

**BOARD OF REGENTS
BRIEFING PAPER**

1. AGENDA ITEM TITLE: NSHE ENERGY POLICY: EXIT OR NEW CONTRACT WITH NV ENERGY
MEETING DATE: June 6/7, 2019

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

The Board of Regents has expressed its commitment to protecting the environment and promoting the use of renewable energy at all NSHE institutions, as set forth in the NSHE Energy and Sustainability Policy, which is found in Title 4, Chapter 10, Section 29 of the Handbook.

NSHE has eight institutions located throughout Clark County, Washoe County, Elko County, and Carson City, as well as additional administrative buildings in Las Vegas and Reno. In 2018, NSHE collectively used and purchased approximately 201,840,891 kilowatts (kWh) of electricity.

At prior Board of Regents meetings, the topic of whether NSHE should join some large commercial entities and 'exit' its current relationship with NV Energy pursuant to NRS Chapter 704B has been raised as a possible avenue by which NSHE could obtain affordable renewable energy.

In 2018, NV Energy proposed the construction of several new solar projects in Nevada, and in March 2019, NV Energy requested approval from the Public Utilities Commission of Nevada (PUCN) to offer a new rate exclusively for certain qualifying large-scale customers and government entities. Originally called NGR 2.0, this new rate is referred to as the Optional Pricing Program Rate (OPPR) and offers long-term fixed renewable energy rates.

In March 2019, NV Energy permitted limited applications to be filed for the OPPR on a first-in-line basis, and NSHE timely submitted two applications to NV Energy on behalf of all its institutions and administrative offices: one application for Sierra Pacific Power in Northern Nevada; one application for Nevada Power in Southern Nevada.

Preliminary review of NSHE's energy usage based on 2018 data under the new OPPR with NV Energy beginning in 2022 show that it will likely reduce costs for NSHE in the South and increase costs for NSHE in the North. However, if approached as one-system, the increase and reduction will offset and result in a cumulative annual savings of several hundred thousand dollars for *all* NSHE institutions statewide, all-the-while allowing all NSHE institutions and administrative offices to be based on renewable energy.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

It is recommended that the Board of Regents authorize the Office of the Chancellor to negotiate and enter into one or more contracts with NV Energy under the OPPR so that all eight NSHE institutions and administrative offices can reduce costs and be based upon renewable energy. Any contracts will be subject to the Board of Regents final approval.

4. IMPETUS (WHY NOW?):

Although an open docket regarding the OPPR remains pending before the PUCN, it is currently anticipated that NV Energy may receive approval from the PUCN as early as the Summer of 2019 and begin contracting with eligible OPPR applicants.

5. CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

Not Applicable to NSHE Strategic Plan Goals.

INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

N/A

6. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- Board of Regents has an opportunity to lead on this energy issue.
- NSHE has been a long-term customer and community partner of NV Energy

- The OPPR presents a unique opportunity for all NSHE institutions and administrative offices statewide to cumulatively reduce energy costs and ‘go green’ by being based upon Nevada-generated renewable energy.

7. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

It will require work by the Office of the Chancellor and the financial officers of each NSHE institution to determine an equitable and efficient process to offset the OPPR savings in the South and the increase costs in the North under the OPPR, so that all NSHE institutions benefit from a cumulative decrease in rates by the move to renewable energy.

8. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

Further explore NRS Chapter 704B options or maintain the status quo.

9. RECOMMENDATION FROM THE CHANCELLOR’S OFFICE:

Approve.

10. COMPLIANCE WITH BOARD POLICY:

- X Consistent With Current Board Policy: Handbook, Title 4, Chapter 10, Section 29
Procedures and Guidelines Manual, Chapter 5, Section 8
- Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
- Other: _____
- X Fiscal Impact: No
Explain: _____

NSHE ENERGY POLICY



BOARD OF REGENTS
JUNE 2019

Joe Reynolds, Chief General Counsel
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NSHE energy usage by institution (north)

2018 Kilowatts (kWh)

SIERRA PACIFIC POWER

- University of Nevada, Reno = 67,334,205
- Truckee Meadows Community College = 8,123,157
- Desert Research Institute (Reno) = 5,868,275
- Great Basin College = 3,049,544
- Western Nevada College = 2,559,403
- NSHE Administration (Reno) = 100,229

Total = 87,034,813 kWh

NSHE energy usage by institution (south)

2018 Kilowatts (kWh)

NEVADA POWER

- University of Nevada, Las Vegas = 92,131,271
- College Southern Nevada = 17,656,558
- Nevada State College = 3,181,925
- Desert Research Institute (Las Vegas) = 1,658,871
- NSHE Administration (Las Vegas) = 181,453

Total = 114,810,078

Energy options for NSHE

1. NRS Chapter 704B petition to “exit” NV Energy bundled service.

or

2. NV Optional Pricing Program Rate (OPPR), *i.e.*, NGR 2.0.

. . . or maintain the *status quo*.

704B “exit applications” are unique to Nevada

- First application was before PUCN from Barrick Gold.
- Originally intended to ease the load on the grid to help Nevadans.
- Only in recent years used for other motives, such as to obtain renewable sources of electricity.

704B threshold criteria

NRS 704B.080: “Eligible customer” means . . .

2. A governmental entity, including, without limitation, a governmental entity providing educational or health care services, that:

(a) Performs its functions using one or more facilities which are operated **under a common budget and common control**; and

(b) Has an **average annual load of 1 megawatt or more** in the service territory of an electric utility.

Importance of public interest

NRS 704B.310(7)(b): If the Public Utilities Commission of Nevada approves the application of the eligible customer . . .

(b) The Commission shall order such terms, conditions and payments as the Commission deems necessary and appropriate to ensure that the proposed transaction **will not be contrary to the public interest.**

Such terms, conditions, and payments:

(1) **Must be fair and nondiscriminatory as between the eligible customer and the remaining customers of the electric utility.**

Entities filing 704B applications

- Station Casinos
- Fulcrum Sierra biofuels
- Atlantis Casino Resort Spa (recently pulled application)
- Las Vegas Stadium Events (Raiders)
- Georgia Pacific Gypsum
- MSG Sphere Las Vegas
- Boyd Gaming
- South Point
- SLS Las Vegas
- Grand Sierra Resort (recently pulled application)

Source: Atlantis withdraw exit application from NV Energy, will stay utility customer, Nevada Independent, Riley Snyder (April 30, 2019), and Companies leaving NV Energy could affect remaining customers, Las Vegas Review Journal, Bailey Schultz (January 26, 2019).

Examples of 704B impact “exit” fees

- MGM: \$87 million
- Caesars: \$48 million
- Wynn: \$16 million
- Peppermill: \$3 million
- Google: nothing

Things to consider

- **Legal proceedings:** Filing a petition to exit pursuant to NRS Chapter 704B will result in legal proceedings before the PUCN.
- **Possibly costly/time consuming:** Administrative proceedings will require, at a minimum, hearing(s) before the PUCN, as well as the opportunity for intervening parties, such as the PUCN Regulatory Operations Staff and NV Energy. Legal appeals are possible.
- **Additional Staff:** NSHE would likely need to hire an energy manager and/or have institutions perform additional work.
- **Impact fee:** NSHE would be required to pay an impact fee to leave.
- **Open market:** Energy markets are subject to volatility, including natural disasters and economic pressures.

Questions?