

Ballot measure would end NV Energy monopoly

By Michelle Rindels, AP

A proposed ballot measure called the Energy Choice Initiative aims to deregulate electrical service in Nevada, opening up the market to providers other than NV Energy – the sole provider in most parts of the state. Here's how it came about and what it could mean for consumers.

Nevada laws allow investor-owned utility companies to be monopolies in their service territories. The governor-appointed members of the Nevada Public Utilities Commission act as a substitute for the competitive forces of the market, approving or rejecting rate changes so companies like NV Energy can make a reasonable profit but aren't gouging customers.

The regulated monopoly model has emerged over the past century as the state sought to make it worth companies' while to bring expensive electrical infrastructure to Nevada, but critics say the model is outdated as it becomes cheaper to generate energy and as renewable energy sources become more mainstream.

The initiative petition would enshrine in the Nevada Constitution the right for customers to choose their energy provider and to produce their own power to sell to others. It directs the Nevada Legislature to pass laws authorizing an open, competitive electricity market by mid-2023.

The proposed constitutional amendment notes that lawmakers don't need to deregulate electricity transmission or distribution. That means businesses and homes might buy electricity from different providers, but a single company could control all of the power lines in a given service territory.

Several major Nevada companies have tried to leave NV Energy's network in recent years and make or find their own power. They include Wynn Resorts, MGM Resorts and Las Vegas Sands, which consume massive amounts of electricity at their 24/7 casinos and might be able buy cheaper power on wholesale markets.

The Public Utilities Commission allows the companies to leave the grid but is charging them one-time "exit fees" of \$86.9 million for MGM, \$15.7 million for Wynn and \$23.9 million for Sands, with the potential of additional fees in the future.

Regulators say big companies' departures could leave the broader customer base stuck with the bill for infrastructure that takes decades to pay off, and was built assuming big companies – which account for 7 percent of the utility's customer base – would keep paying into the system.

The companies have challenged the fees but so far haven't prevailed.

A PAC called Nevadans for Affordable, Clean Energy Choices filed the initiative petition in February, but the group has not identified its backers and isn't required to disclose its donors until May 24. Among the companies who have recently pushed to leave the monopoly, MGM Resorts officials say they are not associated with the initiative, while Wynn Resorts officials say the company hasn't taken a position on the measure or contributed to the PAC.

Representatives for the Las Vegas Sands declined to comment when asked whether they supported the ballot measure or donated to the affiliated PAC.

Electric carmaker Tesla and data storage company Switch have publicly supported the measure, saying it fits in line with their company values and would create opportunities in renewable energy.

NV Energy is not fighting the measure. CEO Paul Caudill says

the company wants what's best for Nevada and is willing to "work in a constructive fashion" on the issue of deregulation.

Lawmakers laid the groundwork to deregulate Nevada's electrical utilities in the late 1990s and early 2000s.

But as Nevada worked toward that goal, instability emerged in neighboring California's newly deregulated electrical markets. Electrical bills spiked and power shortages led to rolling blackouts during the energy crisis in 2000 and 2001.

Amid fears deregulation was too risky, then-Gov. Kenny Guinn halted the project in Nevada.

Petition supporters need to gather about 55,000 valid signatures from Nevada voters to qualify the measure for the November ballot. The deadline to submit the signatures to the counties for verification is June 21.

If the measure meets the signature threshold, it must prevail on the 2016 and 2018 ballots before it becomes part of the state constitution.

PAC lawyer Matt Griffin says the petition has been well-received, but couldn't say how many signatures it's gathered yet.

The measure comes at a time when Nevada consumers are especially tuned in to energy issues. Regulators approved higher rates last year for customers with rooftop solar panels, and solar companies that laid off workers because of the change are supporting a separate, widely publicized ballot measure to reverse the rate change.

Deregulation has taken different forms in the numerous states that have pursued it, and experts say it can be a good or a bad thing for consumers depending on how it's executed. Opening up an electricity market can drive competition and lower prices, or it can come with new problems, such as

exposing customers more directly to rate hikes and enabling the rise and ultimate collapse of companies, like that of energy giant Enron.

The proposed constitutional amendment is vague and gives the Legislature wide latitude on how it develops a deregulated structure.

Rebecca Wagner, an energy consultant and former member of the Public Utilities Commission, says she would like proponents to offer more specifics about how they'd go about deregulation before she could say whether it's the right way to go.