15-05017

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MGM Resorts International

FILED WITH THE PUBLIC UTILITIES COMMISSION OF NEVADA - 9/8/2015

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Application of MGM Resorts International to purchase energy, capacity, and/or ancillary services from a provider of new electric resources in accordance with the Provisions of NRS Chapter 704B and NAC Chapter 704B	))))))	Docket No. 15-05017

Supplemental Direct Testimony:

Mark E. Garrett

On behalf of

MGM Resorts International

September 4, 2015

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SECTION I - INTRODUCTION AND SUMMARY OF TESTIMONY

Q1: PLEASE STATE YOUR NAME AND OCCUPATION.

A1: My name is Mark Garrett. I am the President of Garrett Group LLC, an Oklahoma City based firm specializing in public utility regulation, litigation and consulting services.

Q2: ON WHOSE BEHALF ARE YOU APPEARING IN THESE PROCEEDINGS?

A2: I am appearing on behalf of MGM Resorts International ("MGM").

Q3: HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?

A3: Yes, I filed direct testimony in this docket on May 12, 2015.

Q4: WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY IN THIS PROCEEDING?

A4: The purpose of my supplemental direct testimony is to provide the Public Utilities Commission of Nevada ("Commission") with an update on the discussions among MGM, Regulatory Operations Staff ("Staff"), Nevada Power Company ("Nevada Power" or "Company"), and the Bureau of Consumer Protection ("BCP") that have taken place since MGM filed its 704B Application in this docket to resolve various issues regarding MGM's 704B Application, and to provide MGM's position on several unresolved matters.

SECTION II – UPDATE ON ACTIVITIES AND DISCUSSIONS WITH STAFF, NEVADA POWER AND BCP SINCE MGM FILED ITS 704B APPLICATION IN THIS DOCKET

Q5: PLEASE DISCUSS THE VARIOUS ACTIVITIES, MEETINGS AND DISCUSSIONS MGM HAS TAKEN PART IN SINCE IT FILED ITS 704B APPLICATION ON MAY 12, 2015.

A5: On May 21, 2015, MGM met with Staff, Nevada Power, and BCP to address MGM's 704B Application. The parties worked to finalize MGM's load and related inputs in

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order to help Staff develop its initial impact fee analysis. The parties primarily addressed which MGM meters should be included within MGM's 704B Application, MGM's continuing development of solar arrays on its properties, and its past and future energy efficiency programs.

Regarding MGM's meters, Nevada Power had provided MGM a list of meters that they believed qualified, but in fact, included several meters that did not meet the threshold qualifications pursuant to NAC 704B.300. After a significant amount of discussion, MGM and the parties agreed on what meters should be included within the Application, and MGM agreed to file a revision to its application that removed several meters as a non-material amendment to Exhibit B of its application. The parties also discussed MGM's load forecast and MGM agreed to provide additional monthly detail for the full ten years of its load forecast in Exhibit A of its application.

On May 27, 2015, MGM filed revised Exhibits A and B to its 704B Application in this docket to reflect the agreed-to meters that qualify under NRS 704B and a detailed ten year forecast by property and by month as part of MGM's Application.

On June 23, 2015, MGM attended the prehearing conference in this docket. At that hearing, all parties agreed to delay this docket, as well as dockets 15-05002 and 15-05006, by 60 days in order to allow Staff, other parties, and the Commission additional time to fully evaluate the pending 704B applications and conduct an investigation into the Commission's interest in a non-by-passable mechanism in lieu of an exit fee for specific items (PUCN Docket #15-056019).[1]

On June 24, 2015, Staff released its initial impact fee analysis (the "First Analysis"). The parties understood that this First Analysis would be subsequently

[1] The written stipulation was filed in this docket on June 26, 2015.

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revised due to the stipulation delaying the proceedings by 60 days and the expected filing by Nevada Power of a new integrated resource plan (IRP), _See_ PUCN Docket #15-07004. However, the First Analysis served as a good catalyst for each of the parties involved to vet the impact fee methodology going forward and Staff indicated that it planned to make additional changes to its analysis to reflect more current information from the IRP and the recently issued Switch decision. [2]

Q6: DID MGM HAVE ANY CONCERNS WITH THE JUNE 24, 2015 ANALYSIS?

A6: Yes. The June 24, 2015 analysis contained multiple areas of concern for MGM. The first was the total billing determinants used in the analysis. Upon review by MGM it was determined that the total volume of historical kilowatt hours used by the MGM meters subject to this application was overstated by approximately 12 percent. The discrepancy was primarily the result of mis-categorizing self-generated power at MGM's ARIA property and double-counting energy used by the Monte Carlo, as this property is served via the Bellagio substation and its usage was already accounted for in the billing determinants. MGM met with Staff, Nevada Power, and BCP to address these issues and they were corrected in subsequent versions of the analysis.

The second area of concern to MGM related to "Other Obligations." MGM questioned why it would continue to pay for Energy Efficiency programs if it was no longer eligible to participate in such programs, why specific new generation which has not been approved by the PUCN (and may not be necessary) was part of Staff's instructions for the June 24, 2015 analysis, as well as several other smaller items.. MGM's concerns on these issues were largely addressed by Staff in subsequent

[2] Docket No. 14-11007.

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instructions to Nevada Power which recommended market power prices be substituted for new unapproved generation additions and elimination of the Energy Efficiency line item, among other charges.

Staff then issued a revised draft impact analysis based upon new ProMod runs performed by the Company and provided to MGM on August 4, 2015. MGM met with Staff, BCP and Nevada Power on August 7, 2015, to discuss these preliminary results. Shortly thereafter, MGM discovered significant errors identified with Nevada Power's modeling related to LSR tariffs. Staff worked with MGM to correct these errors just before Staff's *Final Impact Analysis* was due and incorporated the resulting additional over $5M related reduction in impact fee in Staff's *Final Impact Analysis*.

Q7: WHAT HAPPENED AFTER THOSE ISSUES WERE RESOLVED?

A7: Staff issued is its *Final Impact Analysis* on August 18, 2015. This analysis included all of the corrections worked out between MGM and Staff regarding the billing determinant discrepancies discussed above. Staff's *Final Impact Analysis* also incorporated Staff's interpretation of the directions provided by the Commission in its final order in the Switch exit application[3] concerning uncertain costs that extend past the traditional 3-year period for exit fee computations. These longer-term costs identified by the Commission include REPR costs, TRED costs, Energy Efficiency Program costs, long-term above-market renewable energy contract costs and SB 123 costs.[4] Staff addressed the Commission's concerns articulated in the Switch decision by recommending a two-part exit fee approach that includes the following two components:

[3] Docket No. 14-11007.

[4] *See* paragraph 126 for the Commission's order in Docket No. 14-11007.

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(1) *a lump-sum payment based on a 6-year*, rather than a 3-year exit fee calculation for BTGR, BTER, and ERCR-related plant acquisition costs[5] and

(2) *a non-bypassable surcharge* for above-market renewable energy contract costs, SB 123 regulatory asset costs, REPR, TRED and Merrill Lynch costs.

SECTION III – MGM'S INTENTION TO CONTINUE PURSUING ITS 704B EXIT

Q8: AFTER REVIEWING STAFF'S FINAL IMPACT FEE, IS MGM STILL INTERESTED IN PURSUING ITS 704B APPLICATION?

A8: Yes. Although Staff's *Final Impact Analysis* recommendations result in a significant exit fee, MGM intends to continue pursuing its 704B exit application as market prices for electricity in Nevada are significantly lower than NPC's rates, now, and for the foreseeable future. Even with the added costs of an exit fee, MGM should be able, within a few years, to begin putting money back into the Nevada economy that it now spends to pay NPC's above-market prices for power.

Q9: DOES MGM HAVE ANY OTHER REASONS FOR PURSUING ITS 704B APPLICATION?

A9: Yes. NPC is significantly over-earning and has been for several years. Further, the utility seems tone-deaf to the current and ongoing economic recession. Instead of filing applications at the Commission to reduce its rates, to eliminate its over-earnings and to bring its prices in line with market-based prices in the region, NPC has continued to seek further increases, even when those increases are clearly not in the public interest and are detrimental to the Nevada economy.

A recent example is the Company's request in Docket No. 14-05003 to add the Moapa solar project to rate base at a cost to ratepayers of more than $50M per year.

[5] Nellis, SunPeak, LV Cogen and Silverhawk.

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The price of the project was more than twice the market rate for solar power. Fortunately, the Commission rejected the Company's Moapa plan, but that fact does not excuse the Company's conduct of aggressively pursuing a profit-motivated project at above-market rates that are not in the public interest. A more recent example can be seen in the Company's current IRP docket, Docket No. 15-07004, in which the Company proposes terminating its 570MW PPA with Griffith Energy. Nevada Power's IRP shows a significant net open position which the IRP shows being met with a new Company owned 706MW combined cycle plant in 2020. The price of adding new capacity compared to the market-based price of existing capacity for 570MW is estimated to increase ratepayer costs by more than $70M per year. Again, the Company's efforts appear to be driven by a desire to add to its rate base to increase earnings. Because the Company's rates are far above market, NPC should be looking for ways to lower its rates, not raise them.

Q10: TO WHAT EXTENT HAS THE COMPANY BEEN OVER-EARNING?

A10: According to the Company's own filings, between 2012 and 2014, the years between its 2011 and 2014 rate cases, it over-earned approximately $84M. The calculations supporting the $84M excess earnings are set forth at *Exhibit MEG-Supp 1* attached to this testimony. According to *Exhibit MEG-Supp 1*, the Company's actual return on equity for those years was 11.40% for 2012, 10.89% for 2013 and 11.98% for 2014, when NPC's authorized return on equity was 10%.

The Company continues to over-earn in 2015. Although the Company's authorized return for the next three years beginning in 2015 is 9.8%, according to Company filings in Docket No. 13-07021, the actual return on equity was 11.2% for the period ending March 31, 2015 and 11.03% for the period ending June 30, 2015. This prolonged trend of over-earning violates the regulatory compact. A regulated monopoly such as NPC should not be permitted to consistently over-earn at the expense of its captive customers. This is an important factor in MGM's decision to pursue its 704B exit application.

SECTION IV – MGM'S REMAINING CONCERNS AND ALTERNATIVE PROPOSALS

Q11: DOES MGM HAVE ANY CONCERNS OR ALTERNATIVE PROPOSALS RELATED TO STAFF'S PROPOSED FINAL EXIT FEE ANALYSIS?

A11: Yes. As I mentioned before, Staff is recommending a two-part approach for the exit fee assessment.

(1) *a lump-sum payment based on a 6-year*, rather than a 3-year calculation for BTGR, BTER, and ERCR costs[6] and

(2) *a non-bypassable surcharge* for above-market renewable energy contract costs, SB 123 regulatory asset costs, REPR, TRED and Merrill Lynch costs.

MGM recommends three important changes to Staff's recommended approach and several other smaller issues with the understanding that if MGM identifies additional issues during the continued processing of its application it will make appropriate recommendations to the Commission so that the Commission may fairly determine the terms, conditions and costs associated with MGM's departure:

1. Calculate the exit fee for the BTGR, BTER and ERCR costs based on a 3-year rather than 6-year period.

2. Limit the term of the, non-bypassable surcharge for renewables, SB 123,

[6] Nellis, SunPeak, LV Cogen and Silverhawk.

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REPR, TRED and Merrill Lynch costs to a fixed 6-year period.

3. Recover the BTGR, BTER and ERCR costs, like the non-bypassable surcharge, through monthly payments based on MGM's actual usage levels over the same time period these costs would have been incurred rather than in a lump-sum present value payment at the time of exit.

4. Finally, the Commission should attribute all off-system sales created solely through MGM's departure to MGM as an offset to MGM's non-bypassable surcharge as such sales are incurred. And when MGM is assessed its fair share of SB 123 Regulatory Assets in general rate cases, its fair share should be determined based upon the same allocation of those costs as MGM is allocated such costs pursuant to rate design methodologies typically applied by the Commission in general rate case.

Q12: PLEASE EXPLAIN THE RATIONALE FOR YOUR FIRST RECOMMENDATION TO CALCULATE THE BTGR, BTER AND ERCR COSTS OVER A 3 YEAR PERIOD.

12: The rationale is to recommend a balanced approach to address the *specific* concerns raised by the Commission in the Switch Order that an exit fee based on 3-year analysis is an insufficient time period for certain long-term costs.

In the Switch case, in Docket No. 14-11007, the *entire* proposed exit fee analysis was limited to a 3-year period based on the fact that 3-year calculations have been the norm in prior 704B exit applications. The Commission found this approach inadequate to address NPC's current long term must-take resource contracts and renewables programs. Specifically, the Commission found that a 3-year exit fee calculation is insufficient to address long term must-take renewable resource contracts, SB 123 costs, REPR, TRED and energy efficiency program costs, "all of which extend

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beyond the next 3-year period."[7]

Thus, for purposes of MGM's exit fee calculation, Staff has recommended doubling the time frame for exit fee analysis – from 3 years to 6 years – *plus* adding a non-bypassable surcharge that extends indefinitely for specific long term costs identified by the Commission in the Switch case. MGM asserts that an across-the-board doubling of all cost components, plus a non-bypassable surcharge, is not necessary to address the Commission's concerns raised in the Switch Order. MGM agrees with Staff that each of the long-term renewable cost items identified by the Commission should be extended beyond the initial 3-year analysis through the assessment of a non-bypassable surcharge. However, MGM recommends the non-bypassable surcharge should be limited to 6 years (for reasons explained further below). Moreover, with this surcharge in place, it appears unnecessary to also extend the analysis period for the BTGR, BTER and ERCR costs beyond the 3-year analyses followed in prior 704B cases.

Q13: PLEASE EXPLAIN THE RATIONALE FOR THE SECOND RECOMMENDATION.

A13: Staff's recommended approach is that the non-bypassable surcharge for renewables, SB 123, REPR, and Merrill Lynch costs continues indefinitely. MGM asserts, based upon the Company's updated data, the non-bypassable surcharge should extend for a fixed, 6-year period. The rationale for this recommendation is that it provides more certainty in the exit fee calculation. Moreover, based upon the Company's own projections, any increase in BTER costs to the remaining customers (including the costs that will ultimately be recovered through the non-bypassable surcharge) will have been fully

[7] *See* Commission Order on 6/11/15 in Docket No. 14-11007, paragraph 126.

paid by the exiting customers by the end of the 6-year period.

On August 4, 2015, NPC provided MGM its revised calculations based upon Staff's Second Directive for NPC to perform exit fee calculations using assumptions from NPC's recent 2015 IRP filing. This analysis showed a 10-year BTER strip for the difference in BTER costs generated from ProMod runs with MGM both on and off the system. Even using NPC's new lower cost gas forecast, and the lower load growth assumptions from the 2015 IRP docket, the data shows a net benefit to NPC's system from MGM's departure starting in Year 7. Based on this data, MGM recommends a fixed 6-year period be used for the non-bypassable surcharge. Each cost component is summarized here, and discussed in further detail below:

Above-Market Renewable Energy Costs: In NPC's 10-year BTER strip, the total BTER costs, including the above-market renewables, turns negative in Year 7, meaning that the BTER related costs that are avoided as a result of MGM's departure will exceed the costs of the above-market renewables after six years.

TRED: TRED costs are insignificant when compared to the BTER benefit MGM leaves on the system after Year 6. Even when included with the above-market renewables contracts, the BTER benefits that MGM leaves on Nevada Power's system after 6 years completely offsets these cost.

REPR : REPR costs are negative (*i.e.*, serve as an offset in the net calculation). MGM would relinquish any claim it has on this balance after the fixed 6-year period.

SB 123: Stranded costs associated with SB 123 plant closures including decommissioning and site remediation costs should be fully known and quantified by the end of the 6-year period. Any unpaid SB 123 balance at the end of the 6-year period could be determined at that time.

Merrill Lynch: Merrill Lynch costs are fully amortized and recovered after

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four years.

Q14: PLEASE EXPLAIN YOUR VIEWS ON EACH OF THESE ITEMS IN MORE DETAIL STARTING WITH THE <u>ABOVE-MARKET RENEWABLE ENERGY</u> COSTS.

A14: NPC's analysis, based on its recently filed 2015 IRP, showed a 10-year BTER strip for the difference in BTER costs generated from ProMod runs with MGM both on and off the system. Even with NPC's lower cost gas forecast and the lower load growth assumptions from the 2015 IRP docket, the Company's calculation still shows a net reduction in BTER for remaining customers as a result of MGM's departure in Year 7 and beyond. Thus, even including the above-market renewables contract prices in the ProMod assumptions, customers remaining on the system receive a benefit and begin saving money in Year 7 because of MGM's departure. In years 8, 9 and 10 the net benefits to remaining customers continue to increase for even more significant savings. It would be disingenuous to contend that MGM should continue paying the above-market renewables costs past Year 6, at which point customers remaining on the system actually begin realizing significant net savings from MGM's departure.

Q15: WHAT ARE THE NET BTER COSTS AND BENEFITS FOR THE 10-YEAR PERIOD?

A15: The 10-year BTER from the Company's ProMod runs <u>include</u> the above-market renewables costs. The projected net BTER costs and benefits by year is set forth in the table below:

Table 1 – NPC's 10-Year BTER Strip

YR 1 2016	YR 2 2017	YR3 2018	YR4 2019	YR5 2020	YR6 2021	YR7 2022	YR8 2023	YR9 2024	YR10 2025
$14.2M	$15.6M	$10.4M	$8.1M	$4.3M	$1.7M	-$1.9M	-$4.8M	-$6.9M	-6.3M

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As shown in the table above, even with the above-market renewables included, MGM's departure results in a net benefit to the system after Year 6. Thus, it appears reasonable to cut-off the non-bypassable surcharge for the above-market renewables after Year 6.

Q16: PLEASE EXPLAIN WHY THE <u>TRED COSTS</u> SHOULD BE CUT-OFF AFTER 6 YEARS.

A16: As I explained above, the net 10-year BTER estimates show a significant benefit to the system from MGM's departure in Year 7, even when the above-market renewable contracts are included. The net annual benefit for Years 7 through 10 certainly is large enough to offset the TRED costs as well. MGM's share of the TRED costs is only about $0.6M per year. That amount is far less than the -$1.9M benefit in Year 7, the -$4.8M benefit in Year 8, the -$6.9M benefit in Year 9, and the -$6.3M benefit in Year 10. Thus, in my view it is reasonable to cut off the TRED charges after year 6.

Q17: PLEASE EXPLAIN HOW THE <u>SB 123 COSTS</u> SHOULD BE TREATED.

A17: The stranded coal plant costs, decommissioning and remediation costs should be known and quantified by the end of the 6-year period. Nevada Power will have retired Reid Gardner 4 and divested itself from its Navajo interest (2019) and have completed two additional general rate cases in late 2017 and late 2020. All of these should have occurred before MGM's sixth year of departure ends in 2022.

Q18: PLEASE EXPLAIN THE RATIONALE FOR YOUR THIRD RECOMMENDATION.

A18: The third recommendation is to allow MGM to pay the BTGR, BTER and ERCR costs, and the non-bypassable surcharge, through monthly payments over the same time period these costs would have been incurred rather than in a lump-sum present value payment at the time of exit. This recommendation is important for two reasons. First, it

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resolves the uncertainty in the Staff's mind associated with MGM's future energy efficiency and self-generation activities which I discuss below. Second, recovery of the BTGR, BTER and ERCR costs through a monthly surcharge over the same 3-year period that the costs would have been incurred provides NPC with cash flow comparable to what it would have received if MGM remained on the system as a full requirements customer.

Q19: HOW WOULD YOUR PROPOSAL RESOLVE STAFF'S UNCERTAINTY REGARDING MGM'S FUTURE LOADS?

A19: As discussed in more detail below, MGM will materially decrease its load each year during the 3 and 6-year exit fee calculation periods and into the future.[8] The exact amount of these annual decreases is not specifically known at this time. What is certain; however, is that decreases will occur. At the same time, MGM understands why Staff might be reluctant to recognize decreases now for all of MGM's planned load reductions for the next 6-year period. In order to resolve this, MGM proposes to establish a per-kWh charge equal to the calculated amount of the BTGR, BTER (net of any tracker charges) and ERCR costs divided by the MGM loads assumed in the Staff calculations and to pay that charge on all metered consumption over a 3-year amortization period after MGM departs. This approach would also provide a substantial incentive for MGM to maximize its energy efficiency program results, which would be completely consistent with important national and state energy policy goals to promote energy efficiency and conservation measures.

[8] MGM has made two very public commitments to continued energy efficiency; first, by participating in the U.S. Department of Energy's Better Buildings Challenge, MGM has publically committed to improving the energy efficiency of it buildings 20% by 2020 on a base year of 2010; second, MGM recently announced its joining of the American Business Act On Climate Pledge, recommitting to a target of 20% reduction in energy, by 2020. Additional information about MGM's past and future efficiency efforts is presented below.

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Q20: HOW WOULD YOUR PROPOSAL RESULT IN COMPARABLE CASH FLOW TO NPC?

A20: Further recovering the 3-year BTGR, net BTER and ERCR costs through a monthly surcharge over the same 3-year period that the costs would have been incurred if MGM remained on the system allows NPC to recover the cost in the same manner and over the same time period it would have been recovered if MGM remained a full requirements customer.

Q21: IS THIS RECOMMENDATION CONSISTENT WITH HOW THE COMPANY SHOULD ACCOUNT FOR THESE COSTS IF IT RECEIVED THEM IN A LUMP SUM PAYMENT?

A21: Yes. When the Company receives the lump sum payment for BTGR and BTER costs it should credit the payment to a regulatory liability account and amortize the balance in that account to income each month over the same time period the revenues are earned (that is, over the same time period the costs supporting these revenues are incurred, in effect, over the 3 or 6-year period the lump sum payment represents). In other words, the Company will earn this revenue – and take it to income – over the same 3 or 6-year period whether it receives the payment in a lump sum or in monthly installments as it does now. If the Company is not required to do this, the windfall from upfront payment of exit fees will further add to Nevada Power's excess earnings as discussed above.

Q22: IS THERE ANY DOWNSIDE TO RECOVERING THE 6-YEAR BTGR, BTER AND ERCR COSTS THROUGH A MONTHLY SURCHARGE BASED ON ACTUAL LOADS?

A22: No. The method not only provides precision to the exit fee assessment but it also allows MGM to pay, and NPC to collect, these costs over the same time period the costs would have been incurred and paid if MGM remained on the system. The method also

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provides a strong incentive for MGM to maximize its energy efficiency programs, which will in turn provide important economic and societal benefits to Nevada as a whole.

Q23: DO YOU HAVE ANY FURTHER RECOMMENDATIONS RELATED TO THE CALCULATION OF THE FINAL IMPACT ANALYSIS?

A23: Yes. I have two additional recommendations regarding Staff's analysis. First, I believe that 100% of the off-system sales margins attributable to the departing customer's load be assigned to the departing customer as an offset to the exit fee, rather than the 50% recommended by Staff. If I understand it correctly, Staff's concern with offsetting the exit fee with 100% of the attributable off-system sales is that the exact amount of sales volumes and revenues attributable to the departing customer cannot be known at the time of departure. I believe that concern is sufficiently addressed with MGM's recommended approach. Actual benefits from off-system sales attributable to MGM's load can be quantified as they are realized, and used to offset the exit fee payments through the non-bypassable charge mechanism.

Q24: WHAT IS YOUR SECOND ADDITIONAL RECOMMENDATION?

A24: I also recommend that the SB 123 Regulatory Asset balances be allocated to the departing customers in the same manner that these costs would be allocated to them in a general rate case. Currently, Staff is recommending a load ratio share allocation of these costs. Since these costs are now being collected through a non-bypassable surcharge, there is no need to pre-determine the allocation method here. The allocation of these costs to the departing customers should be consistent with the allocation determined in the rate cases where these balances are actually established and the Commission applies its normal rate design methodology and principles in fairly allocating such costs to classes by customer class.

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SECTION V – MGM'S SUSTAINABILITY PLAN

Q25: WITH RESPECT TO MGM'S PAST AND FUTURE LOAD REDUCTION EFFORTS, PLEASE DESCRIBE HOW MGM HAS BEEN ABLE TO REDUCE ITS LOAD ON THE SYSTEM IN THE PAST THROUGH RENEWABLE ENERGY SELF-GENERATION?

A25: With regards to renewable self-generation, in February 2015 MGM Resorts, along with partner NRG Renew, commissioned a 6.4 MW solar photovoltaic array atop the Mandalay Bay Convention Center in Las Vegas. This rooftop spans a total area of approximately 20 acres. At full production, the solar array provides roughly 20% of the total power demand of the Mandalay Bay Resort campus. MGM has also contracted with NRG Renew for an additional 2.0 MW solar photovoltaic array atop the recently completed Mandalay Bay Convention Center Expansion. This additional 2.0 MW system covers approximately 8 acres of rooftop space and will result in total solar production of 8.4 MW across 28 acres of rooftop space at Mandalay Bay by the end of 2015.

In addition, MGM has installed an efficient 8.4 MW combined heat and power generation system at the ARIA Resort. The ARIA system is a twin turbine combined heat and power plant that opened in 2009 along with the opening of the CityCenter campus. It produces approximately 30 percent of the campus' annual electricity volume along with waste heat that is captured for heating of domestic water.

Q26: WHAT DOES MGM HAVE PLANNED FOR FUTURE RENEWABLE ENERGY PROJECTS AND OTHER SELF-GENERATION?

A26: MGM Resorts has identified at its Las Vegas properties approximately 69 acres of available building and parking garage rooftop space for further potential solar photovoltaic development. These additional spaces are included in a comprehensive

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review of future solar projects. MGM Resorts is issuing a full Request for Proposal (RFP) package on these spaces in September 2015. This review is ongoing and is expected to result in further solar PV development in 2016 and beyond. In addition, MGM is reviewing options to incorporate additional combined heat and power self-production at its Las Vegas properties, similar in concept to the 8.4 MW combined heat and power plant at the ARIA Resort.

Q27: WHAT HAS BEEN MGM's COMMITMENT TO ENERGY EFFICIENCY AND CONSERVATION?

A27: Energy efficiency and conservation efforts are cornerstones of the MGM Resorts commitment to sustainability and Corporate Social Responsibility. The CityCenter development in Las Vegas, upon its opening in 2009, was awarded six LEED Gold Certifications from the U.S. Green Building Council, making it among the largest sustainable new development projects in the world. At its other properties, MGM Resorts has made tremendous strides in reducing the environmental impact of existing operations. Through comprehensive efforts including upgrades to lighting, mechanical systems, and building controls, MGM has reduced the electricity usage of its Las Vegas properties by a cumulative total of more than 100 million kilowatt hours since 2010. In May 2014, MGM Resorts announced that it joined the U.S. Energy Department's "Better Building Challenge" by committing to reduce the energy use of its buildings by 20% by the year 2020. This commitment was further affirmed in August 2015 via MGM's announcement by Chairman and CEO Jim Murren, at the 2015 Clean Energy Summit held at Mandalay Bay Resort Convention Center, that it has also joined the American Business Act on Climate Change Pledge.

Q28: WHAT IS MGM'S COMMITMENT TO ENERGY EFFICIENCY AND CONSERVATION GOING FORWARD?

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A28: Aside from the multiple public commitments to reduce energy usage going forward to the year 2020, MGM Resorts considers further efficiency and conservation gains to be paramount to the success of its continuing operations. Evolving and improving technologies are continuously reviewed and deployed in the areas of lighting, mechanical, and building systems at all of the company's resorts and facilities.

SECTION VI - THE SUBMISSION OF REQUIRED AGREEMENTS AND OTHER REQUIREMENTS UNDER NEVADA POWER'S OATT

Q29. PLEASE DESCRIBE MGM'S EFFORTS TO EXECUTE THE NECESSARY AGREEMENTS AND COMPLY WITH NEVADA POWER'S OATT.

A29. MGM has worked diligently with its provider Tenaska and Nevada Power representatives over the past several months to ensure all necessary forms and agreements have been or will be executed and provided to Nevada Power shortly pursuant to Nevada Power's OATT. MGM has completed a Nevada form Network Customer Application, the required network resource designation attachment, Network Operating Agreement (NOA), Network Integration Transmission Service (NITS) Agreement, and has completed the necessary Distribution-only Service Rider.

Q30. HOW ELSE HAS MGM DEMONSTRATED ITS COMPLIANCE WITH NEVADA POWER'S OATT?

A30. Section 29.2 of Nevada Power's OATT requires an eligible customer applicant to submit a deposit approximating the charge for the first month of transmission service. In accordance with this requirement, MGM submitted payment to Nevada Power's transmission division in June of this year in the amount of $461,100.

SECTION VII - CONCLUSION

Q31: IS MGM'S 704B APPLICATION IN THE PUBLIC INTEREST?

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A31: Yes. MGM will pay its fair share of system costs including any reasonable impact fee determined by the Commission, so that remaining customers, over 50,000 of which are MGM employees, are not harmed by MGM's departure. Thus, other customers on the system should be *kept whole*. If other customers on the system are kept whole and MGM is able to save money over time on its electricity costs, MGM will have more funds available to put dollars back into the local economy through operating costs, payroll expense and capital expenditures. The bottom line is that the economic impact of MGM's departure should be a net benefit to the Las Vegas economy.

Q32: WHAT DO YOU RECOMMEND WITH RESPECT TO MGM'S APPLICATION?

A32: I recommend the Commission issue an order allowing MGM to purchase energy, capacity and ancillary services from Tenaska pursuant to NRS and NAC 704B.

Q33: DOES THIS CONCLUDE YOUR TESTIMONY?

A33: Yes. It does.

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Analysis of Nevada Power's Excess Earnings for the Years 2012 through 2014

Line	Description	Source	2012 [1] ($000)	2013 [2] ($000)	2014 [3] ($000)
Calculation of Excess Earnings					
1	Adjusted Income	[See FN 1-3 below]	$451,096	$438,194	$450,458
2	Net Rate Base	[See FN 1-3 below]	$5,178,601	$5,163,622	$5,023,508
3	Actual Return	[See FN 1-3 below]	8.71%	8.49%	8.97%
4	Allowed Return (w/incentives)	[See FN 1-3 below]	8.17%	8.17%	8.17%
5	Excess Return	[Ln 3 minus Ln 4]	0.54%	0.32%	0.80%
6	Excess Earnings	[Ln 2 times Ln 5]	$28,004	$16,326	$40,037
7	Total Excess Earnings 2012 - 2014	[Sum of Ln 6]			$84,367,777
Calculation of Excess Earnings as a Return on Equity Percentage					
8	Common Equity % of Rate Base	[See FN 4 below]	44.38%	44.38%	44.38%
9	Equity Portion of Rate Base	[Ln 2 times Ln 8]	$2,298,263	$2,291,615	$2,229,433
10	Excess Earning as an ROE %	[Ln 6 divided by Ln 9]	1.22%	0.71%	1.80%
11	Allowed Return on Equity (ROE)	[See FN 4 below]	10.18%	10.18%	10.18%
12	Actual Return on Equity	[Ln 10 plus Ln 11]	11.40%	10.89%	11.98%
13	Average ROE 2012 - 2014				11.42%
14	Reported ROE through March 2015 in Docket 13-07021				11.20%
15	Reported ROE through June 2015 in Docket 13-07021				11.03%

FNs

(1) 2012 data comes from Docket No. 13-03003, Exhibit F, Appl. Vol. 2, page 106.

(2) 2013 data comes from Docket No. 14-02040, Exhibit F, Appl. Vol. 2, page 105.

(3) 2014 data comes from Docket No. 15-02039, Exhibit F, Appl. Vol. 2, page 118.

(4) Final Order in NPC's 2011 rate case, Docket No. 11-06006, page 26. See table below.

Notes:

A utility's allowed returns are established in each rate case by adding together the utility's actual cost of debt and a reasonable / "authorized" return on equity ("ROE"). NPC's allowed return from its last rate case is shown in the table below.

A regulated utility's actual returns are calculated by dividing net income into invested capital, referred to as rate base. (Rate base, for the most part, consists of Plant in Service, Accumulated Depreciation, Accumulated Deferred Taxes and Inventories. In other words, the utility's net investment in utility assets).

Each year, as part of its Deferred Energy Dockets, Nevada Power includes in its application, as Exhibit F, a statement which compares its actual returns for the year with its allowed returns. The numbers in the analysis above come from these reports.

In NPC's 2011 rate case, Dk 11-06006, NPC's ROE was set at 10.0% for the years 2012-2014. (See table below). In NPC's 2014 rate case, 14-05004, NPC stipulated to a 9.8% ROE, which was consistent with the national average ROE authorized for regulated electric utilities in 2014.

Allowed Return for the Years 2012-2014 from NPC's 2011 Rate Case, Docket No. 11-06006				
1 Cost of Long-term Debt	$3,484,941	55.62%	6.56%	3.65%
2 Return on Equity	$2,780,625	44.38%	**10.00%**	4.44%
3 Total Rate of Return	$6,265,566	100.00%		**8.09%**
4 Rate of Return with Incentives			10.18%	**8.17%**

AFFIRMATION

I, Mark E. Garrett, pursuant to NAC 703.710 hereby affirm that the foregoing prepared testimony was prepared by me or under my direction and is correct to the best of my knowledge.

M. Garrett
Mark E. Garrett

Dated: 9-4-15

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PROOF OF SERVICE

I hereby certify that I have this day served the foregoing Supplemental Direct Testimony of Mark E. Garrett, Docket 15-05017 upon all parties of record in this proceeding by delivering a copy thereof via email or by mailing same, properly addressed with postage pre-paid, to:

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DATED this 4th of September, 2015.

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