Ballot Question 3 – the BIG Picture

Q&A from Raft River Rural Electric Co-op, Inc.

Q. What is Ballot Question 3 supposed to do?

A. Question 3, also called the Energy Choice Initiative, is an amendment to the Nevada Constitution that will require the Nevada Legislature to enact laws that establish an open, competitive retail electric energy market by June 30, 2023. In essence, Question 3 is intended to enable consumers to choose the source of their electric energy.

Q. Will I still be connected to my current utility company?

A. Yes. Question 3 will enable you to choose which company provides the electric energy but the wires and meter connecting your home or business to the grid will still be owned by Raft River Rural Electric Co-op, Inc. The laws implementing Question 3 may limit Raft River Electric to just being a "poles and wires" company, responsible only to maintain the local power lines.

Q. Will I be able to buy cheaper electric energy?

A. Maybe in some of the urban areas of the state. But in rural communities like ours, where we're lucky to have even one grocery store, it's hard to imagine that for-profit electric energy providers will be interested in serving our members and will be able to offer rates lower than ours. Remember, the primary reason Raft River Electric was formed in the first place is that private utilities (called investor-owned utilities) weren't interested in serving so few consumers spread over such a large area because it wasn't profitable. Only the not-for-profit, locally governed, community based utility model has proven it can affordably bring safe and reliable electric energy to you.

Q. Question 3 suggests lower rates, so aren't my rates guaranteed to go down?

A. The language of Question 3 suggests lower rates but neither the backers of Question 3 nor the Nevada Legislature can control competitive markets. Prices for electric energy are just as likely to go up as they are to go down. In fact, in hearings conducted by the Public Utilities Commission of Nevada (PUCN) on Question 3, the authors and the financial backers of the initiative refused to go on the record and state that the initiative would actually lower rates for average residential families.

Q. Competitive retail markets have been established in other States. Why is Nevada different?

A. While it's true that a small number of other States have established competitive retail electric markets, none have gone through this in the last 20 years because of the energy crisis in California caused by Enron market manipulation in 2000. Further, none have ever used a Constitutional amendment to terminate the current system of energy supply. Question 3 will give the same importance to the right to choose a retail energy provider that the Constitution gives to the freedom of speech and the right to vote.

Amending the Constitution is a lengthy process. If for any reason Nevadans want to make changes, it will be a minimum of six more years before another Constitutional amendment can be enacted. It will be very difficult to go back to the way things are today.

Q. How do electric rates in Nevada compare to other States?

A. It can be challenging to ensure that you are comparing apples to apples when comparing rates. However, a report from the Energy Information Administration, a federal agency, offers valuable insight. The nationwide average cost for electric energy for residential consumers was 12.55 cents per kilowatt hour (kWh) in 2016. The average cost of electric energy from traditional integrated utilities for residential consumers was slightly less than average at 12.34 cents per kWh. The average cost for electric energy from competitive service providers was 25% higher at 15.46 cent per kWh. In other words, in states that have established competitive retail markets, the cost of electric energy is actually higher than in those served by the traditional electric utility model.

Q. Some call Question 3 de-regulation. Is it actually de-regulation?

A. The simple answer is that creating competitive retail electric markets is not de-regulation. It is re-regulation. The Nevada Bureau of Consumer Projection and the PUCN both will have to develop new regulations to protect consumers in a competitive market and to ensure generating capacity to meet consumer needs is actually constructed. The PUCN provided a detailed fiscal analysis to the Legislative Counsel Bureau and reports that it will incur $4.4 million in new costs to regulate the new retail market.

Q. Has Question 3 been analyzed to determine if it is good for Nevada?

A. At the request of the Governor's Committee on Energy Choice, the PUCN conducted an extensive analysis of Question 3. The findings were not favorable. Some of the key findings stated in their report, which was adopted April 30, 2018, are:

- Question 3 is reasonably likely to increase the average monthly electric bills of Nevadans at least in the short term, i.e. for the first ten years.
- Large commercial customers will likely see more immediate benefit from Question 3.
- No state has ever deregulated its energy markets or made energy policy by amending its state constitution…which makes Question 3 relatively permanent.
- Question 3 will cause new exposure for Nevada ratepayers to market volatility and profit-driven ratemaking practices.
- Question 3 will cost in excess of $100 million in new startup costs, thereafter $45 million in new annual system operating costs.
- Net energy metering, i.e. rooftop solar, will likely be negatively affected by Question 3.
- The California Independent Operator appears the most viable option for Nevada to participate in an organized wholesale market.

- Nevada ratepayers will remain liable for any financial losses incurred by NV Energy from stranded costs, which could foreseeably exceed several billion dollars.

Ballot Question 3 – the Impact on YOU the Member

Q&A from Raft River Rural Electric Co-op, Inc.

Q. Does Question 3 apply to our county?

A. Yes. As stated in the PUCN report "…the Energy Choice Initiative will apply to Nevada rural electric cooperatives and municipalities and grant every member a new constitutional right to choose their own electric provider."

Q. What is Raft River Rural Electric Co-op, Inc.?

A. It is a not-for-profit, electric utility created on January 17, 1939. It is governed by board members elected from members living in Raft River Electric's service territory. The board establishes policies and sets the rates for electric service. Raft River Electric operates to provide electric service at cost. In contrast, most people are familiar with utilities that are private corporations that operate in the big cities. These businesses are usually owned by shareholders and like any business they are operated to generate a rate of return for their shareholders. NV Energy is such a utility. Because these utilities are operated for a profit and because they are monopolies with designated service areas, they are regulated by state governmental agencies. In Nevada it is the PUCN. Among other things, the PUCN sets the rate of return the investor-owned utility can earn, determines the areas the utility can serve, and works to resolve customer complaints against the investor-owned utility.

Q. How does Raft River Rural Electric Co-op, Inc.'s rates compare to others?

A. According to the March 2018 edition of the Electric Power Monthly published by the Energy Information Administration, the average residential rate for all of Nevada is 12.62 cents per kWh. In comparison, the average residential rate for usage from Raft River Electric is 8.3 cents per kWh. Raft River Electric is one of the lowest cost providers of electric energy in the state and has rates well below those states with competitive retail choice. In fact, the February edition of the Electric Power Monthly reports the average residential rate in Texas at 11.08 per kWh. Texas is generally regarded as the state with the most successful competitive retail market.

Q. What is at stake for the people of Nevada?

A. The bottom line is that Question 3 presents a concept. It offers no details and no solutions regarding very real power delivery issues. It leaves all the details to the Legislature. The Nevada Legislature has 63 members, of which only 5 represent areas served by rural utilities like Raft River Electric. Depending on how the legislature pens the laws to implement Question 3, it very likely could:

- Prevent Raft River Electric from selling energy. Raft River Electric may just become a poles and wires company. You will purchase your energy from a new middleman called a retail energy provider. Retail energy providers are for profit businesses. Raft River Electric is a not-for-profit co-op.
- Cause Raft River Electric to lose access to hydropower. The energy Raft River Electric provides comes mainly from hydropower, which is one of the lowest cost resources available. Retail energy providers will not have access to hydropower under Federal law. They will buy energy on the wholesale market, add a profit markup to it, and resell that energy to you.
- Require NV Energy, the investor-owned utility serving Las Vegas and Reno, to sell off all their generation plants. The difference between the book value of these plants and what they actually sell them for is called stranded costs. These stranded costs may be charged to all consumers in Nevada as an adder on their power bill.
- Require NV Energy to transfer the transmission grid in Nevada to an independent system operator. The only independent system operator in the western U.S. is the California Independent System Operator (CALISO). CALISO transmission rates are significantly higher than those in Nevada. Raft River Electric uses the transmission grid. Transfer of this grid to CALISO may result in a significant cost increase.

Q. How can I get more information?

A. Raft River Electric will be providing additional information for you to consider on its website @ www.rrelectric.com. To view a copy of the PUCN report, go to http://pucweb1.state.nv.us/PDF/AxImages/DOCKETS_2015_THRU_PRESENT/2017-10/29168.pdf.

And as always, you are welcome to contact us with any specific questions you may have.

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