

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

**Seventy-fifth Session
March 26, 2009**

The Senate Committee on Energy, Infrastructure and Transportation was called to order by Chair Michael A. Schneider at 8:12 a.m. on Thursday, March 26, 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
Senator Dennis Nolan

STAFF MEMBERS PRESENT:

Matt Nichols, Committee Counsel
Scott Young, Committee Policy Analyst
Josh Martinmaas, Committee Secretary

OTHERS PRESENT:

Robert Tekniepe, Management Analyst, Department of Air Quality and Environmental Management, Clark County
Richard Ansson, Department of Air Quality and Environmental Management, Clark County
Kent L. Cooper, Assistant Director, Engineering, Director's Office, Nevada Department of Transportation
Paul J. Enos, CEO, Nevada Motor Transport Association
Jan Cohen, General Counsel, Public Utilities Commission of Nevada

Senate Committee on Energy, Infrastructure and Transportation
March 26, 2009
Page 2

Anne-Marie Cuneo, Manager, Resource and Market Analysis Division, Public
Utilities Commission of Nevada
Ray Bacon, Nevada Manufacturers Association
Charles Benjamin, Director, Nevada Office, Western Resource Advocates
Kyle Davis, Policy Director, Nevada Conservation League
Judy Stokey, NV Energy
Tom Roberts, Lieutenant, Las Vegas Metropolitan Police Department
John McCormick, Rural Courts Coordinator, Administrative Office of the Courts,
Nevada Supreme Court
James B. Gibson, Insurance Auto Auctions
Robert Ellis, Insurance Auto Auctions
Michael Geeser, AAA Nevada
Robert Compan, Farmers Insurance
Lisa Foster, Allstate Insurance
Troy Dillard, Chief, Compliance Enforcement, Department of Motor Vehicles
Dick Mills, Reno Auto Wrecking
Mark Fitzgibbons, LKQ Corporation

CHAIR SCHNEIDER:

We will open the hearing on Senate Bill (S.B.) 327.

SENATE BILL 327: Provides incentives for certain electrification projects.
(BDR S-377)

At our first meeting this Session, I outlined some areas of focus we should stress. One area was the linkage between energy issues and transportation issues. I indicated we would look at areas where these issues overlap and study policies that can be advanced simultaneously. I mentioned as an example a truck stop electrification bill I planned to introduce. That bill is S.B. 327.

There are three concepts behind the bill. First, truck idling puts a great amount of pollution in the air and Nevada has a lot of truck traffic. The second concept is to encourage our electric utilities to see vehicles as a new customer base and advance their technical ability to serve them. In this regard, S.B. 327 also applies to systems for plug-in electric and plug-in hybrid vehicles. The final concept is that we want to bring the financial strength of the utilities to bear in an area that needs capital investment to produce public benefits. Without involvement from our utilities, Advanced Truck Stop Electrification projects (ATE) may not have access to funds necessary to build them.

One of the principle private developers of ATEs is IdleAire. The company filed for bankruptcy last May. It is just one of many companies across the nation having financial problems. There are several proposed ATE projects in Nevada that have not been implemented yet because of funding problems. The renewable component to S.B. 327 is to encourage deployment of wind or solar where feasible to help power the new vehicular systems. That is why such systems get extra incentives under the bill.

I have provided you some background material ([Exhibit C](#), original is on file in the Research Library). This information includes details on the amount of pollution from idling trucks, fuel consumption from idling and some of the technologies for substituting diesel for electricity during idling. Articles in the packet highlight the air-pollution problems caused by trucks and the measures other states are taking to address those problems. One of those articles mentions air-quality problems we encountered in Clark County in June 2008 during an unprecedented two-month ozone advisory. That situation was not caused by trucking, but we can help alleviate future conditions such as that by reducing the emissions from trucks. There is also the excerpt in the packet, "Governor Jim Gibbons' Climate Change Advisory Committee Final Report," [Exhibit C](#), recommending the expansion of ATE programs in Nevada.

There is a proposed amendment to S.B. 327 as well ([Exhibit D](#)). The amendment creates a rebate program for plug-in hybrid electrics modeled on our solar-, wind- and water-power programs. We adopt these kinds of programs to stimulate new technologies. We have already heard a great deal of testimony about the benefits of hybrid vehicles and much of that would be applicable to full-electric vehicles. With the auto industry struggling and financing for vehicles hard to obtain, it is important to provide incentives for people, businesses and public institutions to purchase the clean vehicles we hope will become the primary mode of transportation in the future. As an example, Toyota, which has sold over 1.2 million hybrid vehicles worldwide, saw its global production fall 49.6 percent in February. Its U.S. sales fell 39.8 percent that month. Last Thursday, President Obama announced \$2.4 billion in funding through the American Recovery and Reinvestment Act of 2009 (ARRA) to help put 1 million plug-in hybrid vehicles on the road by 2015. Senate Bill 327 represents an effort that will help achieve that goal. To clarify, the amendment is not a reaction to President Obama's announcement. The electric-car rebate program was part of an original bill draft request, but in the interest of time, I asked the drafters to prepare S.B. 327 with just one section to meet our introduction deadlines.

I have also provided an article published Monday titled, "SDG&E Partners With Nissan to Get San Diego 'Plug-in' Ready" ([Exhibit E](#)). Some of the highlights include:

San Diego County will become one of the nation's first "plug-in" ready green regions and start the transformation into a clean transportation community with San Diego Gas & Electric's landmark partnership announced today with Nissan Motor Co. and the Renault-Nissan Alliance.

Under the partnership, SDG&E will serve as the local San Diego coordinator to help assemble a critical mass of regional electric vehicle fleets that municipalities, universities, the military, the port, private fleets and others use daily. The public-private collaborative will work to further develop and fine-tune the charging infrastructure, which is the critical link in making the vehicles commercially viable.

SDG&E plans to collaborate with the San Diego Association of Governments (SANDAG) and other local organizations to provide the critical mass needed to not only assess electric vehicle viability and charging infrastructure needs, but customer needs and education. With this investment, SDG&E expects to gain valuable insight into the impact of electric vehicles on the local electric distribution system, including customer charging habits, and to evaluate technologies that track a vehicle's electric consumption so further investment can be warranted in the future.

That is where we are heading. The intent of this bill is to work hand in hand with our power companies.

ROBERT TEKNEPE (Management Analyst, Department of Air Quality and Environmental Management, Clark County):

We will speak about truck stop electrification, ATE projects going on in Clark County, and plug-in electric vehicles and charging stations. Senate Bill 327 is an excellent way to move the State forward and shows leadership. This bill is advantageous to countering air pollution and climate change and is essential to Nevada's well-being. It also reduces the United States' dependence on foreign oil and is crucial to our national security.

There are two ways Nevada can achieve these goals. This bill encompasses both. It first encourages the installation of truck-stop electrification systems for long-haul trucks. We have many of these traveling through Clark County and the Las Vegas metropolitan area. Second, it provides the opportunity for the construction of the infrastructure for the new generation of plug-in electric vehicles.

RICHARD ANSSON (Department of Air Quality and Environmental Management, Clark County):

We have a lot of interest in diversifying our fleets in Clark County. The ATE projects are highlighted in the Energy Policy Act of 2005 and have gotten a lot of attention nationwide. There are two benefits to this plan. First, there are air-quality benefits including reductions to criteria air pollutants and greenhouse-gas emissions. There is about a 98-percent reduction of nitrogen oxides, volatile organic compounds, particulate matter and carbon monoxide as outlined in my handout ([Exhibit F](#)). Greenhouse-gas emissions are reduced by about 93 percent whenever these installations are installed. The other benefit is energy-consumption reduction. It is about a one gallon of diesel fuel per-hour reduction. Overall, that is about 15 million gallons of fuel saved by these ATE projects across the nation. When this measure was before the U.S. Congress in 2005, it received bipartisan support. It is not a controversial idea.

We have a huge truck volume in northern and southern Nevada. It is going to compound over the next 20 years as traffic increases from the ports of Long Beach and Oakland. These ports will expand drastically as we get more products from China. We will get more truck traffic through Las Vegas and on Interstate 80. Along Interstate 15 right now, the average truck traffic is about 9,000 trucks per day, [Exhibit F](#). By 2035, it is projected to be about 27,000 trucks per day on Interstate 15. Currently in Washoe County it is about 4,300 trucks. Looking at Eureka, it is about 2,080 trucks per day. In northern Nevada all the estimates show truck traffic increasing by about 2 percent per year. Even within the interior portions of the State, such as along U.S. Highway 93 at the U.S. Highway 50 interchange in Ely, you have almost 2,000 trucks. There are more than 1,000 trucks on U.S. Highway 95 in Hawthorne. As soon as the Colorado River Bridge is completed, its projected truck traffic will expand greatly in that part of Clark County.

The ATE centers would work great in Clark County. The Las Vegas metropolitan area is a staging area for a lot of truckers. They will stay the night there and

make hauls into Los Angeles. Usually they get into Las Vegas about 5 p.m., stay, and then leave about 1:30 or 2 a.m. to Los Angeles to beat the traffic. They then usually turn around. This is great for reducing harmful air pollutants and for conserving energy.

MR. TEKNIEPE:

Plug-in electric vehicles, full-electric vehicles and hybrid-electric vehicles are a trend that will continue in the future. It is coming forward rapidly with the advancement of electric-vehicle technologies and new electric vehicles. We have only reviewed section 1 of the bill, but S.B. 327 will complement efforts by Clark County, the Division of Environmental Protection and the Department of Motor Vehicles (DMV) to enhance air quality. This bill also complements *Nevada Revised Statutes* (NRS) 486A, which encourages the use of alternative fuels and alternative-fuel vehicles. We encourage these complements because it enhances the air quality in the Las Vegas metropolitan area.

President Obama wants to get at least a million plug-in vehicles onto the road by 2015, [Exhibit F](#). It is an aggressive strategy that would benefit air quality and the United States' dependency on foreign oil. It also allows Nevada to showcase its aggressive attack on this area and national issues. For electric vehicles to achieve their true potential though, two things need to happen. One is the incentives to buy the vehicles, which this bill addresses, and the other is the construction of the infrastructure that provides for the public charging of these vehicles.

On October 3, 2008, federal tax credits were signed into law as section 205 of the Emergency Economic Stabilization Act of 2008. There are two important components of that legislation. The first component is eligibility for a tax credit of up to \$2,500 to the first 250,000 plug-in electric vehicles produced if these vehicles have at least 4 kilowatt hours (kWh) of batteries. What does that mean? Well, four kWh of batteries depends on the type of batteries installed and there are many different types. As a rule of thumb, one kWh is equal to one battery. There is also a charging component to this for vehicles. Vehicles will generally discharge over time, so a composite of 5 batteries is needed to provide a steady stream of 4 kWh. It also has other tax credits at \$417 per kWh for the battery components of these vehicles.

On March 20, 2009, President Obama announced \$2.4 billion in federal funding for vehicles and battery manufacturing from the federal Department of Energy

(DOE). The breakdown of the \$2.4 billion falls into numerous areas. First, grants totaling about \$1.5 billion focus on the development and manufacturing of rechargeable batteries. Another \$500 million goes to the manufacturers of other components of electric vehicles such as the motors. Then there are grants totaling \$400 million for the infrastructure concepts such as commercial charging systems; these are the actual truck stop electrifications (TSEs).

Every automobile company today is developing plug-in electric vehicles. There are two types, hybrid plug-in electrics first and then we will see full-electric vehicles. Chevrolet has the Volt due out later this fall; it has a capacity to go 40 miles on a 4-hour charge. There are at least six other vehicle manufacturers that have hybrid-electric vehicles coming to market soon. Full-electric vehicles are expected to start hitting the market in 2011 through 2013.

Issue 4 deals with charging stations. The U.S. Department of Transportation and DOE estimate there are about 247 million registered vehicles in the United States today. However, there are only 54 million homes with garages to house these vehicles. The charging of these vehicles will most likely occur over the evening hours through early morning and at home. Senate Bill 327 is unique because it encourages the construction of infrastructure outside of home garages. In San Francisco, for example, only one of six vehicles is parked in home garages. These vehicles will have to be charged outside of residential homes. This will likely occur on the public streets, the workplace, public rights-of-way, motor pools, campuses, retail complexes and office complexes.

Many cities in California have already begun installing charging infrastructures, including San Francisco, Santa Monica, San Jose and others. Other municipalities in the United States are looking at this aggressively and actively. These infrastructures will move forward rapidly in the future. About a dozen manufacturers produce these charging systems. The cost per system, for a stand-alone unit that looks like a parking meter, would range between \$5,000 and \$10,000; it could go up to \$12,000.

Senate Bill 327 will allow Nevada to achieve the possibilities of electric vehicles. Nevada will be paving the way for the future by promoting this bill. By authorizing the Public Utilities Commission of Nevada (PUCN) to adopt regulation to provide incentives for the investment of truck stop electrifications, this is a positive step for the State. This will help Nevada become a leader in

energy efficiency and show the nation what it is doing to counter air pollution, reduce greenhouse gases and reduce our dependency on foreign oil.

SENATOR CARLTON:

In proposed amendment 3555, [Exhibit D](#), under section 8, it states: "'Electric personal assistive mobility device' means a self-balancing, two nontandem-wheeled device, designed to transport only one person." That means a Segway and I am an owner of a Segway. It will not be considered a vehicle, which is great because it is classified as a pedestrian, but is this a way to exclude certain provisions? Should I talk to the Legal Division or can I be involved in this bill?

CHAIR SCHNEIDER:

You can be involved with Segways excluded from this bill.

KENT L. COOPER (Assistant Director, Engineering, Director's Office, Nevada Department of Transportation):

Nevada is a good opportunity for electric-vehicle technology. We know the travel-length constraints right now with electric vehicles, but what most people do not realize is that Nevada has a dense pattern of development. We do not have five-acre parcels and spread-out developments over large areas. The Las Vegas Valley and the Truckee Meadows are ideal areas for this type of technology.

Truck stop electrification has been an issue prevalent in Nevada for about ten years. Both the Regional Transportation Commission of Southern Nevada and the Regional Transportation Commission in Washoe County have included truck stop electrification in their regional transportation plans and transportation improvement plans. These plans are typically under the congestion mitigation, air-quality category of federal funding, but it has never gained a lot of traction. There have been issues in the past with the federal government and the expenditure of public funds going into private facilities such as truck stops. They have overcome those issues at the national level.

This bill has huge benefits both in the Las Vegas Valley and in the Truckee Meadows for different reasons. In the past it hinged on air-quality benefits more than the current discussions on energy usage. In both the Truckee Meadows and the Las Vegas Valley though, particulate matter is a huge issue and this is the opportunity to reduce a lot of pollutants. In northern

Nevada they run their cab units more for heat; in southern Nevada they run them primarily for air-conditioning. Both the metropolitan planning organizations in northern and southern Nevada are on board with this. I spoke with Andy Goodrich with the Washoe County Health Department, Air Quality Management Division, and they are a proponent of this bill also. This is a good idea and something we can support.

SENATOR CARLTON:

The demonstration program discussed in section 20 in proposed amendment 3555, [Exhibit D](#), page 5, lines 14 through 28, lists the limitations of the total of various vehicles. Could someone walk through the process and explain how the program will be done and what it will accomplish?

SCOTT YOUNG (Committee Policy Analyst):

This demonstration program is essentially modeled on the solar photovoltaic program we have adopted in the State. You set up program years and you allow so many units, in this case cars, to be given out in each of the four categories. In the first year of the program there would be rebates for 100 vehicles for each of the following categories: private citizens, schools, businesses and public entities. In the second year of the program, the number increases to 125 vehicles in each category. In the third year, it would increase to 150 vehicles. Under the bill, the actual amounts would be determined by the PUCN because a number of factors need to be taken into consideration. One such factor could be existing rebates through federal programs. You want to make sure to get the right total overall incentive package to encourage people to purchase these vehicles.

The design of the program, if it is effective, allows the Legislature in the future to consider making it a permanent, ongoing program like we have done with the solar program. The Legislature could also determine, though, that three years is enough time because enough of the vehicles would be on the road and they no longer need incentives. It works much like the original design of the solar photovoltaic program. The amount of the rebate under the bill—and Mr. Nichols can correct me—would eventually be determined by the PUCN because they have the expertise to determine all the factors that would go into this. That was the way we did the original solar program as well. We did not specify a per-watt amount; we left it up to the PUCN.

SENATOR CEGAVSKE:

Looking at section 19 on page 4 of proposed amendment 3555, [Exhibit D](#), I have a concern because it states, "Each utility shall carry out and administer the Demonstration Program. . ." Then looking at the second part, they go to the rate users to collect the money to offset their costs. Is this a mandate?

MR. YOUNG:

I am not sure it would be a mandate. The utilities are required to present a plan to the PUCN, which the PUCN can then approve or modify. If the plan is approved by the PUCN, to the extent that the utilities provide rebates, exactly in the same manner we currently do with our solar, wind and hydro, the utility is allowed to charge back the cost of the program across all ratepayers.

SENATOR CEGAVSKE:

If I am reading this right, it says, "Each utility shall carry out and administer a Demonstration Program within its service area in accordance with its annual plan. . ." We are telling them they have to do the demonstration program, include it in their plan that goes to the PUCN, and then the PUCN says, "Yeah, the utility may recover its reasonable and prudent costs, including without limitation, customer incentives." I have concerns with the entirety of section 19.

MR. YOUNG:

Subsection 1 under section 19 of proposed amendment 3555, [Exhibit D](#), does require the utilities to do this. In that respect, it is a mandate since it is a requirement. The language in subsection 2 of section 19, where it says, "A utility may recover. . ." to my knowledge, as long as the plan is accepted and deemed to be prudent by the PUCN, then the utility is entitled to recover those costs. It is not permissive. If they do everything they are required to do, they are entitled legally to recapture those costs as determined by the PUCN.

SENATOR CEGAVSKE:

That is the way I understood it. My concern is that we are mandating it, and then the ratepayers have to pay for it.

PAUL J. ENOS (CEO, Nevada Motor Transport Association)

We currently have one electrified truck stop located in southern Nevada. It is a petrol stop off Interstate 15 at exit 54. I have provided you with some pictures of these truck stops ([Exhibit G](#)). There is a small canopy with air-conditioning

units, power units and then yellow tubes coming down into the windows of the trucks. Page 3 of the handout shows what it looks like on the inside to the truck driver. This system provides air-conditioning, heat, Internet access, power, cable television and telephone. The screen in the middle can be used to watch movies or surf the Internet. They have safety training for the drivers that can be broadcast on these units as well. At the top of the unit is a card reader so you can slide a credit card or membership card to watch movies.

These systems are already in existence. IdleAire did file for bankruptcy, it was one of the companies connected to Bear Stearns & Co. and went down with that debacle last May, but they still service their existing customers. This is a model that works, with private entities out there helping.

Besides IdleAire, trucking companies are also participating in programs like the federal Environmental Protection Agency's (EPA) SmartWay Program to reduce emissions. SmartWay is a voluntary program allowing trucking companies to partner with the EPA to modify their trucks to save fuel and emissions. This program saves money in fuel costs and keeps the environment clean with fewer emissions. Sometimes these are fairly easy modifications. One example is the aerodynamics on the trucks. The top or side fairings save a certain amount of fuel and emissions a year. Companies are also moving to a single tire, about the same size of the dual tires. Since there is no space between the two tires, there is not as much drag and friction when the truck is moving. This helps save fuel. There are also high-efficiency auxiliary-power units that operate the air-conditioning and other things to keep the driver comfortable while they are in the truck.

We have a lot of truck-idling limits. In our State, it is 15 minutes. Our guys do not like to idle. Idling is an unproductive use of fuel. When fuel was at \$4 or \$5 a gallon, a lot of our people looked at putting these measures into place in their fleets to ensure they were not idling and using fuel. The trucking industry has been committed to having cleaner trucks. They have had to be. Looking at the regulations being passed in California, or from the EPA in the last 20 years, they have substantially reduced particulate matter, nitrogen-oxide emissions and sulfur levels from all diesel fuels. By 2020, the trucking industry is anticipating a reduction of 70 percent in their nitrogen-oxide emissions. These are substantial gains for the environment that the trucking industry has achieved. We see the electrification of truck stops as another way to help and endorse it.

CHAIR SCHNEIDER:

It was not IdleAire's operating performance that made them bankrupt. They were too close to Wall Street and Bear Stearns.

MR. ENOS:

That is correct, although any company related to the trucking industry is hurting right now. Hopefully, the trucking industry starts to thrive again and companies like IdleAire and other ancillary companies pick back up.

JAN COHEN (General Counsel, Public Utilities Commission of Nevada):

The PUCN supports the concepts in S.B. 327. We are here today to provide information and clarify the bill's intent. Should the PUCN promulgate regulations, we want to know exactly what is meant by the bill's language.

First, we are concerned with the portfolio energy credits, the incentives for renewables contained in this bill. Presently, when a renewable-energy system applies, the PUCN sends an engineer to inspect the system. That includes the size, type, interconnection with utilities and other matters. Once the inspection is done, the engineer compiles an analysis of the output of the plant, and an economist and administrative assistant put together a file on the generating facility. The economist checks the monthly output reported by the generator against the data the PUCN has gathered and then the portfolio energy credit administrator issues the credits. Then reports are submitted annually by the entity. This system would need to be modified considerably for vehicles and the administration of the program.

ANNE-MARIE CUNEO (Manager, Resource and Market Analysis Division, Public Utilities Commission of Nevada):

We have questions regarding section 1, subsection 1, paragraph (b), subparagraph (2) in proposed amendment 3555, [Exhibit D](#). This paragraph states, "Provide more than the number of kilowatt-hours deemed to have been generated from a solar photovoltaic energy system. . ." This would allow the PUCN to give enhanced multipliers to solar photovoltaic systems used for electric vehicle plug-in systems. Currently, solar photovoltaic receives two sets of multipliers. There is a 2.4 multiplier in the statute, and they also receive a 0.05 multiplier if they are distributed; meaning if they are located within a load center. Is this multiplier in addition to the 2.4 and 0.05 multiplier? Would this be a third multiplier added onto the solar photovoltaic systems?

MR. YOUNG:

As I understood it, that is the idea. This would give an even greater incentive for the utility to encourage the use of solar units on these truck stop facilities. It would be up to the PUCN to determine an appropriate amount. It would be in addition to what you just mentioned.

MRS. CUNEO:

Regarding the metering of these plug-in vehicles, do they have separate meters for their usage? In section 1, subsection 1, paragraph (b), subparagraph (2) in proposed amendment 3555, [Exhibit D](#), it states, “. . . On an annual basis, 50 percent or more of the energy generated by the solar photovoltaic system is used by the electrification project.” How should the PUCN measure that?

MR. YOUNG:

The intent of that provision is to measure the amount, coming from something like solar panels, that goes into the charging system. I, like you, do not know that much about the metering, but presumably you would be able to determine, of all the power passing to that meter, how much of it came from a renewable portion and how much came from the standard utility connection. The intent is to look at the entire installation at a truck stop, not on a truck-bay by truck-bay basis. If the entire system meets the requirement of 50 percent of the power flowing through the unit is generated by the renewable system, it would then be eligible for some type of enhanced incentive.

MRS. CUNEO:

Would these electrification projects be separately metered? Would there be some way of knowing what output is going to the trucks even en masse?

MR. YOUNG:

Yes, but I suspect part of the bill is aimed at getting those who work in the industries familiar with those kinds of issues.

MRS. CUNEO:

The last question is about section 2 in proposed amendment 3555, [Exhibit D](#), which creates the Electric Vehicle Demonstration Program. There is a disconnect between section 1, subsection 1, paragraph (a), which provides an enhanced rate of return to the utility for investment, and the creation of a demonstration project. The PUCN funds these two things differently.

A demonstration project is put through a separate charge on the bill; there is no utility investment with which to provide an enhanced rate of return.

SENATOR TOWNSEND:

The concepts and general direction in S.B. 327 are fabulous. As we look at this, it is important to understand the load factor. We need to know the load factor in the north and south soon so we know the most expeditious time and how it relates to our current base-load needs. We would like people plugging in. The trucking industry would plug in whenever because they are on a 24-hour schedule. In the case of the average Nevadan though, we want to know when is the best time to plug in. If there is going to be an additional load on our base, the utility needs to know so they can plan for it.

The second thing is the wind and solar photovoltaic issues in section 1, subsection 1, paragraph (b), subparagraph (1) and subparagraph (2) of proposed amendment 3555, [Exhibit D](#). We will need insight from the company on what the backup requirements are since they are peak-load issues as opposed to base-load issues. Mrs. Cuneo's question about how to give the credit will be a function of that. If the wind is not blowing that day, do they get a credit? If the sun is not out that day, do they get a credit? These are not complaints about the bill, just issues we need to figure out. Effectively, if neither one of those were working, then the utility needs to provide the electricity for these truck stops. They have to have them there. You do not want to pull them in and say, "Well, I can only pull in when the wind is blowing or the sun is shining." We have to address our peak-load and base-load issues. The ability to use it in your portfolio credit and have it enhanced is very important.

What Chair Schneider has done in section 17, where it describes the demonstration-program categories, is good. Before we tie this section to section 20 on page 5 though, we should look at what is available for these groups to purchase. While this bill does not mandate a certain number of these vehicles be purchased, which is good, we need to know what vehicles are out there and available. We then need to incentivize these vehicles' purchases; although we would like the federal government doing that. A way to create that incentive is to say, for all government vehicles, schools and municipalities in the State, unless it interferes with the health and safety of the individuals driving the government vehicle, a new vehicle cannot be bought until a hybrid or all-electric vehicle is available. In essence, a market has then been created by the State. We need to wear out what we have now and buy the next available

technology, not buy vehicles now when two years from now all-electric vehicles and better hybrids are available. That would be a waste of taxpayer money. As the Chair stated, 92 percent of government-owned flex-fuel vehicles are running on normal gasoline. We need to get away from that.

It is good we are mimicking our current demonstration projects because we do not want to be inconsistent in how we do these projects. The way I read S.B. 327, Mr. Young is accurate. The factor would be in addition to what is already out there. I am uncertain about some of the technology involved in the trucking thing, but I support it and hope we can make it work.

The last comment I would make for the PUCN, after they have worked with us on both components in the bill, is that we need a time certain when a hearing will be held and the regulations will be done. It is infuriating to Legislators when we ask for a regulation to be done for purposes of flexibility and we come back two years later and the industry says there has never been a regulation. We are not asking for specific dates, but we want to know if it will be three months or six months. We do not want to be here in two years wondering where the regulations are.

CHAIR SCHNEIDER:

The purpose of the bill is to help the utilities learn and manage the issues as we go through this process. In San Diego, they are doing the same thing; the company there is getting involved here. The article I brought forward, [Exhibit E](#), shows they are going to learn how to manage all this and learn the habits of the people as they go forward. These are small projects compared to what is on the grid now. They should not affect the grid at all, they are baby-step projects. The grid will not be affected for the first couple of years. The PUCN will work with the company and the Legislature so everyone can learn how the habits of the people are changing. Many of the issues Senator Townsend raised will be figured out in PUCN hearings as they move forward on this issue and handle these important details.

RAY BACON (Nevada Manufacturers Association):

Under section 1, subsection 1, paragraph (b) of proposed amendment 3555, [Exhibit D](#), I recommend adding a third subparagraph which would include waste-heat generation. Since cooling towers tend to be located in parking lots around casino properties, if they use waste-heat generation, you can address the peak-load issue because the hotter the weather, the more heat you have

coming off those cooling towers. It is all available for waste-heat generation and adds no pollution. This type of generation does not need any factor either, because it will pay for itself. The power generated is about 0.5 cent per kWh. It should be included as an option for the PUCN to address.

CHARLES BENJAMIN (Director, Nevada Office, Western Resource Advocates):
We began importing oil in the 1950s and shortly thereafter we overthrew the government of Iran because of oil. This latest intervention in Iraq, people think is because Saddam Hussein was a despot, but they do not understand U.S. foreign policy. We are unfortunately entangled in the Middle East because of oil. For the sake of our children and grandchildren, we have to untangle ourselves so we avoid another trillion-dollar intervention.

From a state perspective, no state is as vulnerable to an interruption in oil supply as Nevada. Nevada's economy is almost entirely dependent on tourism. With spikes in the price of oil, tourism begins to decline because people have to get here through airplanes and cars. We have to begin to change that from the State's perspective. This wedding of renewable energy to electric vehicles is the way to go. What better place to do that than in Nevada?

A third issue addressed with S.B. 327 is air pollution. Many of you live in Las Vegas and Reno. You see the haze that covers these cities. Asthma is an epidemic among our children because the burning of fossil fuels leaves residues in the air. We have to do something to reverse this public health disaster costing us billions of dollars every year.

There is concern about putting this cost on the ratepayer. I would get back to the other costs. Yes, it will cost the ratepayer if this is successful, but we have to start somewhere. The states are traditionally incubators for the federal government. If this State is successful with a demonstration project, then we not only show Nevada, but the entire nation, a different way to go. This could change the direction of our foreign, domestic, health and environmental policies.

SENATOR TOWNSEND:

The less oil we use the more the price of it drops and the less dollars we send out of the United States. This helps us reduce the cost of inflation and gives the dollar greater purchasing power. These programs become extremely important for Nevadans. These things do not happen in a vacuum, there are competing forces.

MR. BENJAMIN:

The issue of control is central. Right now, we are not in control of our destiny because we are so dependent on foreign oil. We must gain control of our destiny again. We are an innovative people, we can figure this out. This bill will not solve everything, but it is a way to start the process.

KYLE DAVIS (Policy Director, Nevada Conservation League):

We are in support of S.B. 327. I am glad the issue of TSE has come forward. We discussed this issue in the Governor's Climate Change Advisory Committee last interim but could not make it workable. I am glad Chair Schneider has figured out a way to make this work. We need to start creating incentives to make these things happen.

This incentive program for electric or hybrid electric cars, in concept, makes sense. We have done it with other demonstration programs where we make a system to try to create that market and demand. This is the way the country needs to go on transportation issues to move away from oil and fossil fuels.

Unlike the other demonstration programs, this program would increase the use of energy in terms of electricity, although it may displace transportation fuel. Looking at the issue of load management, since this program could require larger peak loads, although not in the beginning, we want to make sure the construction of new power plants is well managed. In the short term we are transferring to cars that use less gasoline because they are hybrids, but in the future we will have cars that can better use renewable-energy resources. It is a good thing to marry the increased use of renewable energy to these programs. The concepts are good in this bill and it is the right way to change our mindset on transportation in this country.

JUDY STOKEY (NV Energy):

We are neutral on S.B. 327. One concern we have is when the vehicles would be charged. We have been working with the PUCN on a time-of-use rate for charging the vehicles so it would occur during nonpeak hours. We have had numerous successful demonstration programs run with the help of the Legislature and the PUCN. I also want to make sure everyone realizes that somebody does have to pay for those incentives.

CHAIR SCHNEIDER:

Mr. Enos said the heat generated by the semitrucks' exhausts and radiators can be used to generate electricity.

MR. ENOS:

We took a tour last week through ElectraTherm. They take waste heat, usually in the manufacturing process or at power plants, and put it into an energy generator. They are now trying to apply this concept to trucks. They are working with PACCAR, the company that makes Peterbilt trucks. They are designing a system that takes waste heat generated from the engine and use it not to create electricity, but to generate more power so the engine works less and therefore burns less fuel.

CHAIR SCHNEIDER:

So if you have an engine with 500 horsepower, pulling the heat off and reusing that heat means the engine would operate at 500 horsepower, but only burning the fuel of a 250-horsepower engine?

MR. ENOS:

Yes, that is the concept. This industry is very innovative in trying to save fuel and adopt fuel-saving measures for fleets. We are committed to creating a cleaner environment and sustaining ourselves. When I toured the Peterbilt factory, I was told the trucks will get to a point where the air coming out of the stacks will be cleaner than the ambient air in our most polluted cities like Los Angeles. We encourage our members to adopt these types of practices.

CHAIR SCHNEIDER:

It is amazing what industry can do when it is presented with a problem. We will open the hearing on S.B. 356.

SENATE BILL 356: Provides for the imposition of an additional administrative assessment against motorists who commit certain traffic offenses. (BDR 43-363)

SENATOR NOLAN:

Senate Bill 356 is from the Legislative Commission's Transportation Issues interim study on highway funding. It was promulgated by the Legislative Commission last year and requested by Senator Dina Titus. We looked at how we could fund our highways and reduce congestion. Following a series of

4 meetings, there were about 12 different recommendations. The bill is an effort to do two things. One, we realize we do not have enough revenue to meet our needs in the next decade for funding additional highway capacity and even funding some basic road maintenance programs. We are about \$4 billion upside down without a good plan. This was one recommendation that came as a unanimous vote. This bill is an attempt to reduce the number of vehicle accidents which contribute greatly to congestion.

Those who travel in Las Vegas know the city has a large number of vehicular accidents in congestion. It is hard for me, in a commute, to drive five miles and not pass an accident going and coming. On a daily basis I see people run red lights and drive through vacant construction zones to bypass traffic. I have seen vehicles drive two blocks down the meridian on West Flamingo Road to avoid traffic. It is amazing the attitude of drivers. The problem promulgates when some individuals see other individuals driving that way. These are anecdotal observations, but anyone who drives there on a daily basis would have the same observations.

This bill is an effort to assess a \$100 administrative fee on individuals who are the primal cause of motor-vehicle accidents. This means in causing that accident they were also convicted of either driving aggressively, recklessly, speeding or on a suspended license. Their actions were a contributing factor in the cause of the accident. We are essentially saying, "You're causing accidents, you're using the resources of the community and for that, we are giving you a \$100 assessment."

The assessment would go to the Highway Fund, which is a diversion of the way assessments are usually done. There is some opposition to this. I have spoken to the courts and they do not like assessments and I understand why. From a policy and fiscal perspective, if the Committee wishes to adopt something like this, or wait until we get down to the end of Session and we are still whittling away the \$2-billion deficit, we could have the lawbreakers help us.

TOM ROBERTS (Lieutenant, Las Vegas Metropolitan Police Department):
We signed in as neutral on S.B. 356. We did so because we do not take enforcement action based on revenue. We take it for public safety and to curb driving behavior. We try not to get involved in court assessments. We investigated 28,004 accidents in our jurisdiction in 2008. This number does not include Henderson or North Las Vegas. Traffic safety is important to the

Las Vegas Metropolitan Police Department and we would not be opposed to any of the fees going back into Nevada Department of Transportation (NDOT) and programs that improve driver safety. Driver safety is one of the top goals in our agency. We put a lot of manpower and resources into reducing traffic accidents and fatalities. We have a partnership with NDOT and the Regional Transportation Commission of Southern Nevada where we look at this. If more money could be put into that, we would not be opposed.

SENATOR CARLTON:

Every time there is an accident, is one or two tickets given out?

LT. ROBERTS:

Generally some type of enforcement action will be taken at an accident. Multiple people could be at fault. At a minimum, there will be at least one citation issued.

SENATOR CARLTON:

On the enforcement part of this, with the amnesty we saw take place in the City of Las Vegas, can you tell me if the assessment would be included in the amnesty program? Would the assessment be something that would be removed? What is the current practice?

LT. ROBERTS:

The amnesty program was designed to quash any warrant fees, filing fees and late fees. The intent was to pay the original fine and any assessments normally associated with that citation. The purpose is to not have people looking over their shoulder and have an outstanding warrant. It is trying to help them out and get the fee paid. They do not cut into any other court assessments or fines.

SENATOR CARLTON:

People probably did not pay because of the expense of the ticket, but then realize when they do not pay it, it doubles and triples in price. They end up thinking the original price was not too bad.

JOHN MCCORMICK (Rural Courts Coordinator, Administrative Office of the Courts, Nevada Supreme Court):

I am here today on behalf of the entire Judicial Branch to express our opposition to the imposition of any new administrative assessment fee. We have several concerns with S.B. 356. This includes a concern about the constitutionality of

this proposed administrative assessment based on existing case law. We have concerns regarding separation-of-powers issues in terms of the Judicial Branch of government collecting money for an executive function. We have a concern about the use of court- and county-staff resources in capacity, and the cost to collect and transmit these administrative assessments. There is a concern regarding equal protection in terms of a subset of the population paying for a good that is enjoyed by the entire driving population. In the current statutory framework, administrative assessments must be collected before any fine is collected, and currently a fine, if it is written under State statute, actually goes to help support the Distributive School Account. If you are adding another \$100 before you start collecting that fine, you may be taking away from that fund. Then, if fines in a county are written into county code, it goes to support county activities. Imposing an administrative assessment, which must be collected for the fine, does have the potential to push that out farther.

The Las Vegas amnesty program waives the warrants and late fees. Administrative assessments, pursuant to statute, must be collected. If you received a \$49 ticket, they collect another \$42 in administrative assessments for \$91 total. So that would be what was collected during the amnesty. They just would not collect the additional fees and late fees that compound upon that ticket. I do not know the exact number, but a significant amount of revenue has been collected.

SENATOR NOLAN:

This bill was requested of staff to be drafted this way on behalf of the Legislative Counsel Bureau. The courts are opposed to assessing some type of additional penalty for people who are the primal cause of accidents, and they are not necessarily in opposition to the assessment going to the Highway Fund. They just do not want an administrative assessment. Is that correct?

MR. MCCORMICK:

I am here to oppose the administrative assessment. If it was a question of a fine or whatever other policy mechanism this Legislature wanted to use, then the court would reassess that and probably be neutral because it would be a question of policy, not a question of an administrative assessment, which directly affects the business and the operation of the court.

SENATOR NOLAN:

It was the intent of the interim study to impose an additional penalty on people who are the primal cause of accidents. At some time we discussed accidents with injuries.

MR. MCCORMICK:

If it becomes a policy question that is not the point of the Judicial Branch because it would not directly affect operation. Section 1 would impose the administrative assessment not just on people causing wrecks, but on anyone ticketed for aggressive driving, reckless driving, driving on a canceled, revoked or suspended license or driving under the influence. There is not causality between the offense and the wreck.

SENATOR TOWNSEND:

Did we pick \$100 for a particular reason?

SENATOR NOLAN:

We had discussed different amounts of fines; \$250 and \$100. The interim study recommended it be related to traffic accidents because they cause congestion and tie up resources like emergency services. We settled on \$100.

CHAIR SCHNEIDER:

We will close the hearing on S.B. 356 and open the hearing on S.B. 360. This is a bill we introduced for James B. Gibson. He has submitted an amendment for this bill ([Exhibit H](#)).

SENATE BILL 360: Revises provisions governing the sale and title of salvaged vehicles. (BDR 43-1244)

JAMES B. GIBSON (Insurance Auto Auctions):

I am here today representing Insurance Auto Auctions and not in my capacity as mayor. In this difficult time, this proposal would allow the public to purchase salvaged vehicles that can be repaired and returned to service on roadways of the State. Currently, this type of vehicle finds its way into the hands of the public in any case. What happens currently is that vehicles are purchased by those authorized under the law: automobile wreckers, dealers and rebuilders. Along the stream of commerce, the public can purchase these vehicles, effectively paying a middleman \$1,000 or \$1,500 for the vehicle. This is the right time to follow the example set by 36 states across the country by opening

the sale or auction to individuals and the public so they might bid and avoid the payment to the middleman. The transaction would be a taxable sale and the salvage pool would be required to impose, collect and remit sales taxes to the State.

In this legislation, we have imposed upon the public the obligation to apply for and secure an identification or bidder card. We have imposed upon the salvage pool the obligation to keep records of sales to the public who purchase under the authority given to them by their identification or bidder card. The requirements of NRS 487.520 and NRS 487.795 would apply fully to the transactions authorized in this legislation. Nevada Revised Statute 487.520 requires all repairs, and the equipment used in the repair, to comply with industry standards and federal requirements pertaining to seat-belt and air-bag replacement. Nevada Revised Statute 487.795 describes the preconditions to registering a repaired vehicle. This section requires an inspection of the vehicle be conducted by a registered garageman or licensed body shop to determine that the components installed on a repaired vehicle are properly installed, function properly and operate safely in accordance with standards of the manufacturer. As I stated, 36 states have previously adopted similar measures. We could not identify any additional risk of fraud or safety violation in any of the states linked to the adoption of this legislation.

I sent a memo to the Committee this morning, [Exhibit H](#). The note on the memo came as a result of conversations with Troy Dillard from the DMV. There is a reference in section 1 of S.B. 360 to section 2 and it is found on page 4, line 8 of the bill. It would remove the words, "and section 2 of this act." The second item is to add a provision requiring the salvage pool to keep track of sales of the salvage vehicles to the public and report purchases by any purchaser from the general public who purchases two or more such vehicles. The third proposal would make appropriate changes to NRS 487.520 to extend to the general public the requirement to repair the vehicle to industry standards and to comply with federal law as the requirement applies to garageman and body shop operators. When I reviewed NRS 487.520, that provision specifies garageman and body shop operators. We are not removing that provision, we would simply add a provision or maybe even remove the limitation to garageman and body shop operators and make the provision apply to anyone who deals with these vehicles. The fourth item is because we are not able to influence the regulatory scheme in foreign countries, and because buyers from Mexico purchase up to 30 percent of the vehicles at pools and various locations across

the country, the term public would include only U.S. citizens or other legal residents with appropriate residency documentation. For the last item, we would suggest the legislation further authorize the DMV to promulgate rules and regulations to accommodate the implementation of the provisions of the bill.

SENATOR CARLTON:

My question is for item 4, [Exhibit H](#). Who added the definition of public?

MR. GIBSON:

This was a result of discussions with the DMV. It was not something they insisted upon, but a concern arose about vehicles sold to nonresident merchants who come across the border legally, as opposed to people who come across the border and are not capable of presenting a merchant card. Currently, the merchant card is presented along with a driver's license to the DMV or to the pool. The buyer, in this case the Mexican buyer, is then authorized to purchase. We do not want a situation where the public means anybody, so someone from a foreign country could come in and claim the right to purchase the vehicle when he would not be subject to the same kinds of restraints and limitations required in the United States when it comes to repairing these vehicles and placing them on the roadway. I hand wrote that on the memo, [Exhibit H](#), and have not had an opportunity to think about other legal issues that might arise as a result of the inclusion of that language. I wanted to alert you though that this is an appropriate legal thing we could do.

Others buy what are called "coyote cars." These are vehicles taken into Mexico by people who are not authorized, who do not hold merchant cards. We do not want a situation where the public, say in Mexico, think they can just come over to buy these vehicles and then remove them. We need to do what we can, if it is legal to do so, to limit the vehicles to the people who are given, by their country, the merchant cards which are in possession of the merchant buyers who attend these pools all across the country.

SENATOR CARLTON:

Would the term, "the public" also include the citizens of the State? Reading the general term, "the public" would it not be the citizens of this State, California, Utah and Oregon also? It is not just the foreign nationals, it is the public.

MR. GIBSON:

The language I indicated would include only U.S. citizens and other legal residents; legal-resident aliens with proper documentation.

ROBERT ELLIS (Insurance Auto Auctions):

We have some documentation that we handed out that could be helpful ([Exhibit I](#)). I understand there is some opposition out there. There are 44 licensed wreckers in the State. At the present time, there are only eight wrecking yards that bid at Insurance Auto Auctions in Las Vegas. There are 12 rebuilders licensed in the State and none of them presently bid at the salvage pool.

MICHAEL GEESER (AAA, Nevada):

Senate Bill 360 makes sense to us. On page 8, line 39, it states, "A person who has been issued an identifying card described in section 2 of this act shall not bid on a nonrepairable vehicle." That is the golden language in this bill. A nonrepairable car will not be on our roads. With this language, this bill will be good because it will not allow cars on the roads that could cause accidents.

ROBERT COMPAN (Farmers Insurance):

We are in support on S.B. 360. Under NRS 487, there are strict definitions on flood vehicles, nonrepairable vehicles, rebuilt vehicles, salvaged vehicles and total-loss vehicles. Total-loss vehicles are the most important. Statutory language defines when these can or cannot be bid on. After reviewing the language, Farmers Insurance is sure any vehicles purchased through this program by the public will be safe for Nevada's highways.

LISA FOSTER (Allstate Insurance):

Allstate is in support of S.B. 360.

TROY DILLARD (Chief, Compliance Enforcement, Department of Motor Vehicles):

The DMV has a neutral position on this bill. We want to bring forward a concern we have with section 2 of the bill. This section effectively allows the public to purchase salvaged vehicles directly from the salvage pool. Our concern is that that does open up the ability for people to be purchasing vehicles who would be acting as rebuilders or dealers getting around the proper licensing. Therefore, the request that is contained within the proposed amendatory language submitted by Mr. Gibson, specifically number 5, [Exhibit H](#), to provide the Department with specific authority to adopt rules and regulations, is what we

request be put in place as a safeguard for that particular purpose. In addition, I would recommend striking item 2 in the proposed amendment because that section we would include within regulatory practices to better specify what people would be subject to reporting with regard to the purchases of the vehicles.

SENATOR CEGAVSKE:

You want section 2 language removed from the entire bill?

MR. DILLARD:

No. Item 2 in the proposed amendment, the provisions of NRS 487, requires salvage pools to keep track of sales of salvaged vehicles and report the purchases of two or more vehicles to the Department. We would like to include that within regulation instead of statute.

SENATOR LEE:

What is the Motor Vehicle Fund and what does it do?

MR. DILLARD:

This is not entirely my area of expertise, but it is a sub-fund of the Highway Fund. Monies coming into DMV go into the Motor Vehicle Fund and that is where the allocation is taken. Remaining monies revert to the Highway Fund at the end of the fiscal year.

SENATOR CARLTON:

Did item 4 in the proposed amendment, [Exhibit H](#), actually come from the DMV?

MR. DILLARD:

No, that did not come specifically from the DMV. Mr. Gibson phoned me this morning and asked about that particular section. My suggestion was for him to bring that forward to the Committee today, as opposed to in the future at a work session.

SENATOR CARLTON:

With this language, we would be asking a private business to be verifying government documents: either the social security number, tax identification number or whatever else. We have heard from businesses in the past, in the Senate Committee on Commerce and Labor, how difficult that can be. Not all documents are authentic, but they can look really good. What would be the

repercussion to the business be if they did business with someone who presented false documents? I do not want to put them in a catch-22.

MR. DILLARD:

They have to obtain a bidder card. Those bidder cards are obtained from the DMV or from one of the businesses the DMV licenses which typically are the pools. The pools have authority to issue those cards on behalf of the DMV. Nothing specifically addresses in statute if they make an error or do it erroneously. We would cancel their authority to issue those cards in the future, but there is nothing specific to repercussion. One option is to cancel the pool's ability to issue the bidder cards and have it specifically done by the DMV, which we already do as part of our business practice. There are some options to that. This item was a last-minute edition, a thought, and there may be an avenue for further exploring the impacts.

SENATOR CARLTON:

I do not want to see businesses put themselves in a position of losing the opportunity to do bidder cards. These documents can be very good; they could get false documents and not know they are false.

DICK MILLS (Reno Auto Wrecking):

With the addition of the new language, [Exhibit H](#), that the DMV will have the opportunity to write regulations, I can switch my position to neutral. My main opposition to this was as an auto wrecker, I need to be fingerprinted and everyone needs to know who I am in order to bid. With this bill, there is none of that. I hope the DMV has the ability to find out who these people are and what they are doing. The second issue, addressed again in the new language, is people buying these cars and selling them. They are either going to sell them or buy them and sell parts, the latter of which is a violation of NRS 487.

As far as obtaining the card, it is easier and less expensive for private individuals to obtain the card than it is for me. I would probably just go as a private citizen and obtain my car this way. I know the DMV will write the regulations now though, so it will be solved there, which makes the bill better.

CHAIR SCHNEIDER:

You are comfortable as long as the DMV is regulating and overseeing this program?

MR. MILLS:

The DMV does a good job with that.

CHAIR SCHNEIDER:

We will remind them we might need to keep the fees for cards more equal.

MARK FITZGIBBONS (LKQ Corporation):

I oppose S.B. 360. There are several areas of concern for public safety. One concern is the inspection of the vehicles. It was stated earlier they wanted to open it to the public; the public being anybody in the United States. I do not know how Nevada can inspect a repaired vehicle, if that vehicle is taken outside of the State. The health and safety of the general public stands at risk. If S.B. 360 would pass, we would see total-loss vehicles being purchased by anyone who feels they can repair a wrecked car without the proper tools and training to do it. This would be a mistake. Once done, this vehicle will then be resold to the public. They will be not properly fixed in many instances and not inspected properly. It will not be safe on our highways.

Without licensed businesses extracting the fluids and dealing with them properly, our environment could also be at risk. Freon can be released into our atmosphere, oils from the engines, transmission, rear axles and braking system can and will be illegally dumped or poured into our sewers. Front yards in our neighborhoods will be full of half-parted-out hulks. Unlicensed individuals will be selling these parts to anyone who comes knocking at the front door. Sales tax will not be collected. There is nothing to say the people buying these vehicles for repairs cannot also buy total-loss vehicles to repair the wrecks. It has been proven that total-loss vehicles are sometimes purchased for the vehicle identification numbers (VINs). These VINs are then taken off the total-loss vehicles, placed onto stolen cars and sold to the public. It has also been proven that people have purchased total-loss vehicles to launder money such as drug money from Mexico.

The reason salvage pools want to open up these auctions to the public is so they can drive their returns and at some point their biggest customers, the insurance companies, would like to have better returns on these cars as well. With the economic crush in 2008, the collision-repair industry in Nevada was set back on its heels. Year-over-year growth was running at a negative 30 to 35 percent. The biggest reason for this was those who were insured could not afford their deductibles. If the vehicle was drivable, the person would take the

money from the insurance company and use it towards catching up on their mortgage, rent, groceries and many other important necessities. Business for 2009 has not been any better for the industry. If S.B. 360 passes, salvage returns will go up and the total-loss threshold will come down, thus causing more insurance vehicles to be totaled and taking even more business from the collision-repair industry. These companies are already holding on by a thread. It was only brought to my attention this bill was introduced on Tuesday and the hearing was coming up on Thursday. It was hard for me to rally the troops and get more opposition. This bill needs a serious and hard look. Please vote no.

CHAIR SCHNEIDER:

What is the LKQ Corporation and where are you from?

MR. FITZGIBBONS:

The LKQ Corporation is a publicly traded company that does business in the United States and Canada. We sell alternative parts to collision-repair industries as well as mechanical-repair companies in the United States.

CHAIR SCHNEIDER:

Would you be buying some of these vehicles yourself and dismantling them?

MR. FITZGIBBONS:

Yes, we currently purchase vehicles through the salvage pools. Salvage pools are where insurance companies take their total-loss vehicles. That is where we go to get the product, procure it and bring it back to our facilities. We then dismantle it, take care of all the fluids properly, and then resell the parts.

SENATOR TOWNSEND:

Is there a problem out there we are trying to solve?

MR. GIBSON:

People effectively buy these cars from middlemen every day. What we do not know is who they are. The sales are all casual. They essentially pay a middleman's fee of \$1,000 to \$1,500 apiece. This gives us an opportunity to better track what is happening to those vehicles that end up in the public's hands. We could register these people and keep track of the records that show the vehicles have been sold to them.

The suggested provision, that would either become part of regulation or statute depending on how it is determined to handle it best, is so reports would be required of the DMV on any individual who buys two or more of these vehicles. These people cannot set up their own wrecking yards in their yards or some other place; we would keep track of people who are doing this. If they are doing things that would require licensing, we would bring them forward and they would get licensed. Because the public is also starving for its ability to have mobility in the current environment, if we remove the middleman, who is doing something not envisioned by the current statutory framework, then the public has an interest in buying these vehicles, repairing them and returning them to service at a more affordable price. It felt like this was the right time to bring this forward.

SENATOR CARLTON:

Could you respond to Mr. Fitzgibbons' concerns on being able to purchase these cars and part them out? Is this bill intended to prohibit that?

MR. GIBSON:

The language in this bill only authorizes two vehicles to be purchased by the public. The DMV would have the discretion of requiring these people to license after that number to compete with Mr. Fitzgibbons. This is not intended to set people up so they can part out vehicles. It is highly unlikely anyone would come and buy these vehicles simply to part them out. The people operating at the salvage pool see the people who buy these cars and see that these vehicles are fixed and returned to service on the roadway. The amount of fixed vehicles is probably not enough to materially affect the business of the LKQ Corporation. The provisions of the law today do not apply to the public. If you read the current statute, folks who are licensees come into possession of these vehicles, fix them up and put them back on the roadway, are required to comply with the statute. The statute addresses them. It does not say anything about John Q. Public who comes forward, gets in his possession one of these vehicles, fixes it up, and then wants to relicense it. What we have done is address that issue while opening the sales to the public. Vehicles that have salvage titles at the time the salvage pool auction is conducted cannot be offered for sale at the auction unless there has been a branded title issued for the vehicle. Once those vehicles are sold today, they are being taken everywhere. There is nothing that prevents someone who lawfully purchased these vehicles from taking the vehicle to California or another state. In that event, that individual must comply with whatever the statutes in that state

require before such a vehicle can be returned to the roadway. There is nothing in this bill that changes any of that.

The testimony about theft and fraud and the rest of it is happening today in an environment where there is no way to keep track of who is getting these cars except for those who are licensees. Those folks who are improperly turning around and collecting a fee and selling these vehicles to private individuals are doing a sale that is not being reported. There is no sales tax being paid on that transaction, and we have no way of keeping track of what is happening out there. This gives us an opportunity to learn more about it and to do more in the way of appropriate regulation to try to prevent that sort of thing.

When you look at what is required in order to rebuild a vehicle, if that vehicle is five years old or newer, there is a very detailed set of requirements that must be met including preauthorization to rebuild that vehicle. Anything that is being rebuilt that is five years old or newer, before the rebuilding can be done, must be presented to the DMV. There is a requirement for inspection of parts, and then there is the subsequent inspection that has to be conducted by a licensee, garageman and body shop operator, who must then certify all of the parts and work will result in a safe operating vehicle. The issue relative to safety is not compromised in the slightest degree.

Senate Committee on Energy, Infrastructure and Transportation
March 26, 2009
Page 32

CHAIR SCHNEIDER:

This just basically helps the DMV and the industry control these cars more. It seems like a positive step. With there being no more business before the Committee, I will adjourn the Senate Committee on Energy, Infrastructure and Transportation at 10:30 a.m.

RESPECTFULLY SUBMITTED:

Josh Martinmaas,
Committee Secretary

APPROVED BY:

Senator Michael A. Schneider, Chair

DATE: _____