MINUTES
New Energy Industry Task Force

May 23, 2012

The New Energy Industry Task Force held a public meeting on May 23, 2012, beginning at 1:00 p.m. at the following locations:

State Capitol, the Guinn Room, 101 North Carson Street, Carson City, Nevada 89703, and via videoconference at the Grant Sawyer State Office Building, 555 East Washington, Suite 5100, Las Vegas, Nevada 89101.

1. Call to order and Roll Call.

Stacey Crowley, Director of the State Office of Energy, Chairwoman, called the meeting to order at 1:07 p.m. and opened this agenda item.

The following Task Force and Technical Advisory Members were present:

Task Force Members in Carson City	Task Force Member in Las Vegas	Task Force Members Absent and Excused
Stacey Crowley	Jack McGinley	Ian Rogoff
Ellen Allman	Tom Morley	Jim Woodruff
John Tull	Lawrence Willick via telephone	Matt Frazer
		Paul Thomsen
		Tom Husted

Advisory Members in Carson City	Advisory Members in Las Vegas	Advisory Members Absent and Excused
Alex Gamboa		
Vic Lozano participated on behalf of Ms. Lueders	John Candelaria	Amy Leuders
Connie Westadt	Kathleen Drakulich via telephone	Jim Baak
Dan Jacobsen		Joni Eastley
Senator James Settelmeyer		Marilyn Kirkpatrick
Jason Geddes		
Rebecca Wagner		

Also present was Emily Nunez with the NSOE.

2. Public comments and discussion

Chairwoman Crowley noted that public comments will be permitted on agenda matters which are before the Task Force for consideration or action. She asked that the comments be limited to three minutes. There being no public comments, the agenda item was closed.

3. Review and approval of the minutes of the April 6, 2012 NEITF meeting.

Chairwoman Crowley opened this agenda item for review and discussion. Senator Settlemeyer moved that the minutes be approved as submitted. The motion was seconded by Ellen Allman. The motion was put to a vote and passed unanimously. The agenda item was closed.

4. Review and approval of the minutes of the April 18, 2012 NEITF meeting.

Chairwoman Crowley opened this agenda item for review and discussion. Ellen Allman moved that the minutes be approved as submitted. The motion was seconded by John Tull. The motion was put to a vote and passed unanimously. The agenda item was closed.

5. Update, discussion and possible action on subcommittee from subcommittee Chairpersons.

Chairwoman Crowley opened this agenda item by noting the three subcommittees as follows: The Existing Studies subcommittee, the Business Case subcommittee, and the Transmission subcommittee. She noted that the Transmission Planning and Finance committees have been combined.

In the absence of Jim Baak as Chair of the Existing Studies subcommittee, Chairwoman Crowley noted that the committee has prioritized existing studies in order to provide information to the winning respondent of the RFP when the Board of Examiners approves the contract for the respondent. She explained that the work of the Existing Studies subcommittee will be helpful to the Business Case subcommittee.

She noted one response. The Evaluation subcommittee voted to bring a recommendation forward to offer the contract to a company called Synapse from Massachusetts. The Business Case subcommittee then voted to take the Evaluation committee's recommendation forward to the Board of Examiners, which will meet on June 5, 2012. She noted that if approved, the contract will start immediately with Synapse. Chairperson Crowley thanked everyone for their patience during this process.

Chairperson Crowley noted that Lawrence Willick and Rebecca Wagner are co-chairs of the combined Transmission subcommittee. Mr. Willick provided a brief summary of the subcommittee's work thus far. He noted presentations from NV Energy, Valley Electric Co-Op, and Ellis Power concerning transmission financing for renewables and correspondence from companies such as the New Mexico Renewable Energy Transmission Authority on some of the actions of the State. The subcommittee will be gathering information, both pro and con, for further discussion at the June 1, 2012 meeting.

Rebecca Wagner provided a brief summary of her subcommittee's work thus far. She noted the merged subcommittees are focusing on identifying existing and proposed transmission projects. Ms. Wagner explained that renewable energy zones will be reviewed and revised if necessary. The best approach for indentifying locations for transmission development will also be reviewed.

Chairperson Crowley stated a brief presentation will be provided by Corey Hunt from the Governor's office with regard to the sage grouse issues. She noted the Transmission subcommittee will have its first combined meeting on June 1, 2012, at 10:30 a.m. Information regarding the meeting will be posted on the website.

Hearing no questions, Chairwoman Crowley closed this agenda item.

6. Presentation regarding military energy policy – *Deborah MacNeill, Office of the Military*

Chairwoman Crowley opened this agenda item.

Deborah MacNeill, Director of Public Partnerships, Office of the Military, provided a summary of the military energy policy of Nellis Air Force Base, the Nevada Test and Training Range, Creech Air Force Base, and the Tonopah Test Range.

She explained Nellis Air Force Base provides 40 percent of the Air Force's land in Nevada and about 10 percent of the Department of Defense's (DOD) land, which she termed "a very large footprint". She summarized the missions of the military groups located in Nevada.

Ms. MacNeill explained her work with the communities, the elected officials, and the developers. She referred to a map, which reflected the project areas. She noted there are currently 41,000 active duty personnel and family, 27,000 retirees, and almost 1,000 visitors a day at the base with $3 billion non-payroll and $2 billon payroll, which amounts to a $5 billion economic impact per year. A brochure was distributed outlining the economic impact of Nellis AFB on the area.

Ms. MacNeill discussed renewable energy and the military's goals with regard to that green energy. She noted Nellis was the first to lead the way with regard to its photovoltaic (PV) project, noting there are no costs to the Air Force and saves the base about $1 million a year. She further explained that the base has partnered with the City of Las Vegas with regard to a water reclamation facility to recycle water. Other projects noted are evaluations for geothermal energy. Ms. MacNeill then explained some of the challenges being faced with renewable energy.

Ms. MacNeill discussed issues such as the federally-listed threatened and endangered species and the restrictions on the military's ability to go forward with regard to the renewable energy process.

Ms. MacNeill briefly explained the photovoltaic (PV) project. She stated the wind turbines are the most challenging because of the radar signature. Solar tower projects were noted to be

challenging due to the heat signature. Ms. MacNeill stated the military has been blessed with very good community partners and appreciates the patience of those partners.

Ms. MacNeill provided a brief description of a wind turbine and the challenges that the military is faced with the installation of same next to an airfield. She explained that each of the blades on reflects an approaching aircraft on a radar screen. Right now there is no technological solution, but that the DOD is willing to work with local developers. Pre-planning meetings must first be held prior to the planning stage. The plan will then be sent to a DOD clearinghouse, which allows for a consistent review of the applicability of an installation.

Ms. MacNeill summarized that Nellis Air Force Base is a "big place," which has been in existence for over 70 years and provides an economic impact on the area. She noted the Air Force is leading the green energy effort with regard to reduction of fuel consumption. She thanked NEITF for allowing her to speak.

There were questions following Ms MacNeill's presentation.

Chairperson Crowley: You briefly mentioned capped landfills, and I was wondering if the military has landfills on their property for their use?

Ms. MacNeill: Right now, yes. Nellis has one that we still are using and a capped landfill that we are reviewing for a second potential photovoltaic array at Nellis. The beauty of the capped landfill is that with the PV technology, there is no disturbance. They will able to go out and lay the forms on top of the land, and there are no plans to spend the money to clean up that land so it is a great repurposing. The Environmental Protection Agency (EPA) is doing that repowering initiative to look at brown fields. I think we are going to go and speak with them next month.

Chairperson Crowley: I was also wondering about the ability to capture the methane for some energy production.

Ms. MacNeill: I don't think any of our landfills right now are emitting. I know there was discussion of more of a biomass-type technology --- I'm not sure. Right now, to the best of my knowledge, there is no methane escaping at Nellis, nothing of that nature right now at Nellis. I will check though.

Chairperson asked Ms. MacNeill to participate in Transmission subcommittee discussions with regard to the sage grouse issue and transmission corridors. Ms. MacNeill will be happy to attend.

Chairperson Crowley: Many renewable energy developers are finding it difficult right now to get PPAs from various utilities for various reasons. Is there potential to work with private developers to meet your own needs if you haven't already met your own needs within your base footprint?

Ms. MacNeill: I believe so. When we did the first photovoltaic (PV) array, Nevada Energy was not, I don't want to say disinterested, but they deferred and another company was contracted

with. But I think the way the contracts are written, it's first right of refusal. Unless the base wanted to finance the project themselves, and right now that's just not economically viable and we don't have the expertise. So I'm not sure that that has been explored as far as whether we could find another user.

Chairperson Crowley: Do you have a listed standard? Is it a certain percentage by a certain year for the Department of Defense?

Ms. MacNeill: Yes, I think it is 25 percent by 2025. But DOD is on track as is the Air Force right now to meet the standard.

In response to a question by Mr. McGinley, Ms. MacNeill noted a Southwestern Renewable Energy Group was started back in 2004, 2005 in California before renewable even got off the ground.

Hearing no further questions, Chairwoman Crowley closed the agenda item.

7. Presentation regarding West Connects progress on FERC Order 1000 - *Charlie Pottey*

Chairwoman Crowley opened this agenda item.

Charlie Pottey presented information on the FERC Order 1000 and West Connect's compliance with regard to Order 1000. He noted that in July of 2011 the Federal Energy Regulatory Commission (FERC) issued Order 1000, transmission planning and cost allocation by transmission owning and operating public utilities, which became effective on October 11, 2011 with regard to the following four areas of reform: Regional transmission planning, interregional transmission planning and coordination, right of first refusal (ROFR), and cost allocation. He explained the public utility transmission provider planning requirements and non-requirements.

The WestConnect's compliance approach requirements were discussed. Mr. Pottey noted five strike teams to develop required materials, which include governance, planning, cost allocation, compliance, and communication. He discussed the milestone schedule. He explained the governance strike team status along with the proposed organization for that planning group. Planning process tasks were discussed, including data analysis, project identification, the required analysis, project solutions, and owner selections with regard to maintenance of the projects.

Mr. Pottey went on to discuss the approved criteria compliance, planning study methodology, which includes the bottoms-up, top down process project, and the planning process cycle which is currently every two to three years. The next steps would include criteria for project submittal, criteria for developer selection, combing the planning process with the cost allocation process, finalizing and making recommendations, and developing a draft business practice manual, which would outline the practices in detail.

Mr. Pottey explained the six FERC cost allocation principles, the calculation of reliability benefits, and calculation of benefits for economic projects.

Public policy requirements were noted by Mr. Pottey. A combination of benefits category was summarized as well as the approval of construction by BOD and the state regulators requirement. Mr. Pottey explained that the Compliance Strike Team is drafting the language, which should be completed by September, for the filing by October 11, 2012.

He noted the following schedule of stakeholder meetings: June 7, 2012, in Denver; and July 12, 2012, in Las Vegas. The Implementation Management committee meetings are scheduled for June 19, 2012, in Phoenix; and July 18, 2012, in Las Vegas.

There were questions following Mr. Pottey's presentation.

Chairwoman Crowley: I wanted to have you briefly discuss how NV Energy selected West Connect as the region to consider for order compliance.

Mr. Pottey: NV Energy has been a member of West Connect for Order 890 compliance. There are three sub-regions in West Connect, which are the CCPG Colorado-Coordinated Planning Group, SWAT, Southwest Area planning group, and the Sierra sub-regional planning group. It seems logical that we could continue to participate, plus we're probably more closely tied to utilities within those regions, particularly the Nevada Power System and other utilities. NV Energy has not made a final determination that we would be members of West Connect. We're continuing to look at the other regions, but we're working predominantly on West Connect at this time.

Chairwoman Crowley: I know the deadline of October 11 is looming. Is there a point at which NV Energy will decide after considering multiple options, that they will go with one and allow stakeholder input at that point?

Mr. Pottey: Well, we're allowing stakeholder input, and I'd encourage anyone that has input to provide it either for the West Connect process or directly to NV Energy. I think the decision point will be when each of the regions has outlined what their process will be for compliance. We will look at those processes and see whether or not there's something in one of them that we feel is a significant problem for NV Energy.

Chairwoman Crowley: You mentioned kind of a biannual report in the government structure. Do you see that happening at the same time or near the same time as the TEPPC reporting?

Mr. Pottey: My suspicion is what we will end up doing is taking the results from TEPPC and incorporating them into our planning process, so we would probably start our planning process with the rollup of the individual companies sometime before that's available and then do additional work after its available. I suspect our cycle will end sometime after theirs.

Mr. Jacobsen: I'm very interested in the comment or statement that participant funding is permitted but not as a regional or interregional method. We saw that in a document that FERC

released a couple days ago. I'm interested in your view of the implications of this. Does this mean that you probably couldn't use participant funding as the cost allocation method for transmission lines going over to California because those need to be regional and interregional?

Mr. Pottey: I don't think that FERC has said participant funding is allowed. What they've said is that it can't be the default cost allocation method in the regional transmission planning process. If a project is selected, we need a cost allocation method that identifies who the beneficiaries are and what their costs should be. Those are items that are still being discussed.

Ms. Wagner: So who gets to decide if a project is rolled up into the regional planning, how NV Energy could selectively decide not to have projects that are rolled up to be considered under the regional plan?

Mr. Pottey: I think NV Energy and each of the other 16 or 17 members totally in West Connect currently will submit a local plan with their local projects. Those would then be evaluated for reliability. Then in terms of regional projects, the ones that come forward for TEPPC will be evaluated as the current proposal, and if there's a regional project that has been agreed upon and can move forward, it would probably also be included in the plan.

Ms. Wagner: For the benefit of the group, why don't you define a local plan?

Mr. Pottey: A local plan would generally be the type of projects that we're submitting in our integrated resource plan. It would be projects that are confined to our service territory generally, and they would be designed to meet the local needs of the utility in terms of reliability or ability to integrate renewables, ability to deliver a new generation source, ability to comply with transmission service request, et cetera. However, what we are proposing to look at is a more efficient and cost-effective way. If you could have a regional project that could replace multiple local projects, then we would look at that and determine if that need could be met.

Ms. Wagner: It looks like the slide that has approval of construction by a board of directors and state regulators … can you explain what this giant paragraph actually means?

Mr. Pottey: What we're trying to say is that before there's an obligation to actually go ahead and construct a facility that's determined to be beneficial in this project, that the company's board of directors and any state commission that would have jurisdiction over the recovery of those costs would have an opportunity to look at that project. The regulations vary from state to state in terms of what's required and not required. FERC has said this is a planning process; it's mandatory.

Mr. Jacobsen commented that after listening to this discussion regarding the three buckets in California and what it takes to have traffic qualified to get into one of those buckets, it would be very critical to have an understanding of whether a local project could get into one of those buckets or whether you have to be regional or interregional to qualify to get into one of those buckets.

Mr. Candelaria: You have two slides. One is calculation of reliability benefits and calculation of benefits for economic projects, for the West Connect process, who would do those calculations?

Mr. Pottey: That's one of the items that I said is still being discussed in the planning process in terms of who will actually do the calculations. It hasn't been determined if the transmission owners will do them as a group, whether project proponents will do the studies, whether a consultant or staff will be hired to do the studies or a combination of all of those.

Hearing no further questions, this agenda item was closed.

8. Update and discussion from the Greater Sage Grouse Advisory Committee - *Cory Hunt*

Chairwoman Crowley opened up this agenda item.

Cory Hunt, Governor's liaison to the Department of Conservation and Natural Resources, Wildlife, Energy, provided a brief presentation with regard to the sage grouse issue. He noted the Fish and Wildlife service has determined that the Greater Sage Grouse is indeed warranted for listing, so that's not a question at this point. He stated a final decision is required by September of 2015. He discussed habitat due to wildfire invasion as the primary threat of the grouse. He also stated that encroachment and conversion of the habitat and lack of regulatory mechanisms to ensure near and long-term management of policy to conserve the species as other threats. Mr. Hunt noted that with implementation of measures to address these threats effectively the bird can be precluded from listing.

He explained the committee will make recommendations to the Governor for conservation measures, policies and procedures sufficient to preclude the need to list the Greater Sage Grouse. The recommendations will likely be the basis for a State Alternative in the BLM Draft EIS. A draft of the BLM EIS is expected by the Spring of 2013, which will include a range of alternatives from do nothing to Sage Grouse utopia and everything in between. In August of 2014, the U.S. Fish and Wildlife Service will take all the information into account as it makes its decision as to whether or not to list the grouse by a court mandated deadline of September of 2015. Mr. Hunt noted the Governor would like recommendations from the committee by July 31, 2012. He referred the group to the committee's website, sagegrouse.nv.gov, for further information regarding meetings. Senator Settelmeyer volunteered to be the group's liaison at those meetings. The group had further comments and discussion with regard to other sage grouse conservation plans.

Mr. Gamboa: You mentioned fire and the fragmentation of their habitats, like the number one and number two. I'm curious, what's the majority of the causes of the fragmentation, and then what are some of those other obstacles the sage grouse is facing in terms of their survival and potential listing? How does the renewable energy development and transmission play into that?

Mr. Hunt: I'll answer with the caveat that I'm not a scientist and not an expert. If that's a major question, we can ask that at the committee level and have a presentation on that.

But Mr. Hunt did explain that fire takes up so much habitat so quickly and then identified a type of invasive grass that takes over sage-grouse habitat. He stated that energy transmission lines disturb the areas, so the birds are not able to breed or nest in that area and do not come back.

Hearing no additional questions or comments, the agenda item was closed.

9. Review, discussion and possible action on upcoming meeting topics.

Chairwoman Crowley opened this agenda item by noting that higher education with regard to renewable energy and jobs in that field as a feature of the business case study. She stated there should be further discussion and presentation on this subject at future meetings. Alex Gamboa volunteered for presentation and asked Jason Geddes for his assistance with regard to the higher education component.

Chairwoman Crowley noted that updates from subcommittees will continually be provided. The agenda item was closed.

10. Set time and date of next meeting.

Chairwoman Crowley opened the agenda item by reminding the group that June 20, 2012, at 1:00 is the next meeting date, after which the agenda item was closed.

11. Public comment and discussion

Chairwoman Crowley opened this agenda item for public comments and discussion.

The following questions/comments are not verbatim.

Wendy Ellis (Las Vegas): I am concerned about the sage grouse and its comfort and habitat. And I'm also concerned about my quality of life and my habitat. In the FERC discussion, it seemed to me like there is no requirement for us to do these transmission projects. That's what I took away from that, that NV Energy doesn't have to, is not obliged to build transmission lines to accommodate the solar/wind projects. And please correct me if I'm misinterpreting that. I was also interested very much in Deb MacNeill's presentation. It seems as though the wind projects in particular are a problem for the Air Force. Their purpose is to defend this country, so I wondered if they experienced any problems flying in different parts of the world, places that have a lot more wind development than we do and whether the transmission lines themselves cause problems to their activities and their exercises.

Hearing no other questions/comments, the agenda item was closed.

12. Adjournment

Chairwoman Crowley thanked Ms. MacNeill, Mr. Hunt and Mr. Pottey for their presentations. The meeting was adjourned at 2:45 p.m.