

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

**Seventy-sixth Session
April 4, 2011**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair Michael A. Schneider at 1:14 p.m. on Monday, April 4, 2011, 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 Shirley A. Breeden, Vice Chair
Senator David R. Parks
Senator Allison Copening
Senator James A. Settelmeyer
Senator Elizabeth Halseth
Senator Michael Roberson

GUEST LEGISLATORS PRESENT:

Senator Steven A. Horsford, Clark County Senatorial District No. 4
Senator James A. Settelmeyer, Capital Senatorial District

STAFF MEMBERS PRESENT:

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

OTHERS PRESENT:

Samuel P. McMullen, Nevada Self-Insurers Association
Rose McKinney-James, The Solar Alliance; Amonix, Inc.
Rachel McMahon, Director, Government Affairs, Amonix, Inc.
Judy Stokey, Executive, Government and External Affairs, Government and
Community Affairs, NV Energy

Senate Committee on Commerce, Labor and Energy
April 4, 2011
Page 2

Joe Johnson, Nevada Solar Works; Sierra Club, Toiyabe Chapter
Dan Jacobsen, Bureau of Consumer Protection (Consumer's Advocate), Office
of the Attorney General
Brooklyn Andreasen, Intern, Senator James A. Settelmeyer
Kyle Davis, Nevada Conservation League
Dan Virden, Partner, Nevada Controls LLC
Wayne Frediani, Executive Director, Nevada Franchised Auto Dealers
Association
John P. Sande, III, Jones Vargas
Rob Melvin, Vice President, United Dealerships, Las Vegas
Alfredo Alonso, Lewis and Roca; Alliance of Automobile Manufacturers
Curt Augustine, Alliance of Automobile Manufacturers
Michael Hillerby, Motorcycle Industry Council
Bill Bradley, Nevada Justice Association
Steven Wiel, Ph.D., Nevada Representative, Southwest Energy Efficiency
Project
Stacey Crowley, Acting Nevada Energy Commissioner, Nevada Renewable
Energy and Energy Efficiency Authority; Director, Office of Energy, Office
of the Governor
John Owens, Director, Customer Renewable Generation and Energy Efficiency,
NV Energy

CHAIR SCHNEIDER:

We will open the hearing on Senate Bill (S.B.) 21.

SENATE BILL 21: Revises the requirements for reopening a claim of
compensation for a permanent partial disability. (BDR 53-479)

SAMUEL P. McMULLEN (Nevada Self-Insurers Association):

We have two components to our proposed amendment ([Exhibit C](#)), which will
be worked up into a mock-up amendment for S.B. 21 that will come back to the
Committee for a full hearing. We have 11 language changes concerning
procedural and benefit clarifications, about which we have begun talking with
trial lawyers and other parties.

The other part of our proposed changes involves finalization of important
legislation that you did last year concerning catastrophic claims. It also involves
establishing best practices for such claims, including upgraded teams, longer
and better communications plans for dealing with claimants with extremely

catastrophic injuries and defining “catastrophic.” We are presenting proposed regulations developed during the interim session to complete the statutory scheme. The regulations have been processed by the Legislative Counsel Bureau (LCB), gone through hearings and been reviewed by experts at the Division of Industrial Relations, Department of Business and Industry. We would include the regulations in revisions to the *Nevada Revised Statutes* (NRS) to round out the scheme.

CHAIR SCHNEIDER:

Committee, please review Mr. McMullen’s proposal, and we will have a full hearing on the bill on April 8. We will open the hearing on S.B. 59.

[SENATE BILL 59](#): Increases the cumulative capacity of net metering systems operating within the service area of an electric utility. (BDR 58-408)

ROSE MCKINNEY-JAMES (The Solar Alliance; Amonix, Inc.):

The Solar Alliance (the Alliance) had hoped to have language developed that was germane to NV Energy’s SolarGenerations Program and the net-metering statute.

You have the Alliance’s legislative proposal ([Exhibit D](#)) with its five-point plan. Our goal is to build a strong and sustainable solar industry in Nevada. The points relate to increasing the capacity of SolarGenerations residential systems. To provide continuity, we ask that references to “program year” in NRS 701B be removed to allow for a capacity-based step-down program.

The Alliance would like to expand SolarGenerations to nonresidential customers: commercial buildings, schools and industrial properties. This would allow us to capture the substantial benefits of larger distributed generators (DG) by expanding the incentive program to include nonresidential DG programs up to the 1 megawatt (MW) limit in NRS.

The Alliance would also like to change the way we benefit customer generators by rewarding them with performance-based incentives. We provide rebates designed to step down as the solar industry increases its efficiency and cost-effectiveness. This is referred to as a “performance-based incentive,” which would decline as capacity targets are met. This is similar to procedures in the residential category. The initial payout for the incentive would be established by the Public Utilities Commission of Nevada (PUCN).

The expansion of net metering is set forth in S.B. 59. It would increase the limit from 1 percent to 5 percent of utilities' peak capacity. The Alliance's five-point plan was initially put forward through the Office of the Governor. I have had preliminary discussions with Acting Nevada Commissioner of Energy Stacey Crowley about issues in our proposed amendment. When we see the actual mock-up of our proposed amendment, we may have additional questions for LCB.

SENATOR SCHNEIDER:

We will give S.B. 59 a full hearing on April 8.

RACHEL MCMAHON (Director, Government Affairs, Amonix, Inc.):

Our proposed amendment ([Exhibit E](#)) would create additional incentives for electric utilities under Nevada's renewable-portfolio-standard (RPS) law. The RPS law requires companies to procure renewable electricity from systems that contain components manufactured in the State. Our proposal asks that a plus-1 be added to RPS credits, with the goals of incentivizing procurement of products manufactured in the State and increasing in-State manufacturing of renewable energy and associated jobs.

The proposal directs the Commission on Economic Development (CED), in consultation with the PUCN, ultimately to determine and develop the appropriate incentive percentage and associated requirements. The proposed amendment asks that that determination must increase employment. Our proposal is consistent with incentives in existing RPS law to incentivize certain types of renewable- and clean-energy systems. Each kilowatt-hour (kWh) generated by a solar photovoltaic system receives credit for 2.4 kWhs. Our proposal is consistent with incentives established in other states, including Colorado and California.

The North Las Vegas Amonix, Inc. manufacturing facility is a good example of the job-creation potential for renewable-energy manufacturing in the State. We have about 100 workers—a number expected to rise to more than 400 by the end of 2011. We are working with the CED and higher-education institutions on vocational training for unemployed workers.

CHAIR SCHNEIDER:

We will open the hearing on S.B. 488.

[SENATE BILL 488](#): Revises provisions relating to energy. (BDR 58-1274)

JUDY STOKEY (Executive, Government and External Affairs, Government and Community Affairs, NV Energy):

We support S.B. 488 for its transmission-resource-planning aspects. NV Energy believes Nevada requires a focused approach to advanced transmission development. It is important renewables are developed with orderly processes that consider the impact of transmission development on the State's citizens and environment.

NV Energy cannot recover investments in developing transmission corridors until a specific renewable-energy facility is ready to be built. Meanwhile, renewables developers are unwilling to invest until they know transmission facilities will be built to serve their projects. This chicken-and-egg scenario has been discussed by many people.

Senate Bill 488 clarifies that PUCN can approve the development of transmission corridors and the siting and construction of transmission lines needed to serve renewables developers, regardless of where the energy is sold. NV Energy would be allowed to recover reasonable expenditures from those who use the transmission lines. However, some lines may not be finished or used when the lines are initially energized; therefore, the bill provides some assurance that NV Energy will receive cost recoveries of its investments.

JOE JOHNSON (Nevada Solar Works; Sierra Club, Toiyabe Chapter):

I am neutral on this bill. We agree with the aims expressed by NV Energy but are concerned about the language of the bill's section 1, subsection 7: "A utility may recover reasonable expenses for any siting, development and permitting of a corridor that is conducted without inclusion in a plan submitted pursuant to this section." The utility is allowed to recover its costs, but what about the ratepayers who essentially are funding a renewables project for export? They will be left on the hook. The public policy on this should be clearly stated.

SENATOR SCHNEIDER:

Are you saying if ratepayers are assessed for the cost of building lines to transport energy to California, the ratepayers should be reimbursed or share in the profits?

MR. JOHNSON:
Yes.

DAN JACOBSEN (Bureau of Consumer Protection [Consumer's Advocate], Office of the Attorney General):

We share Mr. Johnson's concerns about the language in section 1, subsection 7. It could be interpreted as allowing customers to pay for lines without a standard PUCN review of the prudence of the investment. We understand the need to expand transmission capacity. But in this time of uncertainty about growth in demand and whether other states really want to buy our power, the PUCN should conduct a review of the prudence of the investment before ratepayers are forced to bear the lines' cost.

CHAIR SCHNEIDER:

We will close the hearing on S.B. 488 and open the hearing on S.B. 288.

SENATE BILL 288: Revises provisions governing renewable energy.
(BDR 58-1026)

SENATOR JAMES A. SETTELMAYER (Capital Senatorial District):

I am here with my intern, Brooklyn Andreasen, who will present my conceptual amendment (Exhibit F) to S.B. 288.

BROOKLYN ANDREASEN (Intern, Senator James A. Settelmeyer):

Senate Bill 288 seeks to simplify and promote hydropower through changes to NRS. Hydropower is a unique renewable-energy source in that it uses water movement and elevation changes to generate power. As you saw during a demonstration on February 18, 2011, water is piped from a property to a lower elevation, using the effect of the height difference to generate electricity. The power is usually generated in a different location from where it is actually used.

The bill would allow the power's generator to use it anywhere on a contiguous property through the net-metering process. A ranch or farm could have meters on two pumps within 100 feet of each other, but under current NRS, only one meter could be used for net metering. The bill would allow a person to use the power to discount all meters on contiguous properties. Our proposed amendment, Exhibit F, would incorporate an existing NRS definition of "contiguous" into the bill.

MS. STOKEY:

We support S.B. 288 and understand the issues raised by Senator Settlemeyer. Fifty percent of NV Energy's hydro-generation projects have encountered this problem—which is not present in our other renewable-generation projects.

KYLE DAVIS (Nevada Conservation League):
We think S.B. 288 makes sense.

DAN VIRDEN (Partner, Nevada Controls LLC):

We run into the same problems as do the farmers and ranchers. We help them construct, install and activate hydroelectric plants. Our proposed amendment ([Exhibit G](#)) lists minor changes we would like to see implemented due to the popularity of the hydro-generation program.

The Legislature pledged to achieve 500 kilowatts (kW) of hydropower in the State by 2012, but we will hit that target in July 2011. Our proposed amendment seeks to expand the mandate in NRS 701B.840.1 to 5 MW by 2014. We would like to propose that section 2, subsection 1, paragraph (b), subparagraph (2) of S.B. 288 read: "Is located on property owned or leased by the customer-generator;" Many ranchers have hydropower plants on land leased from the Bureau of Land Management.

We would like to remove "on that property or contiguous property" from the bill's section 2, subsection 1, paragraph (b), subparagraph (5). This would solve the problem of when a person leases a small amount of property to install a hydropower plant to offset costs of commercial electricity.

CHAIR SCHNEIDER:

Senator Settlemeyer, I sponsored S.B. 182, which includes issues brought up by Mr. Virden.

[SENATE BILL 182](#): Makes various changes concerning renewable energy systems. (BDR 58-286)

Perhaps we could amend most of S.B. 182 into your bill. We will close the hearing on S.B. 288 and open the hearing on S.B. 234.

[SENATE BILL 234](#): Revises provisions relating to motor vehicle dealers. (BDR 43-386)

SENATOR STEVEN A. HORSFORD (Clark County Senatorial District No. 4):
Senate Bill 234 is designed to help the State's small automobile-dealing businesses that have suffered in our prolonged economic downturn. It would strengthen the rights of Nevada-based auto dealers when dealing with auto manufacturers. That would benefit consumers by allowing local dealers to contain costs better.

You have a mock-up of proposed amendment 5799 ([Exhibit H](#)) to S.B. 234. I am not asking the Committee to consider the bill as introduced. Due to confusion in the bill's original drafting, an important consumer protection proposed in S.B. No. 246 of the 75th Session was struck down when the bill did not report out of the Senate Conference Committee. The protection stipulated that buyers of higher-mileage used vehicles be given the same disclosure of vehicles' conditions as are buyers of lower-mileage used vehicles. My proposed amendment would restore that protection. The LCB legal counsel struck certain provisions in the previous proposed amendment's sections 12 through 15.

Proposed amendment 5799 seeks to prevent auto manufacturers from unfairly changing or revoking franchise agreements with dealers. The latter are small-business owners employing hundreds—if not thousands—of Nevadans. I learned of this problem after the federal auto-industry "bailout." Local auto dealers were told by manufacturers their franchises had become worthless. Worse yet, manufacturers cancelled some franchise agreements unilaterally. Manufacturers allowed franchises to open in direct competition with existing franchises, in violation of previous agreements.

The auto-selling industry is important to Nevada, and we all have a stake in its financial health. This bill could help preserve small businesses and jobs in our great State.

CHAIR SCHNEIDER:

In my district, several auto dealerships have closed along U.S. Interstate Highway 215 between Decatur and Rainbow boulevards and on West Sahara Avenue.

WAYNE FREDIANI (Executive Director, Nevada Franchised Auto Dealers Association):

Senate Bill 234 would help protect franchised new-car and new-truck dealerships in Nevada. Dealer entities are not owned by manufacturers; rather, they are independent, self-financed businesses. Dealers are a link between assembly lines and consumers. Rather than being a burden on manufacturers, dealers act as extensions of manufacturers, supporting their efforts by providing—at no cost to manufacturers—a vast, efficient distribution channel of products to the public.

The relationship between dealer and manufacturer is mutually beneficial. Dealers' significant investments allow manufacturers to spend resources on research and development, while dealers expend resources on sales, marketing and customer service. Neither entity could afford all of the expenses of the total-value chain. The proposed amendment, [Exhibit H](#), would help protect franchised auto dealers' investments in Nevada.

My handout ([Exhibit I](#)) outlines how severely Nevada's auto-dealership industry has been impacted since mid-2007. The industry is a driving force in our economy and generates a lot of sales-tax revenue. In January 2007, there were 116 franchised auto dealers in Nevada with more than 11,000 employees. Today, there are 96 dealerships with about 5,800 employees. This is a loss of 20 percent of franchised new-car and new-truck dealerships.

The dramatic drop in new-car sales volume is due to bankruptcy-driven terminations, the disappearance of reasonable commercial wholesale floor-plan credits and overall market decline. Nevada leads the Nation in home foreclosures, unemployment and bankruptcy filings. Unemployed retail auto industry workers are out of the market.

Auto sales have dropped 55 percent since 2007. Given the State's economic climate, a significant increase in sales is not expected this year; however, we are headed in that direction. In 2007, Nevada's franchised new-car and new-truck dealers sold 227,000 units; in 2010, they sold 103,000 units. As listed, [Exhibit I](#), Nevada sales-tax revenue for the fiscal year (FY) ending in 2007 was \$421 million; in the FY ending in 2010, it was \$240 million—a 43 percent reduction.

Manufacturer bankruptcies and ill-conceived downsizing programs eliminated profitable dealerships across the Nation and State. Although Nevada's sales volume is inching back up, manufacturers are continuing to demand that dealers invest more to modify, alter and reconstruct their facilities. Manufacturers are pressuring dealers to double-down on investments when most Nevada dealers are merely struggling to survive.

This Legislature could enact a package of franchise laws to strengthen dealer investments. You cannot protect dealers' rights if they go bankrupt, but as manufacturers emerge from bankruptcies, we can strengthen dealers' hands in negotiating with factories. Manufacturers think nothing of forcing dealers to move, upgrade their facilities or invest massive amounts of capital in their businesses.

Manufacturers spend a lot of time trying to manage dealership networks while ignoring their own business imperative to manufacture quality vehicles at an affordable price. If automakers spent more time doing their jobs and less on dictating to dealerships and facilities, the auto industry and American consumers would be far better off. New or remodeled facilities may look good, but they have never resulted in the sale of one additional vehicle. What drives auto sales is product quality and customer service, the latter provided by franchised dealers.

The auto industry is rebounding nationally; however, it is projected that Arizona, Nevada and Florida will only recover a small amount this year and marginally in 2012. Those states will not see significant improvements in retail sales while their economic problems of home foreclosures and high unemployment continue. National and State consumers are driving vehicles that average ten or more years of age as a result of several economic factors. There is pent-up demand for new vehicles.

Nevada car sales will increase incrementally when we put our citizens back to work and our national economy improves, creating consumer confidence in the working public. In the meantime, franchised auto dealers are doing a good job managing costs to make a profit and survive. This is not the time for manufacturers to ante up, tighten the screws and demand more facility improvement, working capital and commitment to invest from dealers. We are struggling to make enough profits to keep our 5,800 workers on the job.

This is why the Nevada Franchised Auto Dealers Association (NFADA) is trying to be proactive and strengthen Nevada's franchise laws to protect dealers. The State needs the auto industry to rebound quickly. The independent franchised dealer body is the lifeblood of the automaker. While the consumer is the dealer's customer, the dealer is the manufacturer's only customer. It is in the interest of every Nevada dealer and consumer to pass this legislation before more dealers face new and onerous terms imposed by manufacturers.

CHAIR SCHNEIDER:

Mr. Sande, will you explain the mock-up of proposed amendment 5799, [Exhibit H](#)?

JOHN P. SANDE, III (Jones Vargas):

The NFADA just removed a few sections from the original bill. Senate Bill No. 246 of the 75th Session passed unanimously in the Senate but was amended in the Assembly in a way that was unacceptable to us. When it came back to the Senate, the Senate decided to kill the bill. Some of the changes in S.B. 234 were in S.B. No. 246 of the 75th Session. We are talking to the Alliance of Automobile Manufacturers and lobbyists for manufacturers to work out their concerns about S.B. 234.

Section 1 of S.B. 234 deals with manufacturers' demands for construction of new, or substantial alteration of existing, dealer facilities. As an attorney, I have represented several Nevada dealerships that have had unreasonable demands laid upon them. We propose to restore language at the end of section 2, subsection 2 that was killed from S.B. No. 246 of the 75th Session that stated. "... unless the alteration or new construction constitutes a reasonable facility requirement in accordance with the franchise agreement." This means if manufacturers' requests are reasonable, dealers must go forward with them.

In section 3 of the bill, we propose that dealers cannot be punished if they sell vehicles that are then exported out of the Country, unless dealers have knowledge of the impending exportations. In section 4, we propose that if dealers return parts within one year of their purchase, they will get a refund from manufacturers. This would only apply if parts are returned in their original packaging.

Sections 5 through 7 propose to provide consumer protections and require licensing of agents. A Reno car broker perpetrated fraud upon his customers,

who lost a huge amount of money. He was convicted of a felony and lost his license. He became an agent for another broker, because Nevada law does not require agents who work for brokers to be licensed. It makes sense to license agents for brokers so felons do not sell cars. The bill would impose a licensing fee of \$75, with annual \$40 renewals. We have discussed this with the Governor, who accepted it because the fee is for a new license and not a tax increase.

Section 8, subsection 1 states, "Upon the termination or refusal to continue a franchise, the manufacturer or distributor shall compensate the dealer ..." for things like tools, parts and vehicles. We propose to add some language from an Ohio statute to section 8, subsection 1, paragraph (e) concerning reimbursement of, "... market value of the franchise ..." before a termination and of the value of facilities' land. Land is often difficult to sell after it has been used as an auto dealership.

In section 9, we propose that if manufacturers are purchased by other manufacturers, dealers must be offered franchise agreements similar to the ones they had with the original manufacturers. In section 10, we propose that 120 days after warranty claims are submitted, dealers can amend them. It also would allow dealers to file claims within 120 days after the claim-submittal deadline. It proposes that dealers may only be subjected to audits for six months—not the current year—after claims are made. Nevada probably leads the Nation in turnover of dealers' employees, technicians and customers. If an auditor asks a dealer, "What did you do to this car 11 months ago?" often the technician who worked on it has quit or retired.

Section 11 proposes to correct concerns about solicited warranties. This is text from an existing warranty:

Under the terms of the new-vehicle, limited warranty, the manufacturer will cover the cost of the repair of a defect in materials or workmanship when the customer presents the vehicle for repair during the warranty period. Except as noted below, dealer solicitation of customers for the correction of warranty conditions is prohibited. Dealers may not solicit, advertise, contact by phone or mail, etc. customers for warranty service. In those instances where it is determined that a dealer has solicited a customer for warranty service, repairs may be subject to charge back.

This language is a consumer-protection provision. If a customer brings in a car with one defect, and the technician finds another one, the dealer should be able to notify the customer of the other defect that is covered under warranty. This notification should not be prohibited under franchise agreements.

Sections 12 through 15 are proposed to be deleted. Section 16 deals with an important issue. Under existing NRS, the commissioner of the Division of Financial Institutions (DFI), DBI, may adopt forms of vehicle-sale contracts. All federal and State requirements must be in those contracts. Under existing NRS, once vehicles are sold, dealers have just 15 days to obtain financing, or contracts are rescinded. The buyer must bring back the new car, while the dealer has kept the trade-in. It is expensive for a car manufacturer to allow a customer drive a vehicle for 15 days at no cost.

With this economy, it is more difficult to find financial institutions to issue loans promptly. We would like to extend that time from 15 days to 20 days, which is when dealers must submit reports of sale to manufacturers. There was a temporary regulation to this effect for about one and a half years, but it expired. We have not been able to get new regulations adopted by the commissioner of the DFI.

SENATOR SETTELMAYER:

I accept the concept of not allowing manufacturers to charge parts-restock fees as long as franchisers do not charge fees to customers. This is a parity issue. I understand that dealers charge customers restock fees because they, in turn, are being charged a fee by manufacturers. If we do not allow manufacturers to charge restock fees, dealers also should not be allowed to charge them.

MR. SANDE:

We will talk to manufacturers about that issue. We understand your concerns.

SENATOR SETTELMAYER:

Car sales used to be a big part of the economy of Carson City. Given the 2010 data presented, [Exhibit I](#), how much will the bill's proposed fees generate?

MR. SANDE:

I do not know, but we will find out for the Committee.

SENATOR SETTELMAYER:

If it is not much of a revenue generator, why submit this bill to the two-thirds majority vote a fiscal note would entail?

MR. SANDE:

Are you referring to the section about agents' licensing fees? If that were deleted, we would accept that. The section was intended to protect consumers, such as in the example I gave of the felonious agent who bilked buyers out of a lot of money.

ROB MELVIN (Vice President, United Dealerships, Las Vegas):

In 2007, we had five dealerships in the Las Vegas area with more than 650 employees. The State can do nothing about the federal bankruptcy law, but as a result of the bankruptcy declaration by Chrysler Group LLC, two of our franchises were terminated. I have an "e-mail trail" as to why my dealership was terminated, and it was for political, not performance, reasons.

My dealership was Daimler-Chrysler Corporation's "second-favorite son" in the Las Vegas market. Chrysler solicited us to buy two of their dealerships, replacing two underperforming ones. Over about 18 months, we bought a Dodge dealership and a separately owned Chrysler-Jeep dealership. The number 1 dealer in Nevada was also in Las Vegas; we were the number 2 in state sales.

When the economy began to fail and Chrysler began reeling, it asked its favorite Las Vegas dealer—who was well known because of television shows on the Arts and Entertainment Network—to fly on a private jet with then-Chrysler Executive Vice President of North American Sales Steven Landry to Washington, D.C., to ask for Troubled Asset Relief Program (TARP) funds. They received the funds, and on the plane ride back, Landry asked the dealer, "How can I repay you?" The dealer said, "We do not like our Las Vegas competition so would like to get rid of the United Dodge showroom across the highway from us. We have a money-losing Infinity showroom and would like to move it into the Dodge storefront and stop our losses."

You may wonder how I know this, and if I am making it up. The auto market was in disarray, so the United Dealerships initiated a voluntary consolidation plan in which all dealers were compensated under an image-and-consolidation program. I promoted my program succinctly to Chrysler's dealer-replacement

manager. For ten years, I was a licensed attorney for dealerships and then became a senior manager for dealer development and a manufacturer's market representative. I knew all about the evil tasks manufacturers required of dealers to upgrade their facilities. In 2006, I went into the retail end of the car business.

The Chrysler representative presented a different consolidation program to me, saying, "Why do you not give your Dodge store to this person and Chrysler-Jeep store to this other person? Why not negotiate to buy this third Chrysler-Jeep store?" I told him, "That makes no business sense. The dealer selling the third store wants too much money, and why would I just give away two of my dealerships?" Four months before the corporation went bankrupt, the Chrysler representative laid out his rationale. I said, "As long as State law protects me, I will not implement your plan. Let us find a workable plan dealers may enter into voluntarily."

Chrysler Corporation filed for reorganization bankruptcy under chapter 11 of the United States Bankruptcy Code while I was implementing my voluntary consolidation plan. The Chrysler people with whom I was negotiating stopped returning my phone calls and e-mails. Chrysler representatives assured me my profitable stores would not be terminated and told me to stock up on inventory. We took the inventory for our two stores from \$6 million to \$14 million. I had to get loans to extend my floor plan to accommodate the entire extra inventory.

The day the inventory-expansion letters were sent, Chrysler terminated me. When we asked why, we did not receive an answer. We were given 24 days to try to sell \$14 million worth of new cars—which, under the bankruptcy protection, they refused to take back. They also refused to take back parts and refused us any compensation, while continuing to debit my non-vehicle account for parts and vehicles for which I had paid the week before.

I had to close my businesses and lay off 240 workers with no notice in a bad economy. Two facilities were left empty. I had single-use car dealerships, zoned only for new-vehicle sales. Those zoning restrictions forbade their use as anything but new-car dealerships. State law dictates how many manufacturers may operate in a certain area. I searched for a replacement manufacturer; unfortunately, all were represented nearby. Both buildings were lost to foreclosure since I could not even rent them.

The Chrysler bankruptcy cost us a total of \$33 million in out-of-pocket money. I had paid \$8 million for the Dodge store. Because all of my loans were tied into one large package, I was in breach of my Bank of America loan agreements, forcing me to close two other dealerships. Two weeks after my stores were terminated, I saw a notice in the local newspaper that my competitor was opening a new Dodge store across from my old location.

I went from proudly employing 650 Las Vegas residents at two stores, plus all of the vendors with which I did business, to 120 employees at just one store. That store was not tied into the loan package, or it would have been closed. The snowball effect of the Chrysler bankruptcy on individual business owners, the community and our employees was overwhelming. When people hear my story, they say, "That cannot happen in America." The U.S. Congress and the media were told dealerships closed because there were too many of them, but it was done purely for political reasons.

I was in charge of Nissan North America Corporation's facility upgrade and expansion program. For five years, I was required to convince every dealer to expand and remodel their facilities, even if they did not need to do so or could not afford it. I can answer questions on that topic. I was also a Nissan dealer parts and service representative who monitored warranty claims. We were instructed to give dealers lists of customer vehicles that had repairs or were subject to open recalls. We were required to enter vehicles' vehicle-identification numbers to determine if there were recall campaigns for them. I am surprised that some car manufacturers do the exact opposite of that.

SENATOR SETTELMAYER:

I am concerned about the use of the term "market value of the franchise" in the bill's section 8, subsection 1, paragraph (e) concerning compensation. In Douglas County, the market value of agriculture land is \$20,000 per acre, depending on how well the land has been taken care of. How does the auto-sales industry determine market value? Is it a fair approximation of appraised value for a dealership, or are all of them worth a set price?

MR. MELVIN:

We paid \$12.4 million for the Dodge dealership property. When dealership land is appraised, the buildings and business operation are included. When I went through the foreclosure process, the property was valued as vacant land.

CHAIR SCHNEIDER:

Did the bank value the property as vacant land?

MR. MELVIN:

Yes, because it was zoned as a single-use property. Actually, the bank wanted to give us less than the cost of vacant land to cover the cost of demolishing the vacant buildings.

CHAIR SCHNEIDER:

Where is the building?

MR. MELVIN:

It is on 400 feet of frontage on U.S. Highway 95 in the northern part of Las Vegas. We paid \$12.4 million for it, yet received \$2.8 million for it after the foreclosure.

ALFREDO ALONSO (Lewis and Roca; Alliance of Automobile Manufacturers):

It is important to note that we worked hard on S.B. No. 246 of the 75th Session to satisfy all parties. That bill failed, but we still support its aims and told the dealers we would come to the table with them again this Session.

The Alliance of Automobile Manufacturers (the AAM) has some issues with the language in S.B. 234. We have worked with Senator Horsford and the auto dealers to craft changes to the bill with which everyone can live. A strong dealer network is as important to manufacturers as it is to Nevadans. Dealers are the face of the industry, and no one wants to affect dealers' businesses adversely. But the Nation is in an unprecedented economic time, and manufacturers' losses are staggering: loss of employees, closed factories, general sales. The pain is shared.

The bill has technical provisions that need tinkering; other provisions are specific to certain dealers. Perhaps some provisions are being amended due to "buyer's remorse," because programs are underperforming or dealers disliked them. The proposed amendment is a good start, and we agreed to a lot of it last Session.

CURT AUGUSTINE (Alliance of Automobile Manufacturers):

This is a difficult time for manufacturers and dealers. The AAM represents 12 manufacturers that sell about 77 percent of vehicles in the Nation. They

have all felt significant impacts in reduced sales and loss of employees, many of whom have been historically represented by unions.

Hearing today's testimony has been disturbing because we do not like to fight with dealers. We are partners working hand in hand who see eye to eye on 99 percent of the issues. However, due to extreme economic times, tensions have arisen between us. We are working to craft an equitable solution for manufacturers and dealers. In the last three years, the AAM has dealt with this bill's issues in virtually every state. In almost all of them, we concluded negotiations to reach a balanced solution. Given our discussions with Senator Horsford and the NFADA, we are encouraged we can reach an equitable solution that also satisfies auto distributors and parts manufacturers throughout the world.

CHAIR SCHNEIDER:

Several manufacturers went through bankruptcy proceedings due to inferior products they tried to get dealers to sell. The manufacturers obtained the TARP funding and were bailed out with billions of federal dollars. Did dealers get TARP money?

MR. AUGUSTINE:

No, they did not, nor did all manufacturers.

CHAIR SCHNEIDER:

Chrysler Corporation and General Motors Company received TARP funds, but Ford Motor Company elected not to take them.

MR. AUGUSTINE:

The nine other members of the AAM did not accept TARP funds. It is an unfair assessment of the industry to blame the industry downturn on one or two companies. The downturn is a worldwide phenomenon dramatically impacting every manufacturer.

MICHAEL HILLERBY (Motorcycle Industry Council):

The Motorcycle Industry Council is a group of manufacturers with many of the same concerns expressed by the auto manufacturers, specifically in S.B. 234's sections 4, 8 and 10.

Section 4 deals with returning parts, and we think the year deadline to return them is too long. We are working with the franchised dealers and Senator Horsford on adopting language from S.B. No. 246 of the 75th Session. We would like to see an exemption for parts voluntarily ordered by the manufacturer. The Motorcycle Industry Council is concerned our members might become essentially insurers or consignment dealers of parts over ordered by dealers.

In section 8, which deals with facilities assistance, we are concerned about the definition of "fair market value" and manufacturers taking responsibility for decisions made by dealers. Typically, motorcycle manufacturers have somewhat different franchise agreements than those of auto manufacturers. Motorcycle dealers are often in strip malls without large, stand-alone facility investments and single-use zoning like auto dealers have.

In the bill's section 10, dealing with warranty claims, we have problems with how long dealers have to submit amended claims, which may drive up costs.

BILL BRADLEY (Nevada Justice Association):

We support section 11 of S.B. 234 as a strong pro-consumer issue, giving auto buyers appropriate information about vehicles' conditions.

CHAIR SCHNEIDER:

Senator Horsford will work on the amendments with all interested parties and then reintroduce the bill. We will close the hearing on S.B. 234 and open the hearing on S.B. 313.

SENATE BILL 313: Revises certain provisions relating to energy. (BDR 58-236)

I introduced this bill on behalf of Southwest Energy Efficiency Project (SWEEP). It would establish minimum efficiency standards for certain appliances.

STEVEN WIEL, Ph.D. (Nevada Representative, Southwest Energy Efficiency Project):

Senate Bill 313 addresses Nevada's \$10 billion appetite for energy. Imagine a future in which that could be \$8 billion. We waste about \$2 billion of energy annually by using it inefficiently and unnecessarily. The bill addresses just two policies out of the dozen or so needed to save that \$2 billion, but it would establish policies to move us in that direction.

You have SWEEP's proposed amendment ([Exhibit J](#)) to section 1 of the bill, which addresses appliance standards. It authorizes the Nevada Energy Commissioner (NEC), of the Nevada Renewable Energy and Energy Efficiency Authority, Office of the Governor, to set appliance standards to limit the amount of energy a newly purchased appliance can waste. A standard would regulate what manufacturers can produce and sell; it would not regulate consumer choice. The bill states products cannot be sold that use more than a certain level of energy.

The federal government preempts most state regulations of energy-consuming products, but many are not preempted because there are no federal standards for the products. Nevada can improve its overall energy efficiency by setting its own standards. Section 1 of S.B. 313 authorizes the NEC to promulgate regulations on standards. It also requires the NEC to look at two products—portable light fixtures and televisions. Our proposed amendment, [Exhibit J](#), recommends including swimming pool pumps. These things have high potential energy impacts for the State, based on an assessment by the Appliance Standards Awareness Project (ASAP). Applying efficiency standards to lamps and pool pumps alone would save the equivalent energy used by 4,000 typical Nevada households.

My comments on S.B. 313 sections 2, 3 and 4 ([Exhibit K](#)) address NV Energy's efficiency programs. They would require the utility to disclose, as part of its three-year resource plan, to PUCN a scenario of all possible cost-effective efficiencies it could achieve. For various business reasons, NV Energy does not do so now, choosing instead to define scenarios of a portion of its possible efficiency.

Section 3, subsection 5 of my comments, [Exhibit K](#), propose that the PUCN " ... shall consider the measures and sources of supply set forth in paragraph (c) of subsection 4" We think the PUCN should be required to consider the economic and environmental effects of power sources. Maximum efficiency and minimal environmental impact would be achieved by a scenario of an all-cost-effective, demand-side management (DSM) efficiency plan. However, considering all the other things PUCN has to trade against it, the DSM may not end up as the preferred scenario.

Section 4 addresses the balance of efficiency's net benefits between shareholders and ratepayers. Currently, NV Energy is reimbursed for what it

calls its "lost revenues" of fixed costs, removing a disincentive resulting from the utility's reduction in energy sales. This creates a negative incentive for PUCN to conduct a DSM, even though plans like Nevada Power Company's 2010-2012 energy-efficiency programs created \$250 million in net benefits. If NV Energy were allowed to share a portion of that \$250 million, it would benefit from its efficiency programs equivalent to investing in the supply side. Increased enthusiasm on the part of the company would result in a much more cost-effective DSM and more benefits for customers.

The language SWEEP conceived for the bill was submitted in October 2010, but we have received new information necessitating changes. The ASAP issued its 2011 analysis and model bill, which stated televisions have undergone dramatic efficiency improvements. We would like to remove televisions from the appliances subject to standards and substitute pool pumps. We have revised our understanding of S.B. 313's basic philosophy from requiring the NEC to issue standards for lamps and pool pumps to asking the NEC to consider doing so. Under our proposed amendment, that would be discretionary after hearings to determine if it makes sense.

Since October 2010, PUCN engaged the Lawrence Berkeley National Laboratory (LBNL), U.S. Department of Energy, to conduct a computer-model study to determine if a balance could be achieved between lost-revenue sharing or disincentive mechanisms and positive incentives by splitting benefits between the utility and customers. That study is not expected to be released until the end of 2011, and negotiations are still under way as to which efficiency scenarios will be investigated. We propose to remove the second sentence of the incentive language in S.B. 313 section 4, subsection 1, paragraph (c) that lists which scenarios would be investigated. This would not restrict the scope of the unfinished LBNL study and the PUCN's actions as a result of it.

The fiscal note on section 1 includes a large fiscal impact of hiring a new employee in the PUCN Commissioner's office. Acting Nevada Energy Commissioner Crowley and I agree that salary is significantly overstated, but not by how much.

SENATOR ROBERSON:

The "big picture" of this bill would impose more mandates on and extra costs for the private sector. Can you tell me what the overarching goal and benefits are of S.B. 313? What is the motivation behind it?

DR. WIEL:

Since moving here in 1977, I have observed that Nevada unnecessarily imports its energy fuel and wastes energy. We could be energy independent and frugal. I envision a statewide program similar to those in other states in which waste is eliminated and efficiency is improved. The SWEET recently issued a transportation blueprint for Nevada demonstrating the potential to reduce transportation energy. We have worked with the PUCN on a resource plan, NV Energy on its DSM collaborative and the Office of Energy to reduce energy use in State buildings.

This Legislative Session, the two initiatives that most advance SWEET's agenda are in S.B. 313. It would create legislative authorization for the State to make a lot of improvements without the need for further legislation. It is two bills packaged into one. Currently, the State does not address appliance-efficiency standards, instead relying on federal standards. There are federal standards for 43 major appliances, but Nevada's only appliance standard is for general-service lightbulbs. At the very least, the NEC should be authorized to initiate more appliance standards.

SENATOR ROBERSON:

Do you think the federal government is not doing enough in this arena?

DR. WIEL:

The federal government is moving as quickly as possible to regulate the manufacturing of all major appliances. It would be prudent for a state to regulate appliances' efficiency because their use is regional—and not needing a national standard—and the federal government has not yet issued standards for a certain appliance. Every time a standard is implemented, it must be ratcheted up because technology is constantly improving. If a standard is issued now, three years later, the bar can be raised higher.

The concept of "standards" is to remove the most energy-wasteful products from the market. As an example, as refrigerator technology improved, what once looked like a good product now looks wasteful. The original efficiency standard for air conditioners was a seasonal energy-efficiency rating of 9; now it is as high as 17. Over the years, concerns have been raised about limiting consumer choice. But, by the time standards are effected, one to five years after being set, in order to give manufacturers time to adjust, there are just as

many products from which consumers may choose as before standards were set.

SENATOR ROBERSON:

In the bill's section 1, subsection 5, "The Commissioner may: (a) Charge and collect a fee from the manufacturers of an electrical device for the cost of any test ... " to confirm that it complies with State standards. Is that true?

DR. WIEL:

Manufacturers are already doing that for other states. It will not require additional testing; all we have to do is recognize tests conducted by other states. Manufacturers will not have additional costs.

SENATOR ROBERSON:

How will additional costs not be incurred in Nevada?

DR. WIEL:

The tests are already being done.

CHAIR SCHNEIDER:

Other states such as California and Colorado are doing the tests. Nevada would just adopt those results.

DR. WIEL:

The bill does not intend to force our manufacturers to spend money; it intends to mandate the State will not pay for the tests.

SENATOR ROBERSON:

The State will not necessarily "charge and collect a fee." Do you want the State to be authorized to collect a fee?

DR. WIEL:

Correct.

CHAIR SCHNEIDER:

Dr. Wiel's intent is to point out Nevada has the highest per-capita consumption of energy in the West. We are trying to reduce that usage rate.

Senate Committee on Commerce, Labor and Energy
April 4, 2011
Page 24

SENATOR ROBERSON:

The high summer temperatures in southern Nevada must contribute to that.

CHAIR SCHNEIDER:

It is hot in Phoenix, too, but Arizonans do not use as much power as we do.

DR. WIEL:

I can give the Committee another copy of my chart comparing Nevada's per-capita energy use with that of other western states.

SENATOR ROBERSON:

Aside from differentials in average seasonal temperatures, do Nevadans use more power because we have less regulation of energy usage than do surrounding states?

DR. WIEL:

There are many factors. Nevada is a predominantly rural state with large mining and agricultural industries, we have a high volume of tourists and our government policies address efficiency less stringently. For the record, I was mistaken: Wyoming exceeds Nevada's per-capita energy use.

CHAIR SCHNEIDER:

Can you tell Senator Roberson about your previous professional life?

DR. WIEL:

In 1977, I moved to Reno and became an engineer of energy-efficiency systems and solar design. I taught part-time in the University of Nevada, Reno's Department of Mechanical Engineering. I was a PUCN commissioner from 1984 until 1992. I then moved to California to head the energy-analysis department of the LBNL for 12 or 13 years. I worked on all aspects of efficiency, including appliance standards, utility sectors, Environmental Protection Act standards and ENERGY STAR matters such as urban-heat islands and cool roofs. I retired five years ago and am now Nevada's part-time representative for SWEEP.

SENATOR ROBERSON:

I have misgivings about this entire topic. I support efficiency but not imposing mandates on manufacturers and taxpayers. How far are efficiencies advancing us toward our reduction goals? We do not look at things like the Nevada Energy Park or different uses for the Yucca Mountain Nuclear Waste Repository. No

one wants to touch that hydra; instead, we want to work around the edges and talk about efficient dishwashers and refrigerators. How will that solve our energy crisis, if we even have one?

DR. WIEL:

I will give you figures about utilities' DSM programs. From 2010 to 2012, Nevada Power Company estimates it will spend from \$150 million to \$200 million on behalf of its customers. That investment will repay itself in reduced energy bills over the lifetimes of products. It will cost the company \$140 million out of pocket by the end of 2012. It will be more than six years before it breaks even, and at the end of ten years, \$600 million gross and \$450 million net in customer benefits will have been accumulated. Essentially, you are asking if it is worth spending \$140 million out of pocket—in these tough economic times—now and raising utility rates perhaps 3 percent in order to save \$450 million net in ten years and have rates 10 percent to 15 percent lower? It is an investment in the future.

SENATOR ROBERSON:

Given the current economic climate, that is not good policy.

DR. WIEL:

I appreciate and respect that. Laying the groundwork for Nevada's future is my personal highest priority.

SENATOR ROBERSON:

If the majority of Nevadans knew about this, they would not support it.

SENATOR SETTELMAYER:

I appreciate the discussion of energy efficiency. I am cheap, so if I see something that will save me money, I will do it, whether or not the government wants me to do so.

I am concerned about the bill's treatment of portable lighting fixtures. If it came to a vote, the heat lamps I use to keep my newborn calves alive would probably be outlawed. I am worried about subjecting to regulation something like a highly inefficient heat lamp. It is designed to be inefficient because it has to put out a great amount of energy to keep something warm. That could not happen with a mercury corkscrew bulb.

DR. WIEL:

Your argument is not exactly right because heat lamps are efficient and doing exactly what they are designed to do. It would not be considered under a typical lighting-fixture regulation, which only covers small, round, general-service bulbs, not specialty bulbs. It is hard to envision a standard being adopted in this State that would address specialty lamps designed to put out light, not heat.

SENATOR SETTELMAYER:

Could you give me information from states that have passed legislation similar to this that demonstrates they now use less energy due to the laws' passage?

MR. JOHNSON:

We support S.B. 313, just like we have supported various legislative efficiency measures and DSM programs in particular. Sections 2, 3 and 4 are particularly important because utilities should consider maximum efficiency measures when developing action plans.

MR. DAVIS:

The Nevada Conservation League supports this bill. The key point about the bill's goal is this Committee has worked on energy efficiency for many years. This was especially important in our times of rapid population growth and its resulting energy demands. The State pondered building more power plants or reducing energy consumption. The latter is cheaper and better for the environment because there would be fewer emissions. Doing things on the demand side helps consumers limit their energy bills. To the extent this Committee can encourage energy efficiency and make that goal easier for utilities, we will all be better off.

CHAIR SCHNEIDER:

A main reason for S.B. 313 is the cheapest watt is that which is never produced. This Committee must get its arms around this concept again. With the escalating price of oil, NV Energy will have to request another rate increase. This is all driven by the price of oil. When we passed the bill to phase out incandescent bulbs, heat lamps in restaurants and other heat-generating bulbs were exempt. One can tremendously reduce the amount of watts used by switching to a 17-seasonal energy-efficiency ratio. This bill is attempting to greatly increase energy efficiency.

STACEY CROWLEY (Acting Nevada Energy Commissioner, Nevada Renewable Energy and Energy Efficiency Authority; Director, Office of Energy, Office of the Governor):

We support S.B. 313 and SWEEP's proposed amendments. We especially support section 1 of the bill describing the work effort that would be done under the NEC, Office of Energy. The proposed amendment would allow me to review and consider adopting regulations, rather than having to adopt them. That allows for some flexibility.

The Governor has issued an Executive Order forbidding the adoption of new regulations in 2010, but there is a fiscal note on the bill due to work it would add to the Office of Energy. As Dr. Wiel stated, that cost may be higher than it should be, but I do not know the exact amount. The bill would take staff time to implement, and we are at full capacity. Our office has a policy of supporting efficiency measures.

MS. STOKEY:

NV Energy is neutral on S.B. 313. We have discussed the proposed amendments with Dr. Wiel.

JOHN OWENS (Director, Customer Renewable Generation and Energy Efficiency, NV Energy):

We view this bill as an element of our three-part strategy: helping our customers use our products more efficiently, expanding renewables to reduce reliance on out-of-state and out-of-country fuel sources and improving our existing generation fleet to reduce fuel importation. We have invested hundreds of millions of dollars in upgrading our generation fleet, yielding significant reductions in our fuel, using about 30 percent less fuel. These three elements are complementary.

SENATOR ROBERSON:

How much do NV Energy and ratepayers spend annually on renewables and energy-efficiency programs?

MR. OWENS:

The process we go through in Nevada to identify and select efficiency programs begins with an integrated-resource plan. We present to the PUCN a variety of cases to evaluate. In a lengthy review process, efficiency investments are

compared to supply-side investments, and the PUCN decides what it believes is the best overall portfolio for the customers and State.

As a result of the last integrated-resource plan, Nevada has an approved energy-efficiency and demand-response budget of about \$244 million over the next three years. The budget includes \$110 million for southern Nevada efficiency investments, \$31 million for efficiency projects for Sierra Pacific Power in northern Nevada, \$100 million for Nevada Power Company's demand-response plan and \$3 million for Sierra Pacific Power's demand-response plan.

The effects of these efficiency-program costs are investments that need to be recovered from customers and tend to reduce the sales of electricity. Senate Bill 313 provides a new mechanism to recoup those lost sales, because our rates are set on the basis of historical sales. As we make investments, if everything that degrades future sales were equal, we would only recover our fixed costs.

SENATOR ROBERSON:

Are the \$244 million ratepayers will pay over the next three years costs already incurred?

MR. OWENS:

No, that is the approved budget for NV Energy statewide efficiency program for 2010 to 2012.

SENATOR ROBERSON:

Why not impose a three-year moratorium on efficiency mandates and programs and use the savings to fill perceived holes in necessary funding? Would that be a practical possibility? We have real needs in this State, and if we had a three-year moratorium on efficiency programs, could we not invest that money into other things, given our dire economic situation?

CHAIR SCHNEIDER:

Are you asking me to pay on my power bill to fund a hole in the State budget?

SENATOR ROBERSON:

It does not need to necessarily go on power bills. If we do not have efficiency programs in place over the next three years, power bills will rise. The programs

are funded by Nevada ratepayers' out-of-pocket money, to the tune of \$244 million over three years. That money could be used more wisely for things the State needs.

Ms. STOKEY:

Generally, utilities are viewed as good tax collectors. Power bills include numerous line-item taxes. Many ratepayers look at the line items and see their bottom line and rates rising. But a lot of those costs are taxes. We hope we will not have to collect another tax to turn over to the State. I would hope we could find another way to fund our programs.

SENATOR ROBERSON:

I am not suggesting that. Nevadans are pretty broke, yet we are talking about taking \$244 million out of their pockets in the worst recession we have seen. I am not suggesting you can charge that to ratepayers' bills then transfer it to the State to pay for things like education. I am asking, does it make sense to continue these programs?

Mr. OWENS:

I am responsible for the cost-effective implementation of these programs. That means we monitor the programs' benefits on a forward-going basis—savings customers will realize offset by the programs' costs. In the current calendar year, we made adjustments and will reduce and defer expenditures specifically in response to changes in customer demand. We do not set program costs on autopilot and not adjust them as appropriate. In the near term, we will back off some planned investments in response to our obligation to maintain cost-effectiveness.

These programs provide general benefits that take time to realize, because they defer future investments. You cannot just look at an individual rate filing and conclude that because there is an increase, there is not an offsetting benefit in another rate component. We may invest in a new power plant, and while general rates will rise, quarterly-fuel and purchase-power rates will eventually drop as fuel savings come in. Energy efficiency shares characteristics with that and is the most cost-effective way for us to comply with the RPS mandate from the State.

SENATOR ROBERSON:

I am not suggesting a moratorium would be practical. But I at least want to talk about it because we are broke and \$244 million must come out of ratepayers' pockets.

CHAIR SCHNEIDER:

If we eliminate efficiency programs, we send all of the money we pay for energy out of State. There is a balance. The only in-State energy Nevada has comes from the sun. If NV Energy continues to buy gas and coal, tens of millions of dollars quickly leave the State. Every dollar we save by not producing our own watts means money stays in the State. Sometimes you must spend up-front money to save back-end money—which always costs a lot more. Inflation eats away at it, so every time you spend a dollar now, you save real dollars in the future. Efficiency also protects air and water quality.

MR. JACOBSEN:

The Bureau of Consumer Protection, Office of the Attorney General, opposes S.B. 313 because of section 4, subsection 1. Senate Bill No. 358 of the 75th Session addressed efficiency programs and was adopted. It enabled utilities to be compensated when they lose revenue as a result of those programs. The bill also stated if the PUCN wants to provide other incentives in addition to lost-sales compensation, utilities can request funds, and the PUCN will determine if it is in the interest of consumers.

Senate Bill 313 would change that by stating, in addition to the lost-revenue compensation, the PUCN would be required to provide additional incentives. We oppose that because the PUCN should continue to evaluate whether additional incentives are necessary. We have just discussed the long-term benefits versus the short-term costs of efficiency programs. Each program needs to be examined individually, and current economic conditions need to be taken into account. It is better for the PUCN, on a program-by-program basis, to consider whether additional incentives are in order. The law should not mandate customers must pay utilities for efficiency programs, lost sales and additional incentives.

Senate Committee on Commerce, Labor and Energy
April 4, 2011
Page 31

CHAIR SCHNEIDER:

We will close the hearing on S.B. 313. Seeing no further business before the Senate Committee on Commerce, Labor and Energy, this meeting is adjourned at 3:23 p.m.

RESPECTFULLY SUBMITTED:

Patricia Devereux,
Committee Secretary

APPROVED BY:

Senator Michael A. Schneider, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 21	C	Samuel P. McMullen	Proposed amendment
S.B. 59	D	Rose McKinney-James	"2011 Nevada Legislative Proposal"
S.B. 591	E	Rachel McMahon	Proposed amendment
S.B. 288	F	Brooklyn Andreasen	Conceptual amendment
S.B. 288	G	Dan Virden	Proposed amendment
S.B. 234	H	Senator Horsford	Mock-up of proposed amendment
S.B. 234	I	Wayne Frediani	"Annual Contributions of Nevada's New-Vehicle Dealers"
S.B. 313	J	Dr. Steven Wiel	Proposed amendment
S.B. 313	K	Dr. Steven Wiel	Proposed amendment