

Minutes of the Nevada State Legislature
Joint Assembly & Senate Committee on Government Affairs
Date March 14, 1979
Page One

	-----Senate-----	-----Assembly-----
Present:	Chairman Gibson	Chairman Dini
	Vice Chairman K. Ashworth	Vice Chairman Harmon
	Senator Dodge	Assm. Bergevin
	Senator Echols	Assm. Craddock
	Senator Ford	Assm. FitzPatrick
	Senator Kosinski	Assm. Getto
	Senator Raggio	Assm. Jeffrey
		Assm. Marvel
		Assm. Westall

Also Present: See Attached Guest Register

Chairman Gibson called the first joint committee meeting for the Government Affairs committee to order at 5:00 p.m. At this time the Chairman informed those present that the committee would not take action during this meeting but would deliberate and consider the information and testimony presented. Those in support of the legislation being considered would be given one and a half hours to testify and those against would be given an equal amount of time. After discussion from both sides the committee would take approximately one hour for questions.

SB-253 Adapts County Economic Development Revenue Bond Law to certain projects for generating and transmitting electricity.

SB-254 Provides for payments in lieu of taxes on certain power projects.

Senator Blakemore, sponsor, stated that White Pine County is facing a great deal of uncertainty as to its economic future. The copper mine has been closed for about a year and employment at the smelting plant has been continually declining. Since the future of White Pine county is dependent upon future growth and new industry these people have worked diligently on the development of a power plant. These people feel it will help alleviate the situation and have structured it as a self-help program with the assistance of the Nevada Legislature.

The County Economic Development Revenue Bond Law must be amended, according to bond counsel, in order to go ahead with this project. Senator Blakemore concluded his testimony by turning over testimony on the technicalities to Mr. Bath, Lowrey and Ferdon.

Assemblyman John Polish, representing White Pine and Lincoln counties, stated that these two bills will help White Pine and Lincoln counties help themselves become self-sufficient and not become a "ghost town".

Tom Bath, member of the Advisory Board for the White Pine Project and member of the White Pine Steering committee, testified to the committee in support of SB-253 and SB-254. Mr. Bath read his prepared testimony to the committee. (See Attachment #1)

Mr. Bath concluded his testimony by pointing out the percent of participation both from Nevada entities and California entities. (See Table 1 of Attachment 1)

Peter G. Lowery, L.A. Department of Water and Power, stated to the committee that he had previously worked at the Hoover Power Plant and is presently the Engineer of Systems Development. Mr. Lowery read his prepared testimony to the committee. (See Attachment #2)

Bob Ferdon, Bond Counsel for the White Pine power project and an attorney in the Los Angeles area, testified to the committee in support of both SB-253 and SB-254. Mr. Ferdon stated that he had talked with Mr. Frank Daykin and the amendments in SB-253 were necessary to provide the mechanics so the funds for the project can be obtained within the county economic development revenue bond law.

Mr. Ferdon stated that the credit for the bonds will be the power sales contracts, signed by the purchasers, so the credit of the purchasers will be the backing on the bonds. Each purchaser will purchase a percentage of the bonds. The obligation will be that they must make the payments whether the project is started or not. Mr. Ferdon wanted to make sure that it was clear that the county would not be responsible for the payment of the bonds.

Mr. Ferdon went over each section of the bill for the committee and remained for any questions that the committee might have.

Senator Keith Ashworth asked Mr. Ferdon if the bills are passed will they have an impact on other utilities that wish to sell bonds in Nevada. Mr. Ferdon stated that it would not affect them and could be an asset to Nevada utilities.

Joe Gremban, President of Sierra Pacific Power Company, read his prepared testimony in opposition to both SB-253 and SB-254. (See Attachment #3) Mr. Gremban stated several times that Sierra Pacific Power Company was not against the concept of White Pine county having their own power plant but the proposed legislation.

John Musselman, Chairman of the Public Finance Department of the law firm of Kutah Rock & Huie in Omaha, Nebraska. Mr. Musselman read his prepared testimony to the committee regarding SB-253. (See Attachment #4) Mr. Musselman was in opposition to the legislation being considered.

Richard G. Campbell, principal with law firm of Lionel, Sawyer and Collins, and a previous employee of Sierra Pacific Power Company as their general counsel. Mr. Campbell read his prepared testimony regarding SB-254 to the committee. Mr. Campbell was in opposition to the legislation being considered. (See Attachment #5)

Senator Echols asked Mr. Campbell if Sierra Pacific was asked to participate in the project. In response to this question Mr. Gremban, President of Sierra Pacific, stated that they were contacted in August of 1978 to participate and would consider participation if the present legislation could be amended or dropped. Mr. Gremban felt that the present statutes are sufficient and this proposed legislation is not necessary.

Senator Keith Ashworth asked if Sierra Pacific and Nevada Power can utilize 1,000 M.W. in the White Pine County area. Mr. Gremban stated that they could possibly utilize 1,000 M.W. but reiterated that they did not need the legislation presented today in order to get the necessary funds for building a power plant. Mr. Gremban added that with the passage of this bill and subsequent power plant built in White Pine county there could be an adverse effect upon the power shortages predicted for the area.

Mr. Gremban continued that he wanted to see the expended energy from a power plant to be recaptured by Nevada. California will benefit by the present proposed legislation and Nevada will be paying for it. One solution would be to get the help of the L.A. power people to work on the contracting and construction aspects of the White Pine power plant but noted that any agreement would have a reciprocity agreement.

Conrad L. Ryan, President of Nevada Power Company, concurred with the testimony given by Mr. Gremban and also stated that they are in favor of the concept but not the proposed legislation. Mr. Ryan stated that they informed White Pine county people they were interested in 250 M.W. if the facility could generate 1,000 M.W. He concluded by stating that it should most definitely be a Nevada utility and financed by each participant.

Kent Wick, President of the Nevada Rural Electrical Association and Electrical Power Companies. The companies being represented are as follows: Wells Rural, Valley Electric and Mt. Wheeler.

Mr. Wick stated that these rural electric companies serve approximately 20% of the power to rural Nevada. Each is a participant in the White Pine Project, and support SB-253 and SB-254. Mr. Wick further stated that White Pine Power Company will be a primary source of power in the future for these rural companies.

David Hagen, counsel in Nevada for the City of Los Angeles and its Department of Water and Power, testified to the committee in favor of SB-253 and SB-254. Mr. Hagen brought out certain items in Mr. Gremban's testimony that he disagreed with. He noted that NRS 244.9201 provides that these bonds are special obligations of the county and are payable only out of the revenue of the project. He also stated that Mr. Gremban was worried about the method of valuation to determine where the in-lieu tax payments could be derived. Mr. Hagen stated that the

methods of valuation are not set forth in NRS 361 but NRS 361.225 provides that the assessed valuation of property is 35% of its full cash value. He further stated that there was no intention of the part of those wishing to build the power plant to escape sales and use taxation. He refuted testimony regarding the situs method rather than the pole line mile method benefiting those who live outside Nevada, Mr. Hagen felt that the situs method would definitely benefit Nevada people, particularly White Pine county.

Mr. Bath commented at this time that in August they had a meeting and on December 19th the contracts were signed. He stated that Noel Clark from the Department of Energy gave a presentation indicating that the present land capacities were sufficient for the building of a plant.

Chairman Gibson asked why White Pine feels that it is necessary to change the tax structure.

Mr. Bath stated that they were using the county Economic Development Revenue bond law and its based on the situs advalorum tax. We feel that we need this type of taxation. We are unable, with our present situation, to get a five million dollar bond issue to build new schools and without this power plant White Pine County will continue to lose more and more of their people due to lack of work.

Harvey Young, Jr., White Pine County resident, addressed Senator Gibson's questions regarding the tax structure. Mr. Young felt that they need the tax revenue that has not been available with the tax base in White Pine county in many years. White Pine doesn't have a bonding capacity to upgrade the municipal services in the Ruth area. Mr. Young concluded by stating that they need this project to make the area survive the shutdown caused by Anaconda.

Mr. Bath responded to a question by Assemblyman Marvel about the transmission lines after they are outside White Pine County. They would belong to Southern Nevada and Reno, if they are included in this project.

Mr. Gremban stated that they still support the project but object to this particular legislation. Mr. Gremban noted that Mr. Bath stated in his testimony that Sierra Pacific could not build a power plant in the time frame necessary to save White Pine County. This is not true, Sierra Pacific could build a power plant in White Pine county that would be sufficient for the needs of the White Pine area as well as the other rural areas is need of power.

Chairman Gibson asked Mr. Hagen about the language in Section 6 of SB-253. Mr. Hagen stated that the language was used at the suggestion of Mr. Frank Daykin (L.C.B. legal counsel) in order to make it conform with the bond laws of the state.

Chairman Gibson indicated that he would check with Mr. Daykin regarding the language.

Minutes of the Nevada State Legislature
Joint Assembly & Senate Committee on Government Affairs
Date March 14, 1979
Page Five

Mr. Ferdon stated that section 6 (SB-253) incorporates the bond law into the statutes. Wanted to conclude his statements to the joint committees by stating that a power plant built without legislation is not really possible in White Pine county. It is very difficult to do this without the public backing of legislation. Wanted to reiterate that the amendments were drafted to insure participation of the purchasers. Mr. Ferdon felt that the provisions of the act were necessary to allow White Pine county to borrow in the market place amounts up to two million dollars.


Senator Echols wanted to know if, with all the standards that will have to be met, is it possible that this plant will not be allowed to be built.

Mr. Ferdon stated that it was his estimation that the plant would most definitely be allowed to be built and the standards should be met without any difficulties.


Mr. Gremban concluded his remarks to the committee by reiterating that most of the benefits would go to California, not Nevada.

With no further discussion, Chairman Gibson adjourned the meeting at 8:35 p.m.

Respectfully submitted,


Janice M. Peck
Committee Secretary

Approved:


Chairman
Senator James I. Gibson

Note: Attachments #6 and #7 are included in the minutes from Boulder City regarding SB-253 and SB-254

1 Direct Testimony of

2 Tom Bath

3 My name is Tom Bath. I am a businessman and life-long
4 resident of Ely, Nevada. I am a member of the Advisory Board
5 for the White Pine Project and a member of the White Pine
6 Project Steering Committee. I am the President of the Board of
7 Directors of Mt. Wheeler Power, Inc.

8 I want to discuss with you the White Pine Project. This is
9 a power plant proposed for White Pine County.

10 The history of White Pine County is largely a history of
11 mining, first with silver and gold in the 19th century and then
12 copper beginning in the 20th century. In addition, farming and
13 ranching have grown to importance; and these activities, while
14 small, remain a significant part of the economy of White Pine
15 County.

16 The population of White Pine County reached a peak of over
17 12,000 in the 1940 census and then stabilized during the 1960's
18 at around 9,500 to 10,000. At the present time, the population
19 is estimated to be about 9,000. We expect our population to
20 decline even further in the near term.

21 White Pine County encompasses nearly 9,000 acres of land.
22 It is estimated that about 98 percent of this land is federally
23 controlled or managed, principally by the Bureau of Land
24 Management.

25 The importance of mining, in general, and of Kennecott
26 Copper Corporation, in particular, can be judged by the

1 employment statistics for White Pine County according to the
2 1970 census. Of the then 3,281 persons employed in the County,
3 787 were employed in the metal industry and 701 in mining for a
4 total of 1,488 persons, or 39 percent of the total labor force.
5 The only other employment of comparable significance in the
6 County was various levels of government reported to employ 723
7 persons in the 1970 census.

8 During the winter of 1975-76, White Pine County was
9 estimated to have an unemployment rate of eight percent which
10 placed the County sixth in rate of unemployment among the 17
11 counties in Nevada. However, in February 1976 Kennecott closed
12 its Ruth Mine for 10 months and laid off 500 employees which
13 caused the unemployment rate to jump to 26 percent within the
14 County. In April 1978, the mine operation closed again and
15 remains so today. It becomes clear then that the fortune of
16 Kennecott in Nevada, and therefore of Ely, are tied to the price
17 of copper on the world market.

18 For this reason, political and business leaders of White
19 Pine County have begun a diligent search for new industries to
20 shore up our economy. Even if Kennecott were to resume its
21 mining operation, which is not expected, it is our feeling that
22 the economic base of the County must be diversified. We have
23 formed an Industrial Development Committee for the purpose of
24 assessing the resources and capabilities of our County and for
25 mobilizing those resources to attract new industry. As you
26 know, we have been active in attempting to secure location of

1 Nevada's next prison within our County; and we hope to make you
2 familiar with our efforts to locate a power plant in our County.

3 A report prepared for Kennecott by Ecological Analysts,
4 Inc., in September 1977, had concluded that a power plant could
5 be sited in the Steptoe Valley of White Pine County, Nevada.
6 Initially, White Pine County representatives had attempted to
7 interest the Sierra Pacific Power Company in the proposed
8 project. However, we were never able to secure any response
9 from Sierra.

10 As President of the Mt. Wheeler Power, Inc., I have been
11 active in the Intermountain Cooperative Power Agency (ICPA).
12 ICPA, which comprises Nevada and Utah municipal and REA electric
13 systems, is a participant in the Intermountain Power Project in
14 Utah. Approximately two years ago, the State of Utah formed a
15 joint action agency to provide a public ownership structure
16 within the State for the Intermountain Power Project. Using
17 these events as a background, other people in White Pine County
18 and I decided that the existing County Economic Development
19 Revenue Bond Law was a financing vehicle which would allow us to
20 approach a large publicly owned electric utility with the idea
21 of building a County-sponsored power project.

22 In March 1978, a group of Ely business and political
23 leaders, including myself, arranged to meet with representatives
24 of the Los Angeles Department of Water and Power and other
25 Southern California municipalities to discuss the possibility of
26 siting a major power plant in White Pine County, Nevada. At

1 this meeting, we explained the County Economic Development
2 Revenue Bond Law as we understood it and the earlier work that
3 had been done relating to the siting of a power plant in the
4 County. At the meeting, we agreed that clarification was needed
5 to determine if the County Economic Development Revenue Bond Law
6 was a suitable financing vehicle for the project, that
7 additional preliminary technical studies were needed, that other
8 Nevada utilities should be invited to participate in the
9 project, and that some formal arrangement was necessary between
10 White Pine County and participants in the proposed project.

11 In August 1978, White Pine County entered into an agreement
12 with the Los Angeles Department of Water and Power in which DWP
13 agreed to fund a \$150,000 preliminary technical study. The
14 purpose of the study was to examine the areas of water, air
15 quality, and socioeconomic impacts. The agreement provided that
16 the funding for the study was to be divided among additional
17 participants if and when such participants agreed to join the
18 project. Subsequently, five other municipal California
19 utilities joined the study as well as eight Nevada utilities.
20 The participants and their respective cost responsibility
21 percentages are shown in Table 1. The agreement provides that
22 in return for funding the study, each of the participants has a
23 right of first refusal to participate in future project
24 activities in proportion to their cost responsibility.

25 The County has issued contracts with several consulting
26 firms to carry out the preliminary technical study. The County

1 has employed Ecological Analysts, Inc., to expand on its earlier
2 work regarding water availability in White Pine County. This
3 work originated in a report prepared for Kennecott in September
4 1977. The County has retained North American Weathering
5 Consultants, Inc., to examine air quality matters in the County.
6 Additionally, the County has contracted with the University of
7 Nevada at Reno to collect preliminary socioeconomic data.

8 Additionally, County retained bond counsel to render advice
9 concerning the suitability of using the existing County Economic
10 Development Revenue Bond Law as the ownership and financing
11 arrangement for the proposed project. The County also retained
12 Burrows, Smith and Company as financial advisor and retained
13 Dean Witter Reynolds as managing underwriters.

14 As bond counsel, the firm of Mudge Rose Guthrie & Alexander
15 has reviewed the County Economic Development Revenue Bond Law
16 and has concluded that certain amendments are required in order
17 to accommodate a project of the magnitude proposed. A
18 representative of the bond counsel will discuss the proposed
19 amendments in detail. The thrust of the amendments are to allow
20 for multiple issues of financing, to allow the County to sell
21 the output of the project and to allow the County to participate
22 as a joint owner in the project, if required, in order to
23 maintain the ability to issue tax-exempt financing. The concept
24 of tax-exempt financing is very important if the County is to
25 have a project that would appeal to both municipal and investor-
26 owned utilities. Publicly owned electric utilities such as the

1 DWP pay a lower interest rate for their long-term borrowings
2 than do investor-owned utilities. This is because the interest
3 received by the holders of the municipally issued bonds is
4 exempt from Federal taxes. It is not unusual for this
5 difference to be about three percentage points. This translates
6 to a rather substantial sum of money over the 40-year life of
7 the bonds. This means then that the County must have the
8 flexibility to formulate the project in such a way that bonds
9 issued by the County are tax exempt. Thus, any financing issued
10 by the County would be on par with that of municipal utilities
11 and would offer substantially lower cost of money to investor-
12 owned utilities. Within certain limitations then, the customers
13 of the investor-owned utilities would be able to take advantage
14 of the lower cost financing.

15 During the past few months, the citizens of White Pine
16 County have become very involved in the proposed project. This
17 past summer, a Power Plant Impact Study Committee was formed for
18 the purpose of reviewing the effects on our County should a
19 power plant of this size be located there. The review was not
20 intended to be a professional examination but rather a
21 consideration from the point of view of the people who are
22 involved in the broad spectrum of the County's business, labor,
23 educational, civic, fraternal, governmental and agricultural
24 affairs. It was the consensus of the Committee that the County
25 could support a project of the magnitude proposed including the
26 accommodation of a sizable construction work force.

1 At this point I would like to discuss the schedule for the
2 proposed project. If the necessary amendments to the County
3 Economic Development Revenue Bond Law are adopted by the
4 Legislature and if the technical studies indicate no major
5 flaws, in-depth studies would be initiated as soon as possible
6 to acquire all necessary information to secure the required
7 permits and approvals. I am told these studies and permits
8 could take up to four years to secure and could cost in excess
9 of \$10 million. We expect the County to issue bond anticipation
10 notes to pay the costs of these studies. The project
11 participants would guarantee repayment of these notes.

12 If all of the permits and approvals required to construct
13 the plant are obtained, then upon the beginning of the
14 construction period the County would issue long-term bonds to
15 pay the costs of building the project. The project participants
16 would, of course, be obligated to pay the principal and interest
17 on the bonds issued for construction of the project. Bonds
18 would also be issued to pay the costs of the notes issued during
19 the licensing phase of the project. However, if the project is
20 not constructed, project participants would be obligated to pay
21 the costs of the notes issued for the preliminary studies. In
22 no case would the taxpayers in the County be obligated to pay
23 any of the costs of the project

24 I have deliberately avoided talking about a specific size
25 for the project. At this time, we believe a project in the
26 1,000 to 1,500 megawatt size would be appropriate. However,

1 before a definite size of project can be proposed, it is
2 important to consider the technical evaluations to better
3 understand what size of project the County could support
4 considering the availability of water, air and socioeconomic
5 resources. I would like to point out though that the County is
6 interested in sponsoring a substantial project. At this time,
7 we believe that the County could support a construction force
8 necessary to build a 1,500 megawatt project. We certainly are
9 interested in the permanent jobs that would be created by the
10 operating force of a project of this size.

11 The project, or a major portion of it, is proposed to be
12 owned by the County. Normally, facilities owned by the County
13 are exempt from ad valorem taxes. For this reason, we have
14 proposed an amendment, which is consistent with the intent of
15 the County Economic Development Revenue Bond Law, to provide
16 that the project make in-lieu ad valorem tax payments to the
17 County and to other counties in which project facilities are
18 located. The project participants would be responsible for
19 making these in-lieu tax payments which would be assessed on the
20 facilities just as if the project were owned by a nonexempt
21 party.

22 The immediate economic outlook in White Pine County is not
23 good. We believe, however, that it is the responsibility of the
24 citizens of White Pine County to look aggressively for
25 opportunities to replace the jobs we are losing through closing
26 of the Kennecott mining operation. The Nevada Legislature has

1 earlier provided the basic structure for such a self-help
2 program. We want to take this opportunity to commend the
3 Legislature for its foresight. We are now asking that certain
4 technical amendments to the earlier passed statutes be enacted
5 in order that we may develop this project which will do much to
6 aid our declining economy. I thank you for your consideration.

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Table 1

White Pine Project

<u>Nevada Entities</u>	<u>Percent</u>
Boulder City, Nevada	2.5
Overton Power District No. 5	2.5
Mt. Wheeler Power, Inc.	3.0*
Lincoln County Power District No. 1	2.5
Sierra Pacific Power Company	10.0
Nevada Power Company	25.0
Wells Rural Electric Company	1.0
Valley Electric Association	<u>2.5</u>
	49.0
<u>California Municipals</u>	
Anaheim	3.621
Riverside	2.652
Glendale	1.836
Burbank	1.938
Pasadena	1.836
Los Angeles	<u>39.117</u>
	51.000

*Mt. Wheeler Power, Inc., has the right to withdraw an additional 1% from the California Municipals.

1 Direct Testimony of

2 Peter G. Lowery

3 My name is Peter G. Lowery. I am employed by the
4 Los Angeles Department of Water and Power (Department). I
5 joined the Department in 1947 and prior to that time worked for
6 the United States Bureau of Reclamation at Hoover Power Plant.
7 I am presently Engineer of System Development with
8 responsibility for the long-range planning activities of the
9 Department's Power System, including load forecasting,
10 generation planning, resource development, transmission
11 planning, and power contracts. I am a Registered Professional
12 Engineer in California, a Senior Member of the Institute of
13 Electrical and Electronics Engineers, and a member of the
14 technical committee of the Colorado River Board.

15 The Department is a municipally owned electric utility
16 with approximately 1,100,000 customers providing electric
17 service to the City of Los Angeles. Its annual sales approach
18 18 billion kilowatt-hours producing annual revenues in excess of
19 \$700 million for the fiscal year ending June 30, 1978.

20 Oil- and natural gas-fired steam generating units
21 within or immediately adjacent to the City of Los Angeles
22 provide the Department with about 50 percent of its electrical
23 energy. About 25 percent comes from coal-fueled power plants
24 located in southern Nevada and Arizona. These coal power plants
25 are jointly owned with other western utilities. The remainder
26 of the Department's energy requirements are obtained from

1 hydroelectric sources and through purchases. These
2 hydroelectric sources include the Hoover Power Plant located in
3 southern Nevada and Arizona in which the Department has an
4 entitlement to about 17 percent of the plant's annual energy
5 output.

6 Before discussing the proposed White Pine Project, I
7 would like to briefly discuss some future energy resources the
8 Department is presently considering both within and outside the
9 State of California. In California, the Department is currently
10 engaged in three major projects and two projects of a smaller
11 scale. The major projects include the refitting of a 490-
12 megawatt generating unit currently capable of burning only
13 natural gas to provide the capability for burning fuel oil.
14 Additionally, the Department, jointly with other western
15 utilities, is in the early planning stages for a coal project
16 proposed to be located in the eastern desert of Southern
17 California. The Department is actively pursuing geothermal
18 resources and expects to enter into a contract in 1979 providing
19 for perhaps as much as 450 megawatts of power from geothermal
20 resources. The Department is also participating in a 10-
21 megawatt solar-powered generating station. This novel facility
22 will be built in the eastern desert near Barstow, California,
23 and is planned to begin operation in 1981. The Department is
24 also discussing a cogeneration project with a major oil refiner
25 in the Los Angeles area.

26

1 Outside of California, the Department is actively
2 pursuing coal and nuclear electric generating resources. The
3 coal resources include the Intermountain Power Project which is
4 expected to begin operation in the late 1980's. The Department
5 is also a participant in the Coronado Project located in eastern
6 Arizona which will begin operation in mid-1979. The Department
7 is a participant with other California, Nevada, and Arizona
8 utilities in the Palo Verde 4 and 5 Nuclear Project. It is
9 expected that this project will begin operation in the late
10 1980's. The White Pine Project presently under consideration by
11 the Department and other California and Nevada utilities is the
12 most recent.

13 In early 1978, the Department was contacted by White
14 Pine County business and political leaders regarding the
15 possibility of developing a power project in White Pine County,
16 Nevada. A meeting was arranged in March 1978 in Los Angeles at
17 which White Pine County representatives explained their concept
18 for developing a power project to provide much needed jobs and
19 economic stimulation to replace the declining mining industry in
20 their area. At this meeting, White Pine County representatives
21 introduced two extremely important concepts. The first was
22 Nevada's existing County Economic Development Revenue Bond Law
23 which provides the underlying concept for financing such a
24 project by the use of revenue bonds. The statute provides that
25 a variety of projects, including energy projects, can be
26 undertaken by a county to provide economic stimulation. The

1 second important concept was a desire by the County to promote
2 the construction of a coal-fueled power project. This initial
3 meeting was attended by Department representatives as well as
4 representatives of other California municipal utilities.

5 The utilities expressed keen interest in the project,
6 and all parties at the meeting concluded that they should focus
7 their initial efforts in three areas. These included
8 preliminary technical studies, a formal invitation by the County
9 to Southern California and Nevada utilities to participate in
10 the project, and an analysis of the existing Nevada law to
11 determine its suitability for use as a financing vehicle for a
12 major project in which expenditures might approach \$2 billion.
13 By August 1978, the County had retained Mudge Rose Guthrie &
14 Alexander as bond counsel for the proposed project.
15 Additionally, the County has retained the firm of Burrows, Smith
16 and Company of Salt Lake City, Utah, as financial advisors and
17 the firm of Dean Witter Reynolds, Inc., as senior underwriter
18 for the project. The Department and White Pine County have
19 entered into a contract to carry out the preliminary technical
20 studies relating to air quality, water supply, and socioeconomic
21 matters. During August 1978, the County also invited all
22 electric utilities serving customers within the State of Nevada
23 to participate in the project. Shortly thereafter, eight Nevada
24 utilities and six Southern California municipal utilities,
25 including the Department, joined together to fund the
26 preliminary technical studies. By joining the study, each of

1 the participants has a right of first refusal to participate in
2 future project agreements.

3 The technical studies are intended to provide
4 information relating to preliminary project feasibility prior to
5 conducting the rather lengthy and expensive activities necessary
6 to secure the required permits to construct a power plant.

7 Analysis of the existing law indicates that certain
8 technical amendments are necessary in order to accomplish the
9 proposed project under the County Economic Development Revenue
10 Bond Law. Additionally, the County has proposed certain changes
11 to the law in order to provide for in-lieu tax payments. If the
12 necessary amendments to the existing County Economic Development
13 Revenue Bond Law are adopted by the Legislature, and if the
14 technical studies indicate no major flaws, in-depth studies
15 would be initiated as soon as possible to acquire necessary data
16 for the required permits and approvals. These studies could
17 require at least four years to complete and could cost as much
18 as \$10 million or more. During this time, engineering and
19 environmental studies will be made on such diverse subjects as
20 coal supply, railroad transportation system, detailed site
21 selection, water supply sources, water requirements, and
22 transmission systems and routing.

23 It is anticipated that the County would issue bond
24 anticipation notes to finance these early studies. These notes
25 would be secured by contracts between the County and the
26 proposed participants in the project. If the necessary permits

1 and approvals to proceed with the project are received, the
2 notes would be retired by long-term bonds issued by the County
3 for construction of the project. In the event that the project
4 were terminated, the responsibility for repayment of the bond
5 anticipation notes would fall on the project participants. The
6 County would not be liable for any of this debt nor any
7 subsequent debt created by the issuance of long-term bonds.

8 In the event that the project is able to proceed to the
9 construction phase, the County would issue a series of long-term
10 bonds over the construction period to pay the costs of building
11 the project. It is anticipated that the amount of such bonds
12 would approach \$2 billion. We expect that it would take about
13 52 months to construct the first unit and that additional units
14 would be built at one-year intervals. The construction force
15 required will be dependent on the size of the project; however,
16 we believe that this force will exceed 1800 persons. We
17 anticipate that eventually the operating staff for the project
18 will approach 300 persons.

19 Under the provisions of the County Economic Development
20 Revenue Bond Law, the financing and ownership of the proposed
21 White Pine Project are somewhat unique. I would like to point
22 out that joint ownership of projects by municipal and investor-
23 owned utilities is not an unusual arrangement. The Mohave Power
24 Project, which is located in southern Nevada, is jointly owned
25 by Nevada Power Company, Southern California Edison Company, the
26 Salt River Project, and the Department. The Navajo Project,

1 located in northern Arizona, is owned by a consortium which
2 includes the Federal Government, as well as municipal and
3 investor-owned utilities in California, Nevada and Arizona.
4 There are other variations of power project ownership and
5 financing arrangements such as the Hoover Power Plant which is
6 owned by the Federal Government and the Intermountain Power
7 Project which will be owned and financed by a joint action
8 agency created for this purpose by the Utah Legislature.
9 Intermountain Power Project also has a broad base of municipal,
10 investor-owned and rural electric cooperative utilities
11 participation.

12 The Department experienced a peak demand in 1978 of
13 4,144 megawatts. Our current demand and energy requirements are
14 increasing at the rate of about three percent per year. This
15 means that we must add an average of about 100 megawatts per
16 year to meet load growth. In addition, we are attempting to
17 provide replacements for some of our older less efficient oil-
18 fueled generating units. Load growth, unit retirements and the
19 need to maintain reserves require that the Department add new
20 generation, preferably coal or nuclear fueled.

21 In conclusion, I want to express to you the interest we
22 have in this project. We expect the preliminary technical
23 studies to be completed by mid-year. Assuming no insurmountable
24 problems are discovered by these studies, we stand ready to
25 proceed as quickly as possible to secure the required permits
26 and approvals for construction. With the support of this

1 Legislature, we pledge to you our best efforts to make this
2 project a reality.
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

TESTIMONY
OF
JOE L. GREMBAN

SENATE BILLS NO. 253 AND 254

MARCH 14, 1979

EXHIBIT 3

452

3

TESTIMONY BY JOE L. GREMBAN
SB 253-254

I AM JOE GREMBAN, PRESIDENT OF SIERRA PACIFIC POWER COMPANY. I AM APPEARING BEFORE THIS COMMITTEE TODAY, NOT TO DEBATE THE ISSUE OF WHO SHOULD CONSTRUCT A POWER PLANT IN WHITE PINE COUNTY, BUT TO STATE MY OPPOSITION TO SENATE BILLS 253 AND 254. I HAVE STUDIED THESE BILLS CAREFULLY AND HAVE CONCLUDED THAT THEIR PASSAGE WOULD HAVE A VERY SERIOUS NEGATIVE IMPACT ON THE STATE OF NEVADA.

IN ORDER FOR YOU TO UNDERSTAND MY OPPOSITION TO THESE BILLS, I FEEL IT NECESSARY TO EXPLAIN THE ELECTRICAL POWER SITUATION IN CALIFORNIA AND NEVADA.

IN CALIFORNIA THERE PRESENTLY EXISTS APPROXIMATELY 43,000 MEGAWATTS OF POWER DEMAND. EVEN THOUGH CALIFORNIA'S POWER REQUIREMENTS HAVE BEEN STEADILY INCREASING, THAT STATE HAS REFUSED TO AUTHORIZE THE CONSTRUCTION OF A SINGLE NEW GENERATING PLANT SINCE 1974.

AS AN EXAMPLE, A NUCLEAR PLANT PROPOSED FOR THE SAN JOAQUIN VALLEY BY THE LOS ANGELES DEPARTMENT OF WATER AND POWER WAS RECENTLY TURNED DOWN BY THE RESIDENTS OF THE AREA BECAUSE OF THE POTENTIAL LOSS OF WATER TO A POWER PROJECT.

UNDER EXISTING POLITICAL AND ENVIRONMENTAL CONDITIONS IN CALIFORNIA, HOPES FOR ADDING ADDITIONAL GENERATING CAPACITY WITHIN THAT STATE REMAIN DIM. ONE CALIFORNIA UTILITY PRESENTLY HAS APPROXIMATELY 2,000 MEGAWATTS OF NUCLEAR GENERATING CAPACITY WHICH IS IDLE BECAUSE THEY ARE UNABLE TO OBTAIN OPERATING PERMITS.

NEVADA, AS YOU ARE WELL AWARE, IS PRACTICALLY VOID OF ANY FOSSIL FUELS REQUIRED FOR ELECTRICAL GENERATION. NEVADA UTILITIES MUST PAY DEARLY FOR THE OIL, COAL AND NATURAL GAS WHICH IS IMPORTED FROM OTHER STATES. BECAUSE OF NEVADA'S EXTREMELY SHORT WATER SUPPLY, IT ALSO HAS VERY MINIMAL LOW-COST HYDRO POWER GENERATION EXCEPT FOR THE HYDRO FACILITIES AT HOOVER DAM. UNFORTUNATELY FOR NEVADA, APPROXIMATELY THREE-FOURTHS OF THE CAPACITY OF THE FACILITY IS DEDICATED TO SERVING THE SOUTHERN CALIFORNIA AREA.

YOU ARE ALL WELL AWARE OF THE RAPID GROWTH IN NEVADA'S POPULATION AND ECONOMY IN THE PAST SEVERAL YEARS. WITH THIS GROWTH COMES AN EQUALLY RAPID INCREASE IN OUR STATE'S DEMAND FOR ELECTRIC ENERGY. THERE IS INCREASED DEMAND OF ELECTRICITY FOR IRRIGATION PUMPING, WHICH IS CONVERTING NEVADA'S BARREN BRUSH LAND INTO PRODUCTIVE AGRICULTURAL LAND. ELECTRICAL POWER FOR NEW MINING CONTINUES TO GROW AS WELL. AND, OF COURSE, THERE IS THE RAPID GROWTH IN NEVADA'S TOTAL RECREATION ECONOMY, WITH THE CONSTRUCTION OF NEW HOTELS AND CASINOS.

CURRENT STUDIES OF THE VALMY COAL-FIRED GENERATING STATION, WHICH IS PRESENTLY UNDER CONSTRUCTION IN NORTHERN NEVADA, INDICATE THAT EACH MEGAWATT OF ELECTRICAL GENERATING CAPACITY WILL REQUIRE 4,500,000 GALLONS OF WATER ANNUALLY.

A RECENT STATE OF NEVADA WATER STUDY INDICATES THERE ARE ABOUT 477,000 ACRE FEET OF NON-ALLOCATED WATER IN ONLY 15 VALLEYS WITHIN THE STATE. THIS WATER SUPPLY MUST MEET ALL NEVADA'S FUTURE NEEDS FOR FARMING, RANCHING, MINING, MANUFACTURING, POWER GENERATION AND DOMESTIC USE.

UTILITIES IN THE STATE OF NEVADA PRESENTLY SUPPLY APPROXIMATELY 2,100 MEGAWATTS OF ELECTRIC POWER TO NEVADA CONSUMERS.

THE BEST ESTIMATES AVAILABLE INDICATE THAT NEVADA'S POWER REQUIREMENTS WILL INCREASE AT AN AVERAGE RATE OF 5-7 PERCENT EACH YEAR FOR THE FORESEEABLE FUTURE. USING THIS SAME GROWTH RATE, NEVADA'S AVAILABLE WATER SUPPLY IS ADEQUATE TO MEET OUR ENERGY NEEDS FOR AT LEAST 50 YEARS. (SEE CHART #1)

TO PROTECT NEVADA FROM AN UNRECOVERABLE LOSS OF WATER EXPORTED TO ANOTHER STATE BY WAY OF EXPORTING ELECTRICITY, ANY AGREEMENTS TO SELL ELECTRICITY TO ANOTHER STATE MUST CONTAIN A PROVISION FOR RECIPROCITY. FOR EXAMPLE, THE AGREEMENT BETWEEN SIERRA PACIFIC POWER COMPANY AND IDAHO POWER COMPANY TO SHARE IN THE VALMY PLANT CONTAINS THIS RECIPROCITY AGREEMENT. IDAHO POWER HAS AGREED TO PERMIT SIERRA'S PARTICIPATION IN FUTURE PLANTS THEY CONSTRUCT IN THEIR SERVICE TERRITORY TO THE SAME EXTENT THAT THEY PARTICIPATE IN POWER PLANTS SIERRA CONSTRUCTS IN NEVADA. BY THIS AGREEMENT, WE ASSURE THAT NEVADA WATER USED TO GENERATE ELECTRICITY EXPORTED TO IDAHO WILL BE RETURNED TO THE STATE.

NOW LET US LOOK AT THE FUTURE ENERGY NEEDS OF THE STATE OF CALIFORNIA. CURRENT ESTIMATES INDICATE THAT POWER NEEDS WILL INCREASE BY APPROXIMATELY THREE PERCENT EACH YEAR. THIS WILL REQUIRE THE ADDITION OF AT LEAST 1,000 MEGAWATTS OF GENERATING CAPACITY IN CALIFORNIA ANNUALLY. RELATING THE GROWTH IN CALIFORNIA POWER REQUIREMENTS TO NEVADA'S AVAILABLE WATER SUPPLY ALL WATER RESOURCES WOULD BE DEPLETED IN ONLY 23 YEARS IF THIS GENERATION WERE TO BE BUILT IN OUR STATE. (SEE CHART 1)

REFERRING TO SENATE BILL 253, SECTION 2, YOU WILL SEE LEGISLATION ALLOWING ANY NEVADA COUNTY TO OWN ELECTRIC GENERATING AND TRANSMISSION FACILITIES AND TO SELL ELECTRICITY AND CHARGE FOR THE USE OF TRANSMISSION LINES. HOWEVER, LINES 7 THROUGH 13 REQUIRE THAT ONLY 25 PERCENT OF A PROJECT OWNED BY A COUNTY CAN BE SOLD TO PRIVATELY-OWNED UTILITIES SUCH AS SIERRA PACIFIC POWER COMPANY AND NEVADA POWER COMPANY. THIS IS THE ONLY WAY THAT THE COUNTY-OWNED PORTION OF THE PROJECT CAN BE FINANCED WITH LOW-COST, TAX-EXEMPT BONDS. IT IS OBVIOUS THEN, THAT THE VAST MAJORITY OF ANY COST SAVINGS DERIVED FROM TAX-EXEMPT FINANCING WILL BE REALIZED BY THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND NOT BY NEVADA CONSUMERS. IT NATURALLY FOLLOWS THAT A VAST MAJORITY OF ELECTRICITY GENERATED BY SUCH A COUNTY-OWNED FACILITY AS THIS LAW PROPOSES, MUST ALSO FLOW TO LOS ANGELES OR OTHER CALIFORNIA MUNICIPAL ENTITIES. THEREFORE, IF A NEVADA COUNTY CONSTRUCTS A 1,500 MEGAWATT PLANT, SIERRA PACIFIC POWER COMPANY AND NEVADA POWER COMPANY EACH COULD RECEIVE ONLY 187.5 MEGAWATTS. ANY OTHER ARRANGEMENT WOULD RESULT IN A COUNTY LOSING ITS TAX EXEMPT STATUS FOR ISSUING BONDS TO FINANCE THE PROJECT.

IT IS ALSO MOST IMPORTANT TO NOTE THAT THERE IS NO RECIPROCITY AGREEMENT REQUIRED OF THE LOS ANGELES DEPARTMENT OF WATER AND POWER, OR OF ANY OTHER OUT-OF-STATE PARTICIPANT.

SECTION 3 OBLIGATES A COUNTY, ONCE THE FIRST ISSUE OF BONDS IS DETERMINED, TO ISSUE BONDS FOR ALL PHASES OF THE PROJECT UNTIL IT IS COMPLETE. THESE ADDITIONAL ISSUANCES OF BONDS WOULD BE SUBJECT TO NO STATE REGULATION OR REVIEW. ONCE THE PLANT FINANCING IS SET IN MOTION, IT CANNOT BE STOPPED. EXHIBIT 3

ITEM 2 OF SECTION 3 FURTHER ELIMINATES THE REQUIREMENT OF AN OUT-OF-STATE PUBLIC ENTITY SUCH AS LOS ANGELES DEPARTMENT OF WATER AND POWER TO HOLD PUBLIC HEARINGS, TO GIVE PUBLIC NOTICE OR TO COMPLY WITH ANY OTHER STATE REGULATION OF FINANCING. IT DOES NOT, HOWEVER, MAKE THE SAME EXEMPTIONS FOR PRIVATELY-OWNED NEVADA UTILITIES.

SECTION 5 GIVES ANY INTERESTED PARTY IN THE PROJECT THE RIGHT BY LAW TO FORCE A COUNTY TO SELL AND ISSUE BONDS TO FINANCE ALL REMAINING PORTIONS OF A PROJECT.

SECTION 6 PLEDGES THE FAITH OF THE STATE, ONCE A PROJECT HAS BEEN STARTED BY A COUNTY, TO TAKE NO ACTION TO REPEAL, AMEND OR MODIFY THIS STATUTE, EVEN THOUGH THE LEGISLATURE MIGHT SUBSEQUENTLY DETERMINE THAT THE PROVISIONS SET FORTH IN THIS LAW ARE NOT IN THE BEST INTEREST OF THE STATE.

SECTION 7 BINDS ALL FUTURE ELECTED COUNTY COMMISSIONERS TO ISSUE SUCH ADDITIONAL BONDS AS ARE REQUIRED BY THE PROJECT.

SECTIONS 10 AND 12 AUTHORIZE A COUNTY TO FINANCE, CONSTRUCT, OWN AND OPERATE FACILITIES OUTSIDE THE STATE OF NEVADA. SUCH FACILITIES COULD INCLUDE TRANSMISSION LINES TO THE CITY OF LOS ANGELES, COAL SLURRY LINES, RAILROAD FACILITIES, OR WATER PIPELINES.

SECTION 14 EXEMPTS ANY PARTICIPATING MUNICIPALITY, SUCH AS THE CITY OF LOS ANGELES, FROM ANY CONDITIONS WITH REGARD TO APPROVAL AND HEARINGS FOR A PROJECT, AND ATTEMPTS TO PLACE MORE STRINGENT CONDITIONS ON PRIVATE ENTITIES BY REQUIRING THEM TO COME BEFORE A COUNTY COMMISSION TO JUSTIFY PARTICIPATION IN THE PROJECT.

SECTION 17 PROVIDES BROAD, SWEEPING AUTHORITY TO FINANCE ALL COSTS DEEMED NECESSARY TO THE PROJECT, WITHOUT STATE CONTROL. THESE COSTS COULD INCLUDE THE COSTS REQUIRED BY ANY CITY, TOWN, OR POLITICAL SUBDIVISION WHICH DETERMINES IT HAS BEEN IMPACTED BY A PROJECT.

SECTION 20 ALLOWS A COUNTY TO ACQUIRE OR CONDEMN NEVADA PROPERTY, ANYWHERE IN THE STATE TO PROVIDE ENERGY TO PEOPLE OUTSIDE THE STATE.

SECTION 22 EXEMPTS A COUNTY PROJECT FROM ALL JURISDICTION, INCLUDING THE NEVADA PUBLIC SERVICE COMMISSION, DIVISION OF NATURAL RESOURCES, ENVIRONMENTAL COMMISSION OR ANY OTHER STATE AGENCY.

SECTION 24 SPECIFICALLY ELIMINATES THE JURISDICTION OF THE NEVADA PUBLIC SERVICE COMMISSION AS IT APPLIES TO CONSTRUCTION PERMITS FOR FACILITIES WHICH EXPORT ENERGY FROM THE STATE OF NEVADA.

IN ESSENCE, SENATE BILL 253 ALLOWS ANY NEVADA COUNTY TO ENTER INTO AN AGREEMENT WITH AN OUT-OF-STATE ENTITY TO FINANCE, CONSTRUCT AND OPERATE AN ELECTRIC GENERATING FACILITY AND EXPORT ALL OF THE ENERGY FROM THE STATE. SUCH PROJECTS WOULD BE SUBJECT TO ABSOLUTELY NO REGULATION BY THE STATE OF NEVADA.

THE INTENT OF THIS LEGISLATION IS TO TRANSFER THE AUTHORITY OF REGULATION AND CONTROL OF THE GENERATION AND TRANSMISSION OF ELECTRICITY FROM THE STATE TO INDIVIDUAL COUNTIES.

THIS TRANSFER OF RESPONSIBILITIES IS IN DIRECT CONFLICT WITH THE INTENT OF THE NEVADA LEGISLATURE, SINCE IT WOULD ELIMINATE THE WELL FOUNDED PRACTICE OF INSURING, THROUGH STATE REGULATION THAT CONSTRUCTION, OPERATION, RATES CHARGED TO CUSTOMERS, ENVIRONMENTAL AND TAXATION ASPECTS ASSOCIATED WITH THE GENERATION AND TRANSMISSION OF ELECTRICITY IN NEVADA BENEFIT ALL THE CITIZENS OF THE STATE.

THIS PROPOSED LEGISLATION WOULD PERMIT THE WHOLESALE EXPLOITATION OF NEVADA'S LIMITED NATURAL RESOURCES OF OPEN SPACE, CLEAN AIR AND WATER TO SERVE PEOPLE OUTSIDE THE STATE. IT COMPLETELY DISREGARDS THE NEED TO PROVIDE FOR NEVADA'S OWN FUTURE POWER REQUIREMENTS.

SENATE BILL 253 WOULD OPEN THE DOOR TO A PROLIFERATION OF POWER PLANTS CONSTRUCTED IN NEVADA TO SERVE CALIFORNIA UTILITIES. SUCH PLANTS WOULD DEVELOP ALL OF OUR MOST DESIRABLE SITES AND WOULD PREVENT NEVADA ENTITIES FROM BUILDING PLANTS IN THE FUTURE.

THIS LEGISLATION GOES FAR BEYOND SIMPLY PROVIDING NEVADA COUNTIES WITH THE ABILITY TO BUILD POWER PLANTS. IT WOULD ALLOW CALIFORNIA ENTITIES TO ACQUIRE ALL THE OUTPUT FROM SUCH FACILITIES WITHOUT SPENDING ONE DOLLAR OF CAPITAL INVESTMENT. AND THE LEGISLATION WOULD ALLOW THIS WITH NO MORE CONTROL THAN WOULD BE EXERCISED BY AN INDIVIDUAL COUNTY COMMISSION.

I AM FULLY AWARE THAT THERE ARE COUNTIES IN THIS STATE WHICH PRESENTLY ARE EXPERIENCING SERIOUS ECONOMIC PROBLEMS. AND I REALIZE THAT IN THE FUTURE OTHER NEVADA

EXHIBIT 3

COUNTIES MAY EXPERIENCE SIMILAR ECONOMIC DIFFICULTIES. HOWEVER, I WOULD CAUTION ANY COUNTY NOT TO EXPECT POWER PLANT CONSTRUCTION TO PROVIDE ANY IMMEDIATE ECONOMIC BENEFITS. THE BEST ESTIMATES PRESENTLY AVAILABLE INDICATE THAT THE SITING AND PERMITTING PROCESS TAKES A MINIMUM OF FOUR YEARS AND THREE MONTHS BEFORE CONSTRUCTION OF A POWER PLANT IN NEVADA CAN BEGIN. (SEE CHART #2)

SENATE BILL 253 IS MUCH MORE FAR-REACHING THAN SIMPLY TO PROVIDE THE MEANS BY WHICH AN INDIVIDUAL COUNTY CAN SOLVE ECONOMIC PROBLEMS. WE MUST ASK OURSELVES IF WE ARE WILLING TO SACRIFICE ALL OF THE HISTORICAL BENEFITS THE STATE HAS RECEIVED IN ASSOCIATION WITH THE CONSTRUCTION OF ELECTRIC GENERATION AND TRANSMISSION FACILITIES AND THE SALE OF ELECTRICITY FOR THE BENEFIT OF ANY ONE INDIVIDUAL COUNTY.

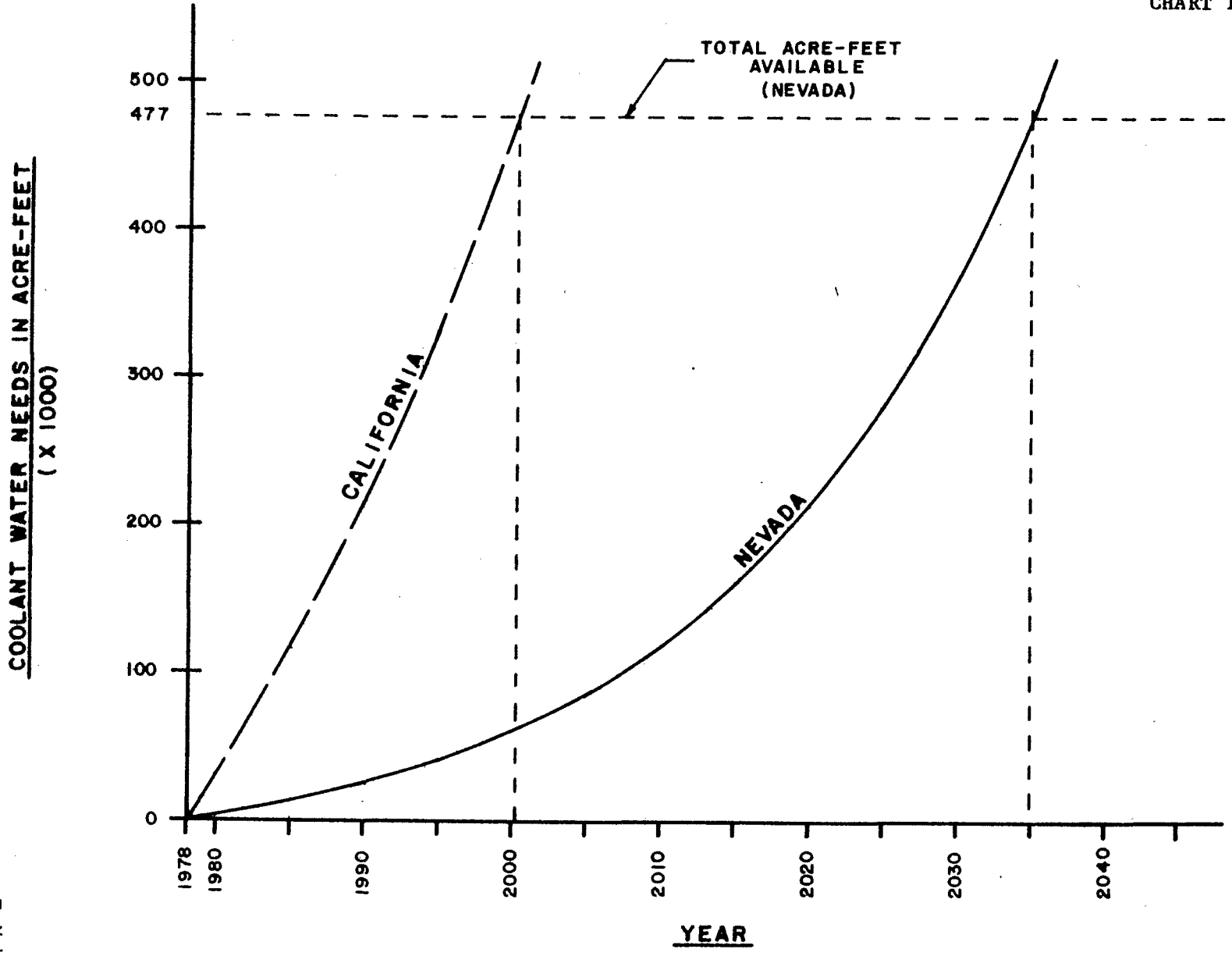
THIS BILL IS NOT THE ANSWER TO THE ECONOMIC PROBLEMS OF ANY COUNTY IN NEVADA. IT IS HOWEVER, THE ANSWER TO THE GROWING POWER NEEDS OF CALIFORNIA.

I BELIEVE THAT CAREFUL CONSIDERATION OF THIS BILL WILL REVEAL THAT NO AMOUNT OF BENEFIT TO ANY NEVADA COUNTY CAN JUSTIFY ITS PASSAGE, WHICH WOULD BE SERIOUSLY DETRIMENTAL TO THE FUTURE WELFARE OF ALL NEVADANS.

I AM AS MUCH CONCERNED ABOUT THE IMPLICATIONS OF SB 254 AS I AM WITH SB 253. I HAVE ASKED MR. JOHN MUSSELMAN,

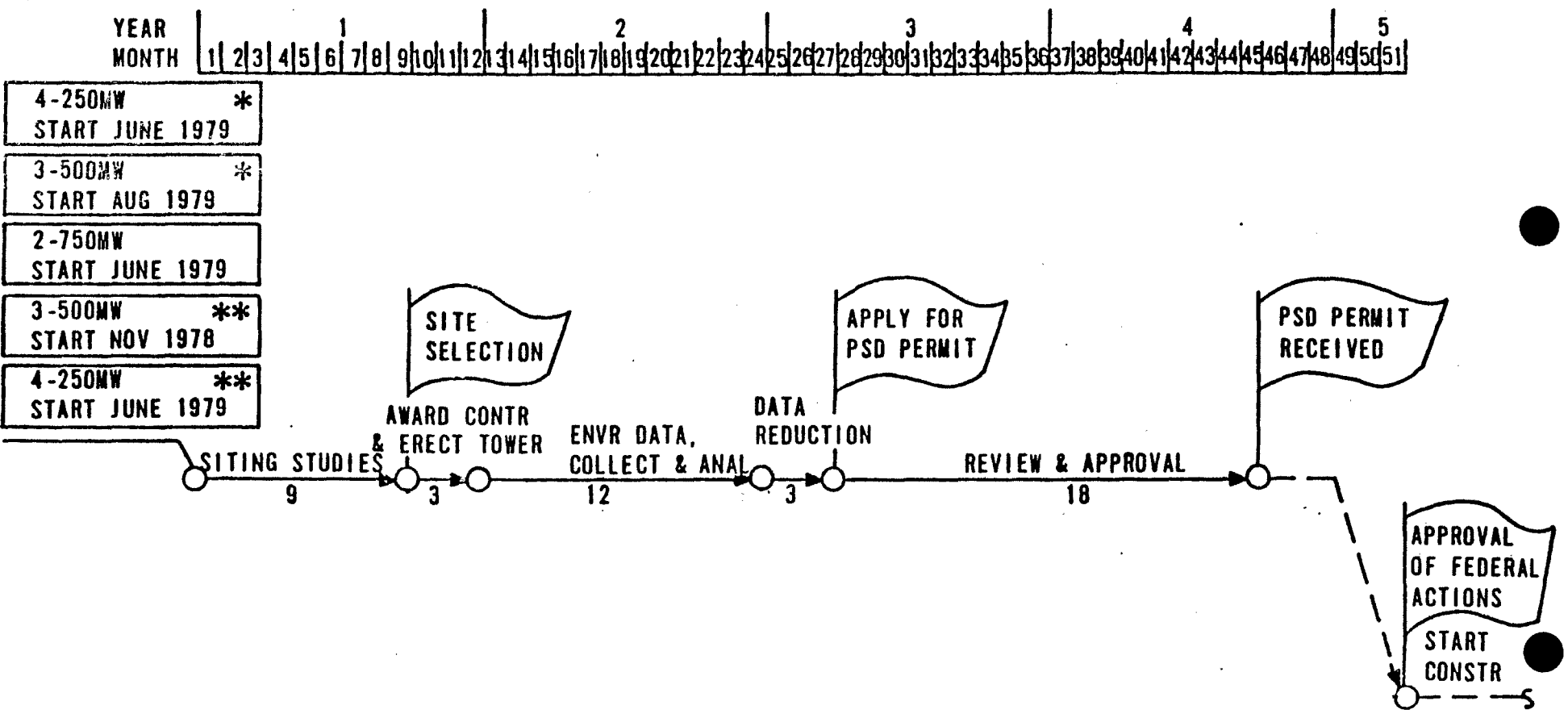
A BOND COUNSEL, TO ADDRESS THE TECHNICAL ASPECTS OF SB 253.
I HAVE ALSO ASKED MR. RICHARD CAMPBELL, A CORPORATE ATTORNEY,
TO ADDRESS THE IMPACT OF SB 254 ON EXISTING TAX STATUTES AND
POLICIES OF THE STATE. MR. MUSSELMAN WILL NOW GIVE HIS
TESTIMONY.

CHART 1



COMPARISON OF NEVADA AND CALIFORNIA
COOLANT WATER NEEDS
FOR FUTURE ELECTRIC GENERATION

EXHIBIT 3



SUMMARY
APPROVAL PROCESS SCHEDULE

WORK FORCE DISTRIBUTION - 3-500 MW FOSSIL UNITS

CRAFT

(OPTIMIZED CASE)

Boilermaker				10	45	85	135	200	200	160	80	75	70	80	115	145	180	180	140	80	5	
Bricklayer			15	25	25	15	5					10	15	15	10						1	
Carpenter	22	41	55	80	90	85	80	53	30	30	28	34	56	80	80	60	50	35	35	45	40	6
Cement Mason	2	5	5	10	10	10	3	3	3	3	2	5	5	10	10	3	3	3	2	2	5	
Electrician	5	15	15	20	40	45	45	60	65	100	110	95	85	80	75	80	80	80	70	80	75	6
Insulator								15	25	25	30	30	50	50	50	40	30	35	40	40	40	30
Ironworker	5	10	10	15	75	130	130	80	55	50	40	35	40	55	105	105	80	45	40	50	40	40
Laborer	29	50	63	85	105	95	90	65	45	45	55	55	80	100	95	80	65	45	45	65	55	80
Millwright							15	20	35	35	35	35	35	35	35	30	25	25	25	25	25	30
Oper. Engr.	10	20	30	40	50	60	60	30	25	25	15	25	30	50	50	35	25	20	20	20	20	40
Painter							3	3	6	6	6	6	10	10	20	23	13	5	5	5	10	10
Pipefitter	10	20	45	75	80	110	110	125	140	140	145	145	135	135	130	130	130	130	135	135	135	135
Sh. Metal Wkr.							10	10	20	25	30	30	35	25	10	10	15	20	25	30	30	20
Teamster	4	8	11	15	25	28	26	24	12	12	11	12	18	18	25	20	20	12	12	12	13	17
Misc.	3	1	1	20	22	18	37	39	39	18	28	26	17	20	39	39	40	21	21	32	28	
Average Qtr.	90	170	235	355	530	655	690	665	700	735	685	615	690	750	800	780	720	675	655	670	600	625
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	1984		1985				1986				1987				1988				1989			

EXHIBIT 3

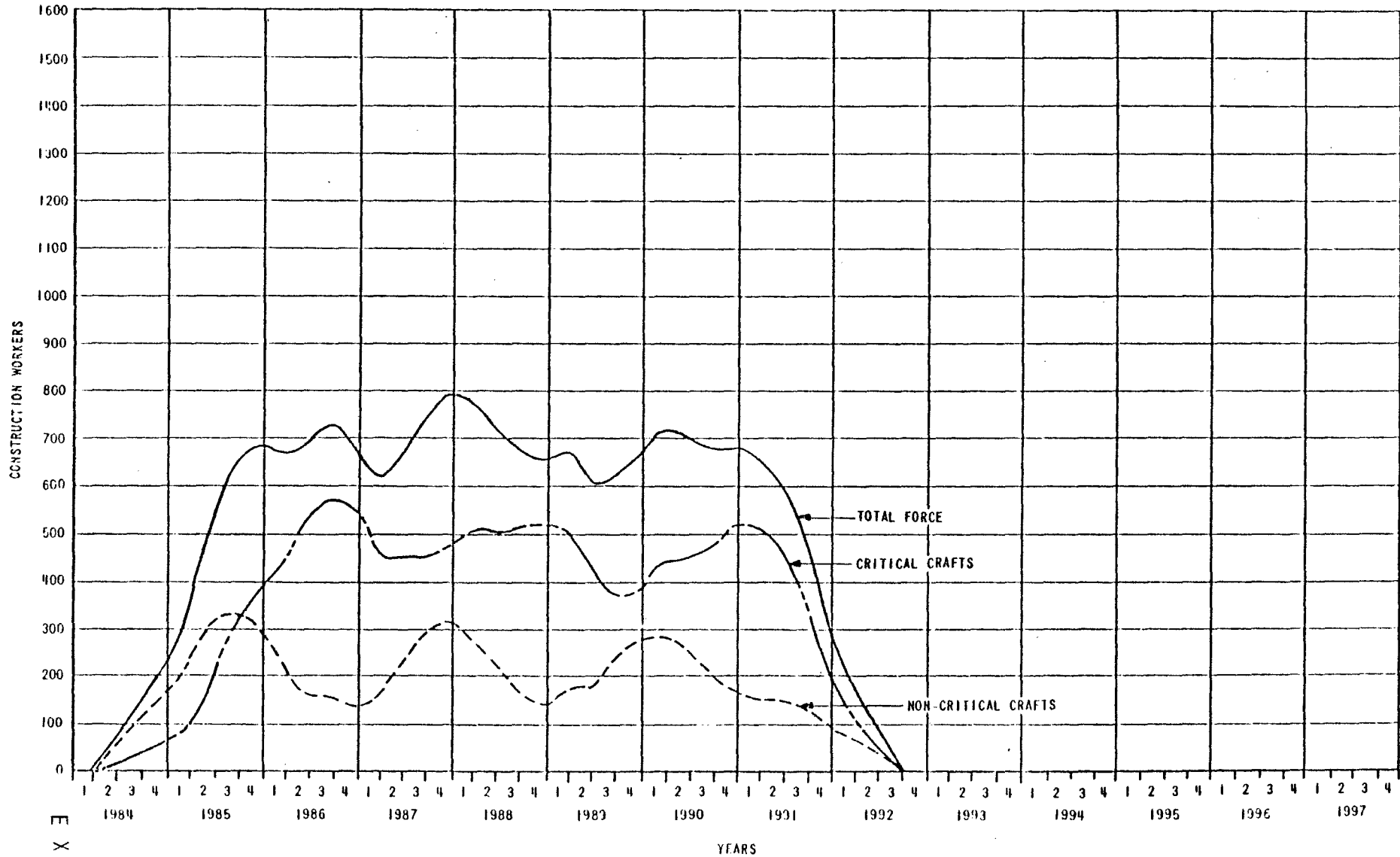
WORK FORCE DISTRIBUTION - 3-500 MW FOSSIL UNITS (CONTINUED)

CRAFT

(OPTIMIZED CASE)

Boilermaker	60	75	95	135	180	180	140	80	35	15	5	
Bricklayer	15	15	10									
Carpenter	55	55	55	45	35	35	35	20	10	7	5	
Cement Mason	5	5	5	3	2	2	1					
Electrician	65	70	70	70	80	70	65	45	25	15	10	
Insulator	25	20	20	20	35	40	40	40	30	25	10	
Ironworker	65	105	105	80	45	40	25	20	20	5	2	
Laboroer	90	80	75	60	50	50	50	35	20	15	15	
Millwright	30	30	25	25	25	20	20	20	15	10	5	
Oper. Engr.	45	50	45	35	30	25	20	15	5	5	2	
Painter	20	20	13	3	5	7	10	20	20	10	5	
Pipefitter	130	130	135	135	135	135	130	100	50	30	13	
Sh. Metal Wkr.	10	10	10	15	20	20	30	30	21	10	5	
Teamster	25	25	21	21	12	12	7	7	6	5	3	
Misc.	30	30	21	28	31	19	22	28	29	23		
Average Qtr.	670	720	705	675	685	655	595	460	285	175	80	
	1	2	3	4	1	2	3	4	1	2	3	
	1990				1991				1992			

EXHIBIT 3



CONSTRUCTION CRAFT EMPLOYMENT ESTIMATE (OPTIMIZED CASE)
3 - 500 MW FOSSIL UNITS

EXHIBIT 3

TESTIMONY
OF

JOHN E. MUSSELMAN

WITH RESPECT TO
S. B. 253

March 14, 1979

EXHIBIT 4

4
168

TESTIMONY OF JOHN E. MUSSELMAN
WITH RESPECT TO S. B. 253

MY NAME IS JOHN E. MUSSELMAN. I AM THE CHAIRMAN OF THE PUBLIC FINANCE DEPARTMENT OF THE LAW FIRM OF KUTAK ROCK & HUIE, OMAHA, NEBRASKA. I HAVE BEEN INVOLVED IN THE PRIVATE PRACTICE OF LAW FOR APPROXIMATELY 12 YEARS, AND FOR MOST OF THAT TIME HAVE SPECIALIZED IN TAX-EXEMPT BONDS. I HAVE ACTED AS UNDERWRITER'S COUNSEL FOR BOND ISSUES FOR BOTH SIERRA PACIFIC POWER COMPANY AND NEVADA POWER COMPANY. I HAVE PARTICIPATED IN MANY FINANCINGS FOR BOTH INVESTOR-OWNED AND PUBLICLY-OWNED UTILITIES.

I HAVE BEEN REQUESTED BY SIERRA PACIFIC POWER COMPANY TO ADDRESS THREE QUESTIONS RAISED BY S. B. 253:

- (1) WHAT KINDS OF NEW LEGAL OBLIGATIONS DOES THE BILL PERMIT COUNTIES TO IMPOSE UPON THEMSELVES, AND INDIRECTLY ON THE STATE OF NEVADA?
- (2) TO WHAT EXTENT DOES THIS BILL DEPRIVE THE STATE OF NEVADA OF REGULATORY CONTROL OVER POWER GENERATION AND USE OF NEVADA RESOURCES?
- (3) IS THE BILL NECESSARY TO PERMIT THE FINANCING OF ELECTRIC GENERATING FACILITIES IN NEVADA WITH TAX-EXEMPT BONDS?

WITH RESPECT TO THE FIRST QUESTION, THE NEW LEGAL OBLIGATIONS ARE EXTRAORDINARY.

SECTION 3 OF S. B. 253 PERMITS A COUNTY TO OBLIGATE ITSELF TO ISSUE UNLIMITED AMOUNTS OF OBLIGATIONS IN THE FUTURE TO FINANCE A POWER GENERATING PROJECT. FURTHERMORE, SECTION 6 OF THE BILL PROHIBITS THE STATE FROM EVER ENACTING ANY LEGISLATION THAT WOULD LIMIT A COUNTY'S OBLIGATION TO ISSUE ADDITIONAL BONDS OR OTHERWISE EXTRICATE ITSELF FROM A PROJECT ONCE UNDERTAKEN. ADDITIONALLY, ANY INTERESTED PARTY IS GIVEN THE RIGHT TO COMPEL THE ISSUANCE OF ADDITIONAL BONDS THROUGH A MANDAMUS ACTION OR OTHER FORM

OF LAW SUIT AGAINST A COUNTY, ITS BOARD OF COUNTY COMMISSIONERS, OR OTHER OFFICERS.

THESE PROVISIONS ARE VERY UNUSUAL. THE RAMIFICATIONS OF ENACTING THEM SHOULD BE VERY CAREFULLY CONSIDERED. THESE PROVISIONS COULD PERMIT THE BOARD OF COUNTY COMMISSIONERS TO BIND NOT ONLY ITSELF BUT ITS SUCCESSORS IN OFFICE FOREVER TO PROCEED WITH FINANCINGS AT THE BIDDING OF OTHERS. BY ENTERING INTO SUCH AN AGREEMENT, A COUNTY WOULD LOSE ALL LEVERAGE TO INFLUENCE THE FUTURE COURSE OF EVENTS.

WITH RESPECT TO THE REGULATION QUESTION, THE PROVISIONS OF S. B. 253 WOULD REMOVE FROM THE STATE OF NEVADA ALL POWER TO REGULATE THE CONSTRUCTION, FINANCING, OPERATION, DISPOSITION OF POWER, ENVIRONMENTAL IMPACTS AND DEPLETION OF NATURAL RESOURCES RELATING TO OR RESULTING FROM THE GENERATION OF ELECTRIC POWER FINANCED PURSUANT TO THE BILL. ALSO, THERE WOULD BE NO CLEAR-CUT PRESENT PROVISION IN FEDERAL LAW FOR REGULATION OF MOST OF THESE MATTERS.

FINALLY, PUBLICLY-OWNED POWER COMPANIES, WHETHER LOCATED IN OR OUT OF THE STATE OF NEVADA, CAN ISSUE THEIR OWN TAX-EXEMPT BONDS TO PAY FOR POWER PLANTS CONSTRUCTED IN NEVADA. THUS IT WOULD NOT BE NECESSARY FOR A COUNTY TO ENTER INTO ELABORATE ARRANGEMENTS REMOVING THE FLEXIBILITY OF COUNTY AND STATE GOVERNMENT AND CIRCUMVENTING THE REGULATORY POWER OF THE STATE.

TESTIMONY
OF
RICHARD G. CAMPBELL
SENATE BILL NO. 254

MARCH 14, 1979

EXHIBIT 5
471 5

TESTIMONY OF RICHARD G. CAMPBELL
SB 254

MY NAME IS RICHARD G. CAMPBELL. MY ADDRESS IS ONE EAST FIRST STREET, SUITE 900, RENO, NEVADA 89501. I AM A PRINCIPAL WITH THE LAW FIRM OF LIONEL SAWYER & COLLINS. I WAS EMPLOYED BY SIERRA PACIFIC POWER COMPANY FROM 1962 TO 1977 AS GENERAL COUNSEL. DURING THAT TIME, I WAS A MEMBER OF THE NEVADA TAX COMMISSION AND STATE BOARD OF EQUALIZATION FOR SIX YEARS. SINCE 1977, I HAVE REPRESENTED NUMEROUS CLIENTS INVOLVING NEVADA STATE SALES AND USE TAXES AND NEVADA STATE AD VALOREM TAXES IN PROCEEDINGS BEFORE THE TAX COMMISSION, STATE BOARD OF EQUALIZATION AND NEVADA COURTS. I HAVE BEEN REQUESTED BY SIERRA PACIFIC POWER COMPANY TO EVALUATE SB 254 AND OFFER MY OPINION AS TO THE IMPACT UPON EXISTING TAX STATUTES AND POLICIES OF THE VARIOUS TAXING AGENCIES.

MY CONCLUSIONS ARE AS FOLLOWS:

- I. POWER USERS SUCH AS RESIDENTS OF THE CITY OF LOS ANGELES WOULD BE EXEMPT FROM THE PAYMENT OF THE FOLLOWING NEVADA TAXES AS PART OF THEIR ELECTRIC RATES:
 - A. NEVADA SALES AND USE TAXES ON COUNTY PURCHASES OF ALL PERSONAL PROPERTY USED TO CONSTRUCT THE PLANT;
 - B. NEVADA SALES AND USE TAXES ON THE PURCHASE OF COAL USED TO GENERATE THE ELECTRICITY; AND
 - C. ALL NEVADA AD VALOREM TAXES ON BOTH THE REAL AND PERSONAL PROPERTY USED TO GENERATE AND TRANSMIT THE ELECTRICITY.

2. THE TAX LOSSES TO THE STATE OF NEVADA FROM OUT-OF-STATE POWER USERS WOULD BE APPROXIMATELY \$667,582,000 AS SET FORTH AND EXPLAINED IN ATTACHED EXHIBIT NUMBER 1. THIS TAX LOSS IS BASED UPON THE FOLLOWING ASSUMPTIONS:
 - A. THE COST OF A 1,500 MEGAWATT ("MW") STATION IS \$1.462 BILLION DOLLARS;
 - B. THE STATION WILL BURN 4,600,000 TONS OF COAL PER YEAR AT AN ESTIMATED COST OF \$20.00 PER TON;
 - C. THE ESTIMATED LIFE OF ALL ASSETS IS 35 YEARS; AND
 - D. SALES AND USE TAX RATE OF THREE AND ONE-HALF PERCENT (3-1/2%).

3. WHILE THE POWER USERS WOULD PAY IN LIEU TAXES TO THE COUNTY IN WHICH THE FACILITIES ARE LOCATED, IT IS IMPOSSIBLE TO QUANTIFY THOSE TAXES FOR THE FOLLOWING REASONS:
 - A. THE METHOD OF DETERMINING THE ANNUAL IN LIEU TAX IS NOT CLEARLY STATED IN THE BILL [SEE SB 254 §2(1)]; AND
 - B. IT IS DOUBTFUL THAT MOST OF OUR MORE SPARSELY POPULATED COUNTIES COULD SPEND ALL OF THE TAXES THAT WOULD BE AVAILABLE AT APPROXIMATELY A \$3.60 TAX RATE.
 - C. THE IN LIEU TAXES WOULD NOT BE PAID IN ANY YEAR WHEN REVENUES ARE NEEDED TO PAY THE PRINCIPAL AND INTEREST ON BONDS [SEE SB 254, SECTION 4 (2)].

4. THE PROPOSED BILL WOULD CHANGE THE METHOD OF ALLOCATING TAXES FOR POWER STATIONS AND RELATED FACILITIES FROM THE PRESENT

POLE LINE MILE CONCEPT TO A SITUS CONCEPT. THE PRESENT POLE LINE MILE CONCEPT DIVIDES ALL ASSESSED VALUE BELONGING TO A UTILITY COMPANY AMONG ALL COUNTIES IN WHICH ANY FACILITIES ARE LOCATED, BASED ON EACH COUNTY'S PERCENTAGE SHARE OF TOTAL POLE LINE MILES. AN EXAMPLE OF HOW A PROPOSED 1,500 MW GENERATING STATION'S ASSESSED VALUE WOULD BE ALLOCATED ON A POLE LINE MILE BASIS IS SHOWN IN EXHIBIT 2 ATTACHED HERETO. THE ASSUMPTIONS FOR THE EXHIBIT ARE EXPLAINED THEREIN.

THE SITUS CONCEPT OF ALLOCATING ASSESSED VALUE REQUIRES THAT ALL ASSESSED VALUE ACCRUE TO THE COUNTY IN WHICH THE FACILITIES ARE LOCATED. THUS, IF THE ASSUMED 1,500 MW STATION IS BUILT IN ONE COUNTY, ONLY THAT COUNTY WOULD RECEIVE ANY TAX REVENUES. THE TAX SAVINGS BETWEEN THE POLE LINE MILE METHOD REFLECTED IN EXHIBIT 2 AND THE SITUS METHOD OF ALLOCATING ASSESSED VALUE WILL BE ENJOYED BY THE OUT-OF-STATE POWER USERS.

LOSS OF TAX REVENUES
RESULTING FROM THE CONSTRUCTION
OF A 1,500 MW GENERATION PROJECT
UNDER PROPOSED LEGISLATION
S.B. 254

<u>Type of Tax</u>	<u>Amount</u>
Sales & Use Tax on Construction Materials @ 3.5%	\$ 33,425,000
Sales & Use Tax on Fuel for Generation - Coal for 35 Years @ 3.5%	122,700,000
Ad Valorem Taxes on the Project for 35 Years	<u>511,462,000</u>
Total Amount of Tax Revenues that Would be Lost to State - Schools - Counties - Cities	<u>\$667,587,000</u>

PROPERTY TAX REVENUES
RESULTING FROM THE CONSTRUCTION
OF A 1,500 MW GENERATION PROJECT
UNDER EXISTING TAX LAWS

<u>Year</u>	<u>To the County in Which the Project is Located</u>	<u>To All Other Nevada Counties</u>	<u>Total Property Taxes Per Year</u>	<u>Cumulative Taxes</u>
1982/83	\$ 63,000	\$ -0-	\$ 63,000	\$ 63,000
1983/84	252,000	-0-	252,000	315,000
1984/85	504,000	-0-	504,000	819,000
1985/86	1,134,000	-0-	1,134,000	1,953,000
1986/87	2,646,000	-0-	2,646,000	4,599,000
1987/88	4,914,000	-0-	4,914,000	9,513,000
1988/89	6,741,000	-0-	6,741,000	16,254,000
1989/90	4,645,000	4,002,000	8,647,000	24,901,000
1990/91	6,913,000	4,002,000	10,915,000	35,816,000
1991/92	8,173,000	4,002,000	12,175,000	47,991,000
1992/93	6,996,000	7,835,000	14,831,000	62,822,000
1993/94	9,201,000	7,835,000	17,036,000	79,858,000
1994/95	10,587,000	7,835,000	18,422,000	98,280,000
1995/96	6,513,000	12,268,000	18,781,000	117,061,000
1996/97	6,513,000	12,268,000	18,781,000	135,842,000
1997/98	6,513,000	12,268,000	18,781,000	154,623,000
Next 19 years total	<u>123,747,000</u>	<u>233,092,000</u>	<u>356,839,000</u>	<u>511,462,000</u>
35 Year Total	<u>\$206,055,000</u>	<u>\$305,407,000</u>	<u>\$511,462,000</u>	

Assumptions:

1. Cost to Construct Generation Project - \$1,462 Million.
2. Ownership of Project:
 - 50% City of Los Angeles
 - 25% Nevada Power
 - 25% Sierra Pacific Power
3. Historical Tax Rates for the Applicable Counties Were Used.
4. Estimated Life of the Project - 35 Years from Beginning of the Project.
5. Plant Depreciation was not Recognized.
6. Existing Pole Line Miles were Used.
7. Additional Transmission Lines Resulting from the Project were not Recognized.

PROPERTY TAX REVENUES
RESULTING FROM THE CONSTRUCTION
OF A 1,500 MW GENERATION PROJECT
UNDER EXISTING TAX LAWS

<u>Year</u>	<u>To the County in Which the Project is Located</u>	<u>To All Other Nevada Counties</u>	<u>Total Property Taxes Per Year</u>	<u>Cumulative Taxes</u>
1982/83	\$ 63,000	\$ -0-	\$ 63,000	\$ 63,000
1983/84	252,000	-0-	252,000	315,000
1984/85	504,000	-0-	504,000	819,000
1985/86	1,134,000	-0-	1,134,000	1,953,000
1986/87	2,646,000	-0-	2,646,000	4,599,000
1987/88	4,914,000	-0-	4,914,000	9,513,000
1988/89	6,741,000	-0-	6,741,000	16,254,000
1989/90	4,645,000	4,002,000	8,647,000	24,901,000
1990/91	6,913,000	4,002,000	10,915,000	35,816,000
1991/92	8,173,000	4,002,000	12,175,000	47,991,000
1992/93	6,996,000	7,835,000	14,831,000	62,822,000
1993/94	9,201,000	7,835,000	17,036,000	79,858,000
1994/95	10,587,000	7,835,000	18,422,000	98,280,000
1995/96	6,513,000	12,268,000	18,781,000	117,061,000
1996/97	6,513,000	12,268,000	18,781,000	135,842,000
1997/98	6,513,000	12,268,000	18,781,000	154,623,000
Next 19 years total	<u>123,747,000</u>	<u>233,092,000</u>	<u>356,839,000</u>	<u>511,462,000</u>
35 Year Total	<u>\$206,055,000</u>	<u>\$305,407,000</u>	<u>\$511,462,000</u>	

Assumptions:

1. Cost to Construct Generation Project - \$1,462 Million.
2. Ownership of Project:
 - 50% City of Los Angeles
 - 25% Nevada Power
 - 25% Sierra Pacific Power
3. Historical Tax Rates for the Applicable Counties Were Used.
4. Estimated Life of the Project - 35 Years from Beginning of the Project.
5. Plant Depreciation was not Recognized.
6. Existing Pole Line Miles were Used.
7. Additional Transmission Lines Resulting from the Project were not Recognized.

PROPERTY TAX REVENUES
RESULTING FROM THE CONSTRUCTION
OF A 1,500 MW GENERATION PROJECT
UNDER EXISTING TAX LAWS

Year	To the County in Which the Project is Located	To All Other Nevada Counties	Total Property Taxes Per Year	Cumulative Taxes
1982/83	\$ 63,000	\$ -0-	\$ 63,000	\$ 63,000
1983/84	252,000	-0-	252,000	315,000
1984/85	504,000	-0-	504,000	819,000
1985/86	1,134,000	-0-	1,134,000	1,953,000
1986/87	2,646,000	-0-	2,646,000	4,599,000
1987/88	4,914,000	-0-	4,914,000	9,513,000
1988/89	6,741,000	-0-	6,741,000	16,254,000
1989/90	4,645,000	4,002,000	8,647,000	24,901,000
1990/91	6,913,000	4,002,000	10,915,000	35,816,000
1991/92	8,173,000	4,002,000	12,175,000	47,991,000
1992/93	6,996,000	7,835,000	14,831,000	62,822,000
1993/94	9,201,000	7,835,000	17,036,000	79,858,000
1994/95	10,587,000	7,835,000	18,422,000	98,280,000
1995/96	6,513,000	12,268,000	18,781,000	117,061,000
1996/97	6,513,000	12,268,000	18,781,000	135,842,000
1997/98	6,513,000	12,268,000	18,781,000	154,623,000
Next 19 years total	<u>123,747,000</u>	<u>233,092,000</u>	<u>356,839,000</u>	<u>511,462,000</u>
35 Year Total	<u>\$206,055,000</u>	<u>\$305,407,000</u>	<u>\$511,462,000</u>	

Assumptions:

1. Cost to Construct Generation Project - \$1,462 Million.
2. Ownership of Project:
 - 50% City of Los Angeles
 - 25% Nevada Power
 - 25% Sierra Pacific Power
3. Historical Tax Rates for the Applicable Counties Were Used.
4. Estimated Life of the Project - 35 Years from Beginning of the Project.
5. Plant Depreciation was not Recognized.
6. Existing Pole Line Miles were Used.
7. Additional Transmission Lines Resulting from the Project were not Recognized.



CITY OF
Boulder City
Nevada

P. O. BOX 367

March 12, 1979

900 ARIZONA STREET 89005

Ref: Senate Bill No. 254

Senator James Gibson
State of Nevada
State House
Carson City, Nevada 89710

Honorable Senator:

The City of Boulder City recognizes the necessity of revenue for the operation of any political entity and therefore is willing to subscribe to payments in lieu of taxes for the White Pine Generation Project.

Our concern for this bill is not that a payment in lieu of taxes will be required but that there is stated no limit on the amount and that the charge will be levied whether or not the energy is utilized. Because of the fact that the tax-free bonds are dependent upon a percentage of tax exempt entities utilizing the facility, we believe that some consideration should be given to these entities in the proviso for this payment.

We appreciate your interest and that of your committee and hope that an equitable solution may be arrived at so the project may proceed.

Very truly yours,

ROBERT E. BOYER
City Manager (Acting)

REB-JN/r

cc: Assembly - Jack Jeffrey

EXHIBIT 6

479
6



CITY OF

Boulder City
Nevada

P. O. BOX 367

900 ARIZONA STREET 89005

March 12, 1979

Re: Senate Bill #253

Senator James Gibson
State of Nevada
State House
Carson City, Nevada 89710

Honorable Senator:

We wish to express the interest of Boulder City in the development of the coal fired generating plant proposed in White Pine County. It is necessary that Boulder City purchase or develop a third source of electrical energy to provide some power in conjunction with the hydroelectric power allocated from Hoover Power Plant and from the CRSP allocation. It is recognized because of the complications introduced by the non-taxable bond regulations of the Internal Revenue Service, excessive problems for financing a project of this magnitude have been created.

In the interest of providing additional electrical energy for the State of Nevada, we request your committee to exert every effort possible to find effective means by which this project may proceed. It is our opinion that this project will benefit not only White Pine County and the users of electrical energy but it will benefit the entire State of Nevada.

We thank you for your consideration and your interest in this project.

Very truly yours,

ROBERT E. BOYER
City Manager (Acting)

REB-JN/r

cc: Assembly - Jack Jeffrey

EXHIBIT 7

480 7

