



GOVERNOR'S OFFICE OF ENERGY

MINUTES
Committee on Energy Choice

May 10, 2017

The Committee on Energy Choice held a public meeting on May 10, 2017, beginning at 8:00 A.M. at the following location:

Legislative Counsel Bureau
401 S. Carson Street, Room 1214
Carson City, NV 89701

The meeting was also available via videoconference at:
Grant Sawyer State Building
555 East Washington Avenue, Room 4404B
Las Vegas, NV 89101

- 1. Call to order and Roll Call:** The meeting was called to order at 8:01 AM by Chair Mark Hutchison. Chair Hutchison welcomed all for attending and noted that the agenda will be followed as noticed. The agenda item was opened up for roll call and a quorum was confirmed.

The following Task Force Members were present:

Committee Members Present

Mark Hutchison
Adam Laxalt
Barry Gold
Adam Kramer
Chris Brooks
Eric Witkowski
Daniel Witt
Jeremy Newman
Ann Silver
Kevin Sagara – (Via Conference)
Jeremy Susac
Jennifer Taylor
Steve Hill
Katarina Tesarova for Andy Abboud
Erik Hansen

Dana Bennett
Paul Caudill
Angie Dykema
Joe Reynolds

Committee Members Absent

Kevin Hooks
Darren Daboda
James Settlemyer
Kelvin Atkinson
James Oscarson
Dave Luttrell

2. Public Comment and Discussion:

Chair Hutchison opened Agenda Item No. 2 and asked if anyone from the public sought to make a comment on the matter in both Carson City and Las Vegas locations. No public comment was provided.

Chair Hutchison closed agenda item No. 2.

3. Texas Presentation – Pat Wood:

Chair Hutchison opened agenda item No 3 and welcomed the presenter.

Mr. Pat Wood introduced himself and provided background on his experience and expertise in the Energy industry; specifically, with implementing an Energy Choice market in Texas. Mr. Wood began by describing why Texas decided to go to an open competitive wholesale market in 1995. Mr. Wood stated that the then, Governor George W. Bush, thought it a good idea to go this route because, according to Mr. Wood, the Governor thought that the utilities cared more about what he and the legislature thought than they did what the customer thought and Bush wanted to fix this. Mr. Wood discussed how he views the energy market in three separate pieces, generation, wires, and retail markets and stated that when thinking about unbundling the business, that's really the core aspect of the electric competition in the state, the wires part should remain regulated and make the generation and retail parts competitive. Mr. Wood stated that he believes that the wires and infrastructure should stay intact. Mr. Wood stated that when he thinks about what we, Nevadans, are going to go through with a sweep of low cost solar coming into the state over the coming years, having a grid that can adapt and be resilient enough to handle that kind of dispersal of power will be very different than what has happened in the past and will be a very important piece. Mr. Wood described today's Competitive Wholesale Markets in the United States showing how most of the West is currently not part of a Wholesale market. Mr. Wood spoke about how Texas went to a competitive wholesale market in 1995 and then a retail market in 1999. Mr. Wood spoke of being the head of the Federal Regulatory Commission and how the FERC regulates the energy market. Mr. Wood spoke about organized power markets, RTO or ISO in California next door to Nevada, as being enablers for retail competition. Mr. Wood stated that a piece of advice he would give to Nevada would be to go to a wholesale market first and then go to the retail competitive market. Mr. Wood stated that he had already spoken to the man President Trump elected to be part of FERC, and told him that he had to get wholesale markets moving forward so Nevada can go forward with the Energy Choice and there is no wholesale market out there. Mr. Wood discussed the CA ISO Energy Imbalance Market, EIM, CA ISO which is FERC regulated, there has been a long history and has had a tough couple of chapters in 2000-2001, which Mr. Wood stated he got to pick up the pieces for and that the CA ISO which reflects Nevada Power/Sierra Power as a loose beginning of what could be a successful wholesale market structure. Mr. Wood discussed the precursors to a competitive Texas market; in 1995 Texas allowed non utilities to generate and or sell energy. In 1996, joined the ERCOT which was the nation's first independent system operator (ISO) which allowed open access across the grid. There was no more regulated generation and the rates were held up to pre-pay down generation costs in advance of retail competition. Mr. Wood spoke of the key features of Texas' SB7 from 1999. Mr. Wood stated that some of the important pieces of this bill were that all independent owned utility customer classes opened to competitive choice on 1/1/2002, the competitive business costs were unbundled, stranded generation costs had to have a calculation and that the coops and municipalities had to opt-in.

Mr. Wood also discussed key aspects of the SB7 bill which included customers starting with an affiliated retailer, which created the initial rates to be capped for 5 years, Texas called this the 'Price to Beat', and determined that no discounting of rates would be permitted. One of the key goals of SB7 was to allow headroom for competition, there was to be uniform terms and conditions for wire company tariffs and the allowance of an ISO. Mr. Wood discussed the steps Texas took to begin and how the structure of the market was set up. Mr. Wood provided key aspects of the open choice market in Texas in sections of 5 year increments. Mr. Wood expressed that he wants Nevada to pay attention to what he believes would be the biggest issues the state may face while implementing the Energy Choice initiative, these things including inadequate customer education, proper timing of generation investments the ability to coordinate with neighboring states and political interference. Mr. Wood provided an example of how the decisions could be made during this process. Mr. Wood stated that he is very pleased and thankful that he was asked to be a part of this initiative in the state of Nevada and is willing to help wherever he can.

Chair Hutchison thanked Mr. Wood for his presentation and asked if the legislation in 1999 was one massive bill or if it was broken up. Mr. Wood answered that in 1997 there was an interim committee that decided to make it one bill. Later the other two parts of the bill came out which completed it.

Vice Chair Bennett thanked Mr. Wood for his presentation and asked him to talk more about the budget for the education and outreach of the bill in Texas. Ms. Bennett also asked if there was a difference between commercial and residential education.

Mr. Wood stated that there was definitely a difference in the education campaign between commercial and residential, the focus was more on residential. Mr. Wood stated that the budget was about 5 million per year which he felt was not enough. There as a lot of free spots on radio and T.V., they did quite a bit of education through an advertising campaign of 30 second spots. Mr. Wood discussed how he felt the education outreach could have been done differently and better.

Mr. Reynolds stated that he appreciated Mr. Woods' involvement and presentation. Mr. Reynolds and Mr. Wood discussed how Texas was able to balance the need for business climate certainty without jeopardizing the negotiating of the Governor's Office of Economic Development, which could allow the potential for bringing businesses into the state. Mr. Wood stated that he suggests we move with dispatch, start having the discussions, figure out what we want to do and what you don't want to do and then put it to bed. Make sure the information is out there and then stick to those ideas, shorter and with authority

Mr. Brooks and Mr. Wood discussed concerns with the uncertainty of the market and testimony that Mr. Brooks had heard from organizations like RESA, in other committee meetings, regarding the Renewable Portfolio Standard (RPS) of Nevada, where RESA had testified that Nevada should not move forward on renewable energy policies until the Energy Choice Initiative has been figured out. Mr. Brooks wanted to know what Mr. Wood thought about this previous testimony from his colleagues. Mr Brooks asked Mr. Wood if he believed these are two compatible pieces of legislation, does he think we should wait on the RPS bill? Mr. Wood

stated that his advice, because he wants Nevada to make sure that we do not create undue costs, and don't ask the utilities to create PPA now only to have to undo them later. Mr. Wood believes that the more comprehensive we make the Energy Choice Bill, the better the consumer will be.

Mr. Hill stated that he came away from the last meeting thinking that it didn't really sound like a good idea to do a competitive wholesale market in Nevada and asked what Mr. Woods' opinion was on the subject.

Mr. Wood stated that he felt it is important to become part of an imbalance market, for example the CA ISO, in order to maximize the success of the initiative.

Mr. Hansen and Mr. Wood discussed generation investment and the potential to have a natural gas plant due to a high saturation of generation and the value of paying for the flexibility needed and that this is an issue that should be discussed in more depth within the next 24 months throughout the region.

Mr. Witt and Mr. Wood discussed the recovery of the stranded asset costs, Mr. Witt asked if Mr. Wood knew the percentage of that cost that had been recovered, Mr. Wood stated that one hundred percent of that cost was recovered in Texas.

Mr. Caudill, on behalf of NV Energy stated that the company is fully ready to divest all generation assets and all Purchase Power Agreements (PPA) and the company has no interest in being a provider of last resort (POLR), NV Energy will most likely transfer into a wires only company. Mr. Caudill and Mr. Wood discussed how utility companies in Texas handled the divesting of the assets and obtaining a value on those assets which made the most sense. Mr. Wood discussed the way the Texas Legislature asked the commission to engage in a study which identified three possible options, those options were analyzed and a final decision was made two years after the market opened in Texas.

Ms. Taylor and Mr. Wood discussed the bundled rates in Texas, the decisions of municipalities and coops to stay in the business and what the upcoming years will bring to this initiative. Ms. Taylor and Mr. Wood also discussed RPS and whether or not setting a new standard now is an issue. Ms. Taylor and Mr. Wood also talked about the transmission lines in Texas and how they were setup, created and strengthened to have the lines they have now.

Chair Hutchison thanked Mr. Wood for his presentation, recommendations and participation in the meeting.

Chair Hutchison closed agenda item No. 3

4. California Presentation–Nicolas Chaset, Chief of Staff to President Michael Picker, CA PUC:

Chair Hutchison opened agenda item No 4 and welcomed the presenter.

Mr. Chaset discussed how the current customer and retail choice market in California is set up; there are 3 large investor owned utilities (IOUs) who serve 75% of the market primarily generation, and transmission and distribution; 48 Publicly Owned Utilities (POUs) who serve the other 25% of the market. Mr. Chaset discussed how the IOU profits are de-coupled from electric sales and how the CA IOU transmission system and wholesale market are managed by an Independent System Operator, CA ISO. Mr. Chaset discussed what went into creating the Customer and Retail choice market in California which began in 1998 with De-regulation. Mr. Chaset discussed the history over the last two decades and what the major trends are. Mr. Chaset spoke about the differences between Community Choice Aggregators (CCA), Investor Owned Utilities (IOU) and Publicly Owned Utilities (POU). Mr. Chaset stated that Community Choice Aggregators are legal entities formed by local government to aggregate customer demand and procure electricity on behalf of the customers in lieu of the utility company. CCA's have grown tremendously since their inception and are estimated to serve up to 15 million customers by middle of 2020's. CCA's are effectively able to sell at a lower price than the utility and a much greener product. Mr. Chaset discussed Net Energy Metering in California as well as Energy Storage and where California could be in the next few years by looking at current technology, and other states that have gone through this and been successful. Mr. Chaset also spoke about the downfalls and struggles of the California market and how the California PUC is currently discussing how to best structure the market for the best outcome for both customers and the providers. Mr. Chaset discussed the future of the retail choice market and California's bold energy goals in California and what options could be for Nevada.

Chair Hutchison expressed his concern about joining the CA ISO and whether or not it is realistic for Nevada to join. Mr. Chaset stated that he believes that it could be beneficial for Nevada to join the CA ISO.

Mr. Newman and Mr. Chaset discussed the options within in a Community Choice Aggregator market and who is or is not automatically enrolled in this option.

Ms. Taylor and Mr. Chaset discussed the governance issues with the CA ISO along with the current timeframe. Mr. Chaset explained that the governance challenges are pretty significant which is why right now they have paused any discussion on political governance and that they are thinking about the next steps and are open to discussions for exploring this option.

Ms. Taylor and Mr. Chaset also discussed the future of California's success and what the failures were for California in comparison to what other states have gone through in order to ensure the success for California as well as what could work in Nevada.

Mr. Reynolds and Mr. Chaset discussed what concerns residential customers in California have experienced or will experience as they move to full residential competition in the state.

Mr. Hansen expressed concern for Nevadans when the state contemplates joining the CA ISO and the cost of rates that Nevadans may pay if this does happen.

Mr. Chaset stated that this is part of the political governance that needs to be discussed if and when Nevada or any other state joins the CA ISO.

Mr. Susac asked Mr. Chaset to confirm that the Governor of California appoints the CA ISO Board members and the legislature confirms them, Mr. Chaset was able to confirm this is the appropriate way the board is appointed.

Mr. Susac and Mr. Chaset discussed the level of control any state in a regional ISO would have and how that would be determined. Mr. Chaset stated that there are various proposals of structuring the board when other states are able to join the ISO.

Chair Hutchison thanked Mr. Chaset for his presentation and participation in the meeting.

Chair Hutchison closed agenda Item No. 4

5. Pennsylvania Presentation – John Hanger:

Chair Hutchison opened agenda item No 5 and welcomed the presenter

Mr. Hanger spoke about his experience in the Energy market and the evolution of the Energy Choice Market in Pennsylvania. Mr. Hanger described the top five reasons why Pennsylvania choose to go with an open market and then how it transpired into what it is today. Mr. Hanger stated that the first reason Pennsylvania went to a competitive market was because it would create competition which would result in lower prices for the customer. Mr. Hanger also stated that the state went to a competitive market because, Pennsylvania wanted to shift the risk for generation investment from ratepayers to shareholders, the state believed that the competition would create more opportunity for renewable and alternative generation, this change would give customers choice, and finally Pennsylvania chose competition to accelerate the pace of innovation in the power industry. Mr. Hanger spoke of the downfalls that came up in the beginning since the state was the third in the US to adopt retail competition as well as what positive changes were encountered over the last twenty-one years. Mr. Hanger discussed specifically how Pennsylvania enacted the retail competition choice market and the incentives available for consumers. Mr. Hanger stated that he believes the demand side of the market is just as important as the other sides of the market and cautions Nevada about not forgetting this piece as Pennsylvania did. Mr. Hanger also stated that he believes that having independent market monitors are critical to ensure generation markets are competitive. Mr. Hanger expressed his thoughts on what the most important pieces of this market are for Nevada to really pay attention to and shared what he feels could be a benefit to Nevada while going through this initiative and making it successful.

Chair Hutchison thanked Mr. Hanger for his time and asked if Mr. Hanger could quickly describe who would participate in the pilot program that he described in his presentation. Mr. Hanger stated that the pilot program included a large amount of consumers, less than the whole state, however; large enough to make it successful. The pilot program lasted for 2 years and included hundreds of thousands of consumers.

Mr. Witkowski and Mr. Hanger discussed the natural gas impacts on Pennsylvania and what drove lower prices in the market.

Mr. Brooks and Mr. Hangar discussed PJM in relation to the overall market and the population in both Pennsylvania and the whole PJM Market. Mr. Brooks and Mr. Hangar also discussed the consumer protection parts of the rates and how they were recovered in Pennsylvania.

Mr. Reynolds and Mr. Hangar discussed the steps Pennsylvania took to educate the consumers about the choices that were available when the market started and the ongoing education that is provided.

Ms. Taylor and Mr. Hangar discussed how the Public Utility Commission of Pennsylvania can initiate a case against a supplier that does not have the consumer's best interest in mind when providing the electricity. Ms. Taylor and Mr. Hangar discussed current energy prices, what affects the credits and increases in the market prices.

Chair Hutchison thanked Mr. Hangar for his discussion, recommendations and participation in the meeting.

Chair Hutchison closed item no 5.

6. Other Considerations:

Chair Hutchison opened agenda item No 6

Chair Hutchison asked Mr. Kramer to address this agenda item.

Mr. Kramer thanked the staff and the chair for organizing the meeting. Mr. Kramer stated that he feels it would be premature to start discussing economics at this point. Mr. Kramer suggested that we initially create policy recommendations instead of costs at this time and then do the costs analysis at a later time.

Chair Hutchison stated that there may be some potential resources from the state level and is open to discussion points and will update the committee at a later time on state resources.

Ms. Taylor stated that she would want to be very careful on the vetting process for the analysis of the economics and would want to make sure that we are doing a transparent process so that there can be an objective analysis. Chair Hutchison agreed and stated that he will continue to update the committee.

Mr. Witkowski stated he believes that we need to figure out how we go forward and what the market would look like before joining an ISO and wants to explore all of the options for the success of this initiative.

Mr. Brooks stated that he believes it would be helpful to start the conversation on the stranded asset costs and believes that this would be the first step.

Chair Hutchison stated that staff will be getting with the committee chairs of each working group to get the meetings scheduled and started. Chair Hutchison also stated that the staff will identify what the working groups will be discussing and working on.

Chair Hutchison closed agenda item no. 6

7. Public comments and discussion:

Chair Hutchison moved on to public comment and asked if anyone from the public sought to make a comment on the matter in both Carson City and Las Vegas locations.

Ray Bacon, citizen, provided public comment in Carson City and also provided a written comment. Mr. Bacon discussed his thoughts on renewable generation in Nevada, the correlation between water and energy, and what he thinks should be considered during the committee meetings.

Chair Hutchison closed agenda item No. 7

8. Adjournment

Chair Hutchison thanked all for their participation and attendance and adjourned the meeting at 11:34AM.