

Assembly

MINUTES

COMMERCE COMMITTEE

January 24, 1977

Members Present:

Chairman Harmon
Vice Chairman Mello
Mr. Barengo
Mr. Demers
Mrs. Hayes
Mr. Moody
Mr. Price
Mr. Sena
Mr. Weise

Guests Present:

Ross Workman, California-Pacific Utilities Company
Joe Gremban, Sierra Pacific Power Company
T. W. Young, Sierra Pacific Power Company
Stan Warren, Nevada Bell Telephone Company
John Holmes, Nevada Bell Telephone Company
Tom Case, Central Telephone Company
Wallie Warren, Sierra Pacific Power Company
Bob Lewis, Sierra Pacific Power Company
Daryl E. Capurro, Nevada Motor Transport Assn.
Robert F. Guinn, Nevada Motor Transport Assn.
Jon Wellingshoff, Washoe County District Attorney
Kelly Jackson, Public Service Commission
Howard Winn, Nevada Mining Assn.
Noel A. Clark, Public Service Commission
Heber P. Hardy, Public Service Commission
Carl A. Soderblom, Nevada Railroad Assn.
Assemblyman Lawrence E. Jacobsen
Assemblyman James J. Banner

The meeting was called to order by Chairman Harmon at
3 p.m.

Mr. Demers moved that the minutes of the meeting of January 20, 1977, be approved. Seconded by Mr. Weise and carried unanimously.

Chairman Harmon announced that Assembly Joint Resolutions 5 and 6 would be explained by Mr. Demers inasmuch as these resolutions were the result of the interim Subcommittee to Study Electric and Gas Utilities and the Public Service Commission of Nevada which Mr. Demers chaired.

Assembly Joint Resolution 5.

Mr. Demers stated this resolution memorializes Congress to enact legislation granting tax depletion allowances to private firms engaged in geothermal well production. The Internal Revenue Department has determined that geothermal wells do not constitute mineral deposits as such and many firms will not explore geothermal possibilities because of federal tax disadvantages.

Assembly Joint Resolution 6.

Mr. Demers explained that this resolution urges Congress to increase the output of Hoover Dam after studying the feasibility of such a move. Increased capacity would raise the price of electricity but the need for electric energy is great.

Mrs. Hayes asked how much energy Nevada receives from Hoover Dam and Mr. Demers stated it was allocated 17 percent, and no more power would be available until 1987 when the Bureau of Reclamation renegotiates the contracts for allotments.

ACTION

Assembly Joint Resolution 5: Mr. Mello moved Do Pass, seconded by Mrs. Hayes and carried unanimously.

Assembly Joint Resolution 6: Mr. Mello moved Do Pass, seconded by Mr. Sena and carried unanimously.

Chairman Harmon again called on Mr. Demers to testify on behalf of Assembly Bill 28 since it is a result of the recommendation of the Subcommittee to Study Electric and Gas Utilities and the Public Service Commission of Nevada.

Assembly Bill 28.

Mr. Demers stated that this bill essentially changes the word "may" to "shall" in imposing duties on the Energy Management Division which exists in the Public Service Commission. There are conflicting points of view as to where energy management lies. Some people think it should be a separate state agency instead of a division within the PSC. The subcommittee felt the division should remain within the PSC because of the expertise available in the Commission and taking advantage of this expertise would be much less expensive than creating a new agency.

This bill will require additional funds for the Energy Management Division and, if passed, will have to go to Ways and Means.

In view of the energy crisis, A.B. 28 directs the Energy Management Division to become actively involved in the development of energy policies for the state.

Mr. Noel A. Clark, Chairman of the Public Service Commission, suggested the following changes in A.B. 28:

Line 9, Section 3--Delete word "Analyze" and change to "Collect", making section read, "Collect and evaluate present and prospective energy demand and supply alternatives within the state."

Line 17, Section 6--Add the following after the word "programs": ", conservation programs or other energy related programs that the Governor may direct."

Mr. Clark also suggested that Section 8 be deleted in its entirety since the library is doing an excellent job in collecting and storing data and information. He feels that it would be a duplication of effort and expense if the Energy Management Division were to assume this responsibility.

Mr. Clark further stated that the amount of money required to put A.B. 28 into effect is \$93,173 for one year. This includes the cost of a director, two assistants, secretary, travel, office equipment, etc.

Chairman Harmon announced that no action would be taken on either A.B. 28 or A.B. 29 at this meeting since he had received notice that several other witnesses wished to appear at a later date.

Assembly Bill 29.

Mr. Demers explained that this bill gives the Public Service Commission authority to order management audits of utilities.

The original intent of the bill was to cover only gas, electric and telephone utilities. Evidence received from other states indicates that often these management audits can save millions of dollars.

In response to a question by Chairman Harmon, Mr. Clark stated that the fiscal note on this bill amounts to an annual cost of \$47,045.

Mr. Clark questioned Subsection 1 of Section 3. He referred to decisions in several legal cases which state that a Public Utility Commission, or a commission of like nature, has no right or authority to manage a public utility or to interfere with management of such utility. He feels that Section 3 would violate the concepts of established law in this regard. Mr. Clark also questioned Subsection 2 of Section 3 as he feels it destroys all of the case law established by the Hope and Bluefield cases. Further, A.B. 29 does not follow the recommendations of the Theodore Barry report in any way.

Mr. Clark further strongly objected to the public utilities selecting a firm to conduct the audit. Mr. Weise said it was the intention of the subcommittee that the Public Service Commission and the utilities would prepare a list of acceptable audit firms and the utilities could choose one from the list.

Mr. Clark also recommended that Section 6 be deleted in its entirety inasmuch as railroad, airlines and motor carriers should not be included. The bill should be limited to gas, electric, telephone and cable t.v. utilities.

ACTION

Assembly Bill 29: Mr. Demers moved that the bill be amended in accordance with Mr. Clark's suggestions, taken to the floor for reprinting and scheduled for rehearing. Seconded by Mr. Price and unanimously carried.

Mr. Clark objected to Subsection 1 of Section 5 since the published tariffs are of huge bulk and volume. Mr. Demers explained the intent was to have the PSC perform public relations work by generally informing the public of utility company operations.

Chairman Harmon stated that any witnesses representing airlines, motor carriers or railroads could be excused since they would not be covered by A.B. 29.

Mr. Joe Gremban, President of Sierra Pacific Power Company, stated they have no objection to a management audit as such, but they did have certain suggestions for changes to A.B. 29. A copy of Sierra Pacific Power Company's suggested wording for Sections 3, 4 and 5 is attached as Exhibit 1.

Mr. Gremban particularly expressed concern regarding the Public Service Commission having the sole right to select the person to conduct the audit and felt that it should be a joint, cooperative effort. He also felt that the utilities should have the opportunity of compiling a list of auditors acceptable to them.

ACTION

Assembly Bill 29: Mr. Weise moved that the committee rescind the action previously taken wherein the bill was to be amended and sent to the floor for reprinting. Mr. Demers seconded and unanimously carried.

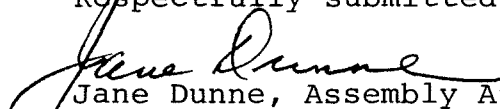
Chairman Harmon requested Mr. Clark to put his suggested amendments in written form and present them to the committee. He then appointed a subcommittee consisting of Mr. Demers, Mrs. Hayes and Mr. Weise to review the amendments and report back to the committee with its recommendations.

Mr. Stan Warren, representing Bell Telephone Company of Nevada, testified that they oppose the proposed legislation in A.B. 29. Bell Telephone is audited by the PSC--often on a random basis; the Nevada Tax Commission regularly examines its books; every 3 years the FCC and the PSC study the depreciation schedules; and there are regular internal audits which are turned over to the PSC. The Bell Company of Nevada feels that they are adequately audited. If the telephone company is to be excluded, it should be definitely stated in the bill.

Mr. Jon Wellingshoff, Washoe County Deputy District Attorney, stated that they vehemently oppose Section 3 of A.B. 29 and recommend that it be deleted in its entirety.

There being no further business to come before the committee, the meeting was adjourned by the chairman at 5:00 p.m.

Respectfully submitted,


Jane Dunne, Assembly Attache

Submitted by Sierra Pacific Power Company

New Section NRS 704 (AB 29)

Sec. 3. It is the policy of this state that the commission, in regulating the operations of public utilities, is responsible for providing that each public utility:

1. Receives an adequate rate of return which allows the public utility to protect its financial integrity and minimize its capital costs.

2. Charges rates no higher than are necessary to cover the costs, investments and return so established.

Sec. 4. 1. The commission may order an examination of the operations and management of any public utility under its jurisdiction. The public utility shall select the person to conduct the examination, subject to the approval of the commission.

2. The public utility, the commission and the auditing person shall meet to determine the area of operations to be audited, the scope of the audit, form of report of the audit, and the cost involved.

3. The costs of an examination, if approved by the commission before they are incurred, are allowable ratemaking expenses of the public utility.

Sec. 5. The division of consumer relations shall review, and may suggest form and content of pamphlets and other descriptive material which public utilities provide to inform the public of rates in effect and available or to encourage the conservation of energy.

59TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATIVE ACTION

DATE January 24, 1977

SUBJECT A.J.R. 5

MOTION: _____

Do Pass Amend _____ Indefinitely Postpone _____ Reconsider _____

Moved by Mr. Mello Seconded by Mrs. Hayes

AMENDMENT _____

Moved by _____ Seconded by _____

AMENDMENT _____

Moved by _____ Seconded by _____

VOTE:	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Harmon	<u>x</u>	_____	_____	_____	_____	_____
Mello	<u>x</u>	_____	_____	_____	_____	_____
Barengo	<u>x</u>	_____	_____	_____	_____	_____
Demers	<u>x</u>	_____	_____	_____	_____	_____
Hayes	<u>x</u>	_____	_____	_____	_____	_____
Moody	<u>x</u>	_____	_____	_____	_____	_____
Price	<u>x</u>	_____	_____	_____	_____	_____
Sena	<u>x</u>	_____	_____	_____	_____	_____
Weise	<u>x</u>	_____	_____	_____	_____	_____

TALLY:

Original Motion: Passed Defeated _____ Withdrawn _____

Amended & Passed _____ Amended & Defeated _____

Amended & Passed _____ Amended & Defeated _____

Attach to Minutes January 24, 1977
Date

59TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATIVE ACTION

DATE January 24, 1977

SUBJECT A.J.R. 6

MOTION: _____

Do Pass Amend Indefinitely Postpone Reconsider

Moved by Mr. Mello Seconded by Mr. Sena

AMENDMENT _____

Moved by _____ Seconded by _____

AMENDMENT _____

Moved by _____ Seconded by _____

VOTE:	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Harmon	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Mello	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Barengo	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Demers	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Hayes	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Moody	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Price	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sena	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weise	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

TALLY:

Original Motion: Passed Defeated Withdrawn

Amended & Passed _____ Amended & Defeated _____

Amended & Passed _____ Amended & Defeated _____

Attach to Minutes January 24, 1977
Date