

VALUE
**CUSTOMER
SERVICE**
PROPOSITION



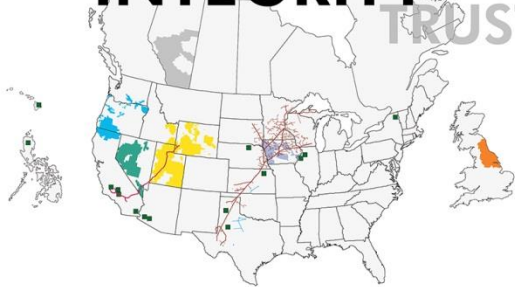
PEOPLE
**EMPLOYEE
COMMITMENT**
SAFETY



REDUCING
**ENVIRONMENTAL
RESPECT**
IMPACT



CANDOR
**REGULATORY
INTEGRITY**
TRUST



EFFECTIVE
**OPERATIONAL
EXCELLENCE**
EFFICIENT



BERKSHIRE
**FINANCIAL
STRENGTH**
OWNERSHIP



Federal Energy Regulatory Commission Oversight

Governor's Committee on Energy Choice

April 26, 2017



What Does FERC Do?

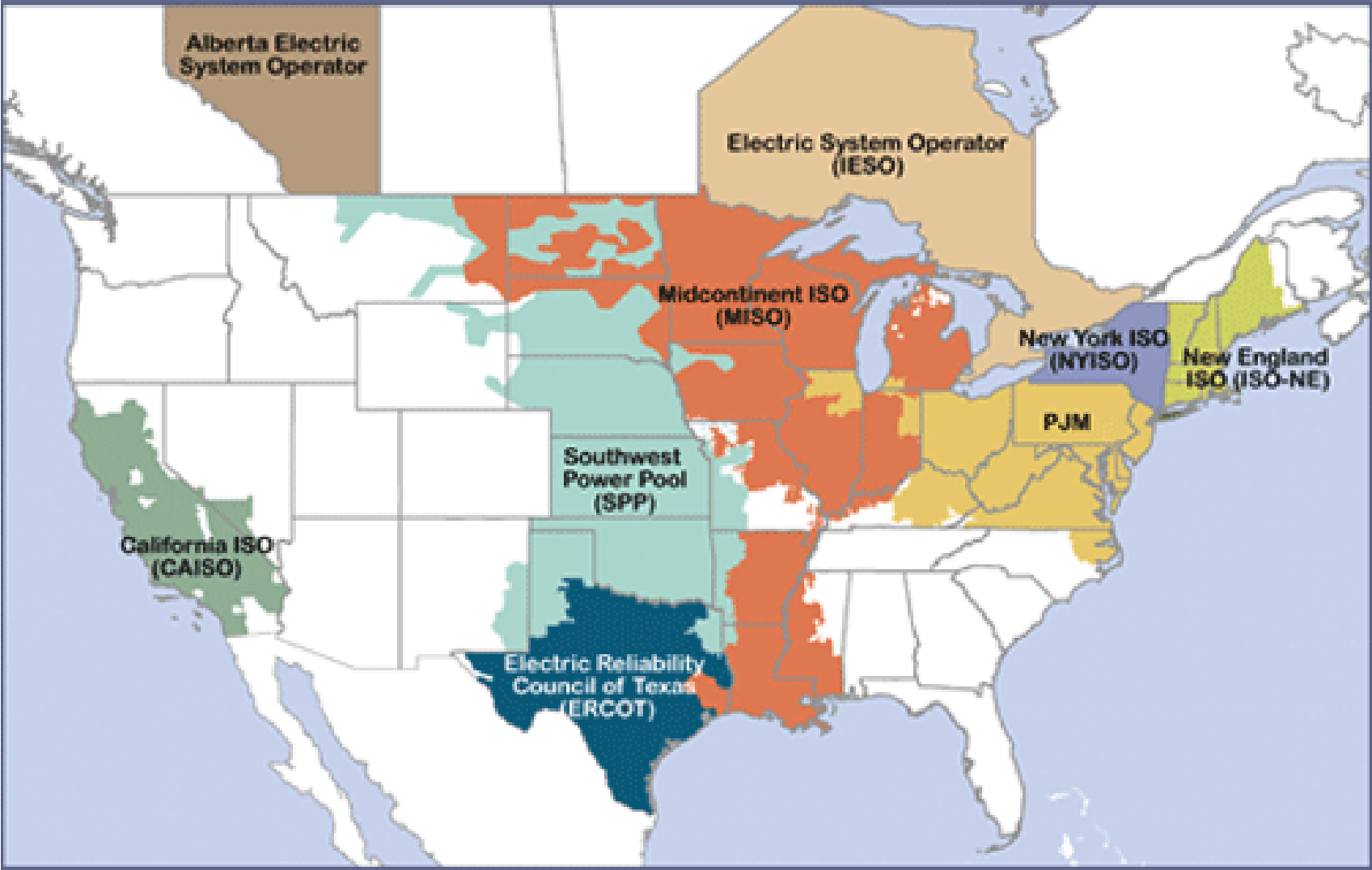


FERC regulates the interstate transportation of energy

FERC's jurisdiction focuses primarily on the following:

- Wholesale power rates and services in interstate commerce
- Electric transmission rates and services in interstate commerce
- Natural gas and oil pipeline transportation rates and services in interstate commerce
- Hydroelectric dam licensing and safety
- Reliability, safety, enforcement, accounting in the above areas

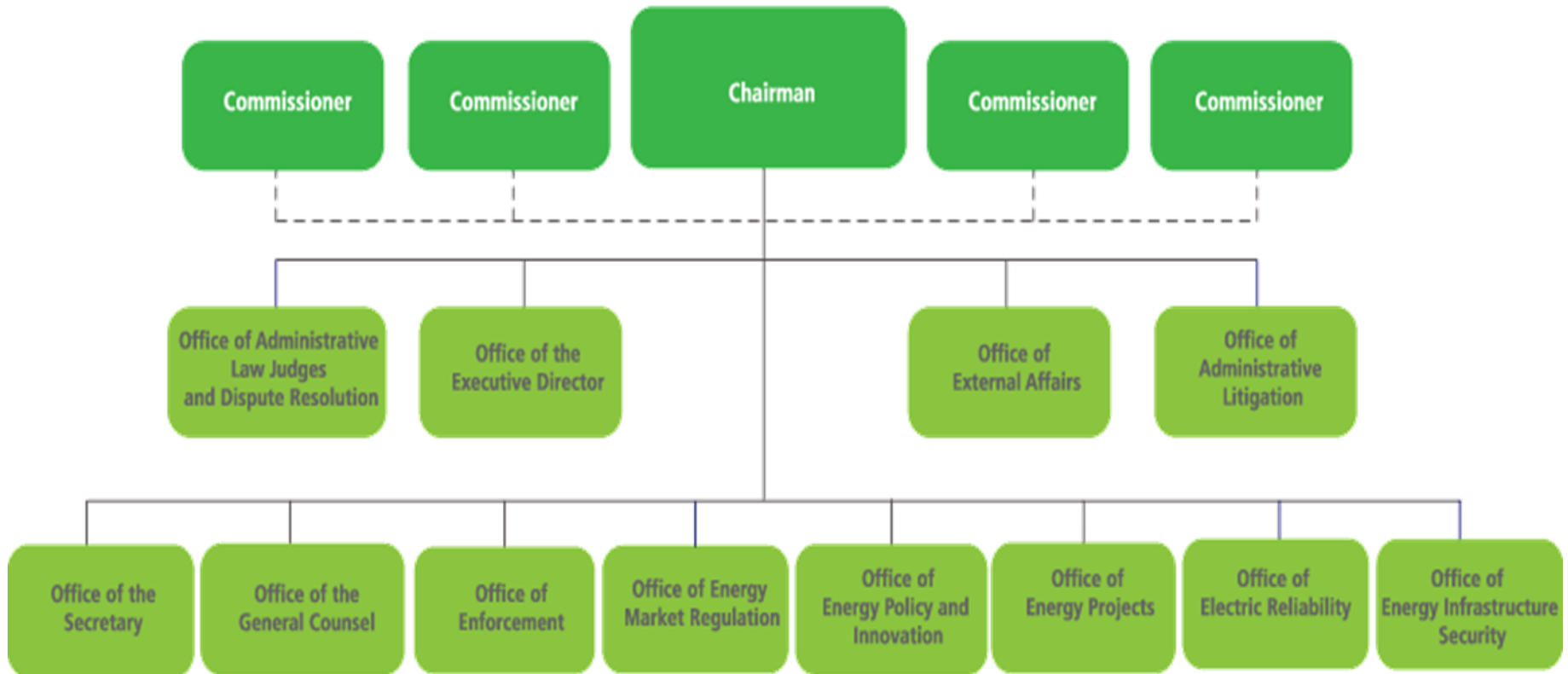
U.S. Wholesale Electricity Markets



Organizational Structure of FERC



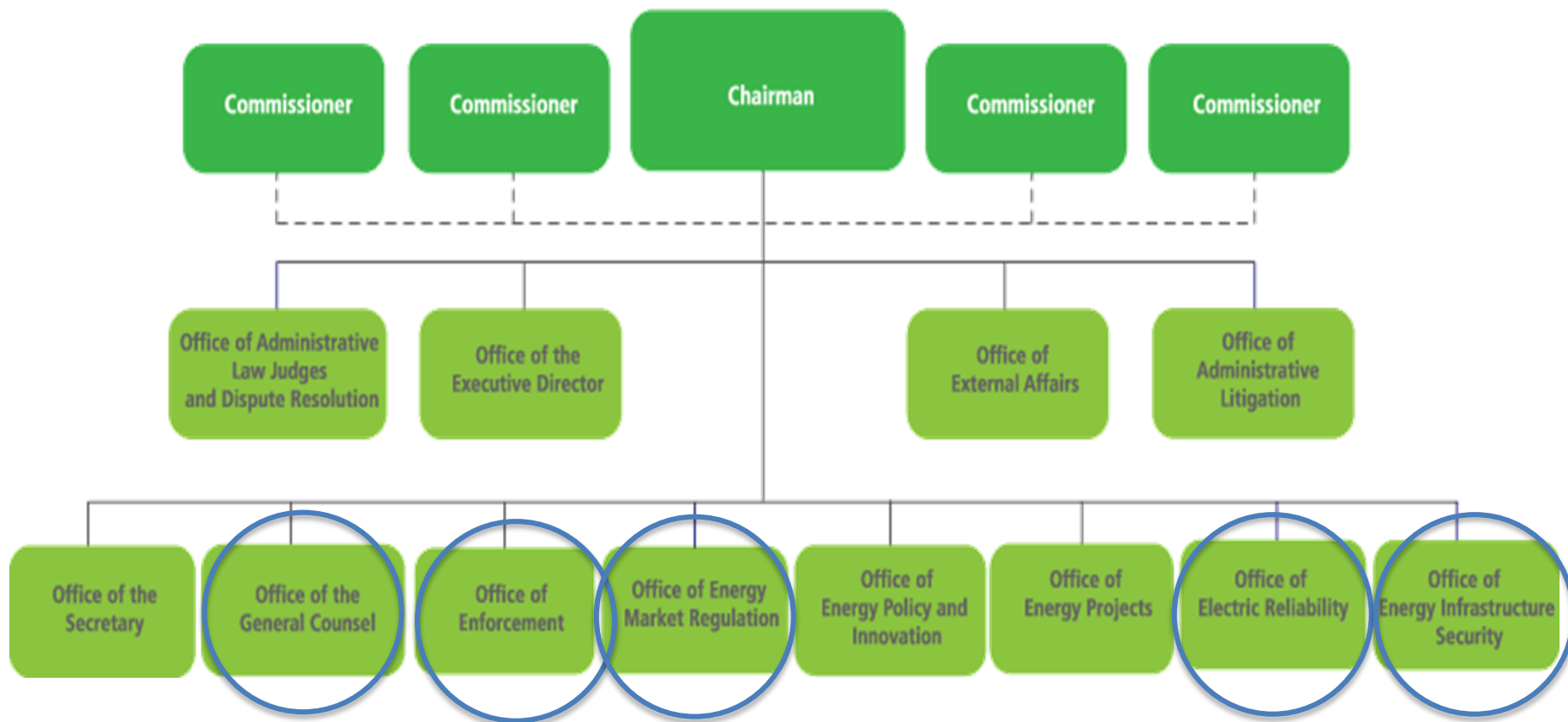
Federal Energy Regulatory Commission



Program Offices that Directly Influence Electricity Delivery and Markets



Federal Energy Regulatory Commission



What is FERC's Primary Focus in the Electric Markets?



- “Well-functioning” electric markets with just and reasonable prices
- Open and non-discriminatory access to the interstate transmission system for all wholesale market participants
- Regulated rates for transmission service (including the appropriate rate of return for investments)
- Wholesale energy sales for resale – even in the competitive wholesale market, FERC limits sellers to cost-based rates if it determines a seller has ability to exercise market power over pricing within a market area
- Transfers of ownership of wholesale power assets - FERC reviews purchases of wholesale generation and transmission assets to access if transactions are “consistent with public interest” including the effect on competition

FERC Does Not Have Direct Jurisdiction Over Fuel Supply



FERC has limited means to influence the type of generation that connects to the grid:

- As the final authority on a transmission provider's or independent system operator's rules for reliability, generator interconnection, and market participation, it approves rules for interconnection and market participation for intermittent (renewable) resources
- FERC enforces the Public Utilities Regulatory Policies Act, which requires utilities to purchase power from resources that are under a certain capacity limit and that are cogeneration or a renewable energy source
- There is controversy over whether state energy policy designed to encourage certain resources (e.g. renewables), restrict import of other resources (e.g. coal), retain existing base load plants, etc. interferes with FERC oversight of wholesale prices in interstate commerce

FERC's Reach in States with a Competitive Retail Market



- Approval of design and rules of the wholesale market
- Close relationship with market monitor if wholesale market is “organized market”
- Collection and surveillance of market data to ensure market rules are functioning as planned and there is no misbehavior
- Exclusive jurisdiction over price of transmission
- Cost allocation for new transmission lines
- Pricing authority of wholesale energy sellers selling into Nevada
- Resource adequacy and capacity markets required by wholesale market for reliability purposes

Where FERC Does Not Go



- Siting of transmission lines or generation facilities
- Distribution rates
- Licensing requirements for retailers selling to retail customers in Nevada
- Market behavior of retailers who are selling to customers in Nevada
- Development and administration of state policies for retail customers related to energy efficiency, technology and innovation, and low-income customer assistance
- State renewable resource requirements
- Interconnection of distributed energy resources (distributed energy resources selling into the competitive wholesale market are subject to FERC's rules and oversight)