MINUTES OF THE
SENATE COMMITTEE ON COMMERCE AND LABOR

Seventy-fourth Session
February 28, 2007

The Senate Committee on Commerce and Labor was called to order by Chair Randolph J. Townsend at 8:01 a.m. on Wednesday, February 28, 2007, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412E, 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 in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Randolph J. Townsend, Chair
Senator Warren B. Hardy II, Vice Chair
Senator Joseph J. Heck
Senator Michael A. Schneider
Senator Maggie Carlton

GUEST LEGISLATORS PRESENT:

Senator Bob Coffin, Clark County Senatorial District No. 10

STAFF MEMBERS PRESENT:

Kelly S. Gregory, Committee Policy Analyst
Lori Johnson, Committee Secretary
Wil Keane, Committee Counsel
Scott Young, Committee Policy Analyst
Laura Adler, Committee Secretary

OTHERS PRESENT:

David Noble, Assistant Staff Counsel, Public Utilities Commission of Nevada
Judy Stokey, Nevada Power Company; Sierra Pacific Power Company
Mario Villar, Director, Resource Planning and Analysis, Nevada Power Company and Sierra Pacific Power Company
Fred Schmidt, Ormat Nevada, Incorporated
Jason M. Frierson, Clark County

Kyle Davis, Policy Director, Nevada Conservation League
Thomas H. Husted, Chief Executive Officer, Valley Electric Association-Nevada Rural Electric Association
Clay R. Fitch, President, Nevada Rural Electric Association; Chief Executive Officer, Wells Rural Electric Association
C. Kirby Lampley, Director of Regulatory Operations, Public Utilities Commission of Nevada
Jolene M. Supp, City Manager, City of Wells
John C. Sagebiel, Ph.D.

CHAIR TOWNSEND:
We will open the hearing on Senate Bill (S.B.) 95.

SENATE BILL 95: Revises provisions governing public utilities. (BDR 58-552)

DAVID NOBLE (Assistant Staff Counsel, Public Utilities Commission of Nevada):
There are several provisions in S.B. 95 we propose for change. In section 1 under *Nevada Revised Statute* (NRS) 704.020, there are no public utilities we regulate that will fall out of our regulation. It eliminates from the definition radio and broadcasting companies which are regulated by the Federal Communication Commission as well as local governments for franchising purposes.

Section 1, subsection 1, paragraph (d), eliminates language on companies that own cars as part of railroad trains. Railroads are addressed in two other provisions of the NRS 704.020 which are inclusive of that language. The second sentence in paragraph (d) contains legacy language that is inapplicable to the definition of public utilities. It talks about railroad, telephone, broadcasting and radio companies and fines. This language is not necessary to the definition of a public utility.

Paragraph (a) of subsection 2 of section 1 defines ditches, flumes, tunnels, and drainage systems as public utilities. Those are means of water transport. The current paragraph (b) that addresses water for business, manufacturing, agriculture or household use is more inclusive. It would include water delivered by ditches and flumes. However, singling out ditches, flumes and tunnels is not necessary for a definition of a public utility.

Section 2 amends the NRS 704.300. Currently, when the Public Utilities Commission of Nevada (PUCN) receives an application to change the nature of a railroad crossing, under the NRS 704.300, a hearing is mandatory whether or not it is a contested crossing. Unless it is contested, the PUCN can go forward based on staff's review and recommendation. Eliminating the hearing requirement will reduce the cost, time and expense of holding a hearing, regardless of whether or not it is contested application.

Section 4 proposes to amend the NRS 704.746 to eliminate the requirement that whenever a resource plan filing (RPF) is made, the Commission is required to have a hearing within 60 days. While the Commission will still be holding hearings, having that 60-day requirement is onerous. It is difficult for any of the parties to prepare testimony and present their case within that time period. What the Commission has done to make sure they do hold the hearing within 60 days is to hold a hearing for public comment on the RPF. The hearing dealing with the sensitive arguments of the parties and their interveners in that case is dealt with around the hundredth day of the International Registration Plan (IRP) process.

Section 5 amends the NRS 704.751. It lengthens the time the Commission has to issue a decision on the triennial resource planning applications. Currently, it is 135 days. We propose to lengthen that to 180 days. Regarding amendments to the resource plan, those applications would be addressed in 135 days. This came up during Nevada Power Company's last resource plan filing. There was over $3 billion in infrastructure for which they requested resource plan approval. The Commission found that 135 days to process these applications is onerous. The Commission ended up dropping everything else. All three commissioners, two or three policy advisors and the hearing officers held hearings on this for two weeks. It is recommended that 180 days would allow both the Commission and the parties, especially staff, the necessary time to do a complete and thorough review without having to drop everything else to address everything in the time frame that currently exists.

MR. NOBLE:
Section 6 eliminates the 150 kilowatt limit for renewable-energy systems that do not need to obtain a Utility Environmental Protection Act (UEPA) permit. The Commission is proposing to look at the permitting process of renewable-energy systems to see if there was any way to streamline the process to encourage renewable-energy systems, reduce their cost and move them forward.

The Commission thought eliminating the need for UEPA construction permits would help that process.

SENATOR CARLTON:
On top of page 3 of S.B. 95, would a pipeline fall under this language?

MR. NOBLE:
If it could possibly be described as a tunnel, but there may be portions of a line transiting a mountain that could be part of a tunnel. Page 3, paragraph (b), lines 7 and 8, defines a water public utility as one that is providing water for business, manufacturing, agricultural or household use, so that would include a pipeline as part of the transmission system.

JUDY STOKEY (Nevada Power Company; Sierra Pacific Power Company):
We are in support of the changes to S.B. 95. We offer a friendly amendment to section 5 regarding our Integrated Resource Plan filings (Exhibit C).

MARIO VILLAR (Director, Resource Planning and Analysis, Nevada Power Company and Sierra Pacific Power Company):
The amendment is to take care of a situation which may have been overlooked in the drafting. As part of the IRP process, we file an energy supply plan that covers a three-year period. We start executing against that plan in the November time frame, issuing request for proposals to cover our open position for the following summer. The Commission has proposed to extend the timing to 180 days. That would extend the Commission decision to possibly December 31, which means we would be executing against an unapproved plan. The intent of the proposed change is to keep the original 135-day time frame for the energy supply plan.

The other change to section 2 is for clarification. The language, as it is now, would only apply to an amendment filed to a plan that has received a Commission order of acceptance. We find we have to file amendments on a regular basis to cover renewable contracts that may be entered into by the company prior to an integrated resource plan being approved by the Commission. Therefore, in order to avoid a black hole, we are proposing a change to clarify any amendment filed to a plan would be ruled upon in the 135-day time period.

MR. NOBLE:
We agree with the language. The energy supply plan portion of the IRP is the first issue the Commission always addresses.

CHAIR TOWNSEND:
Ms. Stokey, are you all right with the rest of the bill?

MS. STOKEY:
Yes.

FRED SCHMIDT (Ormat Nevada, Incorporated):
I am in support of S.B. 95. Ormat supports sections 4 and 5 of the bill. Section 6 would eliminate what is perceived as an unnecessary permitting requirement that will save renewable projects one more time delay or hurdle, and save costs in developing projects. We also support the amendments offered by the utility companies.

JASON M. FRIERSON (Clark County):
We want local government regulations and considerations to be taken into consideration in approving plans for any future provisions for electricity. In general, we support the removal of the limits on the renewable facilities. Again, we want to make sure local governments and their regulations are taken into consideration when approving those plans.

CHAIR TOWNSEND:
Specifically, are you worried about the UEPA considerations in section 6; that they would not honor this if the law is changed?

MR. FRIERSON:
That is correct. There may be some land-use conflicts once we remove some of the provisions and they go forward with the State plan. There might be some local-government regulations in conflict.

CHAIR TOWNSEND:
Please let us know if you come across anything, and speak to the PUCN about your concerns.

KYLE DAVIS (Policy Director, Nevada Conservation League):
We are concerned with section 6 of S.B. 95 that would exempt renewable-energy projects from the provisions of the UEPA. We are in support of renewable energy, but just because of that, it does not mean we should not take into account the environmental impacts of that facility. We oppose section 6 as written, as we would want some control over large-scale renewable projects. As I understand, the current law setting the cap at 150 kilowatts was chosen because it is the same as the net-metering cap. We are open to raising the cap to stay with net metering in order to not put the burden of this permitting process on people using net metering. As far as completely eliminating the cap, that is a bad idea because large-scale renewable projects do have some environmental impact. It would be prudent to make sure what those environmental impacts are before we build.

CHAIR TOWNSEND:
Is it your understanding that there is no environmental impact study being done outside the UEPA plan that is now exempted from this?

MR. DAVIS:
My understanding is this would only apply to projects being constructed on private land. There would still be federal laws that would apply to projects constructed on federal land.

CHAIR TOWNSEND:
Does not that put your organization in a quandary? Is it not the purpose of renewable projects to protect the environment as well as protect homeland security and other things?

MR. DAVIS:
It is not a quandary, but I understand what you are saying. We are in support of renewable-energy projects. My perspective is putting these projects through the environmental impact process would make sure that everything is all right before moving forward. A hypothetical example would be a large-scale wind project in an area that may effect avian population, which did not go through the process, making it a bad site for the project because of impact on wildlife in the area.

CHAIR TOWNSEND:
It is an excellent example. Recently, U.S. Senator Reid spoke to the Legislature, and held a renewable-energy conference workshop which all federal and State agencies attended. The first goal was to find every square inch in Nevada that is available for renewable opportunity, overlaid against wetlands, aviary flight paths, etc. That was supposed to be available no later than the end of the year, which may mean in July. That includes the Division of Minerals, Department of Wildlife, Bureau of Land Management (BLM) and other State agencies, as well as the military, were present. As we move forward, all of the potential developers as well as the PUCN and local governments would be aware of the potential sites. It is an important opportunity.

SENATOR SCHNEIDER MOVED TO AMEND AND DO PASS S.B. 95.

SENATOR HARDY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR TOWNSEND:
We will open the hearing on S.B. 111.

SENATE BILL 111: Clarifies applicability of certain provisions to certain suppliers of utility services. (BDR 58-985)

THOMAS H. HUSTED (Chief Executive Officer, Valley Electric Association-Nevada Rural Electric Association):
The purpose of the bill is to reiterate what this body has previously done. It is now before you because the PUCN staff has recently struggled with what the staff interprets as a potential discrepancy in chapter 704 of the NRS with regard to cooperative associations. This bill is designed to clarify this potential discrepancy and remove any ambiguities in this regard. The bill simply confirms the policy of the NRS 704.675, which makes a cooperative association subject to the scrutiny of its member owners. It will also ensure that the cooperative associations are not subject to duplicating licensing and permitting by both the federal government through the BLM; and the PUCN through the UEPA process.

SENATOR CARLTON:
What is duplicative, and from what do you want to be exempt?

MR. HUSTED:
The *Nevada Revised Statute* 704.675 recognizes that cooperative associations are unique, and from the aspect that they are governed by their member owners and not subject to PUCN jurisdiction. *Nevada Revised Statute* 704.865 dealing with the UEPA application does not recognize in clear, concise language the situation as does the NRS 704.675. What that means is we are exempt from the PUCN jurisdiction on the NRS 704.675, but there are ambiguities in the NRS 704.865 which deal with the UEPA application. We do all the UEPA applications through the BLM and should not have to go through a duplicative process with the PUCN on that aspect.

SENATOR CARLTON:
How well does the BLM communicate with the State on this issue so the State is informed?

CLAY R. FITCH (President, Nevada Rural Electric Association, Chief Executive Officer, Wells Rural Electric Association):
We are looking at a bill that creates a duplicate process, and the BLM process is where all the environmental concerns are covered. We are not asking for any exemption from environmental review. The BLM process does not have a limit on whether it is 200 kilovolts or higher, while the UEPA would be involved if you are building a transmission line that is of higher power level.

In our area of the State, Spruce Mountain is sensitive to environmental concerns. If we want to build a little distribution line, a 25 kilovolt line, this would not come under the UEPA process, but you would definitely go through an environmental process because a lot of people would want to know what you are doing in environmentally sensitive areas. That process is done through the BLM.

Almost anywhere in Nevada you build a project for a few miles from one point on some pieces of private property, you are going to have to cross the BLM property, even aerially. You would go through either an environmental impact statement or an environmental assessment.

Through that process, there is also a public process. There are public hearings, clearing houses, and all agencies are required to cooperate with each other. The Bureau of Land Management would be the primary entity. They would give notices to all State agencies involved. That keeps it simplified so you are not going through multiple processes with various agencies. You want to make sure it is complete by using one agency and having a better result.

MR. NOBLE:
As was represented, this is a pending document before the Commission, so the Commission cannot give an opinion on this subject. However, as representative of the regulatory operations staff of the Commission, we have concerns with this blanket exemption for cooperatives.

Under the UEPA permits process, there is no blanket exemption for a particular type of entity. There is an exemption for the location of certain utility facilities within Washoe and Clark Counties. However, there is none for any specific entity. What S.B. 111 will do is exempt utility facilities constructed by the cooperative. If a facility were located in the same place and was being built by a private entity, they would not be exempted. This exemption is not appropriate and the UEPA process was meant to be a clearinghouse and backstop to provide a forum for those people who did not have another forum to address location, construction and utility facilities. That is why the regulatory operations staff has argued that cooperatives should be filing the UEPA permits list.

The subject matter this deals with is a 42-mile long, 230-kilovolts transmission line being built from the Las Vegas Paiute Reservation in northwest Clark County along Interstate 95.

CHAIR TOWNSEND:
The testimony was they would still meet federal standards because they are going across BLM land. You do not perceive that to be enough?

MR. NOBLE:
We believe the Legislature's intent for having the UEPA process was regardless of federal regulations dealing with utility facilities, the State still wants to have a final forum before construction begins so individuals, other State agencies and other companies could address the location, construction of that utility facility.

CHAIR TOWNSEND:
I understand your concern and it is legitimate. When balanced against some other requirements that have gone through the legislative process in the last three sessions to do with reducing your workload, there seems to be some overkill relative to your needs.

C. KIRBY LAMPLEY (Director of Regulatory Operations, Public Utilities Commission of Nevada):
The UEPA process as the Commission conducted it is an expedited process as was previously testified. There were specific examples of how fast things could go through. The Commission acts as a clearinghouse for the information; we think that is an important backstop position. As far as time, the UEPA process does not occupy a lot of our time because we are a clearinghouse.

MR. DAVIS:
I would add to the PUCN's testimony. We oppose S.B. 111. If this bill were to pass, there could be a situation where a cooperative or nonprofit builds a utility facility, a power plant, on private land and not go through any environmental process. However, they would be subject to federal guidelines if they were to build power lines on federal land. These could be two separate processes. In that case, we would have concerns about a nonprofit or cooperative building a utility facility without having to go through the environmental protection process.

CHAIR TOWNSEND:
Even though you are in the middle of a docket, Mr. Fitch made a compelling argument that there is a need for clarification, no matter which way it goes. Is that a fair statement?

MR. NOBLE:
Yes.

CHAIR TOWNSEND:
We will close the hearing on S.B. 111, and open the hearing on S.B. 114.

SENATE BILL 114: Provides that a system that draws or creates electricity from tires is a renewable energy system for purposes of the portfolio standard, as established by the Public Utilities Commission of Nevada. (BDR 58-125)

SENATOR BOB COFFIN (Clark County Senatorial District No. 10):
This legislation takes into reconsideration an act passed in 2003 which was to consider automobile tires as renewable only if a certain process known as reverse polymerization could be met. This is science that may not have been ready when we put it into statute; thereby restricting what many other states are able to do by generating electricity from used tires. Right now, used tires are filling our landfills at the rate of over 1 million a year—in southern Nevada around half a million and the balance in the rest of the State. Nothing can be done about that because of the narrow definition of alternate use. This bill returns our statute to the pre-2003 condition.

SENATOR SCHNEIDER:
Are there other ways to recycle tires? How clean can they burn to produce electricity?

SENATOR COFFIN:
A burning tire cannot be extinguished. An uncontrolled burn of tires is a dangerous hazard, but so is leaving tires in landfills or discarding them in the environment. The state of Florida embarked on a program 30 years ago to create artificial reefs with tires. The premise was it would increase the fish habitat. Now they are clearing away those tires at enormous expense because they are degrading the water and the fish stay away due to the toxicity. Shredding is an old process where the rubber and metal are separated and the remaining rubber is used in highway construction, plus there are other areas where old rubber can be useful.

What is desirable is, in essence, the solar energy that created the electricity that created the tire to be reborn from the tire itself. We do not want an open-burn, smoky situation. The science is there, and is allowed in 30 other states. Through various methods other than reverse polymerization, electricity could be produced.

CHAIR TOWNSEND:
How did you get involved in this?

SENATOR COFFIN:
I was approached by an old school friend who said her family would like to do this in Nevada. They are not favoring one method over another, but want to

explore the best methods. That is why we are recommending taking out the language about a favored patent process as the only method.

CHAIR TOWNSEND:
The bill is drawn in such a manner that the language is vague on lines 23 to 24 ... "Any system that involves drawing or creating electricity from tires, including, without limitation, a system that utilizes a reverse polymerization process." Under this reading, it seems someone could throw tires into a huge furnace to create heat for electricity.

SENATOR COFFIN:
I am not sure that language is limiting, in fact, it is non-limiting. It does not throw out the possibility of reverse polymerization; it says other methods can be used, as I understand the intent.

CHAIR TOWNSEND:
It does define the reverse-polymerization process as: "Uses microwave reduction; and does not involve combustion of the tire." What concerns me is the term "without limitation."

Mr. Keane, is there a reason for the term?

WIL KEANE (Committee Counsel):
> The reason that the reverse-polymerization process was included during the drafting process, I spoke with the drafter on this, was that there was a concern that the existing plant which does use the reverse-polymerization process, wanted to make sure its product could still be included. But the basic request was just that any generation of electricity from tires should be considered to be a renewable-energy system. That only that stuff about the reverse-polymerization process is included, was to make sure there was no confusion about the current plant that was in existence.

CHAIR TOWNSEND:
Why would we say "without limitation"?

MR. KEANE:
> The reason that is on there, once again, is it didn't have to be included. The bill could have just been written to say, "Any system

> that involves drawing or creating electricity from tires." The only reason the additional language was put in there was the concern that somehow the existing plant might not be considered to be drawing power from tires. We were being very careful to make sure that the existing plant was not somehow cut out of this definition. But no, the language as it is written includes anything that draws power from tires—anything.

SENATOR COFFIN:
I think legal counsel has outlined it well. We want to save these tires, but not exclude any potential process that could ultimately work. Science does not always move fast and that old process should still be given a chance, but not to the exclusion of all other processes. There are existing federal, State and local statutes about smoke, noxious fumes, pollutants and other things that would not be touched by this statute and not be repealed.

CHAIR TOWNSEND:
I am comparing the new section with the repealed section. It appears you are expanding the definition of extraction of electricity from tires to be outside the reverse-polymerization process, because that is already in the law. Are you saying it should not be limited to that?

SENATOR COFFIN:
Yes, sir.

CHAIR TOWNSEND:
Is there any measurable generated electricity in this plant now?

MR. NOBLE:
I do not have that information with me, but can e-mail it later to everyone.

SCOTT YOUNG (Committee Policy Analyst):
Mr. Chairman. I looked up the minutes from A.B. No. 296 of the 72nd Session, which was when the language about the reverse polymerization was first put in. According to the testimony at that time, the plant would have produced about five and a half megawatts of power. About three and a half of that would have been used by the plant itself. The balance would have been available to put on the grid.

CHAIR TOWNSEND:
Did they build it?

JOLENE M. SUPP (City Manager, City of Wells):
Humboldt Environmental is the company referred to in A.B. No. 296 of the 72nd Session. The building has been constructed and they applied for a waste-tire permit. As a friend to the corporation, U.S. Senator Reid secured a $250,000 appropriation that went through the city to the corporation to promote the research and development of that process. In that process, patents have been applied for on the process itself, and have been successful.

In short, the building has been constructed. Upon receiving the waste-tire permit from Nevada Division of Environmental Protection, the process is ready to start taking tires. I am not sure all the permitting is complete. The sale of electricity to the grid has not been fine-tuned. The process to generate electricity to be used internally is complete.

CHAIR TOWNSEND:
Do the numbers of five megawatts and three megawatts used internally hold up?

MS. SUPP:
If I could speak as Chairman of the Board for Humboldt Environmental and Renewable Technologies, those numbers are a little high. That number would be closer to three megawatts, and one megawatt for internal use. We anticipate the waste-tire permit within the next 60 to 90 days. There is a 45-day public comment period with the permit that may push that time out a little. We are working with a consultant on the gases, propane and normal butane, to be used internally in a generator. It appears the air-quality issues are a short story with respect to that, and we expect quick response there also.

CHAIR TOWNSEND:
How many tires are needed to produce those three megawatts?

MS. SUPP:
Around 4,000 tires a day.

SENATOR COFFIN:
I have not heard any objection to the existing technology. According to testimony, no electricity has been generated with this method, which may or may not work. In the meantime, we have thrown our lot in with one kind of technology, and the quantity of used tires continue to build.
SENATOR HECK:
My concern is with the wording being overly broad so it could potentially allow an open-burning process that no one wants to encourage. The goal is being able to utilize tires in any way other than providing for open burning. This is our goal, to prevent environmentally unsound methods of utilizing the tires. Otherwise, I support the bill.

SENATOR COFFIN:
I am open to whatever definition the committee would want to place in the bill regarding open burning.

CHAIR TOWNSEND:
There is no intent by anyone here who has been through the Renewable Portfolio Standard and renewable debates to exclude in any way what we are already committed to do.

MS. SUPP:
We oppose S.B. 114.

MR. DAVIS:
The reason our organization is opposed to the bill is that the language is broad enough to allow for the burning of tires. It could legalize tire burning and make it a renewable resource. The bill indicates other technologies of which I am not aware and would like to know about. It also opens up the possibility of suppliers bringing used tires into the State, and if something should happen, we could end up with many more tires.

JOHN C. SAGEBIEL, Ph.D.
For your information, I have a background in toxicology, a Ph.D. in environmental chemistry, I spent 14 years at the Desert Research Institute as an air-pollution research scientist, and am currently the Environmental Affairs Manager for the University of Nevada, Reno, but I am not here on behalf of my employer.

There is another technology used for the burning of tires which is direct combustion. In this process, the tires are shredded and mixed in a fluidized bed. All the records I have gathered since 2004 show that none of the plants use only tires. In fact, many of them derive only 5 percent or 6 percent of their energy from tires, the remainder is from coal. Coal is commonly burned in a fluidized-bed environment. A little bit of tires is added to the coal and the process then becomes known as a mixed-fuel combustion. It is a way of extracting some of the energy from the tire, but essentially it is a coal-combustion process.

One of my technical concerns about the bill is it does not address the potential of variability, i.e., are you going to give 1.7 kilowatt hours of credit to a process that actually uses only 5-percent tires. There are no plants currently operating that are 100-percent tire combustion in a fluidized-bed environment.

All of those systems are fraught with problems. If the burn is at a much higher temperature, the number of cancerous-type pollutants such as benzene, dioxins, etc. is reduced; however, there are high emissions of nitrogen oxide. If the temperature is lowered, more steel can be recovered and the nitrogen-oxide emissions are reduced, but at the same time, the production of these cancer-causing agents is increased.

The reverse-polymerization process, which is essentially a thermal breakdown of the materials in the tire followed by use of the gas emitted to produce electricity, is a much cleaner process; that is why it was endorsed as a renewable energy. One of the ideas of a renewable-energy process is that it tries to be something that is as environmentally benign as possible. This broad definition also raises the concern that some people will think they could put a highly polluting plant in Nevada and get rid of their tires here. That is the wrong message to send as a State. We do not want to be recipients of others' waste; we should be dealing with our own waste. To control problems of these waste tires, we should be looking at other processes to recycle and working with the manufacturers to require them to design a more easily recyclable tire, and make use of other available technologies.

SENATOR HARDY:
I would be interested to hear more about these other technologies. My uncle has a tire business, and in the 1980s we grappled with the problem of what to do with waste tires.

CHAIR TOWNSEND:
Under current law, we give a 70-percent factor with regard to application against renewable-portfolio standards, in which I have interest. Under the way this is currently drafted, you could apply this to a coal plant by simply adding 5-percent tires to it, not to say they would do that. That would defeat the whole purpose and causes me concern, because it would be easier for anyone who owns a coal plant to buy tires and add them to the process. We are trying to develop geothermal, solar, wind, biomass and other processes defined as truly renewable.

MR. SCHMIDT:
Ormat does not oppose the concept already in the law or the support of that technology for reverse polymerization of tires, but Ormat does have concerns about the way the bill is drafted. The bill repeals the existing standard created to allow reverse polymerization to qualify within certain standards for renewable credits. The bill takes the 70-percent qualification, which was recognition that the process was not necessarily a traditional renewable process. It changes that by repealing that section and moving it to the NRS 704.7815, making a 100-percent credit. It helps in financing the project, and since it is not a large project, it is not a major concern.

It removes the requirement that a least 50 percent of the electricity generated by the system is utilized by the customer on the premises. That test has applied to solar and other projects where building the project is primarily for the customer on the other side of the meter. It is not intended as a large power plant that feeds power into the grid. I do not know if that is intentional, but that requirement has also been removed.

The most important concern is the movement of the section in the bill to the NRS 704.7815, which eliminates the requirement that the process connects to, or has a connection to, the electrical system of the utility. Under the NRS 704.7815, there is a series of tests from which only solar power systems are exempt. The reason is a photovoltaic system may not be connected to the grid; it may be connected to a highway sign and not tied into the electrical system. By moving it into paragraph (d) of the NRS 704.7815, no connection at all is required. That means that the customers of Wells Rural Electric who would receive any electricity from this would get a payment if the utility buys this system from either Sierra Pacific Power Company or Nevada Power Company. Right now, Nevada Power Company needs the power, so it is Clark County

ratepayers who would be paying toward the development of the reverse-polymerization system in northeastern Nevada.

It may not be appropriate or equitable. It opens the door to other types of standards doing that. Right now, Wells and the other cooperatives do not have to meet the renewable-portfolio standards. The only ones who buy these credits are the two existing investor utilities in the State located primarily in Clark County and the urban areas of the rest of the State.

The bottom line is if the project goes forward, and we support the concept of the project, we do not like the notion of watering down the portfolio credits available to other, more traditional, renewable technologies such as geothermal or biomass that have been successful in developing projects in other parts of the State.

MR. SCHMIDT:
A final concern is the way the original bill was written to promote or support reverse polymerization. It was recognized that the burning of tires was not a renewable resource, but that this unique technology would qualify. The way the bill has been rewritten in paragraph (d), it is saying that any tire burning would qualify. In the past, there have been proposals in the Moapa Valley area to build an open tire-burning plant. There is one operating in Modesto, California, and in other parts of North America, and some have had problems. Open-burning tire plants should not qualify as renewable resources. Ormat and others like them should not be made to compete with those types of technologies. Ormat does not oppose reverse polymerization.

CHAIR TOWNSEND:
We will close the hearing on S.B. 114, and return to S.B. 111.

SENATOR HARDY MOVED TO DO PASS S.B. 111.

SENATOR SCHNEIDER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR TOWNSEND:
There being no further business before the Senate Committee on Commerce and Labor, the meeting is adjourned at 9:22 a.m.

RESPECTFULLY SUBMITTED:

_____
Laura Adler,
Committee Secretary

APPROVED BY:

_____
Senator Randolph J. Townsend, Chair

DATE:_____