



GOVERNOR'S OFFICE OF ENERGY

MINUTES
Committee on Energy Choice

November 7, 2017

The Committee on Energy Choice held a public meeting on November 7, 2017, beginning at 12:00 P.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 4412
Las Vegas, NV 89101

- 1. Call to order and Roll Call:** Chair Mark Hutchison called the meeting to order at 12:02 PM. Chair Hutchison thanked all for attending the meeting and noted that the agenda will be followed as noticed. The agenda item was opened up for roll call and a quorum was confirmed.

Committee Members Present

Mark Hutchison
Adam Kramer
James Settelmeyer
Chris Brooks
Dave Luttrell
Erik Hansen
Dana Bennett
Jeremy Newman
Ann Silver
Jeremy Susac
Jennifer Taylor
Steve Hill
Angie Dykema
Joe Reynolds
Brian Gibson for Adam Laxalt (Via
Teleconference)

Ernest Figueroa
Kelvin Atkinson
James Oscarson
Daniel Witt
Kevin Sagara
Andy Abboud

Committee Members Absent

Kevin Hooks
Barry Gold
Darren Daboda
Paul Caudill

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.

Chair Hutchison acknowledged Angel DeFazio as a member of the public in Las Vegas wanting to submit public comment. Chair Hutchison asked Ms. DeFazio to go first since she was in an adjoining room due to some of her allergy conditions.

Angel DeFazio, citizen, provided public comment in Las Vegas discussing her concerns with the costs associated with this choice. She discussed how she views the deregulation should occur for low income customers. She discussed in detail her ideas about the new providers and what she feels they should be required to comply with if becoming a provider in Nevada. Ms. DeFazio ended her public comment wanting to make sure that if there was any talk about forcing customers personal relationship with NVE being given to outside companies via a clearing house such as they have in Texas, she will be leading the protest about it and is not going to accept that our information will be given out.

Mr. Figueroa asked if he could ask a question of Ms. DeFazio to which Chair Hutchison advised him to ask her outside of the meeting, which would be appropriate rather than asking a question during public comment.

Chair Hutchison closed agenda item No. 2.

3. Approval of Minutes from September 13, 2017 meeting:

Chair Hutchison opened agenda item No. 3, and opened up the floor for any comments, additions or corrections on the draft of these minutes.

Staff member Ms. Isaacs changed the wording on the minutes to ‘approval of the September 13’ meeting not the ‘September 11’ and also noting that Attorney General Adam Laxalt was in attendance via proxy so that will also be updated on the final minutes.

Chair Hutchison asked if anyone would move for a motion of approval.

Motion to approve was submitted by Mr. Erik Hansen, seconded by Mr. James Oscarson, all were unanimously in favor and the minutes were approved with the changes noted.

Chair Hutchison closed agenda item No. 3.

4. Presentation: Overview of Walmart’s Commitment to Renewable Energy, Walmart’s Energy Supply and Acquisition, and Walmart’s Experiences in Other States that Transitioned to Competitive Markets – Chris Hendrix, Director of Markets & Compliance:

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

Chris Hendrix, Director of Markets and Compliance with Walmart provided background on himself and noted that he has been in the Energy Industry in the competitive market space since 1997. Mr. Hendrix spoke about the different aspects of Walmart, how many stores they have across the country, how many associates they have and the renewable commitments of Walmart. Walmart’s commitments include to one day be supplied 100% by renewable energy, produce or procure 7 billion kWh of renewable energy by 2020 and supplied by 50% renewable energy by 2025. Mr. Hendrix discussed the creation of Walmart’s Texas Retail Energy (TRE) whereas they are able to buy all of the energy for the Walmart facilities in Texas. This allows them to procure energy from multiple companies, which puts them in control of their own destiny as far as buying power from the market. Mr. Hendrix then discussed the benefits of Competitive Markets & TRE to Walmart. Mr. Hendrix discussed the current wave of restructuring and the fact that customers want to be in control of their energy destiny. Mr. Hendrix talked about his viewpoint on what the best competitive market practices would be and gave his advice on how to go forward in the market.

Mr. Hansen and Mr. Hendrix discussed how the customer could benefit from seeing the unbundling process in its entirety. Mr. Hendrix believes it would help them make a better choice. They also discussed what filings Walmart has to comply with for FERC.

Ms. Taylor asked about TRE and whether they have to meet renewable portfolio standards and how those are met. Mr. Hendrix said that it depends on the State and they have to follow those different requirements in each State. Ms. Taylor and Mr. Hendrix discussed the market mix and how those requirements are met in each area. Ms. Taylor asked Mr. Hendrix what Walmart’s current portfolio is. Mr. Hendrix said that the ISO will have the system mix percentage that is required and those requirements are met in each different area. Ms. Taylor and Mr. Hendrix also talked about the education process of Walmart and the customers that they deal with.

Mr. Abboud asked about the goal of 50% renewable by 2025. Mr. Hendrix discussed what Walmart’s goals are to meet this goal worldwide and that he believes the goals are realistic. Mr. Abboud asked how those goals are going to be met. Mr. Hendrix said that there are a variety of technology types which makes it a bit harder but it is doable. Mr. Abboud and Mr. Hendrix discussed Walmart’s education plan as well.

Mr. Luttrell asked about where the TRE operations are located and what markets they are part of. Mr. Hendrix said that they do not operate in CAISO and a few other States as well. Mr. Luttrell asked specifically why they are not part of the CAISO and Mr. Hendrix discussed why Walmart has made the decision not to join the CAISO and how they procure energy in CA.

Mr. Reynolds asked about the distributive resource neutrality and asked Mr. Hendrix to expand on that. Mr. Hendrix said that it is based on what the customer wants, allows them to sell the power as well as keep storage. This is so no one technology is at an advantage or disadvantage in the market. Mr. Reynolds asked under that theory would the State lose the ability to regulate the goals. Mr. Hendrix said the State can still get there under different areas and have the ability to act accordingly if they want to.

Chair Hutchison asked about the slide that discussed the best competitive markets and the utility not being allowed to offer electric default generation services as a provider of last resort. Mr. Hendrix said that this creates a competitive environment. It turns into a free option for customers who turn that into a comparison point. Chair Hutchison asked Mr. Hendrix what his thoughts on best practices in this State and on who should be the provider of last resort. Mr. Hendrix said that the ERCOT model in Texas and the UK model would be the ones to follow, in these models the supplier can bid on becoming the POLR which allows for more options to the customer.

Chair Hutchison thanked Mr. Hendrix for the presentation and Walmart's economic contributions to the State.

Chair Hutchison closed agenda item No. 4.

5. Presentation: Critical Aspects of Transitioning to Competitive Energy Markets from a Wholesale and Retail Perspective & Renewable Energy Procurement in Restructured Markets - Sue Tierney, Senior Advisor, Analysis Group:

Chair Hutchison opened agenda item No. 5 and welcomed the presenter

Sue Tierney, Senior Advisor with Analysis Group, Inc., provided background on herself and how she has been involved in the market. Ms. Tierney discussed the models in different States, which ones have either partial retail choice or full retail choice and the differences between them. Ms. Tierney discussed the core concepts in retail choice States with RPS. Ms. Tierney said that the Load Serving Entity (LSEs) is the one who has to comply with all of the RPS Standards under these models. Ms. Tierney discussed three core approaches to RE/REC procurement, Decentralized; Hybrid and Centralized. Ms. Tierney went through each of these three approaches in detail. Ms. Tierney also discussed other policies in advancing RE in States with retail competition such as Green tariffs, Net energy metering, Green Banks and others. Ms.

Tierney talked about one of these policies being a compensation for the value of solar, which is working well for the customers in States such as New York. Ms. Tierney discussed the different policies and how well they work across the country. Ms. Tierney discussed an analysis done on the trends and impacts of RPS on RE development based on a study from Lawrence Berkeley National Lab in July 2017. Ms. Tierney discussed the outcome of these studies done by LBNL and what the impact on the electricity prices would be plus the non-monetized benefits.

Mr. Brooks asked if carbon pricing was part of the exercise done by LBNL. Ms. Tierney said that she doesn't believe so except where carbon pricing is already part of the program in those particular States and possibly the CA AB32 pricing as well. Mr. Brooks and Ms. Tierney discussed the market that Connecticut and Massachusetts are part of and how the decisions were made to create it the way they did.

Mr. Witt asked Ms. Tierney to provide a picture of how she thinks these other different models discussed could play a role in Nevada's market and what we are taking on. Ms. Tierney said that every State is different and she would not presume to tell a State what they should do but there are options with other tools. One of the options that Ms. Tierney thought would work well with the RPS standards is the Regional Power Market model. Ms. Tierney also talked about transmission investments and multi-State markets (RTOs) and how that would work. Ms. Tierney said that Texas is a good example of this model and discussed how this could work. Mr. Witt then asked Ms. Tierney if she knew of any other States where policies have worked better than others in order to engender the success of those specific resources, advanced technology and distributive generation. Ms. Tierney said yes, California is an example of this model, and shared what she knew about it.

Mr. Hansen asked if Ms. Tierney saw the infusion of State funds necessary to get the different programs that she discussed going. Ms. Tierney said that she highly suggests either State seed funds or contracts to provide funding for these different programs.

Ms. Taylor discussed different things within Ms. Tierney's presentation ultimately getting to the question of when Ms. Tierney indicated that the market was not really providing what the State wanted in some of these areas and wanted to know if it is fair to have a market framed by the States policy visions and goals in terms of market supply. Ms. Tierney said she has spent a lot of time in the last year and a half on proceedings at FERC discussing these issues. The question of State policy driving the resource mix that is developed or whether that is really a federal activity. Ms. Taylor and Ms. Tierney discussed this and what Texas is doing to meet their RPS goals, which doesn't really apply to Nevada the same way.

Chair Hutchison thanked Ms. Tierney for her time and presentation.

Chair Hutchison closed agenda item No. 5.

6. Presentation: Overview of Nevada Deregulation in the 1990's – Public Utilities Commission of Nevada (PUCN) Staff:

Chair Hutchison opened agenda item No. 6 as the first presentation before agenda items 4 and 5 in order to allow the presenters to catch a flight home.

Hayley Williamson and Roman Borisov, both Assistant General Council with the PUCN, provided the presentation. Ms. Williamson provided a historic overview of the Nevada deregulation in the 1990's. Ms. Williamson started at the national level and discussed how deregulation progressed over time and who was affected by it. Ms. Williamson discussed what happened in the 1992 Energy Policy Act where FERC created Orders 888 and 889. In 1995, the Nevada Legislature decided to conduct an investigation to determine how Nevada should proceed in the market and whether or not the State should follow others in deregulation.

Mr. Borisov provided details and information regarding what happened from 1997 through 1999 within the investigation. Mr. Borisov discussed the key elements of the potential 1990's deregulation framework in detail discussing the issues that came up, how the issues were originally solved and the final outcome.

Ms. Williamson discussed what happened during the stakeholder process and how the independent system administrator organization began the process of becoming what was then going to be known as Mountain West 1999, which would be taken over in 3-5 years by a southwest independent system operator known as Desert STAR. Ms. Williamson discussed how ultimately the energy crisis that California experienced in these years became the downfall of the market and one of the reasons that Nevada decided not to deregulate for retail customers. Ms. Williamson discussed the ultimate result from Governor Guinn who passed AB369 and AB661 to protect Nevada, which created the vertically integrated utility model that is followed in this State.

Mr. Kramer asked if Ms. Williamson believed that the reasons for the energy crisis that happened in the west back in the 1990's is less likely to happen today thanks to federal regulations that have been implemented to avoid another energy crisis.

Ms. Williamson said that FERC has put in many new regulations and the answer to this will be explored in the PUCN's current open docket.

Mr. Kramer and Mr. Borisov discussed NV Energy's contracts to sell assets at above the book value as described in the presentation and what calculations were used back then to determine the cost of the assets. They discussed the current 'PROMOD' calculations used in the 704B exit customers and that the same calculations cannot be determined as being utilized back in the

90's. Mr. Kramer then asked what level of transparency was offered in determining the above book value costs and is hoping that we have more of a transparent process than what we could see during the calculations in the 704B exit customers. Ms. Williamson said that it is of the utmost importance of the PUCN to provide transparency in the process today regardless of what happened in the past. Mr. Kramer also asked if they saw any evidence in the prior dockets to suggest that the purchasing of the asset was to be done with the final intent to shut down the power plants. This is feared by utility workers today. Ms. Williamson said that the process did not get far enough to see any evidence of that.

Mr. Brooks asked if they would consider today a Seller's market or a Buyer's market, because last time it was a seller's market and he is curious as to how they would characterize today's market. Ms. Williamson said that back then it was a situation that is different than today and that is another question that will be looked into during the investigatory docket.

Mr. Figueroa said that basically when the divestiture happens it will happen as it happens and there is no crystal ball to determine whether it will be sold at book value or above book value. Mr. Borisov agreed and said that the assets will be sold as they are.

Ms. Bennet is curious about the process and asked if the legislature was directed in the past as currently is being done because of the initiative or why exactly did the process begin back in the 90's. Ms. Williamson said no, there was nothing like today and that it was a discussion between the Legislature and PUCN to do the investigation and then the Governor finally got involved and made the final decision. Ms. Bennett asked how long the process was back then. Ms. Williamson said it started in 1995, the PUCN docket was opened in 1997 and then in 2001 is when things started to halt.

Mr. Luttrell asked how many 704B customers are currently in the State.

Mr. Borisov answered with what is currently known, Barrick Gold as the first to exit, Switch, Wynn Resorts, MGM, Caesars Palace and then Peppermill in the North. Some applications are still in process with a few pending dockets in front of the PUCN as of now.

Ms. Taylor asked about Provider of Last Resort and asked if they saw in the prior docket any evidence of companies starting to come in to the State and apply as an alternate seller. Mr. Borisov answered saying that he only saw one company coming in wanting to be an alternate seller. Ms. Taylor also asked about the treatment of non-investor owned coops and whether the PUCN has thought of an equivalent exemption for the rural coops under this constitutional initiative. Mr. Borisov said that the PUCN is looking forward to discussing this issue in the open docket and will not make a decision without all of the information. Ms. Taylor then asked about the 500K funded for educational aspects and if the docket broke that down. Mr. Borisov stated that the documents are very voluminous and in his reading did not see a specific discussion on

how that money would be allocated. Ms. Taylor then asked about the formation of the Mountain West and Desert STAR and that they noted there was a lack of funding for those entities, she asked if they found anything about what funding was considered and if so how far any of them got. Ms. Williamson said she could not find finalized details.

Chair Hutchison asked if while looking through all of this have they thought about just following what was done back in the 1990's. Ms. Williamson said that this is a great question and the idea of the open docket is to find out what we can take from the past and how to incorporate today's findings into the market that we are looking for.

Chair Hutchison also asked about the deregulation lawsuit framework, and what the legal basis of it was. Ms. Williamson answered that it was a federal question and the lawsuit actually ended up with a stipulation that handled all of the issues. Chair Hutchison also asked about the recommendation that was provided to the Governor at that time and why he decided to halt everything altogether rather than going with the recommendation of allowing just the large commercial customers to deregulate. Ms. Williamson said that was actually taken up by the Legislature and in turn the ability for the commercial customers to exit the system was passed.

Mr. Brooks then asked about the budgetary allocations during this time. Ms. Williamson said she did not see any evidence of those allocations in her readings. Mr. Brooks also asked if there was ever a tally of what the cost of the work that was done, if anyone looked at that and then was the commission's budget modified based on the volume of work. Ms. Williamson said that she has several staff members that were there during this time and they remember long days but as far as knowing the actual man hours she has no idea and could not even fathom how many were put into this project. Mr. Borisov said that it was his impression based on looking at the work done that it was a lot of sleepless hours.

Chair Hutchison thanked both presenters for their efforts and service.

Chair Hutchison closed agenda item No. 6, and moved back to agenda item No. 4

7. Update from Committee on Energy Choice (CEC) staff on the progress of the CEC's request to the PUCN to open an Investigatory Docket:

Chair Hutchison opened agenda item No. 7

Matt Morris, Legislative Director of the Governor's Office, came forward to discuss the update. Mr. Morris gave a special thanks to Ryan Cherry on all of the transition efforts of staffing these meetings. Mr. Morris discussed the background of the request for the Investigatory Docket providing dates and the docket number of 17-10001 and where the docket can be accessed on

the PUCN's website at puc.nv.gov. Mr. Morris identified that any members can also subscribe to a service list link where they can get updated information on the docket. Mr. Morris also provided details of the docket and the current timeframe for the public comments, workshop and all of the notices provided in regards to this docket.

Chair Hutchison thanked Mr. Morris for his work on this.

Chair Hutchison closed agenda item No. 7

8. Chairman's Report:

Chair Hutchison opened agenda item No. 8

Chair Hutchison thanked Matt for the opportunity to work with him and his efforts as staff director on the committee and identified that Mr. Morris will be the point of contact for all members' questions, comments and coordination efforts. Chair Hutchison then discussed the current process and that currently the technical working groups are gathering information from a variety of sources to get up to speed on what is happening in other States and this competitive energy market. Chair Hutchison asked all of the chairs of the technical working groups begin to prepare a summary of what has been presented at the different technical working group meetings in order to provide a full committee summary in the January meeting. Chair Hutchison also noted that staff is able to help and to direct those questions, input and efforts to Matt Morris. The technical working groups should also prepare to transition from the role of information gathering to policy recommendations, which will run parallel to what the PUCN is doing with the investigatory docket. Chair Hutchison would also like the technical working group chairs to prioritize the issues that are not part of the investigatory docket so that those can be focused on while the PUCN is looking at the other items. Chair Hutchison has asked Matt to send around the executive order and other documents that identify where the committee should be and what issues the committee should be focusing on. Chair Hutchison is asking for each of the members to be active on the technical working groups and provide the ideas and concepts that they would like to be heard before the full committee to the staff.

Mr. Abboud thinks it would be helpful to understand the federal energy changes to avoid the energy crisis. He also thinks it would be beneficial to find the folks that were involved in this process before and hear from them as well.

Chair Hutchison agreed and asked Mr. Morris to make note of the recommendations from Mr. Abboud and thinks it would be good to have an understanding on these items. Chair Hutchison asked Matt to see if he can make this happen and find the folks involved back in the 90's so that the committee can hear from them.

Chair Hutchison closed agenda item No. 8

9. Public comments and discussion:

Chair Hutchison opened Agenda Item No. 9 and asked if anyone from the public sought to make a comment on the matter in both Carson City and Las Vegas locations.

Ms. Tierney provided public comment stating the board memberships she holds and what she serves on so that it is understood that she is not speaking on behalf of any of those boards but on behalf of herself.

Blake Guinn, citizen, said that he has started up Nevada Consumers for Energy Choices and is here today to express concern that the open market have clean energy choices with multiple options and prices that will benefit the consumer. Mr. Guinn discussed his concern about the utility being only concerned about themselves and not the actual consumer. The consumer as a whole across the State is asking for a competitive energy market with better and cleaner options. He thanked the committee for their efforts.

Chair Hutchison closed agenda item No. 9

10. Adjournment

Chair Hutchison thanked all for their participation and attendance and adjourned the meeting at 2:41 PM.