

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

**Seventy-Eighth Session
March 27, 2015**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair James A. Settelmeyer at 8:34 a.m. on Friday, March 27, 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
Christine Miner, Committee Secretary

OTHERS PRESENT:

Alfredo Alonso, Community Financial Services Association of America
Nat Hodgson, CEO, Southern Nevada Home Builders Association
Judy Stokey, NV Energy
Paul Thomsen, Director, Office of Energy, Office of the Governor
Silvia Villanueva, American Council of Engineering Companies
Chelsea Lane
Jess Traver, The Builders Association of Northern Nevada
Aaron West, Builders Association of Western Nevada
Joe Johnson, Sierra Club

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Carolyn (Lina) Tanner, Commission General Counsel, Public Utilities Commission of Nevada
Terry Yurick, Laughlin Economic Development Corporation
Jim Maniaci, Laughlin Economic Development Corporation
Robert Bilbray, Bilbray Industries
Don Lomoljo, Utilities Hearings Officer, Public Utilities Commission of Nevada
Leo M. Drozdoff, P.E., Director, State Department of Conservation and Natural Resources
Kyle Davis, Southwest Energy Efficiency Project
Tom Polikalas, Southwest Energy Efficiency Project
Elspeth DiMarzio, Sierra Club
Robert Tretiak, International Energy Conservation
Robert Johnston, Western Resource Advocates
Richard Langson, CEO, Langson Energy
Rex Stock, Rebo Energy, Inc.
Kevin L. McGehee, Evaporative Control Systems, Inc.
Todd Thompson, Air Medic Cleaning, Inc.; Southwest Energy Efficiency Project
Dan Jacobsen, Technical Staff Manager, Bureau of Consumer Protection, Office of the Attorney General
Ray Bacon, Nevada Manufacturers Association
Terry Graves, Nevada Cogeneration Associates
Garrett Weir, Assistant General Counsel, Public Utilities Commission of Nevada

Chair Settlemeyer:

We will begin the work session on Senate Bill (S.B.) 112.

SENATE BILL 112: Revises provisions relating to telecommunications. (BDR 58-636)

Marji Paslov Thomas (Policy Analyst):

I will read the summary of the bill and the amendment proposed by Chair Settlemeyer from the work session document ([Exhibit C](#)).

Chair Settlemeyer:

Amending S.B. 112 by changing the word "shall" to "may" will allow the Public Utilities Commission of Nevada (PUCN) the ability to make some of the determinations in an environment with those who specialize in the field on the Incumbent Local Exchange Carrier and Competitive Local Exchange Carrier issues.

SENATOR HARDY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 112.

SENATOR HARRIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

We will move on to S.B. 137.

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

Ms. Paslov Thomas:

I will read the summary of the bill and the amendments from the work session document ([Exhibit D](#)).

Senator Harris:

My husband is a dentist and I am restating that our Legal Division has determined no conflict exists and I will be voting on this bill.

SENATOR FARLEY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 137.

SENATOR HARDY SECONDED THE MOTION.

Senator Spearman:

I have just received information indicating opposition to this bill from Delta Dental and want to be sure that all of the issues have been resolved.

Chair Settlemeyer:

There was one person who indicated not having time for legal counsel to review the bill and is opposing it at this time. We can correct this later if the issue is too problematic.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

We will move on to S.B. 153.

SENATE BILL 153: Revises provisions relating to occupational diseases.
(BDR 53-635)

Ms. Paslov Thomas:

I will read the summary of the bill and the amendments from the work session document ([Exhibit E](#)).

Chair Settlemeyer:

I have worked closely with Mr. McAllister of the Professional Firefighters of Nevada on the amendments proposed in S.B. 153. If a person this bill refers to has 20 years of service, there is no change. If a person has less than 20 years of service, the person can make a claim for the time period equal to the number of years employed, and the bill lowers the vesting period from 5 years to 2 years. Referring to the physician's prescribed plan of care for quitting the use of tobacco in paragraph 3 of the amendments section of the work session document, an allowance has been added to extend the deadline to "kick the bad habit" to December 31, 2016.

SENATOR HARDY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 153.

SENATOR FARLEY SECONDED THE MOTION.

Senator Atkinson:

Is the motion accepting all of the amendments from Mr. McAllister?

Chair Settlemeyer:

The motion includes all of Mr. McAllister's amendments with the addition to allow the effective date about the smoking provision be December 31, 2016.

Senator Atkinson:

To be clear, the motion includes all five of the amendments in the work session document and the date change for the tobacco provision?

Chair Settlemeyer:

That is what is properly before us with the date change on paragraph 3 of the amendments section of the work session document.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

We will now go to S.B. 194.

SENATE BILL 194: Revises provisions relating to industrial insurance.
(BDR 53-991)

Ms. Pavlov Thomas:

I will read the summary of the bill and the amendments from the work session document ([Exhibit F](#)).

Chair Settlemeyer:

There were concerns of removing the threshold completely from S.B. 194. The amendment includes both public and private entities to have the \$50 million threshold cost requirement.

SENATOR HARDY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 194.

SENATOR FARLEY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

We will now proceed to S.B. 242.

SENATE BILL 242: Requires payday lenders to use best practices. (BDR 52-953)

Ms. Pavlov Thomas:

I will read the summary of the bill and the amendments from the work session document ([Exhibit G](#)).

SENATOR HARDY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 242.

SENATOR HARRIS SECONDED THE MOTION.

Senator Spearman:

When the terms of the loan are displayed, is it possible to be sure the font is large enough so the customer can see it, as opposed to embedding it in the back?

Chair Settlemeyer:

Someone from the industry can comment on this. I do not know if it is within the Fair Debt Collection Practices Act. The intent of the bill is to adopt best practices and guidelines to make the services of this industry clearer to the customer.

Senator Atkinson:

Mr. Alonso, would you go over the reasons for the seven amendments about the payday loan best practices?

Alfredo Alonso (Community Financial Services Association of America):

When S.B. 242 was initially drafted, it did not take into account duplication of some of the provisions in *Nevada Revised Statute* (NRS) 604A, like the repayment plan provision. Check cashing was never envisioned to be included, so it was removed. That is the main point of the amendments.

Senator Atkinson:

So are the amendments to make sure Community Financial Services Association is in statute?

Mr. Alonso:

The only place we would be out with respect to deferred deposit is the section on repayment plan, which is already in NRS 604A. The bill is duplicative to existing statute.

Senator Atkinson:

Is paragraph 2 of the amendments section of the work session document about removing references to "check-cashing service" only for this bill?

Mr. Alonso:

The removal of "check-cashing services" is only for this bill.

Chair Settlemeyer:

This bill is placing the best practices concept into law.

Senator Harris:

Section 5, subsection 2 of the attached document states: "A licensee shall prominently disclose in the loan agreement ... clearly visible to a customer." This refers to the fees and how the loan is to be executed. What is the industry standard?

Mr. Alonso:

Industry standard is federal law. All fees associated with the loan must be displayed on a large poster board.

Senator Harris:

Are font sizes specified?

Mr. Alonso:

Federal law specifies font sizes.

Senator Harris:

Please follow up with the font size information.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

We will now move on to S.B. 256.

SENATE BILL 256: Revises provisions relating to the civil liability of innkeepers.
(BDR 54-1018)

Ms. Pavlov Thomas:

I will read the summary of the bill and the amendments from the work session document ([Exhibit H](#)).

SENATOR HARDY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 256.

SENATOR HARRIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

This concludes the work session. I will open the hearing on S.B. 374.

SENATE BILL 374: Revises provisions relating to energy. (BDR 58-800)

Senator Patricia Farley (Senatorial District No. 8):

Senate Bill 374 addresses some of the unintended consequences with State law that requires the International Energy Conservation Code (IECC) to be adopted every 3 years. This bill as amended and with the conceptual amendments solves a conflict in law and the administrative code. The provisions of the bill will ensure the architects, designers and builders in Mesquite not face disciplinary action because Mesquite is not on the same version of the IECC as the one adopted by the Office of Energy of the Governor's Office. This bill also sets a minimum and maximum air change standard that promotes energy-efficient buildings, preserves local government flexibility in code adoption and provides cost savings to homeowners. Senate Bill 374 protects the ability of local governments to work with stakeholders and offer the "above code" or "beyond code" programs that promote green building and cost savings to homeowners.

The second part of S.B. 374 modifies requirements for the electric utilities to offer a 10 percent discount on electrical services in households with children under the age of 18 who use life-sustaining equipment. It allows the PUCN to establish the regulation for a program in which a person who is a customer of the electric utility and resides with and has legal custody of a child on life-sustaining equipment may apply and receive a discount from the utility for reduction of energy costs for the care of the child.

Nat Hodgson (CEO, Southern Nevada Home Builders Association):

There are three basic issues the Southern Nevada Home Builders Association has with the 2012 IECC. Senate Bill 374 proposed to address these three areas as outlined in the submitted summary ([Exhibit I](#)). Senate Bill 374 solves a conflict in the code adoption process. It allows the design professional to design to the current code of the local jurisdiction and not face disciplinary action by a licensing board. This is in line with other bills in our industry. My goal is to create discussions to adopt the most recent energy code. The amendments to the bill will allow the conversations. The bill is designed to build more energy-efficient homes producing cost-efficiency for the buyer. I refer to Section 1, subsection 6 of the proposed amendment to S.B. 374 ([Exhibit J](#)).

The 2012 IECC includes air changes per hour (ACH), which is a measure of how many times the air within a defined space is replaced. The 2012 IECC changed the ACH requirement drastically from 7 ACH to 3 ACH. The submitted IECC 2012 analysis ([Exhibit K](#)) demonstrates which states gutted the energy code or touched the air change requirements to a level of 5 ACH as a result of the code changes. We are proposing 4 or 4.5 ACH; 4.5 for houses with ceiling sprinkler systems, which lose air through the sprinklers, and multifamily structures that have fire separation party walls. Two states kept the energy changes to 3 ACH, with a note that 3 ACH will be kept, but not enforced. The better solution is put into law that builders can achieve 4 ACH. A cost study in [Exhibit K](#) illustrates a savings of \$5.60 per year in Las Vegas by achieving 3 ACH to 4 ACH levels and approximately \$10 per year in northern Nevada. The air changes as proposed in the amendment to S.B. 374, section 1, subsection 5, do not move the home energy rating system (HERS) code one point. It can cost \$1,000 per house to achieve 3 ACH per hour. The two municipalities that have adopted this code are in Clark County, and both support the intent of this issue.

The third concern prevents the adoption of a new version of the IECC from ending the practice of local jurisdictions offering “above code” or “beyond code” programs. It is more cost-effective for home-building testing and inspections to achieve a lower HERS score, which benefits the homeowner. The HERS score is opposite of miles per gallon. A lower HERS score is better. Our Association promotes “above code” programs. As an Association operator, I would like all builders to be on an “above code” program. The changes proposed will allow this discussion moving forward. Our goal is to build more energy-efficient homes.

Senator Spearman:

Is this designed to give some standardization for the design builders?

Mr. Hodgson:

It brings clarity to the conflict in law with design professionals.

Senator Harris:

Has any consideration or thought been given to the senior population who also are on life-sustaining devices?

Senator Farley:

Allowing the PUCN to establish these discount programs may encourage the program to evolve.

Chair Settelmeyer:

This is the first step to helping those in need.

Judy Stokey (NV Energy):

NV Energy supports S.B. 374. We would like to work with the PUCN to give it the authority to offer discounts or use universal energy charge (UEC) funds to find the least costly mechanism for our customers.

Paul Thomsen (Director, Office of Energy, Office of the Governor):

In reference to S.B. 374, section 1, the Office of Energy works with the building industry on this issue and wants to clarify that once the Office of Energy adopts a new energy code, there can be some lag time before a local jurisdiction adopts that code. Section 4 specifies the jurisdiction shall adopt the code, but we made it clear in multiple regulation hearings there is no time frame for that. The bill as drafted provides clarity for the designers while a local jurisdiction is deciding to

adopt the new code. The new IECC code comes into effect in 2015. When a local jurisdiction adopts other building codes in 2016 or 2017, it gives the design professionals the clarity to follow either local codes or what has been adopted by the director of the Office of Energy. We support S.B. 374 and will review the conceptual amendments.

Silvia Villanueva (American Council of Engineering Companies):

The American Council of Engineering Companies supports S.B. 374, section 1, subsection 6. This will help provide the design professionals clarity with respect to efficiency codes.

Chelsea Lane:

I will read from my submitted testimony ([Exhibit L](#)). I am a licensed practical nurse and I work with critically ill children. I learned of a medical baseline program while working in California. This program renders assistance on the utility bills of families with critically ill children. I currently care for an 11-month-old child whose family does not meet the requirements for the NV Energy assistance program. There is an existing fund with the Division of Welfare and Supportive Services for low income. Assembly Bill 73 currently proposes to transfer unspent funds to the housing division. Using these funds for an energy assistance program would avoid a State fiscal impact.

[Assembly Bill 73](#): Revises provisions governing programs of energy assistance.
(BDR-336)

I have submitted a proposed amendment to S.B. 374 ([Exhibit M](#)) to include the word "monitor" and to add an essential equipment list to section 2, subsection 2, paragraph (b). I extend my thanks to Senator Farley for sponsoring this bill.

Jess Traver (The Builders Association of Northern Nevada):

The Builders Association of Northern Nevada supports S.B. 374.

Aaron West (Builders Alliance):

The Builders Alliance supports S.B. 374 and finds clarity of the law a much-needed change.

Joe Johnson (Sierra Club):

The Sierra Club has concerns about S.B. 374, section 1. The 2012 IECC code has been adopted by the City of Henderson and Clark County, and this legislation would weaken the standards.

Carolyn (Lina) Tanner (Commission General Counsel, Public Utilities Commission of Nevada):

The PUCN is neutral on S.B. 374. The Commission has been agnostic that social programs be funded through utility retail customers. There are a couple of ways this has worked in our existing structure. We prefer one of them. The second way is to give the PUCN some discretion over how to implement a social program. We would prefer the vehicle be something that allows the Commission to act as a pass-through for the collection of any charge rather than give us the discretion to weigh the costs and benefits of any social program. The PUCN is made up of engineers, fiscal analysts, economists and lawyers who focus on administrative and utility law. We are not social workers or doctors. We agree that the determinations about the amount, who should be eligible and if a program should be expanded to include seniors or low-income households be left to the Division of Welfare and Supportive Services. The UEC statute in NRS 702 would be a better vehicle for the issues. It allows the utility company to collect the fee, turn it over to the Commission, who then puts it in the fund administered by the Division of Welfare and Supportive Services. If Senator Farley agrees this is a better structure, we will work with her on appropriate language.

Senator Spearman:

Is there a downside to having too much energy efficiency in the home?

Mr. Hodgson:

I do not see a downside to too much energy efficiency. The ACH addresses the point of diminishing returns. Of the states that have adopted the air change standard, Nevada has raised it the least amount. We have worked with the Southwest Energy Efficiency Project organization for a well-thought-out conclusion. The goal is to obtain the lowest HERS score possible.

Senator Farley:

I will work with the PUCN and other parties to promote this noble and just cause to help needy families challenged with ill children.

Chair Settlemeyer:

I will pull back S.B. 374 and proceed to S.B. 416.

SENATE BILL 416: Makes various changes regarding the use of decommissioned power plant sites. (BDR 58-236)

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

Senate Bill 416 involves economic development. The Mohave Generating Station has been decommissioned for some time. Nevada Energy coordinated with the ownership companies to make a determination to take action. The bill is designed for a report and a plan to be generated on decommissioned power plants to aid in the reuse of the facility for the economic benefit to the State and to the county in which it is located.

Terry Yurick (Laughlin Economic Development Corporation):

Page 2 of the submitted document ([Exhibit N](#)) demonstrates how S.B. 416 would enable future use of the Mohave Generating Station. The station closed in 2005 and was decommissioned in 2011. The bill is applicable to large utility locations of 100 acres or more with revenue of \$200 million or more. The utilities would classify their assets in a report due annually at the end of January. The PUCN would review the report over a 120-day period and deem what assets are no longer held in the public interest. The surplus asset retirement plan would then be produced. The process would take less than 3 years and would have many benefits affecting economic development.

Page 3 of [Exhibit N](#) is a map of Laughlin showing the location of the Mohave Generating Station, covering 2,500 acres, which could be used for another viable purpose. Senate Bill 416 provides a reasonable mechanism for avoiding prolonged action following coal-burning or other electric utility plant closures, as a natural follow-up to S.B. No. 123 of the 77th Session.

Senate Bill 416 allows the perfect balance between electric utilities and their host communities when a generating plant ends its life cycle. It provides for a reasonable and timely closure, decommissioning, and making the site available for redevelopment benefiting the utility, the community and the ratepayers. I am hearing positive feedback from NV Energy on this proposal.

Jim Maniaci (Laughlin Economic Development Corporation):

The provisions in S.B. 416 represent an opportunity for economic development in Nevada. Laughlin is the poster child for a problem in Nevada that needs to be fixed. We appreciate NV Energy for working with us to achieve this. Jeff Mercier, construction and maintenance supervisor with NV Energy, is on our board.

Economic opportunity is analyzed by looking at a state's strengths, weaknesses, opportunities and threats. The managing partners of the Mohave plant in Laughlin are Southern California Edison (SCE) has 56 percent ownership, Los Angeles Department of Water and Power owns 10 percent, Salt River Project in Phoenix, Arizona, owns 20 percent and NV Energy owns 14 percent. I will highlight some facts from [Exhibit N](#). The Mohave Generating Station was commissioned in 1971 and occupies 4 square miles (2,500 acres) in the middle of Laughlin. A 2002 study by Clark County reported 280 direct full-time-equivalent skilled-labor jobs with an average household income of \$86,000. The median income now in Laughlin is between \$50,000 and \$60,000. The plant supported another 286 indirect and induced area jobs with an average household income of \$28,000. A \$32 million loss from our economy needs to be replaced. Passing S.B. 416 would open up the land for development. All the utilities and infrastructure are in place for this development.

Southern California Edison does not appear to be willing to pursue action on this. The consent decree, which led to the plant closing in 2005, was signed by the U.S. District Court, District of Nevada in 1999. There has been no decision on what is to become of this location. [Exhibit N](#) exhibits correspondence between Congressman Joe Heck and the plant owners beginning 2 years ago. There is still no meaningful time line for action. Senate Bill 416 will solve many of the issues faced by lack of action and it will encourage diversification of the economy with available land use.

Robert Bilbray (Bilbray Industries):

I am a business owner and 30-year resident of Laughlin and appreciate the facilities that generate our day-to-day lighting needs. The Mohave plant is located in the center of our community. Senate Bill 416 provides a template for the industry, the PUCN and the host communities to move forward on a reasonable timeline to integrate these facilities into the fabric of the community for resulting economic benefits. I have experienced the life cycle of this

generating facility from its acquisition in the late 1960s, to its construction in the 1970s, 30 years of operation, the decommissioning effort and the last 10 years of stagnation. Senate Bill 416 will address the impact upon the host community and potential impact on the ratepayers with the closing of utility plants. The tax base of \$1.2 billion previously generated by the plant has dropped to less than \$10 million. Senate Bill No. 123 of the 77th Session clearly identified the major change in direction power generation is making in Nevada. What has occurred in Laughlin could occur at other energy sites. Senate Bill 416 will help in planning for the future and address these issues.

Don Lomoljo (Utilities Hearings Officer, Public Utilities Commission of Nevada):

The Public Utilities Commission is neutral on S.B. 416. We will work with Senator Hardy on addressing some of our issues. The processes suggested in S.B. 416 could be taken care of with existing Commission processes such as the integrated research planning process, or rate-case processes and the Commission's general ability to investigate issues. There might be simpler ways to resolve the issues by directing the Commission to specifically investigate any concerns and provide a report to the Legislature on its findings.

Ms. Stokey:

NV Energy is neutral to S.B. 416 and has been working with Senator Hardy for some time on the issues addressed in the bill. As of last week, all four partners of the Mohave Generating Station have agreed to put together a plan by June 1, 2015. There will be discussions on what land will be disposed of. There are some environmental concerns. We will have the plan by June 1 and will keep Senator Hardy updated on the progress.

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

The State Department of Conservation and Natural Resources oversees the remediation and decommissioning of the site work and is ready to work with Senator Hardy and other stakeholders as the work continues.

Senator Hardy:

I appreciate the support of this Committee and will not belabor a bill that encourages action on an issue with a good cause.

Chair Settlemeyer:

I have neutral written testimony submitted by Dave Emme with the Division of Environmental Protection ([Exhibit O](#)). I will pull back S.B. 416 and move on to S.B. 407.

SENATE BILL 407: Requires the Public Utilities Commission of Nevada to adopt regulations relating to energy efficiency resource plans. (BDR 58-111)

Senator Pat Spearman (Senatorial District No. 1):

I am presenting S.B. 407 for your consideration. I will read from the introductory statements of a January 2012 National Bureau of Economic Research study by Hunt Allcott and Michael Greenstone, "Is There an Energy Efficiency Gap?" They quote Daniel Yergin's 1979 statement and a 2009 statement from the consultant McKinsey & Company:

If the United States were to make a serious commitment to conservation, it might well consume 30 to 40 percent less energy than it now does, and still enjoy the same or an even higher standard of living ... Although some of the barriers are economic, they are in most cases institutional, political, and social. Overcoming them requires a government policy that champions conservation, that gives it a chance equal in the marketplace to that enjoyed by conventional sources of energy.

Energy efficiency offers a vast, low-cost energy resource for the U.S. economy—but only if the nation can craft a comprehensive and innovative approach to unlock it. Significant and persistent barriers will need to be addressed at multiple levels to stimulate demand for energy efficiency and manage its delivery ... If executed at scale, a holistic approach would yield gross energy savings worth more than \$1.2 trillion, well above the \$520 billion needed through 2020 for upfront investment in efficiency measures (not including program costs). Such a program is estimated to reduce end-use energy consumption in 2020 by 9.1 quadrillion BTUs, roughly 23 percent of projected demand, potentially abating up to 1.1 gigatons of greenhouse gases annually.

I use this as the foundation as we present this bill.

Kyle Davis (Southwest Energy Efficiency Project):

I am presenting a proposed amendment ([Exhibit P](#)) to S.B. 407, which replaces the current language in the bill. The Southwest Energy Efficiency Project (SWEET) is a nonprofit organization and operates in six southwestern states to increase energy efficiency. Energy efficiency is the least expensive way to meet our energy needs by reducing before producing. The watt that is not produced is cheaper, reduces pollution and creates economic activity. The language in S.B. 407, section 8, will remain about legislative intent relating to energy efficiency. We are setting an energy efficiency resource goal. The goal is set for utilities to reach 1 percent increases in energy efficiency on a year-to-year basis. The amendment contains a revised definition of the energy efficiency and conservation program. An insertion of a new subsection 9 at the end of NRS 704.746 is about the cost-effectiveness test for energy efficiency programs. There are two new sections inserted to set up the energy efficiency resource goal. It would allow the PUCN to establish energy savings goals for 2016 through 2025 of at least 1 percent of retail electricity sales in the base year. It gives the PUCN the flexibility to increase that goal if technically feasible, cost-effective and achievable and to change this over time if the Commission determines it appropriate. It sets the base year at 2014 unless the Commission determines a different year is a better base year, and it would go through the "triennial energy savings plan" currently in statute.

Incentive providing is the last section of the amendment. In the past, the best performance on energy efficiency programs was when savings and financial incentives were available for customers. These are detailed in [Exhibit P](#). The costs of the programs would be recovered as a part of the bill and the programs put in place will be cost-effective as a whole.

Tom Polikalas (Southwest Energy Efficiency Project):

I will summarize the Energy Efficiency goals and incentives of the SWEET program as outlined in ([Exhibit Q](#)). The electricity savings achieved by NV Energy's Demand-Side Management (DSM) programs in the years 2006 through 2014 are illustrated in the submitted graph ([Exhibit R](#)). The efficiency goal of 1 percent is relative to what NV energy has achieved during those years. Senate Bill 407 is an incentive program, not a mandate. The SWEET would like to see the profit motive involved in saving energy and gives a paradigm shift that can make money by helping the consumer save. NV Energy has a much higher rate of savings relative to previous years' sales and this will establish a sliding scale of cost savings incentives. Nevada has an integrated resource plan

which evaluates energy efficiency as part of long-term planning. The states that have implemented efficiency goals have a much higher rate of savings as shown in the graph ([Exhibit S](#)). It shows a 30 percent increase when public policy is added as a state goal. Additional benefits are job creation, water savings, emission reductions and helping Nevada become a center of energy innovation. We are bullish on Nevada's economy. With the influx of new companies like Tesla and with new homes that will be built, the expectation is a quickly growing economy. To provide energy services and make electricity more productive, better technology is needed. Development of new technologies and incentives enables NV Energy to look for these new technologies to save energy and costs.

The features and benefits of this policy are to generate hundreds of millions of dollars in consumer savings by 2020. The net economic benefits are in the hundreds of millions of dollars, and job creation takes place when an energy retrofit is made. There is a multiplier effect in the products and services used for retrofits. The final induced employment that results when the energy efficiency measure is paid off provides more spending in the local economy. From 1 percent to 1.4 percent savings creates more than 1,000 jobs by providing energy services locally versus importing fossil fuels. Retail spending adds increases in state revenue sales and use tax.

In other states served by SWEEP, Colorado, as illustrated in the document ([Exhibit T](#)), has a comparable program to the proposed one in S.B. 407. It illustrates that a surcharge pays for the programs and consumers are saving 3 to 4 times in aggregate the costs of the programs and incentives. A return of 300 percent to 400 percent on energy efficiency is realized for the state. This is a compelling investment model.

Elsbeth DiMarzio (Sierra Club):

Between 2008 and 2014, Nevada fell from 15 to 29 in energy efficiency performance in the Nation according to the American Council for an Energy-Efficient Economy. The Sierra Club members have seen an energy efficiency resource goal as a mechanism to save money and lessen our reliance on fossil fuels. Over the past year, our volunteers in Nevada have collected over 2,000 petitions in support of greater energy efficiency. Now is a critical time to consider how low-cost energy efficiency can create jobs, lower bills, clean up our environment and help replace coal power. The Sierra Club supports S.B. 407 and the proposed amendment by SWEEP.

Robert Tretiak (International Energy Conservation):

The Legislature approved A.B. No. 3 of the 22nd Special Session, which inserted energy efficiency as a component in the portfolio standard. This legislation impelled millions of dollars in savings over the past 10 years. It was coalesced by the support of the Governor's Office of Energy, Sierra Club, PUCN, Nevada Power and Sierra Pacific Power, the Bureau of Consumer Protection, SWEEP and International Energy Conservation. The benefits of energy efficiency are good ideas. It has been determined that 30 percent to 40 percent less energy in our Country could be saved thorough proper energy efficiency measures. Fifty years ago, I was a designer of computer software for the first generation of IBM mainframes and in 5 years we migrated software onto computers ten times as powerful, and this was state-of-the-art equipment. Today, the cell phone illustrates the leaps technology has taken and will continue to take. Today's state-of-the-art is tomorrow's obsolete. When the bill was passed 10 years ago, replacing incandescent with fluorescent bulbs realized an energy savings of 30 percent to 40 percent. Three years ago, International Energy Conservation and NV Energy installed LED lights throughout the entire Legislature Building in a pilot program. A savings of 78 percent in energy was realized. I recommend supporting S.B. 407.

Robert Johnston (Western Resource Advocates):

Western Resource Advocates is a nonprofit environmental law and policy organization working on water, energy and land issues throughout the Southwest, including Nevada. I concur with the comments of Senator Spearman, Mr. Davis and Mr. Polikalas for the reasons for supporting S.B. 407 and the amendment. The cost-effective concept in the amendment would establish goals of a minimum of 1 percent. The utility company would be required to propose a cost-effective plan approved by the PUCN. Many in the industry would agree this is a readily achievable goal. The Commission determines if the goal is achievable. The bill does not provide for unreasonable goals or for ratepayers to pay for something that has not been thoroughly vetted and proven to reduce ratepayer costs.

Richard Langson (Langson Energy):

The Langson family trust has resided in Nevada for 65 years and owns large real estate holdings. We owned and operated Carson Hot Springs for 50 years. I founded ElectroTherm, Inc., a low-heat modular system company that is the world leader of its type. I sold the company to design and build larger, more efficient equipment and started Langson Energy. Langson Energy is

manufacturing and selling machines to other states and worldwide. The machine converts wasted energy and heat to green energy. Wasted energy is produced by regulators in every home in Nevada. The regulators take gas pressure from higher pressures of 30 to 40 pounds per square inch and drop them to .05 pound per square inch. The energy from that drop is dissipated and lost. Studies on the value of the pressure drop nationwide would be in the gigawatts of power. Langson's generation costs are 1.5 cents per kilowatt including the capital and operational expenses. The economic value is a return on investment of 6 months to 2 years. Our machines are not sold in Nevada. Our company is a strong community partner and taxpayer in Nevada. We support S.B. 407 and encourage this for Nevada.

Rex Stock (Rebo Energy, Inc.):

Rebo Energy supports S.B. 407. We have worked with jurisdictions in other states that mandate energy efficiency and are effective in creating quality jobs, energy savings and economic benefits. The gaming industry is marketing to attract people to the State, which affects the population. Nevada is getting the reputation as a green energy state. The bill encourages a continuance of this trend.

Kevin L. McGehee (Evaporative Control Systems, Inc.):

Evaporative Control Systems is a water management solution company specializing in highly efficient drainage and irrigation systems in Reno. We are concerned with the available resources to sustain Nevada's economic growth. The most important resource affecting the future of Nevada is water. Drought and climate change have emphasized these concerns. We support S.B. 407 because of the link between energy use and water consumption. It is important to find more ways to save energy, money and water. This bill is an important step in this direction. The incentives NV Energy provides its consumers for savings will have an additional benefit by reducing water the power plants use for cooling.

Todd Thompson (Air Medic Cleaning, Inc.; Southwest Energy Efficiency Project):

I support S.B. 407 and the proposed amendment. Our company seals commercial and residential air delivery systems. What we see in attics, crawl spaces and mechanical rooms illustrates the notion that not enough is being done for energy efficiency.

Ms. Stokey:

Thank you, Senator Spearman, for your passion and interest in the energy policy in Nevada and for working with us on S.B. 407. NV Energy is in opposition to S.B. 407. The current PUCN process works well and we do not see the need to go this route. There have been concerns that NV Energy would no longer commit to energy efficiency programs when energy efficiency was taken out of the portfolio standard in S.B. No. 252 of the 77th Session. The NV Energy budget has increased dramatically. NV Energy has had a long commitment to implementation of energy efficiency measures since the 1980s. The energy efficiency and demand response programs as established in the company's resource plan are filed with the PUCN every 3 years and discussed again in the annual updates with the Commission. The company has successfully used this process for over 30 years. The combined electric companies, north and south, spent approximately \$14 million toward these programs in 2005 and that increased to \$57 million in 2009. The number decreased as the economy suffered. The economy is improving, so our budget has increased for these programs. In 2014, NV Energy spent over \$49 million on efficiency programs and is budgeted to spend over \$63 million in 2015. The amount spent on energy efficiency should be flexible depending on the cost of fuel, the economy and cost of power. NV Energy does not want to be mandated to spend a specific amount of money on programs that might not be cost-effective. This bill states the Commission "may" establish, but in no case shall be less than 1 percent. The amount spent in 2014 on energy efficiency is approximately 0.7 percent. With this bill, the company would be mandated to spend more money to achieve the 1 percent base and it would cost millions of dollars to our customers. The current transparent process is working. We look forward to continuing discussion on this with Senator Spearman.

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

The Bureau of Consumer Protection participates in the annual process by the PUCN to determine what the ratepayers will fund. The amount that was funded by ratepayers, as illustrated in the submitted handout, went down in the 2008-2009 time frame ([Exhibit U](#)). The company has a 2015 budget of \$63 million for energy efficiency programs. We are not opposed to energy efficiency. It is important for the PUCN to look at the need for resources, cost-efficiency and other burdens the ratepayers bear so the Commission can make a reasonable decision. A move from 0.7 percent to 1 percent will cause customer rates to increase with the implementation of this bill. Less than half of

residential customers participate in efficiency programs. We are working with the PUCN and the utility company to find ways to broaden programs. We do not want a mandate. We are opposed to performance-based incentives. Ratepayers pay for program costs and sales the company did not achieve, called lost sales compensation. These are cost-based and providing cost recovery. A performance-based incentive would not be cost-based, it would be giving the company extra profits to encourage them to do something. Our experience with NV Energy is that they have been willing to spend their efforts to encourage people to conserve and manage these programs without ratepayers funding a non-cost-based incentive. We support energy efficiency and large budgets, but do not want ratepayers to pay more or have a mandate.

Senator Hardy:

Senate Bill 407 proposes to save households and businesses in Nevada hundreds of millions of dollars. It proposes to motivate NV Energy to achieve 1.4 percent savings each year starting in 2016, and the customer to reduce energy use 7 percent by 2020 with the resulting economic savings of \$670 million. How do ratepayers save, yet pay more for the services?

Mr. Jacobson:

We have programs to encourage people to use more efficient pumps for their pools, encourage the use of more efficient air-conditioners and install LED lighting. Average renters in multiple-dwelling units do not want to spend the money on LED lights because of costs and will not spend money on upgrades for something they do not own. In many cases, these people will have a higher utility bill to fund the programs. The residential customer also pays a higher utility bill to fund the upgrades for commercial customers to improve their lighting under the theory if you do not have to build the next generation plant, then everyone benefits. This is a delicate balance and the PUCN can do this without a mandated savings goal.

Senator Hardy:

Would the people who save money be the people to implement the LED lighting, etc.? Would everyone else be subsidizing the utility company that needs to be incentivized to do this?

Mr. Jacobsen:

Yes, the utility company does not need to be incentivized. It is a good corporate citizen.

Chair Settlemeyer:

Does this bill apply to just NV Energy or to co-ops and other suppliers and producers of energy in Nevada?

Ms. Stokey:

The bill is just for NV Energy.

Ray Bacon (Nevada Manufacturers Association):

The issue presented today is complex. As a nation and a world, we are inefficient users of energy. Some of this can be changed, some not. We have in place a system that does not incentivize industrial clients take advantage of energy reduction programs. An avoided cost calculation proved the programs would not work financially. At some point in time, we will use a net-metering program and possibly apply Mr. Langson's electrothermal technology or newer projects that reduce pollution and energy costs.

The Canary Islands were using 40,000 gallons of diesel fuel a month to power the islands. They built a pump storage operation which is wind generated to pump water to the top of the mountain and it then descends as hydropower. This program has reduced 40,000 gallons a month to zero. Hydropower uses ocean water and is the most efficient generator of power. The world of energy is going to change, and the incentives charged on ratepayers are not right. A more prudent avenue is changing the rules to create a more equal playing field without penalizing companies who have the potential to reduce pollution and produce energy.

Terry Graves (Nevada Cogeneration Associates):

An industry knows best how to spend its money and most energy-dependent industries are doing what is necessary to achieve cost-effective energy efficiencies. Imposing a demand for an increase in efficiency costs more money and continues to cost more with each increment. The revenue could be better spent on a facility to make operations more profitable, safe and productive. Programs that impose demands are not the only issues concerning a business. There are pitfalls in implementing mandates.

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

The PUCN is supportive of energy efficiency and conservation. It recognizes the benefits as more cost-effective in adding new generation or purchasing power. There are existing frameworks in place that accomplish most of what S.B. 407

proposes. NV Energy is required by regulation to inform customers of the energy efficiency and conservation measures available. NV Energy will conduct inspections upon request on the customer's premises to inform the customer of opportunities to save energy. The utility is required to submit its DSM program, which includes a resource plan of energy efficiency and conservation, every 3 years to the PUCN. The Commission requires an update to that plan annually. In those proceedings, the programs are reviewed by the Commission, which considers all of the issues being identified in the bill such as cost-effectiveness, economic benefits and environmental benefits. The proceedings allow for full participation from all interested parties and the Commission considers the proposals. Some PUCN-imposed limitations on energy efficiency and conservation programs have been identified as not cost-effective.

The goal of the bill is based on energy savings. It is difficult for the Commission to measure and verify what the savings are. There are limitations in measuring and verifying savings. If there is a savings goal identified, it is not necessary to add an additional incentive to the utility. The Commission can require that a goal be met and the utility must follow it to avoid being penalized. There are additional costs associated with performance-based incentives. The PUCN will work with Senator Spearman to incorporate the goals of the bill into existing processes.

Senator Spearman:

I will quote from a recent study, "Financial Analysis of Incentive mechanisms to Promote Energy Efficiency: Case Study of a Prototypical Southwest Utility":

The net resource benefits to customers if the utility successfully implements the moderate EE portfolio are ~\$400M while net resource benefits increase to \$860M if the utility implements the Aggressive EE portfolio. ... Ratepayers also would realize a sizable reduction in their aggregate bills as the utility produces and purchases less electricity and defers the need for future supply-side investments.

The data exists suggesting these programs work and the goal is to contribute to the growth of energy efficiency. With progress comes change.

Mr. Davis:

There appears to be some confusion on the provisions in S.B. 407. There is no mandate. It is setting a goal to achieve an efficiency of at least 1 percent per year. If that is not achievable or the PUCN and the utility decide it is not cost-effective, then it is not mandatory. There are no penalties involved. How are we going to meet our future energy needs? The customers save in two ways: first, by taking advantage of energy efficiency programs and second, by avoiding the need to construct new power plants. Over the last 10 years, the rates have increased 39 percent and most of this is the cost of infrastructure. The energy efficiency achieved by Nevada has saved 546 megawatts, which is an entire power plant. Incentives work by not relying on the integrated resource plan process. The states that have the goals in place get better performance. Recently in Nevada, the best performance by NV Energy was when incentives were in place. We want to set a minimum threshold, make it performance-based and include incentives that result in benefits to customers by not building additional power plants.

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Chair Settlemeyer:

Hearing no further discussion, I will close S.B. 407 and adjourn this meeting at 10:30 a.m.

RESPECTFULLY SUBMITTED:

Christine Miner,
Committee Secretary

APPROVED BY:

Senator James A. Settlemeyer, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	2		Agenda
	B	9		Attendance Roster
S.B. 112	C	1	Marji Paslov Thomas	Work Session Document
S.B. 137	D	3	Marji Paslov Thomas	Work Session Document
S.B. 153	E	2	Marji Paslov Thomas	Work Session Document
S.B. 194	F	2	Marji Paslov Thomas	Work Session Document
S.B. 242	G	4	Marji Paslov Thomas	Work Session Document
S.B. 256	H	2	Marji Paslov Thomas	Work Session Document
S.B. 374	I	7	Nat Hodgson/ Southern Nevada Home Builders Association	Summary
S.B. 374	J	1	Nat Hodgson/ Southern Nevada Home Builders Association	Proposed Amendment
S.B. 374	K	22	Nat Hodgson/ Southern Nevada Home Builders Association	IECC 2012 analysis
S.B. 374	L	1	Chelsea Lane	Written Testimony
S.B. 374	M	1	Chelsea Lane	Proposed Amendment
S.B. 416	N	18	Terry Yurick/ Laughlin Economic Development Corporation	Mohave Plant Documents, Maps and Charts
S.B. 416	O	1	Dave Emme/ Division of Environmental Protection	Written Testimony
S.B. 407	P	3	Kyle Davis/ Southwest Energy Efficiency Project	Proposed Amendment
S.B. 407	Q	2	Tom Polikalas/ Southwest Energy Efficiency Project	SWEEP Goals Fact Sheet
S.B. 407	R	1	Tom Polikalas/ Southwest Energy Efficiency Project	NV Energy DSM Graph
S.B. 407	S	2	Tom Polikalas/ Southwest	Graph

			Energy Efficiency Project	
S.B. 407	T	2	Tom Polikalas/ Southwest Energy Efficiency Project	Xcel Energy Document
S.B. 407	U	3	Dan Jacobsen/ Bureau of Consumer Protection	Handout