

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

**Seventy-Seventh Session
April 3, 2013**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair Kelvin Atkinson at 1:36 p.m. on Wednesday, April 3, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 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 Kelvin Atkinson, Chair
Senator Moises (Mo) Denis, Vice Chair
Senator Justin C. Jones
Senator Joyce Woodhouse
Senator Joseph P. Hardy
Senator James A. Settelmeyer
Senator Mark Hutchison

GUEST LEGISLATORS PRESENT:

Senator Pete Goicoechea, Senatorial District No. 19

STAFF MEMBERS PRESENT:

Marji Paslov Thomas, Policy Analyst
Dan Yu, Counsel
Caitlin Brady, Committee Secretary

OTHERS PRESENT:

Rose McKinney-James, Managing Principal, Energy Works LLC
Pete Ernaut, NV Energy
Shawn Elicegui, Associate General Counsel, Legal, NV Energy
Jack McGinley, Director of Regulatory and Legislative Strategy, NV Energy
Danny Thompson, Nevada State AFL-CIO
James Woodruff, Vice President, State and Local Affairs, First Solar

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Audra Hartmann, Director, Government and Regulatory Affairs, NextEra Energy Resources
Warren Hardy, Hamilton Solar
Paul Thomsen, Director of Policy and Business Development, Ormat Technologies; President, Geothermal Energy Association
Dan Galpern, Moapa Band of Paiutes
Terry Page, Director of Business Development, Enel Green Power S.p.A.
Louise Helton, Nevada Sustainable Energy Coalition
Joannah Schumacher, Gifted Minds with Too Little Time
Jeff Fontaine, Executive Director, Nevada Association of Counties
Dan Jacobsen, Bureau of Consumer Protection, Office of the Attorney General
Juanita Cox, Chairman, Citizens in Action
Wendy Ellis
Mike Hazard
Joyce Hazard
Joe Johnson, Toiyabe Chapter, Sierra Club
Lydia Ball, Clean Energy Project
Ernie Adler, IBEW 1245
Stacey Crowley, Director, Office of Energy, Office of the Governor
Paul McKenzie, Executive Secretary-Treasurer, Building and Construction Trades Council of Northern Nevada, AFL-CIO
Leo M. Drozdoff, P.E., Director, State Department of Conservation and Natural Resources
Garret Weir, Assistant General Counsel, Public Utilities Commission of Nevada
Anne-Marie Cuneo, Director of Regulatory Operations, Public Utilities Commission of Nevada
Terry Graves
Marnee Benson, Deputy Director, Black Rock Solar
Josh Griffin, MGM Resorts International
Russell Rowe, Boyd Gaming Corporation; Solar City
Kyle Davis, Nevada Conservation League
Kathleen Conaboy, Robinson Nevada Mining Company
Cary Brunson, General Manager, Robinson Nevada Mining Company
Robert Miller
Clay Fitch, Executive Director, Nevada Rural Electric Association

Chair Atkinson:

I will open the hearing on Senate Bill (S.B.) 123. There is a significant proposed amendment to the bill ([Exhibit C](#)).

SENATE BILL 123: Revises provisions relating to energy. (BDR 58-106)

Rose McKinney-James (Managing Principal, Energy Works LLC):

Senate Bill 123 is one of many energy bills being considered this Session related to renewable energy resources and the State programs supporting them. The focus of this bill is around distributive generation. Distributive generation focuses on small-scale renewable energy systems connected directly to the distribution system or installed on the customer side of the meter. Over the past few sessions, the Legislature has identified programs to promote distributive generation. Much of what is addressed in S.B. 123 was discussed and addressed in Assembly Bill (A.B.) No. 416 of the 76th Session, which was vetoed by Governor Brian Sandoval. We have worked with a wide range of stakeholders to identify recommendations to modify the bill, specifically to realign the incentive program. Assembly Bill No. 416 of the 76th Session focused on a shift from an upfront incentive program to a performance-based incentive program. The economics of the State make a performance-based incentive program reasonable. Stakeholders agreed to the budget proposed in section 8 of the proposed amendment. We want to see the time frame for the renewable energy program extended. Since the cost of solar systems has decreased significantly, the rebates could be reduced, and the program could be extended to include more participants. There are also issues with Statewide capacity.

Chair Atkinson:

This is a significant bill incorporating aspects of A.B. No. 416 of the 76th Session as well as some new information. We will consider this bill like any other bill. We will hear the merits of the legislation and decide the direction we want to take as a policy committee.

Ms. McKinney-James:

We have had ongoing discussions with stakeholders. It has been difficult to address all of the issues. It is an attempt to revisit A.B. No. 416 of the 76th Session.

Senator Settelmeyer:

Is the entirety of the bill replaced with the amendment? Has the geothermal aspect of section 1 been removed?

Chair Atkinson:

Yes.

Senator Jones:

How did we get from S.B. 123 to the amendment, and who was involved?

Ms. McKinney-James:

The bill was introduced, and several conversations were held to arrive with modifications. We want to account for the existing budget, recognize the potential for a reduction in the rebates, address capacity issues and move away from an upfront incentive program to a performance-based incentive program. We were not able to arrive at complete agreement on all issues. A large amendment, [Exhibit C](#), was presented that may have implications on how to address distributive generation.

Chair Atkinson:

To clarify, the amendment starts with section 4, so sections 1 through 3 of the original bill remain.

Pete Ernaut (NV Energy):

The amendment, [Exhibit C](#), represents a plan and bold step towards Nevada's total energy independence. Coal has come under increasing regulation putting at risk the cost benefits coal power has brought about for the past 40 to 50 years. Last summer, the management of NV Energy began a series of strategic meetings to decide what is in the best interest of our customers in dealing with and dissipating the coal assets NV Energy employs. We also discussed how to replace those assets. Those meetings are the foundation of the amendment before you today.

First, the plan accelerates the retirement of all coal assets. It retires the Reid Gardner Generating Station Units I through III in 2014 and Unit IV in 2017. NV Energy partially owns the Navajo Generating Station in Arizona. It would be retired in 2019. The Valmy Generating Station in northern Nevada would be not be extended past the scheduled retirement dates of 2021 for Unit I and 2025 for Unit II.

Second, the amendment provides for a new direction on renewable energy development. It mandates the development of 600 megawatts of in-State renewable energy capacity between 2014 and 2018. It requires 100 megawatts to be built each year from 2014 until 2017 and 50 megawatts to be built in 2018. That 450 megawatts would go through the existing request for proposal or competitive bid process, and all renewable energy developers in the State would be eligible to compete for the contract. NV Energy would reserve the remaining 150 megawatts of renewable energy for company ownership. This is part of Nevada's energy independence.

Third, the plan accelerates NV Energy's construction and acquisition of 2,000 megawatts of natural gas. We need to replace the coal assets we are retiring. We will balance the retired coal with renewable energy and natural gas. The plan creates nearly 4,800 jobs. There will be a total rate impact of less than 4 percent over the next 20 years. The intent is to provide appropriate regulatory oversight, although this plan would be outside the integrated resource plan process currently in use. The plan represents a significant environmental statement and creates a robust industry of renewable energy. This will make renewable energy built by Nevadans available to Nevadans. This is a bold step towards energy independence for our State.

Shawn Elicegui (Associate General Counsel, Legal, NV Energy):

The proposed amendment covers two topics—planning oversight and rate oversight by the Public Utilities Commission of Nevada (PUCN). The amendment requires NV Energy to prepare and file a comprehensive plan to reduce coal emissions and add clean and efficient resources in an ordered and structured manner. The plan must be filed by April 7, 2014. The PUCN will review the plan in a public hearing process. The amendment also extends the time the PUCN has to make a decision on the filing from 180 days to 210 days. The PUCN will also have the authority to modify the plan as long as it is consistent with the broad legislative directives of retiring coal and adding renewable energy and natural gas. The PUCN will determine if the overall cost of the plan is reasonable and assess if the mix of natural gas is appropriate. If there are major changes in the load forecast, NV Energy can return to the PUCN and modify the plan.

The second aspect covered is the rate oversight by the PUCN. The PUCN must approve the emission reduction and capacity replacement plan. It would be similar to the PUCN approval of an integrated resource plan. We mirrored the language. If the PUCN approves a plan, the projects included in the plan are

deemed prudent. The utility is allowed to pursue those projects. The PUCN has the authority to assess the project costs and implementation in a subsequent general rate case. Section 32 of the amendment provides a mechanism to smooth rate increases. It allows the company to make a filing with a project-specific rate to the PUCN when a project is completed. Rates will continue to change quarterly, but the changes will be smoother. This does not limit the authority of the PUCN to review the costs associated with a facility or to determine if those costs are reasonable. The PUCN shall review all rates included in a schedule during a subsequent rate case. If the rates are not determined to be just and reasonable, the PUCN make take the necessary steps to ensure an appropriate amount is returned to customers. This mechanism was used in Nevada in the 1980s when we converted to coal power facilities. This legislation provides policy direction to reduce emissions from retiring coal generation, replace coal with efficient and clean energy and provide a process for developing renewable energy in a structured and orderly manner. It will also ensure the company has the ability to continue to sell into regional markets and buy from regional markets when those sales provide benefits to the company's customers. This will allow Nevada to remain energy independent.

Senator Jones:

I appreciate the efforts to move forward with renewable energy. What has happened since last summer when NV Energy started working on this proposal? Who was involved in the process?

Mr. Ernaut:

We worked on the plan internally for a long time. When you stop using rate-based assets, there are a number of issues concerning a publicly traded company. Our board of directors did not take this issue lightly. We want an orderly transition away from rate-based assets. We also want to ensure against the risk of replacing assets. The development of the plan was complicated and took longer than planned. Once we had a rough outline of the plan, we worked with legislative leadership. We gave the language to the Chairman as soon as possible so it could be drafted. We did not have final language until yesterday.

Senator Jones:

I would have appreciated NV Energy talking to the Committee members even if it was just a rough outline.

Mr. Ernaut:

I am sorry for the delay. I decided that if the plan did not pass legislative leadership and the Chairman, I did not want to waste your time.

Senator Hutchison:

You have used the word "risk." Is the risk that the coal assets will not be available in the future? Is that why we need a comprehensive change to the energy plan? This is a big business change to the industry. Are there new federal regulations coming that will make coal assets unacceptable or unavailable?

Mr. Ernaut:

There are legislative and regulatory risks associated with coal. Many utility providers in the Country are developing similar plans.

Mr. Elicegui:

Coal has ever-present and increasing risks. First is the risk of litigation. NV Energy is currently facing environmental litigation related to several of its coal power facilities. Litigation is very expensive. Second, the Obama administration has stated coal power plants may be subject to greenhouse gas emissions regulations. This could result in strict scrutiny of the operation of coal power plants by the U.S. Department of Justice. The process is typically long and convoluted. It can also create uncertainty, especially in regard to time and technology.

Senator Hutchison:

This appears to be a substantial change to the oversight ability of the PUCN. What can the PUCN do now that they cannot do under this proposal?

Mr. Elicegui:

The change is with respect to the integrated resource planning process. Currently, the process places a premium on finding the minimum cost to customers. The PUCN does have the flexibility to consider other factors. The proposal creates a test for approval of this plan that departs from the minimum cost requirements. It would require reasonable cost in light of the elements required in the plan. Renewable facilities are at a disadvantage in the requirement of minimum cost to customers. The rate review process by the PUCN is not changed.

Senator Hutchison:

Is there more flexibility under this proposal because renewable energy costs more than the coal plants we are retiring?

Mr. Elicegui:

Yes. When comparing coal to renewable energy over a 30-year period, renewable energy will cost 1 percent more. That is not a significant difference.

Senator Hardy:

How do you retire part of a power plant in Arizona?

Mr. Elicegui:

NV Energy will not continue its partial ownership after 2019.

Senator Hardy:

What is your partnership agreement with power sharing from the Navajo Generating Station? What percentage of our power do we get from that plant?

Mr. Elicegui:

We have 11.3 percent ownership interest in the Navajo Generating Station.

Mr. Ernaut:

If you retire coal assets and replace them with renewable assets, there will be a rate effect. NV Energy tried to mitigate the rate effect as much as possible. The analysis based on our December 2012 integrated resource plan created a model of what would happen if we did not retire and replace coal assets.

Chair Atkinson:

Will this proposal increase rates for customers?

Jack McGinley (Director of Regulatory and Legislative Strategy, NV Energy):

The company is required to file an integrated resource plan with the PUCN every 3 years. We filed one in 2012. That is the basis for the economic analysis we conducted. We updated two key assumptions in the planning process—the load forecast and the fuel forecast. The company is preparing an integrated resource plan this summer and will use the updated forecasts. The company projects over 20 years and 30 years. It is a detailed process that includes the capital, production and purchased power costs. The comparison to our base integrated resource plan yielded an increase of about 1 percent over the 30-year period.

We run the forecast results through financial modeling to get a total revenue requirement for the company. We then calculate the rate impact from that analysis. That analysis yielded a rate impact of 4 percent increase at the end of 20 years. It will fluctuate during that time. We included forecasts for the carbon tax in the model. It is likely to increase. We tried to incorporate all the scenarios possible. There will be a reduction in emissions. We can model those reductions. Retiring the coal fleet will result in a carbon reduction of approximately 17.5 million tons over 20 years, and a 5,000-ton reduction of sulfur emissions during that same time. Other emissions will be reduced as well. There will be a significant job impact. We project 4,800 new jobs as a result of this proposal. We used actual data from plants we recently completed to determine the number of jobs created.

Senator Hutchison:

Over what period will the overall cost difference be a 1 percent increase?

Mr. McGinley:

It is over a 30-year period.

Senator Hutchison:

There will be a 4 percent rate increase over 20 years. Correct?

Mr. McGinley:

Yes.

Senator Hutchison:

Even if we do not retire and replace coal, there would be increases to the overall cost. The 1 percent increase is the marginal difference between what would happen if we do nothing and if we implement this proposal. Correct?

Mr. McGinley:

Yes. Rate analysis compares the proposal to what we would do otherwise.

Senator Hutchison:

If I have \$100 power bill now, over the next 20 years it would increase to \$104. Correct?

Mr. McGinley:

Yes. Both the proposal and current practices will have increases. The comparison is the difference between the increases.

Senator Settlemeyer:

I would like more information about the geothermal aspects of the original bill. In the amendment, I am concerned about the rate increases. This is a good plan, though. If the federal government issues new regulations, the coal industry could effectively disappear.

Mr. Ernaut:

The only way we can model this is on the current price of coal. The price of coal will increase. The rate effects assume the present day price of coal, which we understand will increase. It may have a rate mitigation effect depending on the price difference of coal. The amendment assumes the current renewable portfolio standard (RPS) will remain. The 600 megawatts is in addition to the RPS. There are ways to satisfy the RPS goals without building anything. This proposal requires new construction.

Senator Hutchison:

Does the plan include 200 megawatts of natural gas?

Mr. Ernaut:

It includes construction of 2,000 megawatts of natural gas.

Senator Hutchison:

Where will those 2,000 megawatts come from?

Mr. Ernaut:

We will build power plants.

Senator Hutchison:

Will you build them in Nevada?

Mr. Ernaut:

Yes. We can acquire plants if it is cheaper than building a new power plant.

Senator Hutchison:

Would we be energy independent if those plants were not in Nevada?

Mr. Ernaut:

Since the mid-1990s, the State has struggled with energy policy. We have debated whether building or buying energy is best. For about 20 years, the State bought energy from the market because building a power plant would have affected rates too much. When the California energy crisis occurred, we realized Nevada was at risk because of our energy contracts. We did not have enough native generation to satisfy load demand. In 2001, the Legislature passed and the Governor signed A.B. No. 661 of the 71st Session, informally known as the "Repower Nevada Act," giving incentives for power plants to be built in Nevada. We want to have control of our destiny and not be at the mercy of the market.

Chair Atkinson:

Will this increase rates?

Mr. McGinley:

Yes. Retiring the coal fleet and accelerating renewable and natural gas building will increase rates.

Mr. Ernaut:

The 4 percent rate increase over 20 years is not going to be consistent throughout that time. The increases will be greatest when a new plant is built. In between building, the rates will decrease. The rates in 2018 and 2019 will be the highest because the natural gas and renewable plants will be opening. Our model suggests a rate increase of 8.46 percent at the highest point in 2019. The mean of the rates that have been approved in general rate cases over the past 6 years is 10 percent. The greatest rate increase under this proposal is less than what has been approved in general rate cases. We can retire coal assets, make a bold energy statement, create a robust renewable development based on competitive bid and create 4,800 jobs for a 3.82 percent rate increase over 20 years. It is a policy decision.

Chair Atkinson:

How does S.B. 123 change the PUCN's oversight authority?

Mr. Elicegui:

The proposal does not change the 3-year cycle for the integrated resource plan process. Provided there are no other statutory changes, NV Energy will continue to file rate cases every 3 years. The proposal does provide a mechanism

allowing the company to file a facility-specific rate to smooth rate increases. The PUCN will still have authority to review those rate increases and ensure they are just and reasonable. The PUCN will have the power to take all necessary steps to ensure the rates in the interim were just and reasonable and to order refunds if they are not.

Senator Hardy:

You cannot predict prices. What is the modeling for the price of natural gas? The price of natural gas and renewable energy has decreased. The proposal mandates retiring 800 megawatts of energy and building 2,600 megawatts. That is a net increase of 1,800 megawatts. Where will the extra be used?

Mr. Elicegui:

On a statewide basis, the company needs between 3,500 and 3,800 megawatts by 2025 to maintain energy independence. There is a need for the capacity in the proposal. It will allow the same flexibility enjoyed today. There is a schedule of additional retirements. In 2013, a 224-megawatt contract will terminate. In 2017, a contract for 50 megawatts and one in Arizona for 570 megawatts will terminate. In 2018, a contract in southern Nevada for 130 megawatts will terminate. A 90-megawatt contract will terminate in 2021, and the company will retire about 270 megawatts of capacity. In 2022, two 85-megawatt contracts will terminate. The additional energy buildup is designed to keep the State energy independent.

Chair Atkinson:

Section 32, subsection 2 of S.B. 123 allows NV Energy to avoid a PUCN public hearing for rate increases. Under this proposal, will the PUCN still review rate increases before they go into effect?

Mr. Elicegui:

Section 32, subsection 2, allows the company to place into effect a project-specific rate after completing a facility in the approved plan. It does not require this. This is not a new mechanism to Nevada. It is similar to what happened in 1983 when the utility was allowed to implement project-specific rates when converting to coal facilities.

Chair Atkinson:

This is different from current law. Correct?

Mr. Elicegui:

Yes. It is carefully and specifically designed to minimize regulatory lag. It is carefully worded to ensure the PUCN retains the power to order a refund in a subsequent general rate case.

Chair Atkinson:

Why would we allow you to increase rates effective immediately and then have the PUCN review them?

Mr. Elicegui:

This allows the company to smooth rate increases for customers. Currently, when we make significant investments into facilities, we wait 3 years before changing rates. It can result in significant rate increase. This will allow rates to increase smoothly during this process.

Mr. Ernaut:

After building a plant, the capital expenditures are included in rates. Depending on the timing of the build, it can be a year or more before those expenditures are actually included in rates. The more immediately we can include increases in rates, there will be less of a spike in rates for customers. The PUCN will still have the authority to review expenditures and rates and return those costs to the customers if the PUCN finds we did not adjust rates in a reasonable manner. We are trying to ensure the ratepayer is not left with a lack of regulatory oversight.

Senator Hutchison:

Is this proposal driven by the risk of regulation changes by the federal government? Will Nevada receive anything in return for changing the nature of how we deliver energy to our citizens? Nevadans will be paying more. Will they receive anything in return?

Mr. Ernaut:

It is our professional opinion that the risk of regulation change is significant, and the changes would be immediate and drastic. The greatest benefit we give our customers is to protect them by making these changes. A disproportionate amount of our energy portfolio is comprised of natural gas. Adding more natural gas is not a significant issue. A limited number of energy sources are available. I do not think we are going to build a nuclear energy plant. If we retire coal, our options are natural gas or renewable energy. By driving the renewable energy

industry, we can make it more competitive. One day, the portfolio discussion comparing the price of natural gas and renewable energy will be negligible. Renewable energy will be cost-competitive in time.

Senator Jones:

Will the Reid Gardner Generating Station be retired if this passes or not?

Mr. Ernaut:

Yes. Units I through III are scheduled to be retired in 2020. This accelerates their retirement to 2014.

Senator Jones:

Are the projected rate increases based on approved integrated resource plans?

Mr. McGinley:

It is based on the integrated resource plan we filed last year. We modified it. We updated the load and fuel forecasts.

Senator Jones:

It is not based on an approved plan then.

Mr. McGinley:

The foundation of the model is. It was based on filings before the PUCN, but they have been updated.

Mr. Ernaut:

It is not based on an approved plan. However, the gas prices in the updated forecast were lower than in our last integrated resource plan. That is the price forecast we will use in our upcoming rate case. We used the most recent data and forecasts made since our last integrated resource plan filing.

Senator Denis:

Over time, the cost of renewable energy will decrease. Did you account for that in the modeling?

Mr. McGinley:

Yes. We used the most current costs for the construction of all facilities.

Senator Denis:

The operational costs will decrease over time. Did you consider the ongoing operational costs?

Mr. McGinley:

Modeling typically uses a current cost of a facility. As you add facilities, the cost is inflated based on an index. We used the most current data available.

Chair Atkinson:

What type of jobs will this create? How long will they last?

Mr. Ernaut:

Most will be construction jobs. We will need to build a lot of facilities. We based the number of jobs on what we currently see with the construction of power plants. There will be maintenance jobs, too. Those jobs will last after the construction jobs. There are only a few maintenance jobs at a solar power plant, a few more at a geothermal plant, and many more at a natural gas plant. Between 2015 and 2019, there will be a tremendous number of construction jobs available. We project 500 jobs in each year from 2015 until 2018. In 2019, we project 2,250 jobs. There will be a lull in 2020. In 2021, we project 750 jobs.

Danny Thompson (Nevada State AFL-CIO):

We have had a long history concerning job creation around renewable energy. Many times, workers have come from out of state or even different countries to build these projects, and the companies are given tax abatements. We represent workers who build and operate coal plants. There are regulatory and legal problems with the coal industry. We understand coal plants will be phased out. The cost of conforming to new regulations is prohibitive. We have had good experiences with NV Energy in the past. NV Energy builds plants in Nevada, with Nevada workers. Many renewable energy projects are not built for the benefit of Nevada but for the benefit of the California RPS. NV Energy builds their projects in Nevada for Nevadans. Senate Bill 123 will create jobs in Nevada for Nevadans.

James Woodruff (Vice President, State and Local Affairs, First Solar):

First Solar is the world's leading manufacturer of thin-film solar modules. We produce about 6 gigawatts worldwide. In the United States, First Solar has developed a pipeline of approximately 3 gigawatts of advanced-state utility solar

projects, much of which is located in Nevada. We have commissioned 250 megawatts more of utility-scale solar projects in Nevada, including the 50-megawatt Silver State North project near Primm. The Silver State North project is the first of that scale to be commissioned on Bureau of Land Management (BLM) land. It is a Nevada project in its entirety. It was built by Nevadans for Nevadans. It sells all its output to NV Energy under a long-term contract to meet RPS goals. We are nearing completion of a 350-megawatt development in Primm and expect to see a final environmental impact statement on the Silver State South project from the BLM soon. We expect to start construction on the Silver State South project in 2013 and have full-scale site mobilization in 2014. These projects have accounted for approximately 2,000 jobs in Nevada. There have been questions regarding the durability of those jobs. We have always looked at this as being similar to the construction industry. These jobs persist when there is a durable and sustainable market. NV Energy is proposing a durable and sustainable market for Nevada that exceeds current RPS goals. Nevada is a great place for solar projects. There is sunshine, labor and access to transmission. A key element is the deep regulatory and policy support for renewable energy in Nevada. The Legislature has made solar energy development possible. First Solar is a global company, and we are investing throughout the world. It takes between 3 and 6 years to build a solar project. Our company is deciding where to commit capital. We have to project if Nevada is going to commit to a sustainable and durable market for renewable energy. We are enthusiastic about the concepts and proposals NV Energy has put forward. It is groundbreaking for a utility to create voluntarily a program tying coal retirement to the augmentation of renewable energy. The proposal starts to make carbon transparent. Specifically stating the cost of coal, coal retirement and replacing coal with gas and renewable energy has not been done for markets in the United States before. This is forward-looking. We support the program in concept.

Senator Hardy:

Do you want to get rid of the RPS?

Mr. Woodruff:

There is great value to the RPS. Our understanding is that the proposed concept from NV Energy would be in addition to the RPS. Procurement under the proposal could count toward the RPS, but it will go beyond it. We are in favor of retaining the RPS in statute and seeing this as an augmentation of that statute.

Senator Hardy:

The RPS creates a ceiling you would like to exceed. Correct?

Mr. Woodruff:

We see the RPS as a floor rather than a ceiling.

Audra Hartmann (Director, Government and Regulatory Affairs, NextEra Energy Resources):

NextEra Energy is a leading provider of renewable and diversified energy. We have over 18,000 megawatts of generating capacity in the United States and Canada. In the United States, we are a leader in solar and wind energy. We currently have over 10,000 megawatts in production and an additional 500 megawatts under construction. In Nevada, we are developing a 20-megawatt solar facility called Mountain View Solar. It is contracted with NV Energy, and we hope to have it operational by 2014. We support the vision NV Energy has proposed. NextEra Energy is a proponent of having a diversified portfolio of renewable resources of clean, reliable energy. This will benefit Nevada by creating jobs, tax revenue and a source of clean reliable power for the future.

Warren Hardy (Hamilton Solar):

We support the original bill. We are reviewing the amendment and the concept NV Energy has presented. The amendment is very innovative and the right direction for energy independence in Nevada. We hope that whatever policy comes out of the Legislature, it recognizes there is room for large-scale and small-scale distributive generation. Hamilton Solar is Nevada-owned. We have worked for 5 years to develop a marketplace where distributive generation can stand on its own. We are very close. We hope the Committee recognizes small-scale distributive generation providers can play a valuable role.

Chair Atkinson:

Are you supportive of the concept from what you have heard today about the amendment—the retirement of coal, speeding up the closure of the Reid Gardner Power Plant and others?

Mr. Hardy:

Those are all admirable goals and things we ought to be working toward, but not at the expense of other sectors of the industry like small-scale distributive

generation. There ought to be room for both large-scale and small-scale renewable projects in the State.

Chair Atkinson:

You are in favor of the bill as long as you are not excluded. Correct?

Mr. Hardy:

Yes.

Paul Thomsen (Director of Policy and Business Development, Ormat Technologies; President, Geothermal Energy Association):

We support S.B. 123 as introduced, especially section 1 which makes geothermal energy equal to other renewable energy technologies in the State. Ormat Technologies has been headquartered in Reno since 1984, and we operate 11 geothermal facilities in Nevada. We employ over 1,000 people across the world and over 200 in Nevada. Reno is our global corporate headquarters.

Dan Galpern (Moapa Band of Paiutes):

The Moapa Band of Paiutes is a federally recognized tribe situated downwind and less than one mile from the Reid Gardner Generating Station. The Tribe gets much of its pollution from the Reid Gardner power plant, including sulfur dioxide, nitrogen oxides, particulate matter pollution, toxic coal-ash dust and hydrogen sulfide gas generated from the wastewater ponds. The Tribe is involved in many litigation actions with the Reid Gardner power plant regarding the coal-ash dust and wastewater ponds pollution. We were not consulted about S.B. 123. We support the two sections that concern the Tribe. I strongly support the statement by Mr. Ernaut about the volatility of the price of coal. The price of coal is driven by the prospect of new federal regulations and the international marketplace. Many developing countries in Asia are still heavily reliant on coal, and they are looking to the Powder River Basin in the United States as a source of coal. The price of coal will be tied to the international marketplace. We strongly support the policy proposed by NV Energy in section 29, subsections 1 and 2, of the proposed amendment. These subsections dictate the retirement of the coal fleet operated by NV Energy. The Tribe strongly supports the policy to expedite retirement of the coal fleet, especially the Reid Gardner power plant. We would like to propose an amendment to the proposed amendment to expedite the retirement. We would like to see Units I through III retired by the end of 2013 and Unit IV by the

beginning of 2016. The Tribe should not have to continue suffering from the pollution from the Reid Gardner Generating Station. Section 34 of the proposed amendment would consolidate regulatory jurisdiction within the Division of Environmental Protection of the State Department of Conservation and Natural Resources, for the remediation of the Reid Gardner Generating Station. Currently, jurisdiction for oversight is bifurcated between the Division and the Clark County Health District. This has not worked well. The primary regulatory agency for environmental concerns in the State is the Division. The Tribe strongly supports an increased reliance on renewable energy. A study done by the Sierra Club a year ago indicated the demand side management of energy efficiency could play a much larger role in satisfying projected demand in Nevada. We have not seen NV Energy's analysis on this issue. We would be happy to be considered a partner on these issues and would like to learn about these issues ahead of time. We are unsure of the precise mix of resources necessary to replace the power generated from coal to meet future demand. The Tribe takes no position on the rate impacts in the bill.

Terry Page (Director of Business Development, Enel Green Power S.p.A.):

We have about \$400 million worth of assets in Nevada. We pay approximately \$2 million in wages to more than 50 full-time employees. We completed a solar project last year. All of our projects are in northern Nevada. We also have geothermal projects. We support S.B. 123 as introduced, particularly placing geothermal abatements on equal footing with solar abatements. We also support the concept of the added renewables. We have located our engineering and construction offices in northern Nevada. It is a business friendly climate, but business opportunities will be sparse unless the concepts proposed today are adopted.

Louise Helton (Nevada Sustainable Energy Coalition):

The Nevada Sustainable Energy Coalition is made up of non-profits and professional organizations that promote renewable energy and energy efficiency measures across the State. We support S.B. 123. We want to make sure it integrates the distributive generation and energy efficiency measures.

Joannah Schumacher (Gifted Minds with Too Little Time):

I cannot believe NV Energy had my best interests in mind. Switching to renewable energy is a worthy goal. Dictating this change forces the public to bear the cost of NV Energy's corporate goals. It will have an unfairly discriminatory effect on the poor and middle class. The bill will give NV Energy

an unfair advantage over competitors. I have had to speak before the PUCN regarding smart meters and overbilling issues. Do not pass on your responsibility to the PUCN in hopes that they will protect the public. Assembly Bill 289 would not be needed if we could trust the PUCN to protect the public.

ASSEMBLY BILL 289: Revises provisions governing the installation and use of smart meters by certain electric utilities. (BDR 58-437)

The middle class is unable to afford new energy-saving appliances. This bill would adversely affect those who could not afford to make those changes. They make too much money to qualify for assistance on their power bill, but not enough to pay for these proposed, more expensive, energy sources. NV Energy brought in California contractors for the smart meter implementation. I do not believe this will create jobs in Nevada. I encourage NV Energy to diversify power sources because it makes good business sense. In the case of this bill, I urge you to vote no.

Chair Atkinson:

You do not trust the PUCN or NV Energy. Correct?

Ms. Schumacher:

Based on my interactions with them in the past and on the smart meter issue currently, I have very little faith they will keep my best interests in mind.

Jeff Fontaine (Executive Director, Nevada Association of Counties):

We are not opposed to S.B. 123. We have concerns with sections 1 through 3 of the bill, which would eliminate the counties' authority to grant partial property tax abatements for geothermal energy projects. Geothermal is a unique energy source, and is only available in a limited number of states. Nevada is one of those states and probably has one of the largest concentrations of geothermal resources. Developers can still go to the State for abatements on sales and use taxes for geothermal projects. We would like to see the counties retain authority to grant partial property tax abatements for geothermal energy projects.

Chair Atkinson:

Are you referring to the original bill?

Mr. Fontaine:

Yes.

Dan Jacobsen (Bureau of Consumer Protection, Office of the Attorney General):

The Bureau of Consumer Protection (BCP) is neutral on the coal retirement aspects of S.B. 123. If the Committee wants to mandate that coal plants be retired sooner than planned, we would not oppose that. When you shut down a coal plant, the company still expects the ratepayers to pay the remaining cost. We would like to be a part of the discussion to determine over what period those costs will be recovered. We are not opposed to the costs. We are concerned with the way the bill proposes to replace coal. In addition to replacing about 1,000 megawatts of coal capacity, the bill would replace a large amount of power purchased agreements. Power purchased agreements are helpful in cover peak loads. This is a difficult, long-range decision you are being asked to make. You are being asked to make a decision that in the year 2025, the right thing to do will be to build a 500-megawatt natural gas plant. That is 12 years from now. Technology can change a lot in 12 years. The demand projection, wholesale market and efficiency options can change a lot in 12 years. It is quite a challenge as policy makers. The PUCN has a process for looking at how to replace a plant, how to deal with growth and what to do when a power purchased agreement expires. The PUCN has engineers, economists and staff who watch the wholesale markets, technology and efficiency aspects. By statute, the PUCN opens a proceeding every 3 years and allows stakeholders to bring new information forward, including information about load forecasts and demand. It is a good process for addressing when it is time to build and what the right mix of energy efficiency and power purchased agreements should be. Do not move the PUCN out of the process. The bill dramatically changes the PUCN's latitude. The bill includes provisions like, as long as the company makes the required investments, the investments are deemed prudent. The phrase "deemed prudent" carries a lot of legal weight. The bill also requires the PUCN to approve any investment the company makes. That carries a lot of weight. There are provisions to allow the PUCN to evaluate decisions after the fact to determine if they were prudent. It will be difficult for the PUCN to reverse the position with this language. The bill takes away authority from the PUCN.

Senator Hutchison:

Are you the consumer advocate for the ratepayers?

Mr. Jacobsen:

I work for the BCP, and I report to the consumer advocate.

Senator Hutchison:

Is your job to look out for the ratepayers?

Mr. Jacobsen:

Yes.

Senator Hutchison:

Do you have a position on the way NV Energy is changing the way energy is delivered to consumers? Consumers will absorb costs through increased rates.

Mr. Jacobsen:

The PUCN has been looking at this issue. They have held hearings and gathered information. There are trade-offs occurring everywhere, balancing the cost of upgrading coal plants to comply with increasing requirements from the U.S. Environmental Protection Agency with the value of coal. If S.B. 123 is not approved, we expect the PUCN will complete its proceedings and make a decision about the right time to terminate the coal plants. We do not oppose accelerating the process.

Senator Hutchison:

Ms. Schumacher believes the poor and middle class will be adversely affected by these changes because coal plants are cheaper to operate than renewable or gas plants. Do you agree that the brunt of the rate increases will be borne by the poor and middle class?

Mr. Jacobsen:

Yes. Based on the compliance report, NV Energy has approximately 1,000 megawatts of renewable energy right now. Adding 600 megawatts of renewable energy is going to raise rates. Adding in all the proposed investments replacing power purchased agreements, rates will definitely increase. Residential customers receive the bulk of the allocation of the revenue requirements.

Senator Hutchison:

Is the cost worth the benefits from the point of view of the consumer advocate for the ratepayers?

Mr. Jacobsen:

It is risky to make decisions now as to what will be done in 12 years. It will probably result in higher rates than necessary for consumers.

Juanita Cox (Chairman, Citizens in Action):

We have had interactions with the PUCN and NV Energy. The BCP had tried to help us. Our rates are constantly increasing. We have not had the opportunity to look at the proposed amendment. The ratepayers bear the brunt of these rate increases. The only thing we can do is go to the PUCN and plead our case. I agree with Ms. Schumacher's statements about the poor and middle class being adversely affected. This is too big to do at this time.

Wendy Ellis:

I did not appreciate not having access to the significant amendment to S.B. 123 prior to the meeting. I am concerned with the objective of making NV Energy independent. We do not acquire all our natural gas and coal within Nevada, so I do not see how that goal is possible. I am not concerned if NV Energy wants to switch from coal to natural gas. The energy density of both sources is good. I am concerned with having so much invested in renewable energy. The energy density of renewable energy is miniscule and not reliable. We have not discussed transmission lines. Renewable energy should not receive any type of abatement. If the government did not give abatements to favored industries, there might be enough money for all the agencies. I have had to furlough 2 hours per week, and my salary has been reduced. Electricity usage is only one aspect of a power bill. There are energy efficiency charges, Temporary Green Power Financing and additional fees because of renewable energy programs. I should not be required to subsidize my neighbor's solar panels, especially when I cannot afford to install them on my house. NV Energy is forced to purchase the surplus power individuals produce at a high cost. NV Energy customers ought to know where their money is going. This bill requires the costs of the power purchased agreements be a trade secret. There is a 25-year power purchased agreement requiring NV Energy to pay 13.5 cents per kilowatt-hour. That is more than the electric rates. Customers are not told the true cost of renewable energy. The sun does not shine at night; the wind does not always blow. Relying on renewable energy is not good policy. Much of Nevada is now covered by solar panels producing a few megawatts of power. I do not want to look at solar panels. We have a fragile desert ecosystem, but the energy companies can use gentle mowing to cut off all vegetation for solar panels and windmills. Nevada relies on tourism. The property values in

Searchlight and similar communities are decreasing. People do not want to look at windmills.

Mike Hazard:

I am opposed to S.B. 123 for three reasons. First, Mr. McGinley stated NV Energy produced a resource model and the estimated rate increase would be between 1 and 4 percent. There should be a third-party analysis. The NV Energy model was analyzed by the PUCN, but there should be a neutral third-party analysis. Second, I have been following rate increases since 2010. In October 2011, NV Energy proposed an increase of 27.4 percent to cover similar renewable energy projects. The PUCN intervened and the increase was reduced to about 11.4 percent. Mr. Elicegui believes rates will be controlled because utilities must file rate cases every 3 years. Senate Bill 93 would increase that time frame to 5 years.

SENATE BILL 93: Revises provisions relating to the filing of a general rate application by an electric utility in this State. (BDR 58-650)

Third, Ms. McKinney-James believes renewable energy subsidies should be extended. Extending the subsidies will lower the extent to which customers can become involved. We need to stop renewable energy subsidies. Taxpayers have paid enough. We started with the American Recovery and Reinvestment Act of 2009. Ratepayers are taxed on every electric bill. There is an article entitled "The High Cost of Renewable Energy" from the Manhattan Institute. I will read to you a short excerpt.

One company, New Jersey-based NRG Energy, along with its partners, has secured some \$5.2 billion in federal loan guarantees to build solar-energy projects. The production tax credit for renewable-energy generation has also imposed costs on taxpayers. In 2007, the EIA estimated that subsidy was costing \$418 million per year.

The fees do not end, and they need to stop. The American Energy Alliance released a report recommending to the government to stop subsidizing renewable energy projects. The author of the report, David Dismukes, states the wind energy's argument supporting the contribution of the Federal Renewable Electricity Production Tax Credit represents a classic case of rent seeking by an established industry seeking to maintain profits through tax subsidies. Please

evaluate, inquire and do not ignore the facts as you discuss this bill. You have a responsibility to the ratepayers and taxpayers of the State.

Joyce Hazard:

Everyone in favor of S.B. 123 stands to gain from the policies proposed. The ratepayers will only pay higher rates. No one has discussed the negative aspects of renewable energy. Solar panels create cadmium toxic waste. Wind turbines kill birds, including the protected eagles. The arguments made by Mr. McGinley sound like fear tactics. There are options other than solar and wind power. Geothermal is an excellent alternative. There are companies that make electricity from garbage. I agree with Mr. Jacobsen's statement that mandating today what to do in the future is bad policy. The ratepayers will suffer under this bill. The utility companies will make a profit. I am opposed to the bill.

Joe Johnson (Toiyabe Chapter, Sierra Club):

We are neutral on S.B. 123. We compliment NV Energy on bringing forward the proposal to close the Reid Gardner Power Plant Units I through III in 2014 and Unit IV in 2017. We fully support the closing of the Reid Gardner Power Plant. We have concerns with the proposed amendment and changing the oversight responsibility of the PUCN. We would like to continue that discussion. We are also concerned about the treatment of the distributive generation metering portions of the bill. There has been discussion about how this bill would impact rates. I checked my utility bill and with all the additional fees, my total bill, per kilowatt-hour, is cheaper than 10 years ago. There have been rate increases, but the overall effect has been minimal. The Sierra Club will continue to study the bill and proposed amendment.

Lydia Ball (Clean Energy Project):

We support the proposal from NV Energy, especially shutting down the Reid Gardner Power Plant and divesting from coal. Relying on coal power has risks, and we do not have coal resources in the State. The money we spend on an annual basis to purchase coal power is money we are sending out of the State. The plan to build 600 megawatts is commendable. I would like to see more, but this is a great start. The proposed amendment would allow NV Energy to own and operate some of the renewable energy plants. This is a good idea; it will allow the ratepayers to reap the benefits of renewable energy. We do have some concerns about changing the role the PUCN will play in regulation, but NV Energy is working with us to solve those. We also want NV Energy to look at this plan during their regional planning process.

Chair Atkinson:

Will allowing NV Energy to own and operate some of the energy production reduce costs to ratepayers? If you are able to do things in-house, it will often lower the cost.

Ms. Ball:

The best analogy I can give you is that it is similar to the difference between owning and leasing your vehicle. There are reasons to lease a vehicle, but there are also reasons to purchase a vehicle. I do not think NV Energy should be allowed to own and operate everything in the proposal, but it would allow them to own 150 of the 600 megawatts.

Senator Hutchison:

Is it your understanding that the owner-operator model was built into the rate assumptions and the 4 percent rate increases they discussed?

Ms. Ball:

I do not know if it was included or not.

Senator Hutchison:

Chair Atkinson and I are wondering if we could see rate decreases with an owner-operator model. Were the decreases built into the proposal?

Ms. Ball:

I am not sure if they were or not. Similar to owning a vehicle, you reap the benefits after you have paid it off. The same applies for a renewable energy plant.

Ernie Adler (IBEW 1245):

I represent the electrical workers for NV Energy in northern Nevada. We are neutral on S.B. 123 because we have not looked at the amendment yet. We are unsure if the jobs will be replaced after closing the coal plants. They could be replaced with natural gas plant jobs or renewable energy jobs. We are in favor of the concept. If the State waits until the coal plants are retired to make policy, we will be forced to buy energy from out of State. We will lose all our jobs. Building a plant in the State generates construction jobs, the State receives property taxes and the workers in the plant pay taxes. That must factor into the overall cost, not only the incremental rate increases. I have seen studies on

utility rates since implementing the RPS in Nevada. Rates have not increased. The rates may not increase under this bill. We will not be held hostage to out-of-State sellers if we build our own plants. We may even see rate decreases.

Senator Hardy:

Where would we get the natural gas? Can we build plants on existing pipelines?

Mr. Adler:

In northern Nevada, we have the Paiute Pipeline Company with immense capacity. We already have the capacity for the plants.

Senator Hardy:

Would we have to pay for the gas?

Mr. Adler:

Yes. The price of natural gas has decreased considerably. If it stays on the current trajectory, natural gas may end up being cheaper than coal.

Senator Hardy:

No one predicted that.

Mr. Adler:

Correct.

Senator Hutchison:

Coal plants are going to be retired in the future. Is your concern that without this bill Nevada would buy all our power out of state so you would lose your jobs?

Mr. Adler:

Yes.

Senator Hutchison:

How many jobs would be affected?

Mr. Adler:

The Beowawe Power Plant has over 200 jobs that would be affected.

Senator Hutchison:

Would a couple of hundred jobs per plant be normal?

Mr. Adler:

I do not know.

Stacey Crowley (Director, Office of Energy, Office of the Governor):

The Office of Energy, Office of the Governor, is neutral on S.B. 123 and amendment. My comments will be focused on sections 23 through 35 and section 36.7 of the amendment. We support the development of a plan to transition away from coal-generated energy. There are increased environmental regulations that require us to evaluate options from an environmental and ratepayer perspective. Displacing coal with renewable energy makes reasonable sense. The Governor is a strong supporter of the clean energy industry and strives to make Nevada a leader in renewable energy development. Over 460 megawatts of renewable energy has been built and over \$3 billion has been invested in renewable energy projects in the past 2 years. Renewable energy provides clean and reliable energy to consumers and creates jobs and tax revenue for the State. That is why it is one of the seven key sectors of the Governor's economic development initiative. The bill reveals the current ambiguity in statute regarding the evaluation of the least-cost resource options, the best fit for customers and the long-term benefit for the State with the integrated resource planning process. We may be able to define better the evaluation criteria in the current process. The amendment may significantly reduce the flexibility of the PUCN to manage properly resource planning. Reduced flexibility may lead to a reduced responsiveness to ratepayer issues and market conditions. The amendment also suggests a mix of fixed-revenue resources including a certain amount of new generation capacity that does not reflect the broad portfolio of options that might include energy efficiency, conservation, distributive generation and sharing resources at the regional level. This proposal contemplates meeting our energy needs through nothing but the generation of new assets. The ability to have options is important when evaluating the impacts of a balanced portfolio. We support the increased use of renewable and native resources including base load, geothermal, solar and biomass energy. We also support resource planning that balances our economic development and environmental goals with ratepayer impacts. Section 36.7 of the amendment requires the utility to own not less than 25 percent of the portfolio energy systems. We support a more competitive process in which the

utility could be included. The market forces would help procure more cost effective renewable sources that provide the most benefit to the consumers.

Senator Hutchison:

Are you concerned with the change in standards when the PUCN evaluates potential cost increases to ratepayers?

Ms. Crowley:

We are still analyzing how the amendment will work in practice and will interact with the current integrated resource planning process. The PUCN may have a better idea. The integrated resource planning process allows for some flexibility when forecasting load changes on a 3-year basis. The process also looks out to a 20-year plan. The PUCN tries to take a long-term look with a 3-year action plan.

Senator Hutchison:

Are you still evaluating the amendment?

Ms. Crowley:

Yes.

Senator Atkinson:

One of the concerns Governor Sandoval had with A.B. No. 416 from the 76th Session was the impact on the ratepayers. Have you studied what impact this will have on the rates and ratepayers?

Ms. Crowley:

The PUCN has the ability to analyze the rates presented. The impact to rates is a very important part of this discussion.

Senator Settlemeyer:

I appreciate the intent of S.B. 123. I am concerned about how it will work with the other energy bills being considered this Session. This bill touches on an aspect of geothermal energy, and I am curious how that will interact with A.B. 239 regarding the abatement for geothermal energy.

ASSEMBLY BILL 239: Makes various changes relating to energy. (BDR 58-224)

It is problematic to listen to one bill without considering how the other proposed bills will affect it. Secondly, I am concerned about the concept of predictability. Renewable energy providers need to know what they will be expected to produce. Ratepayers need predictability as well. A 4 percent rate increase each year is difficult for ratepayers, but could be easier if it is predictable. We should not have to hear this issue every session.

Chair Atkinson:

Your question is better suited for the PUCN. In terms of the other bills, it is up to us as a policy committee to decide which bills to process and what direction energy policy should take in our State.

Paul McKenzie (Executive Secretary-Treasurer, Building and Construction Trades Council of Northern Nevada, AFL-CIO):

We have two concerns. First, we want to ensure local workers are able to work on the abatement projects. Second, we are concerned about enforcement of the provisions of *Nevada Revised Statute* 701B. We want to ensure people are not violating law when receiving rebates.

Leo M. Drozdoff, P.E. (Director, State Department of Conservation and Natural Resources):

We have a small role in the implementation of this outlined in section 34 of the proposed amendment. We are neutral on S.B. 123 and amendment. We are still evaluating fiscal impacts. The Division of Environmental Protection does have the capacity and capability to do what is asked in the bill and amendment.

Garret Weir (Assistant General Counsel, Public Utilities Commission of Nevada):

The PUCN is neutral on the bill. We have not discussed the proposal in an open meeting to take a formal position. Our concerns are similar to those expressed by Ms. Crowley.

Senator Hutchison:

Will the bill change the standard by which the PUCN evaluates rate cases?

Mr. Weir:

There would not be a change to the standard of review on rate cases. The change would be that the evaluation would come after the fact.

Senator Hutchison:

Is the primary factor in evaluation of a rate case to minimize cost to the ratepayers? If so, would that still be in place under this bill or would that change to more flexible standards of reasonable and prudent cost to the ratepayers?

Mr. Weir:

The PUCN would lose flexibility in assessing the plan. The change refers to the prudence determination. This is consistent with the concerns Ms. Crowley expressed.

Anne-Marie Cuneo (Director of Regulatory Operations, Public Utilities Commission of Nevada):

The PUCN has two different jurisdictions: first, setting rates and reviewing general rate cases; and second, the PUCN is responsible for overseeing the integrated resource planning process. This bill combines the two jurisdictions. There is a change with respect to the incremental rates established in the bill. Mr. Ernaut referenced a similar process that happened when implementing coal resources in the 1980s. It is a slight departure from what the PUCN usually does. The PUCN normally does not put rates into effect without finding those costs just and reasonable in advance. It is unusual to evaluate the rates after putting them into effect. When the PUCN evaluates costs during a general rate case, we evaluate costs and savings. We balance the costs and savings in the general rate case. I am not sure the amendment considers the costs and savings.

Senator Hutchison:

Have you seen the amendment before? Were you involved in the process leading up to today?

Ms. Cuneo:

I have seen philosophies and components of the amendment.

Senator Hutchison:

Is it odd that the industry being regulated is bringing a bill telling the regulator how to regulate the industry?

Ms. Cuneo:

I do not speak for the PUCN, but the concept of a regulatory body is to balance the interests of all parties. Inevitably, the regulator will make all parties unhappy.

Senator Atkinson:

Is it typical to allow a rate increase to take effect and then have the PUCN review it?

Mr. Weir:

That is the issue Ms. Cuneo addressed.

Ms. Cuneo:

That is a departure from traditional ratemaking principles. The next public meeting of the PUCN is scheduled for April 19. The PUCN may take an official position on S.B. 123 at that time.

Terry Graves:

I represent a coalition of independent power producers. We would like an opportunity to review the amendment. I do not think we will have a problem. We are neutral on the bill and amendment.

Marnee Benson (Deputy Director, Black Rock Solar):

I want to echo the comments of Ms. Ball. Black Rock Solar is a non-profit organization that has installed 3 megawatts of distributive solar energy since 2007. We strongly support the goal of the incentive program to create a sustainable solar industry in Nevada. We support the implementation of an incentive program that includes upfront incentives and performance-based incentives. There is a study comparing upfront and performance-based incentives before the PUCN. We are a little concerned about codifying certain provisions of the incentive program. Greater latitude may be needed to respond to changing market conditions. We also have concerns with limiting the performance-based incentive payments to December 2021 if the program runs through 2025. Section 8 of the amendment appears to remove the ability of the PUCN to modify the incentive levels and gives sole discretion to the utility. We also have concerns with section 36.5 of the amendment.

Josh Griffin (MGM Resorts International):

We are one of the largest ratepayers in the State. We purchase approximately 5 percent of the energy in southern Nevada. We applaud the intent of S.B. 123 and amendment, but we need time to review it.

Russell Rowe (Boyd Gaming Corporation; Solar City):

What NV Energy is trying to do is commendable. Boyd Gaming wants to continue working with them on the issue.

Kyle Davis (Nevada Conservation League):

We need time to review the amendment. We commend NV Energy for moving away from coal plants. It is the right direction for the State.

Mr. Rowe:

Solar City is the Nation's largest installer of distributive generation rooftop solar products. We recently moved our headquarters to Nevada. We support the concepts presented. We also support what A.B. No. 416 of the 76th Session attempted to do. Moving towards a performance-based incentive program will increase capacity and jobs associated with distributive generation.

Ms. McKinney-James:

I support finding ways to increase the amount of renewable energy in Nevada and the reduction of coal. The PUCN has discussed the regulatory implications. NV Energy should be commended for coming forward with a bold and innovative plan. There is a model in Colorado for a certain percentage of the renewables being owned by the utility company. There could be a significant benefit for ratepayers with this model.

Mr. Ernaut:

I apologize for the lateness of the amendment. We had draft language we discussed with the Governor's office, legislative leadership, the BCP and the PUCN. We thought that was the appropriate place to start.

Chair Atkinson:

There are many issues to be resolved. I need more clarification on the impact to rates. I will close the hearing on S.B. 123. We will not hear S.B. 252, S.B. 326, S.B. 329 or S.B. 339 today.

SENATE BILL 252: Revises provisions relating to the portfolio standard for providers of electric service. (BDR 58-775)

SENATE BILL 326: Revises provisions relating to the renewable energy portfolio standard. (BDR 58-766)

SENATE BILL 329: Creates the Account for Clean Energy Loans. (BDR 58-861)

SENATE BILL 339: Revises provisions relating to electric utilities. (BDR 58-835)

Chair Atkinson:

I am opening the hearing on S.B. 366.

SENATE BILL 366: Revises provisions relating to certain providers of electric service. (BDR 58-1042)

Senator Pete Goicoechea (Senatorial District No. 19):

Senate Bill 366 revises provisions governing how large providers of electric service interact with cooperative associations providing electric service.

Kathleen Conaboy (Robinson Nevada Mining Company):

We consider S.B. 366 to be a customer protection bill. I will read my written testimony explaining the bill ([Exhibit D](#)).

Cary Brunson (Robinson Nevada Mining Company):

Robinson Mine is a copper mine with small margins. We review our costs yearly, and reviewing the contracts is part of that process. We struggle to keep our costs low to stay in business. We employ approximately 600 people, roughly 10 percent of the population of Ely. It is my job to make sure we do everything we can to stay viable and keep the mine operating. We are looking for a process to give us an option when we come to an impasse in negotiations.

Senator Hutchison:

Is there any way to get out of a contract under existing law, or are you locked in forever?

Mr. Brunson:

No, we are not locked in. During our negotiations we have a drop-dead date. During our last negotiation, our drop-dead date was December 31, 2012. After

that date, our alternative is a Schedule C rate. The Schedule C rate is usually the market rate plus \$10. When we opted to use the Schedule C rate, it escalated to the market rate plus \$22 as a penalty. We do not believe that is a negotiation.

Robert Miller:

I am neutral on the bill. I am enrolled in the Renewable Energy Center at the University of Nevada, Reno.

Clay Fitch (Executive Director, Nevada Rural Electric Association):

I am here on behalf of the cooperatives. We are opposed to S.B. 366. The provisions in the bill are not workable for a utility. We believe this stemmed from a contract dispute from one customer. There are more than 58,000 customers total.

Senator Hutchison:

Was this legislation was introduced because of a contract dispute? One company did not want to use the Schedule C rate. Correct?

Mr. Fitch:

It is not one of my customers, and because of confidentiality agreements, I do not know all the details. I think that is correct, though.

Senator Goicoechea:

We will continue discussions on this bill.

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Chair Atkinson:

I will close the hearing on S.B. 366. The meeting is adjourned at 4:52 p.m.

RESPECTFULLY SUBMITTED:

Caitlin Brady,
Committee Secretary

APPROVED BY:

Senator Kelvin Atkinson, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	1		Agenda
	B	12		Attendance Roster
S.B. 123	C	25	Senator Kelvin Atkinson	Proposed Amendment
S.B. 366	D	1	Kathleen Conaboy	Written Testimony