

MINUTES

ASSEMBLY JUDICIARY SUB-COMMITTEE

MEETING

Winnemucca, Nevada

March 26, 1977

Sub-committee members present:

Chairman Barengo
Assemblyman Polish
Assemblyman Price

Chairman Barengo brought this meeting to order at 1:00 p.m. in Winnemucca, Nevada for the purposes of hearing testimony as to Assembly Bill 365.

Assembly Bill 365:

Mr. Robert Cole, General Manager of Harney Electric Cooperative, testified on AB 365. A copy of his testimony is attached hereto and entered as Exhibit "A". Assemblyman Price asked of Mr. Cole for further explanation as to their "block rate" method of billing. Mr. Cole advised the committee that Harney Electric Coop does not require advance payment as a general rule (on questionable accounts they will require advance payment). People who have established a good credit rating are not asked for advance payment. He explained that a good many of the power company's do bill on a monthly basis irregardless of what the account is. In answer to Assemblyman Polish's question regarding whether or not a year could go by where the farmer had a bad year, would there ever be an instance where Harney Electric would allow these people to go a year or two without payment until the next cash crop came out, Mr. Cole said, no, they would never let this happen. Before they were ever connected for a following year, they would have to have a clean account. Chairman Barengo clarified with Mr. Cole that he does envision the bill to do the following: Starting on January 1, power was supplied to someone and at the end of the 150 days after January 1, you would then within that date, file a lien on the land and then you would have a 6 month period to collect the money and after another 6 months following, you would then no longer have a lien. Chairman Barengo asked regarding page 2 of the bill, Section 6, § 3, line 16 through 19, wherein it mentions "A lien of a supplier of electric power is preferred to all other liens, except tax liens . . .", if this wording in relation to the earlier wording in other sections were not rather cumbersome. Mr. Barengo clarified his interpretation of this with Mr. Cole by stating his understanding as, if after 60 days from when the power was supplied, you file an intent of claim to file a lien, if you haven't filed a claim yet you still have the 150 day period, then during that 60 day period and until the 150 day period is expired, if you file your lien, the lien is then preferred to all other taxes against the land that were filed after the 60 day notice. Mr. Cole added "except for the mortgage holder". Mr. Bill Mc Donald, District Attorney of Humboldt County, agreed with Mr. Barengo's feeling that this bill was written much too complicated and cumbersome. Mr. Mc Donald stated that this issue is very difficult to put into words and explained that this bill was the result of three or four other attempts to put it into words. He mentioned that there are power companies within the state of Nevada which do enjoy the lien, a rural electric cooperative does not.

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Under Chapter 318, a power utility district does provide electric, light and power improvements as one of the 15 categories of a general improvement district and this district does have the right of lien for its charges. So, he stated that they are not opening new ground here, but merely, that a consumer owned cooperative be afforded the same rights that a publically owned power district already has.

Mr. Vernon Dalton, Nevada Rural Electric Association President, which is an association of the rural electric cooperatives in the state, testified in support of A.B. 365. The cooperatives in the state of Nevada do serve outlying areas of the state which generally extend the irrigation load of the state in many instances and as they grow and the land is developed they have more irrigation loads. In some cases, land development in this state is a rather risky business and there are instances where the people have hard time and they do go broke. They feel that it is unjust for the rest of their consumers to have to absorb this debt if there is some possibility of them recovering it.

Mr. Dora Lasa, Vice-President of Harney Electric's Board and Mr. Marvin Hetrick, member of the same Board, went on record as being in support of A.B. 365 on behalf of their members.

Respectfully submitted,

Anne M. Peirce

Anne M. Peirce, Secretary

STATEMENT ON BILL
AB365 - HEARING
March 26, 1977
Winnemucca, Nevada

My name is Robert Cole. I am the General Manager of the Harney Electric Cooperative serving the electrical requirements of the northern half of Humboldt County.

Some twenty years ago there was very little agriculture activity within the area which consisted primarily of cattle ranches and surface water was the prime source of irrigation for meadow hay and some alfalfa. In the late 1950's development of underground water for irrigation began which resulted in expanded agricultural development. This land development was for the most part obtained through the desert land entry laws on property then under the jurisdiction of the Bureau of Land Management. The BLM lands were without tax base but as they were converted to private property the tax revenue increased rapidly over the years. This has been due to the development of underground water for irrigation. I believe there are approximately 70,000 acres of previously undeveloped sagebrush land located in HEC service area now under cultivation. This has mostly occurred in the past 15 years.

This agricultural development has been assisted with a low cost dependable energy source. The area is now very productive raising a variety of crops such as alfalfa hay, alfalfa seed, dill, garlic, corn, potatoes, etc.

Harney Electric Cooperative has taken many risks in being associated and assisting in the development of this area. We are proud of our contribution, however as happens in ventures of this type we have also had losses which have hurt us financially. The losses are borne by all the rate payers and members of the Harney Electric Cooperative as all of our revenue is derived from these same people. Some of the losses have been small while others have been large making it difficult for the other members. The worst situation occurred a few years ago when the Rio King Ranch quite unexpectedly declared bankruptcy. This was a very large irrigation account with some 32 separate irrigation services and paid in excess of \$100,000 per year. Upon the declaration of bankruptcy we had billings amounting to a little over \$70,000. It was not negligence on our part that the bill was so large without collection as our irrigation rate schedule is on an annual basis whereby the high rate block is at the beginning of the year with decreasing rate block following for the balance of the year. As an unsecured creditor, we were unable to collect, leaving the burden on the remaining members of the Cooperative.

The history on newly developed areas such as these seems to follow the pattern of the first and second operators eventually having to withdraw or go into bankruptcy proceedings, after which the succeeding operators of the particular property have

productive operations. While this is not true in many cases, the pattern still exists.

We feel that electricity helps develop the property and also enhances its value irregardless of the success of the present operator as this development will be carried on by the future operators.

We as an electric utility assume some of the risk in developing the property as we have the obligation to provide electric service within the service area. This leaves us in the unenviable position of providing electric service without any security. Most other businesses such as mortgage holders are secured by title or equivalent security.

As the entity for providing the energy to produce the crops and keeping the property productive, green and marketable, we feel we should be placed in a secured creditor position. Today we are unsecured.

We support AB365 and encourage its passage before the legislature.