

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

**Seventy-Eighth Session
February 18, 2015**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair James A. Settelmeyer at 8:31 a.m. on Wednesday, February 18, 2015, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 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 James A. Settelmeyer, Chair
Senator Patricia Farley, Vice Chair
Senator Joe P. Hardy
Senator Becky Harris
Senator Mark A. Manendo
Senator Kelvin Atkinson
Senator Pat Spearman

STAFF MEMBERS PRESENT:

Marji Paslov Thomas, Policy Analyst
Dan Yu, Counsel
Patricia Devereux, Committee Secretary

OTHERS PRESENT:

Adam Plain, Nevada Dental Association
Helen Foley, Delta Dental Insurance Company
James L. Wadhams, Anthem, Inc.
Keith Lee, Nevada Association of Health Plans
Bruce Gilbert, Executive Director, Silver State Health Insurance Exchange
Debra Gallo, Southwest Gas Corporation
Warren Hardy, City of Mesquite
Ken Krater, P.E., Ruby Vista Ranch LLC
George Ross, City of North Las Vegas; Las Vegas Global Economic Alliance
Joe Johnson, Sierra Club

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Daniel O. Jacobsen, Technical Staff Manager, Bureau of Consumer Protection,
Office of the Attorney General
Samuel S. Crano, Assistant Staff Counsel, Public Utilities Commission of
Nevada
Anne-Marie Cuneo, Director, Regulatory Operations, Public Utilities Commission
of Nevada

Chair Settlemeyer:

We will open the hearing on Senate Bill (S.B.) 137.

[SENATE BILL 137](#): Enacts provisions governing certain plans for dental care.
(BDR 57-575)

Senator Harris:

Senate Bill 137 involves changes to dental plans. For the record, my husband is a dentist, but I do not have a conflict of interest, because the bill's provisions will not affect his practice.

Senator Joe P. Hardy (Senatorial District No. 12):

In bills in the 76th and 77th Legislative Sessions, dentists and oral surgeons sought to define themselves as per billing and collection. If a person did a dental procedure, insurance companies defined it as a medical procedure so they did not pay for it. If an oral surgeon worked on a tooth, insurers considered that a dental procedure and did not pay for it because it was not a medical procedure. Patients were thus caught in the middle and stuck paying the entire bills.

We tried unsuccessfully in the 76th and 77th Legislative Sessions to fix this. In interim sessions, Nevada Dental Association personnel tried to address the concerns of all parties. The result is S.B. 137. I endorse the Nevada Dental Association's proposed amendment ([Exhibit C](#)), which changes some definitions.

Adam Plain (Nevada Dental Association):

The aim of S.B. 137 is to prevent Nevadans from being stuck in the revolving door of health insurance claims, a scenario that will worsen as more people obtain insurance. Many Nevadans buy separate medical and dental insurance policies, which generally have unique benefits but with some overlap, such as a tooth extraction requiring unconscious sedation. The *Nevada Revised Statutes* (NRS) do not require insurers to coordinate adjudication and payment of claims.

The result is neither insurer takes responsibility for the claim. As per the above example, the dental insurer considers unconscious sedation a medical claim, while the medical insurer considers the procedure a dental claim. Consumers are left hanging as claims are bounced between insurers before often being denied. Even when a claim is resolved in a timely manner, consumers cannot know beforehand which insurer will pay the claim. This drastically affects consumers facing separate deductibles, co-payments, coinsurances and different provider networks.

Section 1 of S.B. 137 stipulates that dental insurance policies are primary and medical insurance policies are secondary. Providers must submit claims to both insurers, which will have 30 days to resolve benefit-coordination issues. Insurers have an additional 30 days to pay the claim. The solution, in section 1, is from a report to the Legislature from the Division of Insurance ([Exhibit D](#)), resulting from the unanimous passage of S.B. No. 318 of the 77th Legislative Session.

Section 2 of S.B. 137 adds language to NRS 695D. Section 3 addresses the cost of dental insurance. State and federal laws permit insurers to embed pediatric dental benefits into medical insurance plans and issue them as stand-alone policies or not issue them if another insurer has issued them as such. When dental benefits are imbedded in a medical plan, coverage occurs on a combined-deductible basis. This means a single deductible applies to all benefits under the policy. This can affect dental care for children if benefits do not begin until consumers have paid several thousands of dollars out of pocket to cover their deductibles. Stand-alone dental policies often have deductibles of \$100 or less.

Section 3 of S.B. 137 would prohibit medical plans sold through the Silver State Health Insurance Exchange from embedding dental benefits, ensuring that children have better access to oral health care services. Originally, section 1 of S.B. 137 was geared toward oral and maxillofacial surgeons because that was the issue presented to the Commissioner of Insurance. Other dental providers and pathologists may have similar issues, so the proposed amendment to S.B. 137, [Exhibit C](#), would expand the bill's scope to anyone licensed pursuant to NRS 631.215 to 631.345, inclusive, who can submit claims for dental and medical policies. The original bill only addressed NRS 695D, which deals with dental plans. However, only two Nevada dental plan carriers are licensed pursuant to NRS 695D; most are licensed under different NRS chapters.

In section 1, subsection 1, paragraph (a), [Exhibit C](#), we are proposing to add to the term “limited-scope dental benefits,” as defined in the Health Insurance Portability and Accountability Act (HIPAA). It generally means anything pertaining to the mouth. In section 4, we are seeking to clarify the bill’s effective date. With all of the changes in insurance and plans’ open enrollment, we propose that the bill applies to plans that commence on January 1, 2016, but not necessarily to plans issued on that date because open enrollment occurs a few months before December 31 each year.

Helen Foley (Delta Dental Insurance Company):

Delta Dental Insurance Company supports S.B. 137 and has worked on it with Mr. Plain and Dr. Robert H. Talley, Executive Director of the Nevada Dental Association.

James L. Wadhams (Anthem, Inc.):

Anthem, Inc., believes more changes should be made to S.B. 137 to avoid conflicting penalty and enforcement provisions. The proposed amendment, [Exhibit C](#), identifies two sections of NRS that address prompt payment of claims. In the bill’s section 1, subsection 1, paragraph (d), two insurers are required to make a joint determination of liability on a claim. That is an unusual provision in terms of HIPAA claims-information privacy issues and of two insurers colluding to resolve issues. That will raise many legal problems. We also want to ensure claims are not overpaid. Benefits should be coordinated and claims paid promptly, but they should not exceed the claim’s value.

Section 3 should be entirely deleted. The Exchange board of directors recommended inclusion of the possibility of embedded pediatric dental benefits. Exchange insurers offer comprehensive health coverage, in spite of the Affordable Care Act (ACA) changes. Consumers can opt out of the embedded benefit or buy it separately. The Exchange opposes anything that limits consumer choice.

Keith Lee (Nevada Association of Health Plans):

I agree with Mr. Wadhams' comments on section 1, and we have agreed to disagree on section 3 of S.B. 137. The Nevada Association of Health Plans interprets removing section 3 as deleting consumer choice from the Exchange. Before the Exchange, the issues in section 3 were vetted thoroughly in debates. The Exchange gives consumers complete freedom to make pediatric dental benefits decisions based on their needs and their children’s health demands.

The Exchange offers three types of plans: bundled, in which consumers may pick and choose coverage; embedded, comprehensive plans that include, health, dental and vision benefits; and stand-alone plans. It is easier to administer embedded plans, particularly for small businesses that get employee insurance through the Exchange.

Senator Hardy:

What is a reasonable time frame for insurance companies to coordinate their actions on the provisions of S.B. 137?

Mr. Wadhams:

That is already spelled out in NRS. The Legislature determined that the time frame is 30 days. Companies have 30 days to resolve customers' coverage issues and 30 days to pay claims. If a claim is not paid within 30 days, a penalty of 5 percent of the attorneys' fees may be levied on companies.

Senator Hardy:

That is a rational solution that is compatible with the companies' need to communicate with each other in a way that is not collusion.

Mr. Wadhams:

Absolutely; the obligation of insurers to address their own coverage is 30 days. If there is "ping-pong" with claims back and forth between insurers, the claim cannot be paid within the required 30 days.

Senator Spearman:

If a policy has a \$5,000 deductible with an embedded pediatric dental benefit in its comprehensive medical benefits, are there provisions for the dental deductible to be met outside of the \$5,000, or would customers have to meet that deductible before paying out of pocket for services?

Mr. Wadhams:

I do not know. It would depend on the particular plan. If a plan has a co-pay or deductible, it must be met first. If the plan is stand-alone, there may be a completely different matrix for the application of co-pays and deductibles. Consumers must decide if they want to go through that matrix twice with two different insurance policies.

Senator Harris:

I support consumer choice, particularly with regard to health care. If two companies are fighting over which one is going to pay a claim, how does that help consumers? I do not understand what embedded plans are. Most consumers are not sophisticated enough to know that if they buy such a plan, they must get a medical determination before a dental determination. What actually happens between insurers with embedded plans?

Mr. Wadhams:

If a consumer buys a comprehensive plan, only one company is involved. If a consumer opts for a policy that excludes dental benefits and buys a separate, stand-alone dental plan, two insurers will cover procedures like tooth extraction with sedation.

Bruce Gilbert (Executive Director, Silver State Health Insurance Exchange):

The Exchange is neutral on S.B. 137. Section 3 of the bill amends NRS 695I and prohibits the Exchange from offering qualified health plans that include embedded dental plans. That prohibition raises concerns, because federal law defines pediatric dental benefits as essential under the ACA. If no dental carrier offers stand-alone or bundled plans in a particular county or service area, the bill would prohibit the Exchange from offering qualified health plans.

An unintended consequence of S.B. 137 could impair the ability of the Exchange to offer Nevada consumers access to qualified health plans. That risk is greatest in rural areas, where low population may make offering stand-alone and bundled plans financially unviable for insurance companies. Section 3 could also be read as conflicting with Title 45 CFR section 155.1065, which requires the Exchange to consider the collective capacity of stand-alone dental plans to ensure sufficient access to pediatric dental coverage. If the capacity is determined to be insufficient, in order to meet ACA obligations, the Exchange would be required to embed dental coverage.

The Exchange endorses the desirability of ensuring coordination of benefits. The question is whether the language of S.B. 137 is the best avenue to reach that goal.

Senator Hardy:

If section 3 was eliminated, would the Exchange support S.B. 137?

Mr. Gilbert:

Yes.

Senator Hardy:

If the Committee were to fix section 3, would you support the bill?

Mr. Gilbert:

Yes, that would be our hope.

Senator Spearman:

Most members of the military and veterans have two insurance plans, Tricare and Delta Dental Insurance Company. If a consumer was not in the military, how would that work? I understand consumer choice, but if a person with low or moderate income has a high-deductible comprehensive health care policy, how likely is that person to provide adequate dental insurance for their child? They may not have the money if they do not meet the high deductible. For military members and military retirees, those plans are automatically separate.

Mr. Plain:

As a federal program, Tricare is generally outside the jurisdiction of State regulations. Coordination between Tricare and stand-alone dental policies does not fall under State jurisdiction. The Nevada Dental Association would like to formulate a State-level solution that mirrors how benefits may be resolved in a scenario of other providers, such as Tricare. I do not know the extent of Tricare's dental benefit within its medical policy. There may be no need for coordination between Tricare and stand-alone dental carriers. This is a similar situation to what civilian Nevadans are facing.

Your question about deductible usage and application of benefits speaks to the issue of consumers making informed policy-purchasing decisions. Nevadans' health insurance literacy rate is just 14 percent. When residents buy policies through the Exchange, many do not have enough knowledge to know if they are buying embedded plans with a \$5,000 deductible or stand-alone plans with a \$100 deductible. Stand-alone coverage is important because it is clear what exactly consumers are buying and how much their deductibles are.

Senator Spearman:

The opposition to section 3 of S.B. 137 might hinder passage of the bill. What remedy is there at the federal level that might be applied at the State level that makes the embedded pediatric dental benefits issue moot for military personnel and veterans? This does not negate consumers' responsibility to educate themselves or obfuscate consumers' choice. Could the Committee co-opt Tricare's system totally or partially to control the ping-ponging claims issue?

Chair Settlemeyer:

If Nevada's health insurance literacy rate is 14 percent, what is the nationwide rate? Insurance plans are complex.

Mr. Plain:

I do not know. In general, nationwide health insurance literacy is very low. I do not know where Nevada falls on that average.

Senator Farley:

The Insurance Commissioner said the U.S. health insurance literacy rate is 15 percent.

Chair Settlemeyer:

We will close the hearing on S.B. 137 and open the hearing on S.B. 151.

SENATE BILL 151: Requires the Public Utilities Commission of Nevada to adopt regulations authorizing a natural gas utility to expand its infrastructure in a manner consistent with a program of economic development. (BDR 58-52)

Debra Gallo (Southwest Gas Corporation):

Senate Bill 151 requires the Public Utilities Commission of Nevada (PUCN) to adopt regulations authorizing natural gas utilities to expand infrastructure consistent with economic development programs proposed by public utilities and approved by the PUCN. You have my written testimony ([Exhibit E](#)).

Southwest Gas Corporation began discussions on this concept right after the 77th Legislative Session with Senator Atkinson, chair of the 2013-2014 Interim Finance Committee. Our discussions were based on requests received for natural gas service from several areas that lack access to the critical natural gas infrastructure necessary for businesses and industries that require it for their

processes. Certain State areas are disadvantaged in competing for businesses looking to relocate and/or expand with other areas and states that have natural gas infrastructure.

Traditional rate-making and line-extension policies require significant up-front investments from prospective businesses, residents and communities to expand natural gas infrastructure to unserved and underserved areas. Underserved areas are defined as those with some level of natural gas infrastructure available, but certain parts of the region cannot access it. Unserved areas have no natural gas infrastructure.

Southwest Gas Corporation reached out to the American Gas Association and found that the problem is not limited to Nevada. More than 30 states have identified natural gas infrastructure as key to driving economic development, and they enacted various mechanisms to facilitate its expansion legislatively and through regulatory commissions. Those states include Utah, Idaho, Washington, Oregon, Texas, North Dakota and Alaska. We presented a concept to the Economic Development Committee of the Southern Nevada Forum, which led to S.B. 151.

The bill creates a new section of NRS 704 requiring the PUCN to adopt procedures through rule-making for applications and cost recovery for extending natural gas infrastructure. Section 1, subsection 2 outlines regulations adopted pursuant to the statute that allows for alternative cost-recovery methodologies. Neither Southwest Gas Corporation nor the PUCN have approval to implement such mechanisms. Subsection 3 defines “program of economic development” as providing natural gas service to unserved and underserved areas, for purposes of accommodating expansion of existing businesses, attracting and retaining residential and business customers, facilitating the implementation of the Plan for Economic Development developed by the Governor’s Office of Economic Development and facilitating economic development policies enacted by Legislators.

Senate Bill 151 puts the natural gas expansion and rate-making process in the hands of the PUCN, where it belongs. Each project would be filed with the PUCN as an application. Each proposed cost-recovery methodology would be unique to a specific underserved area. The bill will allow the PUCN to look at each area on a case-by-case basis and decide what is appropriate. The PUCN has the ultimate discretion on each application.

Senator Hardy:

If the State only built roads where residents could afford it, we would have very few roads. President Dwight D. Eisenhower's widespread roadbuilding plan was a huge economic development impetus. Gas production sites now online are a similar impetus to developing heating, production and industrial projects. Could you describe alternative cost-recovery methodologies that have proven effective?

Ms. Gallo:

Traditional rate-making and line-extension policies consider the proposed loads then compute the allowable investment. You do not just want to extend or build lines hoping customers will come; there has to be a reason to do so. The bill would allow utilities to propose indirect benefits to service areas, which are currently funded through the rate base as surcharges or zonal rates. The bill is not trying to convert all customers to natural gas, but some industrial processes cannot use electric or propane power. Southwest Gas Corporation wants the ability to package proposals for the PUCN, which would then set rates and determine the appropriate cost-recovery methodology. The bill will give the PUCN the ability to do so.

Warren Hardy (City of Mesquite):

Natural gas service has not been economically feasible until recently. Mesquite has a massive, ongoing economic development effort. We are well-positioned to accept several major projects, with land, water, a workforce, housing and access to Interstate Highway 15 (I-15). Mesquite is in the center of the western United States on I-15.

What Mesquite lacks is natural gas service. At least 12 major projects would have come to Mesquite if it had natural gas service. Unless we get such service, we may as well cease our economic development efforts. Planners cannot approve projects of the magnitude the City deserves and for which it is positioned. Senate Bill 151 is extremely important for us, particularly its alternative cost-recovery provisions, because we have to think outside the box. Utah has made a significant effort to expand its natural gas service on the I-15 Corridor. That directly impacts Nevada as its neighboring state.

Ken Krater, P.E. (Ruby Vista Ranch LLC):

I live in Reno. In 2005, my partners and I bought a significant property in Spring Creek, 8 miles south of Elko. The community lacks natural gas. I have

talked to numerous residents and business owners about the impacts of not having natural gas in a town with roughly the same population as Elko. Propane is the only gas available, and some people have winter bills of almost \$1,000 per month for propane and electricity. Not everyone in the area is a well-paid miner. There are teachers, nurses, administrative staff and retail workers who struggle in winter to pay their propane bills. Some people have had to sell their homes because they cannot pay the high cost of heating them with propane and electricity. They keep their thermostats at 65 degrees or lower, which is cool if children are in the home. Since residential customers have priority over businesses in the winter, often businesses cannot receive propane on a timely basis. They must close to maintain a minimum temperature to keep their pipes from freezing and avoid expensive damage and repairs.

Steve Bowers, building operations and construction manager of the Elko County School District, told me the District routinely closes schools in winter because of heating costs. What do parents then do with their children? The District tries to plan for when propane will run out, but invariably, extreme cold continues, and it cannot get supplies, resulting in tens of thousands of dollars of frozen-pipes repairs.

Senate Bill 151 would be a huge boon to economic development. Elko County has worked hard to diversify its economy beyond mining. It is difficult when it cannot provide natural gas to major residential- and business-opportunity areas, such as Spring Creek. Businesses are loathe to relocate to areas without natural gas because propane is so much more expensive and the cost of electricity is prohibitive. New businesses require housing for workers, but without natural gas, major business opportunities are lost. Pam Borda, Executive Director of the Northeastern Nevada Regional Development Authority, told me that the first few minutes of almost every Authority board meeting is a complaint session about lack of employee housing for relocating companies. Company representatives say, "When you bring in natural gas service, give me a call."

Senate Bill 151 allows natural gas providers and the PUCN to formulate a plan to bring infrastructure to unserved and underserved areas. The benefits of bringing natural gas service to large school districts, such as the Elko County School District, and keeping children in class all day all winter are important to residents. The PUCN can ensure the cost of providing service is distributed equally among ratepayers.

George Ross (City of North Las Vegas; Las Vegas Global Economic Alliance):

I participated in the Economic Subcommittee of the Southern Nevada Forum. A recurring theme expressed by city and county economic development personnel and from groups such as the Las Vegas Global Economic Alliance (LVGEA) and the Governor's Office of Economic Development is large-scale industrial and economic development investment is being lost due to lack of infrastructure development in otherwise appropriate and desirable sites. The City of North Las Vegas has Apex Industrial Park, the best potential large area designated for economic development in southern Nevada. It does not have natural gas infrastructure, which S.B. 151 would remedy. In a February 19 presentation to the Senate Committee on Revenue and Economic Development, the LVGEA said about 13 percent of potential businesses and investors that did not come to southern Nevada cited lack of infrastructure as the cause.

Senator Hardy:

During extreme cold weather, churches and schools are usually used as refuges for people without home heat. If schools cannot afford to pay for heat in Elko or Spring Creek, has that problem been considered?

Mr. Krater:

Absolutely. Mr. Bowers told me that in 2014, Elko County schools had to be closed five times. Even if a school is closed, the temperature must be kept at 45 degrees, which is hardly optimal for families sheltering from the cold.

Joe Johnson (Sierra Club):

The Sierra Club opposes S.B. 151, because it is overly broad in its allowances. Nevada is a large state, and processes already exist to review and expand existing infrastructure. The small town of Gabbs has natural gas. Processes within the Federal Energy Regulatory Commission accommodate underserved areas. Existing provisions in NRS allow for supplying natural gas to communities approaching development threshold levels, such as Spring Creek or Mesquite. The bill overexpands and tasks the PUCN to approve and evaluate economic development policies and procedures. The Legislative Counsel's Digest says utilities will propose economic development plans to be reviewed by the PUCN. This is overly broad and not within the normal purview of the PUCN. The PUCN would be required to evaluate each economic development plan proposed by utilities; this is also not a normal function of the PUCN.

If the State is going to promote an energy supply, let us choose one for the future, instead of one of the past. Natural gas is a volatile commodity to which the State is already overcommitted, with large suppliers' pipelines traversing the Great Basin. We have an ancillary supply, and any large-scale expansion is restricted by large carriers that supply retail distributors. Natural gas is subject to evaluation as a contributor to greenhouse gas. The spot price of natural gas is less than half of what it was in February 2014 and less than it was 5 years ago. Nationwide, suppliers have withdrawn gas drilling, but it could potentially increase again. The Sierra Club has supported development of renewable energy sources, particularly solar and geothermal, that have been expensive and a burden to ratepayers. However, direct responses to renewable energy portfolios are now becoming financially viable.

Daniel O. Jacobsen (Technical Staff Manager, Bureau of Consumer Protection, Office of the Attorney General):

The Bureau of Consumer Protection is neutral on S.B. 151. More natural gas is being found domestically, and its price is attractive. Our proposed amendment ([Exhibit F](#)) clarifies the bill's legislative intent. Section 1, subsection 2 addresses "alternative cost-recovery methodologies that balance the interests of persons receiving direct benefits and persons receiving indirect benefits" The notion of "indirect benefits" is too vague and might be interpreted very differently by various stakeholders. Indirect beneficiaries should be people who live in the project area. All customers of a utility should not be required to pay more if it expands the infrastructure of a specific place. [Exhibit F](#) proposes new language in subsection 2 that "indirect benefits" could not be interpreted to mean all customers of a utility.

When Utah deployed a program to expand its natural gas infrastructure, it used extension-area surcharges, which means that only people in the area of the extension paid a surcharge. Sometimes, the surcharge was spread over 15 years, which enabled communities that could not afford to pay up front to recover the cost over a reasonable time frame. Connecticut is expanding its natural gas infrastructure with a 10-year surcharge for customers in affected areas. A long-held principle guiding utility rate design is that cost causers should provide the cost recovery. If S.B. 151 is approved and goes to the PUCN for rule-making, there could be disputes over the meaning of "indirect benefit."

Senate Bill No. 123 of the 77th Legislative Session provided a framework for retiring coal plants that generated electricity and for remediation of the retired

plant sites. The bill also addressed replacement of the plants' capacity. The Legislature balanced the notion of economic development with the impact on customers' bills and tasked the PUCN with carrying out that notion.

Senate Bill 151 has no such balance. Its language only addresses economic development and tasks the PUCN with making cost-recovery decisions. [Exhibit F](#) includes the notion of "financially viable" in section 1, subsection 1. Projects that utilities bring to the PUCN for approval should be financially viable, meaning the company should look carefully at the take-rate in the affected area. Even if natural gas is provided to a community, some customers will not want it. Despite the long-run cost savings, they may not be able to afford appliance upgrades or replacements to convert to natural gas. Utilities should not just provide projects to benefit economic development; they should look at the likely take-rate and whether it is possible that participating customers will provide adequate cost recovery over a reasonable time frame. Projects should not be too burdensome on the direct beneficiaries, but still should be financially viable.

Southwest Gas Corporation customers will soon pay for upgrading existing infrastructure. The company told the PUCN it had very old polyvinyl chloride and steel pipes that needed to be replaced, and the PUCN formulated a plan to do so. The upshot is customers will pay more for the upgrade—the same people who will pay more to replace the coal plants, remediate the plant sites and pay off the mortgages of remaining coal plants. The full extent of the effect on customers' bill is unknown. The cost of upgrading natural gas infrastructure should not be borne by all Southwest Gas Corporation customers, who will already have increased bills.

Senator Atkinson:

Mr. Jacobsen's testimony went far beyond [Exhibit F](#). Could you give us some clarity on how the amendment would improve the bill? If we are going to make analogies about cost sharing, NV Energy customers share the cost of solar installations that they do not use. The cost-sharing analogy could be used for anything passed by this Committee. It is the responsibility of the PUCN to review financial impacts on ratepayers, and mechanisms in S.B. 151 will give it the latitude to do so.

Mr. Jacobsen:

According to [Exhibit F](#), in section 1, subsection 1, the Bureau of Consumer Protection would like to add "financially viable" in front of "economic

development.” This would clarify that while the Legislature intends for projects to benefit the State economically, it will also make sure projects are financially viable. Over a reasonable time frame, the cost recovery will be provided by the people who receive the benefits in the project area. In section 1, subsection 2, [Exhibit F](#), we would add language stating alternative cost-recovery methodologies will not be interpreted to mean that all customers should pay. The indirect benefit does not mean that all customers of a utility should provide cost recovery. Section 2 refers to a utility coming to the PUCN and asking for a determination that its proposed project is reasonable and prudent. We would add that, in order to receive that determination, utilities must demonstrate the project will be financially viable.

Senator Spearman:

[Exhibit F](#) seeks to limit those who will have financial responsibility for infrastructure expansion. Are we talking about people who will benefit now or in the future? Mr. Jacobsen’s testimony suggests that, by extension, the economic development of one area equals that of another in some respects, either directly from manufacturing and new businesses or indirectly by supply chains attached to them.

Mr. Jacobsen:

Even though there probably is a claim that providing lower energy bills to any part of the State is good for the State overall, other states have asked customers in areas of expanded infrastructure to provide the cost recovery, because they will receive the largest and most direct benefit.

Samuel S. Crano (Assistant Staff Counsel, Public Utilities Commission of Nevada):

The PUCN is neutral on [S.B. 151](#). We prefer the bill’s original language to the proposed amendment, because it gives the PUCN broad discretion in approving projects and creating regulations. The PUCN has a statutory right to intervene with rule-making in any project proceedings. Any rule or regulation made by the PUCN would have to be approved by the Interim Finance Committee.

The PUCN’s overriding statutory mandate is that rates must be just and reasonable. If [S.B. 151](#) passes, that does not mean it would start handing out economic development permits left and right. The PUCN considers every application, and only those that meet qualifications set forth in NRS are approved. Utilities are governed by a prudent standard enforced by the PUCN.

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

Senator Hardy asked about the mechanism for getting natural gas service. The PUCN tends to rely on the philosophy that the cost causer should pay the costs. There are two ways to facilitate this: through an anchor tenant, with enough gas usage to justify extending a line; or enough usage to give the tenant an allowance toward extending the line. In order to determine if a cost causer will create enough long-term revenue, the PUCN does a mathematical calculation of its expected usage over a couple of years then grants an allowance toward extending the line. For example, the PUCN would give a cost causer \$1 million towards building a line because it expects to receive at least \$1 million of revenue over the next 2 years. In rural and/or remote areas, that calculation is enormous.

Senator Atkinson:

Does the PUCN believe S.B. 151 is functional without the proposed amendment, [Exhibit F](#)?

Mr. Crano:

Yes.

Chair Settlemeyer:

Do you feel the legislative intent of the original bill has enough clarity concerning cost recovery? The PUCN cannot write off the cost of extending infrastructure to a customer in the northwest of the State to a customer in Clark County, or vice versa.

Ms. Cuneo:

The PUCN will argue all of that in the rule-making process. Once Southwest Gas Corporation proposes an actual project, we will argue that, too. The PUCN tends to prefer broad authority, because we do not know when the next large project up for justification will happen. In 2 or 3 years, something else may need to be considered, in the context of the bill.

Senator Atkinson:

When the PUCN has established regulations with which to work, the Interim Finance Committee will review them again for approval. Are there multiple safeguards to protect ratepayers?

Mr. Crano:

Yes, all regulations put forward by the PUCN must be approved by the Interim Finance Committee. That body will be able to look at whether the legislative intent of S.B. 151 is correct.

Chair Settlemeyer:

The quality-of-life issue has not been discussed here. When you have a \$1,000 propane bill, then get a chance to instead spend \$200 on natural gas, that is \$800 to spend somewhere else. For full disclosure, I am both a propane and natural gas customer.

In the February 13 meeting of this Committee, opinions regarding NRS 604A.480 by Daniel D. Ebihara of the Office of the Attorney General and Brenda J. Erdoes of the Legislative Counsel Bureau were mentioned in the discussion of S.B. 123, "S.B. 123 Attorney General Opinion 604.480 AGO 10-30-2012" ([Exhibit G](#)) and "S.B. 123 LCB Opinion 7-26-2011" ([Exhibit H](#)).

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Chair Settlemeyer:

Seeing no further business before the Senate Committee on Commerce, Labor and Energy, I adjourn this meeting at 9:53 a.m.

RESPECTFULLY SUBMITTED:

Patricia Devereux,
Committee Secretary

APPROVED BY:

Senator James A. Settlemeyer, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	4		Attendance Roster
S.B. 137	C	9	Adam Plain	Proposed Amendment
S.B. 137	D	14	Adam Plain	Division of Insurance Report
S.B. 151	E	1	Debra Gallo	Written Testimony
S.B. 151	F	3	Daniel O. Jacobsen	Proposed Amendment
S.B. 123	G	5	Senator James A. Settlemeyer	Letter from Daniel D. Ebihara
S.B. 123	H	3	Senator James A. Settlemeyer	Letter from Brenda J. Erdoes