

**MINUTES OF THE
SENATE COMMITTEE ON COMMERCE AND LABOR**

**Seventy-third Session
February 14, 2005**

The Senate Committee on Commerce and Labor was called to order by Chair Randolph J. Townsend at 8:34 a.m. on Monday, February 14, 2005, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Randolph J. Townsend, Chair
Senator Warren B. Hardy II, Vice Chair
Senator Sandra Tiffany
Senator Joe Heck
Senator Michael Schneider
Senator Maggie Carlton
Senator John Lee

STAFF MEMBERS PRESENT:

Scott Young, Committee Policy Analyst
Kevin Powers, Committee Counsel
Lynn Hendricks, Committee Secretary
Jane Tetherton, Committee Secretary

OTHERS PRESENT:

Mark Russell, Nevada Renewable Energy and Energy Conservation Task Force
Bob Cooper, Senior Regulatory Analyst, Bureau of Consumer Protection, Office
of the Attorney General
Richard Burdette, Director, Nevada State Office of Energy, Office of the
Governor
Nancy K. Ford, Administrator, Welfare Division, Department of Human
Resources
Charles L. Horsey III, Administrator, Housing Division, Department of Business
and Industry

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Art Thurner, Housing Division, Department of Business and Industry
Joseph Johnson, Toiyabe Chapter, Sierra Club
Isaac Henderson

CHAIR TOWNSEND:

The meeting is called to order. We will continue with presentations from the members of the Renewable Energy and Energy Conservation Task Force. Our focus will be on energy usage for low income and welfare households.

MARK RUSSELL (Nevada Renewable Energy and Energy Conservation Task Force):
I am presenting the solar hot water pilot program (SWAPP), which is a program to implement projects. This would benefit lower income residents and provide a return on investments relating to solar programs.

The utilities have a substantial budget in their demand side management (DSM) program and an allocation of a matching fund from the universal energy charge (UEC) is needed to fund this proposal.

The solar panel program that we are recommending could address 80 percent of the hot water needs of any residence where a solar panel is actually installed. The utility that participates in the program would be the beneficiary of the renewable energy credits (REC) which are in the Renewal Portfolio Standard (RPS). The financial details are in our Renewable Energy and Energy Conservation Task Force annual report.

BOB COOPER (Senior Regulatory Analyst, Bureau of Consumer Protection, Office of the Attorney General):

I would like to discuss quality assurance associated with solar hot water heating. The weatherization group within the Housing Division has quality control procedures already in place. Quality assurance was addressed in A.B. No. 431 of the 72nd Session, which established the solar energy demonstration program. That bill is a perfect blueprint for assuring oversight and division of labor. The same division of labor can be used in the solar hot water pilot program.

CHAIR TOWNSEND:

Can we first have a discussion regarding the low-income energy concerns before we discuss the solar hot water pilot program?

RICHARD BURDETTE (Director, Nevada State Office of Energy, Office of the Governor):

My report ([Exhibit C](#)) deals with the allocation of UEC funds to the Welfare Division and Housing Division.

CHAIR TOWNSEND:

Please pay attention to the Universal Energy Charge presentation on [Exhibit C](#); specifically notice the amounts collected by the Public Utilities Commission of Nevada (PUCN). It shows 75 percent going to the Welfare Division and 25 percent to the Housing Division. This is what we should be focusing on. This is an outline of the basic policy questions with which we need to deal.

SENATOR TIFFANY:

I worked with the Welfare Division on a funding program in 2001. At that time Medicaid and the utility companies had set aside for welfare energy assistance, and there was plenty of money in the fund. Are there any other funding programs for subsidizing welfare utility bills?

MR. BURDETTE:

Yes, there are. The utilities work closely with the Welfare Division in establishing these programs. We coordinate with federal government, state government and utility companies in the funding effort.

SENATOR TIFFANY:

Welfare clients were not concerned about their utilities being shut off, because it never happened. There seem to be no incentives regarding welfare clients to save energy. Have you come across the same situations?

NANCY K. FORD (Administrator, Welfare Division, Department of Human Resources):

There are approximately 150,000 households that can benefit from the Energy Assistance Program ([Exhibit D](#)). A year ago we had approximately 625 pending applications and now we have 5,621. This is directly related to funds we have to spend. The carryover money for the next few years will be going down and the welfare spending for eligible households will be going up.

One of our requests in Bill Draft Request (BDR) 58-238 is to increase the Welfare Divisions' administrative cap.

BILL DRAFT REQUEST 58-238: Increases percentage of energy assistance funding allowed for the administrative costs of the Welfare Division. (Later introduced as [Senate Bill 123](#).)

Another request is to have the flexibility to transfer UEC funds between the Welfare Division and the Housing Division based upon need and availability.

I am also requesting authority to adopt, by regulations, limits on the energy benefit. It allows us to manage the fund and it encourages conservation. Right now we pay whatever someone's bill is, above and beyond what the median household pays. If we have a cap on the benefit, people will have an incentive to stay within that cap. These are the three main aspects of the BDR.

The Legislative Counsel Bureau (LCB) still has the BDR, so I have not seen the specific language yet.

CHARLES L. HORSEY III (Administrator, Housing Division, Department of Business and Industry):

We are currently weatherizing between 900 and 1,500 units a year. Primary recipients are senior citizens and persons living in mobile homes. We deal with sub-grantees that do the weatherization on homes. Their jobs are much more complex than average construction work. We currently have four sub-grantees and they need consistent funding where training is involved.

SENATOR LEE:

Mr. Horsey, why will there be future funding problems with the weatherization program?

MR. HORSEY:

It is just the cost of doing business.

SENATOR LEE:

Regarding the transferring of funds between the Welfare and Housing Divisions for energy assistance, it seems like it would be working against the benefit of either agency.

Ms. FORD:

We do not have competing interests. We both want to serve low-income houses. If I have funds that I can transfer for weatherization and the Housing Division has the ability to weatherize more houses, I think it is in the interest of the State and the taxpayer that it be done.

The way the fund works, is the PUCN takes up to 3 percent for administrative costs. Then the fund goes to the Welfare Division to manage the account. It is an interest-bearing account, so we leave it in that account until either the Housing or Welfare Divisions need the money for programs. We then transfer the money out of the account and we can then take our 3 percent for the Welfare Division or the Housing Division can take their 6 percent for weatherization.

SENATOR LEE:

So this is not reversionary money?

Ms. FORD:

That is correct. It is not General Fund; it is a mill charge and it stays in that account.

SENATOR LEE:

Is it your job to make the decision of how the funds go back and forth?

Ms. FORD:

Part of my BDR is to give me flexibility to transfer funds between the agencies.

CHAIR TOWNSEND:

What Ms. Ford just stated is important. The more efficient weatherization we provide, the less low-income citizens will have need for welfare energy assistance. What your graph [Exhibit D](#) reflects may be a contradiction. The graph shows a continued increase in energy welfare assistance and a decrease in weatherization. Could you address that?

MR. BURDETTE:

The welfare client base is approximately 150,000 and the weatherization program has an approximate project base of 2,000 per year with relation to energy assistance. The funding will be an issue for a number years because the client base is not stable. One example of this could be an increase in the cost of energy. We will have immediate needs that will be out of scope in terms of what we can do in the form of weatherization.

Having the ability to limit payouts under the welfare program, in proportion to the clients' energy bills, would be an incentive for them to keep their expenses down.

CHAIR TOWNSEND:

Is that in the BDR? If so, when will we see it?

MS. FORD:

I have no idea. It has been with the LCB for a while.

CHAIR TOWNSEND:

Mr. Powers, please check with LCB on BDR 58-238. Is it not the point to build low-income, energy-efficient housing for people so they do not have to spend their money on energy?

MS. FORD:

It is important to do weatherization, but there are only so many houses that can be weatherized in a year. Even if houses were weatherized, they may still be in need of energy assistance, although the benefit would be less.

CHAIR TOWNSEND:

That is the point. If you reduce their energy benefit, you reduce it forever. That means less money paid out in benefits. Mr. Horsey, if the money was available, what could you do with it?

MR. HORSEY:

We would review the sub-grantee staff positions needed in our community services agency in Henderson and in southern Nevada.

CHAIR TOWNSEND:

Can you find out what kind of ramp-up time they have and how much more they could do?

MR. HORSEY:

We will get that information and provide it to the Committee.

SENATOR SCHNEIDER:

Can you give us more detail on the senior center in Henderson? What did they do to make buildings more energy-efficient?

ART THURNER (Housing Division, Department of Business and Industry):

We ask for improvements to virtually all the mechanics that go into making a house more energy-efficient.

SENATOR SCHNEIDER:

Do you have a checklist you give the developers of the things they should do?

MR. THURNER:

Yes. We have requirements in the qualified allocation plan. They also fill out specific forms. Our consultant holds workshops for contractors regarding the mechanics of energy-efficient products.

CHAIR TOWNSEND:

Can you measure the difference in energy usage between a one-bedroom or two-bedroom apartment built under the program versus a 20-year-old apartment?

MR. THURNER:

Yes.

CHAIR TOWNSEND:

How long would that take?

MR. THURNER:

I will check with the energy testing group and get that information to you.

CHAIR TOWNSEND:

What percentage of the 150,000 households lives in apartments?

Ms. FORD:

It is 150,000 potential households.

CHAIR TOWNSEND:

How many are you currently serving?

Ms. FORD:

We will get that information for the Committee.

CHAIR TOWNSEND:

This is important because this affects the funding.

Ms. FORD:

When we have benefits of \$2,000 or more each year we immediately refer those over to weatherization to review because of high usage.

SENATOR TIFFANY:

The Welfare Division has a high reserve right now. Cases have gone down and there is multiple funding for this type of program. Do we need this tax?

Ms. FORD:

Other funding is through the Low Income Home Energy Assistance (LIHEA) program. The average amount of that particular grant is \$3.6 million a year. It is not sufficient to deal with our needs. The LIHEA program is on the chopping block in President Bush's 2006 budget.

SENATOR TIFFANY:

My experience is welfare energy clients in need of assistance always received it. There was no cap on the benefit, we still had a reserve. It does not seem to me that there is a funding problem.

Ms. FORD:

Fiscal year 2003 was the first year of this program and there were start-up costs involved. It takes three to five years to get a program started. Money will have to be carried over for the first couple of years because client base cannot be served right at the beginning. The need is out there and we anticipate the reserves will be gone in the next three years.

Weatherization reserves look flat because the Housing Division spends their 25 percent of UEC money each year. Welfare is going up because we are spending our reserve funding.

SENATOR TIFFANY:

Actually the program start-up was 2002, because I was in that program. The Welfare Division never ran out of money so that is why I have a concern about the funding request.

Ms. FORD:

That program start-up was in 2001 Legislative Session.

If a welfare client receives two turnoff notices from the utility company in any given year, then they are not entitled to any further welfare energy benefits for that year.

CHAIR TOWNSEND:

Committee, reference Scott Young's brief under the energy funds in the Housing Division's, Low Income Weatherization Assistance program for fiscal year (FY) 2002. Are they combined funds or are they separate funds?

MR. THURNER:

They are separate funds.

CHAIR TOWNSEND:

Your total program includes 420 separate homes. Are those considered single-family homes?

MR. THURNER:

I am not sure. Those numbers were taken from our Web site in 2002.

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CHAIR TOWNSEND:
Do you have any updates?

MR. THURNER:
Yes, please see the next page of Mr. Young's brief.

CHAIR TOWNSEND:
Of the units weatherized; does that involve different buildings such as apartments and homes?

MR. THURNER:
Yes.

CHAIR TOWNSEND:
Can you combine the funding?

MR. THURNER:
Yes, funds are combined when they are given to the sub-grantee.

CHAIR TOWNSEND:
In terms of usage, is a mobile home or an apartment less efficient?

MR. HORSEY:
Mobile homes are less efficient.

CHAIR TOWNSEND:
Is the main focus for energy efficiency on mobile homes?

MR. THURNER:
Yes.

CHAIR TOWNSEND:
Have you looked at increasing certain standards on construction units?

MR. THURNER:
The problem is that different homes have different building codes.

CHAIR TOWNSEND:

Is there a policy or task force that increases the efficacy of energy usage in mobile homes that are sold in Nevada?

MR. THURNER:

There probably should be.

MR. RUSSELL:

The task force is supportive of upgrades, but we do not get into details on how homes are built. We do need to focus on building codes that will help energy bills and conservation.

MR. BURDETTE:

The building codes need to adhere to weatherization issues in new-home construction. If this were done, there would be fewer weatherization problems needing to be addressed in the future. Unfortunately, we have an enormous amount of existing buildings with energy problems with which the weatherization program needs to be involved.

CHAIR TOWNSEND:

In your report Mr. Russell, is there a section on building codes that we should reference? I do not believe I brought that report with me today.

MR. RUSSELL:

It is in the energy-efficiency section, recommendation number 3.

MR. HORSEY:

If the Committee would like, we can have our sub-grantees give priority to energy issues on mobile homes.

CHAIR TOWNSEND:

We first need to debate that issue and go through the statistics to find out where we need to focus.

MR. HORSEY:

The client base we serve is very close to the 150,000 potential households that the Welfare Division representative mentioned earlier.

SENATOR HECK:

Please reference the staffs' book, under the energy funds in the Housing Division's, Low Income Weatherization Assistance program for (FY) 2004. It states that approximately 50 percent of those homes weatherized are renter occupied, which means the renter would reap the benefit of energy savings on their utility bills. What type of benefit is the owner entitled to, if any, on a taxpayer-subsidized renovation of their property? Is there a mechanism to recoup the cost from the owner?

MR. THURNER:

Not at this time. It may have to be a legislative change.

MR. HORSEY:

Our department wants to make sure the energy benefit goes to the lower-income people as opposed to the owner.

SENATOR HECK:

Are you saying that there is no benefit to the property owner?

MR. HORSEY:

We will check our records and provide a response.

SENATOR CARLTON:

Ms. Ford, on page 2 of your report, what is the 150-percent poverty level right now? Do we apply the same criteria to the 60 percent of the median income?

MS. FORD:

I do not have the report you are referring to, but I can provide a chart if you want. Currently we only provide the benefit to families that are below the 150-percent poverty level. We could go to the 60-percent median income, but our programs do not at this time.

SENATOR CARLTON:

I would like those numbers to put this into perspective.

MS. FORD:

I will provide you with the numbers.

JOSEPH JOHNSON (Toiyabe Chapter, Sierra Club):

I have provided recommendations and a summary ([Exhibit E](#)) of which I will read to you now. Included in my report is the State Fiscal 2003 Evaluation of the NRS 702, Energy Assistance Program and Weatherization Assistance Program.

I would like to add that the Welfare Division's Energy Assistance Program, relating to the 150,000 households, is based upon the 2000 census with updates from the state demographer.

CHAIR TOWNSEND:

That 150,000 relating to households keeps coming up in our discussion. Ms. Ford, does the 150,000 represent eligible households? How many did you actually serve last year?

MS. FORD:

That is correct. It is our target population. Last year we served approximately 16,000 households. We anticipate serving probably 20,000 to 22,000 households this year.

MR. JOHNSON:

There are a significant number of households that are not being served.

CHAIR TOWNSEND:

Mr. Johnson, are you the director of the Toiyabe Chapter of the Sierra Club?

MR. JOHNSON:

No, I am the contract lobbyist for the Toiyabe Chapter. I am here representing the Toiyabe Chapter.

CHAIR TOWNSEND:

Are your issues with the environment, which relates to the weatherization issue today?

MR. JOHNSON:

That is correct.

SENATOR LEE:

It cost approximately \$2,000 per unit annually to perform weatherization. In the case of a mobile home, eventually their worth is less than the value of the repairs. There may need to be a cap on money funded for certain projects.

MR. JOHNSON:

I just have a brief statement. There are issues regarding owner contributions to the program.

CHAIR TOWNSEND:

Mr. Russell, can our staff get copies of the task force report that you supplied Mr. Young?

MR. RUSSELL:

We will get additional copies for the Committee.

MR. BURDETTE:

We are ready to offer information about why the percentages are the way they are and we will give our opinions whether or not changes are needed.

MR. COOPER:

We will bring copies of both the Renewable Energy Policy Report and the Energy Efficiency Report.

ISAAC HENDERSON:

When would the loss of federal funds take place?

CHAIR TOWNSEND:

Are you asking when that will take place if they passed this budget?

MR. HENDERSON:

Yes.

MR. BURDETTE:

The budget proposed is a federal FY 2006 budget. It will take effect October 2005. Our administration will provide a copy of the budget proposal to the committee and to Mr. Henderson.

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CHAIR TOWNSEND:

Are there are more questions on this issue? The meeting is adjourned at 10:33 a.m.

RESPECTFULLY SUBMITTED:

Jane Tetherton,
Committee Secretary

APPROVED BY:

Senator Randolph J. Townsend, Chair

DATE: _____