

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-Seventh Session
February 13, 2013**

The Senate Committee on Finance was called to order by Chair Debbie Smith at 8:05 a.m. on Wednesday, February 13, 2013, in Room 2134 of the Legislative Building, Carson City, 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 Debbie Smith, Chair
Senator Joyce Woodhouse, Vice Chair
Senator Moises (Mo) Denis
Senator David R. Parks
Senator Pete Goicoechea
Senator Ben Kieckhefer
Senator Michael Roberson

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Michael Chapman, Senior Program Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Leslie Sexton, Committee Secretary

OTHERS PRESENT:

Stacey Crowley, Director, Office of Energy, Office of the Governor
Katherine Miller, Deputy Executive Director, Office of Veterans' Services
Stephanie Day, Deputy Director, Budget Division, Department of Administration
Crystal Jackson, Executive Director, Public Utilities Commission of Nevada
Anne-Marie Cuneo, Director of Regulatory Operations, Public Utilities
Commission of Nevada

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

I have provided you with a copy of a PowerPoint presentation ([Exhibit C](#)) which outlines my presentation.

- Pages 3 through 5 outline our office highlights in calendar years (CY) 2011 and 2012. Of the 13 utility scale renewable-energy projects receiving abatements for approximately 600 megawatts (MW) of production, 7 of those are in operation today. That constitutes \$3.2 billion in capital investments that have gone through our tax abatement program.
- Over 460 MW of additional renewable-energy projects have gone online. This includes contracts from NV Energy, others that have contracted with utilities outside of Nevada, and rooftop-scale solar and hydroelectric projects.
- Our revolving loan fund of \$12.8 million financed 15 projects. This fund was created with a grant from the American Recovery and Reinvestment Act of 2009 (ARRA).
- To date, 220 homes have gone through the residential energy audit and upgrade program. Currently, 369 homes are participating in the EnergyFit Nevada program. A grant from the U.S. Department of Energy (DOE) funds this program.
- We conducted a \$1.2 million transmission routing study, funded by the ARRA, in cooperation with the Nevada Energy Assistance Corporation, a nonprofit organization. The study revealed four primary routes for transmission corridor expansion. These routes would capture renewable energy in the zones established by the State for transmission to western load centers.
- We signed a Memorandum of Understanding with the U.S. Bureau of Land Management to collaborate on renewable energy and transmission projects. We meet every 45 to 60 days to review permitting, siting and habitat issues of every energy project. Our goal is to resolve common critical issues.
- The Governor signed Executive Order 2011-18 to launch a transmission planning and business case study for renewable energy. That effort has been taking place under the New Energy Industry Task Force within the Nevada State Office of Energy (NSOE). We have worked for over a year with the Task Force and its Technical Advisory Committee members to

understand the impacts of renewable energy on the State and the relationship with the western market.

- Nevada has been brought into the national picture with my chairmanship of the Western Interstate Energy Board and my membership on the board of the National Association of State Energy Officials.
- Nevada adopted its first Energy Conservation Code, a variation of the 2009 International Energy Conservation Code, which became effective July 1, 2012. We provided training and educational seminars and equipment across the State with ARRA funds. We developed the Energy Codes Ambassadors Program. This program allows rural communities to access code-issue expertise within more densely populated communities.
- We collected data on energy consumption in all State-owned buildings. This data will help us reach our State-mandated goal to reduce energy consumption by 20 percent by 2015. We have created strategies to accomplish this. The collected data will serve as our baseline. I have provided you with a report on energy consumption in State-owned buildings ([Exhibit D](#)).
- The DOE awarded us three competitive grants: a Commercial Building Retrofit grant for \$746,000, a Nevada Rooftop Solar Initiative grant for \$609,000 and a Public Facilities Retrofit grant for \$715,000.
- We collaborated with California and Utah on the installation of a natural gas fueling station in Las Vegas to assist regional truck routes. Our goal is to have the most efficient alternative- and conventional-fueling infrastructure possible.

I have submitted a copy of the *Nevada Status of Energy Report* ([Exhibit E](#)). We submit this report to the Legislative Counsel Bureau and the Governor. It is available at <[http://energy.nv.gov/Media/Documents and Reports](http://energy.nv.gov/Media/Documents%20and%20Reports)>.

I have provided you with a report on renewable energy generated in Nevada ([Exhibit F](#)) and a report on per capita energy consumption ([Exhibit G](#)).

Our budget highlights, located on pages 6 and 7 of [Exhibit C](#), are the result of our Priorities and Performance Based Budget (PPBB) process. Our core functions

are business development and services, taking 75 percent of our time, and resource management, taking 25 percent of our time. Our objectives in those core functions are consumer education, economic diversification and protection of resources.

Our main activity is working closely with decision makers, State and local agency partners and industry stakeholders, to develop programs, plans, and incentives in Nevada to improve the State's economy, reduce energy consumption and fossil fuel use, promote clean energy-related development and improve the quality of life for Nevadans. Our goals, objectives, duties and responsibilities, under *Nevada Revised Statutes* (NRS) 701 and 701A, fit within that primary activity.

We have three performance measures that are sustainable for the future. They address our primary activity. We developed them in consultation with the Governor's Office of Administration. They are challenging, yet achievable.

Page 8 of [Exhibit C](#) lists those performance measures and our projected goals. We want to increase the renewable energy generated by 5 percent each year. We want to decrease per capita energy consumption by 0.50 percent each year. We want to reduce the energy consumption in State-owned buildings by 11 percent in CY 2012, by 14 percent in CY 2013, by 17 percent in CY 2014 and by 20 percent in CY 2015. These percentages are applied to the baseline usage in CY 2005.

Page 9 of [Exhibit C](#) illustrates the difference in funding between the 2011-2013 biennium and 2013-2015 biennium. In the former period, ARRA funds were available to us. We have less ARRA funds in the latter. We administer three budget accounts (B/A): an administrative account, B/A 101-4868; the Renewable Energy Fund (REF), B/A 101-4869, started receiving funds in July 2012; and the Renewable Energy, Efficiency and Conservation Loan fund (RLF), B/A 101-4875, created by ARRA funds.

ELECTED OFFICIALS

GOVERNOR'S OFFICE

Renewable Energy Fund — Budget Page ELECTED-33 (Volume I)
Budget Account 101-4869

Renewable Energy Efficiency and Conservation Loan — Budget Page
ELECTED-35 (Volume I)
Budget Account 101-4875

We merged the duties and responsibilities of the Nevada Renewable Energy and Energy Efficiency Authority back into the NSOE in 2012. We completed most of the ARRA-funded programs. We will complete the one outstanding program, the Energy Assurance Plan, on June 30, 2013.

Page 10 of [Exhibit C](#) graphically depicts fiscal year (FY) 2013-2014 and FY 2014-2015 and the percentages of our total budget allocated to each of the three funds in those years.

Page 11 of [Exhibit C](#) shows a detailed breakdown of B/A 101-4868, our operating budget. In FY 2013-2014, we are proposing a small amount of General Fund appropriation in the amount of \$115,774. We will be using the remainders of federal grants, \$636,819, and the primary source of revenue will be transfers from the REF and RLF totaling \$1,052,437. Last Session, we were able to bring some of the interest from the RLF and REF into our operating account to administer the RLF and REF. The latter receives funds from the tax abatement projects. "Other" revenue of \$1,154,408 for FY 2013-2014 represents solar rebates from ARRA projects. We intend to spend these monies in FY 2013-2014 on energy efficiency and renewable energy projects.

Page 12 of [Exhibit C](#) is an organization chart for FYs 2011-2012 and 2012-2013. It shows 14.5 full-time equivalents (FTE). We have an intern who works part-time.

Page 13 of [Exhibit C](#) is a proposed organization chart for FYs 2012-2013 and 2013-2014 showing 11 FTEs. The Executive Budget proposes to eliminate one renewable energy analyst II, two management analysts II and the intern position. Two of the analyst positions are currently vacant.

Page 14 of [Exhibit C](#) describes the notable enhancement units, distinct to our office, that we have requested.

Governor's Office Energy Conservation — Budget Page ELECTED-22 (Volume I)
Budget Account 101-4868

E-230 Efficient and Responsive State Government — Page ELECTED-25
E-250 Efficient and Responsive State Government — Page ELECTED-25
E-490 Expiring Grant/Program — Page ELECTED-26
E-491 Expiring Grant/Program — Page ELECTED-26
E-720 New Equipment — Page ELECTED-28
E-806 Unclassified Position Salary Increases — Page ELECTED-29

Page 15 of [Exhibit C](#) shows a detailed breakdown of B/A 101-4869, the Renewable Energy Fund. This fund receives property taxes from projects that have completed our Renewable Energy Tax Abatement program.

For approximately 1 year, we have worked with the Nevada Department of Taxation, and counties affected by the abatement program, to understand the process by which counties assess properties and the timing of the assessments and deposits to the REF. The Executive Budget figures for the REF are the results of our conservative analysis of the processes. Consequently, the projections from the last biennium vary greatly from the projections for the coming biennium. I have moved the projected date for deposits to the REF out by 1 year.

We have been assuming that when a project begins operation, the State and the county would start receiving the taxes for that improved assessed property. That is not necessarily true. Each county assesses property on a different schedule. Some schedules are annually, some are monthly and some may be on an as-needed basis. Some projects do not actually begin operating as projected. This adds another variable. We are now using the assumption that we will not see the State portion of those property taxes for 1 year after a project starts operating. The tax abatement program provides that, for the first 20 years, 55 percent of the assessed tax is abated. Of the remaining 45 percent collected by the county, the county retains 55 percent and 45 percent is deposited into the REF. Further, 75 percent of that deposit must be used to offset the cost of electricity for retail customers of the utility. Our office requested the assistance of the Public Utilities Commission of Nevada (PUC) in understanding what that meant. The PUC hosted workshops to help us understand that. Essentially, the result is a rebate check to utility customers. We plan to do that. We are open to better solutions. The remaining 25 percent of the REF can be used for our office

operations. Our best estimate for the amounts distributed from this fund is reflected on Page 15 of [Exhibit C](#). Because conditions and our knowledge of projects constantly change, these estimates have been revised in our budget submissions to the Governor. We now have a system of monthly contacts with the counties to remain aware of project statuses.

Chair Smith:

What does the reduction in revenue mean to your Office? Are you reducing staff due to revenue projections or due to workload reduction?

Ms. Crowley:

The staff reductions are necessary due to reductions in revenue and completion of grants. We looked at our statutory requirements and the staff necessary to fulfill those requirements. Without additional grants or statutory requirements, 10 FTEs are required to carry out our responsibilities.

Chair Smith:

Will your budget request for General Fund appropriations offset your allotted property tax revenue decline without seeking additional General Fund money in the interim?

Ms. Crowley:

Yes, with our conservative perspective it should cover our needs, keeping in mind the dynamic nature of the tax collections. The REF will receive revenue eventually, because projects have been approved and are in process. Ideally, the REF will be able to provide information, resources and educational programs to the citizens of Nevada without funding operating expenses

Chair Smith:

Have the employees been advised that their positions will be eliminated?

Ms. Crowley:

Two of the positions are vacant. The third full-time employee is aware of the situation. The fourth employee is a part-time intern who was aware, at hiring, of the temporary nature of the position.

Chair Smith:

Is there another opportunity available for the one remaining employee?

Ms. Crowley:

We do have a significant grant request before the DOE and we will need an administrator for that grant. We want to be sensitive to a boom-bust cycle with respect to grants received. We may have to do more contracting.

Chair Smith:

Do you have the terminal leave payout costs in the budget for the remaining employee?

Ms. Crowley:

Yes. It is calculated and will be taken from our budget for the biennium.

Chair Smith:

Please advise our Fiscal Staff about the plan for this.

During the 2011 Session, we discussed issues relating to the NV Energy solar rebate program. At that time, enforcement mechanisms were unclear. Has this improved?

Ms. Crowley:

I am not aware of enforcement issues. There have been discussions about the lottery system and how the rebates are allocated. We are working with the State Public Works Division to understand how the rebates can assist the State buildings. We work with the PUC as needed to understand any problems that may arise.

Chair Smith:

We will have further discussions about policies in other committees.

Are there any pending bills that would affect the property tax revenue for the REF?

Ms. Crowley:

Assembly Bill (A.B.) 32, sponsored by the Nevada Association of Counties, would require all renewable energy projects to receive county approval for abatement. It also changes the "55 percent" wording to "up to 55 percent." This variability would negatively affect the REF.

ASSEMBLY BILL 32: Revises the provisions governing certain tax abatements for new or expanded businesses and renewable energy facilities. (BDR 32-173)

We see new project applications on a monthly basis for projects finding contracts in California for energy distribution there. Long-term growth in renewables is questionable. The utility has met its renewable portfolio standard and is unlikely to approve more in the near future.

Ms. Crowley:

The details of our revenue and expenditure projections of \$232,454 for the REF are on page 15 of [Exhibit C](#). We will carry over a small balance from the current biennium into FY 2013-2014. Of that amount, 75 percent will be given to the utility to be issued as rebates to ratepayers. We are finalizing the system to do that.

The expenditure of \$782,880 from the REF, an interest-bearing account, is a transfer to B/A 101-4868 for office operations.

Page 16 of [Exhibit C](#) shows actual CY 2012 and near-actual CY 2013 revenues and projected revenues from specific sources. There is a difference of approximately \$30,000 difference between these figures and the figures from the Executive Budget for FY 2012-2013. These figures assume that deposits are made quarterly to the REF.

Senator Kieckhefer:

Will the rebates to consumers to offset rates be in the form of checks to consumers?

Ms. Crowley:

The PUC staff and the utility looked at the most logical form of rebate. In the absence of a better solution, it would go back as a rebate on the bill. It is *de minimis*.

Senator Kieckhefer:

Is it spread across the entire user pool?

Ms. Crowley:

It would be based on the project location and utility company jurisdiction. It would be a per-kilowatt hour allocation based on the consumer's usage.

Senator Kieckhefer:

Would it be spread out over the course of a year, or be a one-time credit?

Ms. Crowley:

We discussed making it occur annually to make it more meaningful.

Senator Kieckhefer:

If it was designed to offset the increased costs due to the portfolio standard, is there a method to compute how much of an offset it is? Where can we find what the cost of the portfolio standard is to consumers?

Ms. Crowley:

The PUC can assist you with that information. It is an important question.

Senator Kieckhefer:

Was there any discussion about a better way to leverage the approximate \$1.5 million?

Ms. Crowley:

It can be significant over time. We need to be able to prove offsetting costs to ratepayers by providing incentives for them, or providing a program to reduce the cost of inverters, or a substation. We have not been able to devise a better method than the rebates. In the recommendation the PUC made to the NSOE, we plan to revisit this question annually.

Chair Smith:

Has your plan been approved by the PUC?

Ms. Crowley:

The decision is mine to make. The PUC voted on a recommendation to the NSOE. We replied by accepting their recommendation. The next step would be to decide on the technicalities of transferring the funds and delivering the funds to ratepayers. Once the utility receives the money, the method of delivery to ratepayers is up to the PUC.

Senator Goicoechea:

The plan seems vague now. The counties have to close their books on an annual basis and collect the taxes within set time limits, in spite of the fact that they assess property on differing schedules. The money will come in to the State, yet we are struggling with who will get the rebates and how they will get them. How far away are we from a clear plan?

Ms. Crowley:

We are making an effort to contact the counties on a monthly basis. As the projects come online and counties become more familiar with the State's portion of the tax, we will have a more reliable system. Turnover of county staffs has hindered the process. Our constant contact with counties will help stabilize the system. We intend to be diligent in our efforts because we want to see that those funds earn interest in our account as a benefit to the State.

Page 17 of [Exhibit C](#) shows the types of projects that received abatements and the capacity of each of those types.

Page 18 of [Exhibit C](#) indicates that we track the second quarter job numbers and the permanent job numbers for each of the projects listed. We measure the fiscal impact of these projects by total capital investment versus abatement. The abatement is a small part of the total investment made by the developers of each of these projects.

Page 19 of [Exhibit C](#) shows the RLF, B/A 101-4875. It is an interest-bearing account for the purpose of providing low-interest loans to renewable energy projects. Since the 2011 Session, we can also use these funds for energy efficiency and conservation projects. We made loans to 15 companies, some of which have paid them back in full. The account balance is approximately \$1 million. We accept applications for new projects on a rolling, as-needed basis. We analyze the civility of the proposals, the collateral available and the ability of the project to repay the loan. It has been a successful program, enabling us to leverage funds. This fund can also be used to leverage other sources of money. Staff works to find those other sources. A portion of the RLF, \$269,771, will be transferred to our office operating account in FY 2013-2014 to cover administration of the RLF.

Chair Smith:

The interest projected to be earned in FY 2013-2014 is not sufficient to fund the recommended transfer. What is the reason for the deficiency? Please work with our Fiscal Staff to see if this can be adjusted. Have you had any collection problems or delinquencies for the RLF?

Ms. Crowley:

I will work with Fiscal Staff as requested.

There have been some delinquencies and we are working with the companies to understand their needs. These began at the inception of the program. There was immediate need to distribute loan proceeds for job creation. Because our loans require collateral, we can resort to using that collateral for payment if our collection efforts fail. Applications now undergo more scrutiny.

Chair Smith:

Please comment on the growth of the reserve account.

Ms. Crowley:

The reserve, comprised of loan repayments, is available for more loans. We want to make our pool of funds substantial enough to meet the needs of renewable energy project developers. We do not want those reserves to remain unused for prolonged periods.

Senator Parks:

What is the average size of the loans from the RLF? Is the trend toward increasing or decreasing amounts?

Ms. Crowley:

The average is approximately \$1.5 million. The average term of loans is 4 years. However, some loans were repaid immediately because the companies had rebates or incentives to do so. Some loans have a term of 15 years. The interest rate is 3 percent.

Senator Parks:

Are there any cases of loan recipients refinancing the loan through other entities?

Ms. Crowley:

I will get that information to you.

Chair Smith:

The next agenda item is from the Governor's Office.

Governor's Office Veteran's Policy & Coordination — Budget Page ELECTED-52
(Volume I)
Budget Account 000-1008

Katherine Miller (Deputy Executive Director, Office of Veterans' Services):

I will read from a prepared statement, a copy of which I have provided to you ([Exhibit H](#)). We support the creation of the Office of Veteran's Policy and Coordination (OVPC) within the Office of the Governor.

After a year-long planning process, we developed a strategic plan to assess what needed to be done to marshal and realign public and private sector resources for employment, education, wellness and entrepreneurship. The result was the Green Zone Initiative (GZI). It will help drive the need for the OVPC. It is an outreach effort to attract new veterans and resources to Nevada while optimizing delivery of services to current veterans. It will ensure the successful reintegration for existing veterans and their families into communities. It will improve systems of access and delivery of services through regional planning, coordination and evaluation of strategies

The Director of the OVPC will serve as the chair of the Interagency Council on Veterans Affairs (ICVA) created by the Governor and charged with identifying and prioritizing the needs of Nevada's veterans.

Stephanie Day (Deputy Director, Budget Division, Department of Administration):

The Executive Budget includes a request for three positions with associated operating costs, including furniture, computers and software. The cost allocations for human resources, accounting services and salary reductions were inadvertently excluded from this budget. We will be submitting a budget amendment to correct the situation. We will provide that amendment to Fiscal Staff.

Chair Smith:

Where will the office of the OVPC be located?

Ms. Day:

The physical location has not yet been determined.

Chair Smith:

We need to be doing more for our veterans. I question why we need to create a new agency of State government to do that. It seems that the functions of the OVPC could be carried out more efficiently by the existing Office of Veterans' Services (OVS). What is the rationale for creating a new and separate office?

Ms. Miller:

Our office is comparatively small. Our influence has been limited regarding other State functions. We have not been able to marshal resources from around the State including the Department of Employment, Training and Rehabilitation, Department of Health and Human Services, the NSOE, private sector entities and citizens' groups in outlying areas. We have not been able to reach out to returning veterans to let them know Nevada is a great place to live.

Chair Smith:

What performance standards would you use to measure the effectiveness of the OVPC?

Ms. Day:

We will provide that information to Fiscal Staff.

Senator Denis:

When you provide that information, please be sure the standards are meaningful and provide an accurate account of the activities of the OVPC.

Ms. Day:

Yes, I will. You have mentioned, in the past, that you would like to see performance indicators quantified as well as expressed in percentages. That information is included in the Nevada Executive Budget System. We can get that information for you.

Senator Denis:

Percentages are fine, but I also want quantities along with the percentages.

Chair Smith:

Were any other funding mechanisms explored, aside from the General Fund?

Ms. Day:

I am not aware of any such discussions, but I will research that and respond to Fiscal Staff.

Chair Smith:

Why are the requested positions categorized as "nonclassified?" How did you determine the salary levels?

Ms. Day:

We are requesting nonclassified positions to be consistent with other Governor's Office positions. I do not know the exact method used to determine the salary levels. The administrative assistant salary is consistent with some other levels in the State. I will get the information you request and respond to Fiscal Staff.

Chair Smith:

How would the work of the ICVA, which would remain permanent, differ from the work of the Nevada Veterans' Services Commission (VSC), established under NRS 417, which is responsible for making recommendations to the Governor, the Legislature and the OVS regarding aid or benefits to veterans? Why cannot the work of the ICVA be done by the existing VSC?

Ms. Miller:

The VSC meets quarterly to discuss issues important to veterans. The ICVA brings the power of State government, represented by the Governor's cabinet, to consider wellness, employment and vocational training issues and solve problems. This representation is lacking from the VSC.

Chair Smith:

If the OVPC, or its requested Executive Director position, is not approved, will you still recommend this Council be established?

Ms. Miller:

We would still recommend establishment of the Council. The Director of the OVS would continue to chair it. Coordination of services would take more time, perhaps years. We have an opportunity now to prevent what happened to our veterans returning from Vietnam. We need to prepare for our veterans coming home from the Middle East. We need to respond to their needs in a disciplined and supportive way, avoiding a piecemeal approach.

Chair Smith:

I enthusiastically support our efforts to provide more and better services to our veterans. I am not convinced that we should create a new agency in an environment where we are attempting to consolidate other areas of State government. We will continue discussions on this in our future meetings.

How did you determine the need for \$30,000 over the biennium for in-state and out-of-state travel?

Ms. Miller:

Most of the travel budget items are to accommodate community-based, statewide meetings. These forums will bring State, local and federal government officials, community leaders and private industry together.

Senator Denis:

I understand the need to coordinate interagency services. Why can we not achieve the same goal with a coordination department within the OVS?

Ms. Miller:

A new department within the OVS would report to the VSC. A separate ICVA, reporting directly to the Governor, would serve to coordinate veteran services over the range of State agencies serving veterans. The authority of the Governor will strengthen the coordination efforts of State, federal and local governments and private industry.

Senator Denis:

Why is the OVS not placed under the auspices of the Governor's Office?

Ms. Miller:

Placing the OVS under the auspices of the Governor's Office would put the Director of that office in the position of needing to attend to minutiae. The

operational mission of the OVS is limited and specific. The mission of the OVPC would be to implement the GZI and to align and marshal resources. The Director of the OVPC would chair the ICVA.

Chair Smith:

We will have further discussion on your proposals in future meetings. The next item on the agenda is the budget of the PUC.

Crystal Jackson (Executive Director, Public Utilities Commission of Nevada):

I have provided you with a copy of a PowerPoint presentation ([Exhibit I](#)) which outlines my presentation.

Page 2 of [Exhibit I](#) defines the statutory authority of the PUC.

Page 3 of [Exhibit I](#) contains our mission, vision and philosophy statements.

Page 4 of [Exhibit I](#) is an organizational chart of the PUC.

Page 5 of [Exhibit I](#) is an overview of our PPBB process. We align with the business development and services core function of government. We have identified five activities of the PUC:

- Safety programs, including enforcement of our pipeline and rail
- Consumer complaints, outreach and media activities
- Rate creation to balance the interests of ratepayers and shareholders; rulemaking to implement legislative directives
- Electric and water resource planning to ensure safety and reliability of electric, water, and wastewater utilities
- Issuing certificates of public necessity, licenses and permits

We have identified four support, or administrative, activities of the PUC:

- Fiscal
- Information technology
- Personnel and payroll
- General administration

Pages 6 through 8 of [Exhibit I](#) outline our revenue sources. The PUC receives no monies from the General Fund.

- Our annual regulatory assessment, 2.42 mills for both years of this biennium, funds the majority portion of our budget. This is assessed on the intrastate gross operating revenues on all public utilities in the State. This will generate approximately \$19.7 million in revenue. Our statutory maximum is 3.5 mills. Our optimum reserve balance is \$2.2 million to \$2.7 million, an approximate 25 percent of our expenditures. We have a projected reserve of approximately \$1.9 million at FY 2014-2015.
- We receive up to 50 percent reimbursement for our gas Pipeline Safety Program from the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration. This reimbursement is dependent upon their annual evaluation and certification score of our program.
- We receive fees from the Beatty Low-Level Radiation Storage Facility for the dumping of hazardous waste. We receive an assessment from all railroads for tonnages into, out of and through Nevada. These fees fund our Rail Safety Inspection Program.
- We collect the Universal Energy Charge. Statutorily, we are entitled to retain 3 percent of monies collected for that service. We keep less than 0.5 percent for actual expenses. We distribute the balance to the Division of Welfare and Supportive Services and the Housing Division for use in their energy assistance and weatherization programs.

Page 8 of [Exhibit I](#) is a brief overview of our funding sources, the projected earnings for FY 2013-2014 and FY 2014-2015 from each of them, and the percentage of our total budget funded by those sources.

Pages 9 and 10 of [Exhibit I](#) describe an enhancement unit in our budget request to fund special counsels and expert witnesses for Federal Energy Regulatory Commission (FERC) and Federal Communications Commission (FCC) proceedings.

- Outside special legal counsel with extensive practice before the FERC and FCC will allow the PUC to respond to changes in policy direction at the federal level. This is critical when interstate jurisdictional issues are

involved. Retaining counsel in Washington, D.C., is more economical than assigning a staff member to these cases.

- We are requesting a certified depreciation expert witness for an electric case to be filed by Sierra Pacific Power Company in June 2013 and for a Nevada Power Company general rate case to be filed in June 2014.
- New FCC regulations regarding Universal Service and intercarrier compensation and new rate floors that obtain high-cost support will require us to hire a certified depreciation expert witness to testify on an expected increase in rate cases.

We do not have certified depreciation expert witnesses on our staff.

Pages 11 through 13 of [Exhibit I](#) contain a summary of our projected expenditures. I point out that there are no requested enhancements for personnel services, out-of-state or in-state travel. We are in the process of transferring our agency fleet to the State motor pool. The cost itemization for that transfer is on page 12 of [Exhibit I](#).

In FY 2012-2013, we have one leased gas pipeline vehicle. The lease began in January 2013. In February 2013, we surplused one of our agency vehicles for the Carson City office. We have reduced our fleet from 12 to 10 agency vehicles and one leased vehicle. In FY 2013-2014, we plan to lease seven additional vehicles. In FY 2015-2016, we plan to lease the three remaining vehicles assigned to our rail program. We do not want to surplus our rail vehicles early because our rail assessment has already paid for these vehicles. If we followed State replacement criteria, we would be double-taxing that industry.

Pages 14 through 18 of [Exhibit I](#) contain our performance indicators and measurement data expressed as whole numbers and as percentages.

Senator Denis:

It appears that leasing vehicles will increase your vehicle costs. By using leased vehicles, are you then able to utilize grant money from either the rail project or the Gas Pipeline Safety project?

Ms. Jackson:

The goal of transferring our vehicles to the Motor Pool Division of the Nevada Department of Administration is to save maintenance and fuel costs. The rail program will continue to pay for their individual percentage usage of both owned and leased vehicles based on our annual evaluation and certification.

Senator Denis:

Do you also receive funding from the gas pipeline health and safety program to defray fuel and maintenance costs?

Ms. Jackson:

Yes, through grants.

Senator Denis:

Does your budget request for information technology, located on page 17 of [Exhibit I](#), include the replacement of all your servers?

Ms. Jackson:

We recently used the Enterprise Information Technology Services for our Website creation. Consequently, we are migrating to other servers. We will eventually reduce our servers from 17 to 12. The six servers that we propose to replace will be surplus out as they are replaced.

Senator Denis:

There is a bill pending to revise the schedule of general rate applications to require that an electric utility file a general rate application at least once every 5 years rather than every 3. If that passes, how will it affect your current budget proposal?

Ms. Jackson:

We have not yet received a request for a fiscal note. Staff is analyzing the bill to determine what additional resources we will need to implement it. The case schedule might provide for the grouping of cases together and only allow 110 days for our staff to review and analyze the cases as a group, instead of allowing 210 days to review individual cases as we do now. If so, it will be impossible for staff to accomplish their job in 110 days.

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

Instead of filing the Sierra Pacific Power Company rate case, due June 2013, NV Energy would file a merger case at that time. In June 2014, they would file a Sierra Pacific Power Company rate case, a Nevada Power Company rate case and a joint rate case. If they do this, we do not have the staff or the expertise to simultaneously process three rate cases within our statutory mandate of 210 days. The likelihood of needing additional expert consultants, beyond our current request, is high.

Senator Denis:

We will discuss policy in another committee.

The PUC has been busy during the past 2 years with the smart meter issue. Please comment on what the PUC has done to accommodate citizen concerns.

Ms. Jackson:

The Integrated Resource Plan began in 2009. The PUC opened a docket at that time. Subsequently, we had an investigatory docket regarding the health, safety and privacy of smart meters. Recently, the utility company entered a filing to provide an opt-out plan for residential customers. Through each of those dockets, we have had consumer sessions, taken public comment during our agenda meetings and allowed the filing of written statements in the cases.

The PUC ruled that there will be a 4-year opt-out trial period for residential customers. There are recurring and nonrecurring fees associated with the opt-out program. NV Energy has recently filed their tariff. They are in the process of notifying their customers.

Senator Denis:

We are in an environment of budget cuts, salary reductions and furloughs. How has that environment affected your ability to hire, train and retain specialized staff who may be able to earn more in the private sector?

Ms. Jackson:

Hiring and retaining of staff is always a challenge for the PUC, especially in some areas of expertise. It is difficult to attract engineers because they are underpaid. We often attract engineers who want to work for the State, regardless of the pay scale. Higher salaries will benefit our expertise and tenure

in the long term. We are losing staff expertise now, due to retirement. We have been able to fill vacancies in this hiring market.

Senator Denis:

Are you worried that as the economy improves your ability to retain staff expertise will be compromised?

Ms. Jackson:

Yes.

Chair Smith:

We have received a request from the Nevada Youth Legislature to introduce a Bill Draft Request (BDR).

BILL DRAFT REQUEST: C-47 Proposes to amend the Nevada Constitution to create a Millennium Scholarship Trust Fund and prohibit the use of certain proceeds of the Tobacco Settlement Agreement for purposes other than the Millennium Scholarship Program. (Later introduced as Senate Joint Resolution 6).

SENATOR KIECKHEFER MOVED TO INTRODUCE BDR C-47.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS PARKS AND ROBERSON WERE ABSENT FOR THE VOTE.)

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Chair Smith:

Seeing no one wishing to make public comment, the meeting is adjourned at 9:22 a.m.

RESPECTFULLY SUBMITTED:

Leslie Sexton,
Committee Secretary

APPROVED BY:

Senator Debbie Smith, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	2		Agenda
	B	1		Attendance Roster
	C	20	Stacey Crowley	Budget Overview
	D	1	Stacey Crowley	Energy in State Bldgs.
	E	36	Stacey Crowley	Status of Energy Report
	F	1	Stacey Crowley	Renewable Energy in NV
	G	1	Stacey Crowley	Per Capital Energy use
	H	3	Katherine Miller	Prepared Statement
	I	18	Crystal Jackson	PUC 2013-2015 Budget Request