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20-08014

Public Utilities Commission of Nevada

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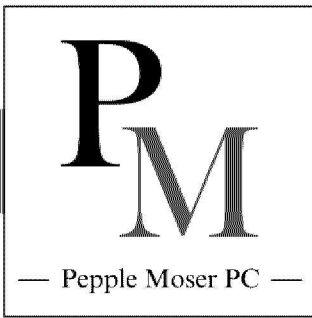
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by: /s Anna Congdon

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Microsoft Corporation



May 21, 2026

Trisha Osborne  
Assistant Commission Secretary  
Public Utilities Commission of Nevada  
1150 East William Street  
Carson City, Nevada 89701

Re: Docket No. 20-08014

Dear Ms. Osborne,

Please accept for filing the Comments filed on behalf of Microsoft Corporation in the above-referenced docket.

If you have any questions regarding this filing, please don't hesitate to reach out.

Sincerely,

/s/ Anna V. Congdon

Anna V. Congdon

Legal Assistant

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Enclosure

1 **BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

Investigation regarding resource adequacy and planning to ensure that electric utilities' supply of energy is sufficient to satisfy demands and maintain reliable, continuous service.

Docket No. 20-08014

2 **COMMENTS IN RESPONSE TO PROCEDURAL ORDER NO. 6**

3 Microsoft Corporation<sup>1</sup> (“Microsoft”) hereby submits these comments in response to the Public  
4 Utilities Commission of Nevada’s (the “Commission”) April 20, 2026, Procedural Order No. 6 in  
5 this investigatory docket, Docket No. 20-08014 (this “Investigation”).

6 Specifically, in response to the Commission’s invitation to interested stakeholders to provide  
7 solutions addressing large load interconnection concerns, Microsoft respectfully recommends that  
8 the Commission consider the attached Ratepayer Protection Tariff (“RPT”) – a rate-design model  
9 that prioritizes ratepayer protections above all else by holding large load customers accountable  
10 for paying both the costs they cause *and* their share of existing costs associated with the provision  
11 of safe and reliable service.<sup>2</sup> Microsoft views paying its way – its full cost of service – as not only  
12 a condition of its license to operate, but also consistent with its initiative to build community-first  
13 datacenter infrastructure, which was announced earlier this year.<sup>3</sup> Notably, the first commitment  
14 we make to our fellow community members is that “we’ll pay our way to ensure our datacenters  
15 don’t increase your electricity prices.”

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<sup>1</sup> Microsoft is a worldwide technology company with a large presence in the western United States. As a significant component of its business platform, Microsoft constructs, owns, and operates datacenters around the world, and Microsoft is continuing to expand its cloud infrastructure in response to growing customer demand in Nevada. Microsoft’s cloud services make possible daily activities such as data storage and analytics, email, online banking, collaboration, and mobile applications.

<sup>2</sup> The RPT in the two proposed forms described in these Comments is attached as Attachments A and B.

<sup>3</sup> Building Community-First AI Infrastructure - Microsoft On the Issues, included as Attachment C.

1 **I. INTRODUCTION**

2 Under the RPT, all ratepayers are protected from cost shifts from large customers because these  
3 costs are ring-fenced and allocated directly to the cost-causing customer. NV Energy’s  
4 shareholders are protected from the risk of stranded or under-recovered investments because cost-  
5 causing large customers are accountable for their total cost of service. Therefore, the potential for  
6 cost shifting is eliminated because the cost-causing customer is held accountable for paying its  
7 total cost of service from the start.

8 Notably, under the RPT, large load customers would pay the following: (1) **all** of the *new* costs  
9 caused by the large load customer;<sup>4</sup> and (2) otherwise applicable rates that recover the new  
10 customer’s fair share of *existing* system costs, or costs Nevada Power Company d/b/a NV Energy  
11 and Sierra Pacific Power Company d/b/a NV Energy (collectively, “NV Energy”) incurred to  
12 ensure safe and reliable electric service to Nevadans. Accordingly, under the RPT, new costs  
13 caused by large load customers are ring-fenced and allocated to these cost-causing customers, and  
14 these customers are also expected to pay for their share of the costs that were incurred by NV  
15 Energy to provide safe and reliable service.

16 Moreover, Nevada’s economic development is stimulated with expedited investment in the  
17 electric system through projects sponsored (and paid for) by partners like Microsoft.

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<sup>4</sup> The RPT is presented in two complementary versions: (1) the first version revolves around a Contribution in Aid of Construction (“CIAC”) Payment Mechanism; and (2) the second version incorporates a Facility Payments Mechanism. Under both approaches, ratepayer protections come first, large load customers are held accountable for the costs they cause, and deference to the Commission’s plenary authority is clearly memorialized.

1 **II. THE GOALS OF THE RPT**

2 The goals of the RPT are simple: protect other ratepayers from cost shifts while expediting NV  
3 Energy’s ability to develop the resources necessary to safely and reliably serve new load and  
4 support Nevada’s economic development.<sup>5</sup> Rather than allowing capital constraints to dictate the  
5 pace and scale of economic development, adoption of the RPT would have the secondary effect  
6 (secondary to ratepayer protections) of unleashing Nevada’s economic development with infusions  
7 of new capital that are necessary to develop the new resources required to serve new load.  
8 Importantly, by deploying the capital necessary to serve its own load, Microsoft and all ratepayers  
9 benefit from bringing its facilities online sooner: Microsoft benefits by supporting Nevada’s  
10 business community with its cloud compute services, and other ratepayers benefit from the  
11 addition of another (large) ratepayer that can help pay for more of the existing costs on the system.<sup>6</sup>

12 If the RPT seems simple, that is because it is: when a customer, like Microsoft, is willing to be  
13 accountable for all of the costs incurred to provide it with power, many of the complications of  
14 new rate design to incorporate large loads go away. The need to argue over arbitrary minimums is  
15 avoided. The risk of ongoing large load cost allocation disputes in rate cases is mitigated. The  
16 potentiality of cost shifts is neutralized. Ratepayers are protected. This is the paradigm Microsoft  
17 proposes.

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<sup>5</sup> Organizations in Nevada relying on Microsoft’s cloud services encompass every industry and include large enterprises, startups, governments, hospitals, banks, schools, and other organizations that contribute to a modern society.

<sup>6</sup> For example, under the RPT, the expeditious addition of large load customers like Microsoft will help offset the early costs of the Greenlink transmission project.

1                                   **III.    BENEFITS OF THE RPT AND ITS FIT FOR NEVADA**

2           As Microsoft continues to expand its cloud infrastructure in response to growing demand from  
3 Nevadans – specifically, acquiring property that it intends to develop into a new datacenter facility  
4 in NV Energy’s service territory – Microsoft seeks to support the Commission’s work in  
5 identifying reliable, ratepayer-protective, and just and reasonable solutions for addressing large  
6 load interconnection issues. That is why the RPT packages together commonly used rate and tariff  
7 design mechanisms that Microsoft uses with utility partners across the United States to ensure it is  
8 paying its own way, delivering a coordinated set of benefits to existing ratepayers, the  
9 Commission, NV Energy, and large customers.

10           Critically, for existing residential, commercial, and other industrial ratepayers, the RPT ensures  
11 that the electric cost of serving large load customers is not passed on to other customers, while  
12 they benefit from increased contributions to the fixed costs of the shared system. For the  
13 Commission, the RPT advances just and reasonable rates by ringfencing the investments needed  
14 to meet large-customer demand, before they ever enter rate base, so that those costs cannot be  
15 collected through the general rate base, and it promotes resource adequacy and grid resiliency by  
16 expediting the development of new resources that will add to resource diversity while expanding  
17 the system’s capacity. For the utility, it leverages large-customer capital to meet large-customer  
18 load, protects against under-recovery of dedicated assets, and resolves the speculative-load  
19 problem by tying payment obligations, based on actual costs caused, directly to the customer that  
20 drives them. And for large customers, it provides a clear, Commission-approved pathway to  
21 service with predictable cost responsibilities, defined regulatory timelines, and operational  
22 flexibility.

1        These benefits map directly onto the issues the Commission and Staff have identified in this  
2 investigation. Nevada is experiencing rapid, concentrated load growth driven by large load  
3 customers. The Stipulation approved by the Commission on November 20, 2025, in Docket No.  
4 25-08029, expressly directed NV Energy to address “the issue of data center extra-large load  
5 interconnection costs in Rule 9, with a view towards specifically avoiding socialization of any of  
6 those costs to other customers and ensuring data center load covers its full cost of  
7 [interconnection].” The RPT is purpose-built to satisfy that mandate for the much larger  
8 generation, transmission, and capacity additions that the Rule No. 9 framework was never designed  
9 to address. Moreover, because the RPT operates as an optional schedule layered on top of the  
10 utility’s standard large-industrial tariff, it is fully consistent with NV Energy’s existing CPC and  
11 with NRS Chapters 703 and 704. Nevada’s existing IRP and general-rate-case processes provide  
12 ready vehicles for the periodic reclassification, reconciliation, and true-up mechanics that the RPT  
13 contemplates.

#### 14            **IV. THE MECHANICS OF THE RATEPAYER PROTECTION TARIFF**

15            The RPT is offered in two versions, each tailored to a different cost-recovery preference  
16 but sharing the same common architecture of eligibility, transparency, and ratepayer protection.

##### 17            **A. Common Architecture (applicable to both versions)**

18            The RPT starts with the utility’s standard large general service tariff and adds a clear set of  
19 rules for how new costs of serving a large load customer get identified, paid for, and reviewed by  
20 the Commission. The architecture described below is shared by both the CIAC Payment  
21 Mechanism and the Facility Payments Mechanism versions. The two versions differ in *how* the

1 customer pays its share of those costs (upfront prepayment versus monthly facility payments), but  
2 not *whether* the customer pays the costs. Under both mechanisms, the large load customer pays  
3 the *entirety* of the new infrastructure costs it causes *in addition* to paying standard monthly rates  
4 for its actual usage of the system.

5 **Eligibility and entry framework.** The RPT is an optional schedule available to large load  
6 customers that meet defined consumption and load-factor thresholds calibrated to capture those  
7 customers whose demand is large enough to materially affect system planning. A customer that  
8 wants to take service under the RPT submits an application accompanied by an increased  
9 application fee designed to cover the heightened administrative, engineering, and resource-  
10 planning work the schedule entails. Once the application is accepted, the customer and utility work  
11 together to build out an Asset Schedule, which contains all assets, in part or in whole, that are  
12 necessary to serve the customer’s project, and enter into an Electric Service Agreement (“ESA”),  
13 which governs the actual provision of electric service and incorporates the customer-specific  
14 commercial terms developed under the RPT. This Asset Schedule/ESA structure is the vehicle by  
15 which the schedule’s cost-responsibility and transparency mechanisms are embedded in a single,  
16 Commission-approved package, channeling extra-large loads into a tailored framework that aligns  
17 planning and cost accountability from the outset.

18 **Contract Demand and Load Ramp.** The ESA establishes a “Contract Demand” — the estimated  
19 maximum megawatt demand for the full build-out of a large load customer’s project — which the  
20 utility commits to serve during the term. That firm capacity number is paired with a non-binding  
21 60-month “Load Ramp,” which is the large load customer’s good-faith projection of how its  
22 electric demand will grow toward the Contract Demand over time. The Load Ramp is the planning

1 tool the utility uses to size and time generation and transmission investments, and it can be updated  
2 as the customer's project evolves. If the customer brings its own wholesale generation through a  
3 Power Purchase Agreement/Bring Your Own Power ("PPA/BYOP") resource (described below),  
4 the customer's Load Ramp used for generation planning purposes is reduced by the accredited  
5 capacity<sup>7</sup> of those resources so that the utility does not also plan to serve that same megawattage  
6 from its own portfolio. The result is a balance: the utility receives forward visibility sufficient to  
7 plan and procure resources, while the customer retains the flexibility to adjust as real-world project  
8 schedules change, all without locking either party into an unrealistic forecast, that could result in  
9 over building or over procurement.

10 **Customer-Caused Assets.** One of the defining features of the RPT is its identification of  
11 "Customer-Caused Assets." After the application is submitted, the utility determines whether its  
12 existing system can serve the new Contract Demand and Load Ramp. To the extent it cannot, the  
13 parties jointly identify the additional substations, generation, and transmission facilities that were  
14 not previously identified in system planning studies and that are necessary to serve the customer's  
15 request. Each such asset is recorded on a customer-specific "Asset Schedule," which itemizes the  
16 asset, its estimated and final costs, its expected in-service date, the depreciable life, and any refund  
17 or crediting provisions. The Asset Schedule is, in effect, the public ledger of the RPT. Every dollar  
18 of new infrastructure caused by the customer is identified, tracked, and updated as the new assets  
19 move from planning through construction to commercial operation.

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<sup>7</sup> The Effective Load Carrying Capability ("ELCC") of the generation resource as approved by the Commission in NV Energy's most recent IRP Proceeding or as otherwise required by a regional resource adequacy program.

1 **Bifurcation into “Customer Contributed Share” and “System Benefit Share.”** For each  
2 Customer-Caused Asset, the utility designates the cost between two buckets. The Customer  
3 Contributed Share is the portion of Customer-Caused Asset that is directly caused by the  
4 Contributing Customer. The System Benefit Share (if one is identified)<sup>8</sup> is the portion that the  
5 utility demonstrates provides benefits to the broader system independent of the new customer.  
6 Together, the Customer Contributed Share and the System Benefit Share equal 100 percent of the  
7 costs of the Customer-Caused Asset.

8 When the utility identifies a System Benefit Share, it must receive Commission approval  
9 for that treatment. When that treatment is approved, the System Benefit Share is included in the  
10 utility’s rate base and recovered through general rates. This is because the System Benefit Share,  
11 by definition, benefits all ratepayers, and is therefore treated in the same manner as any other utility  
12 asset. The Customer Contributed Share, by contrast, is funded directly by the cost-causing  
13 customer and is not socialized.

14 Appendix C of the RPT sets forth a structured “Designation Procedure” that the parties  
15 commence after the customer submits its application and is designed to populate the Asset  
16 Schedule. Working from a common set of baseline assumptions and a small number of plausible  
17 future scenarios, the utility uses standard transmission and generation resource-planning studies to  
18 identify the minimum-prudent set of facilities needed to serve the customer’s load and determines,  
19 for each such facility, whether any portion confers benefits to the broader system. The procedure

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<sup>8</sup> A Customer-Caused Asset is any facility, in whole or in part, that would not be built "but for" the customer's project. However, a facility may be Customer-Caused and still confer shared benefits on the broader system from the outset. For example, a utility could design a Customer-Caused Asset to accommodate not only the Contributing Customer's needs but other system needs (such as relieving a pre-existing constraint, advancing a planned reinforcement, integrating other load or generation, or improving reliability for other customers).

1 is documented in auditable workpapers, so that the Commission, Staff, and intervenors can  
2 independently test both the identification of Customer-Caused Assets and the allocation between  
3 Customer Contributed Share and System Benefit Share — replacing back-of-the-envelope cost-  
4 shifting judgments with a transparent, replicable evidentiary record.

5 **Creditworthiness and Security.** Because Customer-Caused Assets often represent very large  
6 capital costs, the RPT requires the customer to undergo a credit evaluation against a defined  
7 creditworthiness standard and, if the customer does not meet that standard, to post security in the  
8 form of a letter of credit or qualifying parent guarantee. The security is sized to cover the  
9 customer’s reasonably anticipated maximum net exposure to the utility and is recalibrated as  
10 milestones are met or exposures decline. This protects the utility and other ratepayers against  
11 default risk while allowing very large projects to proceed.

12 **Optional PPA/BYOP Resource Pathway.** The RPT also accommodates customer-procured  
13 generation resources. A Contributing Customer may arrange for a third-party generation provider  
14 to sell power to the utility on the customer’s behalf through a “Resource Procurement Agreement.”  
15 The utility then takes delivery of and title to that power and delivers it to the customer’s project.  
16 The terms of each such arrangement, including a contracted PPA/BYOP energy rate (in \$/MWh  
17 that is designed to cover development, energy, and transmission, and a monthly administrative  
18 fee), are set forth in a PPA/BYOP resource schedule appended to the ESA. The customer is billed  
19 for energy from a PPA/BYOP Resource at the PPA/BYOP energy rate rather than under the  
20 unbundled generation portion of its retail rate, and the corresponding capacity accreditation is  
21 subtracted from its capacity-charge calculation, so the customer pays once for that capacity and  
22 energy and not again to the utility.

1 **Commission approval through the Tariff Agreement Proceeding.** Once the parties have  
2 executed the ESA and agreed on the proposed Asset Schedule (and, if applicable, the PPA/BYOP  
3 Resource Schedule, containing any necessary details on PPA/BYOP Resources), if the Asset  
4 Schedule requires new generation or transmission resources the utility files an amendment to its  
5 current IRP to obtain approval of these resources. This IRP amendment would also be the forum  
6 in which the ESA is reviewed for approval. If the Asset Schedule does not include any new  
7 generation or transmission resources, the utility would file a standalone “Request for Approval of  
8 a Tariff ESA Agreement” that opens a contested Tariff Agreement Proceeding before the  
9 Commission. Commission Staff and intervenors may raise questions or concerns about any aspect  
10 of the ESA, the Asset Schedule, or the System Benefit Share designations, and the Commission  
11 must issue its order within the timeline required by NRS § 704.751.

12 Where the proposed Asset Schedule designates no System Benefit Share at the outset—  
13 meaning the Contributing Customer is funding 100% of every Customer-Caused Asset and none  
14 of those costs are being socialized among other ratepayers — the Tariff Agreement Proceeding  
15 may instead be resolved through an expedited procedure. Expedited treatment is appropriate in  
16 that scenario because the only way any portion of the Customer-Caused Asset costs can later be  
17 included in the utility’s rate base, and borne by other ratepayers, is if the Commission, in a  
18 subsequent IRP or IRP Amendment proceeding, affirmatively approves a reclassification of some  
19 portion of the Customer Contributed Share to System Benefit Share, at which point the full  
20 contested-case protections of that proceeding will apply.

21 **Reclassification and Repurposable Share.** The Customer Contributed Share/System Benefit  
22 Share split is not frozen in time. The RPT recognizes that, over the life of an asset, real-world

1 conditions change — a customer may need less capacity than originally projected or planning  
2 studies may reveal that a portion of the customer-funded asset is in fact serving broader system  
3 needs. To address those changes, the tariff includes two complementary mechanisms: a  
4 “Reclassification” process and a “Repurposable Share” pathway. Both pathways can be initiated  
5 at the customer’s request, but ultimately the Commission has to approve these treatments.

6       Reclassification is the formal regulatory act by which the utility, subject to Commission  
7 approval in an IRP or IRP Amendment proceeding, redesignates a portion of the Customer  
8 Contributed Share as System Benefit Share. Because Reclassification is the only mechanism by  
9 which previously customer-funded costs may enter the utility’s rate base, and therefore the only  
10 mechanism by which any of those costs may be recovered from other ratepayers, the tariff requires  
11 the utility to satisfy the same standards of need, prudence, and ratepayer protection that apply to  
12 any other resource proposed in an IRP. If the standards are not satisfied, the Contributing Customer  
13 continues to pay for the full Customer Contributed Share of the resource. This Reclassification  
14 procedure ensures that the RPT can adapt to changing system conditions without other ratepayers  
15 ever contributing to an asset that doesn’t have a system benefit confirmed by full Commission  
16 review.

17       A Repurposable Share arises when the Contributing Customer determines, after the fact,  
18 that it no longer needs some portion of the Customer-Caused Asset. In that instance, the customer  
19 may propose that portion as a Repurposable Share. The utility then has three avenues to extract  
20 value from the freed-up capacity: (i) Reclassify all or part of that portion as System Benefit Share  
21 (the remaining net book value of which is refunded to the Contributing Customer via monthly bill  
22 offsets or a reduction of monthly facility payments depending on the version of the tariff); (ii)

1 identify a Replacement Customer to assume cost responsibility for the freed-up share; or (iii)  
2 market the Repurposable Share through energy and capacity markets, with the resulting revenues  
3 passed back to the original customer as “Repurposing Credits.”

#### 4 **B. Option 1: CIAC Payment Mechanism**

5 Under the CIAC Payment Mechanism version of the RPT, the customer prepays its entire  
6 Customer Contributed Share up front, in cash, through non-refundable Contribution-in-Aid-of-  
7 Construction (“CIAC”) milestone payments tied to the construction schedule for each Customer-  
8 Caused Asset, followed by a final true-up to actual costs once the asset is placed in service. The  
9 customer does not fund any portion of the System Benefit Share, which is financed by the utility  
10 and rolled into rate base in the same manner as any other utility asset. The customer’s monthly bill  
11 from then on is the standard large general service tariff rate for the energy and capacity it actually  
12 consumes. The utility does not receive a return on, or depreciation of, the Customer Contributed  
13 Share, because that share has already been paid in full.

14 If the Commission later approves a Reclassification of some portion of the customer’s  
15 Customer Contributed Share to System Benefit Share in an IRP or IRP Amendment proceeding,  
16 the depreciated book value of the Reclassified share is added to the utility’s rate base and the  
17 corresponding dollars collected by the utility flow back to the Contributing Customer through  
18 monthly bill-credit offsets under a Refund Schedule administered through the Asset Recovery  
19 Rider. The same Asset Recovery Rider is the conduit for true-up adjustments and for any  
20 Repurposing Credits the utility receives from a Replacement Customer or from sales of the  
21 Repurposable Share: all post-approval changes flow to the Contributing Customer or to the Utility  
22 through a single, transparent billing mechanism.

1           If the ESA term expires or the Contributing Customer elects to terminate the ESA early,  
2 the utility is required to file an IRP or IRP Amendment that re-analyzes the System Benefit Share  
3 for each Customer-Caused Asset on the Asset Schedule that remains in service. Upon Commission  
4 approval of the resulting amended Asset Schedule, and consistent with prudent utility practice and  
5 just and reasonable ratemaking, the utility is required to refund to the Contributing Customer any  
6 remaining outstanding amounts on the Refund Schedule for System Benefit Share that the  
7 Commission has determined is serving the system. Any newly Reclassified amounts then enter the  
8 utility's rate base and are recovered from all customers through general rates going forward.  
9 Importantly, no Reclassification can take place without Commission approval.

10           For any portion of the Customer Contributed Share that is *not* immediately Reclassified at  
11 the time of departure, the utility maintains a continuing "Drawdown" obligation. In each future  
12 IRP Proceeding, the utility is required to conduct a System Benefit Share re-analysis for each  
13 operating Customer-Caused Asset for which any Customer Contributed Share remains, and  
14 include any such remaining Customer Contributed Share as an optional resource for selection in  
15 its IRP or IRP Amendment alongside all other resource options being evaluated to meet the utility's  
16 identified system needs. The Commission evaluates a proposed Drawdown under the same  
17 standards applicable to the approval of any other resource acquisition in the utility's IRP. Upon  
18 Commission approval of a Drawdown, the utility Reclassifies the drawn-down portion as System  
19 Benefit Share on the Asset Schedule and pays the Contributing Customer the depreciated book  
20 value of such share as of the date of the Drawdown, with payment made directly to the Contributing  
21 Customer after Commission approval. The Drawdown obligation recurs in every subsequent IRP  
22 or IRP Amendment until the entire Customer Contributed Share has been fully drawn down or the  
23 applicable Customer-Caused Assets are no longer in service.

1           **C. Option 2: Facility Payments Mechanism**

2           Under the Facility Payments Mechanism version, the Contributing Customer does not  
3 prepay its Customer Contributed Share. Instead, the customer pays for that share over the  
4 depreciable life of each Customer-Caused Asset through monthly “Facility Payments” scheduled  
5 on a payment schedule that commences when the asset is placed in service. Each Facility Payment  
6 is calculated to recover the full revenue requirement attributable to the customer’s share, including  
7 depreciation, return on investment, applicable taxes, and directly assignable operating and  
8 maintenance costs, with the return component computed using a reduced rate of return/weighted  
9 average cost of capital (“ROR/WACC”). The reduced return reflects the fact that the utility’s risk  
10 of stranded investment is eliminated and is calculated as the average of the applicable interbank  
11 rate and the Commission-approved ROR/WACC.

12           If the Commission later approves a Reclassification of some portion of the Customer  
13 Contributed Share to System Benefit Share in an IRP or IRP Amendment proceeding, the  
14 Reclassified portion is added to rate base and the customer’s payment schedule and monthly  
15 Facility Payments are reduced accordingly. The Asset Recovery Rider remains available to deliver  
16 true-up payments and other adjustments arising under the schedule.

17           Upon the expiration of the ESA term or the Contributing Customer’s election to terminate  
18 the ESA early, the utility is similarly required to file an IRP or IRP Amendment and conduct a  
19 comprehensive re-analysis of the System Benefit Share for each remaining Customer-Caused  
20 Asset, with any Reclassified portion added to rate base, following the Commission’s  
21 determination. At this time the Contributing Customer must pay an “Exit Fee” equal to the sum of  
22 all remaining outstanding Facility Payments on the payment schedule as of the termination date,

1 reduced by any amounts the Commission has Reclassified from Customer Contributed Share to  
2 System Benefit Share in the same proceeding.

3 The economic effect is symmetrical to the CIAC version's Replacement Customer  
4 mechanism – the departing customer is made financially whole only for the portion of its funded  
5 infrastructure that is now demonstrably benefiting other customers (and therefore appropriately  
6 recovered through general rates), and is still responsible for the portion that is not.

7 **V. CONCLUSION**

8 The RPT provides a transparent and Commission-supervised framework that protects  
9 existing Nevada ratepayers, preserves the Commission's traditional regulatory authority, and  
10 accommodates the legitimate needs of large customers. Microsoft appreciates the opportunity to  
11 share its perspective with the Commission and other stakeholders. Microsoft welcomes the  
12 Commission's continued leadership on this material issue for all Nevadans, and requests that, as  
13 the Commission works to identify reliable, just and reasonable approaches for large customer  
14 interconnections, it considers the RPT.

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17 ///

19 ///

1 **RESPECTFULLY SUBMITTED** this 21st day of May, 2026.

/s Matthew Fox

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2 *Representatives for Microsoft Corporation*

**ATTACHMENT A**  
**CIAC TARIFF**

## Ratepayer Protection Tariff

### Eligibility

This Schedule is optional for customers that: (a) consume more than [insert MWh]; (b) have a Billing Demand equal to or greater than [insert MW] in any one of the current or prior 11 months; and (c) have a qualifying annual load factor of at least [insert %], subject to requirements and conditions set forth herein.

Customers seeking service under this Schedule must submit an application to the Utility for electric service under this Schedule (“Connection Application”), accompanied by payment of an increased application fee. The application fee shall be in an amount established by the Utility and approved by the Commission, and shall reflect the increased administrative, engineering, and resource planning costs associated with this Schedule. The application fee is non-refundable and shall be due and payable at the time the Connection Application is submitted. A form Connection Application is attached hereto as Appendix A.<sup>[1]</sup>

Prior to commencing electric service under this Schedule, each Contributing Customer must enter into an Electric Service Agreement (“ESA”) with the Utility. The ESA shall specify that the Contributing Customer will be served under the [Utility’s large general service tariff at transmission voltage (“LGS-T”)], except that for energy generated by any PPA/BYOP Resource, the Contributing Customer shall instead pay the PPA/BYOP Energy Rate as set forth in the applicable PPA/BYOP Resource Schedule, and shall not be billed under the LGS-T rate schedule for the amount of energy produced or capacity attributable to such PPA/BYOP Resource. A form ESA is attached hereto as Appendix B.<sup>[2]</sup>

### Definitions

For purposes of this Schedule, the terms and expressions listed below shall have the meanings set forth herein:

**“Accredited Capacity”** means the Effective Load Carrying Capability (“ELCC”) of a PPA/BYOP Resource as approved by the Commission in NV Energy’s most recent IRP Proceeding or as otherwise required by a regional resource adequacy program. The Contributing Customer and the Utility may amend the Accredited Capacity for a PPA/BYOP Resource following one year of actual performance of such resource if approved by the Commission in an IRP or IRP Amendment Proceeding.

**“Asset Recovery Rider”** means the rider to the Contributing Customer’s monthly bill, established in the ESA pursuant to this Schedule, that separately recovers or credits all amounts associated with Customer-Caused Assets and related risk-sharing mechanisms. The Asset Recovery Rider includes, without limitation: (a) monthly billable payment offsets delivered under the Refund Schedule associated with any Reclassification of Customer Contributed Share or Repurposable Share to System Benefit Share; (b) Repurposing Credits reflecting revenues or cost offsets realized from repurposing or reassigning assets directly assignable to the Contributing Customer, net of reasonable

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<sup>1</sup> [form not yet developed]

<sup>2</sup> [form not yet developed]

incremental repurposing costs; and (c) credits or debits resulting from periodic true-ups to actual project costs, carrying costs, and final cost reconciliations. Charges and credits in the Asset Recovery Rider shall be non-duplicative of charges in base rates. Notwithstanding any other provision of this Schedule, all credits delivered through the Asset Recovery Rider, including credits under the Refund Schedule, Repurposing Credits, and true-up credits, shall be provided only during the term of the Contributing Customer's ESA.

**“Asset Schedule”** means the Customer-Caused Asset Schedule, initially populated through the designation process set forth in Appendix C and carried over to the ESA, that the Utility is required to maintain and which itemizes: (i) each Customer-Caused Asset; (ii) its estimated and final costs, expressed in net present value (“NPV”) terms using a discount rate agreed upon by the Parties or, absent agreement, determined by the Commission; (iii) the System Benefit Share, if any; (iv) expected in-service date; and (v) any refund or crediting provisions, including the Refund Schedule repayment term reflecting the depreciable life of the Customer-Caused Asset. The Asset Schedule shall be updated as Customer-Caused Assets are added, modified, or placed in service.

**“Cessation Event”** means (a) the expiration of the term of the Contributing Customer's ESA; or (b) the Contributing Customer's election to cease receiving electric service and to terminate the ESA prior to expiration. The rights and obligations arising upon the occurrence of a Cessation Event are set forth in the Termination and Cessation of Service provisions of this Schedule.

**“Commission”** means the Public Utilities Commission of Nevada.

**“Connection Application”** means the application submitted by the Contributing Customer to the Utility containing information regarding the Contributing Customer's Project and Contract Demand, which shall accompany the applicable application fee.

**“Contract Demand”** means the estimated maximum megawatt demand for the full build out of the Contributing Customer's Project, which the Utility agrees to serve and not unreasonably withhold, reduce, or discontinue service during the term of the ESA, except as otherwise permitted under the ESA.

**“Contributing Customer”** means any entity that meets the eligibility criteria and elects to take service under this Schedule.

**“Contribution in Aid of Construction”** or **“CIAC”** means payment by a Contributing Customer to the Utility, delivered through milestone payments throughout the development and construction period for the applicable Customer-Caused Asset(s), to offset the cost of installing, constructing, extending or upgrading Customer-Caused Assets.

**“Creditworthiness Standard”** means a senior unsecured long-term credit rating of at least [insert] from Standard & Poor's, [insert] from Moody's Investors Service, or an equivalent rating from another nationally recognized statistical rating organization.

**“Customer-Caused Assets”** means assets, in part or in whole, that were not previously identified in system planning studies and that are necessary to serve a Contributing Customer’s request. Customer-Caused Assets must be caused by the addition of the Contributing Customer to the Utility’s system, as mutually agreed upon by the Parties, and can include substations, generation, and transmission assets.

**“Customer Contributed Share”** means the portion of Customer-Caused Asset costs that is directly funded by the Contributing Customer as a non-refundable CIAC, as itemized on the Asset Schedule. Amounts paid toward the Customer Contributed Share bear no carrying or administrative charges; and are not eligible for refunds, except to correct over- or under-collections identified in the final true-up, when Reclassified as Repurposable Share, or as refunded via the Drawdown process.

**“Drawdown”** means the Utility’s acquisition, in whole or in part, of the Customer Contributed Share of an operating Customer-Caused Asset on the Contributing Customer’s Asset Schedule at the depreciated book value of such share. A Drawdown is subject to Commission approval in an IRP or IRP Amendment proceeding and shall be conducted in accordance with the Utility Drawdown Obligation in this Schedule.

**“Electric Service Agreement”** or **“ESA”** means the bilateral contract between the Utility and Contributing Customer setting forth customer-specific terms and conditions established pursuant to this Schedule.

**“Generation Provider”** means a third-party entity that provides power to the Utility on behalf of the Contributing Customer pursuant to a Resource Procurement Agreement. A Generation Provider must be legally capable of selling and delivering power to the Utility.

**“Integrated Resource Plan”** or **“IRP”** means the resource plan filed by the Utility with the Commission pursuant to NRS 704.741 and accepted by the Commission pursuant to NRS 704.751, as such plan may be amended, supplemented, or updated from time to time in accordance with applicable law.

**“IRP Amendment”** means any amendment, supplement, or update to the Utility’s Integrated Resource Plan filed with and reviewed by the Commission pursuant to NRS 704.741 and NRS 704.751, including without limitation any changes to the Utility’s resource portfolio, load forecasts, or capacity planning assumptions that affect the scope or allocation of Customer-Caused Assets or the System Benefit Share.

**“IRP Proceeding”** means a proceeding before the Commission for the review and acceptance of the Utility’s Integrated Resource Plan or an IRP Amendment, as filed pursuant to NRS 704.741 and reviewed by the Commission pursuant to NRS 704.751, in which the Commission evaluates the Utility’s resource planning decisions, including without limitation the identification of system benefits and the determination of the System Benefit Share for Customer-Caused Assets.

**“Load Ramp”** means a non-binding projection of the Contributing Customer’s anticipated electrical demand over the duration of the term of service, provided to the Utility at the time of application for electric service and updated upon any material change in expected

load. Material changes are those that alter annual or monthly peak by more than [insert %] or shift milestone dates by more than [insert] days.

**“Material Adverse Change”** includes: (i) a downgrade of the Contributing Customer’s or guarantor’s senior unsecured rating below the Creditworthiness Standard; (ii) a material deterioration in financial condition reasonably demonstrated by the Utility; or (iii) insolvency events, bankruptcy filings, uncured payment defaults under the ESA, or violation of financial covenants in a guaranty.

**“Monthly Administrative Fee”** means the monthly fee charged to the Contributing Customer to cover the Utility’s costs of administering a Resource Procurement Agreement, including scheduling, billing, settlement, and contract management, as agreed to by the Parties and set forth in the PPA/BYOP Resource Schedule.

**“Nevada’s Portfolio Standard”** means the portfolio standard established by the Commission for each provider of electric service pursuant to NRS 704.7801 to 704.7828, requiring each provider to generate, acquire, or save electricity from portfolio energy systems or efficiency measures in the amounts set forth in NRS 704.7821, as such amounts may be amended from time to time.

**“Parties”** means the Contributing Customer and the Utility.

**“PPA/BYOP Energy Rate”** means the contracted rate, expressed in dollars per megawatt-hour (\$/MWh), that the Contributing Customer shall pay for all energy generated by a PPA/BYOP Resource, as set forth in the applicable PPA/BYOP Resource Schedule. The PPA/BYOP Energy Rate shall be inclusive of all costs under the Resource Procurement Agreement, including the cost to develop the project, energy costs, all transmission and distribution costs for the resource, and the Monthly Administrative Fee.

**“PPA/BYOP Resource”** means a generation resource procured by or on behalf of the Contributing Customer through a Resource Procurement Agreement for the purpose of serving a portion of the Contributing Customer’s Project load under this Schedule.

**“PPA/BYOP Resource Schedule”** means the schedule attached as an appendix to the Contributing Customer’s ESA that sets forth the Accredited Capacity, all rate information, terms, and conditions related to each PPA/BYOP Resource agreed to by the Utility for the purpose of serving the Contributing Customer’s Project, including the PPA/BYOP Energy Rate for each such resource.

**“Project”** means the Contributing Customer’s premises, or premises that are aggregated in accordance with eligibility requirements.

**“Reclassification”** (and the correlative terms **“Reclassify”** and **“Reclassified”**) means the redesignation by the Utility, subject to Commission approval, of all or any portion of the Customer Contributed Share or Repurposable Share of a Customer-Caused Asset to System Benefit Share. Upon a Reclassification, the Reclassified portion shall be included in the Utility's rate base and added to the Contributing Customer's Refund Schedule to be refunded to the Contributing Customer through monthly billable payment offsets.

**“Refund Schedule”** means a repayment schedule administered by the Utility, created upon the Reclassification of all or a portion of the Customer Contributed Share or Repurposable Share to System Benefit Share for a Customer-Caused Asset, as approved by the Commission in an IRP or IRP Amendment Proceeding. The Refund Schedule shall be established in an amount equal to the Reclassified portion of the Customer Contributed Share or Repurposable Share and shall provide monthly billable payment offsets via the Asset Recovery Rider over the depreciable life of the Customer-Caused Asset.

**“Replacement Customer”** means a new customer (a) capable of using and repurposing the Repurposable Share of a Customer-Caused Asset, with whom the Utility enters into an ESA to assume cost responsibilities for such share; (b) that executes an ESA contemporaneously with, or subsequent to, the Contributing Customer, and that elects to share one or more Customer-Caused Assets with the Contributing Customer; or (c) the Utility, acting in its capacity as Replacement Customer pursuant to the Termination and Cessation of Service provisions of this Schedule, upon Commission approval.

**“Repurposable Share”** means the portion of the Customer Contributed Share that is no longer needed by the Contributing Customer, as determined by the Contributing Customer and subject to the Utility’s agreement (not to be unreasonably withheld).

**“Repurposing Credits”** means a credit to the Contributing Customer equal to: (a) the payment(s) being made by a customer(s) using all or any portion of repurposed Customer-Caused Assets; and/or (b) the net revenues or cost offsets realized by the Utility from maximizing the value of the Repurposable Share of Customer-Caused Assets, including through participation in applicable energy and capacity markets; in each case net of reasonable incremental costs incurred by the Utility to enable such repurposing or market participation, credited through the Asset Recovery Rider and non-duplicative of System Benefit Share refunds.

**“Resource Procurement Agreement”** means the agreement, or series of agreements, entered into between and among the Contributing Customer, a Generation Provider, and the Utility, pursuant to which the Generation Provider sells power to the Utility on the Contributing Customer’s behalf for delivery to the Contributing Customer’s Project. Each Resource Procurement Agreement shall be appended to the ESA and shall be subject to Commission approval in the Tariff Agreement Proceeding, or a future IRP or IRP Amendment proceeding, as applicable.

**“Schedule”** means this Ratepayer Protection Tariff.

**“Security”** means one or more of the following: (a) a letter of credit from a bank acceptable to the Utility; or (b) a guarantee from a parent company of the Contributing Customer or another entity that meets the Creditworthiness Standard.

**“Shared Customer-Caused Asset”** means a Customer-Caused Asset for which more than one Contributing Customer has assumed cost responsibility for the Customer Contributed Share, as reflected on each such customer's respective Asset Schedule.

**“System Benefit Share”** means the pro-rata share of a Customer-Caused Asset that the Utility, in its sole discretion and consistent with Appendix C, determines provides system benefits. Upon any Commission approved Reclassification, the Reclassified amount shall be added to the Contributing Customer’s Refund Schedule and refunded through monthly offsets via the Asset Recovery Rider.

**“Utility”** means the regulated entity that purchases, owns, operates, and/or maintains the infrastructure for the generation, transmission, and/or distribution of electricity, and is responsible for providing electric service to the Contributing Customer under the terms and conditions set forth in this Schedule.

### **Contract Demand**

The ESA shall specify the Contributing Customer’s Contract Demand, which is the estimated maximum megawatt demand for the full build out of the Contributing Customer’s Project. This Contract Demand will be based on the Contributing Customer’s forecasted peak load requirements.

The Utility shall use commercially reasonable efforts to deliver interconnection infrastructure, including transmission, substation, and related facilities with capacity sufficient to meet the Contributing Customer’s Contract Demand at the Project at the commencement of energization, or other mutually agreed upon phasing schedule. Requests to increase Contract Demand are subject to the availability of system capacity and will be evaluated through the Utility’s standard study and approval process.

### **Load Ramp**

At the time of application for electric service, the Contributing Customer shall provide the Utility with a non-binding Load Ramp of anticipated electrical demand for a period of at least sixty (60) months from the specified in-service date. The Contributing Customer’s Load Ramp will be used by the Utility for transmission, energy, and capacity planning purposes and supports efficient resource deployment by the Utility. To the extent that the Contributing Customer has entered into, or proposes to enter into, Resource Procurement Agreements for PPA/BYOP Resources, the Contributing Customer’s Load Ramp shall be reduced by the Accredited Capacity of all such PPA/BYOP Resources, and the Utility shall plan its generation resource needs accordingly.

The Utility shall be obligated to meet the Contributing Customer’s capacity demands as set forth in the Contributing Customer’s Load Ramp. The Utility shall ensure that the resource portfolio used to serve the Contributing Customer’s Project, including the resources identified on the Asset Schedule and any PPA/BYOP Resources on the Contributing Customer’s PPA/BYOP Resource Schedule, meets Nevada’s Portfolio Standard. The Utility shall demonstrate compliance with Nevada’s Portfolio Standard in each IRP Proceeding or IRP Amendment in which the Contributing Customer’s resource portfolio is under review.

In the event the Utility anticipates or experiences a shortfall in meeting such demands, the Utility shall use all reasonable efforts to provide an alternative solution to address any shortfall in deliveries, including but not limited to the provision of temporary generation, procurement of supplemental resources, or implementation of other operational measures, until the Contributing Customer’s Load Ramp requirements are met. The Utility shall promptly notify the Contributing

Customer of any anticipated or actual shortfall, the reasons therefor, and the steps being taken to remedy the situation. The Utility's obligation under this section is subject to force majeure and other limitations as set forth in the ESA, but in all cases the Utility shall act in good faith and with due diligence to minimize the duration and impact of any shortfall.

The Contributing Customer retains the right to modify the timing and magnitude of Load Ramp milestones at any time prior to the occurrence of such milestones, provided that reasonable notice is given to the Utility. Reasonable notice allows the Utility to adjust its procurement, construction, and operational schedules in response to changes in the Contributing Customer's ramp plan.

### **Collateral Requirement**

Prior to execution of the ESA, the Contributing Customer shall undergo an initial credit evaluation by the Utility. The Utility will apply the Creditworthiness Standard to determine whether Security is required and in what amount. Thereafter, the Utility may conduct periodic credit reviews no more than annually, or upon the occurrence of a Material Adverse Change. Upon a Material Adverse Change, the Utility may require the Contributing Customer to post additional Security or replace a guaranty.

If the Contributing Customer does not meet the Creditworthiness Standard, it shall be required to provide a Security at the time of signing the ESA. The required Security shall be sized to cover the Contributing Customer's reasonably anticipated maximum net exposure to the Utility under this Schedule, taking into account CIAC, Refund Schedule, obligations under any Resource Procurement Agreements, and other cost responsibilities, excluding cost responsibilities already paid for by the Contributing Customer. The Security shall be recalculated and may be reduced as the Contributing Customer meets milestones or as exposures decline.

### **Customer-Caused Assets**

Upon submission of the Connection Application, the Utility shall identify whether its existing system is capable of serving the Contributing Customer's Contract Demand and Load Ramp. If not, the Parties shall commence the Customer-Caused Asset and System Benefit Share Designation Procedure set forth in Appendix C. This process shall identify Customer-Caused Assets – assets, in part or in whole, that were not previously identified in system planning studies and that are necessary to serve a Contributing Customer's request. The Parties will also determine the portion of those Customer-Caused Assets that may be attributable to shared system benefits – the System Benefit Share.

The Contributing Customer is required to pay for its Customer Contributed Share of Customer-Caused Assets through milestone payments made throughout the construction period for each applicable Customer-Caused Asset, with an opportunity to transfer or repurpose assets and receive credits if they are no longer needed in the future. The Contributing Customer shall pay for its Customer Contributed Share through non-refundable CIAC milestone payments, with a final reconciliation to reflect the actual costs upon asset completion.

### **Risk Sharing Mechanisms**

There are three risk sharing mechanisms for Customer-Caused Assets under this Schedule: (1) Customer Contributed Share; (2) System Benefit Share.; and (3) Repurposable Share.

As stated above, the Customer Contributed Share shall be funded exclusively through CIAC. The Contributing Customer may elect, in its sole discretion, to increase the Customer Contributed Share for any Customer-Caused Asset up to the full cost of the asset. Any such election shall be documented in the Asset Schedule and treated no differently than if it had been assigned Customer Contributed Share via the analysis set forth in Appendix C. Nothing in this Schedule shall be construed to require the Contributing Customer to increase its Customer Contributed Share or to pay any portion of the System Benefit Share as CIAC.

The System Benefit Share represents the portion of a Customer-Caused Asset that the Utility determines provides benefits to the broader system beyond serving the Contributing Customer, as identified through the Designation Procedure set forth in Appendix C. The Utility shall be solely responsible for financing the System Benefit Share and shall include the System Benefit Share in its rate base for recovery through the Utility's rates, in the same manner and subject to the same regulatory treatment as any other physical utility asset owned and operated by the Utility. The Contributing Customer shall have no financial obligations with respect to the System Benefit Share.

If, at some point in the future, the Contributing Customer determines that some portion of the Customer Contributed Share of Customer-Caused Assets is no longer needed for the Project, the Contributing Customer may propose to repurpose some amount of its Customer Contributed Share as a Repurposable Share. In the event that the Contributing Customer proposes a Repurposable Share, the Utility shall re-calculate the System Benefit Share for the Repurposable Share to determine if any portion of the foregone Customer-Caused Assets should be Reclassified as a System Benefit Share. Next, and upon achieving mutual agreement on the Repurposable Share (not to be unreasonably withheld), the Utility shall: (i) Reclassify all or a portion of the Repurposable Share as System Benefit Share to be added to the Refund Schedule and included in bill offsets via the Asset Recovery Rider, upon review and approval by the Commission; (ii) work with the Contributing Customer to identify a Replacement Customer to assume a portion of such Repurposable Share; and/or (iii) use prudent utility practices to market the Repurposable Share of Customer-Caused Assets for use by other customers, including but not limited to maximizing the value through participation in applicable energy and capacity markets, to the extent commercially reasonable. If the Utility is successful in repurposing all or a portion of the Repurposable Share, the Contributing Customer shall receive Repurposing Credit(s) in the amount equal to payment(s) made by Replacement Customer(s) or by revenues received through participation in applicable energy and capacity markets. Repurposing Credits shall be paid to the Contributing Customer through the Asset Recovery Rider. Credits shall be non-duplicative of System Benefit Share refunds.

In the event that the Project site is sold or transferred by the Contributing Customer to a Replacement Customer, all rights, benefits, obligations, and costs shall convey to the Replacement Customer.

### **PPA/BYOP Resources**

In addition to taking service through Utility-developed resources, the Contributing Customer may arrange for a Generation Provider to sell power to the Utility on the Contributing Customer's behalf through a Resource Procurement Agreement for a PPA/BYOP Resource. Under a PPA/BYOP Resource arrangement, the Utility shall take delivery of and title to the power and

deliver it to the Contributing Customer's Project. The Contributing Customer shall be billed for each PPA/BYOP Resource according to the terms of the applicable Resource Procurement Agreement and the PPA/BYOP Resource Schedule, rather than under the unbundled generation portion of the Contributing Customer's applicable retail rate.

A PPA/BYOP Resource Schedule shall be attached as an appendix to the Contributing Customer's ESA. The PPA/BYOP Resource Schedule shall include all rate information related to each PPA/BYOP Resource agreed to by the Utility for the purpose of serving the Contributing Customer's Project, including the PPA/BYOP Energy Rate for each PPA/BYOP Resource, the term of each Resource Procurement Agreement, the Accredited Capacity of each PPA/BYOP Resource, and any other material terms.

### **Billing for PPA/BYOP Resources**

The Contributing Customer shall pay the PPA/BYOP Energy Rate set forth in the PPA/BYOP Resource Schedule for all energy generated by each PPA/BYOP Resource. The Contributing Customer shall not be billed under its normal rate schedule for the amount of energy produced from the PPA/BYOP Resource, because such energy is paid for through the PPA/BYOP Energy Rate established in the applicable Resource Procurement Agreement.

For purposes of calculating the Contributing Customer's demand charges, the capacity accreditation, by month, assigned to any PPA/BYOP Resource shall be subtracted from the megawatt amount of the Contributing Customer's capacity charge calculation. For all other charges not attributable to PPA/BYOP Resource energy, the Contributing Customer shall be charged under the Utility's LGS-T Rate Schedule.

### **Effect on Load Ramp and Resource Planning**

If the Contributing Customer brings a PPA/BYOP Resource, the Accredited Capacity of such PPA/BYOP Resource shall be subtracted from the Project's Load Ramp, and the Utility shall not be required to account for such Accredited Capacity in its plan to meet the Project's Load Ramp. Each Resource Procurement Agreement shall be appended to the ESA and shall be subject to Commission approval in the Tariff Agreement Proceeding, or a future IRP or IRP Amendment proceeding, as applicable.

### **Default of Generation Provider**

In the event that a Generation Provider fails to deliver energy in accordance with the applicable Resource Procurement Agreement, the Utility shall provide replacement energy to the Contributing Customer at the applicable LGS-T rate for the duration of the default, and the Contributing Customer shall be responsible for any costs incurred by the Utility in procuring such replacement energy. If a Generation Provider's default continues for more than [sixty (60)] days, the Contributing Customer shall either procure a replacement Generation Provider or adjust its PPA/BYOP Resource Schedule accordingly, subject to the Utility's reasonable approval.

### **Cost-Sharing with Replacement Customers**

A Replacement Customer that executes an ESA contemporaneously with, or subsequent to, the Contributing Customer may elect to share one or more Customer-Caused Assets with the Contributing Customer. In such event:

(a) Allocation of Customer Contributed Share. The Contributing Customer and Replacement Customer shall agree, subject to Utility consent (not to be unreasonably withheld), on the allocation of the Customer Contributed Share between them for each Shared Customer-Caused Asset. Each customer's share shall be reflected on its respective Asset Schedule.

(b) CIAC Payment. In the event that the Replacement Customer has executed its ESA prior to commencement of construction of a Shared Customer-Caused Asset, both the Replacement Customer and Contributing Customer shall pay their allocated portion of the Customer Contributed Share as non-refundable CIAC milestone payments throughout the construction period for the Shared Customer-Caused Asset.

(c) Reimbursement to Contributing Customer. If the Contributing Customer has already paid CIAC for the full Customer Contributed Share of a Customer-Caused Asset prior to a Replacement Customer's election to share such asset, the Replacement Customer's imputation CIAC milestone payments for its allocated share shall be remitted by the Utility to the Contributing Customer within [thirty (30)] days of receipt, or credited through the Asset Recovery Rider, as mutually agreed by the Parties.

(d) Independent Obligations. Each customer's rights and obligations under its ESA with respect to a Shared Customer-Caused Asset shall be independent of the other customer's rights and obligations. Neither customer shall be liable for the other's failure to perform.

### **Assignment of PPA/BYOP Resource Obligations to Replacement Customer**

The Contributing Customer may assign its obligations under a Resource Procurement Agreement to a Replacement Customer, provided that the Replacement Customer: (a) meets the Creditworthiness Standard or provides Security in accordance with this Schedule; and (b) agrees to pay the contracted PPA/BYOP Energy Rate in \$/MWh, inclusive of all costs under the Resource Procurement Agreement, including the cost to develop the project, the energy costs, all transmission and distribution costs for the resource, and the Monthly Administrative Fee. Upon such assignment, the PPA/BYOP Resource shall be added to the Replacement Customer's PPA/BYOP Resource Schedule, and all related rights and obligations under the applicable Resource Procurement Agreement shall be assigned to and assumed by the Replacement Customer. Any such assignment shall be subject to Commission approval through a supplemental filing or amendment to the Replacement Customer's ESA.

### **Tariff Agreement Proceeding**

The Tariff Agreement Proceeding is the proceeding in which the Commission approves the Customer ESA, the need for the Customer-Caused Assets on the Asset Schedule, the System Benefit Share for those assets, and if applicable, a PPA/BYOP Resource Schedule identifying each PPA/BYOP Resource and any associated Resource Procurement Agreements. The Tariff

Agreement Proceeding occurs after the Parties have executed an ESA and have reached agreement on a proposed Asset Schedule containing: (i) each Customer-Caused Asset; (ii) its estimated and final costs; (iii) its System Benefit Share, if any; (iv) expected in-service date; and (v) any refund or crediting provisions, including the Refund Schedule repayment term reflecting the depreciable life of the Customer-Caused Asset.

### **Nature of the Proceeding**

The Tariff Agreement Proceeding begins when the Utility files a "Request for Approval of a Tariff ESA Agreement" (the "Request") with the Commission, which may be incorporated within an amendment to the Utility's Integrated Resource Plan if the Asset Schedule requires new generation or transmission resources. The Request shall include: (a) the executed ESA; (b) the proposed Asset Schedule; (c) any supporting documentation produced through the Customer-Caused Asset and System Benefit Share Designation Procedure set forth in Appendix C; and (d) if applicable, the PPA/BYOP Resource Schedule and each executed Resource Procurement Agreement. The Utility shall file the Request within [thirty (30)] days of execution of the ESA, unless the Parties mutually agree to a different filing date.

The Tariff Agreement Proceeding shall be a contested case proceeding that allows Commission Staff and intervening parties to raise questions or concerns about the ESA or the Asset Schedule. Any Customer-Caused Assets for which the Customer Contributed Share equals one hundred percent (100%) (i.e., no System Benefit Share has been designated) shall be subject to minimal scrutiny, so long as the Contributing Customer approves of those assets. Such assets will not be included in the Utility's rate base and would be subject to further scrutiny in a subsequent proceeding only if any portion is later Reclassified as System Benefit Share.

The Commission shall approve the ESA and the Asset Schedule if it finds that:

- (a) the ESA is in the public interest;
- (b) the Customer-Caused Assets are needed to serve the Contributing Customer; and
- (c) the designation of any System Benefit Share for any Customer-Caused Asset satisfies the reasonable needs of the public for an adequate supply of electric energy.

In evaluating whether the ESA is in the public interest, the Commission may consider factors such as: the economic benefits to the service territory from the Contributing Customer's Project; the alignment of the ESA terms with Commission-approved tariff provisions; the adequacy of customer protections and risk allocation mechanisms; and the transparency of cost recovery provisions.

The Commission may, as part of its Order approving the ESA and Asset Schedule, impose additional conditions on the ESA or require additional reporting as it deems necessary to protect the public interest, ensure transparency, or monitor implementation. Such conditions may include, without limitation:

- (a) periodic progress reports on asset construction milestones and schedule adherence;

- (b) cost tracking and variance reporting for each Customer-Caused Asset, including identification of any material cost overruns and their causes;
- (c) compliance filings demonstrating adherence to the terms of the ESA and the Asset Schedule; and
- (d) notice requirements for any proposed modifications to the Asset Schedule prior to the next general rate case proceeding.

The Commission shall issue its order on a Request for Approval of a Tariff ESA Agreement within [180 days] of the Utility's filing date or, if the Request for Approval is a component of an IRP Proceeding or IRP Amendment, then within the period required by NRS § 704.751.

### **Effect of Approval**

Approval of the ESA and the Asset Schedule shall satisfy any "need"-based approvals that are required by the Commission for any Customer-Caused Assets included on the approved Asset Schedule. Specifically, such approval shall constitute a finding of need for purposes of any subsequent certificate of public convenience and necessity or similar proceeding, to the extent applicable, and the Utility shall not be required to re-demonstrate need for any approved Customer-Caused Assets. The Commission's need determination applies to the entirety of the Customer-Caused Asset, regardless of the proportion allocated between the Customer Contributed Share and the System Benefit Share. The inclusion of each Customer-Caused Asset on the approved Asset Schedule establishes that it is needed for the Utility to provide reasonably adequate service and facilities to all customers within its service territory.

Additionally, approval of the Asset Schedule shall create a rebuttable presumption of prudence with respect to the System Benefit Share designated for any Customer-Caused Asset on the approved Asset Schedule in any future rate case proceeding or other Commission proceeding in which the prudence of such designation is at issue.

Notwithstanding the foregoing, if the Contributing Customer terminates the ESA prior to the commencement of construction of any Customer-Caused Asset, such asset shall no longer be deemed to have a finding of need for purposes of any subsequent proceeding. In such event, if the Utility seeks to construct the asset for purposes other than serving the Contributing Customer, the Utility shall be required to demonstrate the need for such asset through the applicable regulatory proceeding.

### **Expedited Review**

If the Contributing Customer and Utility are not proposing any System Benefit Share for any Customer-Caused Assets identified in the Asset Schedule, the Tariff Agreement Proceeding shall be expedited and shall be resolved through an expedited proceeding. In an expedited proceeding, there shall be a rebuttable presumption that the ESA and Asset Schedule are in the public interest, given that no portion of the Customer-Caused Assets will be included in the Utility's rate base. The Commission may overcome this presumption only upon a finding that the ESA or Asset Schedule contains terms that are contrary to law, inconsistent with the applicable tariff, or otherwise harmful to the public interest for reasons unrelated to cost recovery from ratepayers.

Commission Staff shall review the Request and prepare a memorandum for the Commission summarizing the terms of the ESA and Asset Schedule and providing a recommendation regarding approval. Staff's review shall focus on confirming that: (i) the Asset Schedule does not include any System Benefit Share designations; (ii) the Contributing Customer has affirmatively approved each Customer-Caused Asset; and (iii) the ESA complies with the applicable tariff provisions and is in the public interest. The Commission shall act on the Request within [sixty (60)] days of the Utility filing the Request.

Notwithstanding the expedited nature of the review process described in this section, the effect of the Commission's approval of an ESA and Asset Schedule through an expedited proceeding shall be the same in all respects as the effect of approval through a non-expedited Tariff Agreement Proceeding. The procedural streamlining afforded by the expedited review process shall not diminish, limit, or otherwise affect the legal force, finality, or regulatory consequences of the Commission's approval.

### **Modification of Approved ESA or Asset Schedule**

Following Commission approval, any material modifications to the ESA or Asset Schedule shall require Commission authorization through a supplemental filing.

If a Replacement Customer executes an ESA and seeks to assume a portion of the Customer Contributed Share for one or more Customer-Caused Assets on the Contributing Customer's Asset Schedule, the following procedure shall apply:

(i) Replacement Customer's Tariff Agreement Proceeding. The Replacement Customer shall file a Request for Approval of a Tariff ESA Agreement in accordance with this Schedule. The Replacement Customer's proposed Asset Schedule shall identify each Shared Customer-Caused Asset and specify the portion of the Customer Contributed Share that the Replacement Customer seeks to assume from the Contributing Customer.

(ii) Contributing Customer's Supplemental Filing. Concurrently with or prior to the Replacement Customer's filing, the Contributing Customer may file a supplemental filing to amend its Asset Schedule to reflect the reduced Customer Contributed Share for each Shared Customer-Caused Asset and to document the reimbursement or credit to be received from the Replacement Customer.

(iii) Coordinated Review. The Commission may, in its discretion, consolidate the Replacement Customer's Tariff Agreement Proceeding with the Contributing Customer's supplemental filing for coordinated review. In reviewing the Replacement Customer's proposed assumption of a portion of the Customer Contributed Share, the Commission shall apply the same standards applicable to the Contributing Customer's original Asset Schedule approval.

(iv) Effect of Approval. Upon Commission approval, the Contributing Customer's Asset Schedule and the Replacement Customer's Asset Schedule shall each reflect the agreed-upon allocation of the Customer Contributed Share for each Shared Customer-Caused Asset.

For supplemental filings involving material modifications, the Commission may, in its discretion, establish an expedited review process or require a full contested case proceeding, depending on the nature and magnitude of the proposed changes. Non-material modifications may be made by mutual agreement of the Parties and reported to the Commission in the Utility's next general rate case proceeding or annual compliance filing.

### **Reclassifying System Benefit Share and Cost Reconciliation**

Following Commission approval of the ESA and Asset Schedule in the Tariff Agreement Proceeding, future Reclassification of the System Benefit Share for any Customer-Caused Asset recorded on the Asset Schedule shall be addressed in the Utility's IRP Proceeding or through an IRP Amendment. The Contributing Customer shall have the right to participate in any IRP Proceeding or IRP Amendment in which the System Benefit Share for any Customer-Caused Asset on its Asset Schedule is under consideration. The Utility shall include in its IRP or IRP Amendment filing supporting analysis and workpapers demonstrating any proposed changes in System Benefit Share allocations for Commission review.

In connection with any proposal to Reclassify Customer-Caused Assets through the IRP or IRP Amendment, the Utility shall satisfy the same requirements for demonstrating need, prudence, and ratepayer protection applicable to any other resource proposed in the Utility's Integrated Resource Plan, including demonstrating that the proposed Reclassification: (a) is needed based on substantially accurate data and an adequate method of forecasting; (b) takes into account any present and projected reductions in the demand for energy that may result from measures to improve energy efficiency in the industrial, commercial, residential and energy producing sectors of the area being served; and (c) provides economic, environmental, and other benefits to the State and to the customers of the Utility, consistent with NRS 704.746. The Utility shall provide all information required by the Commission to evaluate the prudence of the proposed Reclassification and demonstrate that the proposed Reclassification is included in the best combination of sources of supply to meet the demands of the Utility's system.

If the Commission, through an IRP or IRP Amendment proceeding, identifies a system benefit attributable to any Customer-Caused Asset and approves a Reclassification or update to the System Benefit Share, the costs associated with such Customer-Caused Asset shall be reallocated accordingly in the Utility's next general rate case ("GRC") proceeding. In each GRC proceeding, the Utility shall also reconcile estimated to actual construction costs for each Customer-Caused Asset, including carrying costs and any final close-out adjustments, and shall update the Asset Schedule to reflect final costs, in-service dates, depreciable lives, System Benefit Share entries, and any resulting changes to the Refund Schedule. Supporting documentation shall be provided sufficient to permit audit and replication.

Any true-up payments or bill credits resulting from (a) Reclassification of Customer-Caused Asset cost responsibility to the System Benefit Share; or (b) reconciliation of estimated to actual costs affecting the System Benefit Share and associated Refund Schedule amounts, shall be added to (or deducted from) the Refund Schedule for the applicable Customer-Caused Asset and delivered as monthly billable payment offsets to the Contributing Customer through the Asset Recovery Rider over the remaining depreciable life of the asset. The Asset Schedule shall be updated to reflect such additions, deductions, and remaining repayment balance.

## **Termination and Cessation of Service**

Upon the expiration of the term of the ESA, or if the Contributing Customer elects to cease receiving electric service at the Project and terminates the ESA prior to expiration (collectively, a "Cessation Event"), the following provisions shall apply with respect to all Customer-Caused Assets on the Contributing Customer's Asset Schedule that remain in service as of the date of the Cessation Event, and with respect to any Resource Procurement Agreements on the Contributing Customer's PPA/BYOP Resource Schedule that remain in effect as of the date of the Cessation Event.

### **Re-Analysis of System Benefit Share**

Within [insert] days following a Cessation Event, the Utility shall file an IRP or IRP Amendment and conduct a comprehensive re-analysis of the System Benefit Share for each Customer-Caused Asset on the Contributing Customer's Asset Schedule that remains in service. The re-analysis shall apply the same methodology set forth in Appendix C to determine whether, in light of the Contributing Customer's departure from the system, any portion of the Customer Contributed Share for each such Customer-Caused Asset should be Reclassified as System Benefit Share. To the extent that the re-analysis identifies additional system benefit attributable to any Customer-Caused Asset, the Utility shall Reclassify the corresponding portion of the Customer Contributed Share as System Benefit Share on the Asset Schedule.

Upon completion of the re-analysis, the Utility shall file an IRP or IRP Amendment with the Commission to update the Asset Schedule for each affected Customer-Caused Asset, reflecting any Reclassification of Customer Contributed Share to System Benefit Share. The IRP or IRP Amendment shall include the Utility's supporting analysis and workpapers demonstrating the basis for any Reclassified amounts, in sufficient detail to permit audit and independent replication. Any such Reclassification proposal shall be subject to the same standards of need, prudence, and ratepayer protection applicable to any other resource acquisition proposed in the Utility's Integrated Resource Plan.

### **Utility Obligation to Act as Replacement Customer**

Upon Commission approval of the IRP or IRP Amendment described above, the Utility shall be obligated to act as a Replacement Customer for all operating Customer-Caused Assets on the Contributing Customer's Asset Schedule. In its capacity as Replacement Customer, the Utility shall:

- (a) Finance and pay, on a lump-sum basis, any remaining amounts outstanding on the Refund Schedule for each Customer-Caused Asset on the Contributing Customer's Asset Schedule, reflecting any System Benefit Share that has been Reclassified from the Customer Contributed Share or Repurposable Share;
- (b) Finance and pay, on a lump-sum basis, the value of any newly Reclassified System Benefit Share resulting from the re-analysis conducted pursuant to the preceding section, calculated at the depreciated book value of the Reclassified portion as of the date of the Cessation Event; and

(c) Make the refund payment described in subsections (a) and (b) above directly to the Contributing Customer within [sixty (60)] days of Commission approval, or such other timeline as the Commission may direct.

The Commission's approval of the amended Asset Schedule shall serve as a rebuttable presumption of prudence in any future GRC proceeding, in which the Utility seeks to include all Customer-Caused Assets for which it has assumed as a Replacement Customer, together with all financing costs associated with the refund payment to the Contributing Customer, in rate base for recovery through the Utility's rates.

### **Utility Drawdown Obligation on Customer Contributed Share**

Following a Cessation Event, the Utility shall have a continuing obligation to consider the Customer Contributed Share of Customer-Caused Assets on the Contributing Customer's Asset Schedule for Drawdown as the Utility's system needs increase following the Contributing Customer's departure. In each IRP Proceeding filed by the Utility following a Cessation Event, the Utility shall conduct a System Benefit Share re-analysis, applying the methodology set forth in Appendix C, for each operating Customer-Caused Asset on the Contributing Customer's Asset Schedule for which any Customer Contributed Share remains. To the extent the Utility identifies that some or all of the Customer Contributed Share of any operating Customer-Caused Asset is being used to meet the Utility's system needs, the Utility shall propose Reclassifying the applicable portion of the Customer Contributed Share as System Benefit Share and a corresponding Drawdown of such Reclassified share in that IRP Proceeding.

In addition, if the Utility identifies a need for additional resources to serve its system, the Utility shall include any remaining Customer Contributed Share of any Customer-Caused Asset as an optional resource for selection in its IRP or IRP Amendment. The Utility's obligation to evaluate Drawdowns on the Customer Contributed Share shall be a recurring obligation considered in each subsequent IRP Proceeding until all Customer Contributed Share on the Contributing Customer's Asset Schedule has been fully drawn down or the applicable Customer-Caused Assets are no longer in service. Any such Drawdown shall be evaluated under the same standards applicable to new Utility resource acquisitions, including demonstrating that the Drawdown is needed, is prudent, and is in the best interest of the Utility's ratepayers, consistent with NRS 704.741 and NRS 704.746.

Upon Commission approval of a Drawdown in an IRP Proceeding, the Utility shall Reclassify the drawn-down portion of the Customer Contributed Share as System Benefit Share on the Asset Schedule and shall pay the Contributing Customer the depreciated book value of such share as of the date of the Drawdown. The Utility shall make payment directly to the Contributing Customer within [sixty (60)] days of Commission approval of the Drawdown. The Utility shall be entitled to include all financing costs associated with the Drawdown payment in rate base for recovery through the Utility's rates.

In each IRP Proceeding in which a Drawdown is proposed, the Utility shall include in its filing: (i) a System Benefit Share re-analysis for each operating Customer-Caused Asset on the Contributing Customer's Asset Schedule; (ii) identification of any Customer Contributed Share that is being used to meet the Utility's system needs or that could satisfy an identified need for

additional resources; (iii) the depreciated book value of the Customer Contributed Share to be acquired; (iv) the proposed financing and rate base treatment; and (v) a demonstration that the proposed Drawdown is needed, is prudent, and is in the best interest of the Utility's ratepayers. The Utility shall provide supporting analysis and workpapers in sufficient detail to permit audit and independent replication. The Commission shall evaluate the proposed Drawdown under the same standards applicable to the approval of new utility resource acquisitions in the Utility's Integrated Resource Plan.

#### **PPA/BYOP Resource Termination Fee**

Upon the occurrence of a Cessation Event, with respect to any Resource Procurement Agreements on the Contributing Customer's PPA/BYOP Resource Schedule that remain in effect, the Contributing Customer shall be obligated to pay a PPA/BYOP Resource Termination Fee for each such Resource Procurement Agreement. The PPA/BYOP Resource Termination Fee shall be calculated as the sum of the present value of all expected remaining energy payments under the Resource Procurement Agreement for the balance of the term, calculated based on the PPA/BYOP Energy Rate and projected energy delivery volumes as of the date of the Cessation Event.

The PPA/BYOP Resource Termination Fee shall be paid to the Utility within [sixty (60)] days of the Cessation Event, and the Utility shall use such amounts to satisfy any remaining obligations to the Generation Provider under the applicable Resource Procurement Agreement. Notwithstanding the foregoing, the Contributing Customer may, in lieu of paying the PPA/BYOP Resource Termination Fee, assign the Resource Procurement Agreement to a Replacement Customer in accordance with the Assignment of PPA/BYOP Resource Obligations to Replacement Customer provisions of this Schedule, provided that the Replacement Customer satisfies the applicable credit and payment requirements set forth therein.

## APPENDIX C

### Customer-Caused Asset and System Benefit Share Designation Procedure

#### Timing and Initiation

This Appendix C sets forth the Customer-Caused Asset and System Benefit Share Designation Procedure (the "Designation Procedure"). The Designation Procedure shall commence promptly following submission of the Connection Application. Within [thirty (30)] days, the Utility shall deliver written notice to the Contributing Customer initiating the Designation Procedure, which notice shall include a preliminary schedule identifying target completion dates for each phase described herein. The Parties shall use good-faith efforts to complete the Designation Procedure within [one hundred and eighty (180)] days of receipt of the written notice, or such other period as mutually agreed, with the objective of populating the Asset Schedule prior to execution of the ESA.

#### Purpose and Scope

The Designation Procedure establishes the transparent, replicable procedures the Utility shall apply to: (i) identify the transmission and generation assets required to serve the Contributing Customer's Project that qualify as "Customer-Caused Assets"; (ii) determine, for each such Customer-Caused Asset, the ratio between the portion directly attributable to the Contributing Customer (the "Customer Contributed Share") and the portion providing system-wide benefits (the "System Benefit Share"); and (iii) account for the Contributing Customer's PPA/BYOP Resources, if any, in the resource planning analysis by reducing the Load Ramp by the Accredited Capacity of all such PPA/BYOP Resources.

The Parties shall use these procedures to designate and agree upon the scope of Customer-Caused Assets and the respective Customer Contributed Share and System Benefit Share for each such asset, and to record such designations in the Asset Schedule incorporated into the ESA. Designation under this Appendix C shall be by mutual agreement of the Parties.

All capitalized terms in this Appendix C shall have the same meanings as set forth in the Ratepayer Protection Tariff.

#### I. Baseline Assumptions and Hypothetical Futures

Prior to conducting any transmission or generation studies under this Appendix C, the Utility and Contributing Customer shall work together to:

- A. Establish Ground Rules for Current State Assumptions. The Utility shall prepare and deliver to the Contributing Customer a draft set of baseline assumptions for the Contributing Customer's review and comment within [forty-five (45)] days of initiating the Designation Procedure. The Parties shall agree upon baseline assumptions for: (i) existing system topology, capacity ratings, and load levels as of a specified baseline date; (ii) resource costs and available options, including capital cost estimates, fuel price forecasts, and technology performance assumptions; (iii) assumed installation years for potential new resources; and (iv) resource block sizes and standard unit configurations.

- B. Develop Hypothetical Futures. The Utility shall develop up to three (3) hypothetical futures against which system needs will be evaluated, which may include: (i) status quo trajectories; (ii) regional growth scenarios leading to increased congestion and higher market prices; and (iii) CO2 emission restriction scenario reflecting more stringent environmental requirements affecting resource mix and dispatch. The Utility shall document the key drivers, assumptions, and boundary conditions for each hypothetical future in a written memorandum delivered to the Contributing Customer for review and comment within [fifteen (15)] business days of completing the hypothetical future development.

## II. Transmission Asset Designation Procedure

The objective of this procedure is to identify the minimum set of network and direct-connection facilities necessary to meet the Contributing Customer's Contract Demand while maintaining applicable reliability criteria, and to apportion the resulting asset costs between the Customer Contributed Share and the System Benefit Share in a manner consistent with system benefits.

- A. Study Inputs and Criteria. The Utility shall conduct or coordinate studies using the following inputs provided by the Contributing Customer: (i) Contract Demand; (ii) interconnection location and point of delivery; (iii) delivery voltage level; (iv) requested in-service date(s) and any phasing requirements; (v) Load Ramp projections; and (vi) other technical parameters provided in the Connection Application. The studies shall evaluate thermal loading, voltage performance, short-circuit duty, power quality, and stability/deliverability as appropriate. The Utility shall document the study methodology, software tools (including version numbers), and modeling assumptions used in each study.
- B. Study Phase. The transmission asset designation shall proceed through the following sequential phases:
- a. **Phase 1 – Pre-Customer Load Analysis**: The Utility shall perform a system flow and thermal violation analysis, under no more than the three (3) hypothetical futures established above, prior to the addition of the Contributing Customer's load. This analysis shall be similar in methodology to a point-to-point tariff protocol study and shall establish the baseline system conditions against which Customer-Caused impacts will be measured. The Utility shall deliver to the Contributing Customer the results of the Pre-Customer Load Analysis, including identification of any pre-existing constraints, within [fifteen (15)] business days of completion.
  - b. **Phase 2 – System Impact Study**: The Utility shall incorporate the Contributing Customer's Load Ramp into the transmission models and perform a system impact study to identify network constraints, required upgrades, and order-of-magnitude cost and schedule estimates. The Utility shall deliver a preliminary System Impact Study report to the Contributing Customer within [fifteen (15)] business days of completion.
  - c. **Phase 3 – Facilities Study**: The Utility shall perform a facilities study to define the scope, interconnection facilities, network upgrades, cost estimates, and milestones

with sufficient design maturity to support Asset Schedule entries. The facilities study shall include preliminary engineering drawings, equipment specifications, and construction schedules.

Where applicable, the Utility shall submit or coordinate any necessary regional review with the RTO/ISO or planning authority, and shall keep the Contributing Customer informed of the status of such reviews on at least a bi-weekly basis.

- C. Identification of Customer-Caused Transmission Assets. An asset qualifies as a Customer-Caused Asset if it is required, in whole or in part, to serve the Contributing Customer's Project and is not identified in system planning absent the Project. Such assets may include, without limitation, line extensions, new feeders, substation expansions, transformer capacity additions, protective devices, reactive power compensation, substations, and upstream network reinforcements necessary to reliably serve the Contract Demand.
- D. Minimum-Prudent Build Standard; No Unreasonable Overbuild. The Utility shall specify the minimum set of transmission facilities and ratings necessary to meet reliability criteria and prudent utility practice for the Contributing Customer's Project Demand and associated system conditions. The Utility shall not unreasonably oversize facilities beyond what is justified by the Contributing Customer's needs and applicable reliability standards.
- E. Determination of System Benefit Share for Transmission Assets. For each Customer-Caused transmission asset, the Utility shall calculate a System Benefit Share based on the proportion of the asset's function, capacity, and timing that provides system benefits beyond serving the Contributing Customer. The Utility shall apply the following methodology:
  - a. **Identify objective indicators:** Objective indicators of system benefits include (a) relief of pre-existing constraints identified in the Pre-Customer Load Analysis (Phase 1); (b) improvement of reliability indices for other customers; (c) integration of additional load or generation unrelated to the Project within a reasonable planning horizon; and (d) advancement of planned reinforcements that were on a needs-driven plan to be built within a reasonable planning horizon.
  - b. **Quantify System Benefits:** For each objective indicator present, the Utility shall quantify the magnitude of the system benefit using engineering analysis, load flow studies, reliability modeling, or other appropriate methodologies. The Utility shall document the quantification methodology and data sources used.
  - c. **Calculate System Benefit Share Percentage:** The System Benefit Share shall be calculated as a percentage of the total asset cost, based on the proportion of the asset's capacity, function, or cost that is attributable to system benefits rather than the Contributing Customer's load. The Utility shall provide a step-by-step calculation showing how the System Benefit Share percentage was derived.

The Utility shall provide quantitative support and workpapers for each asset's System Benefit Share calculation, including the data sources, methodologies, and assumptions used, in sufficient detail to permit independent replication of the calculation.

- F. Documentation and Agreement. For each Customer-Caused transmission asset, the Utility shall provide: (i) the study results identifying the need; (ii) scope and design basis; (iii) estimated and final costs; (iv) the System Benefit Share calculation and rationale; and (v) the resulting Customer Contributed Share. The Parties shall confer and memorialize mutual agreement on designation and shares for entry on the Asset Schedule and for administration under the Asset Recovery Rider.
- G. Updates and True-Up. As studies are refined and costs are finalized, the Utility shall update the Asset Schedule and reconcile costs per this Schedule's true-up and final reconciliation process.

### **III. Generation Asset Procedure**

This procedure requires the Utility to model alternative resource portfolios necessary to fulfill the Contributing Customer's Load Ramp under different plausible futures using a model designed to identify least-cost, reliable portfolio optimization to meet the Utility's energy and capacity needs. Each resource portfolio modeled under this procedure shall be designed to meet Nevada's Portfolio Standard. To the extent that the Contributing Customer has entered into, or plans to enter into, Resource Procurement Agreements for PPA/BYOP Resources, the Contributing Customer's Load Ramp used in this procedure shall be reduced by the Accredited Capacity of all such PPA/BYOP Resources, and the Utility shall plan its generation resource needs accordingly. The Utility shall not include in the Customer-Caused Generation Assets any generation resources that would be duplicative of the capacity provided by PPA/BYOP Resources. The procedure then allocates the costs of any Customer-Caused Generation Assets between the Customer Contributed Share and the System Benefit Share.

- A. Pre-Customer Load Resource Plan. The Utility shall conduct long-term (e.g., 20-year) generation resource plan modeling, under no more than the three (3) hypothetical futures established above, prior to the addition of the Contributing Customer's load. This analysis shall be a streamlined version of the Utility's Integrated Resource Planning process, to the extent it is required by state statute or regulation. The Utility shall document the resource portfolios, capacity expansion decisions, and cost projections for each hypothetical future in a Pre-Customer Load Resource Plan Report delivered to the Contributing Customer within [fifteen (15)] business days of completion.
- B. Customer Load Resource Plan. The Utility shall develop portfolios that satisfy energy and capacity needs inclusive of the Contributing Customer's Load Ramp (as reduced by the Accredited Capacity of any PPA/BYOP Resources on the Contributing Customer's PPA/BYOP Resource Schedule), subject to reliability and policy constraints customarily used by the Utility in resource planning. Portfolios shall be capable of meeting peak demand and planning reserve margin requirements with the Contributing Customer's Project included, and shall use the Baseline Assumptions identified above. These portfolios

should be evaluated against the same hypothetical futures considered under the Utility's pre-load resource planning model.

- C. Identification of Customer-Caused Generation Assets. Generation additions, upgrades, or contractable resources that are required, in whole or in part, because of the inclusion of the Contributing Customer's Load Ramp, and that were not otherwise planned or required in the same timeframe absent the Project, qualify as Customer-Caused Assets. These may include utility-owned generation, short- or long-term capacity purchases, storage, demand-side capacity, or other accredited capacity solutions needed to maintain resource adequacy and system reliability with the Customer's Load Ramp.
- D. Modeling Tools. The Utility may use industry-standard software tools capable of co-optimizing energy and capacity, including without limitation EnCompass, Aurora, PLEXOS, SERVUM, Strategist, or similar tools that support stochastic or deterministic planning with chronological dispatch and resource adequacy assessment. The Utility shall identify the tool(s) used, versions, and principal settings relevant to results.
- E. Portfolio Selection. Using the results from the resource planning modeling, the Utility shall propose a portfolio of resources for the Contributing Customer's review and approval. The Utility shall not propose to unreasonably overbuild generation capacity or energy resources beyond what is required to maintain reliability and meet planning criteria.
- F. Determination of System Benefit Share for Generation. For each Customer-Caused Generation Asset in the selected portfolio, the Utility shall quantify the share providing system benefits beyond the Contributing Customer's Project, considering factors such as: contribution to system peak net load beyond the Customer's incremental contribution; reduction in production costs for the broader system; opportunity to backfill retirements or resolve a pre-existing capacity shortfall; location and ability to serve other customers; regional market revenues; and resilience or reliability improvements benefitting other customers. The Utility shall provide quantitative support and workpapers showing the attribution basis and calculation of the System Benefit Share.
- G. Documentation and Agreement. The Utility shall furnish portfolio modeling files, summary reports, and workpapers for the portfolio selection; a clear identification of Customer-Caused Generation Assets; and System Benefit Share calculations for each such asset. The Parties shall confer and memorialize mutual agreement on each Customer-Caused Generation Asset and the allocation between the Customer Contributed Share and System Benefit Share, to be reflected on the Asset Schedule.
- H. Updates and True-Up. As portfolio selections, scopes, or costs evolve, the Utility shall update the Asset Schedule and reconcile costs per this Schedule's true-up processes, including any implications for Refund Schedule and Asset Recovery Rider crediting.

#### **IV. Dispute Resolution; Commission Oversight**

- A. Dispute Resolution. If, notwithstanding the Parties' principal alignment on the ESA and Asset Schedule, the Parties are unable to reach mutual agreement on the designation of specific Customer-Caused Assets, on the System Benefit Share allocations for specific

assets, or on any other discrete matter arising under this Appendix C (each, a “Dispute”), either Party may seek review or relief from the Commission regarding the Dispute in the Tariff Agreement Proceeding described in the Ratepayer Protection Tariff.

- B. Treatment of Disputed Items in Request Filing. Any contested items shall be tracked separately in the Asset Schedule pending resolution, and the Request for Approval of a Tariff ESA Agreement shall clearly identify which items are contested and the respective positions of the Parties. The Utility may present its position to the Commission in the Tariff Agreement Proceeding by including in the Request for Approval of a Tariff ESA Agreement, or in any responsive or supplemental filings, documentation and argument supporting its position on the contested matter(s). The Contributing Customer may file responsive testimony, briefs, or other pleadings presenting its opposing position. The Parties shall otherwise continue good-faith support of the ESA and Asset Schedule.
- C. Resolution Through the Tariff Agreement Proceeding. The Commission may, as part of its Order approving, modifying, or rejecting the ESA and Asset Schedule, resolve any Dispute by establishing the final designations and allocations for the Asset Schedule, which shall be binding on both Parties.

## **V. Shared Customer-Caused Assets**

- A. Contemporaneous Execution of ESAs. Where a Replacement Customer is contemporaneously executing an ESA with the Contributing Customer, the Utility shall conduct the studies described in Appendix C considering the combined Contract Demand and Load Ramps for both customers. The Utility shall model the system impacts of serving both customers' Projects and may propose Shared Customer-Caused Assets to the extent it makes sense for the Replacement Customer and Contributing Customer.
- B. Designation for Shared Customer-Caused Assets. Where a Replacement Customer and Contributing Customer agree to share one or more Customer-Caused Assets, the Customer Contributed Share shall be allocated between the Contributing Customer and Replacement Customer in proportion to the need for the asset, taking into account each Project's Contract Demand, Load Ramp, and other relevant factors. The resulting allocations shall be documented on each customer's respective Asset Schedule.

**ATTACHMENT B**  
**FACILITIES PAYMENT TARIFF**

## Ratepayer Protection Tariff

### Eligibility

This Schedule is optional for customers that: (a) consume more than [insert MWh]; (b) have a Billing Demand equal to or greater than [insert MW] in any one of the current or prior 11 months; and (c) have a qualifying annual load factor of at least [insert %], subject to requirements and conditions set forth herein.

Customers seeking service under this Schedule must submit an application to the Utility for electric service under this Schedule (“Connection Application”), accompanied by payment of an increased application fee. The application fee shall be in an amount established by the Utility and approved by the Commission, and shall reflect the increased administrative, engineering, and resource planning costs associated with this Schedule. The application fee is non-refundable and shall be due and payable at the time the Connection Application is submitted. A form Connection Application is attached hereto as Appendix A.<sup>[1]</sup>

Prior to commencing electric service under this Schedule, each Contributing Customer must enter into an Electric Service Agreement (“ESA”) with the Utility. The ESA shall specify that the Contributing Customer will be served under the [Utility’s large general service tariff at transmission voltage (“LGS-T”)], except that for energy generated by any PPA/BYOP Resource, the Contributing Customer shall instead pay the PPA/BYOP Energy Rate as set forth in the applicable PPA/BYOP Resource Schedule, and shall not be billed under the LGS-T rate schedule for the amount of energy produced or capacity attributable to such PPA/BYOP Resource. A form ESA is attached hereto as Appendix B.<sup>[2]</sup>

### Definitions

For purposes of this Schedule, the terms and expressions listed below shall have the meanings set forth herein:

**“Accredited Capacity”** means the Effective Load Carrying Capability (“ELCC”) of a PPA/BYOP Resource as approved by the Commission in NV Energy’s most recent IRP Proceeding or as otherwise required by a regional resource adequacy program. The Contributing Customer and the Utility may amend the Accredited Capacity for a PPA/BYOP Resource following one year of actual performance of such resource if approved by the Commission in an IRP or IRP Amendment Proceeding.

**“Asset Recovery Rider”** means the rider to the Contributing Customer’s monthly bill, established in the ESA pursuant to this Schedule, that separately recovers or credits all amounts associated with Customer-Caused Assets and related risk-sharing mechanisms. The Asset Recovery Rider includes, without limitation: (a) Facility Payments payable by the Contributing Customer for its Customer Contributed Share of Customer-Caused Assets; (b) Repurposing Credits reflecting revenues or cost offsets realized from repurposing or reassigning assets directly assignable to the Contributing Customer, net of reasonable incremental repurposing costs; and (c) credits or debits resulting from periodic

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<sup>1</sup> [form not yet developed]

<sup>2</sup> [form not yet developed]

true-ups to actual project costs, carrying costs, and final cost reconciliations. Charges and credits in the Asset Recovery Rider shall be non-duplicative of charges in base rates. Notwithstanding any other provision of this Schedule, all payments and credits delivered through the Asset Recovery Rider, including Facility Payments under the CCA Payment Schedule, Repurposing Credits, and true-up credits, shall be provided only during the term of the Contributing Customer's ESA.

**“Asset Schedule”** means the Customer-Caused Asset Schedule, initially populated through the designation process set forth in Appendix C and carried over to the ESA, that the Utility is required to maintain and which itemizes: (i) each Customer-Caused Asset; (ii) its estimated and final costs, expressed in net present value (“NPV”) terms using a discount rate agreed upon by the Parties or, absent agreement, determined by the Commission; (iii) its System Benefit Share, if any; (iv) its Customer Contributed Share and the associated CCA Payment Schedule; (v) expected in-service date; and (vi) the depreciable life of each Customer-Caused Asset. The Asset Schedule shall be updated as Customer Caused Assets are added, modified, placed in service, or Reclassified.

**“CCA Payment Schedule”** means the schedule, established for each Customer-Caused Asset on the Asset Schedule, setting forth the monthly Facility Payments payable by the Contributing Customer over the depreciable life of such Customer-Caused Asset for the Contributing Customer's Customer Contributed Share. The CCA Payment Schedule shall reflect the revenue requirement associated with the Contributing Customer's share of each Customer-Caused Asset, calculated at the Reduced Return, including depreciation, return on investment at the Reduced Return, applicable taxes, and operating and maintenance costs directly assignable to such asset.

**“Cessation Event”** means (a) the expiration of the term of the Contributing Customer's ESA; or (b) the Contributing Customer's election to cease receiving electric service and to terminate the ESA prior to expiration. The rights and obligations arising upon the occurrence of a Cessation Event are set forth in the Termination and Cessation of Service provisions of this Schedule.

**“Collateral Requirement”** means the credit evaluation standard applied by the Utility pursuant to the Security provisions of this Schedule to determine the applicable Security percentage. A Contributing Customer meets the Collateral Requirement if, as of the date of evaluation, it satisfies the Creditworthiness Standard.

**“Commission”** means the Public Utilities Commission of Nevada.

**“Connection Application”** means the application submitted by the Contributing Customer to the Utility containing information regarding the Contributing Customer's Project and Contract Demand, which shall accompany the applicable application fee.

**“Contract Demand”** means the estimated maximum megawatt demand for the full build out of the Contributing Customer's Project, which the Utility agrees to serve and not unreasonably withhold, reduce, or discontinue service during the term of the ESA, except as otherwise permitted under the ESA.

**“Contributing Customer”** means any entity that meets the eligibility criteria and elects to take service under this Schedule.

**“Creditworthiness Standard”** means a senior unsecured long-term credit rating of at least [insert] from Standard & Poor’s, [insert] from Moody’s Investors Service, or an equivalent rating from another nationally recognized statistical rating organization.

**“Customer-Caused Assets”** means assets, in part or in whole, that were not previously identified in system planning studies and that are necessary to serve a Contributing Customer’s request. Customer-Caused Assets must be caused by the addition of the Contributing Customer to the Utility’s system, as mutually agreed upon by the Parties, and can include substations, generation, and transmission assets.

**“Customer Contributed Share”** means the portion of Customer-Caused Asset costs that is directly assigned to and payable by the Contributing Customer through monthly Facility Payments pursuant to the CCA Payment Schedule, as itemized on the Asset Schedule. The Customer Contributed Share includes both: (a) the portion designated as Customer Contributed Share through the designation process set forth in Appendix C; and (b) any System Benefit Share that the Contributing Customer has elected to classify as Customer Contributed Share and pay for through Facility Payments pursuant to the Risk Sharing Mechanisms provisions of this Schedule.

**“Electric Service Agreement”** or **“ESA”** means the bilateral contract between the Utility and Contributing Customer setting forth customer-specific terms and conditions established pursuant to this Schedule.

**“Exit Fee”** means the lump-sum payment owed by the Contributing Customer upon a Cessation Event, equal to the remaining depreciable book value of the Customer Contributed Share of all Customer-Caused Assets on the Contributing Customer’s Asset Schedule as of the date of the Cessation Event, as adjusted by any Reclassification of Customer Contributed Share to System Benefit Share approved by the Commission. Payment of the Exit Fee settles all outstanding obligations of the Contributing Customer with respect to the Customer Contributed Share, and neither Party shall carry any residual payment or administrative obligations following such payment.

**“Facility Payment”** means the monthly charge payable by the Contributing Customer through the Asset Recovery Rider for its Customer Contributed Share of each Customer-Caused Asset. Each Facility Payment shall be equal to the monthly revenue requirement associated with the Contributing Customer’s share of the applicable Customer-Caused Asset, calculated at the Reduced Return, including depreciation, return on investment at the Reduced Return, applicable taxes, and operating and maintenance costs directly assignable to such asset. Facility Payments shall commence when the applicable Customer-Caused Asset is placed in service and shall continue over the depreciable life of such asset, as set forth on the CCA Payment Schedule.

**“Generation Provider”** means a third-party entity that provides power to the Utility on behalf of the Contributing Customer pursuant to a Resource Procurement Agreement. A Generation Provider must be legally capable of selling and delivering power to the Utility.

**“Integrated Resource Plan”** or **“IRP”** means the resource plan filed by the Utility with the Commission pursuant to NRS 704.741 and accepted by the Commission pursuant to NRS 704.751, as such plan may be amended, supplemented, or updated from time to time in accordance with applicable law.

**“IRP Amendment”** means any amendment, supplement, or update to the Utility’s Integrated Resource Plan filed with and reviewed by the Commission pursuant to NRS 704.741 and NRS 704.751, including without limitation any changes to the Utility’s resource portfolio, load forecasts, or capacity planning assumptions that affect the scope or allocation of Customer-Caused Assets or the System Benefit Share.

**“IRP Proceeding”** means a proceeding before the Commission for the review and acceptance of the Utility’s Integrated Resource Plan or an IRP Amendment, as filed pursuant to NRS 704.741 and reviewed by the Commission pursuant to NRS 704.751, in which the Commission evaluates the Utility’s resource planning decisions, including without limitation the identification of system benefits and the determination of the System Benefit Share for Customer-Caused Assets.

**“Load Ramp”** means a non-binding projection of the Contributing Customer’s anticipated electrical demand over the duration of the term of service, provided to the Utility at the time of application for electric service and updated upon any material change in expected load. Material changes are those that alter annual or monthly peak by more than [insert %] or shift milestone dates by more than [insert] days.

**“Material Adverse Change”** includes: (i) a downgrade of the Contributing Customer’s or guarantor’s senior unsecured rating below the Creditworthiness Standard; (ii) a material deterioration in financial condition reasonably demonstrated by the Utility; or (iii) insolvency events, bankruptcy filings, uncured payment defaults under the ESA, or violation of financial covenants in a guaranty.

**“Monthly Administrative Fee”** means the monthly fee charged to the Contributing Customer to cover the Utility’s costs of administering a Resource Procurement Agreement, including scheduling, billing, settlement, and contract management, as agreed to by the Parties and set forth in the PPA/BYOP Resource Schedule.

**“Nevada’s Portfolio Standard”** means the portfolio standard established by the Commission for each provider of electric service pursuant to NRS 704.7801 to 704.7828, requiring each provider to generate, acquire, or save electricity from portfolio energy systems or efficiency measures in the amounts set forth in NRS 704.7821, as such amounts may be amended from time to time.

**“Parties”** means the Contributing Customer and the Utility.

**“PPA/BYOP Energy Rate”** means the contracted rate, expressed in dollars per megawatt-hour (\$/MWh), that the Contributing Customer shall pay for all energy generated by a PPA/BYOP Resource, as set forth in the applicable PPA/BYOP Resource Schedule. The PPA/BYOP Energy Rate shall be inclusive of all costs under the Resource Procurement Agreement, including the cost to develop the project, energy costs, all transmission and distribution costs for the resource, and the Monthly Administrative Fee.

**“PPA/BYOP Resource”** means a generation resource procured by or on behalf of the Contributing Customer through a Resource Procurement Agreement for the purpose of serving a portion of the Contributing Customer’s Project load under this Schedule.

**“PPA/BYOP Resource Schedule”** means the schedule attached as an appendix to the Contributing Customer’s ESA that sets forth the Accredited Capacity, all rate information, terms, and conditions related to each PPA/BYOP Resource agreed to by the Utility for the purpose of serving the Contributing Customer’s Project, including the PPA/BYOP Energy Rate for each such resource.

**“Project”** means the Contributing Customer’s premises, or premises that are aggregated in accordance with eligibility requirements.

**“Reclassification”** (and the correlative terms **“Reclassify”** and **“Reclassified”**) means the redesignation by the Utility, subject to Commission approval, of all or any portion of the Customer Contributed Share or Repurposable Share of a Customer-Caused Asset to System Benefit Share. Upon a Reclassification, the Reclassified portion shall be included in the Utility’s rate base, and the Contributing Customer’s CCA Payment Schedule and Facility Payments shall be reduced accordingly.

**“Reduced Return”** means the rate of return on equity applied to the Contributing Customer’s directly assigned Customer Contributed Share for purposes of calculating Facility Payments. The Reduced Return shall be calculated as the simple average of (a) the applicable interbank rate as of the date the CCA Payment Schedule is established (or, if recalculated, as of the date of recalculation), and (b) the Commission-approved return on equity for the Utility then in effect.

**“Replacement Customer”** means a new customer (a) capable of using and repurposing the Repurposable Share of a Customer-Caused Asset, with whom the Utility enters into an ESA to assume the corresponding Facility Payments and CCA Payment Schedule for such share; or (b) that executes an ESA contemporaneously with, or subsequent to, the Contributing Customer, and that elects to share one or more Customer-Caused Assets with the Contributing Customer.

**“Repurposable Share”** means the portion of the Customer Contributed Share that is no longer needed by the Contributing Customer, as determined by the Contributing Customer and subject to the Utility’s agreement (not to be unreasonably withheld).

**“Repurposing Credits”** means a credit to the Contributing Customer equal to the net revenues or cost offsets realized by the Utility from maximizing the value of the Repurposable Share of Customer-Caused Assets, including through participation in

applicable energy and capacity markets; in each case net of reasonable incremental costs incurred by the Utility to enable such repurposing or market participation, credited through the Asset Recovery Rider.

**“Resource Procurement Agreement”** means the agreement, or series of agreements, entered into between and among the Contributing Customer, a Generation Provider, and the Utility, pursuant to which the Generation Provider sells power to the Utility on the Contributing Customer’s behalf for delivery to the Contributing Customer’s Project. Each Resource Procurement Agreement shall be appended to the ESA and shall be subject to Commission approval in the Tariff Agreement Proceeding, or a future IRP or IRP Amendment proceeding, as applicable.

**“Schedule”** means this Ratepayer Protection Tariff.

**“Security”** means one or more of the following: (a) a letter of credit from a bank acceptable to the Utility; or (b) a guarantee from a parent company of the Contributing Customer or another entity that meets the Creditworthiness Standard. The required amount of Security shall be determined in accordance with the Security Requirement provisions of this Schedule.

**“Shared Customer-Caused Asset”** means a Customer-Caused Asset for which more than one Contributing Customer or Replacement Customer has assumed cost responsibility for the Customer Contributed Share, as reflected on each such customer’s respective Asset Schedule.

**“System Benefit Share”** means the pro-rata share of a Customer-Caused Asset that provides system benefits, as determined by the Parties via the procedure set forth in Appendix C and approved by the Commission. The System Benefit Share shall be included in the Utility’s rate base for cost recovery through the Utility’s general rates.

**“Utility”** means the regulated entity that purchases, owns, operates, and/or maintains the infrastructure for the generation, transmission, and/or distribution of electricity, and is responsible for providing electric service to the Contributing Customer under the terms and conditions set forth in this Schedule.

### **Contract Demand**

The ESA shall specify the Contributing Customer’s Contract Demand, which is the estimated maximum megawatt demand for the full build out of the Contributing Customer’s Project. This Contract Demand will be based on the Contributing Customer’s forecasted peak load requirements.

The Utility shall use commercially reasonable efforts to deliver interconnection infrastructure, including transmission, substation, and related facilities with capacity sufficient to meet the Contributing Customer’s Contract Demand at the Project at the commencement of energization, or other mutually agreed upon phasing schedule. Requests to increase Contract Demand are subject to the availability of system capacity and will be evaluated through the Utility’s standard study and approval process.

## **Load Ramp**

At the time of application for electric service, the Contributing Customer shall provide the Utility with a non-binding Load Ramp of anticipated electrical demand for a period of at least sixty (60) months from the specified in-service date. The Contributing Customer's Load Ramp will be used by the Utility for transmission, energy, and capacity planning purposes and supports efficient resource deployment by the Utility. To the extent that the Contributing Customer has entered into, or proposes to enter into, Resource Procurement Agreements for PPA/BYOP Resources, the Contributing Customer's Load Ramp shall be reduced by the Accredited Capacity of all such PPA/BYOP Resources, and the Utility shall plan its generation resource needs accordingly.

The Utility shall be obligated to meet the Contributing Customer's capacity demands as set forth in the Contributing Customer's Load Ramp. The Utility shall ensure that the resource portfolio used to serve the Contributing Customer's Project, including the resources identified on the Asset Schedule and any PPA/BYOP Resources on the Contributing Customer's PPA/BYOP Resource Schedule, meets Nevada's Portfolio Standard. The Utility shall demonstrate compliance with Nevada's Portfolio Standard in each IRP Proceeding or IRP Amendment in which the Contributing Customer's resource portfolio is under review.

In the event the Utility anticipates or experiences a shortfall in meeting such demands, the Utility shall use all reasonable efforts to provide an alternative solution to address any shortfall in deliveries, including but not limited to the provision of temporary generation, procurement of supplemental resources, or implementation of other operational measures, until the Contributing Customer's Load Ramp requirements are met. The Utility shall promptly notify the Contributing Customer of any anticipated or actual shortfall, the reasons therefor, and the steps being taken to remedy the situation. The Utility's obligation under this section is subject to force majeure and other limitations as set forth in the ESA, but in all cases the Utility shall act in good faith and with due diligence to minimize the duration and impact of any shortfall.

The Contributing Customer retains the right to modify the timing and magnitude of Load Ramp milestones at any time prior to the occurrence of such milestones, provided that reasonable notice is given to the Utility. Reasonable notice allows the Utility to adjust its procurement, construction, and operational schedules in response to changes in the Contributing Customer's ramp plan.

## **Customer-Caused Assets**

Upon submission of the Connection Application, the Utility shall identify whether its existing system is capable of serving the Contributing Customer's Contract Demand and Load Ramp. If not, the Parties shall commence the Customer-Caused Asset and System Benefit Share Designation Procedure set forth in Appendix C. This process shall identify Customer-Caused Assets – assets, in part or in whole, that were not previously identified in system planning studies and that are necessary to serve a Contributing Customer's request. The Parties will also determine the portion of those Customer-Caused Assets that may be attributable to shared system benefits – the System Benefit Share.

## **Risk Sharing Mechanisms**

There are three risk sharing mechanisms for Customer-Caused Assets under this Schedule: (1) Customer Contributed Share; (2) System Benefit Share; and (3) Repurposable Share.

The Contributing Customer is required to pay for its Customer Contributed Share of Customer-Caused Assets through monthly Facility Payments billed through the Asset Recovery Rider on the Contributing Customer's bill. Facility Payments for each Customer-Caused Asset shall commence when such asset is placed in service and shall continue over the depreciable life of the asset, as set forth in the CCA Payment Schedule. The revenue requirement underlying each Facility Payment shall be calculated at the Reduced Return, which is the simple average of the applicable interbank rate and the Commission-approved ROE for the Utility. The Utility shall establish a CCA Payment Schedule for each Customer-Caused Asset, reflecting the Contributing Customer's Facility Payment obligations over the depreciable life of such asset, with a final reconciliation to reflect the actual costs upon asset completion.

The System Benefit Share represents the portion of a Customer-Caused Asset that the Utility determines provides benefits to the broader system beyond serving the Contributing Customer, as identified through the Designation Procedure set forth in Appendix C. The Utility shall be solely responsible for financing the System Benefit Share and shall include the System Benefit Share in its rate base for recovery through the Utility's rates, in the same manner and subject to the same regulatory treatment as any other physical utility asset owned and operated by the Utility. The Contributing Customer shall have no financial obligations with respect to the System Benefit Share.

If, at some point in the future, the Contributing Customer determines that some portion of the Customer Contributed Share of Customer-Caused Assets is no longer needed for the Project, the Contributing Customer may propose to repurpose some amount of its Customer Contributed Share as a Repurposable Share. In the event that the Contributing Customer proposes a Repurposable Share, the Utility shall re-calculate the System Benefit Share for the Repurposable Share to determine if any portion of the foregone Customer-Caused Assets should be Reclassified as a System Benefit Share. Next, and upon achieving mutual agreement on the Repurposable Share (not to be unreasonably withheld), the Utility shall: (i) upon review and approval by the Commission, Reclassify all or a portion of the Repurposable Share as System Benefit Share, with the Reclassified portion to be included in the Utility's rate base and the corresponding CCA Payment Schedule reduced accordingly; (ii) work with the Contributing Customer to identify a Replacement Customer to assume a portion of such Repurposable Share; and/or (iii) use prudent utility practices to market the Repurposable Share of Customer-Caused Assets for use by other customers, including but not limited to maximizing the value through participation in applicable energy and capacity markets, to the extent commercially reasonable.

If the Parties are successful in finding a Replacement Customer for the Repurposable Share, the Replacement Customer will assume the Contributing Customer's Facility Payments and the Contributing Customer's CCA Payment Schedule will be reduced accordingly (as described further below). If the Utility is successful in marketing all or a portion of the Repurposable Share through applicable energy or capacity markets, the Contributing Customer shall receive Repurposing Credits in the amount equal to revenues received through participation in applicable energy and capacity markets. Repurposing Credits shall be credited to the Contributing Customer as bill offsets through the Asset Recovery Rider.

## **PPA/BYOP Resources**

In addition to taking service through Utility-developed resources, the Contributing Customer may arrange for a Generation Provider to sell power to the Utility on the Contributing Customer's behalf through a Resource Procurement Agreement for a PPA/BYOP Resource. Under a PPA/BYOP Resource arrangement, the Utility shall take delivery of and title to the power and deliver it to the Contributing Customer's Project. The Contributing Customer shall be billed for each PPA/BYOP Resource according to the terms of the applicable Resource Procurement Agreement and the PPA/BYOP Resource Schedule, rather than under the unbundled generation portion of the Contributing Customer's applicable retail rate.

A PPA/BYOP Resource Schedule shall be attached as an appendix to the Contributing Customer's ESA. The PPA/BYOP Resource Schedule shall include all rate information related to each PPA/BYOP Resource agreed to by the Utility for the purpose of serving the Contributing Customer's Project, including the PPA/BYOP Energy Rate for each PPA/BYOP Resource, the term of each Resource Procurement Agreement, the Accredited Capacity of each PPA/BYOP Resource, and any other material terms.

### **Billing for PPA/BYOP Resources**

The Contributing Customer shall pay the PPA/BYOP Energy Rate set forth in the PPA/BYOP Resource Schedule for all energy generated by each PPA/BYOP Resource. The Contributing Customer shall not be billed under its normal rate schedule for the amount of energy produced from the PPA/BYOP Resource, because such energy is paid for through the PPA/BYOP Energy Rate established in the applicable Resource Procurement Agreement.

For purposes of calculating the Contributing Customer's demand charges, the capacity accreditation, by month, assigned to any PPA/BYOP Resource shall be subtracted from the megawatt amount of the Contributing Customer's capacity charge calculation. For all other charges not attributable to PPA/BYOP Resource energy, the Contributing Customer shall be charged under the Utility's LGS-T Rate Schedule.

### **Effect on Load Ramp and Resource Planning**

If the Contributing Customer brings a PPA/BYOP Resource, the Accredited Capacity of such PPA/BYOP Resource shall be subtracted from the Project's Load Ramp, and the Utility shall not be required to account for such Accredited Capacity in its plan to meet the Project's energy and capacity needs. Each Resource Procurement Agreement shall be appended to the ESA and shall be subject to Commission approval in the Tariff Agreement Proceeding, or a future IRP or IRP Amendment proceeding, as applicable.

### **Default of Generation Provider**

In the event that a Generation Provider fails to deliver energy in accordance with the applicable Resource Procurement Agreement, the Utility shall provide replacement energy to the Contributing Customer at the applicable LGS-T rate for the duration of the default, and the Contributing Customer shall be responsible for any costs incurred by the Utility in procuring such replacement energy. If a Generation Provider's default continues for more than [sixty (60)] days,

the Contributing Customer shall either procure a replacement Generation Provider or adjust its PPA/BYOP Resource Schedule accordingly, subject to the Utility's reasonable approval.

### **Cost-Sharing with Replacement Customers**

A Replacement Customer that executes an ESA contemporaneously with, or subsequent to, the Contributing Customer may elect to share one or more Customer-Caused Assets with the Contributing Customer. In such event:

(a) Allocation of Customer Contributed Share. The Contributing Customer and Replacement Customer shall agree, subject to Utility consent (not to be unreasonably withheld), on the allocation of the Customer Contributed Share between them for each Shared Customer-Caused Asset. Each customer's share shall be reflected on its respective Asset Schedule.

(b) Assumption of Facility Payments. The Replacement Customer shall assume the Facility Payments and CCA Payment Schedule for the entire Customer Contributed Share of the Shared Customer-Caused Asset, or the portion thereof that it has agreed to assume. The assumed Facility Payments shall be included on the Replacement Customer's Asset Schedule and billed through the Replacement Customer's Asset Recovery Rider. The Contributing Customer's CCA Payment Schedule shall be reduced correspondingly.

(c) Independent Obligations. Each customer's rights and obligations under its ESA with respect to a Shared Customer-Caused Asset shall be independent of the other customer's rights and obligations. Neither customer shall be liable for the other's failure to perform.

In the event that the Project site is sold or transferred by the Contributing Customer to a Replacement Customer, all rights, benefits, obligations, and costs — including the CCA Payment Schedule and associated Facility Payments — shall convey to the Replacement Customer.

### **Assignment of PPA/BYOP Resource Obligations to Replacement Customer**

The Contributing Customer may assign its obligations under a Resource Procurement Agreement to a Replacement Customer, provided that the Replacement Customer: (a) meets the Creditworthiness Standard and provides Security in accordance with this Schedule; and (b) agrees to pay the contracted PPA/BYOP Energy Rate in \$/MWh, inclusive of all costs under the Resource Procurement Agreement, including the cost to develop the project, the energy costs, all transmission and distribution costs for the resource, and the Monthly Administrative Fee. Upon such assignment, the PPA/BYOP Resource shall be added to the Replacement Customer's PPA/BYOP Resource Schedule, and all related rights and obligations under the applicable Resource Procurement Agreement shall be assigned to and assumed by the Replacement Customer. Any such assignment shall be subject to Commission approval through a supplemental filing or amendment to the Replacement Customer's ESA.

### **Tariff Agreement Proceeding**

The Tariff Agreement Proceeding is the proceeding in which the Commission approves the Customer ESA, the need for the Customer-Caused Assets on the Asset Schedule, the System Benefit Share for those assets, and if applicable, a PPA/BYOP Resource Schedule identifying each

PPA/BYOP Resource and any associated Resource Procurement Agreements. The Tariff Agreement Proceeding occurs after the Parties have executed an ESA and have reached agreement on a proposed Asset Schedule containing: (i) each Customer-Caused Asset; (ii) its estimated and final costs; (iii) its System Benefit Share designation; (iv) the Customer Contributed Share and associated CCA Payment Schedule; (v) expected in-service date; and (vi) the depreciable life of the Customer-Caused Asset.

### **Nature of the Proceeding**

The Tariff Agreement Proceeding begins when the Utility files a "Request for Approval of a Tariff ESA Agreement" (the "Request") with the Commission, which may be incorporated within an amendment to the Utility's Integrated Resource Plan if the Asset Schedule requires new generation or transmission resources. The Request shall include: (a) the executed ESA; (b) the proposed Asset Schedule; (c) any supporting documentation produced through the Customer-Caused Asset and System Benefit Share Designation Procedure set forth in Appendix C; and (d) if applicable, the PPA/BYOP Resource Schedule and each executed Resource Procurement Agreement. The Utility shall file the Request within [thirty (30)] days of execution of the ESA, unless the Parties mutually agree to a different filing date.

The Tariff Agreement Proceeding shall be a contested case proceeding that allows Commission Staff and intervening parties to raise questions or concerns about the ESA or the Asset Schedule. Any Customer-Caused Assets for which the Customer Contributed Share equals one hundred percent (100%) (i.e., no System Benefit Share has been designated) shall be subject to minimal scrutiny, so long as the Contributing Customer approves of those assets. Such assets will not be included in the Utility's rate base and would be subject to further scrutiny in a subsequent proceeding only if any portion is later Reclassified as System Benefit Share.

The Commission shall approve the ESA and the Asset Schedule if it finds that:

- (a) the ESA is in the public interest;
- (b) the Customer-Caused Assets are needed to serve the Contributing Customer; and
- (c) the designation of any System Benefit Share for any Customer-Caused Asset satisfies the reasonable needs of the public for an adequate supply of electric energy.

In evaluating whether the ESA is in the public interest, the Commission may consider factors such as: the economic benefits to the service territory from the Contributing Customer's Project; the alignment of the ESA terms with Commission-approved tariff provisions; the adequacy of customer protections and risk allocation mechanisms; and the transparency of cost recovery provisions.

The Commission may, as part of its Order approving the ESA and Asset Schedule, impose additional conditions on the ESA or require additional reporting as it deems necessary to protect the public interest, ensure transparency, or monitor implementation. Such conditions may include, without limitation:

- (a) periodic progress reports on asset construction milestones and schedule adherence;

- (b) cost tracking and variance reporting for each Customer-Caused Asset, including identification of any material cost overruns and their causes;
- (c) compliance filings demonstrating adherence to the terms of the ESA and the Asset Schedule; and
- (d) notice requirements for any proposed modifications to the Asset Schedule prior to the next general rate case proceeding.

The Commission shall issue its order on a Request for Approval of a Tariff ESA Agreement within [180 days] of the Utility's filing date or, if the Request for Approval is a component of an IRP Proceeding or IRP Amendment, then within the period required by NRS § 704.751.

### **Effect of Approval**

Approval of the ESA and the Asset Schedule shall satisfy any "need"-based approvals that are required by the Commission for any Customer-Caused Assets included on the approved Asset Schedule. Specifically, such approval shall constitute a finding of need for purposes of any subsequent certificate of public convenience and necessity or similar proceeding, to the extent applicable, and the Utility shall not be required to re-demonstrate need for any approved Customer-Caused Assets. The Commission's need determination applies to the entirety of the Customer-Caused Asset, regardless of the proportion allocated between the Customer Contributed Share and the System Benefit Share. The inclusion of each Customer-Caused Asset on the approved Asset Schedule establishes that it is needed for the Utility to provide reasonably adequate service and facilities to all customers within its service territory.

Additionally, approval of the Asset Schedule shall create a rebuttable presumption of prudence with respect to the System Benefit Share designated for any Customer-Caused Asset on the approved Asset Schedule in any future rate case proceeding or other Commission proceeding in which the prudence of such designation is at issue.

Notwithstanding the foregoing, if the Contributing Customer terminates the ESA prior to the commencement of construction of any Customer-Caused Asset, such asset shall no longer be deemed to have a finding of need for purposes of any subsequent proceeding. In such event, if the Utility seeks to construct the asset for purposes other than serving the Contributing Customer, the Utility shall be required to demonstrate the need for such asset through the applicable regulatory proceeding.

### **Expedited Review**

If the Contributing Customer and Utility are not proposing any System Benefit Share for any Customer-Caused Assets identified in the Asset Schedule, the Tariff Agreement Proceeding shall be expedited and shall be resolved through an expedited proceeding. In an expedited proceeding, there shall be a rebuttable presumption that the ESA and Asset Schedule are in the public interest, given that no portion of the Customer-Caused Assets will be included in the Utility's rate base. The Commission may overcome this presumption only upon a finding that the ESA or Asset Schedule contains terms that are contrary to law, inconsistent with the applicable tariff, or otherwise harmful to the public interest for reasons unrelated to cost recovery from ratepayers.

Commission Staff shall review the Request and prepare a memorandum for the Commission summarizing the terms of the ESA and Asset Schedule and providing a recommendation regarding approval. Staff's review shall focus on confirming that: (i) the Asset Schedule does not include any System Benefit Share designations; (ii) the Contributing Customer has affirmatively approved each Customer-Caused Asset; and (iii) the ESA complies with the applicable tariff provisions and is in the public interest. The Commission shall issue its decision within [sixty (60)] days of the Utility filing the Request.

Notwithstanding the expedited nature of the review process described in this section, the effect of the Commission's approval of an ESA and Asset Schedule through an expedited proceeding shall be the same in all respects as the effect of approval through a non-expedited Tariff Agreement Proceeding. The procedural streamlining afforded by the expedited review process shall not diminish, limit, or otherwise affect the legal force, finality, or regulatory consequences of the Commission's approval.

### **Modification of Approved ESA or Asset Schedule**

Following Commission approval, any material modifications to the ESA or Asset Schedule shall require Commission authorization through a supplemental filing.

The Utility may, at any time while the Contributing Customer is taking service, Reclassify any of the Contributing Customer's designated Repurposable Share to System Benefit Share by filing a modified Asset Schedule with the Commission for Reclassification approval. The Utility may also propose such Reclassification in any general rate case proceeding filed while the Contributing Customer is taking service. Upon Commission approval of any such Reclassification, the Reclassified portion shall be included in the Utility's rate base, and the Contributing Customer's CCA Payment Schedule shall be reduced accordingly, with the Contributing Customer's Facility Payments adjusted prospectively to reflect the reduced Customer Contributed Share.

If a Replacement Customer executes an ESA and seeks to assume a portion of the Customer Contributed Share for one or more Customer-Caused Assets on the Contributing Customer's Asset Schedule, the following procedure shall apply:

(i) Replacement Customer's Tariff Agreement Proceeding. The Replacement Customer shall file a Request for Approval of a Tariff ESA Agreement in accordance with this Schedule. The Replacement Customer's proposed Asset Schedule shall identify each Shared Customer-Caused Asset and specify the portion of the Customer Contributed Share that the Replacement Customer seeks to assume from the Contributing Customer.

(ii) Contributing Customer's Supplemental Filing. Concurrently with or prior to the Replacement Customer's filing, the Contributing Customer may file a supplemental filing to amend its Asset Schedule to reflect the reduced Customer Contributed Share for each Shared Customer-Caused Asset and to document the reimbursement or credit to be received from the Replacement Customer.

(iii) Coordinated Review. The Commission may, in its discretion, consolidate the Replacement Customer's Tariff Agreement Proceeding with the Contributing Customer's supplemental filing for coordinated review. In reviewing the Replacement Customer's

proposed assumption of a portion of the Customer Contributed Share, the Commission shall apply the same standards applicable to the Contributing Customer's original Asset Schedule approval.

(iv) Effect of Approval. Upon Commission approval, the Contributing Customer's Asset Schedule and the Replacement Customer's Asset Schedule shall each reflect the agreed-upon allocation of the Customer Contributed Share for each Shared Customer-Caused Asset, and the Replacement Customer's CCA Payment Schedule shall reflect the assumed Facility Payment obligations.

For supplemental filings involving material modifications, the Commission may, in its discretion, establish an expedited review process or require a full contested case proceeding, depending on the nature and magnitude of the proposed changes. Non-material modifications may be made by mutual agreement of the Parties and reported to the Commission in the Utility's next general rate case proceeding or annual compliance filing.

### **Security Requirement**

Prior to execution of the ESA, the Contributing Customer shall undergo an initial credit evaluation by the Utility. The Utility will apply the Creditworthiness Standard to determine whether the Contributing Customer meets the Collateral Requirement. Thereafter, the Utility may conduct periodic credit reviews no more than annually, or upon the occurrence of a Material Adverse Change. Upon a Material Adverse Change, the Utility may require the Contributing Customer to post additional Security or replace a guaranty.

The Contributing Customer shall be required to provide Security within [thirty (30)] days after the Commission's approval of the ESA and the Asset Schedule. The required Security shall be sized as follows:

(a) If the Contributing Customer does not meet the Collateral Requirement, the Security shall be in an amount equal to [insert %] of the total outstanding Facility Payments remaining on the CCA Payment Schedule for all Customer-Caused Assets on the Contributing Customer's Asset Schedule and, if applicable, all outstanding obligations under any Resource Procurement Agreements.

(b) If the Contributing Customer meets the Collateral Requirement, the Security shall be in an amount equal to [insert %] of the total outstanding Facility Payments remaining on the CCA Payment Schedule for all Customer-Caused Assets on the Contributing Customer's Asset Schedule and, if applicable, all outstanding obligations under any Resource Procurement Agreements.

The Security shall be reassessed and, as applicable, reduced every three (3) years based on the remaining outstanding value on the CCA Payment Schedule. At each three-year reassessment, the applicable percentage ([insert % or insert %], as determined by whether the Contributing Customer meets the Collateral Requirement at the time of reassessment) shall be applied to the then-remaining outstanding Facility Payments on the CCA Payment Schedule to determine the revised Security amount.

### **Reclassifying System Benefit Share and Cost Reconciliation**

Following Commission approval of the ESA and Asset Schedule in the Tariff Agreement Proceeding, future Reclassification of the System Benefit Share for any Customer-Caused Asset recorded on the Asset Schedule shall be addressed in the Utility's IRP Proceeding or through an IRP Amendment. The Contributing Customer shall have the right to participate in any IRP Proceeding or IRP Amendment in which the System Benefit Share for any Customer-Caused Asset on its Asset Schedule is under consideration. The Utility shall include in its IRP or IRP Amendment filing supporting analysis and workpapers demonstrating any proposed changes in System Benefit Share allocations for Commission review.

In connection with any proposal to Reclassify Customer-Caused Assets through the IRP or IRP Amendment, the Utility shall satisfy the same requirements for demonstrating need, prudence, and ratepayer protection applicable to any other resource proposed in the Utility's Integrated Resource Plan, including demonstrating that the proposed Reclassification: (a) is needed based on substantially accurate data and an adequate method of forecasting; (b) takes into account any present and projected reductions in the demand for energy that may result from measures to improve energy efficiency in the industrial, commercial, residential and energy producing sectors of the area being served; and (c) provides economic, environmental, and other benefits to the State and to the customers of the Utility, consistent with NRS 704.746. The Utility shall provide all information required by the Commission to evaluate the prudence of the proposed Reclassification and demonstrate that the proposed Reclassification is included in the best combination of sources of supply to meet the demands of the Utility's system.

If the Commission, through an IRP or IRP Amendment proceeding, identifies a system benefit attributable to any Customer-Caused Asset and approves a Reclassification or update to the System Benefit Share, the costs associated with such Customer-Caused Asset shall be reallocated accordingly in the Utility's next general rate case ("GRC") proceeding. In each GRC proceeding, the Utility shall also reconcile estimated to actual construction costs for each Customer-Caused Asset, including carrying costs and any final close-out adjustments, and shall update the Asset Schedule to reflect final costs, in-service dates, depreciable lives, System Benefit Share revisions, and any resulting changes to the CCA Payment Schedule. Supporting documentation shall be provided sufficient to permit audit and replication.

Any true-up payments or bill credits resulting from (a) Reclassification of Customer-Caused Asset cost responsibility to the System Benefit Share; or (b) Reconciliation of estimated to actual costs affecting the System Benefit Share and associated CCA Payment Schedule, shall be reflected as adjustments to the CCA Payment Schedule for the applicable Customer-Caused Asset and delivered as adjustments to the Contributing Customer's Facility Payments through the Asset Recovery Rider over the remaining depreciable life of the asset. To the extent any portion is Reclassified from Customer Contributed Share to System Benefit Share, that Reclassified portion shall be included in the Utility's rate base, and the Contributing Customer's CCA Payment Schedule and Facility Payments shall be reduced accordingly. The Asset Schedule shall be updated to reflect such Reclassifications, adjustments, deductions, and remaining payment balances.

## **Termination and Cessation of Service**

Upon the expiration of the term of the ESA, or if the Contributing Customer elects to cease receiving electric service at the Project and terminates the ESA prior to expiration (collectively, a "Cessation Event"), the following provisions shall apply with respect to all Customer-Caused Assets on the Contributing Customer's Asset Schedule that remain in service as of the date of the Cessation Event, and with respect to any Resource Procurement Agreements on the Contributing Customer's PPA/BYOP Resource Schedule that remain in effect as of the date of the Cessation Event.

### **Re-Analysis of System Benefit Share**

Within [insert] days following a Cessation Event, the Utility shall file an IRP or IRP Amendment and conduct a comprehensive re-analysis of the System Benefit Share for each Customer-Caused Asset on the Contributing Customer's Asset Schedule that remains in service. The re-analysis shall apply the same methodology set forth in Appendix C to determine whether, in light of the Contributing Customer's departure from the system, any portion of the Customer Contributed Share for each such Customer-Caused Asset should be Reclassified as System Benefit Share. To the extent that the re-analysis identifies additional system benefit attributable to any Customer-Caused Asset, the Utility shall Reclassify the corresponding portion of the Customer Contributed Share as System Benefit Share on the Asset Schedule.

Upon completion of the re-analysis, the Utility shall file an IRP or IRP Amendment with the Commission to update the Asset Schedule for each affected Customer-Caused Asset, reflecting any Reclassification of Customer Contributed Share to System Benefit Share on the Asset Schedule. The IRP or IRP Amendment shall include the Utility's supporting analysis and workpapers demonstrating the basis for any reclassified amounts, in sufficient detail to permit audit and independent replication. Any such Reclassification proposal shall be subject to the same standards of need, prudence, and ratepayer protection applicable to any other resource acquisition proposed in the Utility's Integrated Resource Plan.

The Commission shall review and issue a final determination on the supplemental filing. To the extent that the Commission approves additional System Benefit Share for any Customer-Caused Asset, the reclassified portion shall be added to the Utility's rate base, and the Contributing Customer's CCA Payment Schedule shall be reduced accordingly, thereby reducing the Exit Fee.

### **Exit Fee**

Following the Commission's final determination on the IRP or IRP Amendment, the Contributing Customer shall pay an Exit Fee. The Exit Fee shall be equal to the remaining depreciable book value of the Customer Contributed Share of all Customer-Caused Assets on the Contributing Customer's Asset Schedule, calculated as the sum of all remaining outstanding Facility Payments on the CCA Payment Schedule as of the date of the Cessation Event, as reduced by any amounts Reclassified from Customer Contributed Share to System Benefit Share pursuant to the Commission's determination on the IRP or IRP Amendment.

The Contributing Customer shall be required to pay the Exit Fee within [sixty (60)] days of the Commission's final determination on the supplemental filing, or such other timeline as the

Commission may direct. The Commission's review of the IRP or IRP Amendment serves as a final accounting of all payments remaining on the CCA Payment Schedule and a final determination of the Exit Fee after any Reclassification to System Benefit Share.

Payment of the Exit Fee settles all outstanding obligations of the Contributing Customer under this Schedule with respect to the Customer Contributed Share. Upon payment of the Exit Fee, neither Party shall carry any residual payment or administrative obligations with respect to the Customer-Caused Assets, and the Contributing Customer shall have no further liability for Facility Payments or any other amounts under the CCA Payment Schedule.

#### **PPA/BYOP Resource Termination Fee**

Upon the occurrence of a Cessation Event, with respect to any Resource Procurement Agreements on the Contributing Customer's PPA/BYOP Resource Schedule that remain in effect, the Contributing Customer shall be obligated to pay a PPA/BYOP Resource Termination Fee for each such Resource Procurement Agreement. The PPA/BYOP Resource Termination Fee shall be calculated as the sum of the present value of all expected remaining energy payments under the Resource Procurement Agreement for the balance of the term, calculated based on the PPA/BYOP Energy Rate and projected energy delivery volumes as of the date of the Cessation Event.

The PPA/BYOP Resource Termination Fee shall be paid to the Utility within [sixty (60)] days of the Cessation Event, and the Utility shall use such amounts to satisfy any remaining obligations to the Generation Provider under the applicable Resource Procurement Agreement. Notwithstanding the foregoing, the Contributing Customer may, in lieu of paying the PPA/BYOP Resource Termination Fee, assign the Resource Procurement Agreement to a Replacement Customer in accordance with the Assignment of PPA/BYOP Resource Obligations to Replacement Customer provisions of this Schedule, provided that the Replacement Customer satisfies the applicable credit and payment requirements set forth therein.

## APPENDIX C

### Customer-Caused Asset and System Benefit Share Designation Procedure

#### Timing and Initiation

This Appendix C sets forth the Customer-Caused Asset and System Benefit Share Designation Procedure (the "Designation Procedure"). The Designation Procedure shall commence promptly following submission of the Connection Application. Within [thirty (30)] days, the Utility shall deliver written notice to the Contributing Customer initiating the Designation Procedure, which notice shall include a preliminary schedule identifying target completion dates for each phase described herein. The Parties shall use good-faith efforts to complete the Designation Procedure within [one hundred and eighty (180)] days of receipt of the written notice, or such other period as mutually agreed, with the objective of populating the Asset Schedule prior to execution of the ESA.

#### Purpose and Scope

The Designation Procedure establishes the transparent, replicable procedures the Utility shall apply to: (i) identify the transmission and generation assets required to serve the Contributing Customer's Project that qualify as "Customer-Caused Assets"; (ii) determine, for each such Customer-Caused Asset, the ratio between the portion directly attributable to the Contributing Customer (the "Customer Contributed Share") and the portion providing system-wide benefits (the "System Benefit Share"); and (iii) account for the Contributing Customer's PPA/BYOP Resources, if any, in the resource planning analysis by reducing the Project's Load Ramp needs by the Accredited Capacity of all such PPA/BYOP Resources.

The Parties shall use these procedures to designate and agree upon the scope of Customer-Caused Assets and the respective Customer Contributed Share and System Benefit Share for each such asset, and to record such designations in the Asset Schedule incorporated into the ESA. Designation under this Appendix C shall be by mutual agreement of the Parties.

All capitalized terms in this Appendix C shall have the same meanings as set forth in the Ratepayer Protection Tariff.

#### I. Baseline Assumptions and Hypothetical Futures

Prior to conducting any transmission or generation studies under this Appendix C, the Utility and Contributing Customer shall work together to:

- A. Establish Ground Rules for Current State Assumptions. The Utility shall prepare and deliver to the Contributing Customer a draft set of baseline assumptions for the Contributing Customer's review and comment within [forty-five (45)] days of initiating the Designation Procedure. The Parties shall agree upon baseline assumptions for: (i) existing system topology, capacity ratings, and load levels as of a specified baseline date; (ii) resource costs and available options, including capital cost estimates, fuel price forecasts, and technology performance assumptions; (iii) assumed installation years for potential new resources; and (iv) resource block sizes and standard unit configurations.

- B. Develop Hypothetical Futures. The Utility shall develop up to three (3) hypothetical futures against which system needs will be evaluated, which may include: (i) status quo trajectories; (ii) regional growth scenarios leading to increased congestion and higher market prices; and (iii) CO2 emission restriction scenario reflecting more stringent environmental requirements affecting resource mix and dispatch. The Utility shall document the key drivers, assumptions, and boundary conditions for each hypothetical future in a written memorandum delivered to the Contributing Customer for review and comment within [fifteen (15)] business days of completing the hypothetical future development.

## II. Transmission Asset Designation Procedure

The objective of this procedure is to identify the minimum set of network and direct-connection facilities necessary to meet the Contributing Customer's Contract Demand while maintaining applicable reliability criteria, and to apportion the resulting asset costs between the Customer Contributed Share and the System Benefit Share in a manner consistent with system benefits.

- A. Study Inputs and Criteria. The Utility shall conduct or coordinate studies using the following inputs provided by the Contributing Customer: (i) Contract Demand; (ii) interconnection location and point of delivery; (iii) delivery voltage level; (iv) requested in-service date(s) and any phasing requirements; (v) Load Ramp projections; and (vi) other technical parameters provided in the Connection Application. The studies shall evaluate thermal loading, voltage performance, short-circuit duty, power quality, and stability/deliverability as appropriate. The Utility shall document the study methodology, software tools (including version numbers), and modeling assumptions used in each study.
- B. Study Phase. The transmission asset designation shall proceed through the following sequential phases:
- a. **Phase 1 – Pre-Customer Load Analysis**: The Utility shall perform a system flow and thermal violation analysis, under no more than the three (3) hypothetical futures established above, prior to the addition of the Contributing Customer's load. This analysis shall be similar in methodology to a point-to-point tariff protocol study and shall establish the baseline system conditions against which Customer-Caused impacts will be measured. The Utility shall deliver to the Contributing Customer the results of the Pre-Customer Load Analysis, including identification of any pre-existing constraints, within [fifteen (15)] business days of completion.
  - b. **Phase 2 – System Impact Study**: The Utility shall incorporate the Contributing Customer's Load Ramp into the transmission models and perform a system impact study to identify network constraints, required upgrades, and order-of-magnitude cost and schedule estimates. The Utility shall deliver a preliminary System Impact Study report to the Contributing Customer within [fifteen (15)] business days of completion.
  - c. **Phase 3 – Facilities Study**: The Utility shall perform a facilities study to define the scope, interconnection facilities, network upgrades, cost estimates, and milestones

with sufficient design maturity to support Asset Schedule entries. The facilities study shall include preliminary engineering drawings, equipment specifications, and construction schedules.

Where applicable, the Utility shall submit or coordinate any necessary regional review with the RTO/ISO or planning authority, and shall keep the Contributing Customer informed of the status of such reviews on at least a bi-weekly basis.

- C. Identification of Customer-Caused Transmission Assets. An asset qualifies as a Customer-Caused Asset if it is required, in whole or in part, to serve the Contributing Customer's Project and is not identified in system planning absent the Project. Such assets may include, without limitation, line extensions, new feeders, substation expansions, transformer capacity additions, protective devices, reactive power compensation, substations, and upstream network reinforcements necessary to reliably serve the Contract Demand.
- D. Minimum-Prudent Build Standard; No Unreasonable Overbuild. The Utility shall specify the minimum set of transmission facilities and ratings necessary to meet reliability criteria and prudent utility practice for the Contributing Customer's Contract Demand and associated system conditions. The Utility shall not unreasonably oversize facilities beyond what is justified by the Contributing Customer's needs and applicable reliability standards.
- E. Determination of System Benefit Share for Transmission Assets. For each Customer-Caused transmission asset, the Utility shall calculate a System Benefit Share based on the proportion of the asset's function, capacity, and timing that provides system benefits beyond serving the Contributing Customer. The Utility shall apply the following methodology:
  - a. **Identify objective indicators:** Objective indicators of system benefits include (a) relief of pre-existing constraints identified in the Pre-Customer Load Analysis (Phase 1); (b) improvement of reliability indices for other customers; (c) integration of additional load or generation unrelated to the Project within a reasonable planning horizon; and (d) advancement of planned reinforcements that were on a needs-driven plan to be built within a reasonable planning horizon.
  - b. **Quantify System Benefits:** For each objective indicator present, the Utility shall quantify the magnitude of the system benefit using engineering analysis, load flow studies, reliability modeling, or other appropriate methodologies. The Utility shall document the quantification methodology and data sources used.
  - c. **Calculate System Benefit Share Percentage:** The System Benefit Share shall be calculated as a percentage of the total asset cost, based on the proportion of the asset's capacity, function, or cost that is attributable to system benefits rather than the Contributing Customer's load. The Utility shall provide a step-by-step calculation showing how the System Benefit Share percentage was derived.

The Utility shall provide quantitative support and workpapers for each asset's System Benefit Share calculation, including the data sources, methodologies, and assumptions used, in sufficient detail to permit independent replication of the calculation.

- F. Documentation and Agreement. For each Customer-Caused transmission asset, the Utility shall provide: (i) the study results identifying the need; (ii) scope and design basis; (iii) estimated and final costs; (iv) the System Benefit Share calculation and rationale; and (v) the resulting Customer Contributed Share. The Parties shall confer and memorialize mutual agreement on designation and shares for entry on the Asset Schedule and for administration under the Asset Recovery Rider.
- G. Updates and True-Up. As studies are refined and costs are finalized, the Utility shall update the Asset Schedule and reconcile costs per this Schedule's true-up and final reconciliation process.

### **III. Generation Asset Procedure**

This procedure requires the Utility to model alternative resource portfolios necessary to fulfill the Contributing Customer's Load Ramp under different plausible futures using a model designed to identify least-cost, reliable portfolio optimization to meet the Utility's energy and capacity needs. Each resource portfolio modeled under this procedure shall be designed to meet Nevada's Portfolio Standard. To the extent that the Contributing Customer has entered into, or plans to enter into, Resource Procurement Agreements for PPA/BYOP Resources, the Contributing Customer's Load Ramp used in this procedure shall be reduced by the Accredited Capacity of all such PPA/BYOP Resources, and the Utility shall plan its generation resource needs accordingly. The Utility shall not include in the Customer-Caused Generation Assets any generation resources that would be duplicative of the capacity provided by PPA/BYOP Resources. The procedure then allocates the costs of any Customer-Caused Generation Assets between the Customer Contributed Share and the System Benefit Share.

- A. Pre-Customer Load Resource Plan. The Utility shall conduct long-term (e.g., 20-year) generation resource plan modeling, under no more than the three (3) hypothetical futures established above, prior to the addition of the Contributing Customer's load. This analysis shall be a streamlined version of the Utility's Integrated Resource Planning process, to the extent it is required by state statute or regulation. The Utility shall document the resource portfolios, capacity expansion decisions, and cost projections for each hypothetical future in a Pre-Customer Load Resource Plan Report delivered to the Contributing Customer within [fifteen (15)] business days of completion.
- B. Customer Load Resource Plan. The Utility shall develop portfolios that satisfy energy and accredited capacity needs inclusive of the Contributing Customer's Load Ramp (as reduced by the Accredited Capacity of any PPA/BYOP Resources on the Contributing Customer's PPA/BYOP Resource Schedule), subject to reliability and policy constraints customarily used by the Utility in resource planning. Portfolios shall be capable of meeting peak demand and planning reserve margin requirements with the Contributing Customer's Project included, and shall use the Baseline Assumptions identified above. These portfolios

should be evaluated against the same hypothetical futures considered under the Utility's pre-load resource planning model.

- C. Identification of Customer-Caused Generation Assets. Generation additions, upgrades, or contractable resources that are required, in whole or in part, because of the inclusion of the Contributing Customer's Load Ramp, and that were not otherwise planned or required in the same timeframe absent the Project, qualify as Customer-Caused Assets. These may include utility-owned generation, short- or long-term capacity purchases, storage, demand-side capacity, or other accredited capacity solutions needed to maintain resource adequacy and system reliability with the Customer's Load Ramp.
- D. Modeling Tools. The Utility may use industry-standard software tools capable of co-optimizing energy and capacity, including without limitation EnCompass, Aurora, PLEXOS, SERVM, Strategist, or similar tools that support stochastic or deterministic planning with chronological dispatch and resource adequacy assessment. The Utility shall identify the tool(s) used, versions, and principal settings relevant to results.
- E. Portfolio Selection. Using the results from the resource planning modeling, the Utility shall propose a portfolio of resources for the Contributing Customer's review and approval. The Utility shall not propose to unreasonably overbuild generation capacity or energy resources beyond what is required to maintain reliability and meet planning criteria.
- F. Determination of System Benefit Share for Generation. For each Customer-Caused Generation Asset in the selected portfolio, the Utility shall quantify the share providing system benefits beyond the Contributing Customer's Project, considering factors such as: contribution to system peak net load beyond the Customer's incremental contribution; reduction in production costs for the broader system; opportunity to backfill retirements or resolve a pre-existing capacity shortfall; location and ability to serve other customers; regional market revenues; and resilience or reliability improvements benefitting other customers. The Utility shall provide quantitative support and workpapers showing the attribution basis and calculation of the System Benefit Share.
- G. Documentation and Agreement. The Utility shall furnish portfolio modeling files, summary reports, and workpapers for the portfolio selection; a clear identification of Customer-Caused Generation Assets; and System Benefit Share calculations for each such asset. The Parties shall confer and memorialize mutual agreement on each Customer-Caused Generation Asset and the allocation between the Customer Contributed Share and System Benefit Share, to be reflected on the Asset Schedule.
- H. Updates and True-Up. As portfolio selections, scopes, or costs evolve, the Utility shall update the Asset Schedule and reconcile costs per this Schedule's true-up processes.

#### **IV. Dispute Resolution; Commission Oversight**

- A. Dispute Resolution. If, notwithstanding the Parties' principal alignment on the ESA and Asset Schedule, the Parties are unable to reach mutual agreement on the designation of specific Customer-Caused Assets, on the System Benefit Share allocations for specific assets, or on any other discrete matter arising under this Appendix C (each, a "Dispute"),

either Party may seek review or relief from the Commission regarding the Dispute in the Tariff Agreement Proceeding described in the Ratepayer Protection Tariff.

- B. Treatment of Disputed Items in Request Filing. Any contested items shall be tracked separately in the Asset Schedule pending resolution, and the Request for Approval of a Tariff ESA Agreement shall clearly identify which items are contested and the respective positions of the Parties. The Utility may present its position to the Commission in the Tariff Agreement Proceeding by including in the Request for Approval of a Tariff ESA Agreement, or in any responsive or supplemental filings, documentation and argument supporting its position on the contested matter(s). The Contributing Customer may file responsive testimony, briefs, or other pleadings presenting its opposing position. The Parties shall otherwise continue good-faith support of the ESA and Asset Schedule.
- C. Resolution Through the Tariff Agreement Proceeding. The Commission may, as part of its Order approving, modifying, or rejecting the ESA and Asset Schedule, resolve any Dispute by establishing the final designations and allocations for the Asset Schedule, which shall be binding on both Parties.

#### **V. Shared Customer-Caused Assets**

- A. Contemporaneous Execution of ESAs. Where a Replacement Customer is contemporaneously executing an ESA with the Contributing Customer, the Utility shall conduct the studies described in Appendix C considering the combined Contract Demand and Load Ramps for both customers. The Utility shall model the system impacts of serving both customers' Projects and may propose Shared Customer-Caused Assets to the extent it makes sense for the Replacement Customer and Contributing Customer.
- B. Designation for Shared Customer-Caused Assets. Where a Replacement Customer and Contributing Customer agree to share one or more Customer-Caused Assets, the Customer Contributed Share shall be allocated between the Contributing Customer and Replacement Customer in proportion to the need for the asset, taking into account each Project's Contract Demand, Load Ramp, and other relevant factors. The resulting allocations shall be documented on each customer's respective Asset Schedule.

**ATTACHMENT C**  
**BUILDING COMMUNITY-FIRST AI INFRASTRUCTURE**

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### Microsoft’s 5-point plan to partner with local communities across the United States

This year marks America’s 250<sup>th</sup> year of independence. One of the trends that has repeatedly shaped the nation’s history is again in the news. As we’re experiencing at Microsoft, AI is the latest in a long line of new technologies to require large-scale infrastructure development.

Microsoft today is launching a new initiative to build what we call **Community-First AI Infrastructure**—a commitment to do this work differently than some others and to do it responsibly. This commits us to the concrete steps needed to be a good neighbor in the communities where we build, own, and operate our datacenters. It reflects our sense of civic responsibility as well as a broad and long-term view of what it will take to run a successful AI infrastructure business. In short, we will set a high bar.

#### Microsoft’s Community-First AI Infrastructure Plan

- 1. We’ll pay our way to ensure our datacenters don’t increase your electricity prices.**

  - Pay utility rates that are high enough to cover our electricity costs
  - Collaborate with utilities on plans to add to the electricity we will need
  - Innovate to make our datacenters more efficient
  - Advocate for public policies needed for affordable, reliable, and sustainable power
- 2. We’ll minimize our water use and replenish more of your water than we use.**

  - Reduce the amount of water our datacenters use
  - Replenish more water than we use
  - Provide greater local transparency
  - Advocate for public policy that helps minimize water use
- 3. We’ll create jobs for your residents.**

  - Invest in partnerships to train local construction workers
  - Expand our Datacenter Academy program to train more individuals for ongoing operations roles
  - Encourage policymakers to support new job opportunities
- 4. We’ll add to the tax base that funds local hospitals, schools, parks, and libraries.**

  - We won’t ask municipalities to reduce their local property tax rates for datacenters
  - We’ll support policies to invest the added taxes we pay in the vital services the community cares about
- 5. We’ll strengthen your community by investing in local AI training and non-profits.**

  - Partner with schools, community colleges and universities to provide AI training
  - Support adults with AI tools and skills through AI learning hubs in local libraries
  - Support AI skills training for businesses
  - Invest in local non-profits

As we launch this initiative, we think about it in the context of both the headlines of the day and the lessons from the past. Beginning in the 1770s, the country has advanced through successive eras built on huge infrastructure development based on canals,

railroads, power plants, and the electrical grid, followed by the telephone system, highways, and airports. AI infrastructure has become the next chapter in this story.

Like major buildouts of the past, AI infrastructure is expensive and complex. Investments are advancing at a rapid pace. Today, these require large-scale spending by the private sector in land, construction, electricity, liquid cooling, high-bandwidth connectivity, and operations. This revives a longstanding question: how can our nation build transformative infrastructure in a way that strengthens, rather than strains, the local communities where it takes root?

Large AI investments are accelerating just as datacenter concerns are growing in local communities. The pattern is familiar. Whether it was canals, railroads, the electrical grid, or the interstate highway system, each era produced its own conflicts over who bore the burdens of progress. One enduring lesson is that successful infrastructure buildouts will only progress when communities feel that the gains outweigh the costs. Long-term success requires a commitment to address public needs, including by the private companies making these investments.

This must start by understanding local concerns. Residential electricity rates have recently risen in dozens of states, driven in part by several years of inflation, supply chain constraints, and long-overdue grid upgrades. Communities value new jobs and property tax revenue, but not if they come with higher power bills or tighter water supplies. Without addressing these issues directly, even supportive communities will question the role of datacenters in their backyard.

As a company, we believe in the many positive advances AI will bring to America's future. From stronger economic growth to better medical advances and more affordable products, we believe AI will make a difference in everyday lives. But we also recognize that AI, like other fundamental technological shifts, will create new challenges as well. And we believe that tech companies like Microsoft have both a unique opportunity to help contribute to these advances and a heightened responsibility to address these challenges head-on.

This Community-First AI Infrastructure Initiative provides a framework for doing exactly that. It is anchored in five commitments, each a clear promise to the communities where we build, own, and operate Microsoft datacenters. These are:

1. **We'll pay our way to ensure our datacenters don't increase your electricity prices.**
2. **We'll minimize our water use and replenish more of your water than we use.**
3. **We'll create jobs for your residents.**
4. **We'll add to the tax base for your local hospitals, schools, parks, and libraries.**
5. **We'll strengthen your community by investing in local AI training and nonprofits.**

We describe our plans in detail below. We recognize that these will evolve and improve, based most importantly on what we learn from ongoing engagement with local communities across the country. We'll also follow this plan for Community-First AI Infrastructure with similar plans for other countries, shaped to reflect their local needs and traditions.

But we are choosing the beginning of 2026 in Washington, DC to launch this effort in the United States. Our goal is to move quickly, partner with local communities, and bring these commitments to life in the first half of this year.

1. Electricity: We'll pay our way to ensure our datacenters don't increase your electricity prices.

There's no denying that AI consumes large amounts of electricity. While advances in technology may someday change this, today, this is the reality.

The United States will retain its AI leadership role only if AI infrastructure can tap into a rapidly growing supply of electricity. The International Energy Agency (IEA) estimates that US datacenter electricity demand will more than triple by 2035, growing from 200 terawatt-hours to 640 terawatt-hours per year. This growth is taking place alongside rapid electrification of manufacturing and other sectors of the economy.

Our nation is addressing this reality at a demanding time. Even in the absence of datacenter construction, the United States is facing major electricity challenges. Much of the country's electricity transmission infrastructure is more than 40 years old, and it's under strain. Supply chain constraints on transformers and high-voltage equipment are delaying upgrades that would enable existing lines to deliver more electricity. New transmission can take more than 7 to 10 years due to permitting and siting delays. This creates a mismatch with growing electricity demand.

Some have suggested that AI will be so beneficial that the public should help pay for the added electricity the country needs for it. We believe in the benefits AI will create, but we disagree with this approach. Especially when tech companies are so profitable, we believe that it's both unfair and politically unrealistic for our industry to ask the public to shoulder added electricity costs for AI. Instead, we believe the long-term success of AI infrastructure requires that tech companies pay their own way for the electricity costs they create.

This will require that we take four steps, and we're committed to each:

First, we'll ask utilities and public commissions to set our rates high enough to cover the electricity costs for our datacenters. This includes the costs of adding *and* using the electricity infrastructure needed for the datacenters we build, own, and operate. We will work closely with utility companies that set electricity prices and state commissions that approve these prices. Our goal is straightforward: to ensure that the electricity cost of serving our datacenters is not passed on to residential customers.

In some areas, communities are already starting to benefit from this approach. In Wyoming, for example, Microsoft and Black Hills Energy have developed an innovative utility partnership that ensures our datacenter growth strengthens—rather than burdens—the local community. And as part of our datacenter investment in Wisconsin, we are supporting a new rate structure that would charge “Very Large Customers,” including datacenters, the cost of the electricity required to serve them. This protects residents by preventing those costs from being passed on. But we recognize the need to ensure that datacenter communities benefit everywhere. We believe this approach can and should be a model for other states.

Second, we'll collaborate early, closely, and transparently with local utilities to add electricity and the supporting infrastructure to the grid when needed for our datacenters. Addressing electricity costs is critical, but it is an incomplete solution for local communities unless we expand electricity supply. This expansion typically requires a complex effort that includes the expansion of electrical generation capacity and improvements in transmission and substation systems.

We're committed to collaborating with local utilities. We will sit down and plan together, providing early transparency around our projected power requirements and contracting in advance for the electricity we will use. When our datacenter expansion requires improvements in transmission and substation capabilities, we will continue our existing practices by paying for these improvements.

This work will build on a spirit of partnership with utilities we've worked to foster across the country. For example, in the wholesale energy market that covers much of the Midwest called the Midcontinent Independent System Operator (MISO), we have contracted to add 7.9 GW of new electricity generation to the grid, which is more than double our current consumption.

Third, we'll pursue innovation to make our datacenters more efficient. We are also using AI to reduce energy use and improve the performance of our software and hardware in the design and management of our datacenters. And we are collaborating closely with utilities to leverage tools like AI to improve planning, get more electricity from existing lines and equipment, improve system resilience and durability, and speed the development of new infrastructure, including nuclear energy technologies.

By embedding these innovations into datacenters and by collaborating directly with local utilities, communities gain access to systems that are more efficient, more reliable, and better prepared to support growth without increasing costs for households.

Fourth, we'll advocate for the state and national public policies needed to support our neighboring communities with affordable, reliable, and sustainable power. Public policy plays an essential role in supporting communities with affordable, reliable, and sustainable access to electricity. In 2022, Microsoft established priorities for electricity policy advocacy: expanding clean electricity generation, modernizing the grid, and engaging local communities. Over the past three years, we have advocated across all three areas and engaged with government leaders at the federal, state, and local levels to do so. To date, however, progress has been uneven. This needs to change.

We will advocate for policies across these areas with an urgent focus on accelerating project permitting and interconnection of electricity projects, expediting the planning and expansion of the electricity grid, and designing new electricity rates for large electricity users.

## 2. Water: We'll minimize our water use and replenish more of your water than we use.

Across the country, communities are asking pointed questions about how datacenters use water. These are arising in places already facing water stress, like Phoenix and Atlanta, as well as regions with more abundant supply, like Wisconsin. These concerns are often amplified by aging municipal water systems and infrastructure gaps. Local communities want and deserve reassurance that new AI infrastructure won't strain their water resources.

Our commitment ensures that our presence will strengthen local water systems rather than burden them. We'll do this by reducing the amount of water we use and by investing in local water systems and water replenishment projects.

First, we're committed to reducing the amount of water our datacenters use. The chips that power datacenters produce heat. To manage that heat, datacenters historically relied upon evaporative cooling systems that drew on large volumes of water for cooling in hot weather. As AI workloads have increased, the demand for cooling has increased. The GPU chips that power AI workloads run at very high temperatures; without proper cooling, these chips would burn out within minutes.

The good news is that the tech sector has invested in new innovations to address these cooling needs. Now is the time when we need to step up, use these new technologies, and take added steps to address water use concerns.

Across our entire owned fleet of datacenters, we are committed as a company to a 40 percent improvement in datacenter water-use intensity by 2030. We are optimizing water usage for cooling, improving our ability to balance between water-based cooling and air cooling based on environmental conditions. We have also launched a new AI datacenter design that uses a closed-loop system. By constantly recirculating a cooling liquid, we can dramatically cut our water usage. In this next-generation design, already deployed in locations such as Wisconsin and Georgia, potable water is no longer needed for cooling, reducing pressure on local freshwater systems.

For communities where water infrastructure constraints pose challenges, we will collaborate with local utilities to understand whether current systems can support the

additional demand associated with datacenter growth. If sufficient capacity does not exist, we work with our engineering teams to identify solutions that avoid burdening the community.

This approach will build on what we've learned from the recent work at our datacenters in Quincy, Washington, an arid region where the local groundwater supply was already under pressure. To avoid drawing from the community's potable water, we partnered with the city to construct the Quincy Water Reuse Utility, which treats and recirculates datacenter cooling water rather than relying on local groundwater. This approach protects limited drinking-water supplies while ensuring that high-quality, recycled water can be used for datacenter cooling needs. Where future system improvements are required, Microsoft funds those upgrades in full, ensuring that the community doesn't have to shoulder the cost of supporting our operations.

We also partner with utilities from day one to map out water, wastewater, and pressure needs, and we fully fund the infrastructure required for growth, ensuring local water systems are resilient. Beyond our own footprint, we invest directly in community water infrastructure, modernizing water systems, expanding access, increasing water reliability, and helping utilities maintain stable rates and pressure. For example, near our datacenter in Leesburg, Virginia, Microsoft is funding more than \$25 million of water and sewer improvements to ensure the cost of serving our facilities does not fall on local ratepayers.

Second, we will ensure that we replenish more water than we withdraw. This means restoring measurable amounts of water to the same water districts where our datacenter's water is used, so the total water returned exceeds total water used. This standard provides greater transparency and precision in tracking and reporting, aligned with emerging industry standards.

We will pursue projects that make the most important water contribution to each local community. For example, in the greater Phoenix area and nearby Nevada communities, our leak detection partnerships with local utilities identify and repair hidden breaks in aging water systems, preventing water losses and keeping municipal water in circulation for community use. These projects both add to the total usable water supply and improve the reliability of service for residents.

Across the Midwest, we are restoring historic oxbow wetlands. These are crescent-shaped water bodies that naturally recharge groundwater, reduce flood risk, and enhance habitats for native species. These wetlands act as nature's reservoirs, capturing and slowly returning water to local aquifers throughout both wet seasons and droughts, creating year-round value for farms, ecosystems, and nearby communities.

Overall, we approach replenishment the same way a household might think about a bank account: our operations make water withdrawals, and our replenishment projects make deposits. Some deposits, like our leak detection projects, go straight into the checking account—depositing water into the municipal supply for immediate community use. Others, like wetland restoration, go into a savings account—investing in the watershed's long-term capacity to store and supply the region. These projects are evaluated using recognized methods that convert on-the-ground improvements into measurable gallons (or cubic meters) of water restored to local ecosystems, ensuring that commitments reflect tangible local benefits, not abstract promises.

Third, we will support this work with greater local transparency. People deserve to know how much water our datacenters use, and we are committed to making that information accessible, clear, and easy to understand. Aligned with this goal, we will begin publishing water-use data for each datacenter region in the country, as well as our progress on replenishment. This approach will ensure that communities can understand both our operational footprint and the progress we are making against our water-positive goals.

Fourth, we will advocate for public policies to help minimize water use and strengthen resilience. This means championing policies that enable sustainable growth while safeguarding community resources. We will support state and federal efforts to make reclaimed and industrial recycled water the default supply for datacenters wherever feasible. We will advocate for harmonized transparency standards that allow

communities to clearly understand water use and stewardship practices. And we will work to reduce permitting delays by promoting predictable pathways for water-efficient datacenter projects.

These actions reflect our belief that technology and environmental responsibility must advance together, ensuring that AI-driven progress aligns with long-term water resilience for people, places, and ecosystems. Our policy activities are rooted in protecting local communities. By prioritizing recycled water and efficiency, we will help reduce pressure on aging municipal systems and ensure reliable water access for people and businesses.

### 3. We'll create jobs for your residents.

New datacenters create jobs—typically thousands during construction and hundreds during operations. For example, in Washington state more than 1,300 skilled trades workers are building Microsoft datacenters and by the end of next year more than 650 full-time employees and contractors will work across all our operational facilities there.

One of our goals is to help ensure that workers from the local community benefit from these opportunities. To achieve this, we will invest in new partnerships to help give local residents the skills and opportunities to fill these jobs in both the construction and operational phases.

The AI infrastructure construction boom is driving large-scale physical development, creating a huge demand for skilled tradespeople nationwide. As datacenters and the energy projects that support them grow quickly, firms are vying for a limited workforce. At one level, this is good news for people who already have the qualifications these jobs require. But at another level, there is a risk the jobs will not go to local residents who want to pursue these jobs unless they can acquire the skills required.

We will take a multifaceted approach.

First, we will invest in partnerships to help train local workers to support the construction and maintenance of datacenters. This includes a new and first-of-its-kind partnership between Microsoft and North America's Building Trades Unions (NABTU) to strengthen apprenticeship and training programs in the skilled trades where datacenters are being built. We are launching today a new agreement that establishes a cooperative framework to focus on building a pipeline of skilled workers in regions where we are building datacenters. This will also help enable NABTU to identify qualified contractor partners to bid on our infrastructure projects.

Second, we will expand our Datacenter Academy program to train individuals to fill ongoing datacenter operations roles. This program works in partnership with local community colleges and vocational schools to train students for critical roles in datacenter operations and related careers, once construction is complete.

A good example of this work is our Datacenter Academy partnerships in Boydton, Virginia, where we have a large datacenter campus. The Academy works with Southside Virginia Community College and the Southern Virginia Higher Education Center, which have helped hundreds of students and adult learners earn industry-recognized certifications in information technology and critical facilities operations.

In 2024, this work expanded with the opening of a new **Critical Environment Training Lab (SoVA)** in South Hill. This provides hands-on training with electrical, mechanical, and cooling systems using decommissioned datacenter equipment donated by Microsoft. Graduates of these programs have gone on to pursue careers supporting datacenter operations in Southern Virginia, including roles with Microsoft and the broader ecosystem of companies that help operate and maintain digital infrastructure. We will pursue similar partnerships in other states, and we are committed to making this an ongoing part of our work in the communities where we build new datacenters.

Third, we will use our voice to encourage policymakers to support these new job opportunities. While this work is of heightened importance in communities with datacenters, the broader need for this type of skilled labor is national in scope. According to LinkedIn data, job postings for data center occupations or requiring at least one core data center skill, such as data center operations, grew by 23 percent globally and 13.5 percent in the US year-over-year in 2025. This is likely to represent an ongoing trend. Over the next decade, trillions in private investment will offer steady employment opportunities for American workers—including electricians, pipefitters, HVAC techs, welders, and construction crews—alongside manufacturing technicians for related components, like chips, power generation, and cooling systems.

However, this rapid demand for skilled labor is set to outpace the available pipeline of workers. Today, the Associated Builders and Contractors estimates that the construction industry is short roughly 439,000 workers, mostly among skilled workers who do things like lay pipe and wire electrical panels.<sup>[1]</sup> Manufacturers report shortages as well, with the CEO of Ford Motor Company recently highlighting 5,000 open mechanic jobs that pay more than \$100,000 per year. And for datacenter operations, employers face shortages in hands-on infrastructure skills such as cabling, racking, and network hardware.

This problem is exacerbated by the demographics of an aging workforce and a decades-old policy trend of deprioritizing vocational education for young Americans. A generation of skilled workers, vocationally trained in high schools and apprenticeships in the 20<sup>th</sup> century, are retiring from the trades. In the first quarter-century of the 21<sup>st</sup> century, high schools pivoted towards preparing young people for higher education and advanced degrees, often at the expense of traditional shop classes and training in skilled craftsmanship.

The increased demand for skilled trades, paired with an aging workforce, requires an enhanced public-private workforce partnership. Secondary schools in the US can be incentivized to do more to educate young people about the trades through vocational schools and pre-apprenticeship programs. Registered apprenticeship programs offered nationally provide a fulfilling career path with long-term wages and benefits.

In partnership with labor, the federal government can champion a national apprenticeship and workforce development initiative that helps young and aspiring American workers near AI infrastructure projects, especially in rural and post-industrial regions. President Trump's AI Action Plan rightly identifies this opportunity, and we will work closely with the Department of Labor to help scale this effort. The federal government can also help by streamlining the process by which businesses can establish and maintain a registered apprenticeship program. They can also maximize the use of existing federal dollars that directly support registered apprenticeship programs. This could entail modernizing the regulations for the National Apprenticeship Act or updating the statutory language itself.

#### 4. We will add to the tax base for your local hospitals, schools, parks, and libraries.

One of the most tangible benefits from datacenter development is invisible to an individual driving nearby. It's the property taxes paid by datacenters to the local municipality, which are substantial. But this too requires that the private sector take a responsible approach, as described below.

We won't ask local municipalities to reduce their local property tax rates when we buy land or propose a datacenter presence. Instead, we'll pay our full and fair share of local property taxes, adding revenue to local towns and cities. This is obviously critical to supporting the growth a local community often experiences when datacenters are built or expanded. And most importantly, at a time when many communities are facing revenue shortages that threaten vital public assets like hospitals, schools, parks, and libraries, we know from experience that this can make a big difference.

The benefits of this approach are nowhere more apparent than in Quincy, Washington, a small agricultural community about 150 miles east of Seattle where Microsoft built its first datacenter in 2008. Since then, we have built more than twenty datacenters in the area, providing ongoing employment to thousands of construction workers for almost two decades. Hundreds of technicians enjoy permanent jobs in those datacenters, earning salaries well above the median income for Quincy. And we estimate that for every direct construction job created, another one is created in related sectors, including security services, maintenance and repair, retail, restaurants, and more. Altogether, our datacenters drive more than \$200 million in regional economic activity each year.

As a result, the share of Quincy residents living below the poverty line has been cut in half, dropping from 29.4 percent in 2013 to 13.1 percent in 2023. And county property tax revenues have more than tripled over the past two decades, from roughly \$60 million to more than \$180 million. This has enabled the city to invest in public services and amenities. Last year, as rural hospitals around the country cut back on critical care offerings and shuttered their doors, Quincy opened a new 54,000-square-foot medical center. The city has also made substantial renovations to its high school, adding state-of-the-art athletic facilities, an auditorium, and a career and technical training department.

We want to make sure that the other communities where our datacenters are located benefit from our presence in the same way. In all the regions where we build, own, and operate datacenters, we're devoted to taking a civically responsible approach. This means recognizing the importance of civic services, including public safety, local healthcare, schools, libraries, and parks. As we become an important local employer, local communities can count on us to be a constructive contributor to local business and civic efforts.

## 5. We'll strengthen your community by investing in local AI training and nonprofits.

We believe the datacenter communities that power AI should be among the first to benefit from it. As these communities help drive innovation and economic growth for the nation, it's essential that they share in the economic, educational, and community benefits AI is creating. Especially as jobs evolve and require more AI skills, this requires local investments in AI education and training. To support this goal, we will provide free, age-appropriate, best-in-class AI training and education in these communities in partnership with trusted, local community-based organizations.

For years, we have been helping people gain essential digital skills in communities in and around our datacenters, such as Quincy in Eastern Washington, Boydton in Southern Virginia, and Mt. Pleasant in Southeast Wisconsin. One thing we've learned is that these communities have vibrant anchor institutions—schools, libraries, and local chambers of commerce—that form the backbone of local learning, workforce development, and economic growth. That's why our approach as we go forward will be to invest in communities with our datacenters to partner with and provide support to these anchor institutions so that every community member can leverage the power of AI in how they live, work, and learn.

First, we will partner with local K-12 schools, community colleges, and universities to provide age-appropriate, responsible AI literacy training and learning experiences for students and teachers in our datacenter communities. This will build on some of our most recent experiences. For example, in Quincy, Washington, we partnered with Quincy High School and the local FFA chapter to teach students the critical AI and data skills needed for careers in precision agriculture. And in our datacenter region in Mt. Pleasant, Wisconsin, we recently launched an AI bootcamp for students and faculty with Gateway Technical College to cultivate a new generation of developers and creators of AI tools and technology across Wisconsin technical colleges.

Our commitment is to build on this work to help students and teachers responsibly and effectively engage with AI, create with AI, manage AI, and design with AI by bringing free, locally relevant, responsible AI training that is aligned with AI literacy standards to

students in every K-12 school, community college, and university in our datacenter markets.

Second, we will support adults in our datacenter communities with AI tools and skills by creating neighborhood AI learning hubs in partnership with local libraries in our key datacenter markets. This approach will build upon our previous digital skilling partnerships with local libraries. For example, during COVID, we partnered with libraries in rural communities across the country, and more recently, we helped train libraries in our Quincy and Mt. Pleasant datacenter markets on AI so that they could help their patrons learn AI skills. Building on this work, we will invest in AI literacy skills development for librarians and provide access to free AI literacy training and certifications to local library patrons, including by equipping public terminals at local libraries in our datacenter regions with AI tools and services.

Third, we will support AI skills training for small businesses. We recognize that AI training will be critical for small businesses as they navigate the transition to the AI economy. These businesses are the backbone of local economies, and their success directly impacts job creation, workforce stability, and community vitality. Through a new workforce transformation initiative, we will deliver AI training, tools, and insights to local chambers of commerce that support these small businesses. We will also provide flexible grants for AI training and upskilling to local chambers of commerce and a variety of workforce organizations to help local businesses upskill employees, adopt AI responsibly, and prepare their workforce for ongoing transformation—ensuring that economic opportunity stays rooted in the communities where we build and operate datacenters.

Finally, we will invest in your local nonprofit community. A defining aspect of Microsoft's own history and culture has long been a commitment to support the many nonprofit organizations that are vital to every community the company calls home. As we expand our datacenters in new communities, we're committed to bringing this role to these new regions.

This starts with support for our employees in the local community. We provide two key benefits to all our full-time employees. First, we will match every hour they spend volunteering for a nonprofit with a donation to that group of \$25. Second, we'll match each dollar they donate to a nonprofit with an equal donation by Microsoft. These give all our employees, including in our datacenters, a total potential match of \$15,000 each year.

This approach to community engagement is an important part of Microsoft's culture, and it has become the largest nonprofit charitable matching program in the history of business. In 2024 in the United States, it raised \$229.1 million in donations for 29,000 nonprofits, plus 964,000 volunteer hours contributed by our employees. It's a part of Microsoft we're excited to bring to the communities that have our datacenters.

We recognize that our support for the local community also needs to go beyond this type of program. Our broader contribution must start with listening. You know best what your town needs, what nonprofits are making a difference, and which organizations are best positioned to do more. We will provide locally based Microsoft liaisons in major US datacenter communities to work side by side with local leaders and nonprofits. Our local staff will provide a community connection to our various Microsoft teams and resources. Working together, we will shape our direction and connection to help further our support for local nonprofits.

## **Conclusion**

Many lessons emerge from the nation's 250-year history relating to technology and infrastructure. The first is that large-scale infrastructure expansion is vital to economic growth and everyday improvements in people's lives. Our lives today rely on electrical appliances, automobiles, phones, airplanes, and much more that would be impossible without modern infrastructure.

But a second lesson illustrates an important tension. Major infrastructure expansion is always difficult. It's expensive. It inevitably raises questions, concerns, and even controversies. This has been true for more than 200 years, and we should assume it will be true well into the future. This always requires that important decisions be made by government leaders from village presidents and town councils to the American President and Congress.

Third, the most important decisions are often made at the local level. This reflects the outsized impact—both positive and negative—of infrastructure expansion at the local level. It also reflects the American political tradition and our zoning and permitting laws, which rightly put decision-making authority closest to those elected to serve local communities.

There's a final lesson that speaks most directly to us. Private companies can help by stepping up and acting in a responsible way. We cannot surmount inevitable community challenges by ourselves. But we can make everything easier by embracing a long-term vision. By recognizing our responsibility. By playing a constructive role. And by supporting the entire community.

As we look to the future, we are committing to taking this final lesson to heart. And making it a fundamental part of our efforts every day.




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