

MINUTES OF THE
JOINT MEETING OF THE ASSEMBLY COMMITTEE ON COMMERCE AND
LABOR
AND THE
SENATE COMMITTEE ON ENERGY, INFRASTRUCTURE AND
TRANSPORTATION

Seventy-Fifth Session
March 2, 2009

The Joint Assembly Committee on Commerce and Labor and the Senate Committee on Energy, Infrastructure and Transportation was called to order by Chairman Marcus Conklin at 4:20 p.m. on Monday, March 2, 2009, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/75th2009/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblyman Marcus Conklin, Chairman
Assemblyman Kelvin Atkinson, Vice Chair
Assemblyman Morse Arberry Jr.
Assemblywoman Barbara E. Buckley
Assemblyman Chad Christensen
Assemblywoman Heidi S. Gansert
Assemblyman Ed A. Goedhart
Assemblyman William C. Horne
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Mark A. Manendo
Assemblywoman Kathy McClain
Assemblyman John Ocegüera
Assemblyman James A. Settelmeyer

SENATE COMMITTEE MEMBERS PRESENT:

Senator Michael A. Schneider, Chair
Senator Maggie Carlton, Vice Chair
Senator Shirley A. Breeden
Senator Barbara K. Cegavske
Senator John J. Lee
Senator Dennis Nolan
Senator Randolph Townsend

COMMITTEE MEMBERS ABSENT:

Assemblyman Bernie Anderson (excused)

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Dave Ziegler, Committee Policy Analyst
Andrew Diss, Committee Manager
Patricia Blackburn, Committee Secretary
Scott Young, Senate Committee Policy Analyst
Sally Stoner, Committee Assistant

OTHERS PRESENT:

Mary Conelly, State Director for United States Senator Harry Reid, Reno, Nevada
Amanda Naughton, Policy Specialist, National Conference of State Legislatures, Washington, D.C.
Tamra Spielvogel, Committee Director, Agriculture, Environment, and Energy Committee, National Conference of State Legislatures, Washington, D.C.
Tony Sanchez III, Corporate Senior Vice President, Policy and External Affairs, NV Energy, Las Vegas, Nevada
Jo Ann P. Kelly, Chair, Public Utilities Commission of Nevada
Kirby Lampley, Director of Regulatory Operations, Public Utilities Commission of Nevada
Danny L. Thompson, representing Nevada State AFL-CIO, Henderson, Nevada

Charles Benjamin, Nevada Office Director, Western Resource Advocates,
Carson City, Nevada
Richard Sevigny, Private Citizen, Las Vegas, Nevada
Bobby L. Watson, President, Roadrunner Solar Corp., Reno, Nevada
Robert Tretiak, Business Development Officer, International Energy
Conservation, Las Vegas, Nevada

[The roll was taken. There was a quorum in both the Assembly and Senate Committees.]

Chairman Conklin:

We are having this joint hearing to discuss energy issues related to the federal stimulus package.

Mary Conelly, State Director for United States Senator Harry Reid, Reno, Nevada:

The dilemma we have is that much of what will occur in regard to the stimulus funds from the American Recovery and Reinvestment Act (ARRA) is unclear. We are not sure exactly how it will be administered. I have provided you with some answers to some questions ([Exhibit C](#)) that were submitted to us in terms of what the overview is, what the legislative intent was, how we see working together going forward, and what the main opportunities for Nevada are. I do not need to go through that in great detail, but we do want to say that we think that ARRA, which provides \$60 billion in funding and incentives for clean energy projects and programs throughout the country, will be an economic boom for Nevada. This is the single largest federal investment in clean energy ever, and through its enactment, this Administration and this Congress have laid a good foundation for the country and Nevada to diversify and grow our economy and workforce.

The major investments in our area that are critical to achieving energy independence and creating new jobs include tax and grant incentives, \$11 billion for smart grid and new transmission funding opportunities, and renewable energy resources that can be developed and help turn our state into a net exporter of clean energy. That is the "10,000 foot" overview. The legislative intent of this bill with regard to renewable energy is to provide seed money or a catalyst to unleash hundreds of billions of dollars in private and public sector funding, to create jobs, and to stimulate economic growth.

Since this bill has passed, Senator Reid's Office has had literally hundreds of telephone calls from companies and individuals interested in developing

renewable energy projects. There certainly is a lot of opportunity, and we will be working with the Administration to do as many of those projects as we can.

The main opportunities for Nevada from Senator Reid's perspective are, of course, the opportunities to create new jobs and to develop a coherent economic strategy pertaining to renewable energy that works with county and local governments. Senator Reid has been focusing on the transmission line and smart grid projects. Our goal is to once again make Nevada a net exporter. There are websites and different visions of how the money will be spent. Many of those questions have not yet been answered. By the end of this week our office will have available, for this Committee and anyone that is interested, a synopsis of all of the grant programs that will be available to the various federal agencies and information about how to contact the right people to be sure one is getting the right information.

It is rather early for us to be talking about how this money will come to the state. We are still working with the federal agencies to make sure that we understand how the process works and to be in a position to influence those decisions for the benefit of Nevada.

I may need to get back with answers to some of your questions.

[Also distributed a six-page document about the American Recovery and Reinvestment Act of 2009 from the Democratic Policy Committee ([Exhibit D](#)).]

Chairman Conklin:

Are there any questions from the Committee?

Chairman Schneider:

I hear the fact that we want to be a net exporter of renewable energy, but how do we make money doing that? How does the State of Nevada benefit? Has Senator Reid talked about putting some sort of tariff, levy, or tax on those electrons as they cross into California and Arizona?

Mary Conelly:

The people from NV Energy are more qualified to answer that question than I am. There is money to be made in renewable energy. We believe some of these tax credits will make it easier to develop those projects. We will take a look at that, Senator, and I will get an answer back to you.

Assemblywoman Kirkpatrick:

Is the number of jobs that are supposed to be created based on some kind of formula? Is there true accountability when we go back to be sure that we get that number of jobs?

Mary Conelly:

Yes, to both of your questions. Most of the figures that we are using and that the Administration is using, with regard to jobs that will be created by renewable energy projects, are estimates based on good information provided by the Department of Labor and other people who have developed projects. Both the Obama Administration and Senator Reid intend to track the number of jobs that are created as projects are funded.

Assemblywoman Kirkpatrick:

What I would like from you is the formula. I know that there are plans out there. I would like to see the math formula, and I would like to know about the accountability report. Is it actual jobs, estimated jobs, long-term jobs, or short-term jobs? We want to be sure we are getting long-term jobs within our state. I would like to see the accountability measures at the federal level that protect Nevadans.

Mary Conelly:

I have seen some formulas and statistics that have been published by the Obama Administration with regard to the number of jobs, and there are some differences with regard to the jobs that would be created as a result of the construction of renewable energy projects and transmission lines. They do not necessarily equate to long-term, permanent jobs. The Administration also has some information about what it estimates long-term, permanent employment to be as a result of the projects. I will get you some information from the Administration, and we will talk about the differences between those two and see what we can get you.

Assemblywoman Kirkpatrick:

If they are short-term jobs, there may be some up-front costs that the state or local government will have to pay, such as adequate schools and medical services. What are our up-front costs, because that is the state's responsibility?

Mary Conelly:

I will get you some answers.

Chairman Conklin:

Are there additional questions from the Committee?

Assemblywoman Buckley:

I do not know if this is a request for our staff working with Senator Reid's Office, or with the National Conference of State Legislatures (NCSL), or with those people involved in the energy community who are following this with their trade groups, or maybe a combination of all of them. I would like a list, by category, of each one of these programs, a list of exactly what money is available to Nevada, and a list of whether the money will be coming directly to the state or whether an application is required. I would like to get all the facts on one piece of paper, and then for all the money that is coming directly to the state, we can see how the programs might work together. Examples include trying to capitalize on our job training functions for green jobs in the future or looking at the public housing authority money in terms of actually having something to work on. I know that some of that is contained in a bill being sponsored by Senator Horsford and that there are some additional opportunities. If we could see how it all will work together, we will be able to take advantage of this package and do the planning that we need to be ready for the competitive process and to then also see if there are further opportunities.

Mary Conelly:

I asked for something similar before I came here, and they said they are working on it. I had a discussion with Senator Reid over the weekend about the portion of the stimulus bill that creates training for green jobs. We are concerned that we would train people for jobs that do not yet exist. What you are talking about is coordinating those activities so that we actually get a "better bang for our buck." We agree with that. We are preparing a comprehensive list of what funds will be available through competitive grants. We do have a list of what funds are available to Nevada, directly to the state, and we can combine those lists for you.

I think we need to have further conversations on how to coordinate those things.

Chairman Conklin:

Are there any additional questions from the Committee? I see none. Next on the agenda is a teleconference with Amanda Naughton in Washington, D.C.

Amanda Naughton, Policy Specialist, National Conference of State Legislatures, Washington, D.C.:

I have been asked to provide an overview of the energy aspects of the stimulus package from the state legislative perspective. Most of the stimulus programs are going through existing programs. Most of the money will already have a

pathway to the states or to the industries or to where it should be directed. The only direct action required is by the Governor with regards to the decoupling. As far as that is concerned, not every state's governor has that power. Basically, the states need to reassure the federal government that the requirements will be followed. That is all that needs to be done. We do not have guidance from the Department of Energy, and most of the states are in the same place as you are; they are holding hearings. We have had a lot of requests on comprehensive stimulus action and specific stimulus action.

The states that are about to go out-of-session soon have not decided how they will be moving forward with this information. Unfortunately, we cannot give you any specific examples of what other states are doing. We continue to track this information and hopefully can get you something soon.

We are waiting on the Department of Energy (DOE). Once the Department of Energy starts issuing guidelines on all of the programs about when the money will be available, how the money will be available, and what everyone needs to do in order to get the funding, we will let you know as soon as we can. Secretary Chu [United States Secretary of Energy] has begun a rearrangement process of loan guarantees. What they are hoping is that under the previous loan guarantee program they will be able to get funds out by late April or early May, and they will begin to offer loan guarantees under ARRA by early summer. The department's plan is to distribute 70 percent of the recovery funding by the end of 2010.

Tamra Spielvogel, Committee Director, Agriculture, Environment, and Energy Committee, National Conference of State Legislatures, Washington, D.C.:

As many of you know, the National Conference of State Legislatures (NCSL) has a recovery website. As we see information come out from the federal government, be it from the Department of Energy, the Office of Management and Budget, or any of the other agencies, we are putting that information on our website. In addition to the www.recovery.gov website and the individual agency recovery websites, we will continue to update the NCSL website with as much information as possible as it becomes available.

We will have two summaries on our website in the coming days: one on the energy-appropriations-related provisions in the bill and one on the tax provisions in the bill. This should get, in part, at some of the questions posed previously on how to coordinate activities tied to these individual sets of programs. Please keep in mind our charts are targeted to the overall program and not at a specific state, but if there is additional information that you would like, at any point,

either today or in the coming weeks, Amanda and I will be happy to try and help in tracking that down for you.

Chairman Conklin:

Generally speaking, you only briefly covered the decoupling issue. Am I to understand that there is talk that this is not a specific requirement but a general requirement and other similar provisions that help create some standard of energy efficiency will be acceptable? Or did I misinterpret what you said?

Tamra Spielvogel:

The decoupling provision is tied to the state energy program money. There was a condition of access to that money placed on the governor giving the Department of Energy reasonable assurance that the state will take action to implement decoupling and building code changes. The catch, and this is one of those areas where we are still waiting for guidance to know what is meant by the provision or how DOE will interpret it, is that the only stipulation is for the governor to provide assurance. There is no direct mandate within the provision for the state legislature or the regulatory utility commission or the applicable authorities with control over building codes to actually do anything. It is up to the governor to provide this reasonable assurance, but it is unclear yet if that assurance will be tied to release of the money or if the money will be held until the action is actually taken. There are no direct requirements for that action by any person other than the governor.

Chairman Conklin:

Do we have an understanding of how this money is going to be released? Will this money be released directly to developers or to the state?

Tamra Spielvogel:

Are you talking about the State Energy Program (SEP) money or the overall energy money?

Chairman Conklin:

Overall energy money.

Tamra Spielvogel:

It will depend. The bill, as a whole, is a lot of pots of different money that will be going through a lot of different pathways to the state. The State Energy Program money will go through the existing State Energy Program funding stream. The Energy Efficiency and Conservation block grant program, which was authorized in the 2007 federal energy bill, will be distributed by formula and by grant application once the guidance has come from the Department of

Energy on how that is going to move forward. That program, while authorized in 2007, has never had any funding. We do not have any existing pathway for it to be distributed to states and localities.

All of the remaining programs within an existing structure are set to follow that existing structure, unless the bill says otherwise. With the energy pots of money, I do not believe there is any particular change in most of the state funding streams, be it weatherization, State Energy Program money, or any of the other direct money-to-states programs.

Chairman Conklin:

Are there any questions from the Committee?

Assemblywoman Buckley:

I think the opportunity is there for the state to have the Legislature stimulate the economy, create jobs, and promote its energy-related goals. We can utilize these funds and direct them into programs or initiatives that further all of those goals. While the money might be directed to the Office of Energy, there is nothing to prohibit the state Legislature from setting forth what our goals are and how we think the money should be utilized.

Tamra Spielvogel:

There is no stipulation, as such, that I am aware of. We have been emphasizing the states' traditional role in the appropriations process, and where you have the authority to do so; it is up to the state to make that decision to move forward, as far as we understand.

Chairman Conklin:

Are there any other questions from the Committee? I see none.

**Tony Sanchez III, Corporate Senior Vice President, Policy and External Affairs,
NV Energy, Las Vegas, Nevada:**

We have provided to you an extensive overview ([Exhibit E](#)) of not only our company but our strategy and what the economic stimulus can mean for Nevada. I could spend an hour going through this presentation, but in the interest of time, I will condense it down to 15 minutes.

Specifically, with respect to the American Recovery and Reinvestment Act, the key issues from our corporate standpoint as an investor-owned utility are: the "smart grid" that has been discussed, the effect of the stimulus bill on our transmission planning and investment that we are well under way on, the

opportunities for the utility, as well as legislative actions that might be necessary to maximize these opportunities.

Since the 2007 Legislature, several things have changed with respect to our company. We had the name change from Sierra Pacific Resources, Sierra Pacific Power, and Nevada Power to NV Energy, which we believe is a better description of who we are: a company with one vision for Nevada's energy future. This is a better fit with our three-part energy strategy.

Part one of our energy strategy is efficiency and conservation. In 2001, our company spent approximately \$2 million on energy and conservation. Last year, as well as this year and the next, we will be spending in excess of \$60 million each year on these programs. In 2008 alone, we saved 435 million kilowatt-hours statewide. That is the equivalent of powering 34,000 homes. These programs work. They operate efficiently, and we look forward to working with you this session as we look for better opportunities with respect to efficiency.

The second part of our strategy is renewable energy. We are proud to have helped Nevada become a national leader in both geothermal and solar capacity. We are the per capita leader in both of those areas. We estimate that it will cost in excess of \$2 billion of investment to meet the Nevada portfolio standard when it peaks in 2015. We are ranked third among United States utilities for total solar capacity. We have 22 geothermal projects under contract, 3 projects under construction, and another 156 megawatts in development. We are proud to be a 50 percent owner in a planned 200-megawatt wind development on the Nevada-Idaho border.

The third part of our strategy is new, highly efficient power generation. Following up on what happened in the California energy crisis earlier in this decade, our companies embarked on a new strategy to reduce our dependence on the out-of-state purchase of market power. You can see on page 7 of our exhibit how much in-state generation we have put into the system, which has necessitated not only new generation, but new transmission, and has created quite a few jobs.

I think you are familiar with the announcement that our CEO made last month with respect to the postponement of the Ely Energy Center. That has been delayed until carbon capture and storage is commercially viable, which we do not see happening for at least the next decade. That came with much thought and consideration. At the same time, we are ramping up and going to be asking for expedited treatment of the building of a 250-mile transmission line between

Ely and Las Vegas, which will finally connect the north and the south for the first time. This will be called our ON Line Project (One Nevada), and it will facilitate new renewable energy projects as well as load sharing between the north and the south, which will be beneficial for our customers.

As we have been watching the stimulus package, we ask what part will the stimulus package have in Nevada's energy future. There are appropriations, tax credits, and loan guarantees. We have created an internal working team and want to echo some of the comments stated earlier. There is a lot of federal rulemaking and a lot of information that will be coming out of the Department of Energy, the Department of the Interior, and the Western Area Power Administration (WAPA) that will contain the details; we will be watching closely and will supplement the material provided to you. At the same time, we will look to what state action might be necessary, before your adjournment, to avail ourselves of those monies.

On page 11 of our exhibit, you can see a chart that was originally prepared by the NCSL and shows that \$65 billion of the stimulus package are going to energy. The documents you received from Senator Reid's Office and others show the actual formulas that dictate how much Nevada is getting in each specific category.

We are looking at energy efficiency, conservation, block grants, WAPA borrowing authority for transmission, fossil energy research and development, loan guarantees, advanced batteries, and weatherization.

Some of the specific information that we will be looking at very carefully, especially with respect to our transmission plans and WAPA, is from the federal energy division's issuance of a public notice of rulemaking. We are expecting that this week. It will have the details in terms of how they will be spending the \$3.25 billion borrowing authority to construct, maintain, study, and plan renewable energy transmission lines. We will be watching that very closely. That provision was created largely with specific involvement from our state delegation and specifically from Senator Reid. The hope is to be as creative as possible with the loan guarantees and borrowing authority. I think we will be very interested and be participating in the process as it proceeds.

There are a lot of energy research and development monies in coal, power initiatives, carbon capture, and sequestration. Many will be competing for those dollars. One of our partners in Reno, Nevada, is one of the leading developers of lithium ion batteries, and we are looking to do business with them.

You have heard some discussion on state energy programs. What is available to states that update their residential and commercial building codes, the concept of decoupling, those are topics we are watching closely to see what needs to be passed. We will be supplementing that information as we go forward.

Electricity delivery, energy reliability, modernizing the grid, and enhancing the security and reliability of energy infrastructure are important. Other opportunities are federal matching grants and demand-responsive equipment.

I have provided you with information about the smart grid and how we believe that could work in Nevada's favor. That is something we are currently building out and have many proposals for. We will be speaking with our utility commission in the future on how we can ramp up more in that area. The focus there is two-way communication between the utility and the customer as opposed to only one-way communication from us to the customer. This will give our customers more flexibility in how they utilize their energy and what types of energy they use. There will be extensive investments in infrastructure and technology that will come out of the stimulus package. We will be evaluating that very closely.

The second half of the stimulus package is the tax provisions. Modification and extension of production tax credits, advanced energy manufacturing credits, clean renewable energy bonds, and investment credits in lieu of production credits are all being analyzed for the benefit of the developers and the projects we are engaged in as a utility. We will avail ourselves of some of those tax credits for the first time, which could not come at a better time considering we have a balance sheet that can be used in conjunction with those entities that we develop projects with, as well as projects that we are developing on our own.

Some of the challenges and uncertainties that we are facing are: (1) the fact that there are federal guidelines that are still pending with respect to the energy grants, the loan guarantees, manufacturing investment credits, and smart grid, and (2) with respect to the sites of transmission lines, the time to construct, the permitting, the construction costs, et cetera. We are looking to see what the balance is with the stimulus package and what we can utilize. At the same time, there are abundant opportunities. We have all heard about how much solar and geothermal energy we have in Nevada. We are actively watching the pending legislation which was referenced earlier about the green collar jobs. There is a lot of smart grid potential to empower consumers to control costs.

There are a lot of incentives for energy efficiency, which should reduce the demand on the resources our utility has to provide.

We stand ready to work with our state, as well as federal legislators, as we move forward and receive the maximum benefit for Nevada energy consumers from the stimulus and foster a rapid development of the green energy economy. We think we are perfectly situated to take advantage of those opportunities.

Chairman Conklin:

In your professional opinion, where do our largest opportunities lie with respect to what we believe will be available in this stimulus package?

Tony Sanchez:

From our company perspective, it is going to be the transmission provisions and the renewable energy grants. We will be watching what comes out of the Department of Energy. I think there are legislative initiatives that we will see coming out of Washington, D.C. Senator Reid has a transmission bill that he is expected to submit this week. There is some "solar energy pilot program" language within that bill that we think dovetails with what is in the stimulus package. It is a work in progress. We think what came out of the stimulus package is not the "end all." It is going to assist us. Frankly, where the stimulus money is going is for those "shovel-ready" projects. There are deadlines, and the money is contingent on starting construction before mid-2011, which we believe we will be able to do.

Chairman Conklin:

I know that you spent some time in Washington, D.C., last week. Do you have a clearer picture on the potential requirements, either statutorily or verbally, relating to building codes and energy efficiencies?

Tony Sanchez:

I think those are two of the areas about which there is great anticipation. We do not know what DOE will come out with. There are certain time frames. DOE was given 60 days to come out with the details on how those will work. We will be reactive to those details, and proactive in suggesting how the state will avail itself of those programs.

Chairman Conklin:

Have you any idea what that 60-day mark is?

Tony Sanchez:

I think every agency has a different time frame. The Department of the Treasury has been given 180 days with respect to some of the grants they are going to be giving out for some of the projects. We will be watching WAPA. They will issue a federal notice of rulemaking which, if it comes out this week, will be a four- to six-month process. I think each process is different. The White House has on its website a notice that they have given to all the agencies, in terms of how to conduct the process in the open. We will be watching every review. I think there are just as many time warnings as there are programs.

Chairman Conklin:

The concern that I have is that we are here until June 1 at the latest, and we would like to have some idea of what it is we need to do. If things need to be shovel-ready by 2011 and this body meets this year, then the next opportunity we are going to have to pass anything will be June 2011, which will probably be too late. We cannot afford to wait for the DOE and WAPA and everyone else to make their regulations. We need to have a crystal ball to know what we need to have in place, even if it is loosely in place, so that if you do have shovel-ready projects you do not lose out on the opportunity, nor does anyone else.

Tony Sanchez:

There is the reasonable assurance standard that DOE is interpreting with respect to building codes as well as decoupling. It is a fairly broad standard left open to interpretation. I have been told those types of issues were taken into consideration so there would not be states, with different legislative time frames, that would miss out on potential opportunities due to some technicality. I think the agencies were directed to be as flexible as possible. Keep in mind, this is a stimulus, job-creating bill, and they want to see results as quickly as possible.

Chairman Conklin:

It makes me uncomfortable. Are there any questions for Mr. Sanchez?

Assemblywoman Kirkpatrick:

I will be asking you some questions because you seem to be the one with the answers. This is so important to our state, and we do not have much information. In your presentation, on page 16, it talks about projects having to start construction by 2011; one of my concerns is that in real life it is 18 months out to try to go through the process, the permits, and the planning. How would we fast-track all of that? Would fast-tracking of the fees allow use

of some of the money to get it online? Who pays for that and what happens to these rural counties who do not have building departments?

Tony Sanchez:

I think that is a dilemma that is being played out in every legislature that is currently in session. I read an article today that in the state of Montana, a proposal was made to streamline environmental permitting requirements to get around some of the lengthy delays. That is not an easy solution. I do not think there is one perfect solution. There are projects that are ready. If the idea is to create jobs immediately, we are already three years into the permitting process for our transmission line between Ely and Las Vegas. That is a project that will fit the intent, because it will create a lot of construction jobs. That is going to be a give-and-take at the federal level as well as in every state. How do you speed those up?

With these large projects, for example, they normally take five, six, or seven years to construct. I do not know if many of those would get built. The Department of the Interior has a lot of water projects and other types of projects that are ready to go that have been through that process. Again, we are already in the draft environmental impact stage of our transmission line. Those are probably the types of projects that are going to be built.

Assemblywoman Kirkpatrick:

When you get through the environmental impact stage, you still have the local government process that you have to get through. Is that not correct?

Tony Sanchez:

I do not have to explain how unique Nevada is with close to 89 percent of our land controlled by the federal government. That is very different than other states that have transmission authorities. We have more state oversight on these types of construction projects. With that in mind, we do share your concern, and we understand the dilemma many people will be placed in.

Assemblywoman Kirkpatrick:

I am more concerned with some of these projects even being able to get off the ground, because we do not have the right tools in place.

Somewhere in your presentation, I read that you had to modernize the building codes. I know in Clark County we are close to where we need to be; I worry that some of these other 16 counties may have a problem. Do you know if it is specific as to making the attempt or what? I am not sure who has building

departments and who does not. When development stopped, we laid off many workers on the local government level, so I am not sure they could handle this.

The second part of it states they would give grants based on conservation. Would that go through a program such as yours or through a grant program? Do you know?

Tony Sanchez:

We have many "smart grid" processes, allowing the consumers the ability to control how, when, and where they use their energy. I think we will be the "flow through" on projects like that. With respect to building codes, those are up to the local municipalities as well as this body. Harkening back to what the NCSL people spoke of, it would be the same standard of reasonable assurance that they are moving forward to improve the building codes to make them more modern.

Assemblywoman Kirkpatrick:

If the money is going to be available in April and it will go for the next year, I feel we are rushing through all of this, and at the end we will have a lot of legislation to go through. It will be very time-consuming to be sure we are doing all the things we think are good for our state. If money is available in April and we do not have any certainty, what happens? Do you know?

Tony Sanchez:

Each program has different standards, different start of construction dates, and different financing time lines. It is a challenge. We are asked how many jobs this will create; I can tell you, simply for consultants and lobbyists who are engaged in this industry on a national basis, there will be a great many jobs created. A lot of people are studying this very closely right now. The details are still forthcoming.

Chairman Schneider:

Are there any other questions? I see none. I now call up the Public Utilities Commission representative.

Jo Ann P. Kelly, Chair of the Public Utilities Commission of Nevada:

With me is Kirby Lampley, the Director of Regulatory Operations. We are pleased to be here today. The energy policy goals set eight years ago by executive and legislative processes in the wake of the western energy crisis have largely been achieved. There is no open position on the northern Nevada electric system. There are minimal open positions on the southern Nevada electric system. There are over 550 megawatts of renewable energy now in the

system. To accomplish these goals, hundreds of millions of dollars of construction costs for generation, transmission, and renewable project development went into Nevada's economy. Nevada has a modern, up-to-date infrastructure. However, the rates reflect those costs.

Time-tested conservation and energy efficiency programs by regulated utilities are in effect. Enhanced reliability in the natural gas delivery to Nevada is progressing as we speak. At a time when the Nevada economy has temporarily faltered, we now consider the federal energy recovery package and how it may enhance our ability to continue to achieve our energy policy goals. The Public Utilities Commission's (PUCN) initial review of the bill indicates it will have some increased activities for the PUCN and involvement by the PUCN, particularly in transmission oversight, conservation, and energy efficiency oversight of our regulated utilities.

With this reading, without further knowledge of some of the federal rules being promulgated, we cannot be too specific about some of your questions. It does not appear to be a change of the regulatory framework. The State of Nevada has put in place very forward-thinking statutes and regulations. Our recent review, after the impact of 2007, shows that we are in total compliance. As I have indicated, we could get increased activities in reviewing and processing. We have given you a handout ([Exhibit F](#)) of the current transmission projects that are in front of us for the Utility Environmental Protection Action (UEPA) permit. The State of Nevada's process is 120 days maximum.

As was indicated to you by Mr. Sanchez, so much of the land in Nevada is federal land. Much of the initial permitting takes place at the federal level. The permitting process that NV Energy has gone through with their transmission project from north to south has been in the federal jurisdiction for a number of years. It is not in the state system. That should change, and the permits from the federal government should be given to the company for their application, and then our process will take place within 120 days. There are certain compliances that may be attached to that order. We fully expect to have more transmission review and permitting activities as a result of this bill.

There are many potential pilot projects for the regulated utilities that would also come under our purview and our review. Just one of those projects has currently been submitted to the Commission in a general rate application, and that is the tariff for the plug-in vehicle. This is something that is not only involved with the smart grid, but it is something the company is putting forward and something that we could do in the review process.

Another aspect in the bill that we think will provide us with increased activity would be review and analysis of the utilities' expansion of conservation and energy efficiency programs. That is the other handout we have given to you ([Exhibit G](#)). We thought it would be important for you to have a simple handout that would show you the review process and the degree to which we analyze these programs. We make sure they are efficient and that they are achieving the goals that the program set out, and we look at it annually and also audit the costs when they come up for a general rate case. We wanted you to see the extensive review process that has been developed in the State of Nevada over the years. Nevada began looking at energy efficiency programs in the mid-1980s. We also wanted you to see the categories, the actual programs that are being used, and the budget dollars that are being associated with those programs. As Mr. Sanchez said, regulated utilities are spending about \$60 million a year on such programs.

The other possible increase of our activity would be to open an investigatory docket to begin to gather data on the technological advances that would be appropriate in the smart grid. There are many technological advances that could be looked at. When the Tracy unit was put in, in northern Nevada, the company also applied and was authorized by the Commission to put in a lot of coordinating equipment for the operations side and for the various generating units in northern Nevada. Currently in southern Nevada there is an ongoing project to update and put into place modern technology for the dispatch center.

One of the other focuses in the smart grid is the types of meters that are used. There are currently in Nevada quite a few "time of use" meters in place, and there are time-of-use tariffs also in place so that individual customers may take advantage of the interactive nature of the smart grid, and those are going forward.

All of these processes can continue to progress at the rate that we have already allowed to our general customers. I have already talked about the plug-in opportunities that the company has asked for in its general rate case.

In your questions to us, you asked whether or not there were issues with respect to the smart grid. I recently attended a seminar in Washington, D.C., put on by the proponents of smart grid, who discussed the various challenges that they need to meet in order to put in extensive applications of the smart grid throughout the country.

First of all, we need to know there is a cost to consumers for replacing their meters with the "smart technological interactive" meters. Because of our new

housing stock in Nevada, most of the meters that are currently in homes have not reached their operational life. It would be a matter of replacing many of those meters that are still operational. We estimate there are approximately 1 million meters in Nevada. For those of you who were around when we put into place the replacement of the water meters in northern Nevada, you might remember the controversy and dialogue that went on for quite some time. One of the data gathering projects we would have to go through is to look at the various kinds of meters that we would need if we were going to have a mass application of meter change. Our initial estimate is that the smart meter would be an additional cost, per customer, of about \$300 to \$500. The absorption of those costs was under major discussion at the symposium I attended.

Another area of discussion and challenge that those proponents are going through right now—and I believe they are attacking these challenges and going forward and they will solve these issues—is the fact there is more access to grid information by customers, and that gives rise to some security issues and some cyber-protection issues. They are addressing these matters. That type of security will have a cost to it. That also means there is more access to individual customer usage patterns and customer information. They are addressing some of the issues that deal with individual customer information and the ability of another customer to get access to that information.

Those kinds of protections and the costs to provide those protections are some of the issues that are being addressed by this symposium and these committee members.

On our side, an area that will require quite a bit of data gathering will be the rate implications of a majority of customers participating in an interactive, smart grid situation. Just to explain that, very briefly, if you are a net metering customer and you are reducing your power usage from 12 to 5 on a daily basis in the summer, that is a reduction of sales revenue to the company for that period of time from you as an individual customer. There is a large difference in that sales reduction to the company if there are only a few customers reducing their consumption versus half of their customers. As you know, there are fixed costs that need to be covered by the utility. The compensation implications for large numbers of people being on the system are something that this Commission would have to look at. A lot of data regarding customer information would have to be gathered.

I do not mean to tell you that these are impossible situations; they are not. Since you asked what issues are being discussed concerning the smart grid, I

wanted to give you the full summary of the discussion that we entered into in Washington, D.C., a few weeks ago.

The recovery package allows for applications to the Department of Energy for matching utility company projects, and I expect there will be some projects that companies will identify and apply for. It will just be a matter of additional activities on the part of the PUCN to review those processes.

The other questions that you asked me about concerned the processes of the loan guarantees. I see potential in transmission projects which would be construction projects by our regulated utility, and the criteria will probably be through WAPA or the Bonneville Power Administration (BPA), and our utilities are interconnected to those systems. There is also a potential for loan guarantees for renewable projects. In the case of the transmission project, which would be construction entered into by our utilities, any kind of expenditure of that type goes through our resource planning process, and we would review that process. It would probably come in as an amendment, which, statutorily, we have a maximum of 135 days to review.

If it was a loan guarantee to a renewable project and the company was not co-developing that project, it would be a case where that cost would come through the process in a purchase power agreement by the company for the output of that particular project plant.

One must assume that if there are federal loan guarantees, the cost of financing the construction for the development of those projects would be reduced, since the risk factor is reduced. That would have to be balanced with any increase in cost for that project for the "prevailing wage requirement" costs. One cannot speculate whether or not those would balance. One does not know the quantification, but we would be looking at each project and reviewing whether it would be through a purchase power contract or construction cost. We would attempt to compare what a similar project would cost without either the loan guarantees or the requirement of paying prevailing wages. We do look at cost deviations from average whenever we compare purchase power agreements or construction costs.

The only other thing I would like to add in terms of costs is that the Administration has talked about the costs of a carbon dioxide program. We are a fossil-fuel-generation utility state. Even though we do not have much coal generation, as some of our neighbors do, we generate and are fueled by natural gas, which does have a carbon dioxide emission attached. Those are costs that we might have to deal with by the time we next meet.

Kirby Lampley, Director of Regulatory Operations, Public Utilities Commission of Nevada:

The Chairman asked me to address a few of the questions that were asked of us. The first question was, does Nevada have to make an immediate adjustment to its laws or regulations in order to respond to the stimulus package? We have heard that the devil will be in the details, which are still coming out. In general, I feel comfortable in saying that since the energy crisis of 2000-2001, we have updated our regulations, and I believe they are flexible right now and can take into account any changes that happen to come out of the stimulus package.

Additionally, if we need to make any accommodation going forward in order to take advantage of this stimulus package, I believe that we could waive some of our regulations because that is part of our regulatory process. Incidentally, the Commission is in the midst of updating its integrated resource plan regulations, which should tie in with the things that are going on right now.

Another question that came to my attention was whether the PUCN has studied the policy prerequisites for the State Energy Program grants. Section 410 of the stimulus package is interesting. This section has to do with actual grants pursuant to the stimulus package. Additional grants may be given only if the governor of the recipient state notifies the Secretary of Energy, in writing, that the governor has obtained the necessary assurances that each of the following will occur:

The applicable state regulatory authority will seek to implement, in an appropriate proceeding for each electric and gas utility with respect to which the state regulatory authority has rate making authority, a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provides timely cost recovery and a timely earnings opportunity for utilities associated with the cost-effective, measurable, and verifiable efficiency savings, in a way that sustains or enhances utility customers' incentives to use energy more efficiently.

Further, the state or the applicable units of local government that have authority to adopt building codes will, to the extent practicable, prioritize the grants toward funding energy efficiency and renewable energy programs, including the expansion of existing energy efficient programs, approved by the state or the appropriate regulatory authority.

Based on our reading of this section, I believe it is safe to say the Commission over the past few years has taken the steps necessary for the Governor to certify to what is required.

We have a general policy, which has been enabled by our regulations, that allows the regulated companies to decouple their revenues from the demand side management (DSM). The company expects a certain amount of growth to occur, and the increased revenue helps them to increase their earnings per share. In order to facilitate DSM, the Commission, over the years, has instituted a regulation that allows the company to take the amount that they spend, about \$60 million a year, and put that into "rate base," subject to review by the Commission. Also, as an incentive to forgo the increased revenue that they would normally have from any growth, we allow them to add a 5 percent "kicker" to the return on equity that they are allowed to have. It appears to be a good incentive because the company has gotten with the program.

The final questions which I was requested to answer had to do with our interactions with WAPA. There are \$3.25 billion, which Mr. Sanchez spoke of, being allocated to WAPA in order to provide low interest loans for the development of transmission. The requirement is that WAPA have a terminus in the service territory where the money would be loaned, and they do at Mead in Las Vegas. I believe that qualifies them to receive a low interest loan to the extent they need to.

What was not addressed, and it is not clear in my mind, concerns the Bonneville Power Administration (BPA). The BPA was also allocated \$3.25 billion for their transmission system. It does not have the same verbiage that we have under WAPA. It is not clear that the BPA could do the same thing as WAPA intends to do by guaranteeing low interest loans. The stimulus bill says that BPA can use that money to upgrade their transmission system, and since it does interconnect in the north at Hilltop, we think it would also come into play. That is a gray area at this time.

Chairman Conklin:

Are there any questions from the Committee?

Assemblywoman Kirkpatrick:

In one of the federal stimulus package bill drafts that I have seen, it said there would be a provision to allow other states that could not meet their standards the ability to buy credits from other states. Is that portion still in there?

Jo Ann P. Kelly:

I do not know. We can get back to you with an answer.

Assemblywoman Kirkpatrick:

Okay, I think it is important going forward that we have all the resources and that we are mindful of that.

What I do not want is for us to institute temporary regulations where things become unclear. I do not support that for any agency. I want to make sure that we can qualify, and if we have to wait to get something in the future, I would rather do that than make hasty decisions. I want good, solid legislation going forward. Do you think that is possible without setting temporary regulations?

Jo Ann P. Kelly:

Throughout the past decade, the regulations and the statutes in the State of Nevada have been very forward-looking. You will find that, compared to neighboring states, we have looked at all of the progressive ideas; we have absorbed the ones that fit for Nevada and have already put those into regulations. In our initial review, there was nothing we saw that needed to be changed to allow our regulated utilities to participate fully in these programs.

Assemblywoman Kirkpatrick:

I did not hear anyone talk about increasing the renewable portfolio standard (RPS). Are we capable of bringing this online? What is the future? I worry that we receive this money and we only have enough to do a portion of the state. We need to pick the right portion that will benefit the most. Do we have all the standards that we need? What if we received enough to do five or six transmission lines? Do we have the capability to do that?

Jo Ann P. Kelly:

Let me address the transmission lines. As you saw in the packet we gave you which shows the transmission lines we have in front of us, we have the potential of a north/south transmission line on the west side of the state. On the eastern side of the state, we already have a UEPA permit given to LS Power for a transmission line from the Ely area into the Las Vegas area. Then, we have NV Energy who has come before us and has received resource planning approval for a very similar line for the eastern part of the state. When NV Energy is through with the federal process, they will go through the state UEPA process. Those two corridors have already been studied and looked at. In my experience, I would think those would be the two corridors that we would most likely look at. In fact, over the last twenty years the company has been

ordered a few times to study the western corridor, and it has been in the last five years that they have completed studies on the eastern side.

There is also some talk about transmission lines going east and west, mostly from northern Nevada to California, to take renewable energy into California. Are you asking me what the regulated utilities might be able to accept into their systems as a result of what their open positions are?

Assemblywoman Kirkpatrick:

Yes.

Jo Ann P. Kelly:

The open positions on the northern and southern system have been affected by the reduction in the economy. We will be getting their latest load forecast next week. That does affect what the systems can take without having to make the decision of whether to take a renewable contract and back down some of the energy we already have on the system. That is already in rates. Those potential questions could come up in the future. With the north/south connection, it would allow the transfers that will ease up the ability to get renewable energy from the northern to the southern system where the needs are.

Assemblywoman Kirkpatrick:

I am trying to explain to my constituents when they will see the financial break on their utility bill. It does not sound like it will be anytime soon. When do you think it will occur?

Jo Ann P. Kelly:

It will definitely be in the future, not in the near term. What you can say to your constituents is that we do have a modern system. We have a system that does not have a lot of open position, which cannot be said of our neighbor to the west. There is a lot of building that needs to be done in the west in order to meet their demand. Nevada has reached the point where it is meeting its demand. Nevada has done the purchasing of units and the building of units at a lower cost time frame.

Assemblywoman Kirkpatrick:

Then, I guess our ability for Nevadans to benefit comes from our surrounding states that are not close to meeting their demand.

Jo Ann P. Kelly:

There is great potential there. We have an open docket in coal resource optimization, about looking at that particular issue.

Chairman Schneider:

Are there additional questions from the Committee? I see none.

Chairman Conklin:

We have come to the portion of the agenda where we have the opportunity for public comment. We are looking for those people who have some knowledge of the stimulus package, and who have some suggestions which could fill in some of the blanks for us.

Danny L. Thompson, representing Nevada State AFL-CIO, Henderson, Nevada:

We are very excited about the opportunities that the stimulus package presents to Nevada. We are concerned that without oversight and without follow-up, Nevada workers will not end up with these jobs. In the past, in renewable energy, it has not worked well for Nevada workers. There is a need to have accountability of this money and accountability of these projects, so that when someone tells you they are going to do something, whether it be a stimulus applicant or someone who appears before the PUCN, there is a mechanism to follow up, and so that someone actually does follow up to ensure that these people do what they say they are going to do.

Unemployment in the building trades in Reno is 30 percent. Among the ironworkers it is 35 percent. When these big jobs along the Las Vegas Strip end, there are no new jobs on the scale and magnitude of these projects that are being built now. All of those jobs have been removed, cancelled, or postponed, because of the economic conditions in the nation. That makes this stimulus money more important in helping those unemployed get these jobs. We do not want employers to bring workers from other states, and they need to pay decent wages. We need them to pay prevailing wages. I know you are very interested in this. We have trained workers and that is what we have to offer. They are waiting to go to work, and we offer our services for anything this Committee might need.

Chairman Conklin:

Are there questions from the Committee? I see none.

Charles Benjamin, Nevada Office Director, Western Resource Advocates, Carson City, Nevada:

I would like to address Senator Schneider's question to Mary Conelly, which was, how can Nevada attach a "cash register" to energy, particularly energy sold to California that is renewable energy? I think there are ways to think about doing that because other states that export their energy have developed revenue. Wyoming and Alaska have done that. Most of the coal that is burned in the Midwest and the West comes from the Powder River Basin in Wyoming. Wyoming develops a lot of revenue from a severance tax. Once the mineral is severed from the soil, it can never be replaced, so the theory is that the people should benefit with this tax. When we pay our utility bills, there is a direct transfer to the state of Wyoming. Wyoming has a big budget surplus. Other states are paying for their schools, roads, and infrastructure. Alaska has a similar situation.

What Wyoming also wanted to do was to burn the Powder River Basin coal in Wyoming and then sell it to California. Other states want to do the same thing. Colorado and New Mexico want to sell renewable energy. Nevada has an advantage because those other states have to go through other states along the way. If you could figure out a way, perhaps through the transmission authority, to facilitate developers or utilities that want to sell renewable energy to California being able to afford to build the transmission line, you could aggregate the developers, and a transmission authority could build the transmission line through bonds. You would then put a small surcharge on that, which would be paid by California ratepayers. Governor Schwarzenegger has raised the bar in California as to how much renewable energy they want to have on line.

There is a lot of renewable energy in Nevada, and it could be used by Nevadans. It is one thing to think about, essentially, how to attach a cash register to the electrons that are created from renewable energy in Nevada and sold to California. I think it is a golden opportunity.

The other thing I might say with regard to accelerating transmission is for the utility to put that into place and start looking at authorizing transmission lines as early as this fall. You could do a few of these things at the Legislature and start that process very quickly.

Chairman Conklin:

Are there any questions from the Committee? I see none.

Richard Seigny, Private Citizen, Las Vegas, Nevada:

I am speaking as a private citizen, but I would like you to know that I am a housing specialist for Clark County, and for the last six months we have been working with the foreclosure problems. My department, the Community Resources Management Division, has been preparing a program to purchase foreclosed properties, rehabilitate them, and then resell them to clients who are delineated by the Department of Housing and Urban Development (HUD) regulations. In doing so, we also have had to prepare ourselves in terms of initiating and adopting energy conservation measures and energy performance measures through an auditing process. We are prepared, in my estimation, in Clark County to use those federal funds, both from foreclosure programs and also from the energy block grants that will be forthcoming.

You have a stimulus program coming, you have an energy block grant coming, and we also have the foreclosure program that we are now prepared to use and are awaiting HUD to approve. We are anticipating, in terms of the energy block grants, that the county will receive about \$5 million a year for five years to prepare plans for energy efficiency programs and for educating the public about energy efficiency. The cities of North Las Vegas, Las Vegas, and Henderson and other cities throughout the state are going to receive similar sums. We can anticipate doing those things.

The other thing that we have done here in Clark County, through the regional planning commission, is to establish a southern Nevada institute for sustainability, through which we have initiated educational programming to train people to become energy auditors and to perform those tasks that are necessary to put together housing rehabilitations that meet performance standards.

Chairman Conklin:

Thank you for the update. Are there any questions from the Committee? I see none.

Bobby L. Watson, President, Roadrunner Solar Corp., Reno, Nevada:

I own a solar energy company in Reno. We are developing some products that we plan to build in Nevada and ship all over the world. These are jobs that are ready to go immediately, just based on obtaining funding. We have a parochial interest in understanding how this stimulus package will help businesses that are creating renewable energy products. Specifically, in our case, the funds could help us solve some of the problems that the utilities are having with distribution and generation of energy.

Chairman Conklin:

We are having trouble understanding how this program will work also. We are really looking for some long-term growth. Your company represents that opportunity for Nevada. We can develop solar today, but once a facility is built, there are not many jobs associated with it. We would like to see some more facilities that manufacture solar products. It could be wind or solar or geothermal. If we can build those parts here, that would result in ongoing jobs that keep people employed for a long time. Even if the vast majority of it gets exported, we are in a great position to do that. The traffic from people in Idaho, Oregon, California, Arizona, New Mexico, and all of the states surrounding us flows through our state. We could build things and export them easily, at least to the western United States. Those jobs are great. As we get some idea about some of these bond programs and tax credit programs, we will try to share that with as many people as we can.

Are there any questions for Mr. Watson? I see none.

Robert Tretiak, Business Development Officer, International Energy Conservation, Las Vegas, Nevada:

Since I will be testifying about Senator Horsford's green jobs bill, I would just like to briefly touch on a program that we are proposing that will bring immediate jobs to the table for out-of-work tradesmen in the State of Nevada and help residential customers save on their power bills. This is the residential energy efficiency retrofit program modeled after the one done by the City of Houston, Texas, which has been spearheaded and championed by their mayor, Bill White, who was former energy undersecretary in the Department of Energy in the Clinton Administration.

This program uses a moving-assembly-line approach of economically and reasonably priced, energy efficiency measures in homes. It allows homeowners, both "lower income and within the 200 percent poverty level" and ones over that, to retrofit their homes at a relatively inexpensive price with a number of energy efficiency measures, such as building envelopes, weatherization, high-efficiency lighting, LED lighting, and water heater controls. It provides jobs and energy savings immediately for residential homeowners in the State of Nevada. Because many of those homeowners feel the pain of power bills, and want to do the right thing and reduce their energy consumption but are over the 200 percent poverty level, we suggest that the Legislature enable financing for those types of customers so that you could use that stimulus to "kick start" this type of program.

It is a program that could be ongoing for many years. We have also obtained a commitment from the suppliers of energy efficiency equipment that we are suggesting move their facilities from California to Nevada, thus providing additional jobs.

Chairman Conklin:

Are there questions from the Committee? I see none. Are there any other comments? I see none.

[The meeting was adjourned at 5:59 p.m.]

RESPECTFULLY SUBMITTED:

Patricia Blackburn
Committee Secretary

APPROVED BY:

Assemblyman Marcus Conklin, Chairman

DATE: _____

Senator Michael A. Schneider, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Commerce and Labor/Senate Committee on Energy, Infrastructure and Transportation

Date: March 2, 2009

Time of Meeting: 4 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Mary Conelly	Stimulus overview
	D	Mary Conelly	American Recovery and Reinvestment Act of 2009 policy statement
	E	Tony Sanchez	PowerPoint presentation
	F	Jo Ann P. Kelly	List of known major transmission projects
	G	Jo Ann P. Kelly	Nevada Demand-Side Management Regulatory Process