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NEVADA LEGISLATURE - 54TH SESSION

SENATE COMMITTEE ON
FEDERAL, STATE, AND LOCAL GOVERNMENTS

Minutes of Meeting Held
March 1, 1967

The 12th meeting of the Senate Committee on Federal, State, and Local Governments was called to order at 1:00 p.m. on Wednesday, March 1, 1967, in Committee Room 50, State Capitol, by Chairman Gibson. All committee members were present except Senator Bunker. Also present was an overflow crowd of persons interested in Senate Bills 151 and 199.

Senator Gibson remarked that today's time for the hearing was limited and reminded those present that the purpose of the meeting was to inform the committee. He then called on Senator Young, introducer of both bills, to comment on the bills.

S.B. 151: Prohibits State Contractors' Board from issuing licenses to gas, electric, or water utilities or their subsidiaries.

S.B. 199: Prohibits public utility from installing, replacing, or servicing certain equipment beyond meter.

Senator Young stated that with respect to S.B. 199, since introducing the bill he had received some complaints that, in smaller communities, servicing is not available except through the utilities. He stated he had no objection to appropriate amendment along that line.

The Chairman announced that proponents of the bill who had asked to be heard would speak first, and called on:

1. Mr. Albert Caton, President, Keystone Fuel in Reno, and a representative of the Oil Heat Institute. Mr. Caton read a statement favoring both bills, urging that utilities be confined to supplying products to customers. He stated there are enough licensed contractors to make installations.
2. Mr. Ernest Cuno, Executive Vice President of Home Builders Association of Northern Nevada. Mr. Cuno stated the Association feels that S.B. 151 should be favorably acted upon, but that S.B. 199 may have a language defect in the inclusion of the word "service". He offered four points in respect to the use of that word:
 - a. He felt that utilization of a power company representative should be permitted at the time a unit is first turned on in a new structure.
 - b. He felt a home owner should be permitted to call on the utility in the event of an emergency. Mr. Cuno believes there is now no other 24-hour service available in Reno, and in an emergency the owner could only call a power company representative.
 - c. He does not feel the utility should be excluded from investigating an emergency of larger scope, affecting many people, as when a number of pilot lights go out simultaneously or when a defect occurs in a gas main.

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- d. In a case where the utility disconnects for nonpayment of tariffs, there would be a situation, under this bill, where, when the bill is paid, the utility sends a representative out to reconnect the service; then there would be a delay while a licensed contractor was brought in to inspect for safety of resumed services.

The Chairman asked Senator Young whether he had additional information to present in favor of the legislation. Senator Young said he had a number of letters, but these could be read later to committee members.

Opponents of the bill who had asked to be heard were then called upon by the Chairman, in the following order:

1. Mr. W. M. Laub, President, Southwest Gas Corporation. A copy of his remarks in opposition to both bills is attached to these minutes.
2. Mr. Merle H. Atcheson, Vice President, Sierra Pacific Power Co., Reno. Mr. Atcheson introduced the following Sierra Pacific Power Co. people who were also present: Mr. Jack Rice; Mr. Richard Campbell, Vice President and General Counsel; and Mr. Scott Wadsworth, local representative of the International Electrical Workers Union, who represents 600-700 company employees.

In addressing the committee, Mr. Atcheson echoed Senator Young's concern for small communities where no 24-hour service is available except from the utilities. He also gave figures on service calls made by the power company and vigorously defended the utilities' right to make service calls. He stated that Sierra Pacific has a very good relationship with contractors and with labor unions and skilled trades; that the company has a contractor's license itself, but do not use it; instead they hire licensed contractors. He stated that Sierra Pacific lets more contracts than any other employer in the State of Nevada except the State Highway Department. He felt passage of the measures would not reduce the utilities' expenses and would substantially increase expense to home owners, who must get and pay for services which he already pays on his power bill.

3. Mr. Andrew Ulrich, representing Ely Light & Power Company, Ely. He also spoke in opposition to both bills. He too mentioned lack of 24-hour service except by utility, and stated the measures would be very damaging to small communities. He told of the large amount of work done by the Ely power company for city and county agencies, using the power company's special equipment and trained personnel. The Ely power company, too, has a contractor's license. He stated that if the bills pass, the Ely Light & Power Company will be petitioning the Public Service Commission for a rate increase; hence it will not be the power company that will suffer, but its customers.

Following Mr. Ulrich's comments, committee members directed questions to the various speakers. The Chairman then announced that the committee has received

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considerable correspondence and telegrams concerning the two bills, and that if there are those who had not been heard at today's hearing, the committee would try to arrange a hearing for them.

Since the afternoon session of the Senate was about to begin, the Chairman told the committee members the committee would meet at 8:00 a.m. the following day to discuss the remaining bills shown on today's agenda.

The meeting adjourned at 2:00 p.m.

Respectfully submitted,

Louise Glover - Secretary

I certify that the foregoing minutes are correct.

Senator James I. Gibson - Chairman

STATEMENT OF W. M. LAUB
IN OPPOSITION TO S.B. 151

*Presented at 3/11/67
 Hearing before Senate
 Comm. on Gov. & Admin. Affairs*

My name is William M. Laub. I am president and chief executive officer of Southwest Gas Corporation, which supplies natural gas directly or indirectly (through other utilities) to approximately 55,000 customers in the state of Nevada. I oppose this legislation, both in behalf of Southwest Gas Corporation and in my individual capacity, for several reasons.

In the first place, and most importantly, this bill bears no relationship to any public interest. Think for a moment of the reasons behind the licensing of contractors. There are two primary reasons for licensing contractors: (1) to assure a citizen seeking contracting services that the person holding himself out as able to perform those services is in fact reputable and competent to do the work, and (2) to make sure that the contractor performing the services is financially responsible. Neither of these reasons has anything to do with whether or not the holder of a contractor's license is or is not a public utility or a subsidiary of a public utility.

It occurs to me that if a person or company seeking to provide contracting services is reputable, competent and financially responsible, whatever else he is or is not is immaterial. S.B. 151, if enacted, would injure the public by reducing competition among contractors and would require utilities and their subsidiaries which are now performing contracting services on a competent and responsible basis to get out of that business.

I have heard charges--and so have you--to the effect that utilities perform contracting services at a loss and require their rate payers to make up the loss. This is false. There is no way that a utility can require its rate payers to make up deficits which it may suffer in non-utility activities. The only problem that can exist in this area is a problem of cost allocation, and this is within both the jurisdiction and the competence of the Public Service Commission. The Commission has prescribed for use in Nevada what is called the Uniform System of Accounts for public utility companies. We are required to keep our accounts according to this uniform system, and we cannot allocate to rate payers costs that are not incurred by or for them.

I'm sure that you have heard, as I have, lots of loose talk--and it is exactly that--about the utilities and their "guaranteed rates of return". I wish we had a guaranteed rate of return, but since we don't, let's set the record straight. A public utility is given by statute, by the constitution and by supporting court decisions the right to earn a reasonable rate of return if it can. This does not guarantee anything. A utility is a monopoly only with respect to the particular type of energy it serves--but there is plenty of competition, not all of which is regulated, in the field of supplying energy for industrial, commercial and household uses. We compete vigorously with oil, propane and electricity for our customers' energy uses, and we have to stay competitive in price in order to do so. After all, there is no way that we can force people to use our product; they can always go to our competitors and they sometimes do. I would like to point out to you,

just as an example, that Southwest has yet to earn a reasonable rate of return on its \$30 million investment in northern Nevada. So the term guaranteed rate of return is in fact merely a guaranteed ceiling on your earnings--but no floor on your losses.

Finally, I have serious doubts as to the constitutionality of S. B. 151. A Contractor's license is valuable property. As to my company, which already has four contractor's licenses (General Engineering, Plumbing and Heating, Refrigeration and Air Conditioning and L. P. and Natural Gas [C-38]), I am quite confident that the law protects us from the expropriation of these licenses by legislative fiat. Further, I do not believe that the State Contractors Board can be constitutionally empowered to deny a contractor's license to an otherwise qualified applicant simply because of the fact that that applicant happens to be a corporation whose stock is owned partially or wholly by a public utility corporation.

It is my opinion that S. B. 151 will not serve any public interest. It is strictly private interest legislation which will have the effect of benefiting non-regulated suppliers of energy and penalizing the general public, along with regulated suppliers of energy. I see no justification for it.

STATEMENT OF W. M. LAUB
IN OPPOSITION TO S.B. 199

*Presented at
3/1/67 hearing
before Senate Comj
on Federal State + Local
Government.*

My name is William M. Laub. I am president and chief executive officer of Southwest Gas Corporation, which serves natural gas directly to approximately 35,000 customers in fourteen counties in the State of Nevada and wholesales gas to other companies who in turn provide retail distribution service to an additional 20,000 customers in the State of Nevada. I am appearing herein behalf of Southwest Gas Corporation and in behalf of all of my company's gas customers throughout the State of Nevada.

I believe that the passage of S.B. 199 would create extraordinary dangers to natural gas customers located throughout the State of Nevada, would cripple the Public Service Commission in the exercise of its responsibilities, would have a particularly severe impact on gas customers in southern Nevada, and would be exceedingly injurious economically to my company.

The most important reason for my opposition to S.B. 199 is public safety, and I will cover this reason first. I have no knowledge of any gas utility anywhere in the United States that does not provide some customer service beyond the meter. This is not just a coincidence. The public health and safety require that gas utilities provide service beyond the meter. Our gas service men, of whom we currently employ 57 in Nevada, are specifically trained and instructed never to turn on a customer's gas without checking for leaks and lighting all gas appliances

in the house. It would be recklessly dangerous to do so. While most gas appliances in this day and age contain automatic shutoff valves that will not permit gas to escape unless the pilot is lit, there are some older appliances still in service which do not contain this safety feature. Furthermore, there may be leaks in the house piping or at appliance connections. Our servicemen always run a "shut-down clock test" on the house lines when a customer is turned on. You can imagine--and so can I--how dangerous it would be to simply turn a valve permitting gas to flow into a customer's house lines without checking for leaks and open valves and lighting and checking appliances.

Natural gas is a marvelous energy source and the natural gas industry has an outstanding safety record--largely because of gas industry service practices which S.R. 199 seeks to outlaw. I simply cannot believe that the competing fuel interests supporting this bill have given any serious thought to the possible consequences to public safety if S.B. 199 should be enacted.

While the reasons that I have given in the previous paragraph are in my opinion more than sufficient to justify the rejection of S.B. 199, there are still other reasons. The service practices of every utility are explicitly within the jurisdiction of the Public Service Commission of Nevada. For example, N.R.S. 704.220 reads in part as follows: "The Commission may, when necessary, prescribe for each kind of public utility conditions pertaining to the supply of the product or service rendered".

N.R.S. 704.250 through N.R.S. 704.300 grant to the Commission broad powers with respect to the regulation of public utilities in the interest of safety--both of the general public and of utility employees. The Public Service Commission is competent to administer these laws and exercise these powers. In my opinion, it would be the height of irresponsibility and would seriously impair the regulatory functions of the P.S.C. to prevent the Commission from carrying out its statutory duty by circumscribing its authority in this vital area.

Insofar as sales and rentals of appliances and equipment are concerned, these are necessary adjuncts to the successful merchandising of natural gas. We believe that we are as well qualified as anyone else to engage in this business. I have heard charges that these activities are conducted at the expense of the utility's customers, but at least insofar as our company is concerned, this is not true. This, after all, is only a question of cost allocations, and as such is fully within the competence and jurisdiction of the Commission, which has full power to exclude unreasonable expenses for rate making purposes under N.R.S. 704.180. Thus losses on appliance sales could not be offset against gas revenues. It's impossible that we could deceive the Nevada Public Service Commission in this area, even if we were disposed to do so, but just in case we should try, we would also have to deceive the California Public Utilities Commission, the Arizona Corporation Commission, the Federal Power Commission and the Securities and Exchange Commission, all of

whom have some degree of jurisdiction over our accounting practices. And in addition to all that, we have some 8,000 stockholders who would be rightfully indignant if we should flaunt the laws under which we operate.

There is still another reason why this proposed legislation should be defeated. If this legislation should become law and the validity thereof should be upheld in court, the use of natural gas as a household energy source would be reduced drastically because of the hazards involved. This, of course, is exactly what the supporters of this legislation hope to accomplish. However, the economic crippling of gas utilities in the State of Nevada would produce serious shock waves throughout Nevada--and the gas utilities would not be the only ones injured. Gas utilities in the State of Nevada have invested approximately \$80,000,000 in plant in Nevada, and are investing more every day. Southwest Gas Corporation has more than \$60 million invested in Nevada. More than 55,000 homes, schools, business establishments and public buildings in the state use natural gas as a major source of energy--primarily because it is more economical than other energy sources. And more than 500 people are employed in good jobs on a full-time basis by this industry, to say nothing of hundreds of others who are employed intermittently by contractors performing work for gas utilities. For the record, our employees are not members of any collective bargaining unit, but are paid salaries and fringe benefits commensurate with or better than those in comparable union shops.

As an example, an average service man with Southwest earned, in fiscal 1966, \$737 per month plus fringe benefits equal to 25% of base salary.

Major economic injury to Nevada's public utilities would have a profound effect upon the state's reputation in the capital markets of the nation, and upon its ability to attract new industries and capital funds for expansion of existing industries. Ill considered special interest legislation of this type often washes upon shores more remote than any of us anticipate.

It is my considered opinion that S.B. 199, for the reasons stated above, should be rejected as being wholly contrary to the public interest.