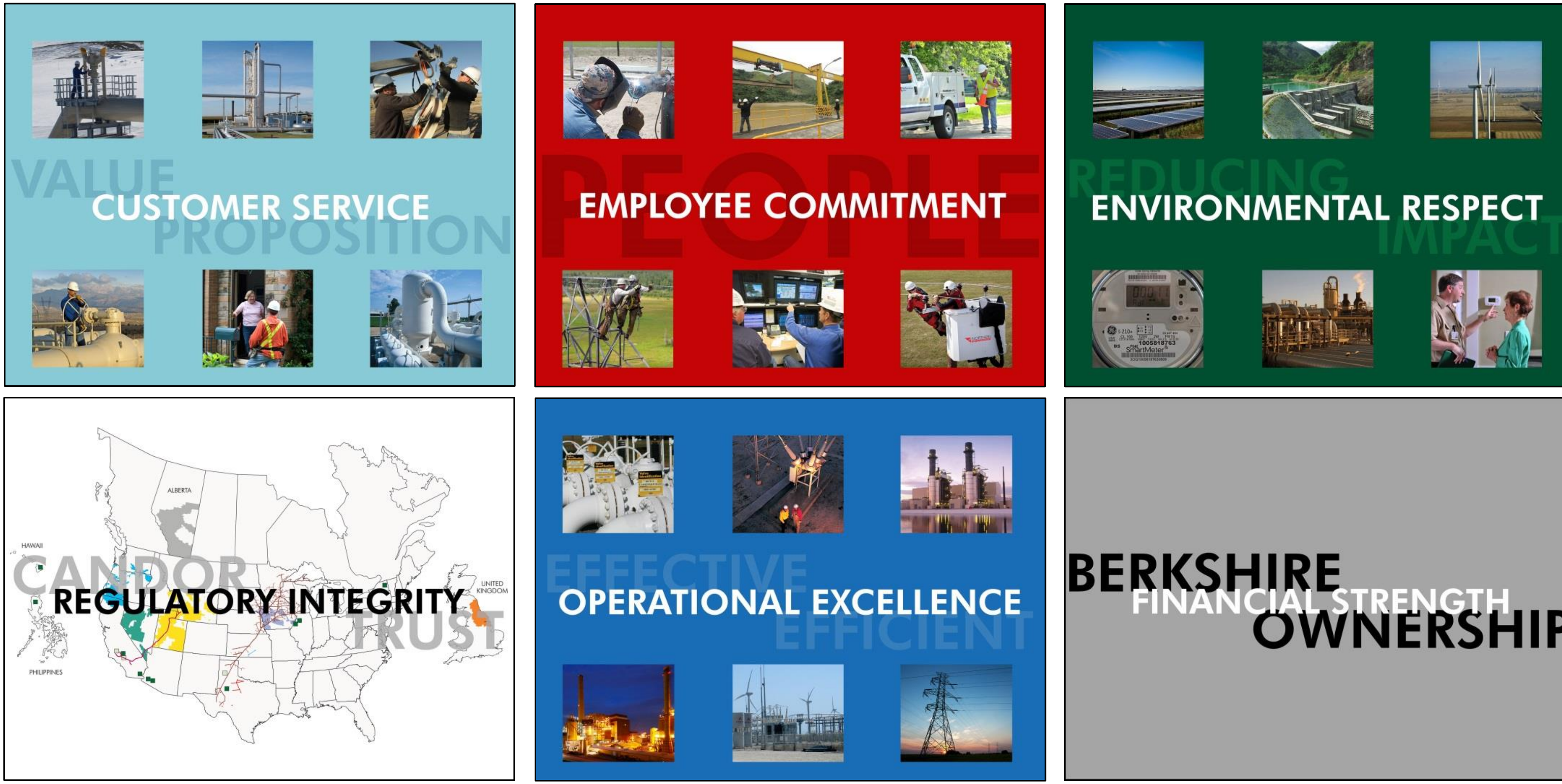

Impacts of Energy Choice on Long Term Agreements

Committee on Energy Choice’s Technical Working Group on Energy Consumer & Investor Impact: Divesting Assets & Investments

October 17, 2017

NVEnergy

Objectives

- Present to the working group a view of the contractual rights available to NV Energy to divest of long term contracts in light of potential Energy Choice legislation.

- NV Energy's expectation is that any Energy Choice legislation should allow NV Energy to honor its contractual commitments and avoid creating circumstances that would damage the reputation of the State of Nevada or NV Energy or harm its counterparties.

Agenda

- Long term agreements with terms beyond 2022:
  - Long term service agreements (3)
  - Power purchase agreements (46) (NV Energy is the seller for one)
  - Gas transportation agreements with pipelines (4 pipeline companies)
- Potential Implications of energy choice on long term agreements:
  - Potential obligation to divest
  - Potential inability of NV Energy to perform obligations under the agreements
    - If unable to perform its obligations NV Energy could be subject to claims for default for failure to perform and damages
- NV Energy's potential options for divesting of contracts are:
  - Terminate agreements
  - Assign agreements

Energy Choice Impacts on Long-Term Agreements

- The passage of Energy Choice that results in a transmission and distribution only utility would require the termination or assignment of long term agreements, under which NV Energy cannot perform.
- NV Energy may also incur transaction costs for the termination or assignment of the long term agreements or any payments that are required to facilitate termination or assignment.
- NV Energy would incur stranded costs equal to: a termination payment; or upon assignment the remaining value of the agreement less any compensation received, plus any transactions costs.

Long-Term Service Agreements

- There are two long term service agreements which may be terminated for a fee.
- The fee for termination is either a percentage of the remaining value of the agreement or the entire fee depending on the agreement.
- One long-term service agreement does not provide for early termination.
- The specific terms of these agreements cannot be discussed in this venue as they are subject to confidentiality agreements.

Power Purchase Agreements

Facility Name	Counterparty	Facility Name	Counterparty
Mountain View	NextEra	Nevada Solar One (SPPC)	Acciona
New Lahontan	TCID	NGP Blue Mountain	AltaRock
Nellis I	TerraForm	Silver State	Enbridge
SunPower	LVVWD	USG San Emidio	US Geothermal
Nevada CoGen #1	Northern Star	WM Renewable	WM Renewable Energy
Nevada CoGen #2	Rockland Capital	Switch Station 2 (Playa-NPC)	EDF Renewable
ACE Searchlight	DE Shaw	Switch Station 2 (Playa-SPPC)	EDF Renewable
RV Apex	Southern Company	Liberty (CalPeco)	Liberty Utilities
Colorado River Commission-Hoover	Bureau of Reclamation	Kingston	Young Brothers
FRV Spectrum	Southern Company	Mill Creek	Van Norman Ranches
Ft. Churchill	Apple	RO Ranch	BTAZ Nevada
Hooper	Hooper	Salt Wells	Enel
Apex Landfill	Republic Services	Stillwater	Enel
Spring Valley	Pattern	TMWA Fleish	TMWA
Tonopah Crescent Dunes	SolarReserve	TMWA Verdi	TMWA
TMWRF	City of Sparks	TMWA Washoe	TMWA
Techren 1	174 Power Global (Hanwha)	Desert Peak 2	Ormat
Techren 2	174 Power Global (Hanwha)	Galena 2	Ormat
Switch Station 1	EDF Renewable	Jersey Valley	Ormat
Beowawe	Terra-Gen	McGinness Hills	Ormat
Boulder Solar I	Southern Company	Tuscarora	Ormat
Boulder Solar II	AEP Renewables	Burdette	Ormat
Nevada Solar One (NPC)	Acciona	Galena 3	Ormat

No Contractual Right to Terminate Power Purchase Agreements

- None of the power purchase agreements have a provision permitting early termination.
- This is principally due to the fact that independent power producers finance power projects over long terms, which means financial institutions would not be interested in financing contracts with provisions which put at risk the long-term revenue stream under the power purchase agreement.
- These agreements may still be able to be terminated, but a counterparty would have to agree to early termination and would likely do so only with significant financial consideration being made to the counterparty.

Power Purchase Agreement Assignment Provisions

- Assignment is treated in three ways in NV Energy power purchase agreements:
  - Silent—a few power purchase arrangements for small facilities have no assignment provision, e.g. qualifying facility agreements. These contracts may not continue after Energy Choice, and may be assignable under Nevada law.
  - No assignment without consent of the counterparty.
  - No assignment without consent, but with certain limited exceptions when assignment may be made by NV Energy without counterparty consent.

No Assignment Without Consent

- Typical provisions that require consent for assignment:
  - Mutual Prohibition. Except as stated above, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by either Party, including by operation of Law, without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed. Any assignment of this Agreement in violation of the foregoing shall be, at the option of the non-assigning Party, void.
  - Assignment. Subject to Section 25 below, neither Party shall voluntarily assign this Agreement without the prior written consent of the other Party. Such consent shall not be withheld provided assignee has the demonstrated capabilities to undertake and assume all of the obligations under this Agreement. Any assignment made without first obtaining such consent will not serve to relieve the assignor of any of its obligations under this Agreement, nor shall the non-assigning Party have any obligations or liabilities of any kind to the assignee under such an assignment.

Agreements May Be Assigned Without Consent to a Utility

- Typical provision for assignment by consent with exceptions:
  - Buyer Assignment. Buyer may assign this Agreement or assign or delegate its rights and obligations under this Agreement, in whole or in part, without Supplier's consent (but with notice to Supplier), if such assignment is made to: (a) Sierra Pacific Power Company or an Affiliate of Buyer (provided, that, at the time of any such assignment, Sierra Pacific Power Company or the assignee which is an Affiliate of Buyer (i) is a public utility holding a certificate of public convenience and necessity granted by the PUCN pursuant to NRS Chapter 704 and (ii) does not have a lower Credit Rating than Buyer had on the Effective Date); (b) where such assignment does not occur by operation of law, any successor to Buyer provided such successor (i) is a public utility holding a certificate of public convenience and necessity granted by the PUCN pursuant to NRS Chapter 704 and (ii) does not have a lower Credit Rating than Buyer had on the Effective Date; or (c) a legally authorized governmental or quasigovernmental agency charged with providing retail electric service in Nevada (provided, that, at the time of any such assignment, such assignee does not have a lower Credit Rating than Buyer had on the Effective Date).

Agreements May Be Assigned Without Consent to an Entity With a Minimum Credit Rating

- Typical provision for assignment with consent with exception for a counterparty with a minimum credit rating:
  - 23.1.2 Buyer also may assign this Agreement, in whole or in part, without Supplier's consent, to a Person whose Credit Rating, as published by either Relevant Rating Agency, is equal or superior to the Minimum Credit Rating as of the time of assignment.

Gas Transportation & Storage Contracts

Pipeline	Number of Gas Transportation or Storage Agreements
TransCanada Foothills System	1
TransCanada Gas Transmission Northwest	3
Northwest Pipeline	1 Storage Agreement
Paiute Pipeline	None at this time past 2022, but will be renewed for LDC
TransCanada Tuscarora Gas Transmission	1
Kern River Gas Transmission	7
Southwest Gas	1

Gas Transportation & Storage Contracts

- NV Energy’s gas transportation and storage agreements are governed by contract and the pipeline’s tariff.
- The gas transportation contracts or tariffs do not have early termination provisions.
- The gas transportation tariffs have similar tariff provisions which require consent to assignment, which consent cannot be unreasonably withheld.
- Gas can be released through capacity releases, but NV Energy would be responsible for any cost differential.
- If NV Energy continues to operate its local gas distribution company some of the gas transportation and storage agreements will need to be retained to meet those needs.

Other Agreements & Timing for Restructuring

- NV Energy enters into other agreements such as confidentiality agreements, natural gas supply agreements, which have shorter terms and are not included in this presentation as Energy Choice implementation timing is not now known.
- Once Energy Choice timing is known, those contracts will need to be analyzed to determine whether any action is required in light of Energy Choice.

Summary

- Termination:
  - Two long term service agreements can be terminated for convenience with a fee.
  - The power purchase agreements and natural gas transportation and storage agreements do not provide for a termination for convenience.
  - It may be possible, but unlikely, to buyout and terminate the agreements for a fee.
- Assignment:
  - Assignment only with consent of the counterparties.
  - Assignment without consent to a utility company providing retail electric service in Nevada. A utility company in Nevada today is an entity that holds a certificate of public convenience and necessity and is regulated by the PUCN pursuant to NRS 703 and 704. A retail energy provider in an Energy Choice marketplace would likely not qualify as a utility under the law as presently constituted.
  - Assignment to a counterparty that meets a minimum credit rating.
  - Four power purchase agreements are silent on assignment.
  - Assignments may require payments to compensate counterparties for a change in risk profile of their counterparty or lower market prices than remaining contract value.
- Important:

Any Energy Choice legislation should allow NV Energy to honor its contractual commitments and avoid creating circumstances that would damage the reputation of the State of Nevada or NV Energy or harm NV Energy or its counterparties.