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VEA contract with DOE not a done deal

By HENRY BREAN

Valley Electric Association scored what general manager Lou Holveck called a "tremendous victory" Monday when the Department of Energy announced that the local rural electric cooperative had been selected to provide power to the Nevada Test Site on a 10-year contract valued at about \$50 million.

The contract would make the test site, at more than 20 megawatts, VEA's largest customer by far, eclipsing current leader LAC Bullfrog Mine in Beatty by more than five megawatts. VEA currently supplies only about 2 megawatts to the test site.

The deal would also strip current NTS supplier Nevada Power of its second largest customer, and instead, relegate the large Las Vegas-based investor owner utility to providing power only to DOE's North Las Vegas facilities on a contract worth about \$19 million.

But Holveck isn't celebrating just yet.

He said VEA's own efforts to receive what company officials see as a more equitable share of business on the test site may serve to delay or even prevent the contract from actually being awarded.

More than three years ago, VEA lodged a complaint with the state's Public Service Commission, accusing Nevada Power of violating anti-trust laws by providing power to parts of the test site that fall within VEA's service area. Holveck said three-quarters of the test site is in VEA's service area, although he added that number is deceptive because "that's not where all the power goes."

PSC eventually dismissed the complaint, ruling that NTS was an unusual enough entity to make it exempt from normal territory requirements. But in August, VEA won an appeal in Clark County District Court that requires DOE to recognize service territories within the test site. Holveck said the district court ruling has been appealed with the Nevada Supreme-Court by Nevada Power, DOE and PSC, all of which are, seeking an injunction on the district court decision until a final legal ruling is handed down.

Should the Supreme Court uphold the district court decision, another small rural utility could benefit. Included in the Lincoln County Power District's service area is the top secret testing facility at Groom Lake, which currently gets its power from other sources. Lincoln

County conceivably could make legal claim to that service area.

In the meantime, Holveck said, negotiations are underway between VEA, Nevada Power and DOE to find an equitable way for the department to allocate its power supply needs. He said those negotiations could alter the contract announced Monday. DOE has deferred awarding the contract until all relevant legal issues are settled.

Ironically, Holveck said that if VEA had never filed suit, there would be nothing to prevent DOE from awarding the contract, which consists of one two-year deal and four subsequent two-year options. Each year of the contract would bring VEA more than \$4 million.

Holveck said the pending, often confusing legal factors make the eventual outcome difficult to predict. "There has been a lot of conjecture," Holveck said. "Personally, I didn't see any way (DOE) could award it".

He added that the best case scenario is for VEA to begin supplying NTS Jan. 1, and the worst case scenario is for the local utility to miss out on the contract award altogether.

VEA, which buys a portion of its power from Nevada Power, plans to provide electricity to NTS through another utility, the Salt River Project in Phoenix. According to Holveck, "everything is in place" for VEA to begin receiving power from the Arizona generation facility, but he expects Nevada Power to challenge the deal. "If DOE awards this contract, Nevada Power is going to sue us," he said.

In accordance with the contract, VEA will also provide transmission services to the test site for DOE's allocation of Western Area Power Administration power, as well as power from a municipal electric utility in Glendale, Calif.

"It's an exciting opportunity for us," Holveck said. "It should continue to insure that the rates of the remainder of our customers don't go up."

DOE's decision to change the test site's energy supplier was based on cost cutting measures within the federal government "We think this process will provide significant savings to the taxpayers over the life of the contracts," said Terry Vaeth, acting manager of DOE's Nevada Operations Office. .

Holveck said the switch to VEA could save DOE as much as \$750,000 a year.

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