



NEVADA RURAL ELECTRIC  
ASSOCIATION

***Representing Nevada's Rural Electric Cooperatives,  
Power Districts, and Municipal Utilities.***

***Prepared for the Governor's Committee on Energy Choice Workgroups  
Generation, Transmission & Delivery  
Energy Consumer & Investor Impacts***

August 17, 2017

Richard "Hank" James  
Executive Director  
NREA

# NEVADA RURAL ELECTRIC ASSOCIATION



- Founded in 1974, NREA members are not-for-profit **associations of persons** who procure and distribute electric service on behalf of their owner-members:
  - One municipal distribution system
  - Six rural electric cooperatives
  - Two power districts.
- NREA Advocates for owner-member/consumers with national and state legislators, agencies, local governments, and like-minded organizations about the importance of the services our utility members provide.

# Governance



- Each NREDA member is an individual association of people with a common purpose to procure and distribute aggregated energy load solely for the members of their Association.
- Local, democratically elected boards are at the center of each member's electric distribution system with a common mission to distribute:
  - safe, reliable, and low-cost electric service for their owner-member/consumers
- PUCN oversight is limited as prescribed in various NRS enabling statutes relative to the Association's entities:

Electric Cooperatives --- Power Districts --- Municipalities.

# NREA Utility Members Do Not Have “Customers”



- Net revenues are allocated back to the **Owner/Members** as *capital credits*... Either refunded by check or utility bill credit on a pro-rata basis. (*Cooperatives*)
- For Public Utility Districts and Municipalities, net revenues are returned to the consumer manifested in lower rates or lower taxes.

Total Utility Plant Investment CY 2015	Total Annual Revenue CY 2015	Total Employees CY 2015	Total Annual Payroll CY 2015
\$293,852,330	\$184,353,076	266	\$12,345,678

# Fundamental Characteristics of NEVADA'S RURAL ELECTRIC DISTRIBUTION SYSTEMS



- NREA Members currently offer **meaningful choice** to their member/consumers...
  - In their power supply options, their rates, and in the make-up of their Boards’.
  - All owner-members have one vote regardless of the amount of energy purchased.
- Provide electricity over ~50% of the land and serve ~10% of the Nevada’s population.
- NREA utility members serve an average **5.2 consumers per mile** of distribution power line, compared to over 34 consumers per mile.
- Nevada’s rural distribution systems seek to acquire and distribute least-cost power supply resources with high reliability (99.99%) to meet **native demand** as they arise.

# Fundamental Characteristics of NEVADA'S RURAL ELECTRIC DISTRIBUTION SYSTEMS



- **The democratic structure** of NREA member Boards
  - Enable each utility system Board to make progressive changes to their own energy policies... only if their owner-members/consumers want change.
  - All owner-members have one vote regardless of the amount of energy purchased.
- **Not vertically integrated** (unique exception: Mt Wheeler – Deseret Power)
  - Aggregated community load within each Association's Service Areas
  - Procure energy from providers of choice
  - Net metering for individual consumer-owned Distributed Generation
- NREA utility members have **no excess margin component** when setting rates.
  - Rate components = Energy + Demand + Cost of Business

# NREA UTILITY MEMBERS

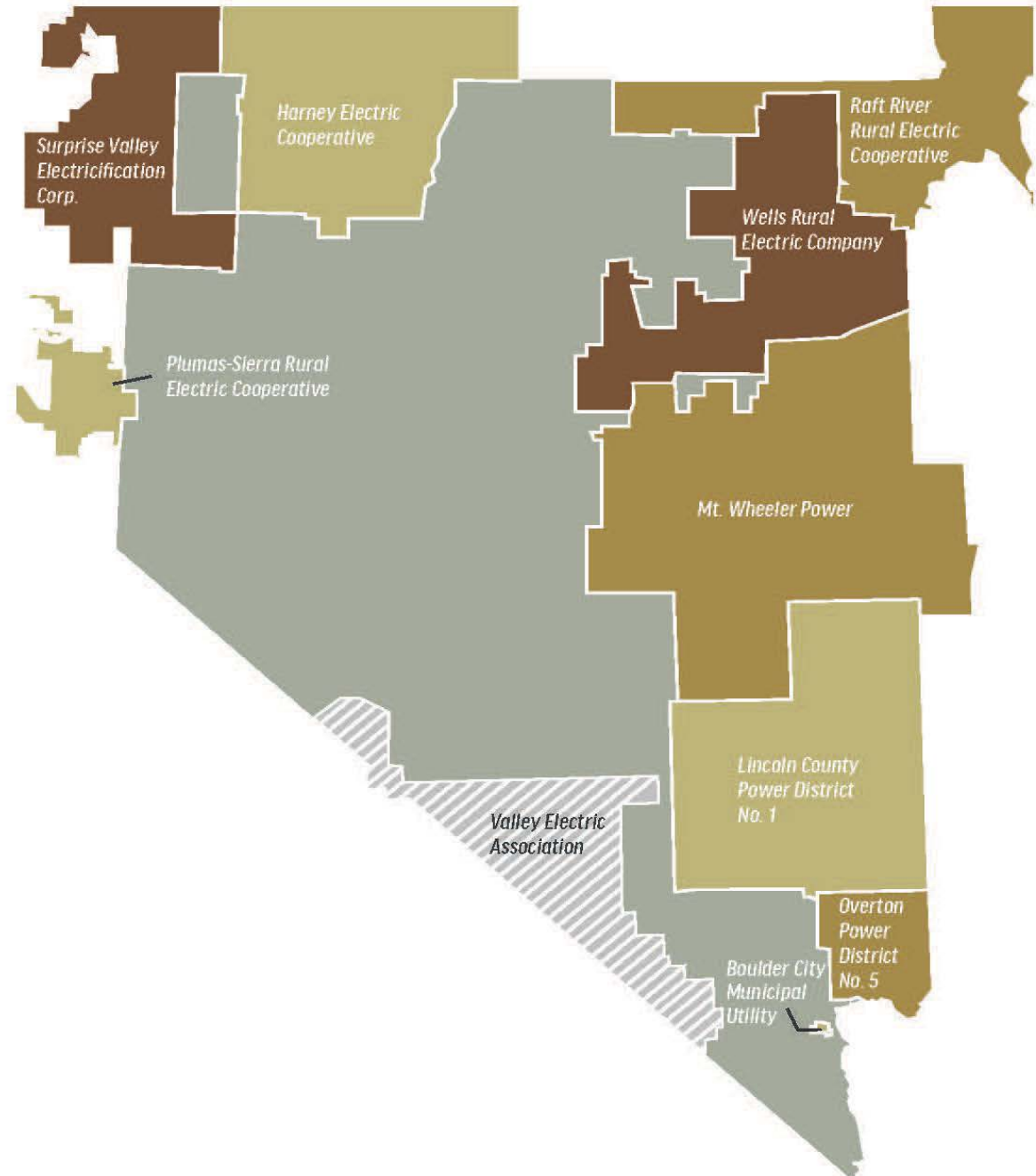


- Lincoln County Power District No. 1, *Pioche, NV*
- Mt. Wheeler Power, *Ely, NV*
- Wells Rural Electric Company, *Wells, NV*
- Overton Power District #5, *Overton, NV*
- Boulder City Electric Utility, *Boulder City, NV*
- Raft River Rural Electric, *Malta, ID*
- Harney Electric Cooperative, *Hines, OR*
- Surprise Valley Electrification Corp, *Alturas, CA*
- Plumas-Sierra Rural Electric Co-op, *Portola, CA*

## LOCATION OF NEVADA'S RURAL ELECTRIC UTILITIES



NEVADA RURAL ELECTRIC  
ASSOCIATION





# Summary by the Numbers



- **Utility Members: 9**
- **Renewable/Carbon-Free Portfolio: ~65%**
- **Nevada Consumers: 41,562**
- **Distribution - 12,248 Miles – Transmission 1,664 Miles (Local)**
- **Owner-Member/Consumers per mile of distribution line : 5.2**
- **Nevada Service Territory: 48,216 square miles**
- **Employees: 266**
- **Combined Load: 2,731,475 MWh - Peak Load: 502 MW (CY2015)**
- **Elected Owner-Member/Consumer Directors: 68**

# Transition to an Open Energy Market



- As defined in a previous ECI Committee meeting this Spring, Nevada’s new regulatory framework:
  - ...“May include economic and orderly divestiture of generation and limits on corporate affiliates serving as Retail Energy Providers”.  
(Source: Nevadans for Affordable Clean Energy Choices, April, 2017)
- NREA members have procured long-term energy-supply contracts with the Federal Government
  - Carbon-free hydro power through BPA (North) and WAPA (South)
  - From 11 to 68 years induration
  - “Take or Pay” obligation

# NREA Member Segmentation for Wholesale Power Supply



- ECI will uniquely impact each NREA member according to each individual system's Board Policies.
- Common factors:
  - “Take or Pay” contract obligations for all
    - Five NREA Members: “All Requirements” customers of BPA (North)
    - Two Power Districts and one Municipal: Combination of Federal hydro contracts and Market-based purchases (South)
  - Interstate service for Six NREA members. (exceptions: OPD, LPD, BC)
  - Mt Wheeler Power: Unique G & T relationship

# Wells Rural Electric Company



Estimated Economic Impact of Energy Choice Initiative			
Stranded Investment			
Description	Annual Cost	Term in Years	Extended Cost
Bonneville Power Administration Wholesale Power Supply Contract	\$29,707,392	11	\$326,781,312
Northwest Energy Management Services	\$1,440,000		
Trout Creek Hydroelectric Generation Plant	\$33,583		
Transmission <sub>2</sub>	\$199,248	11	\$2,191,728
Obsolete meters <sub>3</sub>			
Stranded Investment Subtotal	\$31,380,223		<b>\$328,973,040</b>
Contractual Obligations			
Long-term debt	\$493,266		\$14,011,061
Post-retirement benefits	\$2,814,088		
International Brotherhood of Electrical Workers Local 1240? Labor Contract			
Member Equity (Allotted as Capital Credits)	\$600,000		\$18,871,720
Contractual Obligation Subtotal	\$3,414,088		<b>\$32,882,781</b>
			<b>\$361,855,821</b>

# Overtown Power District #5



## *Unfunded Portion of Contracts*

(Future Amount to be Paid in 2017 Dollars Until Contract Term Expiration)

	<u>WAPA-BCP</u>	<u>Market Contract</u>	<u>WAPA-SLCAIP</u>	<u>Total</u>
1/1/2018 – Expiration	\$78,550,972.00	\$113,680,760.18	\$8,873,432.87	\$201,105,165.07
1/1/2018 - 7/31/2023	\$ 6,962,852.89	\$ 89,425,567.35	\$7,028,957.35	\$103,417,377.59
8/1/2023 – Expiration	\$71,588,119.18	\$ 24,255,192.83	\$1,518,029.21	<u>\$ 97,361,341.22</u>
				<b>\$401,883,883.88</b>

# Mt Wheeler Power



Description	Annual Cost	Term in Years	Extended Cost
<b>Stranded Investment</b>			
Snake Valley Hydro Generation	\$0		
NITSA Transmission Contract (3) not including ancillary services	\$1,113,000	17	\$ 18,921,000.00
Obsolete meters(4)			
Undepreciated Plant Assets owned by members			\$ 37,668,709.00
<b>Stranded Investment Subtotal</b>	<b>\$1,113,000</b>		<b>\$ 56,589,709.00</b>
<b>Contractual Obligations</b>			
Deseret Power Wholesale Contract ( through 2080)	\$9,100,000	63	\$ 573,300,000.00
IPP Contract Wholesale Power Contract (Through 2077) Current Debt obligation	\$0		\$ 20,707,420.00
Western Area Power Administration Contract (Through 2025) (2)	\$889,785	9	\$ 8,008,065.00
Long-term debt (Annual P & I)	\$2,125,000		\$ 15,250,000.00
Post-retirement benefits	\$0		
International Brotherhood of Electrical Workers Local 1240 Labor Contract			
Member Equity (Allotted as Capital Credits)	\$825,000		\$ 27,339,358.41
USDA REDLG Community Facilities Obligations (WP County Judicial Center)			<u>\$ 1,000,000.00</u>
<b>Contractual Obligation Subtotal</b>	<b>\$12,939,785</b>		<b>\$ 645,604,843.41</b>

# Lincoln County PD #1



- LCPD has a contract for hydroelectric power that extends through September 30, 2067
- The value of that contract in 2017 dollars is \$106,892,062
- The contract is “Take or Pay” and does not provide for early termination
- If LCPD were precluded from selling this hydroelectric power to its customers as a result of the Energy Choice initiative:
  - LCPD would continue to have to pay for its hydroelectric power
  - The cost this power represents approximately 40% of LCPD’s operating budget and equates to \$2,137,841 per year in 2017 dollars

# Boulder City



- Boulder City's Hoover Dam and SLCAIP contracts expire on 9/30/2067 and 9/30/2024, respectively. (Take or Pay)
- The value of the hydro contracts from 7/1/2023 through expiration is \$86.4M, based on CY2016 actual hydro cost per MWh, and hydro contract allocations
- If Boulder City were required to replace hydro energy with market purchases, the cost would be \$4.58M annually, based on CY2016 average cost of market energy.
- This amount is in addition to Boulder City's existing market purchases.



# Raft River Electric Cooperative



NEVADA RURAL ELECTRIC  
ASSOCIATION

- **Estimated Economic Impact of Energy Choice Initiative**

## **Stranded Investment:**

<u>Description</u>	<u>Annual Cost</u>	<u>Term in Years</u>	<u>Extended Cost</u>
BPA Contract (NV)	\$1,818,182	11	\$20,000,000

## **Other Contractual Obligations**

- Long-term debt (Transmission serving Nevada) \$16,460,000

# NREA & ENERGY CHOICE



- Additional Transition Costs for NREA owner-members in an Open Energy Market Structure would include:
  - Alternative Power Providers' profit margin (10-15%)
  - Transmission and retail wheeling costs (TBD)
  - NREA's existing PPA Divestiture/Liquidation costs (\$1 Billion +)
  - Additional Transition costs
    - Including, but not limited to:
      - Automated Meter Infrastructure (if possible)
      - Billing software
      - New regulatory oversight/compliance

# NREA's Wholesale Power Supply Resources (Primary)



- Bonneville Power Administration (BPA)
  - 4 Northern Electric Cooperatives
- Deseret Power (G & T)
  - Mt Wheeler Power (Eastern NV)
- Western Area Power Administration (WAPA)
  - 2 South-Central Power Districts (CRC)
  - Boulder City
- Hoover Dam (Direct)
  - Boulder City



NEVADA RURAL ELECTRIC  
ASSOCIATION

Nevada Rural Electric Association  
**Richard "Hank" James**  
Executive Director

*1894 E. William Street, Suite 4222  
Carson City, Nevada 89701  
(775)275-0439  
hjames@nrea.coop*