

**MINUTES OF THE
SENATE COMMITTEE ON ENERGY, INFRASTRUCTURE AND
TRANSPORTATION**

**Seventy-fifth Session
May 27, 2009**

The Senate Committee on Energy, Infrastructure and Transportation was called to order by Chair Michael A. Schneider at 9:29 a.m. on Wednesday, May 27, 2009, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBERS ABSENT:

Senator Dennis Nolan (Excused)

STAFF MEMBERS PRESENT:

Matt Nichols, Committee Counsel
Scott Young, Committee Policy Analyst
Patricia Devereux, Committee Secretary

OTHERS PRESENT:

Karen A. Peterson, Attorney, Allison, MacKenzie, Pavlakis, Wright & Fagan,
Attorneys and Counselors at Law
Vicki Hafen Scott, Treasurer, Pahrump Utility Company, Inc.
Luke Busby, Public Utilities Commission of Nevada
Patti Chipman, Pahrump Utility Company, Inc.; Nye County

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CHAIR SCHNEIDER:

We will open the hearing on Assembly Bill (A.B.) 355.

[ASSEMBLY BILL 355 \(1st Reprint\)](#): Revises provisions related to certain public utilities that furnish water or sewage disposal. (BDR 58-693)

KAREN A. PETERSON (Attorney, Allison, MacKenzie, Pavlakis, Wright & Fagan, Attorneys and Counselors at Law):

I am the outside counsel for Pahrump Utility Company, Inc. Vicki Hafen Scott, who will testify from Las Vegas, is a family-member owner of the utility.

VICKI HAFEN SCOTT (Treasurer, Pahrump Utility Company, Inc.):

This bill benefits the 14 small utility companies in the State, including the Indian Springs, Mount Charleston, Steamboat Springs and Verdi Meadows facilities. The bill is designed to help lower the cost of rate cases for small utilities only. After an amendment, the Public Utilities Commission of Nevada (PUCN) supports the bill, and a fiscal impact was removed.

The bill allows small utilities to apply to the PUCN for a cost-of-living allowance (COLA) increase with support and justification with a letter of consent, versus a full-blown rate case. This does not remove the PUCN's oversight, but means small utilities can pursue a much simpler process for a COLA increase. The bill also allows small utilities to not have to go through an expensive, complete rate case quite so often when conducting a rate-making case.

The bill changes the thresholds for how often small utilities are required to prepare a resource plan, which tells the PUCN what a utility's system consists of, what it can do and how it plans to meet future demands. The bill makes more consistent the language that each of the bill's thresholds—3,000 customers or \$2 million in gross revenues—in the rate case are separate for water and sewer. We have gotten a pledge from the PUCN to work on simplified processes for the rate case in a current docket open for rule making.

SENATOR TOWNSEND:

I need to make sure I understand what you said about lines 7 to 10 on page 2 of the bill. The trigger for qualifying for the simplified procedure would be utilities that serve up to 3,000 customers and for the immediately preceding 12 months have gross sales of water or services for sewage disposal of \$2 million. Is this one or the other, not the combined threshold?

MS. HAFEN SCOTT:

Correct. The utility must have 3,000 customers or a \$2 million gross-revenue threshold in the water business. The same thresholds are applied to wastewater.

SENATOR TOWNSEND:

With regard to your resource plan, generally such a plan is used in the electricity field. Is there a 5-, 10- and 20-year requirement for water and sewer?

MS. HAFEN SCOTT:

Yes. The current threshold is \$1 million in gross revenues for water and sewer. It was unclear in the *Nevada Revised Statutes* if that applied to combined water and sewer or would be applied to each service separately. The bill clarifies the statute to say there is a \$1 million gross-revenue threshold for water or wastewater.

LUKE BUSBY (Public Utilities Commission of Nevada):

The bill's section 1, subsection 2, says the regulations adopted that would implement the inflation index approved by the PUCN would apply to variable costs. The regulations would not apply to fixed costs, causing a drastic increase in the return on the accurate reading of costs already incurred that do not change.

Regulations the PUCN would adopt pursuant to this bill would likely include a short mechanism whereby the PUCN could review the rates to avoid numbers adjusted for inflation leading to unjust or unreasonable rates. The review process for the PUCN would continue under the current statutory structure.

SENATOR LEE:

Is Pahrump Utility Company, Inc. the only utility establishing rates like this? Does Pahrump have another utility?

PATTI CHIPMAN (Pahrump Utility Company, Inc.; Nye County)

There are three small sewer and water providers in Pahrump. The city has a stand-alone town board that lacks funding to buy or the inclination to take over the services. Pahrump is divided into three sections for sewer and water, and everyone else has wells and septic systems. This bill could help smaller utilities expand, and it would get rid of some of the septic systems and wells.

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A Nye County Commissioner has spoken to this Committee about possibly doing a bond to purchase and eventually consolidate the three utilities. This is in the beginning stages of negotiations.

SENATOR LEE:

Are the large commercial buildings in Pahrump all on septic systems?

MS. CHIPMAN:

No, most are on utilities.

SENATOR TOWNSEND MOVED TO DO PASS A.B. 355.

SENATOR LEE SECONDED THE MOTION.

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

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SENATOR SCHNEIDER:

We will close the hearing on A.B. 355. Seeing no more business to come before

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this final meeting for the 75th Session of the Senate Committee on Energy, Infrastructure and Transportation, I adjourn this meeting at 9:46 a.m.

RESPECTFULLY SUBMITTED:

Patricia Devereux,
Committee Secretary

APPROVED BY:

Senator Michael A. Schneider, Chair

DATE: _____