

PROPOSED TAC – CLEAN ENERGY SOURCES QUESTIONS – JOSH NORDQUIST

1. As a state policy do we prioritize procurement of clean energy (non-fossil) first?

I believe it is imperative that we prioritize clean energy procurement. The majority (75-80%) of Nevada's energy will be produced using fossil fuels (which are all imported) and so the cost of our energy supply is dependent on markets and supply chains which are not within our control. Therefore, Nevada is exposed to market volatility. Because Nevadans take the risk on market volatility (the utility passes fuel costs to the consumer), the ratepayers have no control or influence on the cost of energy. Fossil fuel markets are cyclical; today we are in a low cycle, but it was not long ago when prices were high, and they will return again.

It is unavoidable that fossil fuel energy generation will become the minority in the future. Rather than wait, Nevada should be proactive. We have the opportunity lead the way, take advantage of Nevada's natural resources, and maximize our long term benefits; rather than trying to scrape up the "leftovers".

2. How do you propose we integrate more clean energy into our energy sources?

First, there needs to be a clear path/plan to transition from fossil fuel generation to renewable generation. This can be done by a) expediently (faster than currently proposed) shutting down existing coal fired power plants and replacing those older plants with renewable energy ONLY; then b) phasing out existing natural gas power plants and replacing older natural gas plants with renewable energy ONLY. Obviously this is a long term transition plan, and intermediate goals need to be set. As a State, we should be focusing on a goal in which renewable energy, and preferably renewable energy from Nevada resources, is the majority resource for Nevada's electric energy needs.

Second, there needs to be an intelligent approach to the procurement of renewable energy generation technologies. Because renewable energy is dependent upon natural resources which cannot always be predicted (i.e. solar and wind), this approach has to carefully consider specific technology's energy profile, energy price, and all components of the value to Nevada of each technology. Energy profile and price are known today, however the energy profile is not fully considered in the selection process (i.e. the necessity to back up intermittent sources with on-demand sources, or to procure a balanced portfolio of renewables). The value of renewable projects to Nevada is neither clearly identified, measured, known nor adequately considered in the current selection process. However, this can be easily fixed with a study, performed through the Governor's Office of Energy, to document the true value that each renewable technology provides to the State in order to determine a value, in \$/MWh (or kWh), that the technology brings which can then be used to fully value the energy price. I am referring to the values that benefit the ratepayer, but the ratepayer does not see on their energy bill.

3. Are there existing statutes that need revision/amendment/deletion in order to implement the broad policy of prioritizing clean energy first? If so, what statutes do you propose be revised/amended/deleted and what is the general direction for your proposal to do so?

Nevada's utility laws in Chapter 704 (specifically the sections related to SB123 from the 2013 session) should be amended to expedite the replacement of coal generation with renewable generation, add requirements to replace older natural gas generation with renewable energy, and include a study on the value of renewable energy generation for Nevadans including factors in addition to direct cost of power. The study should quantify in \$/MWh the value of each resource option.

Energy credits...?

The legislature should specifically amend Nevada's integrated resource plan (IRP) statutes at NRS 704.736-704.754 to not just state current goals to enhance renewable energy development, but also to require specific \$/MWh quantification of those goals. Such quantification should be required to be used in decisions to develop new electric resources. Current IRP regulations call this present worth societal cost but the related calculations are not required to be used in determining least cost resource plans.

4. Are there specific legislative instructions that need to be provided to the PUC?
 - Decoupling?
 - Loading Order?
 - Consideration of externalities and how to quantify?

I believe the PUC needs specific direction on how to select a balanced portfolio of renewables in order to effectively reduce dependency on natural gas and coal, along with preferences based on the value of renewables (through the Governor's Office of Energy as suggested above). Determining what the balanced portfolio should be is best determined through a third party study that meets the recommendations stated above.

5. What broad policies are necessary to increase Nevada's opportunities for exportation? What policies do we need to coordinate with the Grid Mod TAC?

Exportation brings value to the State. This local economic benefit, is only accounted for minimally in the State's tax abatement program. Current tax abatement laws do not recognize any additional value for exportation. To promote additional exportation, we need to provide a level of support that specifically assists in reducing or offsetting the burden of transmission wheeling costs for a project seeking to export Nevada's vast renewable resources. Reducing these costs makes a project more competitive in the out of state markets in which they compete and puts the project on a level playing field in those markets, while promoting Nevada for the economic benefit it brings.

These economic benefits are substantial, but they are not currently quantified or incented in current Nevada law. As above, I propose an independent study to determine these economic benefits for the state, with direction to quantify the value to Nevada from exportation of renewables and identify specific options for reducing the burden of transmission wheeling costs.

6. Should we revise/expand the RPS? If so, what is your proposal for revision/expansion?
 - What are the impediments to revising/expanding the RPS?

- Should we phase out banked credits?

The current RPS stimulated substantial growth in Nevada's renewable energy production, along with developing Nevada's resources. However, I don't believe the RPS, as a tool to procure more renewables, is the only option. The mechanism which was provided for in SB123 was also an effective option. To ensure a competitive procurement process within the markets today, we should do more to ensure that Nevada's policy makers and regulators are making informed decisions on procurement and development as suggested above (an increased and balanced portfolio of renewables which provides value for Nevadans).

The current regulatory process which allows nearly indefinite banking of renewable energy credits should be phased out over time so that the current 20% RPS standard that is scheduled to be increased to 25% by 2025 is actually met or exceeded each year by actual renewable energy produced in that year. If this isn't done then increasing the RPS percentages is an alternative that has shown that it can and will increase renewable energy development in Nevada.

Note: California and Oregon have recently increased their RPS targets to 50% or double Nevada's RPS.

7. What specific policy actions should occur, if any, related to EE?

EE should be encouraged and promoted but not at the expense of more renewable energy development. The legislature has recently implemented changes to the current RPS that phase out using such credits which effectively water down Nevada's RPS. This is important because no other Western state (and we are only aware of one other state in the U.S.) allows EE to count toward filling their RPS. In order to effectively promote cost effective EE programs, the legislature could set separate goals or standards to be met for EE which are not directly mixed into the RPS. If the legislature did that sooner, the current phase out of EE still counting as a specific percentage (%) of Nevada's RPS could be expedited.

8. Are there existing impediments to further clean energy development that can be controlled by the state?

Other than those impediments mentioned above, another is the financial disincentive in current rate setting for the utility to acquire renewables. The current method of passing through on a dollar for dollar basis the cost of renewable purchased power agreements acts as a significant impediment to the utility more aggressively pursuing additional projects.

9. Will any/all of the proposals set forth above ensure that:

- Nevada will be CPP compliant at the time the stay is lifted?
- Nevada will be in a position to adopt CEIP early-action compliance?
- Nevada will be trade ready at the time the CPP stay is lifted?

Yes. As we have heard, Nevada is already on track (if not already met) its CPP compliance. For Nevada, the CPP requirements should only be a floor, not a ceiling.

Therefore, I believe the State should remain generally supportive of the current CPP, but should assume that its requirements are the bare minimum that the State should do to promote its renewable energy potential.