

**The Synapse Report dated October 3, 2012 shall be reviewed in concert with the following comments (i.e., viewed as one document).**

In addition to the comments reflected in the minutes and transcription of the October 9, 2012 meeting of the New Energy Industry Task Force Subcommittee on Business Case (which follow beginning on page 17) , the following written comments were added to the record:

**COMMENTS SUBMITTED BY JOHN CANDELARIA, ASPEN ENVIRONMENTAL GROUP**

Report Attributes:

- Good summary regarding NV and CA renewable energy supply and demand situation;
- Good start on comparing the delivery cost of new NV renewable energy to a CA load center to the delivery cost of new CA renewable energy to a CA load center;
- Economic Development benefits (seems useful – for others to decide)
- Jobs, state and local tax revenues (seems useful - for others to decide)
- Policy considerations in Section 7 is useful.

Concerns or Deficiencies:

- Report does not address mutual benefits to CA and NV of sharing either renewable resources or conventional resources, including ancillary services.
- Synapse Business case is limited to an incomplete assessment of whether NV RE can be developed and delivered to CA load centers at a lower price that CA RE can be developed and delivered to CA loads centers. Specifically:
  - Report does not provide a complete analysis or an “apples to apples” comparison of the delivered cost of NV RE resources to CA load centers to delivered cost of CA RE resources to CA load centers.
  - The delivery point in the Synapse analysis is to the border of a CA balancing authority, not a load center;
  - The report does not include any discussion of the available transmission capacity from the delivery point to CA Load Centers and whether new transmission would be required to make the deliveries;
  - The report does not include an estimate of the cost to develop transmission and RE generation in CA vs Nevada;
  - Report does not include projections for the cost of developing and delivering renewable energy in CA in the 2020 time frame.
  - The report addresses only limited options regarding who would build, own or control transmission in Nevada. The report assumed NVE would build transmission and there would be a transmission charge for using the NVE’s transmission system. It did not, for example, assume that transmission developed in NV for delivery of RE to CA could be turned over to CAISO and avoid NVE transmission rates, or that a CA LSE would build the transmission.

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- Agree with Dan Jacobson that the report would be confusing to policy makers in its given state and with the deficiencies noted.
- The Ratepayer benefits/RE development for export discussion is confusing. A better explanation of the available opportunities to hold ratepayers harmless should have been included. As it stands, there is no distinction between NV benefits and ratepayer benefits and one could conclude that if ratepayers don't benefit then transmission development for export is not worth pursuing. Nevada could benefit by RE development and export even if ratepayers don't – this assumes that ratepayers assume no risk or cost and essentially complies with the premise that he who benefits, pays.

Specific Comments on the Report

**Development and Financing for Generation and Transmission**

The “2. Public Sector” section is not clear and seems biased.

- It says “any regional LSE could develop transmission within or between their territory and Nevada, and benefit from utility financing requirements ... This section should explain whether development could include transmission into Nevada?”
- In paragraph two in this section, it says, “Conceivably, NV energy could develop transmission projects as a utility (at ratepayer risk and expense, with any benefits in excess of their allowed return on equity accruing to ratepayers?” What excess benefits are being referred to here? It also says, “For this reason enabling legislation would probably be required before the commission could allow cost recovery for such projects.” Would probably be required??? This comment needs to be explained further.  
This whole paragraph has a distinct local bias. If Synapse is going to offer an example like this (i.e., ratepayers assume risk and cost and CA customers benefit), then it should have provided examples of where this practice has occurred in other jurisdictions.
- Also need to add a sentence or two in this section that is similar to last sentence of first paragraph 3. Hybrid Options: Because there are benefits and risk a decision to move ahead with a utility finance option will have to be carefully examined against risk, benefits and likely effectiveness.

Regarding the “3. Hybrid Options: section:

- Probably need to include a summary of the provisions in the CAISO OATT addressing transmission build out to remote areas. LSEs may build to Nevada and it will not be necessary for the Nevada transmission owners to join CAISO.

**C. Transmission Costs**

- Transmission cost assumptions for short-term scenarios are not provided.
- Transmission cost for long-term scenarios were taken from NEAC report which relied upon RETAAC phase II transmission cost estimates (circa 2009) and include heavy contingencies

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- No Transmission costs were provided for CA transmission projects as a comparison (transmission costs in CA are likely much higher than in NV)
  - See Eldorado/Ivanpah, \$450 M, 36 Mile double circuit 230 kV and substation work
  - Sunrise Powerlink, \$1.9B, 117 mi, 500 kV line
  - Devers/Colorado transmission Project, \$697 M, 153 mile
- No information regarding existing or new transmission capacity to get to CA was provided.

**D. Renewable Generation Costs**

- No new or projected renewable generation costs were provided for CA (Average delivered price from 2003 to 2011 was used).
- No mention of locational cost difference between RE developed in NV vs CA.
- No explanation of how transmission costs were included in average delivered price of RE in CA.

**F. Transaction costs between the Nevada and California markets**

- Zero hurdle rate value is unrealistic;
- Did not discuss costs between delivery point (border of CA Balancing Area) and receipt point in CA.
- Does not consider dynamic scheduling or AS supplied from CA BA
- Only assumes that new transmission additions become part of the NVE transmission system. What about other options?
- In the last paragraph in this section, why is Synapse discussing ratepayer benefits here and why is it focusing on NVE building everything? Why is Synapse even considering a model where ratepayers pay for the line and NVE is held harmless? Why are they using this model? Where did it get this model?

**5. Market Opportunity**

- TOD information is interesting but not really sure why this is in the report?
- Synapse did not provide forecast of prices for RE and did not provide RE cost by location (CA or NV)
- Cost derived from study should be considered lowest expected cost of delivering renewable energy to CA load centers.
- Should have compared directly LCOE including RE, T and AS to delivery point to delivered energy price to a CA load center. As it stands now, the report can be somewhat useful in comparing NV developed RE to other out of state developed RE.

**6. Economic and Fiscal Impacts**

- For others to comment on.

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**COMMENTS SUBMITTED BY JIM BAAK, VOTE SOLAR:**

**Jim Baak/Vote Solar**

**Comments on Synapse “Economic Analysis of Nevada’s Renewable Energy and Transmission Development Scenarios” Report**

**October 15, 2012**

While I believe the report provided by Synapse Energy Economics provides an adequate first cut at an economic evaluation, particularly given the limited amount of time and money available for such an ambitious task, it misses the mark on several points. First and most significantly, the report does not fully address the benefits to both California and Nevada that would be derived from building a trading arrangement for renewable energy. Second, it does not provide a comparison of the relative costs of California and Nevada renewable resources. Third, the capital cost and levelized cost of energy (LCOE) assumptions for solar PV are incorrect and inconsistent with data that will be used in regional transmission planning by the Western Electricity Coordinating Council (WECC). Finally, the report excludes concentrating solar power with thermal energy storage, which has a higher capacity factor and the ability to provide balancing and regulation services for integrating variable PV and wind and may be of significant value to California.

As such, I believe the report is incomplete. While it does provide some valuable information and analysis and may be a starting point for an evaluation, it falls short of being able to adequately inform a decision on the merits of such a trading arrangement between the two states.

**Market Opportunity**

The report takes a very narrow view of the market opportunity, looking at it from a generic transactional perspective, and only partially at that. It does not compare the relative costs of generation supplied to the California market from both California and Nevada, which is essential for determining the real market potential. Further, the report does not evaluate the potential benefits to California of such an arrangement or the other potential benefits to Nevada beyond direct economic benefit.

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On this point, I (and others on the Subcommittee) have been critical of the initial work from Synapse because it did not address the mutually beneficial aspects of the business case. While Synapse did provide some discussion of these issues in the latest draft report, I believe that a true evaluation of market potential is incomplete unless it looks at the costs and benefits to each trading partner. Low cost access to renewable energy is good, but not compelling enough for California to engage in a relationship with Nevada or any other state absent other benefits.

California has expressed interest in developing such an arrangement with Nevada in recognition of the significant economic and environmental benefits and due to several favorable conditions, including existing transmission infrastructure and coordination between the two states, their close proximity, and a good relationship between the governors and energy policy officials of both states. Both states want to build a long-term, sustainable renewable industry, which requires cooperation to build a larger, more accessible market with fewer regulatory, operation and geographic barriers.

To get a sense for the real potential, we must evaluate the costs/benefits for each trading partner. In other words, what's in it for California and how can Nevada benefit from renewable energy delivered from CA? One possible example of this would be for Nevada to take delivery of wind energy generated in the Tehachapi region of California to provide energy to Southern Nevada during the late-evening summer peak. This would help diversify NV's resource portfolio (reducing the dependence on natural gas, the price of which has historically been extremely volatile), provide low-cost wind energy to help meet summer evening peak demands, and provide California with an incentive to do business with NV.

Nevada has a requirement to diversify its generation portfolio, which is currently over 70% reliant upon natural gas. This exposes Nevada ratepayers to considerable risk of supply interruptions and severe price fluctuations associated with natural gas. Given the regulatory risk, costs and uncertainty of carbon emitting resources and nuclear power, renewables offer the lowest risk option as a generation resource, aside from energy efficiency and demand side resources. California has abundant wind energy that could be valuable to Nevada during the summer and which could be delivered via existing transmission. This benefit was not evaluated in the report, however.

The study also downplays the potential for California to increase its RPS beyond 33%, particularly given the state's AB32 greenhouse gas reduction target. For the state to meet its AB32 mandated greenhouse gas reduction target by 2050, it must increase reliance on renewable energy resources and would have to look for additional resources from around the West to minimize costs. Further, the report does not address the potential market opportunities for renewable energy to play a bigger role in California and the West as costs continue to decline, and particularly in light of

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troubles at SONGS, California's new OTC retirements, requirements for California utilities to eliminate coal contracts, the very real concern about over-reliance on natural gas for electric generation, California's appetite for exporting renewable energy, the building momentum in support of west-wide market reforms (sub-hourly scheduling, Energy Imbalance Markets, improved forecasting, etc.) that will result in broader regional coordination and reduced costs for ratepayers.

Other factors that should be considered in a complete evaluation of the true market potential for renewable energy and transmission development, and on which the Synapse report is largely silent:

- Potential Value of natural gas exports from Nevada to California to more effectively utilize Nevada's existing gas fleet and for balancing California's increasing reliance on variable renewable resources (or to supply into an EIM).
- Recognizing the trend in the West for more regional planning and coordination and how building this trading arrangement positions Nevada to take advantage of potential renewable growth scenarios.

### **Cost and Resource Assumptions**

The capital cost estimates used in the report for Solar PV are too high and inconsistent with estimates being developed for the Regional Transmission Expansion Planning by WECC. I have included the draft PV capital cost estimates developed for WECC for reference. These costs will form the basis for WECC's 2013 10- and 20-year transmission plans, and will be used by Regional Planning Entities throughout the Western Interconnection to develop regional and interregional transmission plans. While the cost estimates have not been formally adopted by WECC, they are expected to do so by the end of this month.

To summarize, the Synapse report shows capital costs for Solar PV of \$3,621 in 2015. WECC's estimates for fixed solar PV in 2012 (their base year) are \$3,000 and \$3,300 for tracking – both markedly less than the Synapse estimates for 2015 (which is 3 years beyond the WECC base year). WECC's PV capital cost estimates for 2022 of \$2,173 (fixed) and \$2,391 (tracking) are significantly below the \$3,060 estimate provided by Synapse.

WECC hired E3 Consulting to survey existing plant costs and credible publicly available reports and studies to arrive at these numbers. They also vetted the data with industry experts, many of whom

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believe they are too conservative. Nonetheless, the WECC data provides a baseline for use in transmission planning for the West.

Also, the report implies that solar costs are the same for both California and Nevada, which overlooks the advantages of developing in Nevada, including:

- Faster permitting and construction timeframes for projects developed in Nevada, which reduce uncertainty, positively impacting the ability to finance projects at more favorable terms, and providing a competitive advantage for Nevada-based resources.
- The qualitative advantages of renewable energy from Nevada – solar insolation in Nevada versus second-tier solar project development in California with lower solar insolation.
- Potential reliability benefits to Nevada ratepayers of expanding the transmission grid and closer coordination with California.

Finally, the report does not consider developing concentrating solar power (CSP) projects with thermal energy storage in Nevada. The higher capacity factor and ability to balance variable renewable resources has great value, particularly as California expands its reliance on variable renewable resources and with the potentially significant reduction in baseload resources. As has been experienced in Germany, high amounts of solar PV have the effect of clipping the peak demand and shifting it later in the evening. This makes CSP with storage much more valuable due to its ability to deliver clean energy during the evening hours. CSP also creates more jobs, including operations and maintenance jobs, and greater economic benefits for the state.

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**COMMENTS SUBMITTED BY DAN JACOBSEN, BCP**

BCP Comments on the October 3<sup>rd</sup> version of the Synapse Report

**Some of the Synapse study assumptions and findings are unrealistic or potentially misleading**

1. The cost of capital assumption is NV Energy's utility cost of capital – but the law must change to enable this and the report admits that ratepayers would likely not benefit --- and be at significant risk if the new transmission lines are in utility ratebase. All transmission hurdles, including ancillary costs, have also been eliminated. Here is the quote:

Other ancillary services that may be required are not considered here. These include frequency and regulation service (within control area), energy imbalance service, operating reserve service, generation imbalance and loss compensation services. [page 23]

These cost assumptions were made to arrive at “the lowest possible cost of delivering renewable energy from Nevada to California”. This is probably not realistic and will be misleading to Nevada policymakers.

2. The approximation of incremental tax revenue assumes no new abatements. [Page 40] This may not be realistic.
3. For the long term projects, a fair amount of the investment occurs in California. 17% of scenario 4, 54% of scenario 5 and 88% of scenario 6. It is unclear how this investment will be funded. It seems very unlikely that California investment could be funded in NV Energy's ratebase.
4. The report acknowledges that renewable energy from Nevada must be priced within California's willingness to pay but there is no quantification of willingness to pay at specific levels related to the proposed transmission projects. [page 7]
5. The prospects for California to purchase renewable energy from Nevada is described in a way that will be very confusing and potentially misleading to Nevada policymakers. Here is the quote:

Taken at face value, the resources that California LSE's report towards their future compliance, and the prices they indicate they are willing to pay, leave little room for Nevada to serve as a major supplier to that market. However, there are a number of reasons to suspect that an opportunity remains. [Page 28]

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After making these statements the report offers hope that: expected in-state renewables will not materialize, expected California pricing will fail, Nevada projects will drive California projects from the market, California RPS will go up. The report provides no assessment of the likelihood of these events occurring. This approach asks Nevada policymakers to make uninformed decisions based on the likelihood that California plans will fail or that legislative changes will be made.

6. The report assumes that all Nevada renewable energy will be classified as “bucket 1”. This may not be realistic, particularly if NV Energy does not join CA-ISO. [Page 9] The report does not attempt to quantify any difficulty that NV may experience in attempting to sell renewable energy to California – even though California policymakers have asserted that they prefer to generate renewable energy within California – in order to generate California jobs.
7. The report indicates that some Load Serving Entities in California may fund development of renewable projects in Nevada. Here is the statement:

However, it is also possible that California LSE’s may pursue self-build and ownership options to develop renewable energy projects in Nevada, and thus could benefit from lower-cost utility financing. [Page 18]

It doesn’t appear that there is any basis for this statement - and it contradicts statements from California Policy Makers about their goal of generating renewable energy within California.

8. The report suggests that a viable means of financing transmission would be for NV Energy to put the project in ratebase with ratepayers receiving any earnings above NV Energy’s cost of equity. Here is the statement:

Conceivably, NV Energy could develop transmission projects as a utility (at ratepayer risk and expense, with any benefits in excess of their allowed return on equity accruing to ratepayers) in anticipation of providing firm energy deliveries to California for firm contracts. [Page 19]

This is unrealistic and will be very misleading to Nevada policymakers. At another place in the report there is a finding that Nevada will need to offer prices to California that are so low that there will be no benefits to Nevada ratepayers. Here is the quote:

“... there are likely to be little or no ratepayer benefits from this use of NVE’s transmission infrastructure. Eliminating these transmission charges means that the export transactions will not contribute to the embedded costs of NV Energy’s transmission infrastructure, and thus these full costs would have to be borne by Nevada ratepayers. In other words, there is a trade-off between holding down the cost of delivering Nevada’s renewable energy for export, and any ratepayer benefits for the use of NV Energy’s transmission assets for this

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export. The highest levels of cooperation will lead to the greatest market opportunity for Nevada’s renewable energy, but the benefits of these cost savings would not accrue to Nevada ratepayers because there will be no surplus rents collected for the use of Nevada’s transmission facilities.” [page 25]

It is very misleading to present a form of financing to Nevada policymakers that is contrary to other findings in the report. Moreover, even if the project could generate surplus earnings, it would not be a simple gesture to give the surplus to ratepayers. It would be very complex and contested.

9. The economic impact analysis focuses only on the upward impacts --- and while the report acknowledges that there will be downward impacts from increasing the retail price of Nevada electricity there is no quantification of downward impacts. Here is the quote:

The economic impacts calculated here do not include the effects of any changes in ratepayers’ electric bills. Any such ratepayer impacts would depend on the type of funding mechanism, as discussed in Section 3, and on the ability of Nevada utilities to extract rents for the use of their transmission infrastructure for energy exports. However, as discussed above, any such rents would run counter to the goal of providing low-cost renewable energy to California. If Nevada ratepayers were to bear the cost of new transmission without receiving such rents, the ratepayer impacts could be substantial. [page 34]

Consequently the economic impact values will be misleading to policymakers.

10. The report includes many positive characterizations, such as “plausible opportunity”, “attractive economic development opportunity for the state” [page9] These characterizations will be misleading because they do not reflect the significant risks and uncertainties.

11. At one place in the report there is an estimate of the possible California RPS shortfall:

However, absent any additional interim procurement, or regulatory change, we estimate that the POU RPS shortfall in the year 2020 could range between 2000 and 9000 GWh (Figure 4). [page 12]

But at another place in the report

The opportunity for meeting that demand through 2020 with new, out-of-state resources, is subject to significant uncertainty. [page 13]

Nevada policymakers will be asked to commit significant funds based on projections that are very uncertain.

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12. The major conclusion is that obstacles can be resolved by cooperation between California and Nevada policymakers. The report conclusion emphasizes that this cooperation needs to occur before ratepayer or taxpayer funds are put at risk. There is no evidence that cooperation can overcome obstacles such as uncertainty about out of state market purchases, ancillary costs, bucket 1 status. More importantly, it seems likely that instead of resolving issues before ratepayer or taxpayer funds are put at risk, Nevada policymakers will be asked to change policies before issues are resolved. The final conclusion is unrealistic.

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**COMMENTS SUBMITTED BY BRIAN WHALEN, NV ENERGY**

October 12th, 2012

Dear Ian,

Below are NV Energy's comments and suggested edits to the "Economic Analysis of Nevada's Renewable Energy and Transmission Development Scenarios", draft of October 3rd, 2012, performed by Synapse Energy Economics, Inc. Our comments are presented in two sections – general and editorial. The general comments address the report content. The editorial comments address corrections for accuracy or clarity.

**General Comments:**

The Synapse work appears to generally meet the requirements presented in the business case and request for proposal documents. Synapse has performed evaluation and documentation of potential export scenarios from the state of Nevada. They have also documented significant potential obstacles and/or limitations with each of these export scenarios. Given the time and funding available, we believe this report is a useful and informative document.

NV Energy does have concerns that the economic impacts associated with increases in transmission rates were not accounted for in this report. In order to perform a comprehensive business case for transmission export, particularly with the aim of economic development, it is necessary to determine the damping effect on the existing economy and other non-renewable energy areas of economic development caused by increased electric rates. NV Energy recommends that if the State wants to foster economic development, it may want to perform such an analysis in order to avoid unintended consequences (e.g., potential NV economic losses due to higher rates).

Scenarios 1 and 3 have been the subject of NV Energy System Impact Studies. The other scenarios have not undergone comprehensive local or regional reliability planning. These other scenarios have screening level estimates of facilities, performance, and costs that should not be relied upon for project selection. A System Impact Study, Affected Systems study, and/or a WECC Three Phase Path rating analysis would be necessary to develop the actual facilities, performance, and costs for a preferred scenario selection.

**Editorial Comments:**

Page four: Under table ES -3, it is not clear that these numbers represent total economic benefit possibilities including the multiplier effects.

Page five: The meaning of the label on the "Y" axis of figure ES – 1 is unclear. It appears to say for Scenario 1, you create 450 jobs per \$million invested. It is also unclear how O & M jobs are almost the same as the construction jobs in this figure.

Page 15: Scenario two is confusing. Are the proposed VEA 500 kV line and the Bright Source Hidden Hills project included in the estimated numbers? Both 500 kV and 230 kV transmission is referenced in the paragraph but it is unclear what the actual plan of service is.

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Page 18: In the third paragraph there is a reference to generator developers' obligations under our tariff. This statement is incomplete. Please refer readers to the NV Energy OASIS site where the complete Open Access Transmission Tariff and Business Practices are posted.

Page 19: In discussing hybrid options, there is little difference whether ratepayers or taxpayers bare risk because NV Energy's ratepayers represent 90% of the load within the state.

Pages 23-25: The description of hurdle rates is off the topic and confusing. Costs for new transmission will be borne by customers. A different administrative structure or footprint definition won't change this.

Page 30: In the last paragraph, last sentence it says "Scenarios 1 through 3 are entirely located in Nevada so all of the initial investment can be attributed to the state". This statement is misleading. Transformers, breakers, reactors and conductor are likely to be procured from foreign manufacturers. These portions of the costs would be required to be excluded from the in-state benefit calculation as shown in table 15 on page 34.

Page 4, 35 There are references to the replacement of the transformer at Harry Allen. This transformer is not a replacement. It is a new 500/230 kV transformer.

NVEnergy appreciates the opportunity provided by the Nevada State Office of Energy to participate in this economic development process. We believe this Synapse work provides a good deal of additional insight to possible export transmission development. However, we also see that additional work needs to be done to determine the comprehensive costs and benefits of export transmission proposals.

Brian Whalen  
NV Energy

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Comments on Synapse Report

Stacey Crowley

November 8, 2012

**Key takeaways that can provide direction to the Task Force**

1. The renewable energy potential in Nevada far exceeds the amount required to meet the state's current Renewable Portfolio Standard (RPS) requirement. As such, it provides an opportunity to explore the potential economic benefits of further developing these resources for export.
2. Large-scale development of Nevada renewables dependent on the expansion of the transmission system, both to connect renewable energy zones to the Nevada grid, and to expand the export capability to the neighboring demand areas.
3. While numerous other factors may affect the business case, such as permitting and construction schedules, and technological diversity, the delivered costs must be competitive with other offerings from within the target market for an economic development strategy based on renewable energy exports to succeed.
4. Substantial benefits are provided by the transmission and renewable energy construction and operation to the state. For example, Scenario 3 benefits include:
  - 400-500MW of additional geothermal and solar capacity in the near term
  - Transmission upgrade yields \$46M in capital costs
  - Renewable energy capital costs are estimated at \$1.8B
  - Delivered cost of energy averages \$117/MWh
  - Short term construction jobs total \$10,100 job years averaging \$57,000 annual salary
  - Project brings in \$740M in Gross State Product
  - Taxes revenue impact expected to be \$208 over the life of the project, or \$10.M/year
5. The highest level of cooperation between CA and NV will lead to the greatest market opportunity. In this case, this could include:
  - Reducing or eliminating hurdle rates or other transaction charges
  - Formation of a regional Balancing Authority or tighter regional coordination
  - Enhanced and coordinated regional dispatch, or Energy Imbalance Market
  - Development of policies affecting cost allocation
  - Formation of a public/private partnership, or bi-state partnership

**Key deficiencies of the Report**

1. The important connection to the idea of resource sharing as a potential benefit to both CA and NV is only mentioned briefly and without any detail.
2. The report does not fully detail or describe the "utility" versus "merchant" advantages, nor does it describe the "subsidies" that are included in the report.
3. We asked Synapse to assume a market existed, yet they spent a large portion of their time and resources investigating the potential market in CA.

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4. Nevada's renewable energy tax abatements are not considered in the report but provide tremendous value to developers in Nevada. Many have stated that they would likely not be doing business in Nevada without the incentives as well as the ease of permitting (also not addressed) in the state.
5. A summary of the most promising Scenario would have helped to analyze the benefits and impacts. A summary of Scenario 2 could include items such as:
  - Capital investment in transmission and renewable energy totals \$6.3B
  - 34,800 job-years created during construction or 23.2 per MW with an average annual salary of \$54,650.
  - Provides 1,290 jobs annually during O&M with an average annual salary of \$57,500.
  - Cost of delivering energy ranges from \$109 to \$156/MWh
  - Yields \$34.5M per year in tax revenues to the state, or \$14.4M with tax abatements
6. The rate impact or rate payer risk was only briefly mentioned but inclusion caused confusion. There was no analysis of how each scenario would impact NV Energy rate payers, but comments were made to suggest that there would be little or no rate payer benefit for the use of NVE's infrastructure. This is not something that we could submit to the Governor, or other decision makers, that would allow them to make rational decisions on transmission planning policy.
7. Cost comparison between NV and CA renewables is not an "apples to apples" comparison and needs updated numbers.

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**From:** Ian Rogoff [mailto:irogoff@nirec.org]  
**Sent:** Tuesday, November 13, 2012 8:44 AM  
**To:** Stacey Crowley; "Jason Geddes"  
**Cc:** Sue Stephens  
**Subject:** RE: comments on Synapse Report

Stacey, hi – you have captured my key feedback in your word doc attached (merchant vs utility, apples-to-apples, etc). There was only 1 point I didn't see in there, but it's an important one because it's the link between us, GOED and NSHE.

I've talked about this a lot before, but just for the record, they didn't address a key reason NV would spend any significant time, effort or \$ on this initiative. Namely, they didn't describe any impact on the project development economic cluster in NV. They didn't talk about project development jobs at all. We asked them to tell us about direct jobs – not just induced economic benefits, and the most important direct jobs are the project development ones because they're higher educational attainment jobs. Unfortunately, in their analysis they failed to note any impact on a project development economy. I even asked Ezra about this. This analysis was to be a big part of our outreach to NSHE and economic development so we could jointly make the case for the higher educational attainment positions that could be home-grown or attracted to NV through developing our resources and because renewables are one of the targeted industries from GOED.

Ian Rogoff

Chairman, NIREC

Nevada Institute for Renewable Energy Commercialization

775-881-7516 (P)

[www.nirec.org](http://www.nirec.org)

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**MINUTES AND TRANSCRIPTION**

**New Energy Industry Task Force (NEITF)**

**Subcommittee on Business Case**

(Development of Key Metrics, Draft RFP and Manage Business Case)

**October 9, 2012**

**4:00 p.m.**

The meeting was held via conference call

- 1. Call to order and Roll Call.** Ian Rogoff, Co-Chairman opened the meeting at 4:00 p.m. and opened this agenda item.

<u>Member Names</u>	<u>Present</u>	<u>Absent</u>
Ian Rogoff, Co-Chair	X	
Jason Geddes, Co-Chair	X	
Ellen Allman		X
Tom Morley		X
John Candelaria	X	
Alex Gamboa		X
Dan Jacobsen	X	
Paul Thomsen		X
Joni Eastley	X	
Kathleen Drakulich	X	
Jim Baak	X	
James Settlemeyer		X
Jack McGinley	X	
Stacey Crowley	X	

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**2. Public comments and discussion.**

Members of the public in attendance: Phil Williams, Don Johnston, Wendy Ellis; Luke Busby, Mike Hazard, and Dagny Stapleton.

Chairman Ian Rogoff noted that public comments will be permitted on agenda matters which are before the Subcommittee for consideration or action. He asked that comments be limited to three minutes.

Mr. Hazard commented on the Synapse draft report and wanted to make note of the fact that the report identifies California as a sizeable market for renewable energy, but that he has not heard from anyone in California who is ready to buy; that a renewable energy company in Las Vegas laid people off; and that a viable market should be identified before putting ratepayer funds at risk. He also said he believed that RPS standards should be capped at their current level of 15 percent. He noted an article at energy.aol.com that reports that natural gas prices are trending down, according to Ron Norman with PA Consulting Group, which threatens the state's RPS. He concluded that these comments should be kept in mind when considering a business case.

Ms. Ellis, Las Vegas, commented that the impacts identified in the Synapse report are based on the assumption that if any projects are built, private investments will follow if required market conditions exist, and that a viable market opportunity should be identified before putting taxpayer funds at risk. She stated that she did not think this was a good deal for taxpayers or ratepayers and that it sounds like the RPS requirement will be increased. She noted that power purchase agreements may not come from California and that if the project is built in Nevada, then the RPS is increased and expensive renewable energy will be purchased.

**3. Review and Approval of Minutes from September 19, 2012 Business Case Subcommittee meeting.**

Because the draft minutes were not received before the meeting, this item was deferred.

**4. Discussion and possible action regarding Synapse Draft Report.**

*Verbatim transcription follows:*

CHAIR:

Thank you. Let's move to item four, Discussion and Possible Action Regarding the Synapse Draft Report. Let's start by saying what I'd like to do is go around the call for each subcommittee member, just like we did last time, and get your feedback, positives, negatives and an indication of whether you can accept the report or not. We're going to try to take a vote today whether to accept the report, not whether we agree with it, not whether we disagree with it, but whether we accept it and recommend it to the overall task force. So I don't want to presuppose what your conditions are for accepting or rejecting, I'd like to hear it from you, from each of the members of the subcommittee. And it's open mike, so please feel free to detail what you think is acceptable, what you think is unacceptable. You may choose not to approve the report or accept the report, excuse me, for passing along to the Task Force based upon whatever conditions that you think are important. So to summarize what we're going to try to do today is determine whether we accept the report, again not whether we agree with it or disagree, just whether we accept it and whether we're going to pass it on to the overall Task Force. Let's just go around the subcommittee, and I'm going to go based upon the roll and try to get everybody's feedback as to how you feel about the report and whether or not you would vote to accept it; and if not,

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let me ask you this, you could just indicate what it would take or there's no way. Jim Baak, can we start with you?

MR. BAAK:

Sure. First off, let me start by saying I think that the report really didn't meet my expectations. I have to say I think it missed the mark. I think that it really just is one-sided in that it presumes that --- you know, the entire point of this was to merely look at the export potential for Nevada, and I understand that this is trying to develop the business case for Nevada. But the business case really is broader than that. It requires looking at what the potential benefit to Nevada is as well as what the potential benefit to a trading partner. Why wouldn't California as a potential trading partner be dealing with Nevada? I don't think it really does that. I think it falls short for me on that.

I also don't agree with some of the assumptions. I know this isn't about agreeing with results of the report or not, but you know, for me, again, I think it just misses the mark. I don't think that it does a good enough job in really evaluating the potential exchange between California and Nevada. So right now at this point I would be leaning towards not accepting the report.

CHAIR:

All right, thanks Jim. John Candelaria, would you like to go next?

MR. CANDELARIA:

I'm not sure that I'd like to go next, but other than that --- first of all, accepting the report, I'm not sure what that means. I definitely don't agree with a lot of the information that's in the report. I had made several suggestions at the last meeting. It appears that none of them are taken. And I just don't really feel like there is an "apple to apples" comparison on developing renewable energy and transmission in Nevada versus California. We still have a situation where we have new transmission development, new renewable energy development, compared to average historical cost of renewable energy in California. And that just doesn't make sense to me. I agree with what Jim Baak was saying about this missed the mark. I think there is some valuable stuff in here. If it's corrected and, you know, there is an "apples to apples" comparison made. Also, I see that we don't have the meeting minutes. I didn't have a chance to look at them, because they're not available. I don't know what was ultimately given to Synapse to change. I tried to compare the two reports today to see where changes were made. And you know, I'm at a loss for why they made changes in certain areas. I just don't understand, what was their charge when we gave them our comments. And again, I could go through and make a list of all the stuff, all the areas where I have problems, but that would take a long time. I think just bottom line is as far as using the report for certain purposes, I think we could if it was --- if we could define those purposes and say this is one piece of a business case for Nevada and maybe there's other things that we can do. As far as accepting the report in total, I'm not sure I would do that at this point. That's all I have.

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CHAIR:

Just to clarify, your “apples to apples” feedback was provided to Synapse. Kathleen, would you like to go next?

MS. DRAKULICH:

Well, I think that the later you go on this call and provide your input, the more persuaded you are going to be by the fact that colleagues you respect have issues with the report. I was one of these people that weighed in on the last call and seconded the motion or the suggestion by John Candelaria regarding the comparison. And my concern about the comparison not having been done was that the report is vulnerable. John asked a rhetorical question, but I guess I would like, Ian, maybe for you to be a little more specific about it. What does it mean if we accept the report today?

CHAIR:

Ok, John had the same question. The business case subcommittee, the combination, let's say, of the two subcommittees was tasked with putting together a business case for developing renewable resources and determining what the economic impacts, benefits, downside would be to developing those renewable resources in the State of Nevada and agreed principally that was under the scenario of export. And, a consultant has been hired and has gone to work on that problem, or that question and has submitted their report. They feel that they have done the best that they could do. They feel that they've done a good job. If you think that there's additional work that could be done, that fell outside the scope of what was in the original RFP, but they're loathe to change their report too much for scope reasons as well as integrity reasons. And we've got to make the decision whether we say, okay, we issued an RFP, we selected a vendor, a consultant, they provided us a report, we're not happy with this report and we're not going to send it on to the full Task Force with either an endorsement or without. And, in effect, we're saying to the Task Force, we do not have a business case one way or another. That doesn't preclude us from coming up with our own work. It doesn't preclude us from doing the policy work. It doesn't preclude us from anything else. It just says that this report doesn't meet our standards to forward to the Task Force to form the basis of any further work that we do. We can do the other work. We can do the policy work. We can do anything else we want, but what we'd be saying effectively is that this report doesn't form the basis in fact for that following work; does that make sense?

MS. DRAKULICH:

Yes, I think so. My concern is that we spent taxpayer dollars putting this report together. And I'm wondering if they feel constrained by the big prize, you know. I would never suggest to a consultant or to anyone, regardless of their station or their expertise, that they change conclusions that they've reached based on information they've reviewed if that was their conclusion and they feel it's well-supported. I don't think the issue is changing the report to compromise their integrity. I don't hear anybody saying that. I think the issue is including those things that, you know, collectively --- and we're just on the third member of the committee right now --- but collectively that we thought and indicated to them, and I'm happy you provided us with information, that they were given the suggestion by John that they do the comparison of the two states. My concern isn't that what they've done here should be challenged

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and to compromise their integrity. My concern is that what we asked them to do from what I can tell wasn't done.

CHAIR:

Let me just counter upon that quickly. I wasn't meaning to imply that there was any integrity issues with the "apples to apples" as John raised it. That fell into the scope creep. They did feel that that was scope creep. I went back to look at the RFP, and you could argue it both ways. I didn't mean to imply in any way that that fell into the integrity. I simply was providing the two conditions that they gave. And I think both conditions are fair. But they didn't identify any specific requests from any single person from the State Energy Office or members of the subcommittee or anybody that asked them to compromise their integrity. I'm just reading through my notes, and those are the feedback that they gave. So I'm not trying to ascribe any motives at all.

MS. DRAKULICH:

All right, maybe I misspoke because I tend to agree with everything you just said. So I just don't want them to think that by asking, you know, to supplement the report, to do additional things, to include certain comparisons, to mean you know that we don't agree with the conclusions that they reached in the report. Anyway, I'm getting far afield here. The point I think really is, as I hear you just explain it, Ian, is do we have a difference of opinion about the scope of the RFP?

CHAIR:

I think it's fair to say that. I had a separate private conversation with Synapse where I made the case that John had made so well, which was if you can't do an "apples to apples" comparison, then what is the economic advantage? And you know, I thought John made that case very well, and I tried to represent that case as best I could to Synapse. Their feeling was that we didn't lay that out effectively in the RFP. And I went back and I looked, our intent is certainly there. I'm not going to question our intent at all, because I've been very gratified with the level of participation and thoughtfulness and conscientiousness in this subcommittee. But I can see also their point of view, which was we didn't explicitly lay out the calculation that we would have been satisfied with. So I'm not trying to equivocate. I'm just saying that, you know, we put that express request in. They met most of our requests. When we said take out the unsupported opinions, they went and did that. When we said rank the scenarios, they went back and did that. You know, we gave them some very specific feedback, and John's feedback was part of it. That was one of the things they felt was out of scope, but they certainly agreed that would be something important to do.

MS. DRAKULICH:

Ok, so, I mean, I just would maybe want to table my position on this for the time being, but you also said that we could present the business case to the Task Force and supplement it. In other words, it would only be reviewed --- let's say we agree in the subcommittee to supplement it. We agree that there's sufficient information out there that we could independently gather or provide or review and come to some consensus about or not, but information

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that we would want maybe as part and parcel of the submission to the full Task Force. Are we eligible to do that along with this report?

CHAIR:

I'm going to defer that to Stacey. Stacey, are you still on the call?

MS. CROWLEY:

Yes, I am.

CHAIR:

Did you hear Kathleen's question? I think it's a good one.

MS. CROWLEY:

To rephrase it, you wanted to know what the Task Force would do with this information.

MS. DRAKULICH:

In our conversations here we talked about what the report does and doesn't do. And the changes that they've made and the things that are included that members of the subcommittee thought were very important to have in the business case. And I understand now that there's an issue regarding maybe the scope of the RFP, what they viewed as included and what our specific intent was, and those don't coincide. My question was can this report be submitted to the full subcommittee as supplemented by information produced by --- I'm sorry, the full Task Force as supplemented by information provided by the subcommittee regarding the business case? And I don't know that we're in a position to develop that with the people have. That's what we hired the contractor for. But, you know, I don't want to see the thing hit the cutting room floor and not be used for any purpose.

MS. CROWLEY:

Yes. I'm going through that in my mind as well. I think we have the ability to do that. The question is, and Ian asked this, what would we need to see in order to make this a valuable exercise and what additional information would we need? There is information in the report that can be used in my opinion to help us get to some scenario, or some policy discussions that could develop into scenarios. If we went to the utility model, it would look like this. But they don't get there in this report. Is that something we can do within our body, our subcommittee? It's a good question. I would like to try. And some of you may recall that the scope of work was for just under \$100,000 for the Synapse Report. We have \$125,000 for this work. So we do have some additional funds. If the committee felt that those additional funds could go to a very specific purpose, we could go that route. Timing is of concern. We want to get the right set of information in a timely manner. So, to answer your question, I think the committee could supplement this with anything, whether it is something that the committee does itself or requests an outside source to do. We have limited funds. We could seek additional funds. We have that ability.

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MR. BAAK:

Stacey and Ian, this is Jim Baak. A question for you following that comment, Stacey, thank you, is that if we vote not to accept the report, in my mind that means that we don't feel that the report met our expectations, but that doesn't preclude us from taking the elements of the report that we think are valuable and useful and using that. So I think that I need to make sure that I'm clear that the consequences of accepting versus not accepting a report on use of the information contained in the report.

MR. GEDDES:

This is Jason. I just want to add onto that. You know, we had two separate subcommittees. We merged them pending the outcome of the business case, because the group didn't want us to go down a path without having the work of the business case subcommittee done. And we have that not quite as done as people would like it, but we have that. I think, to answer the earlier question, we can supplement or disregard any of the suggestions in there. Really it's to provide our policy discussion with a framework. If we think their data didn't go far enough or it went too far, or their conclusions went too far, that's up to this subcommittee to decide and recommend to the full Task Force and for the full Task Force to decide and move forward. I think personally that we should accept the report. We should ask that either the minutes or comments from people with their issues and concerns with the report be submitted in writing, and we can attach it to the report and give that to the full Task Force. But I think there's a lot of information in this report that will guide the full Task Force, and they will need to be able to have a discussion at that level. So I'd prefer to give them --- to accept the report, to add in letters or critiques or comments or the minutes that show where we missed the boat on "apples to apples." Then this group can have policy discussions and recommendations. And then we can provide all that to the full Task Force for its review and recommendations.

MR. MCGINLEY:

And Ian, this is ---.

CHAIR:

That sounded like Jack. Please, go ahead, Jack.

MR. MCGINLEY:

I was going to say, why don't you go through the rest of the members and see what their opinions are? We kind of stopped on one or two. And maybe we should listen to everybody and then draw some conclusions.

CHAIR:

I was just inferring to our counselor again. Kathleen, did you have any more feedback that you wanted to provide?

MS. DRAKULICH:

I did not, but I agree with Jack McGinley. I do think we should hear from everyone, but yes, thank you very much for that and for those of you who provided input. I really appreciate it.

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CHAIR:

Thanks, Kathleen. Why don't we go to the next --- Joni, are you on the call?

MS. EASTLEY:

Yes, I am. I guess my input is going to be questions and confusion. Were we not clear when we issued the RFP in terms of the scope of work and what we expected the outcome to be? I thought we were very clear.

MS. CROWLEY:

This is Stacey. Yes, the RFP went kind of above and beyond normal RFPs. We provided, with the help of Western Grid Group, quite a bit of detailed information for the respondent. The respondent was a qualified respondent. Although, they didn't understand the California market like we might have thought they would. So they spent, I think, more time understanding the market than getting down to the real specifics. They did in part respond to the scope of work. I think as Ian said, there could be some argument as to how in-depth they would go. So I think we were clear in our scope of work.

MS. EASTLEY:

Well, then, it would seem to me just based on what I'm hearing from my colleagues on the subcommittee, that they delivered a product that didn't meet out specifications based on the scope of work. So in that regard, I would have to agree that the product they delivered to us was unacceptable.

CHAIR:

I think, Joni, it's fair to say that it's not as good as we would have liked.

MS. EASTLEY:

Okay. Yes.

CHAIR:

I think it's also fair to say that we built the RFP as a committee and a couple of consultants and did as good a job as we can. And when I read the RFP, I look at it and I say how can you possibly have come up with a business case if you didn't compare delivered costs from one state to the other? You look at it and you say that's a plausible conclusion. If you're the consultant reading that, and we didn't explicitly lay that out, I can see how --- and I'm simply saying this trying to represent a middle ground. And, in all candor, I'm on the same side of the fence as you are. I'm simply pointing out if you're the consultant reading it, and you've gone through it and as Stacey pointed out, you did a lot of work, I can see their statement. I can see their claim. And as much as I disagree with it, I can see why they say that. And, I don't think it's cut and dry. I think that if you look through the report, they've given us pretty good information about the scenarios. They've ranked them. I'm not going to defend more than I already have where we are. But where we are is where we are. And I sort of agree with Kathleen's point about the cutting room floor and Jason's point about

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how we can augment and modify and supplement the report. There is good information in here. I don't think the lack of apples to apples disqualifies the report in my mind, just to answer your question. But I have issues with the report just like everybody else on the call. The question is do you want to throw the baby out with the bathwater?

MS. EASTLEY:

Is it worth \$100,000? And the reason I ask that, Ian, is because I have to look at --- I'm looking at this the only way that I can, which is through the eyes of somebody in my position on the Board of County Commissioners. And if I was absolutely confident that the RFP that was issued was explicitly clear in what we wanted the product to look like and what we wanted the outcomes to be, then I would be saying to the vendor, you didn't give us what we asked for. And to me, if we have to spend more money to fix what we've been given or if we have to do additional work ourselves as a committee to augment the report, then we didn't get what we asked for.

CHAIR:

Well, I will say this, I think Stacey and Sue and others did a heroic job in making ---

MS. EASTLEY:

I absolutely agree with that.

CHAIR:

Yes, making the case to Synapse that this material needed to be included. Please, don't think that it was glossed over or anything like that. People reinforced that point you're making numerous times. And I'm simply pointing out that I think that a credible reading, a conscientious reading of it, you could have an argument. And it's just a document. And you could see how we ended up here. But I don't want you to lose sight of the fact that there's a lot of information here, notwithstanding the fact that we think they've missed some important things. They captured a lot of important things. Is it worth \$100,000? It's not for me to say. Everybody in their own mind can make that calculation. But I do want to emphasize that there's a lot of very good information here. Let's analyze the various scenarios, their impacts, and that's even with understanding that we don't have some of the data that we were looking for. That was a wishy-washy way of saying I pretty much agree with everything you said. And then we still need to make a decision on what we want to do about it.

MS. EASTLEY:

What we want to do about it or want we can do about it?  
Isn't this a time-sensitive issue?

CHAIR:

Yes. Let's just continue --- I think it is, but let's go around the call and get everybody's feedback and figure out can we come to a consensus on the next steps? But yes, I think it is a time-sensitive situation.

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Dan Jacobsen, are you still on the call?

MR. JACOBSEN:

I am. Thank you for an opportunity to comment. You know, I think the criteria or at least one of the criteria we ought to use is, if this were handed to policymakers, is it clear enough that they could use it to make good, well-informed decisions? And as I read through the report, I just think this could be very confusing to policymakers and probably in the legislative process, all the different sides of the debate on issues would claim that it means --- you know, it supports their side of it. But let me quickly go through some of the things that jumped out at me. Page 23, there's a discussion about the assumption is --- they made assumptions to arrive at the lowest possible cost for Nevada Energy. I don't know how realistic that is. Other people have commented about the fact that there's no direct comparison between that cost and what it costs in California. There are --- in scenarios four, five and six, there's quite a bit of facilities that are going to be built in California. I don't see anything in the report about how facilities in California get built. And I'm hoping that there isn't a presumption that those would go into Nevada's energy rate base. There is some --- the report acknowledges that there's uncertainty about what California is willingness to pay. It also acknowledges that there's great uncertainty about whether California actually would buy out of market. And it expresses hope that there would be, but that hope seems to be based on a presumption or the notion that maybe California won't be able to get the prices they think they're going to get or maybe the California providers won't deliver or maybe the law will be changed in California to increase the RPS. But in my mind, that's a huge uncertainty. There's a presumption that all energy generated in Nevada would come out of bucket one. And I know that that's being looked at, but again, I think there's great uncertainty around that. I'm not sure what a policymaker does with that. Somebody threw in a statement on page 18 that maybe some of the California load-serving entities would actually build things in Nevada and fund them. And I don't know where that comes from. There is a statement that showed up in this version that I didn't see in earlier versions, it's on page 19, that suggests that maybe the way to address --- to handle the fact that ratepayers are potentially going to bear a lot of risk is to give them any profits that are generated above Nevada Energy's return on equity. And while I could see how that might be used to help policymakers feel good about ratepayers assuming risk, but on page 25 of the report, Synapse goes to great lengths to say that there is no ratepayer benefit for doing this over Nevada Energy's network. There are no surplus rents to be collected based on their judgment. So in my mind, that's really contradictory and could be very confusing to legislators, and again, subject, perhaps, to a lot of different interpretation. The economic impact analysis, you know, they ran everything through a model to come up with the economic impact analysis. But my sense is that it's kind of biased because --- and they acknowledge that while they looked at what the multiplier effect of spending money on construction and O&M, they acknowledged that they did not analyze what the impact is of raising electricity rates in Nevada. So that's kind of biased. There are a few other things in here. I would say this, the last thing I want to mention is the conclusion at the very end of the report seems to say that, well, the way to address the problems are better cooperation between California and Nevada. And they finish the whole thing off by saying, and it's really important to resolve issues by better cooperation before ratepayer and taxpayer funds are put at risk. I don't know how that's done. I mean, I don't know, if you hand this to a legislator or a policymaker and say to them, here's the report, here's the conclusion, I don't see how you're going to

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resolve some of these uncertainties before the next legislative session, before ratepayer or taxpayer funds are put at risk. So it seems to me that the final conclusion doesn't --- may not be realistic. So given all of that and the criteria I'm suggesting, I just don't --- I wouldn't support handing this to or using this report as the basis for policymaking. And I suspect that comes as no surprise to anybody on the call. That's all I have.

MS. CROWLEY:

Who is next? Who would like to make a comment? I don't have the list in front of me. Who haven't we heard from?

CHAIR:

Jason, did you want to add anything?

MR. GEDDES:

No, I said all I had to say.

CHAIR:

Senator Settelmeyer is not on the call, I believe. And Paul Thomsen is not on the call either; correct? Ellen Allman, is Ellen on the call? Sue, correct me if I'm wrong, but I think everybody from the subcommittee as at least made an initial comment.

MS. CROWLEY:

How about Jack?

MR. MCGINLEY:

Well, you know, I got to tell you, just from a high level, when we first embarked on this thing I had a lot of issues, I've got to tell you, like the scope of work and all that. But we supported it. I supported it. And then we get to the point where we've gone a couple rounds with the consultant. I feel like somewhere we've tied their hands with the budget. We gave them a limited budget. These things --- I think I mentioned this before, when we've hired consultants to do similar type of work for us, it's considerably more money for them to do this type of analysis. We're the ones who defined the scope of work, the tasks, the scenarios. They gave us a draft report. We all didn't like it or different elements of it. We told them that. They've kicked back a draft that quite frankly I think with some work we could probably make work and I could accept it. We have some specific comments that we can funnel through to you, and maybe we'd do it through Jason's suggestion where we attach them or, you know, there are corrections that could be made. Is this thing going to come out with a finite policy decision to say, you should build this line? No. But I don't think we asked them to do that. And I guess in a way I've got to stand up and back the consultants. I think they were given a difficult task, and they did it given what we've given them and the framework around it. So rather than just trash this thing --- I got to tell you, I disagreed with several of you as we developed the scope of work and how it evolved. Originally it was just exporting. I know we've had a dispute over that. Then it became something a little more like an energy imbalance market, which was never contemplated, but that's how this thing worked. And now we're seeing a report that identifies these things, and we're not

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all going to agree. That's why we have different perspectives, and we come from different areas of the business. So I just feel like to now just toss in the report and say like they didn't do their job, I think is grossly unfair. I find it really ironic that I'm defending the consultants given everything that's gotten to this point. But I do. And I think there is some --- I think it's up to us to come up with policy direction and decisions as a result of this, not the consultants. What they did is what they did. And I think there ought to be some value that we find out of the report given the fact that we put constraints on them. And I just --- I find it disappointing that in all I'm hearing is negative comments, and we're about ready to just turn this thing in. Quite frankly, I'm a little surprised. And I think we should try and fix it. That's my comment.

CHAIR:

Thanks, Jack. I think that was well said. Well said. Sue, are we missing anybody?

MS. STEPHENS:

I'm sorry, I'm not sure because I can't remember who's spoken up so far.

MS. CROWLEY:

Sue gave me the list. I think it looks like we've gotten everybody.

CHAIR:

Why don't we do this? I realize there's reservation about this report and I'm going to detail a couple of mine just so that everybody knows I share a lot of the concern. I have commercial evidence that the numbers that were used are not where they should be, whether it's the cost of generating or the cost to build generating facilities or the transmission. I think that some of the conclusions are still in there that I think could be regarded as unsupported. I agree with Jack, that it's not their job to put in the policy recommendations. Jason has laid out a very nice path forward for us, notwithstanding our reservations with the reports. There is good material in the report, particularly on the direct revenues. I don't know if it's accurate, I'd like to get a sense of that. How do people feel about accepting this report with the caveats as Jason described, and submitting it as a package from the subcommittee to the Task Force, while pointing out many of the points that Jason and Jack made, but keeping in mind the concept that Kathleen put out there, which is maybe the whole thing doesn't belong on the cutting room floor. And with all temerity and humility, let me offer that as a potential path forward. And if folks have a very strong discomfort with that, believe me, I completely understand. Let me throw that out and see if that's a path forward. And you know, we can all write our various pieces that we're not comfortable with. But let me throw that out as a proposal for a path forward, once again it would be to wrap the report with our concerns and caveats but to vote to accept it and forward it to the Task Force for the overall Task Force's consideration.

MR. BAAK:

Ian, this Jim Baak; if I could jump in and respond?

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CHAIR:

Yes, please. Thank you.

MR. BAAK:

I can certainly agree to that. One further clarification though is, if we're going to be forwarding this to the full Task Force, are we going to be including any recommendations, and if we're including recommendations, would the recommendation then be to take elements of the report --- are we going to suggest specific elements from the report to take and are we going to recommend a course of action for the full Task Force to build on the pieces that we think are usable out of the report in order to move forward? Are we going to have any specific recommendations from this subcommittee?

MR. GEDDES:

This is Jason. As it flips back to the policy side, I would say that we give the whole report to the committee and that we don't go through the report and say what we like and what we don't like other than in the comments that people prepare on where it may have missed the boat. But I think we use it as a background for the discussion to forward policies to the full group, not necessarily if they're supported or not supported in that business case, per se, but policies that this subcommittee agrees upon. Some of them would be in business case; some of them may not. We had several ideas that were put to the group before we merged that we should say, this was addressed by the business case, this wasn't, is this policy to forward, is it not, and have that discussion separate. But I wouldn't say that we say what in the report we would pull policy from or that we develop policy using the report as a basis.

MR. BAAK:

And Jason, I guess my question on recommendations is a recommended course forward for how do we move forward with this, not specific policy recommendations, not to preclude or presume anything that the Task Force, full Task Force might decide upon, but recommending a course forward that we need to --- we need this additional information in order to make an informed decision, this is what we recommend doing moving forward. Just a question.

MS. CROWLEY:

Well, we would have to pose those recommendations, you know. I think if members of the committee had recommendations about certain pieces that they did not want to go forward or would like the full Task Force to not consider, I think it's up to the committee. I know people have some very specific ideas about some of the discomfort or some of the things that we should take forward and maybe embellish upon or add to. And I don't know how we do that. Do we ask for a memo from each of the Task Force members or do we try to pull together the notes, the meeting minutes best that we can, Sue and I, and then distribute that out and say aye or nay? I'm not sure what the committee would like to do, or how they would like to do that. But, I don't know if we can make recommendations without getting specific.

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MR. CANDELARIA:

Stacey, this is John Candelaria. I just wanted to ask, do we have to accept the report or can we just say Synapse has completed the report and then provide recommendations as Jim Baak recommended about what's good in the report and then what further work is required so that we can get to the business case that we all thought we were headed towards in the RFP that we prepared?

MS. CROWLEY:

Yes.

MR. CANDELARIA:

Synapse is not going to do anything else; right?

MS. CROWLEY:

Right.

MR. CANDELARIA:

They're done. And so really our only option is to say, okay, well there's some stuff in the report that we think is good and there's some further --- there's some recommendations on what needs to be done to complete the steps of creating a business case to determine whether it makes sense to have some type of mutual benefit, mutual resource sharing arrangement.

MS. CROWLEY:

Can you get specific on that? I've got notes here of things that I'm asking myself when I read the report where I think we can take some of those numbers and turn them into some business case questions, but it would likely take a little more work. And that's fine. We can either try to do that internally or find folks who can help us with that.

MR. CANDELARIA:

And Stacey, I guess what I was suggesting was kind of that, where we accept the report where we think they're factually inaccurate or we've -- individual members believe that they've made conclusions that are not supported. I think we need to attach that as an addendum, so that the full Task Force has this full report and all the numbers. And we say, well we think they're wrong here, but then as we take the next step in the policy recommendations to the full group we poll a recommendation and say, this is supported by the report, this is not supported by the report or this is good policy, the report doesn't support it.

But these are the numbers that we have that can dispute what's in the report and why we think it's good policy anyway. Or that we have no policy recommendations. But I think we just need to get the full report to everybody. If there are factual issues with it, then we attach those so the full

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committee has that. But then we have a discussion about policy and what to bring to the full group for discussion and their consideration.

MS. CROWLEY:

I guess one thing to consider is this is still a draft. It's considered a draft. I have a little issue with it being --- well, I don't know, I want the group to decide.

MR. JACOBSEN:

This is Dan Jacobsen. Could I jump in here? I really couldn't vote to accept the report in any way. I mean, there's a place in the report that says the kind of wording that gives the reader the impression that the analysis suggests that building these lines is a plausible opportunity. There's another place that says this is an attractive economic development opportunity for the state. And I just don't think the report is solid enough to support those kinds of conclusions. So maybe I'll be the only one that wouldn't vote to accept it and move it forward. I mean, frankly, I think the other members of the committee, of the Task Force probably should see what's here. But I couldn't vote to accept it for this and many other reasons. And by the way, I do have a memo, a three-page memo, I'd be happy to email.

CHAIR:

That's exactly what we would be looking for, would be your comments attached to travel with the report? But you're saying that you want them to see it, but you don't want them to see it. So I'm not quite ---.

MR. JACOBSEN:

Here's the thing. I'm not opposed to them seeing it. It's a big Task Force, and they probably would benefit from seeing it. But to vote to accept it, to give it the kind of credence and say, you know, we approve this, ---.

CHAIR:

Well, how about the vote is really nothing more than we vote to pass it onto the Task Force. I don't want to ascribe your --- I don't want to attach your approval to it. I'm not trying to do that at all, just so we're really clear. The main thing is whether we --- cutting room floor or with comments, caveats, three-page memos, do we forward it to the overall Task Force.

MS. EASTLEY:

Mr. Chairman?

CHAIR:

Yes.

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MS. EASTLEY:

It's Joni Eastley. Are we concerned at all that this report could be passed along, I mean, once it becomes public without all of the attached explanations and caveats that we've been discussing this afternoon?

MS. CROWLEY:

This is Stacey. That's a concern.

MS. EASTLEY:

Yes, and I am very concerned about that. And then I'm also concerned that I don't want this subcommittee to be open to being accused of cherry picking any of our pet conclusions.

CHAIR:

Well, we're over our time. Stacey, I'm going to request guidance from you on this. I don't think we have a consensus on this call. I'm not even sure I want to use the word yet. But we don't have a consensus. I'm sure we can call a vote to see what people want to do. I don't know whether you want to do that or not. But if there is more time for us to think this through, I think it may be beneficial. I think you've got a lot of strong arguments on both sides. There are a lot of good arguments on both sides. So you may have the votes to forward it on, but you certainly don't have the good will of the subcommittee to do that yet.

MS. CROWLEY:

What if we requested those comments from the committee members; look at them; group them into chapters, if that makes sense, and maybe some suggestions on what we would do going forward. Like John was mentioning, and Jim, if some of this is useful, and I think some of it is, what can we do with it? I would say, for example, I don't want to get into too much detail here, but maybe we just request the comments from the subcommittee members and take that into consideration, maybe try to hold another call, if people don't mind. When we talk about timing, it has to make sense and feel right to the Task Force. If it doesn't, then there's no sense rushing something. Synapse probably will do no more work on this. They have reached their budget. So we just decide what to do as a Task Force, or as a subcommittee. Can we use some of this report, some of the information in the report, to move forward and how do we do that? So perhaps we can ask committee members to supply us with their thoughts on that today and try to get back together in a week; would that be reasonable?

CHAIR:

I think that's a great idea. I'll add this. I think that seeing everybody's comments in writing will really inform the discussion. I think it will go a long way towards helping us figure out do we have enough comments surrounding this that we can feel okay passing it forward or, to Joni's point, are we too nervous about this report out there on its own that we still don't feel comfortable with accepting it? So I think that's a great idea. Is there anybody that has an objection to that part forward?

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MR. BAAK:

No objection from me.

MS. CROWLEY:

Can we get some comments in a timely manner? I want to find out what folks' schedules are like; what if we ask for comments by the end of the week; is that reasonable?

MS. EASTLEY:

Yes.

MS CROWLEY:

And you can just email them to Sue or me. We can compile them and maybe send out an email with regarding what we want to do next. I want to suggest something. There was the NEAC report, which is referred to in this report, and that, for those who don't remember, is a transmission routing study that was done; it also had a bit of a financial analysis that was done as a supplemental report to the transmission routing study. That report has some financial information that could benefit the Task Force. And it was considered to be sensitive information, but not confidential. I would like to ask the NEAC Board if we can share that information with this group and use that in addition to the numbers that the business case created and see if that helps folks understand or see a way forward to create a business case. Is that acceptable?

CHAIR:

I think that would be extremely helpful, yes.

MS. CROWLEY:

It's a very complicated set of numbers, and I want to figure out how best to do it. Perhaps I would host a webinar or conference call to go over one or two of the spreadsheets line by line, so that people understand it. And maybe I can offer that for next week.

CHAIR:

Are we having an in person meeting next week?

MS CROWLEY:

Our full Task Force meets Wednesday, October 17th at 1:00 p.m. in both Vegas and Carson. We could try to get together again like we did last time for those who could before that meeting. Ian and Jason, I think, Jason, you're going to be unavailable; is that right?

MR. GEDDES:

Yes.

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MS. CROWLEY:

And Ian, you're going to be in Las Vegas?

CHAIR:

Yes.

MS. CROWLEY:

I could go over that as an agenda item for the full Task Force.

CHAIR:

Stacey, I think that's a wonderful idea.

MS. CROWLEY:

We'll do that, we'll add that to the agenda and I'll make sure that that information gets out to everybody and posted properly. And just know that it's kind of a complicated set of documents, and I'm happy to walk everybody through it. And if we could get comments by Friday, I would love it. Thank you so much, Ian and Jason, and everyone who has commented. We know this is not exactly what we thought it would be, but I think we can glean some value out of it.

CHAIR:

Agreed. At the risk of pushing this along, I'm going to close discussion on item four on the agenda and move to item five and say that is deferred until we make a decision on the actual report. Given that we're late, I'm going to move straight to item six. And Stacey just laid out the next steps. Please get your comments in by Friday, and we'll look to have a discussion of the NEAC economics next week.

*End of verbatim transcription.*

**5. Discussion and possible action regarding list of policy topics.**

This agenda item was deferred.

**6. Discussion of future agenda items and announcements.**

This agenda item was deferred.

**7. Set time and date of next meeting**

The next meeting was scheduled for Tuesday, October 9, starting at 3:00 p.m.

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**8. Public Comment and Discussion.**

Mr. Hazard stated that the endeavor was supposed to prove once and for all that there was a business case for a transmission line, which had value; however, he said he believed that, based on today's comments, the decision was made the day that the Governor issued his Executive Order and that it was just being justified. He also stated that he thought the draft report was very thorough and stating the risks, the unknown, the costs to all including ratepayers, and recommended that the committee not "cherry-pick" parts of the report that they do not like; otherwise, he believed that it would not be a fair and equitable process. He thanked the committee.

Ms. Ellis commented that she agreed with Mr. Hazard. She also said that she enjoyed reading the Synapse draft report because it identified what is attractive and what might not be and discussed the unknowns and perhaps a legitimate case does not exist, and that it would be honest to tell the Governor this. She said that she found the reference in the report to the CPUC website, and her concern was that people will not necessarily read the entire report. She concluded by saying that she was looking forward to the NEAC report, and that the consultant did their job and that you may not be able to find out what California's intentions are. She thanked the committee for the opportunity.

**9. Adjournment.**

The meeting was adjourned at 5:25 p.m.