

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

**Seventy-third Session
February 15, 2005**

The Senate Committee on Commerce and Labor was called to order by Chair Randolph J. Townsend at 7:00 a.m. on Tuesday, February 15, 2005, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4401, 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

GUEST LEGISLATORS PRESENT:

Senator Bernice Mathews, Washoe County Senatorial District No. 1

STAFF MEMBERS PRESENT:

Scott Young, Committee Policy Analyst
Kevin Powers, Committee Counsel
Donna Winter, Committee Secretary
Jeanine Wittenberg, Committee Secretary

OTHERS PRESENT:

Buffy G. Martin, American Cancer Society
Sunil Sharma, M.D., Chief, Gastrointestinal Oncology Program, Chief, Phase I Program, Nevada Cancer Institute
Heather Murren, CFA, President, Nevada Cancer Institute
Lawrence P. Matheis, Executive Director, Nevada State Medical Association

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Robert A. Ostrovsky, Nevadans for Affordable Healthcare
Jack Kim, Nevada Association of Health Plans; Sierra Health Services, Incorporated
Bobbette Bond, Hotel Employees and Restaurant Employees International Union Welfare Fund
Christina Dugan, Las Vegas Chamber of Commerce
Rose E. McKinney-James, Clark County School District; Nevada Renewable Energy and Energy Conservation Task Force
Christine Petersen, M.D., Vice President Medical Affairs, Chief Medical Officer, Sierra Health Services, Incorporated
Mark Russell, Nevada Renewable Energy and Energy Conservation Task Force
Richard Burdette, Energy Advisor, Office of the Governor
Robert M. Balzar, P.E., Director, Energy Efficiency and Conservation Department, Sierra Pacific Resources
Michael Lynch, Executive Director, Builders Association of Northern Nevada
Irene E. Porter, Southern Nevada Home Builders Association
Ronald L. Lynn, Nevada Organization of Building Officials
Paul Wilkins, Director, Building and Safety, City of Las Vegas
Danny L. Thompson, Nevada State AFL-CIO; Nevada Renewable Energy and Energy Conservation Task Force
Paul Gerner, Associate Superintendent, Facilities Division, Clark County School District

CHAIR TOWNSEND:

We will continue the presentation by the Nevada Renewable Energy and Energy Conservation Task Force (Task Force). We are going to open the hearing with Bill Draft Request (BDR) 54-719.

BILL DRAFT REQUEST 54-719: Prohibits certain contractors from repairing constructional defect. (Later introduced as [Senate Bill 58](#).)

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SENATOR CARLTON MOVED TO INTRODUCE BDR 54-719.

SENATOR HECK SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS TIFFANY, HARDY AND SCHNEIDER WERE ABSENT FOR THE VOTE.)

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CHAIR TOWNSEND:

I will now open the hearing on Senate Bill (S.B.) 29.

SENATE BILL 29: Requires policies of health insurance to provide coverage for certain treatments for cancer. (BDR 57-265)

SENATOR BERNICE MATHEWS (Washoe County Senatorial District No. 1):

This is a bill that has been introduced previously; we have made some revisions and additions. Existing law requires health insurance policies to provide coverage for treatment of cancer and chronic fatigue syndrome provided in a phase II, phase III or phase IV study or clinical trial. We are requesting that phase I be included in the law.

BUFFY G. MARTIN (American Cancer Society):

I have provided my written testimony for the Committee ([Exhibit C](#)).

SUNIL SHARMA, M.D. (Chief, Gastrointestinal Oncology Program, Chief, Phase I Program, Nevada Cancer Institute):

I have provided information for the Committee regarding phase I clinical trials ([Exhibit D](#)). Phase I clinical trials can take several forms. They can be the first testing of promising cancer drugs believed to have therapeutic potential, or they can be the first attempt to combine approved cancer drugs. When new drugs are initially tested in humans, it is a careful and deliberate process. Years of laboratory testing receive a thorough review by the federal Food and Drug Administration (FDA) on the merits of testing drugs in patients. Phase I trials for new drugs can only be performed under a specific license from the FDA called an Investigation New Drug license (IND). Due to safety concerns, patients on these trials require monitoring. On November 3, 2004, the *Journal of the American Medical Association (JAMA)* published an analysis of the safety of 200 trials. The severe drug toxicity rate was low, less than 1 percent. This was

primarily due to patient monitoring by specialized oncologists and scrutinized closely by the FDA. In addition, phase I trials give access to drugs for patients who have no other available options. Only physically fit patients are eligible to enroll in these trials. There have been many recent success stories for these patients. This is due to rapidly increasing new knowledge on molecular mechanisms and genetics for the drug target.

In terms of economics, most of the cost for special scientific testing in these trials is assumed by the sponsor of the study. Usual and customary treatment for these patients should be covered by health insurance, since denial of coverage simply denies access to the studies. Furthermore, health insurance will still pay for usual and customary treatment regardless of whether the patient is in a trial or not.

Phase I clinical studies are sound and form the foundation of cancer research in the area of new drugs. These studies provide hope for cancer patients who otherwise would not have options available. Institutions like the Nevada Cancer Institute are formed to provide outcomes for cancer patients through these new therapies.

Finally, I would encourage legislative support for S.B. 29 and would be happy to provide any additional information the Committee may require.

SENATOR CARLTON:

Are you only requesting the health insurance to cover the basic usual and customary care of the cancer patient during the clinical trial?

DR. SHARMA:

The issue here is a patient with cancer, who is physically fit, but does not have any other standard options available. That patient would then become a candidate for the trial. We are not requesting special health care coverage, only coverage for usual and customary procedures and testing while participating in the trial. Anything relating to the trial itself, such as the investigative drug or special testing, would be covered by the sponsor of the study. The fact that the patient is participating in a trial should not prohibit them from health care coverage for standard care, such as routine doctor visits or radiological testing. Regardless of participating in the trial, these are services they would normally be seeking with a cancer diagnosis.

SENATOR HECK:

Studies have shown that unadjusted costs are much higher for those in clinical trials. If you remove the direct cost of the trial, there is no incremental increase. In fact, a study in a 2003 *JAMA* article, showed that phase I and phase II trial participants costs were 12 percent higher. The reason is the patient has more frequent doctor visits and more adverse drug consequences relating to the trial.

Are you saying that anything relating to the trial, even increased doctor visits or additional medication, would not be included for coverage under the trial?

DR. SHARMA:

We try to identify costs that may be directly, or indirectly, related to the trial and have the sponsor pay for those costs. Due to the complexities of cancer, for example, if a patient gets a catheter infection during the trial, this is an issue not related to the drug but is considered usual and customary medical care. To break down every single cost is impracticable. What we are saying is that cancer patients in general, whether involved in trials or not, require exceedingly complex state-of-the-art care. Anything related directly to the drug, such as severe bouts of nausea, we would take back to the sponsor for payment of the care.

SENATOR HECK:

If the catheter was placed solely for the purpose of the trial, the infection that occurred would not be usual and customary.

DR. SHARMA:

The practicable problem is that if you try to micromanage every small detail, it denies access to the patients for the trials.

SENATOR HECK:

As I understand a phase I clinical trial, you are trying to figure out dosage route and frequency of a drug. In essence, you are trying to figure out how much, how to give it and how often. Is that correct?

DR. SHARMA:

That is true in the strict sense of a definition of a phase I clinical trial. However, currently the trials are exceedingly directed toward the specific cancer. I would caution against making a judgment just based on that, because of recent articles provided in [Exhibit D](#).

SENATOR HECK:

The National Institutes of Health (NIH) Web site shows that there are six current clinical trials in Nevada, with a little less than 200 people enrolled. If phase I clinical trials are covered, do you see that number growing significantly in the State of Nevada?

DR. SHARMA:

Possibly by another 100 to 150 patients in a very busy program. If we do not keep these patients in Nevada, it makes the State unattractive to sponsors for research and trials.

HEATHER MURREN (CFA, President, Nevada Cancer Institute):

People do leave the State for treatment. This is not because of a lack of trained doctors; we do not have all of the tools necessary in the State for doctors to treat cancer patients. These patients leave the State for centers of excellence that offer phase I clinical trials. Without available tools for the doctors, once a cancer diagnosis is made, we are far less likely to survive that diagnosis in this State versus other parts of the country. A cancer research institute and a comprehensive cancer center is a center of excellence with three roles. To provide education, outreach and support within the communities.

To address this, the Nevada Cancer Institute was created ([Exhibit E](#), original is on file at the Research Library). We have been active in fund-raising, education and outreach throughout the State. We have acquired funding that enabled us to open our facility in July 2004 without funding from the State. Through fund-raising, we have hired some of the best researchers and staff in the nation.

Phase I clinical trials in Nevada could bring at least 100 patients a year to the center, with minimal financial burden to the communities, based on the coverage that would be required. We are only asking for coverage for standard, usual and customary medical care, and not coverage for items relating to research. Because of the lack of depth of expertise in Nevada in the past, we can move forward with keeping our patients in the State. The message we send with S.B 29 is important because we are being monitored by major corporations and foundations who are continually making decisions in which states to make their investments. We hope to bring them to Nevada because we now have the expertise to carry out their important work.

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I am requesting that we send the proper message to the scientific and medical communities, corporations and foundations that will invest in our State and to our residents.

SENATOR TIFFANY:

How many other states have mandated insurance coverage for phase I clinical trials?

SENATOR HECK:

The NIH Web site lists 21 states that cover it; 12 cover phase I and 1 is on a case-by-case basis.

DR. SHARMA:

Medicare also covers the care for this.

SENATOR TIFFANY:

Are there any drug companies interested in doing a trial in the State at this time?

DR. SHARMA:

One of the largest obstacles is that there is high demand for drug companies to do early phase trials and not enough patients available in the United States. This creates a two-way opportunity and I do not believe we will have a problem getting a phase I trial. It becomes more difficult if we do not have usual and customary health care coverage for Nevada patients.

SENATOR TIFFANY:

What if the health care coverage barrier is removed? If we passed this, would we be providing opportunities for other phase I clinical trials in other research facilities such as the University Medical Center?

DR. SHARMA:

That is a possibility if there were other qualified individuals that could acquire an IND permit. The chance of that occurring would be low because of the infrastructure required when being scrutinized and investigated by federal agencies and NIH.

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SENATOR HECK:

Are you familiar with the trials that the NIH Web site lists as currently taking place in Nevada?

DR. SHARMA

I am not.

SENATOR HECK:

The NIH Web site shows three phase I trials in Nevada. I would assume that the costs are being paid by the patient.

MS. MURREN:

It is likely that the patient is paying the cost, or perhaps in special cases, costs are paid by the health insurance. There is a very limited partnership between some of the local oncology community and the University of California Los Angeles Medical Center (UCLA). The oncologists carry out the trial according to UCLA directives.

SENATOR SCHNEIDER:

What is occurring in other states with centers of excellence?

DR. SHARMA:

Arizona has a small center in Phoenix with approximately 100 patients who get treatment every year locally. They have some of the world's finest drugs available at this center. My experience in New York is that most health insurance would cover usual and customary care, because, I believe, New York has a law that covers the trials in any event.

SENATOR SCHNEIDER:

Please elaborate further on the UCLA arrangement. What cost is covered by UCLA and does California law allow for coverage of treatment in these trials?

MS. MURREN:

I would assume they do not cover usual and customary care that falls outside of the trial program for Nevada patients.

LARRY MATHEIS (Nevada State Medical Association):

The basic rationale for why we support S.B. 29 was provided by Ms. Martin on behalf of the American Cancer Society. The overall impact of cancer to

Nevadans has to be included in benefit coverage now and for the future. We believe the cost for benefit coverage is well worth the future advantage in knowledge that we will gain from these trials.

CHAIR TOWNSEND:

Ms. Martin, since this is under chapter 689A of *Nevada Revised Statutes* (NRS), would it only apply to commercial policies and not to self-insured policies governed by the Employee Retirement Income Security Act of 1974 (ERISA)?

MS. MARTIN;

Yes. That is my understanding.

SENATOR CARLTON:

In southern Nevada, we have a health plan that offers coverage for over 50,000 culinary workers and bartenders. This health plan has a management labor committee that handles appeals and has the option to provide this coverage for the member.

ROBERT A. OSTROVSKY (Nevadans for Affordable Health Care):

I would like to make it very clear that NRS 689 covers insurance that is purchased through an agent, group or individual policy. It covers less than 40 percent of the insured population in Nevada. Your policy-making ability in the Legislature only applies to that group. This does not affect the Taft-Hartley Act plans of which Senator Carlton has spoken.

SENATOR CARLTON:

Would the patient, as a member of a private insurance policy, have the opportunity to appeal denial of coverage the same way I would under the Taft-Hartley Act?

JACK KIM (Sierra Health Services, Incorporated; Nevada Association of Health Plans):

In the private insurance industry every member has the right to appeal denial of coverage under NRS 689. They also have the right to file for an external review and appeal for coverage of experimental procedures.

Since there are a large number of self-insured employers in Nevada, many individuals would not be covered under this bill.

I represent the Nevada Association of Health Plans (NAHP). We are an association of all the health plans in Nevada that insure approximately 920,000 lives. We have concerns regarding the cost impact of this bill. The language of the bill is more definitive, as to coverage required, than was previously testified this morning. However, we do applaud the efforts of the Nevada Cancer Institute and the great service they perform.

We have concerns about the complication issues and costs that may be incurred during the phase I trials. We are also concerned that premium costs will rise for providing insurance coverage for these trials. A bigger concern is that this bill applies coverage retroactively to January 1, 2004.

SENATOR LEE:

If you eliminate Taft-Hartley, ERISA and the uninsured, how many people does this affect?

MR. KIM:

Approximately less than a third of the population.

SENATOR LEE:

What do you expect the cost to be to the other members of the insured population?

MR. KIM:

That would depend on the number of trials and the costs associated with them.

SENATOR LEE:

Have you projected out the premium cost on this?

MR. KIM:

We are still working on that.

SENATOR LEE:

Are you concerned about the January 1, 2004, effective date for screening applicants in underwriting?

MR. KIM:

I mentioned the date because insurers would have to provide retroactive coverage for benefits for which a premium has not been adjusted.

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SENATOR HECK:

From previous testimony, it appears that we are speaking of approximately 300 patients, 100 of them would be new to the trials.

MR. KIM:

Potentially, we really do not have definitive numbers at this time.

SENATOR HECK:

How many patients will it take to impact premiums overall?

MR. KIM:

That is a difficult question to answer. For example, if you look at a small employer with 50 employees insured, and two members of this group are in the trials and complications occur, the premium would increase significantly compared to a similar employer with no members involved in trials.

SENATOR HECK:

So is your point that the premium increase is not across the board, and could affect some more than others?

MR. KIM:

The groups share the risk with everyone, but if a group has a significant rise in costs, their premium will rise higher than others.

SENATOR CARLTON:

You mentioned earlier that NAHP represents 920,000 potential patients. If we are talking about 100 potential patients in these trials, what is the significant impact?

MR. KIM:

I cannot speak to the specific amount at this time. As I mentioned to Senator Heck earlier, there could be one small group that could be impacted significantly and one that would not be impacted at all.

SENATOR CARLTON:

We currently cover phase II, III and IV trials. How many people do we have in those trials and what increase occurred when coverage of those phases was passed?

MR. KIM:

I would have to go back into history and find that information.

SENATOR HECK:

If the bill was amended to apply to insurance policies issued after passage of the bill, and the bill language was strengthened to ensure coverage for true, usual and customary care not related to the trial itself, would that fulfill your needs?

MR. KIM:

I would be more comfortable with that, but on a policy issue, the NAHP has always opposed any mandate such as this.

SENATOR TIFFANY:

I would appreciate if you would provide to the Committee some additional statistical information and examples of the impact to small employer groups.

MR. KIM:

I will try to extract that information and provide it to the Committee.

CHAIR TOWNSEND:

What if this Committee introduced a separate bill to remove all the mandates? Could you provide information relative to the percentage of premium reduction that would occur? Also, if the mandates were removed, could you provide information on the number of new employers this would allow to afford to purchase health insurance?

MR. KIM:

I will submit that request to our actuaries to see if they can provide the necessary information.

CHAIR TOWNSEND:

Let us assume there is no support for an additional mandate, but the public policy of this coverage is overwhelming. The previous stance of this Committee supports the Nevada Cancer Institute and would be the prime focus of this bill. If we introduced an appropriation that would go to the Nevada Cancer Institute for all Nevadans, insured or not, would you be willing to testify that this is absolutely crucial, that we appropriate for that kind of bill for all Nevadans?

MR. KIM:

I think any bill or appropriation that promotes medical treatment or health coverage for the uninsured, is something that the NAHP would support. I would certainly lobby for this in the financial committees, if necessary.

CHAIR TOWNSEND:

You have legitimate concerns, excellent questions from everyone who knows this issue, and we are compelled to deal with this issue. This is a very important personal issue for many people. We want to find a way to address this and act upon it for a positive result for Nevadans and these trials.

MR. KIM:

I agree with your concerns. I worked on this bill last session to provide changes that would make it safe for our members to participate in these trials and balance the costs to the insured. We think this bill is important, but it needs to address additional language issues.

SENATOR HARDY:

Many of us have been touched by cancer. I think at some point we have to look at the mandates in Nevada and how they impact our ability to deliver health care insurance in our State.

SENATOR CARLTON:

I echo Senator Hardy's comments.

BOBBETTE BOND (Hotel Employees and Restaurant Employees International Union Welfare Fund):

I agree with Chair Townsend that if mandates are not the solution, then there needs to be a solution. While the culinary workers health fund does not have to comply with a State mandate, it usually does, with pressure from members and the union trustees. I think in this particular case, the Nevada Cancer Institute, being such a contribution to our state, has the support of our union trustees and employer trustees.

MR. OSTROVSKY:

I present this written testimony on behalf of Nevadans for Affordable Health Care ([Exhibit F](#)).

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CHRISTINA DUGAN (Las Vegas Chamber of Commerce):

We represent 6,800 members, 85 percent of which have fewer than 25 employees. This is a bill that is important to our membership. We have similar concerns such as Mr. Ostrovsky and Mr. Kim. We ask the Committee to take into consideration the cost and burden to small businesses.

SENATOR TIFFANY:

Many employers purchase health care insurance through their local chamber of commerce. When you survey members, is the premium cost of health care insurance in the top five percent of their concerns?

MS. DUGAN:

Roughly one-third of our members are involved in our group health insurance program. The results of our surveys indicate health care is the number one concern.

ROSE E. MCKINNEY-JAMES: (Clark County School District):

Although the Clark County School District (CCSD) is a self-insured employer, we are in opposition to this bill. We feel it is a mandate that would have to be negotiated and would have a fiscal impact to our plan.

CHAIR TOWNSEND:

This bill does not mandate anything the CCSD provides in their self-insured plan.

MR. KIM:

The original bill had a provision for cities, counties and other local and state governments.

KEVIN POWERS:

The provision that Mr. Kim is referring to is NRS 287.010. It is not in this bill because NRS 287.010 includes a cross reference to section 2 of the bill which amends NRS 689B.0306. In fact, local governments would be affected by this bill.

CHAIR TOWNSEND:

Through the years we have tried to figure out what works the best for all Nevadans. If for some reason there is no support for this bill, and we ask for an appropriation, would the Las Vegas Chamber of Commerce support and lobby for it?

Ms. DUGAN:

I would certainly be willing to take that to our Government Affairs Committee for consideration. I would not be able to speak on their behalf today.

SENATOR HARDY:

In my experience, small businesses that do not provide insurance, do so because their employees do not want it. In some cases, an employer will offer the employee health insurance versus cash for the cost of premium. In most cases, the employee will opt for the money, especially if they are younger. We need to encourage employers to provide health insurance to deter people from being uninsured and finding coverage through other avenues. Associations such as the Chamber of Commerce need to take that position as well. Sometimes we have to eliminate the "safety net" to encourage people to take advantage of what is being offered to them, so that we do not pay for these things through other avenues.

SENATOR SCHNEIDER:

We created minimal coverage policies years ago that do not sell. The public is saying they want the coverage that mandates provide, yet others are saying be careful what you do or you will have 50,000 workers striking in Las Vegas. The Senate Committee on Finance continues to fund Medicaid, which has to deal with the uninsured problem. We need to review the mandates to determine how things should be funded.

CHRISTINE PETERSEN, M.D. (Vice President, Chief Medical Officer, Sierra Health Services, Incorporated):

I provide my written testimony to the Committee ([Exhibit G](#)).

Additionally, I agree with Mr. Ostrovsky that if there are complications that can be attributed to the use of phase I drugs, the pharmaceutical company or the sponsor should pay for the costs associated with the complication.

CHAIR TOWNSEND:

This will be discussed further tomorrow in subcommittee chaired by Senator Heck.

We will now close the hearing on S.B. 29. We now have Bill Draft Request (BDR) 54-176 before the Committee.

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BILL DRAFT REQUEST 54-176: Revises provisions governing regulation and licensure of professional engineers and land surveyors. (Later introduced as [Senate Bill 59](#).)

SENATOR CARLTON MOVED TO INTRODUCE BDR 54-176.

SENATOR HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR SCHNEIDER WAS ABSENT FOR THE VOTE.)

CHAIR TOWNSEND:

I open the meeting to the discussion on energy efficiency and conservation.

MARK RUSSELL (Nevada Renewable Energy and Energy Conservation Task Force):
Today we have provided the Annual Report to the Nevada Legislature and the Governor of the State of Nevada, dated January 30, 2005, from the Nevada Renewable Energy and Energy Conservation Task Force ([Exhibit H](#), original submitted in Senate Committee on Commerce and Labor dated February 8, 2005; as [Exhibit D](#), original is on file in the Research Library).

CHAIR TOWNSEND:

The corporation you are employed by, in the private sector, has announced a substantial contribution for a project in southern Nevada. Could you provide me with information on the design of a project of that magnitude?

MR. RUSSELL:

I will certainly make the formal request to get that information for you.

RICHARD BURDETTE (Energy Advisor, Office of the Governor):

I have a presentation that I will briefly go through for the Committee ([Exhibit I](#)). It is very important that we find solutions to the \$3 billion in expenses that we send out of state for energy. This has created significant exposure to our economy.

Conservation is a way of dealing with the expenses. In the State of Nevada, we have an ENERGY STAR program, which is a federal Environmental Protection

Agency program. There is a Smart Schools program that is supported by the U.S. Department of Energy (DOE) and U.S. Department of Education. Also, there are a series of DOE programs. Part of my responsibilities is to gather information that can be used in this State. Keeping in mind that we receive considerable federal help, there are four places in the State that we have information regarding energy efficiency.

There are two strategic benefits of energy conservation and energy efficiency that are worth mentioning. One is that it is cost-effective, as a policy matter we should look at how we invest in serving our energy needs. We can invest in purchasing new power plants, renewable energy and many different things, but we can also invest in conservation. How does conservation and efficiency line up with those other kinds of investments? These are rough numbers, but a gas plant, what you pay at the meter, is approximately \$50 to \$60 per megawatt hour. That is five to six cents per kilowatt hour. This is at today's gas prices, if gas prices go much higher, it is almost one for one, because a large part of the costs for gas plants is the fuel. With a coal plant, a smaller part of the cost is the fuel, and a larger part is the capital investment. Therefore, generally they are cheaper. Still, it remains to be seen, exactly how much cheaper. With a new solar plant, the capital cost is quite a bit larger, but the operating cost is much lower. You end up with an all-end cost in the 12 to 15 cent range or \$120 to \$150 per megawatt-hour range. To put this in perspective, rates in northern Nevada run about ten cents per kilowatt hour, which is paid retail, so solar plants actually cost us more than we get today. This may not be the case in five to ten years. Conservation, on the other hand, ranges all over the map.

CHAIR TOWNSEND:

It is important for the Committee to have context on this. As you know, Mr. Burdette has vast expertise in this area. His testimony started at a level on which we need to "backtrack." For the sake of this discussion, I think the base load in the north was between 1,000 and 1,100 megawatts. Am I correct?

ROBERT M. BALZAR (P.E., Director, Energy Efficiency and Conservation Department, Sierra Pacific Resources):
Approximately 1,000 megawatts.

CHAIR TOWNSEND:

In northern Nevada, how much do the native generation plants produce?

MR. BALZAR:

Roughly half of the 1,000 megawatts.

CHAIR TOWNSEND:

In southern Nevada, I believe we are at 2,400 to 2,500 megawatts base load per day. The peak last summer was 4,900 per day. If there are 5,000 megawatts used on a peak day, all of that is not paid at the same price. Everyone needs to understand that we are buying at blended prices. When you are purchasing megawatts on the open market you are at the mercy of others.

MR. BALZAR:

That goes back to the \$3 billion. It is either going out of state in fuel or in purchased power.

CHAIR TOWNSEND:

Mr. Burdette, I think that you have focused this information appropriately on the conservation side. We do have control over efficiencies and renewable energy. When you look at this as a gas or coal plant, these are initially dollars we build in Nevada and are part of the base load, unless they are contracted for other things. The dollars spent by the consumer to fuel these plants are going outside of the State.

MR. BURDETTE:

I would like to add that these are average numbers, as if our power companies had built those plants and used them here. What we pay at 5 p.m. at the Mead Substation in southern Nevada depends completely on market conditions. As you know, three years ago we had contracts that were \$375 per megawatt hour, which is considerably high.

The point I am trying to make is, if correctly done and properly integrated into a system of Demand-Side Management (DSM), which Mr. Balzar oversees for the utility, these conservation measurements, whether done privately by individuals or by the utility company, are a competitive way to meet our energy needs.

The second strategic point I would make about energy efficiency and energy conservation is that there are many people who have ideas for energy efficiency on electricity and gas. There are people, such as Mr. Balzar, who are particularly good at using and applying the good ideas.

Last year the Nevada Renewable Energy and Energy Conservation Task Force (Task Force), the Nevada State Office of Energy (NSOE) and the utility, hired Southwest Energy Efficiency Partnership (SWEET). They have prepared a report that you will find in Mr. Russell's presentation in [Exhibit H](#). Both the Task Force and the NSOE are supporting a DSM program for the gas company and an expanded program for the electric company. To the extent that those investments are as cheap as purchasing new power or building new power plants, that is the reason to do it. With the secondary appliance standards, one of the things we allowed was that SWEET could be independent in what they recommended, as long as it was applied to the Nevada markets. I did not want to see secondary appliance standards have 10- to 15-year paybacks. The standards cost businesses, especially small businesses. It was an important attribute that the appliances referred to in [Exhibit H](#); all have paybacks in the two- to two-and-a-half-year range. Secondary appliance standards are things such as commercial refrigerators, washers and dishwashers.

CHAIR TOWNSEND:

Of those building homes in Sierra Pacific Power Company territory, what percent are installing energy-efficient appliances?

MR. BALZAR:

A very small number, approximately 200 in 2004, is the information we have through the homes we are tracking through our ENERGY STAR program. We are hoping to double or triple that number. Southern Nevada is significantly higher. For many years there has been an ENERGY STAR marketing coalition for new homes. Approximately 20 home builders are participating. Forty-five to fifty percent of the new homes built in southern Nevada carry the ENERGY STAR rating.

CHAIR TOWNSEND:

Has there been an effort by the Builders Association of Northern Nevada (BANN) members to communicate with southern Nevada members on this?

MICHAEL LYNCH (Executive Director, Builders Association of Northern Nevada):

Both the southern and northern builders associations have committees that look at building codes and adopt international energy code. The major difference is the design of the foundation. In southern Nevada you have the slab-on-grade foundations and the focus is on high-efficiency air conditioners. In northern Nevada, you have stem wall foundations that have unconditioned air space

underneath, so they look for high-efficiency furnaces. Northern Nevada is behind the curve, but our builders are moving forward on energy efficiency. We have an awards program in conjunction with the Office of the Governor to promote this. We are finding that it is smarter to meet the standards now for a number of reasons. Not just energy-efficiency reasons, but also for health safety.

MR. BURDETTE:

We have been working closely with BANN and expect to have in place a newer building code standard. The peak in southern Nevada is much greater than northern Nevada.

CHAIR TOWNSEND:

This Committee encourages that you work with other organizations to figure out the best way to approach energy-efficiency measures.

MR. BURDETTE:

The same holds true for energy conservation in both southern and northern Nevada.

CHAIR TOWNSEND:

We need to address the mobile home issue, where you have seniors who have little discretionary funds, and discuss this at a future date.

MR. BURDETTE:

An area to get good information on energy conservation is the DSM programs. The utility is a primary source for that information. The NSOE supports the utility, the Task Force and SWEEP.

CHAIR TOWNSEND:

Provide us with some direction on what this Committee can do for you. What is the best example of a top quality project in southern Nevada relative to passive and active solar?

MR. RUSSELL:

There is a Pardee home that is a zero-energy home.

MR. BALZAR:

In that particular home, it just started to scratch the surface of what is possible. We are undertaking a full one-year project with the University of Nevada,

Las Vegas to analyze that home and the usage. There is another project that begins construction in the next 30 days, which will be a more reasonable 1,600 square foot home. Next to it will be a zero-energy 1,600 square foot home.

CHAIR TOWNSEND:

The design and detail of the Pardee home is incredible. Could you try to arrange a viewing of the home with the home owner for some members of this Committee?

MR. BALZAR:

We will work on that.

IRENE E. PORTER (Southern Nevada Home Builders Association):

I would be happy to contact Pardee Homes and arrange that for you.

CHAIR TOWNSEND:

Our intent is not to impose on the home owner, but it would be helpful for the Committee to view this home.

MR. BURDETTE:

I have touched on the secondary appliance-efficiency standards. The NSOE will be working to encourage the point-of-sale, energy-efficient model homes. Some builders are already offering the energy-efficiency options.

I also think it is important to have a true measure of what energy-efficiency gains are doing for us. This is necessary to know what we are getting back for expenses. Also, the Western Governors' Association (WGA) agreed to a 20 percent energy-efficiency improvement. We are working with other states to determine the proper and effective way to measure this.

The NSOE will work with the utility to try to establish third-party financing for small business and residential home buyers. Collection would occur with the utility and they would remit to the financial institution. Third-party financing has worked very well in other states.

CHAIR TOWNSEND:

We have all seen advertisements on credit lines and home equity lines. You never see an advertisement for a line of credit to convert to energy efficiency

and save money on utility costs. The local financial institutions should take this into consideration.

MR. BURDETTE:

I applaud A.B. No. 398 of the 72nd Session for performance contracting. We have four organizations in the State implementing provisions of this bill. There is some inefficiency with the bill that we are trying to amend this Legislative Session.

CHAIR TOWNSEND:

Could you provide more information on the area of your slide presentation that refers to the role of public works?

MR. BURDETTE:

It is important for the State Public Works Board (public works) to be involved in this process because they have all the experience working with contractors. We need to extract that experience to make it useful to accomplish tasks. Managing the role of public works ensures that we do the correct projects.

CHAIR TOWNSEND:

Could we be more forceful on this with public works?

MR. BURDETTE:

Yes, my goal is to have the State's agencies get projects completed. It is very important that we define conservation as to what counts and what does not.

MS. PORTER:

In the last few years, we have had a great partnership between the public and private sector here in southern Nevada. We have been looking at energy conservation, building codes and other ways to accomplish conservation. Working together we have adopted all of the new "I" codes. We have completed all of the work on the new energy codes and those have been sent to local governments for adoption. A total implementation date for all codes is scheduled for August 1, 2005. Shortly thereafter, we will start into the code cycles for the 2006 codes. Thirty-two of my builder members are members of the ENERGY STAR program. Those companies closed a combined 21,000 new houses in southern Nevada. We are above 50 percent on ENERGY STAR now in southern Nevada.

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Water conservation has not been addressed in this meeting. It takes a lot of energy to treat and move water. We have a program called the Water Smart Community Program that is patterned on the ENERGY STAR program. It is the first of its type in the nation and takes water conservation to a new level. We have requests from many areas around the nation to provide information about the program.

We believe that with the public and private partnership, we have made enormous strides with building codes and energy conservation in southern Nevada since the last Legislative Session.

CHAIR TOWNSEND:
Mr. Lynn, could we hear from you now?

RONALD L. LYNN: (Nevada Organization of Building Officials):
I am also on the Board of Directors of the International Code Council (ICC). The ICC promulgates the international energy building conservation code that we are looking at right now.

CHAIR TOWNSEND:
How long will that take to adopt?

MR. LYNN:
Almost all of us have the code to our commissions or councils right now. In my case for Clark County, I am looking at adoption March 15, 2005.

CHAIR TOWNSEND:
Is there anything this Committee can do to help you with the conservation side of building codes?

MR. LYNN:
Not at this time. We are aggressively pursuing them in a variety of different venues. We need to impress upon everyone that this is a moving target. State of the art today will not be the state of the art tomorrow. The codes will constantly be evolving into the future. This will continually upgrade our standards.

CHAIR TOWNSEND:
Are you familiar with the 1,600 square foot home that Mr. Balzar referenced?

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MR. LYNN:
No, I am not.

CHAIR TOWNSEND:
Mr. Balzar, is there an approximate completion date of that home?

MR. BALZAR:
I believe it will be completed the third quarter of 2005.

MS. PORTER:
The builder is one of my members and I will get that information to you.

CHAIR TOWNSEND:
Could you arrange a visit to the home for the Committee?

MS. PORTER:
I can certainly do that.

MR. LYNN:
There are some new technologies, such as photovoltaic shingles, that are now coming to the market. They look like regular asphalt shingles, but make homes energy neutral.

CHAIR TOWNSEND:
What is the difference in price compared to a normal shingle?

MR. LYNN:
They are approximately seven times greater in cost.

PAUL WILKINS: (Director, Building and Safety, City of Las Vegas):
To reiterate Mr. Lynn's testimony, the City of Las Vegas has adopted the 2003 codes and I have also signed a sponsor bill for adoption of the new energy codes this week. The City of Las Vegas is doing everything to ensure that they are up to date on the latest in technology and codes.

CHAIR TOWNSEND:
Do you become involved in retrofits in Las Vegas?

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MR. WILKINS:
Yes, we do.

CHAIR TOWNSEND:
We would like you to participate when we discuss the weatherization issues.

MR. RUSSELL:
I would like to briefly review the Solar Energy Systems Demonstration Program (Program). Please refer to pages 15, 16 and 17 of Volume I of [Exhibit H](#). We would like to acknowledge the utility for their responsiveness that allowed the Task Force to get the Program approved.

We need assistance from this body to expand, broaden and extend the projects. We believe there is a market that would extend the Program an additional three years from what we have now. We need changes to the definitions of public buildings and schools. That small expansion would lead to additional and enhanced subscription levels. We recommend the Committee take a hard look at expanding the Program to other areas of renewables. If we could have similar programs in the renewable area, we believe it is reasonable to assume that we would have the same type of results that we have seen in the solar area. Solar power continues to be the most expensive to implement.

DANNY L. THOMPSON (Nevada State AFL-CIO; Nevada Renewable Energy and Energy Conservation Task Force):

I am providing the Committee with a document that illustrates amendments for the renewable energy projects proposed by Assemblywoman Chris Giunchigliani and my talking points on renewable energy that I will speak to today ([Exhibit J](#)). This is an ambitious agenda, but one that will pay off in Nevada for generations to come.

Prior to the start of this Legislative Session, we completed a field trip to a company in Palo Alto, California, to look at the prospect of nanotechnology photovoltaic thin-film manufacturing. This thin-film technology is going to change our lives, to the point of printing thin-film on the side of a building, to produce energy savings. This company is interested in opening a manufacturing site in Nevada.

SENATOR SCHNEIDER:
Is the thin film the material that is put into glass?

MR. THOMPSON:

This company has developed a way to mass-produce large segments of thin film. This is just the beginning of this technology that could be ultimately printed on a window or roof tile. Someday this will be printed on a window and we will not be burning fossil fuel.

ROSE E. MCKINNEY-JAMES: (Nevada Renewable Energy and Energy Conservation Task Force):

I am a member of the Task Force, Board of Directors of the Energy Foundation and American Counsel for Energy Efficient Economy. I would like to assure you that the resources of those entities are available to the Committee. In fact, the Energy Foundation partially funded some of the workshops that were undertaken by the Task Force.

This is a significant discussion that represents incremental growth in our policy relative to renewable energy in many ways. Your Committee established that it was in the best interest of the State to promote indigenous resources back in the early 1990s. Conservation, efficiency and renewable development is the standard that we are looking at today.

The CCSD has specifically asked me to speak today of the work that has been undertaken by them, and determine whether there are opportunities for other school districts to replicate some of the programs they have undertaken. There are other entities that are also active in the photovoltaic activities. I strongly support the efforts of Mr. Thompson to train installers and address the technical and practical aspects of advancing these technologies. The assistance of the utility has also been remarkable. The Task Force has achieved many things over time. We have pulled together a coalition of factors that, over time, have been difficult to bring together. Through the Committee's focus on this, we will see ongoing improvements.

I have with me today, Paul Gerner from the CCSD, to speak further on the activities that the CCSD has undertaken with solar energy in schools.

PAUL GERNER: (Associate Superintendent, Facilities Division, Clark County School District):

Is the Committee interested in certain specific aspects that you would like me to address?

CHAIR TOWNSEND:

Yes, what are you doing design wise to deal with renewables, conservation or weatherization? What are your retrofit projects and how do these things impact the cost to the schools?

MR. GERNER:

We have current school designs that take no advantage of daylight opportunities. We use standard heating, ventilation and air-conditioning systems. We are not particularly site-adapted in terms of achieving particular building orientation for energy efficiency.

We have sent out Request For Proposals for support buildings to try to move forward with the technology. I have permission to move forward with architectural selection for a new prototype elementary school. The design criteria is to double the efficiency that we currently have in our best schools. Our goal is between 30,000 and 40,000 kilo British thermal units per square foot per year. That is about double the efficiency of our current best schools.

CHAIR TOWNSEND:

We applaud your efforts and encourage the group of individuals paid by the CCSD to continue with the energy efficiency, which obviously leads to cost savings.

MS. MCKINNEY-JAMES:

I would like to add that page 72 of Volume IV of [Exhibit H](#) provides specific information regarding the CCSD's actions. Utilities expense is second highest after salaries, for the CCSD, therefore motivating us fiscally towards some of these actions.

CHAIR TOWNSEND:

That would lead us back to Mr. Burdette as the liaison to the Office of the Governor. It is important for those people who work with the money committees to understand that a greater up-front investment will assist in gaining control of these energy costs.

MR. GERNER:

The CCSD is currently spending approximately \$40 million a year on utility bills. In 2013, using an average rate of increase for utilities and projected enrollment, our electricity bill alone will most likely exceed \$100 million. The behavioral

programs we are running right now, which will deliver over 20-percent savings, equate to \$20 million in savings. This savings can be directed to books, teacher salaries and other important programs that would otherwise go to the power company.

We have just received board approval to award four reroofing contracts. I will end up with a top-quality, single-ply photovoltaic cell membrane which is highly effective in the southern Nevada environment, for four schools that needed roof replacement anyway. They each will have a 12.5 kilovolt installed photovoltaic system, which will not only reduce utility costs, but provide a unique educational opportunity for the young scientists and engineers of tomorrow.

CHAIR TOWNSEND:

I realize there will be debate on financing the continuation of this idea. I will support whatever it takes to encourage financing because this cannot be done in the interim session period. You all deserve a great deal of commendation for your efforts.

Committee, we have before us Bill Draft Request (BDR) 57-435.

BILL DRAFT REQUEST 57-435: Revises provisions relating to sale of credit insurance by motor vehicle dealers and their employees. (Later introduced as [Senate Bill 61](#).)

SENATOR HARDY MOVED TO INTRODUCE BDR 57-435.

SENATOR SCHNEIDER SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR LEE WAS ABSENT FOR THE VOTE.)

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CHAIR TOWNSEND:

There being no further business before this Committee today, the meeting is adjourned 10:35 a. m.

RESPECTFULLY SUBMITTED:

Jeanine M. Wittenberg,
Committee Secretary

APPROVED BY:

Senator Randolph J. Townsend, Chair

DATE: _____