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Public Utilities Commission of Nevada
1150 E. William Street
Carson City, Nevada 89701-3109

Re: Docket No. 05-9029

Dear Commissioners:

Thank you very much for your concern over the implementation of Nevada's Renewable Portfolio Standard ("RPS"). If implemented properly, citizens throughout Nevada could reap the benefits of increased renewable energy and energy efficiency deployment in the coming years.

The Interwest Energy Alliance ("Interwest") represents many of the nation's leading companies in the wind energy industry. Our membership also includes some of the West's leading non-governmental organizations, which helps facilitate consensus-based approaches to new project development and transmission siting issues.

Our comments provide a very brief overview of Nevada's wind energy resource, along with the consumer benefits and local economic development benefits of wind energy. Then, we make some specific recommendations on how Nevada can take steps to realize the full potential of this important energy resource.

Nevada's Wind Energy Resource

Nevada's wind resource is significant: The Nevada State Office of Energy's "T-4 Wind Report" conducted last year notes that "[i]nitial estimates made as part of this study have identified over 2000 MW of commercially developable wind generation capacity, at

Class 4 sites or better, in regions that would likely have no major siting or permitting impediments."

Interwest and some of our members are involved in ongoing discussions with leaders of key stakeholder communities, and we agree with the T-4 report's conclusion that Nevada's large wind energy resource can be developed in ways that do not disturb protected wildlife species, impair military operations or create other impediments to productive project development.

For dry western states such as Nevada, it is also important to note that wind energy produces electricity without consumptive use of water.

Consumer Benefits of Wind Energy

The fuel cost for most renewable energy technologies, including wind, is zero. This cost stability provides important consumer benefits, as electricity costs can be predicted over the life of a purchased power agreement, typically 15 to 20 years. With the increasing volatility of natural gas and even coal costs, such a price-stable resource provides an important hedge for consumers.

Wind energy's hedge benefit for consumers is not just theory: in more and more utility territories around the country, wind energy has proven its ability to deliver cost savings to consumers. For example, Xcel Energy reports that the 307 MW of wind on its Colorado system in 2005 (representing 4.2% capacity penetration and 2.0% energy penetration) provided a "net benefit to the system" of $9.75 million. In Xcel's Southwestern Public Service territory (primarily New Mexico, Texas and Oklahoma), the company's 316 MW of wind (representing 6.3% capacity penetration and 1.8% energy penetration) provided a net benefit of about $5 million to consumers in 2005.

Economic Development from Wind Energy

Communities throughout the nation have seen and experienced the many economic development benefits that wind energy provides. Typically, 40 to 140 jobs per 100 MW are created during construction of wind projects. Then, these projects create six to 20 permanent O&M jobs per 100 MW, with an average of 10 jobs per 100 MW. Local construction companies and service industries typically benefit tremendously, and the increased local income induces spending on other local goods and services.

A 2003 study ("The Potential Economic Impact of Nevada's Renewable Energy Resources") conducted by Mary Riddel and R. Keith Schwer of UNLV's Center for Business and Economic Research notes that already, an estimated 850 Nevada jobs "arise either directly or indirectly from renewable energy generation in the state."

Riddel and Schwer, whose study was funded by the Nevada Renewable Energy & Energy Conservation Task Force, go on to note that "[w]hen 15 percent of electric needs come from renewable energy generated within the state, over 5,000 jobs can be attributed to the renewable energy industry with an average annual GSP effect of $665 million through 2035." Wind energy plays an important role in the job-creation predictions that these economists make in their report.

Recommendations for realizing the benefits of Nevada's wind energy potential

Transmission

Having adequate transmission capacity is of great concern to the wind energy industry in Nevada and throughout the country. Even the largest wind projects can typically be built much faster than new transmission capacity, so it is important that wind energy developers be included in all transmission planning processes. It is also important that Nevada remain involved in regional transmission planning efforts.

We also propose that the PUC of Nevada consider allowing utilities to receive current cost recovery for new transmission investments. Faster construction of new transmission facilities, particularly to areas that are rich in wind and other renewable energy resources, will benefit consumers by enabling them to take advantage of cost-stable renewable resources more quickly.

A few specific areas where transmission capacity needs to be improved to facilitate wind energy development in Nevada include:

- Reconductor Oreana – Tracy 120 kV Line
- Expand substation at Oreana to 345 KV/120 KV
- Gonder to Harry Allen project

System Integration

We believe that Sierra Pacific's per-project size cap of 100 MW for wind energy projects is unduly arbitrary. This issue should be determined on a project-specific basis in connection with a project system impact study.

In this vein, it is critical that Nevada's utilities have a full, accurate and updated understanding of system integration costs. So, we urge Nevada's utilities to conduct a full system integration cost study. Such a study would address –and quantify– integration costs, ramping and other operational issues rather than making assumptions that may turn out to be overly conservative.

Rate Structure

Because Nevada is so close to the large California market, which also has an aggressive RPS (with a concomitant growth in demand for new renewable energy resources), we believe that it might make sense to consider some alignment of rates with those in California. We also believe that any rates, green credits and any other incentives should be structured so as to be economically attractive to developers of wind and other renewable energy sources.

If Nevada and state utility systems want a successful RPS implementation, pricing needs to be generally competitive with surrounding states such as California. Many projects will have the alternative of moving power to other markets, and Nevada utilities should offer pricing that recognizes the realities of the costs the utilities would incur if they built their own wind projects. By using a market proxy that looks at real costs of wind resources and with a close eye on the reality of regional market alternatives and comparative regional wind resources, Nevada utilities will be more successful in obtaining the benefits of renewable energy and energy diversity for their systems.

As we face a future of heightened uncertainty over fossil fuel costs, availability and environmental impacts, we must act to develop indigenous, inexhaustible and affordable renewable energy technologies such as wind.

Again, I appreciate your attention to this most important issue. I hope to work with you and your staff to advance deployment of Nevada's rich resource base in wind and other renewable energy technologies.

Best regards.

Sincerely,

Craig Cox
Executive Director