



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Scott Estes, Director of Engineering
DATE: September 11, 2013
SUBJECT: **Request for Board approval to Solicit Proposals from Alternative Energy Providers to Meet TMWA's Electrical Needs**

RECOMMENDATION

Staff recommends that the Board approve the preparation and solicitation of proposals from energy providers to procure and deliver electrical power to TMWA.

DISCUSSION

Under Nevada law, consumers of electric energy whose loads exceed 1 megawatt have alternatives to taking retail energy service from the local utility. The Nevada legislature enacted Nevada Revised Statute (NRS) 704B in 2001 granting these customers the right to purchase energy from third party providers while continuing to obtain transmission, distribution and certain ancillary services from the local utility.

The NRS 704B legislation was passed during a period of energy cost uncertainty. Customers were faced with continually escalating costs and concerns regarding reliable electrical power supply. Senate Bill (SB) 123 that was passed in the 2013 legislative session and signed into law represents a very recent example of renewed potential for energy costs to escalate on a going forward basis. SB 123 requires the retirement of existing coal fired generation capacity and replacement of it with a mix of new energy and renewable energy generation that will put upward pressure on future energy supply costs. Based on current electric tariffs it is estimated that by exiting the service of NV Energy pursuant to NRS 704B and contracting with another energy provider TMWA's energy costs could be significantly reduced.

The process for "exiting" the NV Energy supply system is defined in Nevada Administrative Code (NAC) 704B. In order to exit the NV Energy system, an application must be submitted to and approved by the Public Utilities Commission of Nevada (PUCN). In addition, the exiting customer must pay an exit charge to NV Energy and must meet the Renewable Portfolio Standard (RPS) defined in NRS 704.7821 which is normally satisfied through acquisition of Portfolio Energy Credits (PEC's) or the acquisition of qualifying renewable energy. There are

several other steps required as part of the process that can run in parallel. They include submitting transmission and distribution service applications and securing an energy supply with the assistance of a third party energy provider. Upon execution of an agreement with an energy provider, the delivery and cost of energy will be locked in for the term of the agreement and the energy provider will manage hourly scheduling and coordination with NV Energy, among other responsibilities.

TMWA has utilized the services of EnergySource to provide a preliminary analysis of whether it would be cost effective to change energy providers. TMWA would use EnergySource to provide assistance in developing the Request for Proposals. By obtaining firm quotations from other energy providers, TMWA will be able to determine with a high level of certainty what the cost of energy will be over the term of the agreement. The only remaining unknown will then be the cost to TMWA to exit the NV Energy supply system. The calculation of the cost to exit is performed by NV Energy after TMWA submits its NRS 704B application to the PUCN. In general, the calculation is performed by calculating the stranded cost of generation that would be borne by the remaining customers along with its load ratio share of any unrecovered balance in the deferred energy account plus any assessments, taxes or fees that would have normally been due. Once an application is filed with the PUCN, the PUCN has up to 150 days to act on that application. TMWA can cancel the application at any time without any penalty.

Another consideration regarding timing of this request is the planned completion of a major electric transmission line between NV Energy's north and south power grids in late 2013 or early 2014. This transmission path could allow TMWA to take advantage of the provisions in Senate Bill 211 which allow the Colorado River Commission to sell energy from Hoover Dam generation to any political subdivision in Nevada.