



GOVERNOR'S OFFICE OF ENERGY

MINUTES
(DRAFT)

Committee on Energy Choice's
Technical Working Group on Open Energy Market Design & Policy:
Commercial & Residential

February 7, 2018

The Technical Working Group on Open Energy Market Design & Policy: Residential & Commercial held a public meeting on February 7, 2018, beginning at 10:00 A.M. at the following location:

Legislative Counsel Bureau
401 S. Carson Street, Room 3137
Carson City, NV 89701

The meeting was also available via videoconference at:

Grant Sawyer State Building
555 East Washington Avenue, Room 4401
Las Vegas, NV 89101

- 1. Call to order and Roll Call:** The meeting was called to order at 10:00 AM by Chair Jeremy Susac. Chair Susac thanked all for attending the meeting of the working group. The agenda item was opened up for roll call and a quorum was confirmed.

The following Technical Working Group members were present/absent:

Working Group Members Present

Jeremy Susac
Adam Laxalt
Christopher Brooks
Kevin Sagara

Working Group Members Absent

Andy Abboud

- 2. Public Comment and Discussion:** Chair Susac 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 Susac closed agenda item No. 2.

- 3. Approval of Minutes from December 5, 2017 Meeting:** Chair Susac opened agenda item No. 3 and asked for any changes or a motion. Mr. Laxalt made a motion to approve the minutes and it was seconded. The motion carried unanimously.

Chair Susac closed agenda item No. 3

- 4. Ensuring Consistency and Affordability for new Homes in a Restructured Energy Environment Presentation – Josh Hicks, Counsel:** Chair Susac opened this agenda item and welcomed Mr. Hicks.

Mr. Hicks began his review by stating, we are here to talk about some issues in the home building arena and the issues we will face if energy choice passes again. One of the most important things is to keep a consistent market and pass the home savings to the home owners themselves when possible. The idea of energy choice is to increase competition and lower energy cost.

Some of the key dynamics for a new home buyer would be the IECC – which requires increased requirements for insulation, window glazing, water heaters, ventilation, etc. A new international code is produced every three years.

Federal mandates change all the time and there is not a lot of control over that. Cost per lot or Line Extension Agreements with electric utility are required. Bringing electric service to a lot can range between \$9,000 - \$15,000 per home.

Even a 50% increase in LEA costs would price over 14,000 homebuyers out of the new home marketplace in Clark County. First time homebuyers and “boomerang buyers” who cannot qualify or meet the down payment requirements of a traditional mortgage must purchase a home in Clark County for less than \$294,515.

Homebuyers need certainty that their home will have access to power so a provider of last resort is very important. In some restructured markets, ensuring power is provided in an economically feasible manner to all new communities has been challenging. Our members have also experienced this challenge after the provider of last resort requirement for telecommunications companies was removed for areas with cell service.

The Line Extension Agreements follow the PUCN’s Rule 9. It is important to ensure that these costs are reasonable. The utility could increase the upfront cost for a buyer by thousands of dollars because their future cost-recovery is diminished because of the low purchase-power needs of the modern home.

Battery storage is something huge that is being looked into as well as solar roof, windows, EVs battery storage and “connected” components within the home. But the issue with these new technologies is that they come out faster than our building codes and laws so having some flexibility to accommodate these technologies is good thing to have.

There are aggregate issues which can have significant impacts in reductions of energy and energy efficiency. Distributed renewable energy and smart home technology can be a benefit to neighboring utility customers, not just the new home buyer.

Mr. Laxalt asked, what are the general concerns with energy choice.

Mr. Hicks responded, we are hopeful that recommendations are looked into to reduce the uncertainty that energy choice brings. A recommendation that encourages flexibility around the building of a home will be beneficial.

These technologies are getting cheaper and more efficient. Microgrids hold great promise for the future. Technology is rapidly expanding the possibilities. Electricity use is becoming more controllable and adaptable, as every system and appliance learns to communicate over the internet.

Other benefits of innovation are the smart homes, software, artificial intelligence, and machine learning are enabling intelligent integration of all these diverse resources.

We urge the committee to consider the following best-practices from other areas of the country. These practices will ensure that buyers are not denied access to new technology and that the value of grid innovation is passed along to new homebuyers:

Applicant Design/Install – Allow a developer to design their own internal grid to meet safety specs, but also allow innovation.

Joint Trench – Allow a developer to place multiple dry utilities in same trench, this will save lives and create construction efficiencies.

Some of the other recommendations that may relieve concerns would be streamline permitting, flexibility in the codes ensure a provider of last resort.

Mr. Laxalt asked, does your association believe that energy deregulation will ultimately make housing more affordable or pass savings to the consumer?

Mr. Hicks replied, there is not a clear yes or no but we hope that increased competition will provide those opportunities for energy savings but there is a lot of uncertainty as well.

Mr. Laxalt then asked, so if it passes this industry wants to make sure that when the Legislature goes to implement it, that they take account for all these new ways that provide cost savings, correct?

Mr. Hicks answered, it is an opportunity to re-look at these issues.

Mr. Brooks asked, you mentioned how there are issues with Telcom providers, can you expand on that?

Mr. Hicks stated, there have been issues in southern Nevada where a community was built up that was a little bit of an outlier and the developer felt the telecom provider was not reasonable because of lack of competition.

Mr. Susac stated, thank you for mentioning the Lennar homes including the Wi-Fi certified homes. Is it accurate to say that the utility here in Nevada requires a fee prior to installation based on an estimate based on the amount of electricity?

Mr. Hicks stated, that is my understanding. The utility will estimate what kind of energy usage will be coming out of that development and the buyers will take issue with that because they have less of an impact because of new technology they are implementing.

Mr. Brooks asked, do the home builders have a recommendation on how Rule 9 can be modified?

Mr. Hicks replied, I don't think we have a specific recommendation in mind, but it would make sense to try to find a way to incorporate these new technologies.

Mr. Susac interjected, because they are a monopoly provider here it is really pay me now or pay me later. They are still getting a guaranteed recovery.

Mr. Susac thanked Mr. Hicks for his presentation and closed agenda item No. 4

5. Overview of Best Practices and Policy Recommendations for Restructured Energy Markets – Craig Goodman, National Energy Marketers Association (NEMA): Chair Susac opened agenda items No. 5 and welcomed Mr. Goodman.

Mr. Goodman began by describing the National Energy Marketers Association. He then stated, I support what Mr. Hicks said about technology. This slide shows the weighted average price of electricity since 2008 for states that have monopolies and that have been restructured. We can also see renewable generation when there is competition. This slide shows restructured states with 9.4% renewable generation and 6.2% for monopoly states.

Retention of utility monopoly as a direct competitor with other suppliers in the marketplace have delayed realization of energy choice benefits. There is also regulatory certainty for market participants. You can also see the price reduction since competition was allowed in Texas.

Steps to implement energy choice would include consumer education, utility rate unbundling, technical implementation including data sharing between utility and market participants, commission rule making, utility stranded cost management and mitigation and wholesale market structure.

You want your utility to be focused on core competency of delivery infrastructure reliability, resilience and security but you also want them to have enough money. The utility should provide access to customer data, distribution system data and plug and play infrastructure for market participants.

The following things are easily addressed in a restructured environment: code of conduct, regulatory certainty, reasonable consumer protection requirements and supplier certification standards.

I have a list of the benefits of energy choice:

Consumer savings

Increased economic activity and job growth

Increased consumer satisfaction

Increased availability of innovative products and services

Greater investments in new generation

Increased availability of green power

Increased delivery infrastructure reliability

Mr. Brooks asked, could you provide which utilities are considered a monopoly as opposed to consumer choice based on your graph showing benefits of retail competition over the last 9 years?

Mr. Goodman replied, this is actually EIA data, not something I came up with. I would assume California is in the blue line, but I cannot tell you how EIA has computed this since they have own definition of what is a competitive state. I believe they used 14 states for this weighted average and the entire country for the blue line.

Mr. Brooks then asked, those your graph show the difference between retail residential and all other classes?

Mr. Goodman answered, it says Nevada all sectors and Nevada residential. I will provide this for the secretary.

Mr. Brooks continued, is California considered a monopoly state or an electric competition state.

Mr. Goodman stated again he did not know what EIA used. I would imagine it was included in the RTO/ISO column.

Mr. Brooks asked, we have renewable generation broken down by state. Again, the same question regarding California.

Mr. Goodman replied, I don't believe California is open but I believe they included it here.

Mr. Brooks continued, slides 4 and 6 are a little contradictory of other information that has been presented. So which states are included in those two slides. We will need to include states such as California and New York, I just want to make sure that we are talking apples to apples.

Mr. Goodman said, I will research which states are being labeled by EIA and inform the committee.

Mr. Brooks then asked, is California considered an open or monopoly or hybrid state?

Mr. Goodman said, we want California to open up like others have and we hope Nevada will.

Mr. Susac asked, regarding the provider of last resort, how would you recommend setting those rates?

Mr. Goodman answered, I don't think I would use the terms 'setting those rates'. I would say bidding or competing for rates if you are serious about competition. Auctioning to the most competitive provider is the best way. PLR is a great business and people make a lot of money, they get an enormous number of customers.

Mr. Susac do you envision one PLR for the state? In your opinion, how would it look if the PLR had to adhere to the same net metering policy as NV Energy?

Mr. Goodman answered, this is a large state, so you could easily have two. The net metering bill was a step forward, but we try to advocate that competitive suppliers should not be deemed utilities. It is a very different business model, a utility is naturally a monopoly and a competitor is not.

Mr. Susac then asked, would it be fair to say that renewable energy policies would work in a restructured environment?

Mr. Goodman answered, it looks like your movement towards competition will also move you toward more renewable energy. I think the new policies are intended to grow your competition and this sector.

Mr. Sagara added, I just wanted to add that I would not describe California as a retail competition state.

Chair Susac closed item No. 5.

6. Update on PUCN Investigatory Docket #17-10001 Relating to the Energy Choice

Initiative: Chair Susac opened agenda item No. 6.

Matt Morris stated, the public workshop period has just concluded. The various workshops were broken into themes: legal issues including amendments or repeals to Nevada laws, examination of reasonable options for Nevada, examination of options in designing and establishing a competitive service market as well as best practices and PLR, lastly, a workshop discussing potential short and long term financial benefits and risks. The workshop period concluded on January 30th. The PUCN extended the written period for comments to be submitted to February 16th.

We are expecting a report from PUCN which should inform what the recommendations are for the Governor.

Mr. Laxalt asked, when do we anticipate an actual report?

Mr. Morris replied, it should be finished sometime in April.

Mr. Susac asked, do you envision us having time to review that?

Mr. Morris answered, the working groups should have the chance to review the report, meet and make recommendations.

7. Public Comments and Discussion: Chair Susac moved on to public comment.

Mr. Voltz stated, energy choice is to reduce cost. Addressing the first presentation today, why are we recommending smart homes when we don't know the cost. The more complex they become the harder they are to monitor and there are privacy concerns that go along with them. Any draft recommendations from this committee must have cost implications included because of all of this will be bore by the ratepayers of this state. The EIA average price of electricity for Nevada was \$0.0825/kWh. The cost of electricity is presently more expensive in Texas and California than Nevada. Massachusetts is \$0.1625/kWh. If we are already below the national average, how can we reduce our cost with energy choice. The PUC workshops did not chronicle the costs, it was just a general discussion with incomplete numbers.

Seeing no other comments, Chair Susac closed agenda item No. 7

8. Adjournment: Chair Susac thanked all for their participation and attendance and adjourned the Meeting.