



BALLOT QUESTION 3: NEVADA ENERGY CHOICE

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This presentation is intended as an educational resource for the citizens of Boulder City. City Staff does not advocate for or against the Energy Choice Initiative.

SOURCES USED IN THIS PRESENTATION

- PUCN** Energy Choice Initiative Final Draft Report, Public Utilities Commission of Nevada
- GCEC** Governor's Committee on Energy Choice, Technical Working Group on Market Design, Report of Findings and Recommendations to the Governor
- EIA** U.S. Energy Information Administration Annual Electric Power Industry Report EIA-861
- APPA** Retail Electric Rates in Deregulated and Regulated States: 2016 Update
American Public Power Association
- NREA** Nevada Rural Electric Association Response to PUCN Docket No. 17-10001
- IRP** Boulder City Electric Integrated Resources Plan 2018 - 2023
- GUINN** *Restructuring the Electricity Market in Nevada? Possibilities, Prospects & Pitfalls*
Kenny C Guinn Center for Policy Priorities
- ERMF** *Retail Choice in Electricity: What Have We Learned in 20 Years?*
Christensen Associates Energy Consulting for Electric Research Markets Foundation
- TXPTC** Current retail provider rates in Texas, <http://powertochoose.org>



THE NEVADA ENERGY CHOICE INITIATIVE (ECI)

- Approved the first time by voters in November 2016, the ECI would amend the State Constitution if voters approve it again in the November 2018 general election.
- If passed again, the Nevada Legislature shall provide laws to implement the ECI by July 1, 2023.
- *Every person, business, association of persons or businesses, state agency, political subdivision of the State of Nevada, or any other entity in Nevada has the right to choose the provider of its electric utility service.*
 - “Provider” means generation, i.e., a power supplier.
 - Transmission and Distribution (T&D) (probably) still remains a monopoly – either under State regulation (NV Energy), or local, elected governance (Boulder City and the State’s rural cooperatives).



QUESTION 3 - THE IMPACTS FOR BOULDER CITY

- ① Potential loss of energy contracts that save BC over \$1.6 million per year [PUCN, IRP]
- ② Compensation – NVE: billions, BC: maybe something, nothing, or less than nothing [PUCN]
- ③ Studies from other states indicate that Energy Choice offers little benefit for residential electric customers [EIA, APPA]
- ④ Concerns about fees, regulations, home-state control [PUCN, GCEC]
- ⑤ Loss of our community's ability to set our own rates [PUCN]
- ⑥ Inserting energy policy into the Constitution is unprecedented, and makes ECI difficult to change or reverse [PUCN]



THE MOST LIKELY PATH TO “MEANINGFUL CHOICE”: DIVESTITURE

PUCN *Arguably, a Nevada ratepayer [could] have a claim against the State [that] constitutional rights are being violated by any failure of the government to [secure at least two providers].*

PUCN KEY FINDING: *NV Energy (NVE) will likely be forced to divest its generating assets and assign its long-term power purchase contracts to new owners. Nevada ratepayers will remain liable for any financial losses incurred by NVE from these “STRANDED COSTS” [which] will offset any possible benefits from an open and competitive market created by the Energy Choice Initiative.*

PUCN estimates that [the amount of stranded assets may be] approximately \$4.074 BILLION



WHO PAYS NVE'S STRANDED COSTS - NVE CUSTOMERS OR ALL NEVADA RATE-PAYERS?



NEVADA RURAL ELECTRIC ASSOCIATION

Non-profit utilities governed by local, democratically elected boards

- 6 rural cooperatives
- 2 power districts
- 1 municipality (Boulder City)

WHAT SHOULD HAPPEN

- As a matter of fairness and due process, NREA utility customers should not bear any burden of stranded costs, as NREA utilities don't use NVE energy supply services.
- NVE stranded costs should be borne solely by those whose needs caused those costs to be incurred (i.e., NVE customers).

WHAT MAY HAPPEN

- NVE stranded costs will be collected from all Nevada rate-payers, as the Universal Energy Charge (UEC) is now.



BC'S RIGHT TO RECEIVE LOW-COST HYDROPOWER AT RISK

PUCN FINDING: *no carve-out or exception clause for [nonprofit utilities] is found within the plain language of the [ECI]. It is reasonable to conclude that [ECI] will fully apply to [nonprofit utilities].*

GCEC *“ECI has raised questions regarding Nevada’s ability to continue to benefit from low-cost, renewable federal hydropower”*

Jayne Harkins, P.E., Executive Director of the Colorado River Commission of Nevada

- If ECI passes, the City’s right to continue to receive hydro energy will be decided by future legislatures and courts.
- Potential cost impact to the City: **\$1.63 million per year** (based on FY19 energy delivery amounts and rates).
- Compensation to the City for the loss of hydro energy (if any) would also be a matter of future legislatures and courts.



WILL PASSING QUESTION 3 LEAD TO LOWER RATES?

COMMON EXPECTATIONS:

- Residential electric bills will decrease with energy choice
- A resident who can't get a lower rate from a commercial provider can remain with the incumbent utility at the same price as before

PUCN KEY FINDING: *A disconnect appears between how [ECI] has been advertised and what facts and reasoned analysis show on the record . . .*

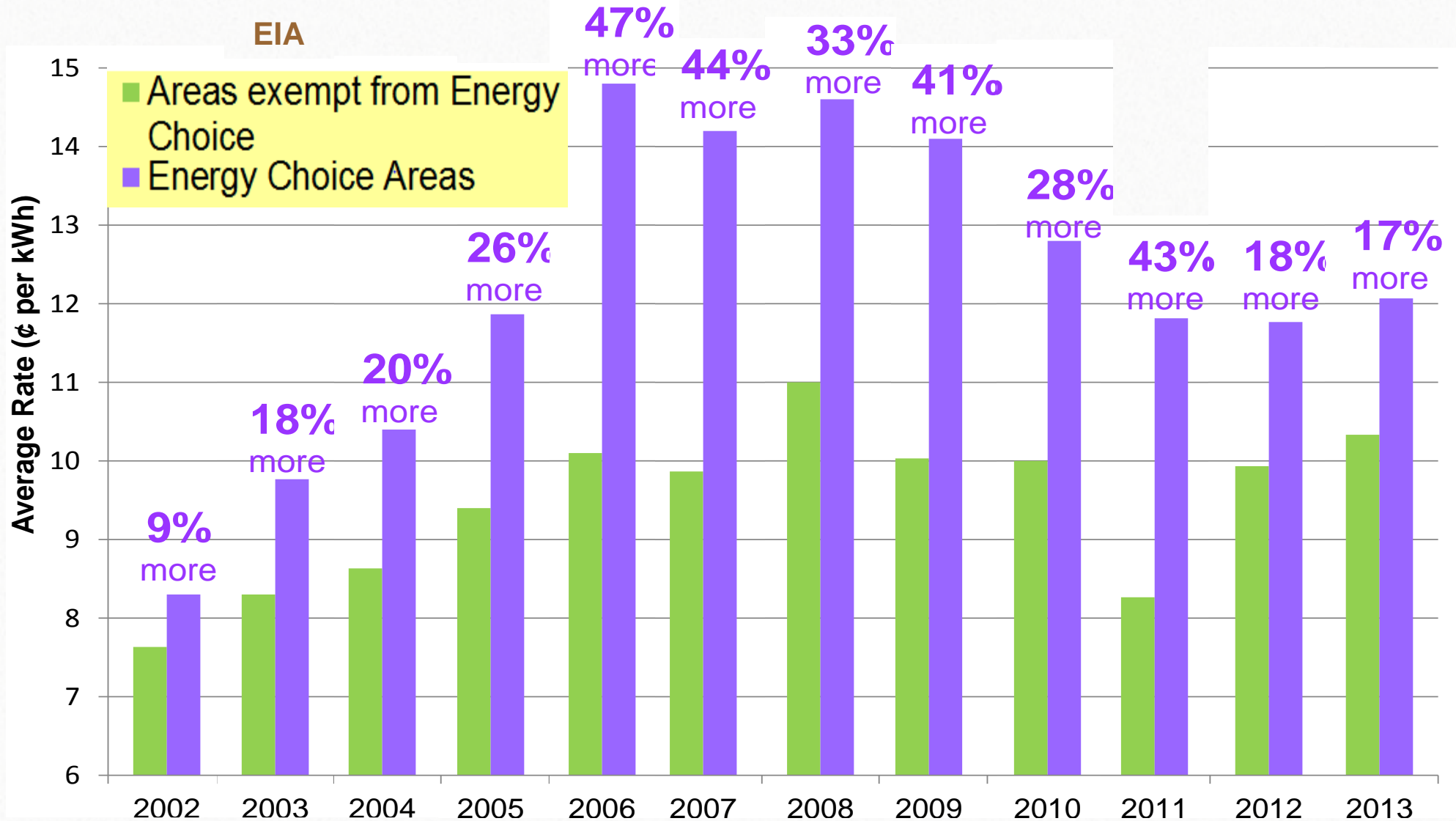
PUCN KEY FINDING: *[ECI] is reasonably likely to **increase the average monthly electric bills of Nevadans**, at least the in the short term, i.e., **the first 10 years.***



TEXAS EXPERIENCE IS NOT ENCOURAGING FOR NV RESIDENTS

TEXAS ENERGY CHOICE – WHAT HAPPENED?

EIA





FEES, REGULATIONS, AND HOME-STATE CONTROL

Control of Nevada's transmission grid will probably turned over to the California Independent System Operator (CAISO) [PUCN, GCEC]

- Transmission/power purchase charges that BC pays little or nothing for now
- Extensive compliance and reporting requirements
- Governance – previous non-California utility attempts to join CAISO have failed because the CA Legislature has not agreed to out-of-state representation on the CAISO Board of Directors.

This issue may be resolved, but Nevada's ability to influence CAISO policy-making will presumably reflect our small population relative to California.



RESIDENTIAL CHARGES UNDER EC: SHORT- AND LONG-TERM

SHORT-TERM

- Assume 10-year stranded-cost payback, \$24.91 average monthly consumer charge. [PUCN]
- Energy costs: assume the current best deal in Dallas. [TXPTC]

Average Monthly Bill - 1,643 kWh	
Current BC Charge	<u>\$165</u>
EC - Best Deal	<u>\$276</u>
Increase	<u>67%</u>

LONG-TERM

... with energy choice, the wholesale price of natural gas is the most important determinant of customer electricity rates . . . When natural gas prices are low, [consumers] realize benefits from lower fuel costs. But when they rise, consumers may pay higher electricity bills. [GUINN]

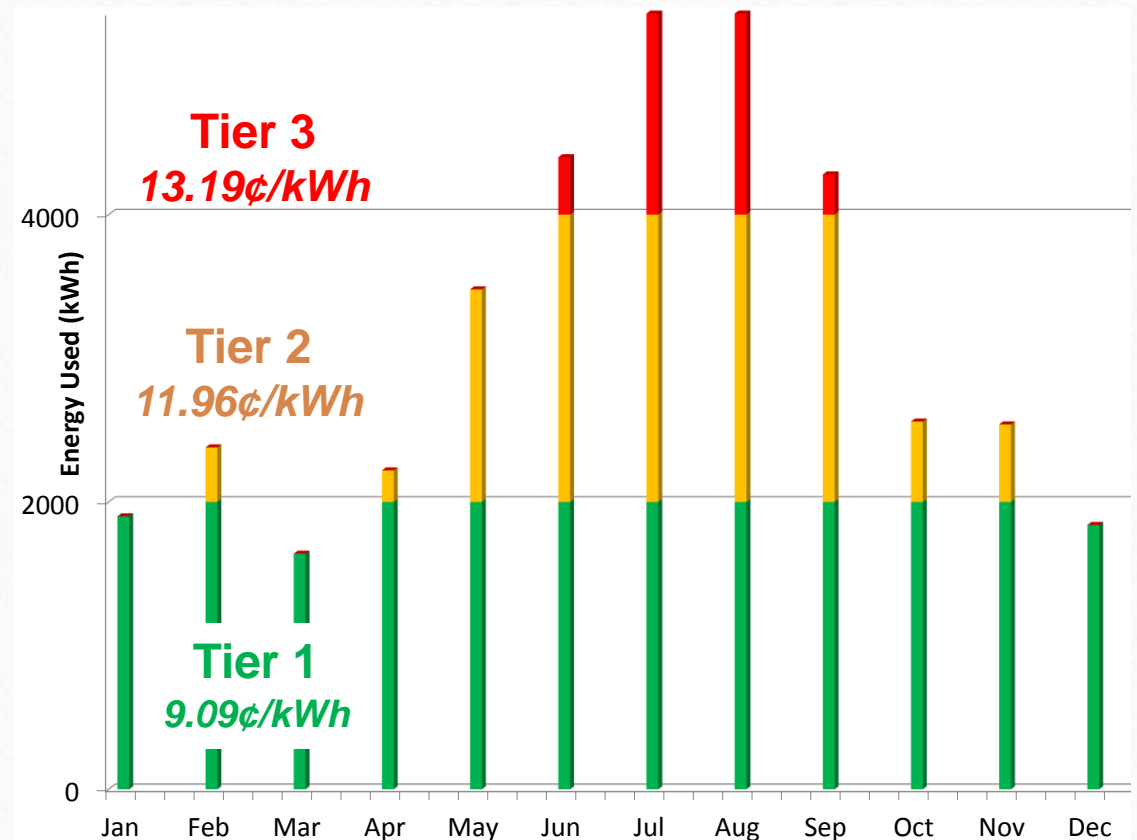
... generation firms [seek] shorter-term fuel contracts than are sought by traditional utilities [which] likely make fuel costs more unstable [but] do not necessarily increase or reduce expected fuel costs in the long run. [ERMF]



LOSS OF OUR COMMUNITY'S ABILITY TO SET OUR OWN RATES

The ability to accommodate social concerns in rate-setting is undercut when competitor's aren't required to do the same.

- Rate tiers that benefit smaller homes
- Special rate for BC Hospital
- Low Income Energy Assistance [PUCN]





INSERTING ENERGY POLICY INTO THE CONSTITUTION IS UNPRECEDENTED, AND MAKES ECI DIFFICULT TO CHANGE OR REVERSE

PUCN *Deregulation through a constitutional amendment is unprecedented. 17 states have either partially or fully deregulated their electricity markets, but no state has ever crafted energy policy through its constitution.*

PUCN *No subsequent [legislation can] undo [ECI]. Once passed, it is final and set in stone . . .*

Eight states (including Nevada in 2001) suspended or rescinded previously enacted retail choice programs due to adverse consequences. ECI however, can only be rescinded by amending the state constitution – a process that would take years - regardless of adverse consequences.



SUMMARY: LIKELY EFFECT OF ECI ON BOULDER CITY RESIDENTIAL ELECTRIC CUSTOMERS

PUCN KEY FINDING: *Concerns exist that [ECI] will have a **considerable negative financial impact** to rural communities in Nevada*

*. . . **No discernable benefits** to rural cooperatives or municipalities from [ECI] were presented.*