVICE TERRITORY, IS IT ECONOMICALLY FEASIBLE TO**
21 **STEP THAT ELECTRICITY BACK UP TO 500 KV TO TRANSMIT VIA**
22 **THE ON LINE TO CUSTOMERS IN NPC'S SERVICE TERRITORY?**

23 A. No.

24
25 **31. Q. DOES A WIDESPREAD OUTAGE ON SPPC'S DISTRIBUTION SYSTEM**
26 **AFFECT THE DELIVERY OF ELECTRICITY ON NPC'S DISTRIBUTION**
27 **SYSTEM?**

28 A. No. SPPC's Report filed in Docket No. 23-01018 on January 11, 2023, details
that SPPC had 765 separate outages from December 30, 2022 to January 5, 2023,
and that these outages mostly occurred on SPPC's distribution system.²¹ These

²⁰ NARUC, ELECTRIC UTILITY COST ALLOCATION MANUAL 8 (1992), <https://pubs.naruc.org/pub/53A3986F-2354-D714-51BD-23412BCFEDFD>.

²¹ SPPC's Report at 1 & 4.

1 widespread outages had no effect on the delivery of electricity on NPC's
2 distribution system.

3
4 **32. Q. ARE YOU AN ELECTRICAL ENGINEER?**

5 A. No. However, Jon Davis, an electrical engineer with experience at both Southern
6 California Edison and NPC is testifying in conjunction with me. He will be
7 available during the Hearing in this proceeding to answer any technical
8 questions about this recommendation.

9
10 **33. Q. PLEASE SUMMARIZE YOUR RECOMMENDATION ON THIS ISSUE.**

11 A. I recommend that the Commission find that there is no electrical service benefit
12 to NPC's customers for any NDPP work on SPPC's distribution system and
13 therefore there is no justification for shifting any NDPP distribution costs from
14 SPPC's service territory for cost recovery from NPC's customers.

15
16 **RECOMMENDATION #7: ALTERNATIVELY, IF THE COMMISSION BELIEVES IT**
17 **HAS LEGAL AUTHORITY TO SHIFT DIRECT NDPP COSTS FROM SPPC'S**
18 **SERVICE TERRITORY FOR COST RECOVERY FROM NPC'S CUSTOMERS, FIND**
19 **THAT NO MORE THAN 50 PERCENT OF THE NDPP TRANSMISSION COSTS**
20 **SHOULD BE ALLOCATED ON A HOLDING COMPANY BASIS.**

21
22 **34. Q. WHAT IS THE PRECEDENT FOR THIS RECOMMENDATION?**

23 A. The 50/50 methodology was enacted by the PJM RTO²² after its postage stamp
24 methodology was twice set aside by the Seventh Circuit Court of Appeals

25
26

²² PJM stands for Pennsylvania-Jersey-Maryland. The PJM RTO spans all or parts of 13 states and the
27 District of Columbia. The website for the PJM RTO is: <https://pjm.com/>. 6776

1 (“Seventh Circuit”). The postage methodology is the same methodology as the
2 kWh methodology used by Nevada Commission in its three previous NDPP cost
3 recovery proceedings. The explanation of the postage stamp methodology, its
4 rejection twice in the Seventh Circuit, and the comprise 50/50 hybrid
5 methodology is contained in the D.C. Circuit’s Order in *Long Island Power*
6 *Authority v. FERC*.

7 In 2007, FERC ordered PJM to replace its violation method with a
8 “postage stamp” method. This method allocates the cost of a new
9 facility in proportion to each utility’s sale of electricity, regardless
10 of where the facility is located or how much each utility uses it. The
11 Commission reasoned that the postage-stamp method accounts for
12 the regional benefits of high-voltage facilities, incentivizes their
development, and avoids the trouble of quantifying the specific
benefits that each facility provides to each utility. Opinion No. 494,
119 FERC ¶ 61,063, PP 79–82.²³

13 In *Illinois Commerce I*, the Seventh Circuit set aside FERC’s order.
14 It reasoned that FERC had failed to make “even the roughest of
15 ballpark estimates” of the regional benefits said to justify the
16 postage-stamp method and had also failed to explain why
17 quantifying the local benefits—as it continued to do for low-voltage
18 projects—was now too difficult. 576 F.3d at 475–78. Moreover,
19 PJM’s geographic asymmetry made the distinction between local
and regional benefits important: Because nearly all the high-
voltage facilities were built in the eastern part of the grid, fully
regionalizing their costs would substantially overcharge the
western utilities. *Id.* at 475–76.²⁴

20 The Seventh Circuit set aside the Remand Order in *Illinois*
21 *Commerce II*. The court again faulted FERC for giving neither a
22 cost-benefit analysis nor an explanation of why such an analysis
23 was infeasible. 756 F.3d at 561. And it again concluded that the
24 postage-stamp method was “guaranteed to overcharge the western
25 utilities, as they will benefit much less than the eastern utilities

26 ²³ See *Long Island*, *supra* n. 17.

27 ²⁴ *Id.*

1 from eastern projects that are designed to improve the electricity
2 supply in the east.” *Id.*²⁵

3 In response, PJM and its utilities proposed a hybrid formula for new
4 high-voltage facilities: allocate half the costs under the postage-
5 stamp method and half under a new, flow-based method (also called
6 a solution-based distribution-factor method). The flow-based
7 method assigns costs based on how much each utility uses the
8 facility in question over time. Approving the hybrid formula, FERC
9 concluded that it struck a “reasonable balance” between the “broad
10 regional benefits and specifically identifiable benefits” of high-
11 voltage facilities. *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214,
12 P 417 (2013) (Compliance Order). FERC also noted that the
13 proposal reflected a “reasonable compromise” to resolve the
14 “intensely practical difficulties” that had provoked extended discord
15 within PJM. *Id.* P 420 (cleaned up). All the member utilities
16 supported the compromise, and no party challenged it in court.²⁶

17 The facts in these PJM cases involve the same facts as the NDPP. If the postage
18 stamp method was twice set aside by the Seventh Circuit because it overcharged
19 the western utilities, the Nevada Commission should realize that its per kWh
20 methodology – which is identical to the postage stamp methodology – results in
21 NPC’s customers being overcharged for NDPP. The hybrid formula used in PJM
22 reflected a reasonable compromise and use of that formula for NDPP
23 transmission spend, but not distribution spend for the reasons explained in
24 Recommendation #6 above, would represent a reasonable compromise for
25 shifting of NDPP costs from SPPC’s jurisdiction onto NPC’s customers.

26 ²⁵ *Id.* at 6.

27 ²⁶ *Id.* at 6-7.

1 **35. Q. ARE NPC'S AND SPPC'S TRANSMISSION SYSTEM A SINGLE SYSTEM**
2 **WITH RESPECT TO FERC RATES?**

3 A. Yes. Although the Nevada Commission sets separate transmission rates for
4 NPC's and SPPC's respective retail customers, the public utilities' transmission
5 assets are a single system for FERC ratemaking for wholesale customers.
6

7 **36. Q. ARE NPC'S AND SPPC'S TRANSMISSION SYSTEM**
8 **INTERCONNECTED?**

9 A. Yes. The 500 kV ON Line interconnects NPC's and SPPC's transmission systems.
10

11 **37. Q. DO YOU HAVE RESERVATIONS ABOUT THIS RECOMMENDATION?**

12 A. Yes. This recommendation still results in a cross-subsidy from NPC's customers
13 to SPPC's customers of about \$1.4 million dollars as shown in Table 1 above.
14 However, a cross-subsidy of \$1.4 million dollars for 2022 NDPP costs would be
15 much more palatable to NPC's customers than a cross-subsidy of \$19.6 million
16 dollars as proposed by the public utilities.
17

18 **38. Q. PLEASE SUMMARIZE YOUR RECOMMENDATION ON THIS ISSUE.**

19 A. I recommend that the Commission find that no more than 50 percent of the
20 NDPP transmission costs should be allocated on a holding company basis.
21

22 **RECOMMENDATION #8: CONSISTENT WITH ALTERNATIVE**
23 **RECOMMENDATIONS #6 AND #7, SET AN NDPP RATE OF \$0.00025 PER KWH FOR**
24 **NPC'S BUNDLED CUSTOMERS AND \$0.00017 PER KWH FOR NPC'S DOS**
25 **CUSTOMERS.**
26
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28

1 **RECOMMENDATION #9: CONSISTENT WITH ALTERNATIVE**
 2 **RECOMMENDATIONS #6 AND #7, SET AN NDPP RATE OF \$0.00279 PER KWH FOR**
 3 **SPPC'S BUNDLED CUSTOMERS AND \$0.00249 PER KWH FOR SPPC'S DOS**
 4 **CUSTOMERS.**

6 **39. Q. HOW DID YOU CALCULATE YOUR ALTERNATIVE NDPP RATES?**

7 A. Table 3 below shows the calculation of the holding company NDPP rates that has
 8 each public utility's customers paying only for their direct NDPP distribution
 9 costs but uses the PJM hybrid methodology to shift some of SPPC's NDPP
 10 transmission costs onto NPC's customers.

11 **Table 3**

12 **NEVADA POWER COMPANY, SIERRA PACIFIC POWER COMPANY, & NV ENERGY, INC.** Table Shelton-Patchell Direct - 1
 13 **CALCULATION OF NATURAL DISASTER PROTECTION PLAN RATES ("NDPP")** Workpaper 3.0
 14 **FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022** BCP HOLDING COMPANY REVISIONS
 15 **EFFECTIVE OCTOBER 1, 2023**
 16 **(IN THOUSANDS)**

Ln No	(a) Description	(b) Reference	(c) NPC	(d) SPPC	(e) NV Energy, Inc.	Ln No
1						1
2	NDPP Holding Company Component					2
3	NDPP OMAG Transmission Costs - 50%	Page 4 & 5, Col (o), Ln 60	162	2,031	\$ 2,193	3
4	Total NDPP Holding Company Costs		\$ 162	\$ 2,031		4
5			1,548	644		5
6	NPC & SPPC kWh (Bundled Sales)	Page 6 & 7, Col (n), Ln 3 & 2	21,025,235,369	8,751,392,710	29,776,628,079	6
7						7
8	Holding Company Transmission NDPP Rate per kWh [Ln 3 ÷ Ln 6]		\$ 0.00007	\$ 0.00007		8
9						9
10	NDPP Public Utility Component					10
11	NDPP OMAG Distribution Costs	Page 2 & 3, Col (o), Ln 60	\$ 3,937	\$ 27,082		11
12	NDPP OMAG Transmission Costs - 50%	Page 4 & 5, Col (o), Ln 60	162	2,031		12
13	NDPP Capital Distribution Costs	Page 2 & 3, Col (o), Ln 46	\$ 209	\$ 1,618		13
14	NDPP Capital Transmission Costs	Page 4 & 5, Col (o), Ln 46	30	(43)		14
15	Total NDPP Public Utility Costs		\$ 4,339	\$ 30,687		15
16						16
17	NPC & SPPC kWh (Bundled + DOS Sales)	Page 6 & 7, Col (n), Ln 6	23,810,583,974	11,507,877,017		17
18						18
19	Public Utility Distribution NDPP Rate per kWh [(Ln 12 + Ln 14) ÷ Ln 18]		\$ 0.00017	\$ 0.00249		19
20						20
21	Public Utility Transmission NDPP Rate per kWh [(Ln 13 + Ln 15) ÷ Ln 6]		\$ 0.00001	\$ 0.00023		21
22						22
23	Total Bundled NDPP Rate [Ln 8 + Ln 20 + Ln 22]		\$ 0.00025	\$ 0.00279		23
24						24
25						25
26			% of Direct Costs	12.1%	87.9%	26
27			% of Shifted Costs	15.8%	84.2%	27

25 **40. Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

26 A. Yes, it does.

Qualifications of David S. Chairez

I have been employed with the Attorney General's Bureau of Consumer Protection ("BCP") since May 2013. Prior to my employment with BCP, I was employed by the Public Utilities Commission ("Commission") for 15½ years. My first six years and two months at the Commission were in the Public Affairs Division where I was responsible for external communications of the Commission's decisions and activities to the general public, media, financial community, and other interested groups. For the next six years and two months at the Commission, I was a financial analyst with the Tariffs and Compliance Division where I was responsible for reviewing public utility filings and making recommendations to the Commission. I was a Policy Advisor for my last three years and two months at the Commission where I was responsible for providing technical support to the Commission and General Counsel.

Professional Experience

Attorney General's Bureau of Consumer Protection May 2013 – Present

Regulatory Accountant / Regulatory Manager

- Perform reviews of utility filings made with the Public Utilities Commission. Provide testimony on behalf of ratepayers to the Public Utilities Commission on public utility filings.

Public Utilities Commission of Nevada October 1997 – May 2013

Policy Advisor, Policy Analysis Division 2010 – 2013

- Provided technical support to the Commission on utility filings. Provided technical support to General Counsel on judicial appeals and federal regulatory matters.

Financial Analyst, Tariffs & Compliance Division 2003 – 2010

- Performed reviews of public utility filings made with the Commission. Provided recommendations to the Commission through written testimony, oral testimony, and briefing memos.

Public Information Officer, Public Affairs and Consumer Education 2002 – 2003

- Provided external communications for the Commission to the general public, media, financial community, and other interested groups. Educated ratepayers about the regulatory process in Nevada.

**Consumer Education Specialist / Assistant Public Information Officer,
Consumer Outreach Division**

1997 - 2002

- Educated ratepayers about electric restructuring, energy conservation, and other public utility regulatory matters. Assisted the Public Information Officer with external communications.

Office of U.S. Senator Richard H. Bryan

September 1991 - October 1997

Constituent Services Representative

- Assisted the Senator's constituents with federal agency problems. Represented the Senator at various functions.

Education

University of Nevada at Las Vegas
Bachelor of Arts in Economics, August 1990

Regulatory Training

Economics of Energy & The Environment

Energy Institute at Haas
University of California, Berkeley
May 2016

Rockies Oil & Gas

Platts McGraw Hill Financial,
Denver, Colorado
April 2015

Essentials of Regulatory Finance

SNL Center for Financial Education
Denver, Colorado
October 2012

Introduction to Cost of Service Concepts and Techniques and Introduction to Rate Design

EUCI
Ft. Lauderdale, Florida
February 2012

Depreciation Basics

Society of Depreciation Professionals
Atlanta, Georgia
September 2011

NARUC Regulatory Studies Program – Electric Industry Courses

Institute of Public Utilities
Michigan State University
August 2005

Accounting and Auditing for Utility Regulators and Consumer Advocates

Institute of Public Utilities
Michigan State University
June 2004

The Basics - Telecommunications Industry

Center for Public Utilities
New Mexico State University
October 2002

Prior Testimony before the Public Utilities Commission of Nevada

Docket No. 23-03003 Nevada Power / Sierra Pacific Power NDPP (Written / Oral)
Docket No. 22-03028 Nevada Power / Sierra Pacific Power Merger (Written)
Docket No. 22-03006 Nevada Power / Sierra Pacific NDPP (Written / Oral)
Docket No. 22-03004 Nevada Power / Sierra Pacific ESAP (Written / Oral)
Docket No. 21-11011 Southwest Gas Annual Rate Adjustment (Written / Oral)
Docket No. 21-10012 Sierra Pacific ON-Line Regulatory Asset (Written / Oral)
Docket No. 21-09001 Southwest Gas General Rate Case Recourse CCOSS (Written / Oral)
Docket No. 21-03004 Nevada Power / Sierra Pacific NDPP (Written / Oral)
Docket No. 21-01015 Southwest Gas Renewable Natural Gas (Written / Oral)
Docket No. 20-12003 Nevada Power / Sierra Pacific ESAP (Written / Oral)
Docket No. 20-06004 Sierra Pacific ON-Line Regulatory Asset (Written / Oral)
Docket No. 20-06003 Nevada Power General Rate Case (Written / Oral)
Docket Nos. 20-02031/32 Nevada Power & Sierra Pacific NDPP (Written / Oral)
Docket No. 20-02023 Southwest Gas General Rate Case CCOSS (Written / Oral)
Docket No. 19-06002 Sierra Pacific General Rate Case (Oral)
Docket No. 18-08016 Southwest Gas Excess Imbalances (Written / Oral)
Docket No. 18-06004 Southwest Gas Infrastructure Replacement (Written / Oral)
Docket No. 18-05031 Southwest Gas General Rate Case (Oral)
Docket No. 17-11008 Southwest Gas Mesquite Expansion Project (Written / Oral)
Docket No. 17-07026 Nevada Power / Sierra Pacific Power AB 405 (Written / Oral)
Docket No. 17-06003 Nevada Power General Rate Case (Written / Oral)

Docket Nos. 17-03009/03010 NV Energy Green Power Tariff (Written)
Docket No. 16-07023 Sierra Pacific Solar Thermal (Written / Oral)
Docket Nos. 16-07001/07007/08027 Nevada Power / Sierra Pacific DSM (Written / Oral)
Docket No. 16-06007 Sierra Pacific Gas General Rate Case (Written)
Docket No. 16-06006 Sierra Pacific Electric General Rate Case (Written)
Docket No. 16-03003 Southwest Gas Annual Rate Adjustment (Written / Oral)
Docket No. 16-06001 Southwest Gas Infrastructure Replacement (Written / Oral)
Docket No. 16-04039 Southwest Gas Annual Conservation Report (Written / Oral)
Docket No. 16-02006 NV Energy RenewableGenerations (Written / Oral)
Docket No. 15-10001 Southwest Gas Infrastructure Replacement Rate (Written / Oral)
Docket No. 15-07028 Sierra Pacific Power Solar Thermal Program (Written / Oral)
Docket Nos. 15-07041/07042 Nevada Power / Sierra Pacific Net Meter (Written / Oral)
Docket No. 15-06065/07004/08011 Nevada Power / Sierra Pacific DSM (Written / Oral)
Docket No. 15-06007 Southwest Gas Annual Rate Adjustment (Written / Oral)
Docket No. 15-06001 Southwest Gas Infrastructure Replacement (Written / Oral)
Docket No. 15-04037 Southwest Gas Triennial Conservation Plan (Written / Oral)
Docket No. 15-03001 Nevada Power / Sierra Pacific JDA (Written / Oral)
Docket No. 14-06004 Southwest Gas Annual Rate Adjustment (Written / Oral)
Docket No. 14-05042 Southwest Gas Infrastructure Replacement (Written / Oral)
Docket No. 14-04038 Southwest Gas Annual Conservation Report (Written / Oral)
Docket No. 13-07021 MidAmerican Acquisition of NV Energy (Written)
Docket No. 13-06006 Southwest Gas Annual Rate Adjustment (Written)
Docket No. 13-06003 Sierra Pacific Power (Gas) General Rate Case (Written / Oral)
Docket No. 09-05001 Southwest Gas Annual Rate Adjustment (Written / Oral)
Docket No. 09-04005 Southwest Gas General Rate Case (Written / Oral)
Docket No. 08-12002 Nevada Power General Rate Case (Written / Oral)
Docket No. 08-05008 Southwest Gas Annual Rate Adjustment (Written / Oral)
Docket No. 08-03033 Shrinkage Rate Investigation (Direct / Rebuttal/ Oral)
Docket No. 08-02042 Nevada Power Annual Deferred Energy (Written / Oral)
Docket No. 07-05015 Southwest Gas Annual Rate Adjustment (Written / Oral)
Docket No. 07-01022 Nevada Power Annual Deferred Energy (Written)
Docket No. 06-11022 Nevada Power General Rate Case (Written / Oral)
Docket No. 06-01016 Nevada Power Annual Deferred Energy (Written)
Docket No. 05-10005 Sierra Pacific Power (Gas) General Rate Case (Written / Oral)
Docket No. 05-10003 Sierra Pacific Power (Electric) General Rate Case (Written / Oral)
Docket Nos. 05-10024 & 05-10025 Sierra Pacific/Nevada Power Financing (Written / Oral)
Docket No. 05-6003 Nevada Power BTER Update (Written / Oral)
Docket No. 05-5015 Southwest Gas Annual Deferred Energy (Written / Oral)
Docket No. 04-11028 Nevada Power Annual Deferred Energy (Written)
Docket No. 04-6001 Southwest Gas Annual Purchased Gas Adjustment (Written / Oral)
Docket No. 04-3011 Southwest Gas General Rate Case (Written / Oral)
Docket No. 03-12012 Southwest Gas Out-of-Cycle Purchased Gas Adjustment (Written / Oral)

AFFIRMATION

STATE OF NEVADA)
) ss
CLARK COUNTY)

Pursuant to the requirements of NRS 53.045(1) and NAC 703.710, David S. Chairez, being first duly sworn under penalty of perjury, says that he is the person identified in the foregoing prepared direct testimony and/or exhibits; that such direct testimony and/or exhibits were prepared by or under the direction of said person; that the answers and/or information appearing therein are true to the best of his knowledge and belief; and that if asked the questions appearing therein, his answer thereto would, under oath, be the same.

I declare under penalty of perjury that the foregoing is true and correct.

Further affiant sayeth naught.

Dated: 6-26-2023



David S. Chairez

CERTIFICATE OF SERVICE

Docket No. 23-03004

I certify that I am an employee of the Bureau of Consumer Protection and that on this day I have served the foregoing document upon all parties of record in this proceeding by emailing or mailing a true copy thereof, properly addressed with postage prepaid or forwarded as indicated below to:

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Dated: June 26, 2023

/s/ Jana Whitson
An Employee of the
Bureau of Consumer Protection