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January 26, 2021

VIA E-MAIL

Trisha Osborne
Assistant Commission Secretary
Public Utilities Commission of Nevada
1150 East William Street
Carson City, NV 89701

Re: Docket No. 20-07023

Dear Ms. Osborne:

Enclosed and transmitted herewith is the Direct Testimony of David Garrett in the above-referenced docket. Mr. Garrett's testimony is jointly sponsored by MGM Resorts International, Caesars Enterprise Services, LLC, and the Southern Nevada Water Authority.

Should you have any questions regarding this filing, please contact Thorvald Nelson or Austin W. Jensen at (303) 295-8000 and/or Fred Schmidt at (755) 684-6008,

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thorvald Nelson".

Thorvald A. Nelson
Partner

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BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

**Nevada Power Company
d/b/a NV Energy**

**Sierra Pacific Power Company
d/b/a NV Energy**

Docket No. 20-07023

**Testimony of
David J. Garrett**

**on behalf of
MGM Resorts International, Caesars Enterprise Services, LLC, and
the Southern Nevada Water Authority**

January 26, 2021

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I. INTRODUCTION

1 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is David J. Garrett. My business address is 101 Park Avenue, Suite 1125,
3 Oklahoma City, Oklahoma 73102.

4 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am the managing member of Resolve Utility Consulting, LLC. I am an independent
6 consultant specializing in public utility regulation.

7 **Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE.**

9 A. I received a B.B.A. degree with a major in Finance, an M.B.A. degree, and a J.D. degree
10 from the University of Oklahoma. I worked in private legal practice for several years
11 before working as assistant general counsel at the Oklahoma Corporation Commission in
12 2011. At the commission, I worked in the Office of General Counsel in regulatory
13 proceedings. In 2012, I worked for the Public Utility Division as a regulatory analyst
14 providing testimony in regulatory proceedings. After leaving the Oklahoma commission I
15 formed Resolve Utility Consulting PLLC, where I have represented numerous consumer
16 groups and state agencies in utility regulatory proceedings, primarily in the areas of cost of
17 capital and depreciation. I am a Certified Depreciation Professional with the Society of
18 Depreciation Professionals. I am also a Certified Rate of Return Analyst with the Society
19 of Utility and Regulatory Financial Analysts. A more complete description of my
20 qualifications and regulatory experience is included in my curriculum vitae.¹

¹ Exhibit DJG-1.

1 **Q4. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES**
2 **COMMISSION OF NEVADA?**

3 A. Yes, I have previously testified before the Public Utilities Commission of Nevada (the
4 “Commission”) and many other state regulatory commissions.²

5 **Q5. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

6 A. My testimony is being sponsored by MGM Resorts International (“MGM”), Caesars
7 Enterprise Services, LLC (“Caesars”), and the Southern Nevada Water Authority
8 (“SNWA,” together with MGM and Caesars, “Joint Intervenors”).

9 **Q6. DESCRIBE THE PURPOSE AND SCOPE OF YOUR TESTIMONY IN THIS**
10 **PROCEEDING.**

11 A. My testimony addresses the portion of the application of Nevada Power Company d/b/a
12 NV Energy (“Nevada Power”) and Sierra Pacific Power Company d/b/a NV Energy
13 (“Sierra” and together with Nevada Power, the “Companies” or “NV Energy”) requesting
14 to include construction work-in-progress (“CWIP”) in rate base. The Companies’ request
15 to include CWIP in rate base is addressed in the supplemental testimony of NV Energy
16 witness Michael Cole.

II. SUMMARY AND CORE PRINCIPLES

17 **Q7. PLEASE PROVIDE A BRIEF SUMMARY OF YOUR TESTIMONY.**

18 A. NV Energy is requesting the inclusion of CWIP in rate base as a way to enhance the
19 Companies’ cash flow during the construction phase of the Greenlink projects. The
20 inclusion of CWIP in rate base is not a “win-win” scenario as Mr. Cole’s testimony would

² Exhibit DJG-1.

1 suggest. NV Energy's cash flows cannot be enhanced without a corresponding
2 diminishment of customers' cash flows, particular during the early years of the projects.
3 While the Companies' request would likely be inappropriate in most circumstances, the
4 timing of this particular request is especially problematic when Nevada's economy has
5 been severely compromised by the COVID-19 pandemic. Furthermore, Nevada's
6 economy is not expected to recover soon. During the six months following the COVID-
7 19 outbreak, Nevada's tax revenues consistently and significantly declined. In contrast,
8 NV Energy's financial condition improved. Despite the severe contrast between the
9 financial condition of NV Energy and the Nevada economy generally, the Companies'
10 request to include CWIP in rate base would further diminish customers' financial condition
11 for the sole purpose of further enhancing the Companies' cash flow and reducing its risk.

12 **Q8. WHAT IS CWIP?**

13 A. CWIP reflects dollars spent on a capital project before that project is put into service. If
14 CWIP is included in rate base, a utility will thus earn a return on those investments before
15 a project is put into service.

16 **Q9. IS IT NORMAL TO INCLUDE CWIP IN RATE BASE AS NV ENERGY**
17 **PROPOSES IN THIS CASE?**

18 A. No. The normal practice is to allow the utility to track what is called an Allowance for
19 Funds Used During Construction or "AFUDC" such that the utility earns a return on
20 investments made during the construction but only through rates put into effect only after
21 the project comes into service. Whether a utility tracks AFUDC or puts CWIP into rate
22 base, the utility will earn a return on investments during construction. The difference is
23 the timing of the cash flow. If CWIP is put into rate base, customers pay that return – and

1 the utility gets the return – faster. If AFUDC is tracked, customers pay that return – and
2 the utility gets the return – later.

3 **Q10. WHY IS IT APPROPRIATE FOR A UTILITY TO EARN ITS RETURN ON**
4 **INVESTMENTS DURING CONSTRUCTION ONLY AFTER A PROJECT IS PUT**
5 **INTO SERVICE?**

6 A. One of the foundational principles in utility regulation is the concept of used and useful.
7 The used and useful principle posits that customers should only pay for utility plant that is
8 in use and is useful to provide customers with service. Pertinent to this case, until a
9 transmission line is put into service it is neither used nor useful. As such, customers get
10 no current benefits from lines under construction. Therefore, the standard approach to not
11 include CWIP in rate base is also consistent with the matching principle – the notion that
12 customer rates should reflect a matching of costs and benefits. Finally, by applying the
13 used and useful and matching principles correctly and deferring paying a return on
14 construction costs until after a project is in service, one can also further the goal of
15 intergenerational equity – the notion that customers in each “generation” should pay for
16 the facilities that benefit them. Contrary to the goal of intergenerational equity, if one
17 includes CWIP in rate base, the current generation of customers that receives no benefits
18 from lines under construction will subsidize future generations of customers that will enjoy
19 all of the benefits of the lines once they are in service.

20 **Q11. GIVEN THESE PRINCIPLES, IS IT EVER APPROPRIATE FOR A**
21 **COMMISSION TO AWARD CWIP IN RATE BASE?**

22 A. Yes, but only in very limited circumstances where (a) the investment is necessary for long-
23 term service, (b) the utility cannot reasonably finance the investment without the greater

1 cash flows achieved through recovering CWIP in rate base, and (c) when balancing the
2 interests of customers and the utility, awarding CWIP in rate base is in the public interest.

3 **Q12. DO THOSE CIRCUMSTANCES EXIST IN THIS CASE?**

4 A. No. My testimony does not address whether or the extent to which the proposed
5 investments are necessary. That issue is addressed by my colleague Mr. James Dauphinais.
6 But, based on my financial analysis, there is no reason to conclude in this case that NV
7 Energy is unable to reasonably finance the proposed investments and, when comparing NV
8 Energy's financial condition to customers' financial condition, there is no question that the
9 public interest weighs heavily in favor of the standard approach of deferring any payment
10 of a return on investment until the facilities are put into service and are benefitting
11 customers.

12 **Q13. PLEASE SUMMARIZE THE KEY POINTS OF YOUR TESTIMONY**
13 **REGARDING THESE FINANCIAL CONSIDERATIONS.**

14 A. My testimony on these financial issues can be distilled to the following points:

- 15 • NV Energy has failed to show how including CWIP in rate base will benefit
16 customers sufficient to justify violating the principle of used and useful, the
17 matching principle, and the principle of intergenerational equity.
- 18 • NV Energy's current financial condition is healthy despite the COVID-19
19 pandemic. NV Energy has failed to demonstrate that the Companies will
20 incur any material financial harm if CWIP is excluded from rate base.
- 21 • The Companies' request to include CWIP in rate base unreasonably and
22 unnecessarily shifts risk to customers.
- 23 • Under the unique and significant economic hardships stemming from the
24 COVID-19 pandemic, including CWIP in rate base would further
25 exacerbate the financial burden on customers and be contrary to the public
26 interest.

27 According, I recommend the Commission deny NV Energy's request to include CWIP in
28 rate base and rely on the standard approach of tracking AFUDC – an approach that will

1 still result in the utility having an opportunity to fully earn its authorized return on
2 investment.

3 **III. FINANCIAL IMPACT**

4 **A. Financial Impact to Customers**

5 **Q14. PLEASE SUMMARIZE THE CURRENT FINANCIAL CONDITION OF NEVADA CUSTOMERS.**

6 A. Nevada customers are currently facing substantial financial hardships caused by the
7 COVID-19 pandemic, which is discussed in further detail later in my testimony.

8 **Q15. ARE CUSTOMERS HARMED BY INCLUDING CWIP IN RATE BASE?**

9 A. Yes. Customers are harmed because they have to pay higher rates sooner to pay a return
10 on facilities under construction that are not, by definition, being used to serve them.

11 **Q16. HAS NV ENERGY DEMONSTRATED THAT CUSTOMERS WOULD BENEFIT
12 BY THE INCLUSION OF CWIP IN RATE BASE?**

13 A. No. Mr. Cole argues that customers “benefit” by avoiding “potential rate shock” that could
14 arise if the entire cost of the project is put into rates only after the project comes on line.³
15 It is true that rates would increase slightly more gradually if the Commission approves any
16 new construction and allows the recovery of CWIP in rate base. But Mr. Cole has not
17 provided evidence that rate increases that would constitute “rate shock” would occur but
18 for his recommendation. While these investments are undoubtedly expensive they are still
19 only a part of the overall revenue requirement. Also, while moderating rate increases is a
20 reasonable policy consideration, it is just one consideration of many. As discussed above,

³ Supplemental Direct Testimony of Michael Cole, p. 9, lines 23-25.

1 the traditional approach to defer rate recovery until a facility is put into service is more
2 consistent with the used and useful principle, the matching principle, and considerations of
3 intergenerational equity.

4 **Q17. IS THERE A BENEFIT FROM A NET PRESENT VALUE PERSPECTIVE IF THE**
5 **COMMISSION AWARDS CWIP IN RATE BASE?**

6 A. In the ordinary course, if the discount rate used to do a net present value analysis is equal
7 to the utility's rate of return on investment, the net present value of revenue requirements
8 should be equal whether you track AFUDC or reflect CWIP in rate base. Having said that,
9 Mr. Cole argues in his testimony that customers would benefit specifically from a present
10 worth of revenue requirements ("PWRR") perspective if CWIP is included in rate base as
11 the Companies' propose.⁴ However, in subsequent discovery, the Companies have
12 acknowledged that the inclusion of CWIP in rate base would actually result in a higher
13 PWRR as compared to a scenario where CWIP is excluded.⁵ Directly contravening Mr.
14 Cole's testimony, that corrected data response calculates a cost, in higher net PWRR terms,
15 of approximately \$12 million for the two utilities together if CWIP is included in rate base.⁶

16 **Q18. IS IT POSSIBLE FOR THE COMMISSION TO "ENHANCE" NV ENERGY'S**
17 **CASH FLOW UNDER THE COMPANIES' CWIP PROPOSAL WITHOUT A**
18 **CORRESPONDING NEGATIVE IMPACT TO CUSTOMERS?**

19 A. No. The CWIP issue is not a "win-win" scenario that would benefit both NV Energy and
20 its customers, as suggested in Mr. Cole's testimony. This is especially true under the
21 unique economic hardships created by the COVID-19 pandemic. Mr. Cole correctly

⁴ Supplemental Direct Testimony of Michael Cole, p. 10, lines 1-2.

⁵ See supplemental response to FEA 2-02(b) (corrected). Data requests to which I cite are included in Exhibit DJG-2.

⁶ *Id.*

1 suggests that including CWIP in rate base will “enhance” the Companies’ cash flows,⁷ but
2 this is a zero-sum game from a cash flow perspective. Again, the CWIP issue is primarily
3 one of timing; and it is a terrible time to ask current customers facing financial hardships
4 to pay more upfront for these projects simply to “enhance” the Companies’ already-healthy
5 financial position. In this situation, there can be no “enhancement” of the Companies’ cash
6 flow without a corresponding, antithetical impact to customers (antonyms of “enhance”
7 include “diminish,” “lessen,” “weaken,” etc.).

8 **B. Financial Impact to NV Energy**

9 **Q19. DESCRIBE THE CURRENT FINANCIAL CONDITION OF THE COMPANIES.**

10 A. In stark contrast to the challenging financial conditions facing Nevada ratepayers, the
11 financial condition of the Companies is very healthy. According to Berkshire Hathaway
12 Energy Company’s (“BHE”) most recent quarterly filing, NV Energy’s financial condition
13 notably improved despite the COVID-19 pandemic. The increase in net income for the
14 third quarter of 2020 compared to 2019 was due to the following factors:

15 NV Energy's net income increased \$43 million, primarily due to higher
16 electric utility margin of \$68 million and lower income tax expense from
17 the favorable impacts of ratemaking, partially offset by higher operations
18 and maintenance expenses of \$26 million, mainly from higher earnings
19 sharing accruals at Nevada Power, and higher depreciation and amortization
20 expense of \$8 million from higher plant placed in-service. Electric utility
21 margin increased due to a favorable regulatory decision, higher retail
22 customer volumes and price impacts from changes in sales mix.

23 In addition, NV Energy’s application acknowledges: “The Companies’ secured debt is
24 rated investment grade by Moody’s Investor Service and Standard & Poor’s Global

⁷ Supplemental Direct Testimony of Michael Cole, p. 9, lines 20-21.

1 Ratings. The Companies have maintained adequate liquidity and demonstrated the ability
2 to successfully access the debt markets at low rates.”⁸ In addition, BHE’s first three
3 quarterly filings during 2020, in the midst of the COVID-19 pandemic, conclude for both
4 Nevada Power and Sierra that the impacts of COVID-19 on the Companies’ financial
5 results “have not been material.”⁹

6 **Q20. WHAT ARE THE COMPANIES’ CURRENT CREDIT RATINGS?**

7 A. Both Nevada Power and Sierra have very healthy credit ratings of Baa1 from Moody’s,
8 which is two levels above the minimum investment grade rating of Baa3.¹⁰

9 **Q21. HAS NV ENERGY DEMONSTRATED THAT THE COMPANIES WILL BE**
10 **FINANCIALLY HARMED IF CWIP IS NOT INCLUDED IN RATE BASE?**

11 A. No. Mr. Cole suggests in his supplemental testimony that if the Commission does not
12 provide “regulatory support”¹¹ to “enhance”¹² the Companies’ cash flow by including
13 CWIP in rate base, it could affect the Companies’ credit metrics. Specifically, Mr. Cole
14 suggests that if CWIP is not included in rate base, the Companies’ credit metrics “may be
15 weakened.”¹³ However, the Companies have provided no demonstrable evidence that
16 affirms this suggestion. When asked to conduct a projection of cash flows with and without
17 a current return on CWIP over the course of the Greenlink projects, NV Energy admitted
18 that they did not conduct a “with and without CWIP in rate base cash flow analysis.”¹⁴

⁸ Amended Application, Financial Plan, p. 51.

⁹ Form 10-Q, Berkshire Hathaway Company (2020 Q1, Q2, and Q3).

¹⁰ <https://www.moodys.com/>.

¹¹ Supplemental Direct Testimony of Michael Cole, p. 8, line 9.

¹² *Id.* at p. 9, line 20.

¹³ *Id.* at p. 9, line 11.

¹⁴ *See* response to FEA 2-02(a).

1 **Q22. EVEN IF MAINTAINING CREDIT RATINGS WERE A CONCERN, IS**
2 **MAINTAINING A CREDIT RATING A REASON TO CLASSIFY THE**
3 **PROPOSED FACILITIES AS CRITICAL FACILITIES?**

4 A. No. While Mr. Cole suggests that maintaining the Companies' credit rating is one of the
5 criteria for critical facility designation,¹⁵ that is not accurate. NAC 704.9484 does not
6 include maintenance of utility credit rating as a path to critical facility status. But, of
7 course, even if it was included, the Companies have not established that its credit ratings
8 would be harmed by recovering costs in the traditional manner, i.e. without CWIP in rate
9 base.

10 **Q23. IF CWIP IS NOT INCLUDED IN RATE BASE, IS NV ENERGY PLANNING TO**
11 **ABANDON THE GREENLINK PROJECTS?**

12 A. No. According to NV Energy, "there is no plan to abandon the Greenlink projects if the
13 request for CWIP in rate base is denied."¹⁶ In my opinion, this admission further indicates
14 that NV Energy does not anticipate a material negative impact to its credit ratings or overall
15 financial position if its request to include CWIP in rate base is denied.

16 **Q24. CONTRASTING THE FINANCIAL POSITIONS OF NV ENERGY AND ITS**
17 **CUSTOMERS, DO YOU BELIEVE THAT CUSTOMERS NEED TO ENHANCE**
18 **NV ENERGY'S CASH FLOWS THROUGH REGULATORY SUPPORT FROM**
19 **THE COMMISSION?**

20 A. No. If the Companies were under severe financial hardship and the state's economy was
21 thriving, perhaps that would create a situation in which it would be more appropriate for
22 the Commission to consider mechanisms to enhance the utilities' cash flows. In stark
23 contrast to that scenario, however, the Companies are financially healthy while customers
24 are still trying to recover from unprecedented economic hardships caused by the COVID-

¹⁵ Supplemental Direct Testimony of Michael Cole, p. 10, lines 3-7.

¹⁶ Response to FEA 2-06.

1 19 pandemic (discussed in more detail later in my testimony). Thus, under the
2 circumstances, if the Commission were to consider any kind of “regulatory support,” it
3 should be for customers, not the Companies. More pertinently, NV Energy has not made
4 a convincing showing to support the notion that customers should be required to enhance
5 the Companies’ cash flow from the inclusion of CWIP in rate base for the Greenlink
6 projects.

IV. RISK SHIFTING

7 **Q25. IF THE COMPANIES’ RECOVER CWIP IN RATES FOR THE PLANNED**
8 **PROJECTS, WOULD IT EQUATE TO A SHIFTING OF RISK FROM THE**
9 **COMPANIES TO CUSTOMERS?**

10 A. Yes. Including CWIP in rate base allows the utility to recover its financing costs during
11 construction, rather than waiting until the plant is in service. Again, this requires ratepayers
12 to pay for plant before it is used and useful. If the plant never goes into service, then
13 ratepayers have paid for an asset from which they never received service.

14 **Q26. WITH REGARD TO RISKS, ARE YOU SURPRISED THAT NV ENERGY IS**
15 **REQUESTING CWIP TO BE INCLUDED IN RATE BASE?**

16 A. No. In the field of finance and valuation, we assume that investors (and companies) seek
17 to maximize profits and minimize risk. For competitive firms, this risk-reward dynamic is
18 primarily dictated by natural competitive forces. In the regulatory environment, however,
19 we should expect utilities generally to seek maximum profits and minimized risks through
20 various applications in regulatory proceedings. In this case, the Companies’ proposal to
21 include CWIP in rate base would enhance cash flow and reduce risk for the Companies
22 without a corresponding decrease in the Companies’ authorized ROEs.

1 **Q27. WHY SHOULD THE COMMISSION BE CONCERNED ABOUT NV ENERGY**
2 **SHIFTING RISKS TO CUSTOMERS?**

3 A. The Commission should be concerned about risk shifting because risk is the primary factor
4 driving the Companies' cost of equity and allowed rate of return. Thus, granting
5 extraordinary financing treatment for these investments without a reduction in the
6 authorized ROEs would unjustly enrich the utilities at the expense of customers.

V. COVID-19 AND ECONOMIC IMPACTS

7 **Q28. IN ADDITION TO THE OTHER FINANCIAL ISSUES DISCUSSED IN YOUR**
8 **TESTIMONY, IS IT APPROPRIATE FOR THE COMMISSION TO ALSO**
9 **CONSIDER THE CURRENT ECONOMIC CONDITIONS WHEN CONSIDERING**
10 **NV ENERGY'S REQUEST TO INCLUDE CWIP IN RATE BASE?**

11 A. Yes. A consideration of economic impacts is always prudent when setting fair and
12 reasonable rates; however, it is especially important for the Commission to closely consider
13 the unprecedented economic hardship to Nevada's economy and ratepayers caused by the
14 COVID-19 pandemic. Under the unique economic hardships created by the pandemic, the
15 Companies' request to accelerate the pace at which customers pay for new facilities is
16 especially problematic and inappropriate.

17 **Q29. PLEASE DESCRIBE THE CURRENT AND PROJECTED ECONOMIC IMPACT**
18 **ON NEVADA'S ECONOMY CAUSED BY THE COVID-19 PANDEMIC.**

19 A. The pandemic's devastating impact to Nevada's economy cannot be overstated. It is
20 common knowledge that Nevada's economy relies heavily on the gaming and hospitality
21 industry. With the health concerns related to the COVID-19 pandemic, this industry has
22 been severely impacted. According to the Las Vegas Convention and Visitor's Authority,
23 year-to-date visitors through November 2020 was down 54.5% from 2019 levels. Further,
24 Strip gaming revenue and occupancy is down 42.6% and 47.6%, respectively, over the

1 same period the year prior.¹⁷ With heavy dependence on gaming and hospitality,
2 unemployment has skyrocketed. Despite being nearly a year into the COVID-19
3 pandemic, Nevada unemployment remains near double digits. Specifically, for the State
4 of Nevada as a whole, most recent economic data shows a 109,500 reduction to nonfarm
5 payrolls¹⁸ and an unemployment rate of 10.1% on a seasonally adjusted basis as compared
6 to the same period last year.¹⁹ This unemployment rate amounts to a 173% increase.²⁰
7 However, for the Las Vegas-Paradise area, the same period reflects an even higher
8 unemployment rate: around 11.5% on a seasonally adjusted basis.²¹ These figures place
9 Nevada among the worst in the country, second only to New Jersey.²²

10 **Q30. IS NEVADA’S ECONOMY EXPECTED TO RECOVER SOON?**

11 A. No. The Nevada Economic Forum met recently to review revenue forecasts. The panel
12 approved forecasts that project the economic impact will outlast the virus and shrink tax
13 revenue through the next two-year budget cycle until 2023.²³

14 **Q31. HOW IS THIS ECONOMIC ANALYSIS RELATED TO THE CWIP ISSUE?**

15 A. The CWIP issue is not a question of whether the utility will get an opportunity to fully
16 recover a reasonable return of and on its investments, rather, it is a timing issue of when

¹⁷ Las Vegas Convention and Visitors Authority, LVCVA Executive Summary of Southern Nevada Tourism Indicators, Visitors Statistics, <https://www.lvcva.com/research/visitor-statistics/>.

¹⁸ UNLV Lee Business School Center for Business and Economic Research, Economic Data – Nevada, <https://cber.unlv.edu/NVEconData.html>.

¹⁹ U.S. Bureau of Labor Statistics, Economy at a Glance, <https://www.bls.gov/eag/eag.nv.htm>

²⁰ UNLV Lee Business School Center for Business and Economic Research, Economic Data – Nevada, <https://cber.unlv.edu/NVEconData.html>.

²¹ U.S. Bureau of Labor Statistics, Economy at a Glance, <https://www.bls.gov/eag/eag.nv.htm>.

²² U.S. Bureau of Labor Statistics, Unemployment Rates for States, <https://www.bls.gov/web/laus/laumstrk.htm>.

²³ State of Nev. Economic Forum: *Forecast of Future State Revenues* (Dec. 3, 2019), available at https://www.leg.state.nv.us/Division/Fiscal/Economic%20Forum/EF%20Report%20on%20Future%20State%20Revenues%202020_Aproved.pdf.

1 that recovery will occur and whether recovery should be deferred until plant is put into
2 service. As such, considering current economic conditions is appropriate in deciding
3 whether it is in the public interest to deviate from standard practice and accelerate cost
4 recovery associated with these investments. Given the Nevada Economic Forum's
5 projections that the state's economy will not recover in at least two more years, it is
6 especially critical for the Commission to deny the Companies' request for accelerated cost
7 recovery at this time. Further, the Commission has been sensitive to the fragile state of the
8 Nevada economy in several of its orders this year. In Docket No. 20-06003, the
9 Commission issued an interim order that required NV Power to immediately return over-
10 earnings to customers because of the current state of the Nevada economy and the
11 increasing number of ratepayers that were finding it impossible to pay utility bills. In that
12 proceeding, the Commission noted that the amount of arrears on NV Power books was over
13 430% above normal levels.²⁴ Additionally, in Docket No. 20-06004, the Commission
14 evaluated whether to allow SPPC to recover reallocated ON Line costs from SPPC
15 ratepayers sooner than the Sierra's next rate case. In rejecting this position, the
16 Commission stated: "the Commission is persuaded that the additional 1-2 percent rate
17 increase that would be experienced by SPPC's customers at this time would be detrimental
18 to customers already experiencing financial hardships due to the COVID-19 pandemic."²⁵
19 There is no reason to suggest that ratepayers' economic status has changed materially since

²⁴ Docket No. 20-06003, Interim Order No. 1 (Sep. 9, 2020).

²⁵ Docket No. 20-06004, ¶ 134 (Dec. 22, 2020).

1 either of these orders. In fact, there is evidence to suggest that the Nevada economy will
2 continue to face hardships for years to come.²⁶

3 **Q32. HAS THE COVID-19 PANDEMIC AFFECTED THE COMPANIES AND**
4 **CUSTOMERS TO A SIMILAR DEGREE?**

5 A. No. While the COVID-19 pandemic has severely harmed customers, it has not had a
6 material impact on the financial health of the Companies. Both of these facts were
7 acknowledged in the Companies' quarterly filings in 2020. According to BHE's first three
8 quarterly filings of 2020, in the midst of the pandemic, the Companies acknowledged the
9 pandemic's harmful impact to customers while also noting an immaterial effect on the
10 Companies. Specifically, the quarterly filings state:

11 In March 2020, COVID-19 was declared a global pandemic and
12 containment and mitigation measures were recommended worldwide,
13 which has had an unprecedented impact on society in general and on
14 economic conditions in the United States. COVID-19 has impacted many
15 of Nevada Power's customers ranging from high unemployment levels, an
16 inability to pay bills and business closures or operating at reduced capacity
17 levels. While COVID-19 has impacted [NV Energy's] financial results and
18 operations through September 30, 2020, the impacts have not been
19 material.²⁷

20 Given the stark contrast between the pandemic's impact on customers and NV Energy, it
21 is unreasonable to require customers to enhance the Companies' cash flow through the
22 inclusion of CWIP in rate base, especially considering the fact that the Company has not

²⁶ State of Nev. Economic Forum: *Forecast of Future State Revenues* (Dec. 3, 2019), available at https://www.leg.state.nv.us/Division/Fiscal/Economic%20Forum/EF%20Report%20on%20Future%20State%20Revenues%202020_Approved.pdf; *see also* <https://www.usnews.com/news/best-states/nevada/articles/2020-12-03/panel-warns-recession-may-imperil-nevada-economy-into-2023>; <https://apnews.com/article/personal-taxes-coronavirus-pandemic-las-vegas-nevada-economy-276a0532a7c99c8d66d7b5ff75949c0b>; <https://www.nevadacurrent.com/2020/11/11/nevadas-economic-recovery-dont-hold-your-breath/>.

²⁷ *See e.g.*, Form 10-Q, Berkshire Hathaway Energy Company, for the quarterly period ended September 30, 2020, p. 132.

1 provided any demonstrable evidence that it will be financially harmed if their request to
2 include CWIP in rate base is denied.

3 **Q33. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 A. Yes. To the extent I have not addressed an issue or proposal raised by the Company in this
5 proceeding, it should not be construed that I agree with the same.

Exhibit No. DJG-1

Qualifications of David J. Garrett

101 Park Avenue, Suite 1125
Oklahoma City, OK 73102

DAVID J. GARRETT

405.249.1050
dgarrett@resolveuc.com

EDUCATION

University of Oklahoma Master of Business Administration Areas of Concentration: Finance, Energy	Norman, OK 2014
University of Oklahoma College of Law Juris Doctor Member, American Indian Law Review	Norman, OK 2007
University of Oklahoma Bachelor of Business Administration Major: Finance	Norman, OK 2003

PROFESSIONAL DESIGNATIONS

Society of Depreciation Professionals
Certified Depreciation Professional (CDP)

Society of Utility and Regulatory Financial Analysts
Certified Rate of Return Analyst (CRRA)

The Mediation Institute
Certified Civil / Commercial & Employment Mediator

WORK EXPERIENCE

Resolve Utility Consulting PLLC <u>Managing Member</u> Provide expert analysis and testimony specializing in depreciation and cost of capital issues for clients in utility regulatory proceedings.	Oklahoma City, OK 2016 – Present
Oklahoma Corporation Commission <u>Public Utility Regulatory Analyst</u> <u>Assistant General Counsel</u> Represented commission staff in utility regulatory proceedings and provided legal opinions to commissioners. Provided expert analysis and testimony in depreciation, cost of capital, incentive compensation, payroll and other issues.	Oklahoma City, OK 2012 – 2016 2011 – 2012

Perebus Counsel, PLLC

Oklahoma City, OK
2009 – 2011

Managing Member

Represented clients in the areas of family law, estate planning, debt negotiations, business organization, and utility regulation.

Moricoli & Schovanec, P.C.

Oklahoma City, OK
2007 – 2009

Associate Attorney

Represented clients in the areas of contracts, oil and gas, business structures and estate administration.

TEACHING EXPERIENCE

University of Oklahoma

Norman, OK
2014 – Present

Adjunct Instructor – “Conflict Resolution”

Adjunct Instructor – “Ethics in Leadership”

Rose State College

Midwest City, OK
2013 – 2015

Adjunct Instructor – “Legal Research”

Adjunct Instructor – “Oil & Gas Law”

PUBLICATIONS

American Indian Law Review

Norman, OK
2006

“Vine of the Dead: Reviving Equal Protection Rites for Religious Drug Use”
(31 Am. Indian L. Rev. 143)

VOLUNTEER EXPERIENCE

Calm Waters

Oklahoma City, OK
2015 – 2018

Board Member

Participate in management of operations, attend meetings, review performance, compensation, and financial records. Assist in fundraising events.

Group Facilitator & Fundraiser

2014 – 2018

Facilitate group meetings designed to help children and families cope with divorce and tragic events. Assist in fundraising events.

St. Jude Children’s Research Hospital

Oklahoma City, OK
2008 – 2010

Oklahoma Fundraising Committee

Raised money for charity by organizing local fundraising events.

PROFESSIONAL ASSOCIATIONS

Oklahoma Bar Association	2007 – Present
Society of Depreciation Professionals <u>Board Member – President</u> Participate in management of operations, attend meetings, review performance, organize presentation agenda.	2014 – Present 2017
Society of Utility Regulatory Financial Analysts	2014 – Present

SELECTED CONTINUING PROFESSIONAL EDUCATION

Society of Depreciation Professionals “Life and Net Salvage Analysis” Extensive instruction on utility depreciation, including actuarial and simulation life analysis modes, gross salvage, cost of removal, life cycle analysis, and technology forecasting.	Austin, TX 2015
Society of Depreciation Professionals “Introduction to Depreciation” and “Extended Training” Extensive instruction on utility depreciation, including average lives and net salvage.	New Orleans, LA 2014
Society of Utility and Regulatory Financial Analysts 46th Financial Forum. “The Regulatory Compact: Is it Still Relevant?” Forum discussions on current issues.	Indianapolis, IN 2014
New Mexico State University, Center for Public Utilities Current Issues 2012, “The Santa Fe Conference” Forum discussions on various current issues in utility regulation.	Santa Fe, NM 2012
Michigan State University, Institute of Public Utilities “39th Eastern NARUC Utility Rate School” One-week, hands-on training emphasizing the fundamentals of the utility ratemaking process.	Clearwater, FL 2011
New Mexico State University, Center for Public Utilities “The Basics: Practical Regulatory Training for the Changing Electric Industries” One-week, hands-on training designed to provide a solid foundation in core areas of utility ratemaking.	Albuquerque, NM 2010
The Mediation Institute “Civil / Commercial & Employment Mediation Training” Extensive instruction and mock mediations designed to build foundations in conducting mediations in civil matters.	Oklahoma City, OK 2009

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Maryland Public Service Commission	Washington Gas Light Company	9651	Cost of capital and authorized rate of return	Maryland Office of People's Counsel
Florida Public Service Commission	Utilities, Inc. of Florida	20200139-WS	Cost of capital and authorized rate of return	Florida Office of Public Counsel
New Mexico Public Regulatory Commission	El Paso Electric Company	20-00104-UT	Cost of capital, depreciation rates, net salvage	City of Las Cruces and Doña Ana County
Public Utilities Commission of Nevada	Nevada Power Company	20-06003	Cost of capital, awarded rate of return, capital structure, earnings sharing	MGM Resorts International, Caesars Enterprise Services, LLC, Wynn Las Vegas, LLC, Smart Energy Alliance, and Circus Circus Las Vegas, LLC
Wyoming Public Service Commission	Rocky Mountain Power	20000-578-ER-20	Cost of capital and authorized rate of return	Wyoming Industrial Energy Consumers
Florida Public Service Commission	Peoples Gas System	20200051-GU 20200166-GU	Cost of capital, depreciation rates, net salvage	Florida Office of Public Counsel
Wyoming Public Service Commission	Rocky Mountain Power	20000-539-EA-18	Depreciation rates, service lives, net salvage	Wyoming Industrial Energy Consumers
Public Service Commission of South Carolina	Dominion Energy South Carolina	2020-125-E	Depreciation rates, service lives, net salvage	South Carolina Office of Regulatory Staff
Pennsylvania Public Utility Commission	The City of Bethlehem	2020-3020256	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Railroad Commission of Texas	Texas Gas Services Company	GUD 10928	Depreciation rates, service lives, net salvage	Gulf Coast Service Area Steering Committee
Public Utilities Commission of the State of California	Southern California Edison	A.19-08-013	Depreciation rates, service lives, net salvage	The Utility Reform Network
Massachusetts Department of Public Utilities	NSTAR Gas Company	D.P.U. 19-120	Depreciation rates, service lives, net salvage	Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy
Georgia Public Service Commission	Liberty Utilities (Peach State Natural Gas)	42959	Depreciation rates, service lives, net salvage	Public Interest Advocacy Staff
Florida Public Service Commission	Florida Public Utilities Company	20190155-EI 20190156-EI 20190174-EI	Depreciation rates, service lives, net salvage	Florida Office of Public Counsel

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Illinois Commerce Commission	Commonwealth Edison Company	20-0393	Depreciation rates, service lives, net salvage	The Office of the Illinois Attorney General
Public Utility Commission of Texas	Southwestern Public Service Company	PUC 49831	Depreciation rates, service lives, net salvage	Alliance of Xcel Municipalities
Public Service Commission of South Carolina	Blue Granite Water Company	2019-290-WS	Depreciation rates, service lives, net salvage	South Carolina Office of Regulatory Staff
Railroad Commission of Texas	CenterPoint Energy Resources	GUD 10920	Depreciation rates and grouping procedure	Alliance of CenterPoint Municipalities
Pennsylvania Public Utility Commission	Aqua Pennsylvania Wastewater	A-2019-3009052	Fair market value estimates for wastewater assets	Pennsylvania Office of Consumer Advocate
New Mexico Public Regulation Commission	Southwestern Public Service Company	19-00170-UT	Cost of capital and authorized rate of return	The New Mexico Large Customer Group; Occidental Permian
Indiana Utility Regulatory Commission	Duke Energy Indiana	45253	Cost of capital, depreciation rates, net salvage	Indiana Office of Utility Consumer Counselor
Maryland Public Service Commission	Columbia Gas of Maryland	9609	Depreciation rates, service lives, net salvage	Maryland Office of People's Counsel
Washington Utilities & Transportation Commission	Avista Corporation	UE-190334	Cost of capital, awarded rate of return, capital structure	Washington Office of Attorney General
Indiana Utility Regulatory Commission	Indiana Michigan Power Company	45235	Cost of capital, depreciation rates, net salvage	Indiana Office of Utility Consumer Counselor
Public Utilities Commission of the State of California	Pacific Gas & Electric Company	18-12-009	Depreciation rates, service lives, net salvage	The Utility Reform Network
Oklahoma Corporation Commission	The Empire District Electric Company	PUD 201800133	Cost of capital, authorized ROE, depreciation rates	Oklahoma Industrial Energy Consumers and Oklahoma Energy Results
Arkansas Public Service Commission	Southwestern Electric Power Company	19-008-U	Cost of capital, depreciation rates, net salvage	Western Arkansas Large Energy Consumers
Public Utility Commission of Texas	CenterPoint Energy Houston Electric	PUC 49421	Depreciation rates, service lives, net salvage	Texas Coast Utilities Coalition

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Massachusetts Department of Public Utilities	Massachusetts Electric Company and Nantucket Electric Company	D.P.U. 18-150	Depreciation rates, service lives, net salvage	Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy
Oklahoma Corporation Commission	Oklahoma Gas & Electric Company	PUD 201800140	Cost of capital, authorized ROE, depreciation rates	Oklahoma Industrial Energy Consumers and Oklahoma Energy Results
Public Service Commission of the State of Montana	Montana-Dakota Utilities Company	D2018.9.60	Depreciation rates, service lives, net salvage	Montana Consumer Counsel and Denbury Onshore
Indiana Utility Regulatory Commission	Northern Indiana Public Service Company	45159	Depreciation rates, grouping procedure, demolition costs	Indiana Office of Utility Consumer Counselor
Public Service Commission of the State of Montana	NorthWestern Energy	D2018.2.12	Depreciation rates, service lives, net salvage	Montana Consumer Counsel
Oklahoma Corporation Commission	Public Service Company of Oklahoma	PUD 201800097	Depreciation rates, service lives, net salvage	Oklahoma Industrial Energy Consumers and Wal-Mart
Nevada Public Utilities Commission	Southwest Gas Corporation	18-05031	Depreciation rates, service lives, net salvage	Nevada Bureau of Consumer Protection
Public Utility Commission of Texas	Texas-New Mexico Power Company	PUC 48401	Depreciation rates, service lives, net salvage	Alliance of Texas-New Mexico Power Municipalities
Oklahoma Corporation Commission	Oklahoma Gas & Electric Company	PUD 201700496	Depreciation rates, service lives, net salvage	Oklahoma Industrial Energy Consumers and Oklahoma Energy Results
Maryland Public Service Commission	Washington Gas Light Company	9481	Depreciation rates, service lives, net salvage	Maryland Office of People's Counsel
Indiana Utility Regulatory Commission	Citizens Energy Group	45039	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Public Utility Commission of Texas	Entergy Texas, Inc.	PUC 48371	Depreciation rates, decommissioning costs	Texas Municipal Group
Washington Utilities & Transportation Commission	Avista Corporation	UE-180167	Depreciation rates, service lives, net salvage	Washington Office of Attorney General
New Mexico Public Regulation Commission	Southwestern Public Service Company	17-00255-UT	Cost of capital and authorized rate of return	HollyFrontier Navajo Refining; Occidental Permian

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Public Utility Commission of Texas	Southwestern Public Service Company	PUC 47527	Depreciation rates, plant service lives	Alliance of Xcel Municipalities
Public Service Commission of the State of Montana	Montana-Dakota Utilities Company	D2017.9.79	Depreciation rates, service lives, net salvage	Montana Consumer Counsel
Florida Public Service Commission	Florida City Gas	20170179-GU	Cost of capital, depreciation rates	Florida Office of Public Counsel
Washington Utilities & Transportation Commission	Avista Corporation	UE-170485	Cost of capital and authorized rate of return	Washington Office of Attorney General
Wyoming Public Service Commission	Powder River Energy Corporation	10014-182-CA-17	Credit analysis, cost of capital	Private customer
Oklahoma Corporation Commission	Public Service Co. of Oklahoma	PUD 201700151	Depreciation, terminal salvage, risk analysis	Oklahoma Industrial Energy Consumers
Public Utility Commission of Texas	Oncor Electric Delivery Company	PUC 46957	Depreciation rates, simulated analysis	Alliance of Oncor Cities
Nevada Public Utilities Commission	Nevada Power Company	17-06004	Depreciation rates, service lives, net salvage	Nevada Bureau of Consumer Protection
Public Utility Commission of Texas	El Paso Electric Company	PUC 46831	Depreciation rates, interim retirements	City of El Paso
Idaho Public Utilities Commission	Idaho Power Company	IPC-E-16-24	Accelerated depreciation of North Valmy plant	Micron Technology, Inc.
Idaho Public Utilities Commission	Idaho Power Company	IPC-E-16-23	Depreciation rates, service lives, net salvage	Micron Technology, Inc.
Public Utility Commission of Texas	Southwestern Electric Power Company	PUC 46449	Depreciation rates, decommissioning costs	Cities Advocating Reasonable Deregulation
Massachusetts Department of Public Utilities	Eversource Energy	D.P.U. 17-05	Cost of capital, capital structure, and rate of return	Sunrun Inc.; Energy Freedom Coalition of America
Railroad Commission of Texas	Atmos Pipeline - Texas	GUD 10580	Depreciation rates, grouping procedure	City of Dallas

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Public Utility Commission of Texas	Sharyland Utility Company	PUC 45414	Depreciation rates, simulated analysis	City of Mission
Oklahoma Corporation Commission	Empire District Electric Company	PUD 201600468	Cost of capital, depreciation rates	Oklahoma Industrial Energy Consumers
Railroad Commission of Texas	CenterPoint Energy Texas Gas	GUD 10567	Depreciation rates, simulated plant analysis	Texas Coast Utilities Coalition
Arkansas Public Service Commission	Oklahoma Gas & Electric Company	160-159-GU	Cost of capital, depreciation rates, terminal salvage	Arkansas River Valley Energy Consumers; Wal-Mart
Florida Public Service Commission	Peoples Gas	160-159-GU	Depreciation rates, service lives, net salvage	Florida Office of Public Counsel
Arizona Corporation Commission	Arizona Public Service Company	E-01345A-16-0036	Cost of capital, depreciation rates, terminal salvage	Energy Freedom Coalition of America
Nevada Public Utilities Commission	Sierra Pacific Power Company	16-06008	Depreciation rates, net salvage, theoretical reserve	Northern Nevada Utility Customers
Oklahoma Corporation Commission	Oklahoma Gas & Electric Co.	PUD 201500273	Cost of capital, depreciation rates, terminal salvage	Public Utility Division
Oklahoma Corporation Commission	Public Service Co. of Oklahoma	PUD 201500208	Cost of capital, depreciation rates, terminal salvage	Public Utility Division
Oklahoma Corporation Commission	Oklahoma Natural Gas Company	PUD 201500213	Cost of capital, depreciation rates, net salvage	Public Utility Division

Exhibit No. DJG-2

**Nevada Energy's Responses
to Data Requests**

SUPPLEMENT NV Energy

RESPONSE TO INFORMATION REQUEST

DOCKET NO:	20-07023	REQUEST DATE:	12-22-2020
REQUEST NO:	FEA 2-02 Supplement	KEYWORD:	Cole testimony, pg 9; recover current return, CWIP, preferred alternate plans, n
REQUESTER:		RESPONDER:	Hopps, Kimberly

REQUEST:

Reference: Page 9 Cole Testimony

Question: At page 9, Mr. Cole explains why the Company is proposing to recover a current return on Construction Work in Progress ("CWIP"). He states doing so will enhance the utility's cash flows (lines 20-21), better match cash flows to capital outlays (line 22), and mitigate potential negative impacts to credit quality (line 23). With respect to this testimony concerning the Company's Preferred and Alternate Plans, please provide the following, in electronic spreadsheet format with all formulas intact:

- a. The projection of the cash flows with and without a current return on CWIP over the period starting with the planning, through development, up through the period transmission plant is placed in-service, and for the first year after the transmission assets have been included in retail and wholesale rates.
- b. An estimate of the net present value revenue requirement with and without including a current return on CWIP starting at the planning phase up through the expected economic operating life of the transmission plant.
- c. For the planning phase and after the asset is placed in-service, please provide projected credit metrics using Standard & Poor's ("S&P") and Moody's methodologies, and provide documents from both S&P and Moody's outlining metrics benchmarks, and describe the calculation of the financial metrics that support Mr. Cole's conclusion that including a CWIP return in rate base will mitigate potential erosion of the Company's credit quality.

ORIGINAL RESPONSE:

RESPONSE CONFIDENTIAL (yes or no): No

ATTACHMENT CONFIDENTIAL (yes or no): Yes

Note: The confidential attachment(s) will not be available on the Company's website

JUSTIFICATION FOR CLAIM OF CONFIDENTIALITY: CER Analysis, Attachment FEA 2-02 b, contains commercially-sensitive information disclosure of which may negatively affect the Companies' position. Projections of credit metrics, Attachment FEA 2-02 c Amended Preferred Plan Credit Ratios, represent commercially-sensitive information. The rating agencies' methodology reports, the remaining Attachments FEA 2-02 c, are protected by copyright and reproduction or retransmission in whole or in part of these reports is prohibited.

TOTAL NUMBER OF ATTACHMENTS: Seven (Zipped)

RESPONSE:

a. Because the financial analysis was done in the financial model via an iterative process, there was not a with and without CWIP in rate base cash flow analysis completed. When modeling, it was identified that the cash requirements for the projects, especially at Sierra, lead to nearly all dividends being constrained and significant new debt issued leading to regulatory and credit risks, CWIP in rate base was added in order to partially customer-finance the project providing additional cash flow that would allow for a reduction in debt and the improved ability to manage the capital structure. As a result, the following rate base additions were modeled into the noted general rate cases for inclusion in customer rates before the projects go into service:

Year	Company	CWIP in RB Addition (\$000)
2022	SPPC	\$ 42,556
2023	NPC	\$197,550
2025	SPPC	\$294,675

b. An estimate of the The present worth revenue requirement (PWRR) for the Greenlink West Project with and without CWIP in rate base is as follows:

SPPC CWIP in RB	\$298,753
SPPC No CWIP in RB	\$305,058
NPC CWIP in RB	\$677,079
NPC No CWIP in RB	\$703,688

The inclusion of CWIP in rate base does not materially change the customers costs for the project, but it results in an overall savings. This treatment changes the timing of the recovery of some of the costs during construction reducing the AFUDC on the project and lowering total plant in service. It also provides gradual rate increases to prevent "rate shock" associated with an all-at-once inclusion in rates. On a PWRR basis, the increase in return on rate base and the timing of accelerated customer receipts is completely offset by the reduction in AFUDC.

c. See attached estimated S&P and Moody's credit metrics. The S&P and Moody's documentation is also attached. The CWIP in rate base allows NV Energy to collect cash from customers earlier than the project completion date, which provides additional cash flow from operations allowing NV Energy to reduce the total debt financing required for the project.

Because the primary credit metric used in our credit rating agency reviews is free cash flow from operations to debt, the reduction in debt increases the calculated metric. As noted in testimony, credit worthiness is one of the primary factors in determining the cost of issued debt so credit deterioration could cause an increase to the overall cost of debt for the utilities.

SUPPLEMENTAL RESPONSE:

RESPONSE CONFIDENTIAL (yes or no): No

ATTACHMENT CONFIDENTIAL (yes or no): Yes

Note: The confidential attachment(s) will not be available on the Company's website

JUSTIFICATION FOR CLAIM OF CONFIDENTIALITY: CER Analysis, Attachment FEA 2-02 b, contains commercially-sensitive information disclosure of which may negatively affect the Companies' position.

TOTAL NUMBER OF ATTACHMENTS: One (Zipped)

RESPONSE:

a. No change

b. CORRECTED An estimate of the The present worth revenue requirement (PWRR) for the Greenlink West Project with and without CWIP in rate base is as follows:

SPPC CWIP in RB \$298,753
SPPC No CWIP in RB \$291,584
NPC CWIP in RB \$675,964
NPC No CWIP in RB \$670,863

The inclusion of CWIP in rate base does not materially change the customers' costs for the project, but it results in an overall savings. This treatment changes the timing of the recovery of some of the costs during construction reducing the AFUDC on the project and lowering total plant in service. It also provides gradual rate increases to prevent "rate shock" associated with an all-at-once inclusion in rates. On a PWRR basis, the increase in return on rate base and the timing of accelerated customer receipts almost completely offset by the reduction in AFUDC.

c. No change.

NV Energy

RESPONSE TO INFORMATION REQUEST

DOCKET NO: 20-07023 **REQUEST DATE:** 11-24-2020
REQUEST NO: FEA 2-06 **KEYWORD:** recovery current return CWIP;
proposed preferred
alternative investments,
Green
REQUESTER: **RESPONDER:** Hopps, Kimberly

REQUEST:

Reference: Recovery current return CWIP

Question: If the Commission does not approve 100% recovery of a current return on CWIP in setting rates in Nevada, or if the FERC does not approve as proposed by the Company, would NV Energy abandon its proposed preferred or alternative investments for the Greenlink West and Greenlink North infrastructure developments? Please explain answer.

RESPONSE CONFIDENTIAL (yes or no): No

TOTAL NUMBER OF ATTACHMENTS: None

RESPONSE:

No. NV Energy reserves the right to review the components of all pertinent regulatory orders to determine specific courses of action, but at this time, there is no plan to abandon the Greenlink projects if the request for CWIP in rate base is denied.

Exhibit No. DJG-3

Affirmation of David J. Garrett

AFFIRMATION

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State of Oklahoma)
) ss.
County of Oklahoma)

I, David J. Garrett, do hereby swear under penalty of perjury the following:

That I am the person identified in the foregoing Direct Testimony and that such testimony was prepared by me or under my direct supervision; that the answers and information set forth therein are true to the best of my knowledge and belief as of the date of this affirmation; and that if asked the questions set forth therein, my answers thereto would, under oath, be the same.



David J. Garrett

Subscribed and sworn to before me
this 25th day of January, 2021.



NOTARY PUBLIC