

MEMBERS PRESENT: Vice Chairman Schofield
Mr. Craddock
Mr. DuBois
Mr. Jeffrey
Mr. May
Mr. Mello
Mr. Nicholas
Mr. Prengaman
Mr. Redelsperger
Mr. Polish

MEMBERS ABSENT: Mr. Dini (Excused)

GUESTS: Mr. Orland T. Outland
Ms. Nancy G. Adams, Disciple Residential Center
Mr. Ken Forshee, Disciple Residential Center
Mr. Truman Robbins, Disciple Residential Center
Ms. Beverley Lee, DD Council
Ms. Sally E. Landis, Ormsby Assn. for Retarded
Mr. Joe McKibben, Sierra Pacific Power Co.
Mr. Jack Middleton, MH/MR
Mr. David Russell, Southwest Gas Corp.
Mr. Randy Townsend, Coalition for Aff. Energy
Dr. Jess LaMonda, Eagle Valley Childrens Home
Mr. Goerge Tackett, Nevada Bell
G. P. Etcheverry, Nev. League of Cities
Mr. Andrew Barbano, Coalition for Aff. Energy
Ms. Barbara LaCoursiere, 1st Time Prison Mlst.
Mr. Robert K. Waling, 1st Time Prison Mlst.
Ms. Leann J. McElroy, City of Reno
Mr. Vern Willis, rep. Dane Bossworth

Vice Chairman Schofield call the meeting to order at 8:10 A.M. He called on Assemblyman Coulter who explained the contents of AB-216 and its amendments, dealing with naming public buildings after living persons. Amendment No. 296 is attached hereto as EXHIBIT A and becomes a part of these minutes.

The next bill to be heard is AB-308 and the first testifier introduced by Assemblyman Sader is Mr. Outland. His testimony is attached hereto as EXHIBIT B and made a part of these minutes. He added that much stock in the past has been held in nominee name, held in street name. If you look at the 10-K or the FECF reports, you will find that most of those ten largest security holders are listed in the street name of brokerage houses. This is the big problem. You have no idea who owns that stock. Unless the stockholder gives permission, his name is not public knowlege.

Mr. Sader indicated that he had discussed with Mr. Daykin the fact that suppliers of energy in this state who are regulated by the Public Service Commission are in a substantially different position than other public utility companies. Because of that you can create a constitutionally valid classification, which this bill would do, of course, regulating only suppliers of electricity and natural gas. This is Mr. Daykin's opinion. The purpose of the legislation is to deal with the major utility companies now involved in the energy rate hikes, to specifically limit it and not include trucking industries and private water companies involved.

Mr. Sader pointed out in regard to Mr. Redelsperger's comment about the consumer advocate. Given as much scrutiny and attention as we are spending now to creating a consumer advocate, this bill is another way of giving the consumer advocate more teeth.

Mr. Nicholas asked if we now have laws that deal with commissioners owning stock in utility companies. If they are not tough enough, would it not be simpler to make that tougher, rather than coming in from the direction of the private company.

Mr. Outland stated that a regulator merely states "no I do not have a interest in a utility", to comply with statutes. This does not go the secondary element - immediate suppliers to utilities, who are not utilities themselves in another state. Nor does it address the problem of verifying ownership. There is no way to determine whether or not they actually own that stock.

Mr. Nicholas indicated he would not like to see an incursion of privacy. The industry is totally dependent on private enterprise for investment. Now, we can't have it both ways.

Mr. Redelsperger stated that since the concern revolves around contractual agreements between utilities and companies, perhaps the small investor could be excluded.

Mr. Sader indicated this could be a compromise. There may be some room to limit the interest.

Mr. May stated that large blocks of stock are bought and sold on a daily basis, depending on the fluctuation of the market. So, an owner today may not be an owner tomorrow. You indicate no date or time when this law would take place.

Mr. Sader said perhaps the date of filing might be the disclosure date.

Mr. Randolph Townsend testified that disclosure of who owns what shares of public utilities can have a very substantial effect in keeping the utility rate spiraled down. His testimony is attached hereto as EXHIBIT C and is made a part of these minutes. He then reviewed the amendments being presented. He referred to the one amendment requiring the filing with the Public Service Commission the beneficial ownership of every supplier, contractor or subcontractor who does business with electric or gas utilities in a dollar volume of \$25,000 per year or more. Minutes of the meeting of the legislative commission's subcommittee to study the Public Service Commission of Nevada (A.C.R.22) on June 26, 1980 is attached as EXHIBIT D and made a part of these minutes.

Mr. H. Joe McKibben, Senior Vice President, Sierra Pacific Power Company, testified in opposition to AB-308. His testimony is attached herewith as EXHIBIT E and made a part of these minutes. The only way a company could respond to this recommended amendment is from a sworn statement from someone. This was in response to a comment made by Mr. Outland that swearing to a statement might be valid or it might not be. Mr. McKibben then described the structure of Sierra Pacific Power's stock and stockholders. He felt that other concerns include a family who decides to put their savings into a utility common stock anticipates the same privacy he would expect were his savings in a savings account. One's personal finances are exactly that - personal. To select electric and gas utility investors for public display is grossly discriminatory and would certainly receive substantial investor reaction. The first and most important reaction I would anticipate would be extreme hesitancy to purchase any common stock affected by AB-308. It would provide a ready list for all kinds of solicitation to the stockholders. NRS 703.195 currently allows for the Public Service Commission to examine all books and records of electric and gas utilities. The Commission could and would, if the accusation were deemed necessary, approach the brokerage firms to request specific information as to stockholders, and I believe that it would be granted. I strongly recommend that the committee vote against the passage of AB-308. There are current requirements for any director any potential conflict of interest and any interlocking relationships and are specified by the Securities and Exchange Commission.

Mr. John Madariaga, General Counsel for Sierra Pacific, stated that his office checked with the California jurisdiction of the California Public Utility Commission which does not have any type of provisions for this type of thing, nor does Idaho or federal statutes. In answer to Mr. Nicholas's question about the constitutionality of this issue. I was not satisfied

with the representation made by Mr. Sader, wherein he had talked with Mr. Daykin and felt that there would be no constitutional issue. I question that. I would have to see a memorandum of legal points and authorities because I think that anyone could challenge this classification as far as being discriminatory to a particular class.

Mr. David Russell, attorney for Southwest Gas Corp., testified next. His testimony is attached herewith as EXHIBIT F and made a part of these minutes.

Mr. Vernon Willis, of Dane, Bossworth, Inc., Las Vegas, testified that his concern is the fact that AB-308 is that if this bill is passed, it would have a detrimental effect on the business that we conduct on behalf of the state of Nevada. And that is raising money for the utilities. The money that is put into power plants and gas pipe lines, etc., that provide us with necessary energy has to be raised somehow and that is the role of the stock broker. As far as I know, there has never been a disclosure rule in any state concerning the ownership of the utility stock. I am wondering why the largest source of monies in utilities was not asked for in this bill, which is the bond category. The great bulk of the invested money in most of the utilities is in the form of bonds. Most of the stockholders in the Nevada utilities own considerably less than 1%, and that is public record. This also includes stock owned by the directors, for instance, of Southwest Gas. Mr. Outland said that large stockholders are able to influence the respective utility companies and perhaps engineer a preferential deal, yet, in a later quotation he said the company does not know who the stockholders are. I find that a little hard to believe. The company can find the number, but they can't find out the name of many of the stockholders unless they are disclosed by the stockholders, themselves in the form of letters or complaints. From the standpoint of the broker, from the industry that I represent, we would have a difficult time selling that vast number of small stockholders an investment in the Nevada utilities, and you should include the telephone and water companies, American T & T, for fairness. They simply would not invest because most Americans like their privacy. I urge you to consider the impact on raising the money here in Nevada. Also, the vast majority of the stockholders singled out in this bill are not Nevada residents. The money that has put together the utilities that serve us has come from out of state.

Mr. Anthony Martin, Vice President and Resident Manager of Bache, Halsey & Stuart in Reno, testified that transactions between the stock broker and the client is a confidential

matter that is going to be thrown out the window with this bill. Nevada is going to be the only state doing this. I don't think this is in keeping with the traditions of our state. I strongly urge that you not pass this bill.

Mr. Heber Hardy, Commissioner, Public Service Commission, testified that this bill could raise substantial problems for the PSC in that there would be a significant issue every time a list is filed or someone attempts to use the list as to whether or not the utility had complied with the statute. It could cause a complaint to be filed and possibly go through a proceeding to determine whether or not there had been a good faith effort on the part of the utility or had complied. The volume of paperwork which would add to the Commission's present volume of paperwork is of some concern, together with the added cost. The problem has not been defined to justify this bill. If there is a definable problem, we can cooperate in getting names, but you still do not have access to the blocks of stock.

Mr. Mike Soumbeniotis, attorney in Carson City, testified he had received a call from CP National, a California corporation providing utility services in Nevada, California, Utah and Oregon, whose primary concern is that they not be subjected nor their shareholders be subjected to the requirements of AB-308. There is no provision in the bill for exempting non-Nevada corporations. Under NRS 704.323, stock and security transactions by foreign corporations are not required to be reported to the Public Service Commission and we request that a similar exemption be included in AB-308, for foreign corporations. We are in opposition to AB-308.

Mr. Andy Barbano, Coalition for Affordable Energy, testified that the genesis of AB-308 was because of suspected curious set of relationship between Sierra Pacific Power Co. and the corporation which formerly owned them - Stone & Webster. In 1937, Stone & Webster had to divest itself of Sierra Pacific Power, that is, ownership of Sierra Pacific. The problem with long standing relationships, is that although the ownership relationship may have been formerly dissolved, the business relationships remain the same. Stone and Webster is a huge conglomerate. They are consultants, general contractors and major producers of Canadian natural gas. They have done consulting work for utility companies across the country, one of those being Sierra Pacific Power. During a rate increase proceeding some years back, Mr. William C. Branch, who was a Stone and Webster consultant, speaking in favor of a rate increase for Sierra Pacific Power, resigned from Stone and Webster and is now a Senior Vice President and Controller of Sierra Pacific Power. Stone and Webster is the general contractor on the Valmy I power plant. They are a major supplier and producer

of Canadian gas, Sierra Pacific's only source of natural gas sold to Nevadans. The Stone and Webster legend is the reason for AB-308's existence and you will find some additional research and notations in Mr. Outland's testimony from the last several years. I don't believe that the utilities have brought forward arguments significant enough to dismiss AB-308 out of hand. I ask this committee to fine tune this legislation so that it would be more acceptable to the investment community and also to the best interests of consumers. Perhaps put in a threshold of number of shares above which disclosure is required. Protect the small individual from getting on that mailing list. If a major supplier or contractor is owned by the public utility, we need to know that because it would tend to eliminate or mitigate competitive bidding.

Mr. McKibben asked if he could respond to some statements made by Mr. Barbano in regard to Stone and Webster. We ask for annual statements from Stone and Webster regarding their holdings in Sierra Pacific Power Company. I have here a letter dated October 16, 1980 from them to Mr. J. L. Gremban, Chairman of the Board and President of Sierra Pacific Power from William M. Egan, Financial Vice President, disclaiming any ownership of any shares of common stock, preferred stock, bonds or any other type of security of Sierra Pacific and applies to all subsidiaries of Stone and Webster. This letter is attached as EXHIBIT G and is made a part of these minutes. I would remind this committee that Sierra does not buy its gas directly from Canadians. We buy all of our gas from Southwest Gas Corp., who pays a transmission company and buys from Northwest Pipeline who in turn buys from Canada. Mr. William Branch was an employee of Stone and Webster. He was not shipped to Sierra Pacific Power by Stone and Webster, he was recruited by me, I hired him, he is not a Senior Vice President, he is a vice president in control of the company. He discussed the hiring of an architect for the Valmy I project. Mr. McKibben was asked for furnish information on the agreement between the architect and Sierra Pacific Power Company.

This concluded the testimony on AB-308.

After recess, Mr. Dini called the meeting back to order at 10:12 AM. He indicated that yesterday AB-323 was passed out of committee and we should rescind it and keep it in committee, for further review. Mr. May so moved, seconded by Mr. Schofield. Motion carried.

On AB-216, the controller's bill, with the amendment, was discussed next. Mr. Nicholas moved an AMEND AND DO PASS, seconded by Mr. DuBois. Amendment No. 296. Motion carried.

The next bill to be discussed is SB-268. Mr. Jack Middleton with the Division of Mental Hygiene and Mental Retardation testified that the Division operates institutions in the Reno-Sparks area and in Las Vegas. The establishment of group homes is a cost-effective alternative to the more expensive institutional care. We feel that the mentally retarded people have the right to live in residential neighborhoods, as you and I do. Current zoning practices prohibit three or more non-related individuals living in the same home in R-1 and R-3 zoning. This bill would change this rule, by allowing up to six unrelated individuals. In answer to a questions, the cost per person in institutions is \$85.95 per day, whereas the cost of group home care is \$420.00 per month. Some of our larger non-profit group homes run about \$100.00 plus a month more, or around \$525.00 per month. It is much cheaper as you can see to go the group home care method, and it is allowing mentally retarded individuals to live in a homelike setting.

Discussion followed regarding the degree of retardation of the individuals involved and their ability to be absorbed into neighborhoods.

Ms. Nancy Adams, corporate secretary of Disciples Residential Centers in Las Vegas, testified in favor of SB-268. Her testimony is attached hereto as EXHIBIT H and is made a part of these minutes. She indicated that the individuals involved are all over the age of eighteen. They consider themselves out on their own, working in the community and being as productive as they can be in our society. Most of them have some kind of government funds. They have been no problem in any neighborhood they have been in.

Mr. Truman Robbins, Pastor of the First Christian Church in Reno, testified next. His testimony is attached as EXHIBIT I, and is made a part of these minutes.

Mr. Ken Forshee, Pastor of the First Christian Church in Las Vegas, testified in favor of the bill. We have endeavored to work within the structures of the cities, however, we have had to fight this battle in every city and county commission. We have been denied a special use permit for these home group plans.

Ms. Beverley Lee, representing the Governor's Developmental Disabilities Planning Council, testified next. Her testimony is attached hereto as EXHIBIT J and made a part of these minutes.

The meeting was adjourned at 11:00 A.M., to be continued at 1:30 P.M., and concluded the testimony on SB-268.

Mr. Dini called the meeting to order at 1:35 P.M.

Mr. Paul May, Assemblyman, District #19, Clark County, City of

North Las Vegas, testified on behalf of AB-376 and read an article from the Las Vegas Sun, Wednesday, March 25, 1981. A copy of this article is attached herewith as EXHIBIT K and made a part of these minutes. There is a time problem as the final date for filing for public office is April 3. After discussion, Mr. Mello moved a DO PASS. Mr. Schofield seconded. Motion carried.

Testimony continued on SB-268.

Senator Jean Ford, District 3, Clark County, testified in support of the bill and reviewed the intent of the bill. A number of groups have tried to assist people who need a little help in leading independent lives. The alternative to that, of course, is public expense through institutionalization. This bill protects the mentally retarded person's right to live in a group home. There was no opposition to the bill in the Senate committee. Local governments have been reluctant to allow permits because of the opposition because it is felt that property values will depreciate because of property damage expected from these individuals or because of the fear of being threatened by these individuals. The evidence is very much to the opposite. There are seventeen states with this type of protection for the mentally retarded. Senator Ford reviewed the Tennessee statute.

Ms. Susan Haas spoke on behalf of Opportunity Village and in favor of SB-268. She stated that unless legislation like this is passed, the whole scheme is going to fall apart. The groups involved in helping the mentally retarded do not have the money to totally re-educate the public to bring them to an awareness of the fact that they have a vast basket of irrational fears regarding mentally retarded people. They don't have the resources to fight legal battles and challenges.

In answer to Mr. May's question about their physical and mental appearance, Ms. Haas stated that they are slow, mentally, they have sheltered employment, they need supervision. They assemble boxes and cartons for industry on a contract basis. There are some instances where they assemble circuit boards. Physically, there are some considered 'down syndromes', a few blind people, and there are some with a limp, and some with occasional seizure problems. These people, I can say, are safer to a neighborhood than some of the teenagers moving in.

Mr. Nicholas stated that these people are more recessive than dominant. They have learned all their lives that it is very difficult for them to compete and they don't want to be on exactly the same level as you and I, because they know they are not going to make it that way. They have had to accept a little bit less.

Sally E. Landis, Executive Director of the Ormsby Association for Retarded Citizens, testified that when her group tried to get a permit for children ages 18 months through 4 years from the city of Carson City. They were denied a move from the Clear Creek area into the center of the city. The house we wanted had been used by the school district for the past ten years for a program for the trainable mentally retarded children ages six through 18 years. In preparing for a hearing before the Planning Commission, we found it was very time-consuming and the attitude of the neighbors was very trying. So to try to get a home approved is also going to be a trying experience and a costly one and non-profit organizations can't afford to go through this every time. I urge you to pass this bill. In answer to a question, the ten now in operation are operating illegally. (Eight illegally out of the ten).

Dr. Jess LaMonda, representing the Eagle Valley Children's Home, and from the Special Education Department of UNR, testified on behalf of the bill. He indicated that they own over 200 acres of land in the Carson City limits. Even with those kinds of resources, owning the land, we find that we are at this time unable to construct a facility unless we can get the variances to allow us to run homes with more than four unrelated individuals in them. The relationship of these people to the community, to further clarify previous testimony; they are primarily working or or going to school, the children do tend to play with other children in the neighborhood, the adults go to work and work a full day; they are fairly identifiable and their judgment is impaired. You are able to pick them out in a group. They do need supervision. Supervisors are specifically trained and attend training programs.

Mr. G. P. Etcheverry, Nevada League of Cities, testified against the bill. He stated that he felt that we have not dealt with Section 1, as far as local officials at the local level. We have gone through variance boards and other boards, but very seldom have we gone to locally elected officials. We could amend this to read on Line 3, Section 1, "Local governmental officials will assist" in locating these homes rather than prohibit them from doing it. We are circumventing something that you have bestowed upon local governments. We are eliminating that in one sentence.

Mr. Joe Cathcart also felt that the prohibition should not be put on local governments. He concurred with the "assist" change. He stated that the local agencies should be able to control.

Leann J. McElroy, City of Reno, testified that she concurred with Mr. Etcheverry's statements, that local governments should be able to handle this type of situation.

Mr. Jack Kenny, Home Builders Association, testified he would like to see zoning done at the local level. He suggested a trial probation basis for these people with some type of sunset provision in order to educate people in the neighborhood and community

Because time was running out on the opening of the morning session, Mr. Dini indicated that the committee will not take action on SB-268. It will be taken under advisement and study it and take action later on in the week.

Mr. Dini indicated he had a BDR-32-1357* to be considered for introduction by the committee, dealing with easements. It was moved and seconded to introduce the BDR. Motion carried.

Meeting was adjourned.

Respectfully submitted,

Lucille Hill
Lucille Hill
Assembly Attache

*AB 384

ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

GUEST LIST

Date March 25, 1981

Please Print

<u>PLEASE PRINT YOUR NAME</u>	<u>PLEASE PRINT REPRESENTING:</u>	<u>I WISH TO SPEAK</u>		
		<u>FOR</u>	<u>AGAINST</u>	<u>BILL NO.</u>
✓ ORLAND T. OUTLAND	SELF	✓		AB 308
✓ NANCY G. ADAMS	DISCIPLES RESIDENTIAL CENTER	✓		AB 268
KEN FORSHEE	" " "	✓		AB 268
TRUMAN ROBBINS	" " "	✓		AB 268
✓ BEVERLY LEE	DD COUNCIL - SELF Citizens	✓		AB 268
Sally E. Laddis	inv by D & P. Related			
✓ Joe McRibben	Sierra Pacific Power Co.		✓	AB 308
✓ JAC MIDDLETON	OH/MR			AB 268
✓ DAVID RUSSELL	SW. GAS		✓	AB 308
✓ R TOWNSEND	P. 770. H. P. E. E. E.	✓		AB 308
MIKE SOB				

1136

ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

GUEST LIST

Date Mar 25, 1981

PLEASE PRINT

<u>PLEASE PRINT YOUR NAME</u>	<u>PLEASE PRINT REPRESENTING:</u>	<u>I WISH TO SPEAK</u>		
		<u>FOR</u>	<u>AGAINST</u>	<u>BILL NO.</u>
GEORGE TACKETT	NEU BELL			
G. Etchederry	NEU LEAGUE OF CITIES		✓	SB 268
ANDREW BARBANO	Coalition For Affordable Energy			
BARBARA LA COURSE	SAME			
ROBERT K. WAINWRIGHT	1ST TIME PRISON MIST.			
LEANN J. McELROY	CITY OF RENO		✓	SB 268
VERN WILLIS JR	DANE BOSSWORTH		✓	SB 308

1981 REGULAR SESSION (61st)

ASSEMBLY ACTION	SENATE ACTION	Assembly	AMENDMENT BLANK
Adopted <input type="checkbox"/>	Adopted <input type="checkbox"/>	AMENDMENTS to	Assembly
Lost <input type="checkbox"/>	Lost <input type="checkbox"/>	Bill No. 216	Joint
Date: <input type="checkbox"/>	Date: <input type="checkbox"/>	BDR. 28-981	Resolution No.
Initial: <input type="checkbox"/>	Initial: <input type="checkbox"/>	Proposed by	Mr. Coulter
Concurred in <input type="checkbox"/>	Concurred in <input type="checkbox"/>		
Not concurred in <input type="checkbox"/>	Not concurred in <input type="checkbox"/>		
Date: <input type="checkbox"/>	Date: <input type="checkbox"/>		
Initial: <input type="checkbox"/>	Initial: <input type="checkbox"/>		

Amendment N^o 296

Replaces Amendment No. 247.
 Conflicts with Amendments Nos. 206 and 207.

Amend section 1, page 1, by deleting lines 3 and 4 and inserting:
"No public building or other public structure, other than a street or road, which is put to the use for which it was built on or after January 1, 1982, may be named after a person who is at the time a member of the governing body which has jurisdiction or control over the building or structure or which is responsible for it."

Amend the title of the bill on the second line by deleting:
 "living" and inserting "certain".

To: E & E
 LCB File
 Journal ✓
 Engrossment
 Bill

Drafted by DS:ml Date 3-19-81

**COMMENTS OF ORLAND T OUTLAND
BEFORE THE NEVADA LEGISLATIVE ASSEMBLY COMMITTEE ON
GOVERNMENT AFFAIRS
ON MARCH 25, 1981
(A. B. 308)**

Mr. Chairman, members of the Committee, my name is Orland T Outland. I live at 2675 Valmar Place, Reno. I thank you for allowing me to appear before you to give my views on A. B. 308. I speak in favor of that bill.

I have been an observer of and a participant in utility cases in Nevada since 1974, ranging from commenting as a consumer to participating as an intervenor, as well as appearing before various legislative committees.

N. R. S. 703.040 stipulates "...No commissioner (of the Public Service Commission) may be pecuniarily interested in any public utility in this state or elsewhere." Yet the statutes are silent on the mechanisms of enforcement for this section; there is no way of knowing who owns how much of what stock in what utility. It is possible for a member of the Public Service Commission (PSC) to own utility stock held in the name of a brokerage house in one of its offices in another state without that ownership ever being detected. I am neither stating nor inferring that such ownership does exist; it is just that there is no way of determining ownership at the present time.

The problem does not just involve members of the commission. There are suppliers of fuel and materials to a utility; those speaking in behalf of a utility's position, perhaps for a favorable rate determination for a particular class, such as high volume users; legal counsel; and legislators.

When a utility makes a representation in a hearing we know that it speaks forthrightly for itself and its stockholders. We need to know if others are speaking, too, from a viewpoint of a vested interest. And we need to know before decisions are made as, once made, there may be irreversible damage to many consumers, from the small homeowners to government entities buying service.

We know there have been ties between utilities and fuel suppliers resulting in utilities paying more for fuel than necessary, thus causing an unwarranted increase in rates. For example, there has been a 1978 case reported where the Florida Power Corporation paid \$8.5 million more for its fuel than it had to. The fuel was sold through unnecessary intermediaries and involved the chairman

1307
Exhibit B

of the board of the utility company, resulting in a fuel cost more than double the original price. (Nevada State Journal, Jan 23, 1978, page 1)

We know directors of utilities serve simultaneously as directors of investment banking firms, which certainly have a voice in setting the cost of capital. (Los Angeles Times, Mar 2, 1978, page 18; Document 93-62, United States Senate March 4, 1974; Standard and Poor's Directories) Other directors in the same banks serve also as directors of gas and oil companies. (U. S. Senate Doc. 93-62; S & P Directories). The directors of the New England Merchants National Bank, which for a while was one of the largest 10 security holders of Sierra Pacific Power Company stock, served variously as directors also of gas, nuclear, and, utility companies.

The Federal Trade Commission had an investigation in progress concerning whether there were ties between banks, energy suppliers, and energy companies in violation of the FTC ACT and The Clayton Antitrust Act. (Los Angeles Times, Aug 27, 1976, pg 24). There are also reports of companies supplying themselves with fuel from interlocking sources, and in one case an audit alleged one electric power company, through "accounting manipulations", was earning a 34% return on equity while claiming to be earning just a 12.09% return. (Wall Street Journal, May 10, 1979, pg 1).

Sufficient copies of a Common Cause Report, MONEY, SECRECY, AND STATE UTILITY REGULATION, were delivered by me to the Legislative Counsel Bureau so that each legislator could have a copy. I invite your particular attention to pages 13 through 21 which deal with the need for freedom of information and the problems of conflict of interests.

I have attached a table showing, in the case of Sierra Pacific Power Co., blocs of security holders may affect company actions. Another item of interest is that one-half of one per cent of the stock holders appear at meetings and almost 100% of votes cast are by proxy.

N. R. S. 463.643 requires the disclosure of beneficial ownership in another regulated industry: gaming. I believe such disclosure is equally important in regulated utilities.

TABLE VI-5

SECURITY HOLDERS AND VOTING POWERS

<u>ITEM</u>	<u>1973</u>	<u>1978</u>
Total voting securities	5,284,564	9,229,241
Per cent increase of shares outstanding 1978 over 1973		74.6%
Votes cast at general meeting	3,819,002	5,950,191
Per cent increase of shares voted 1978 over 1973		55.8%
Votes cast by proxy	3,803,774	5,948,648
Per cent of all voting securities that were actually voted	72.3%	64.5%
Per cent of votes cast that were cast by proxy	99.6%	99.97%
Voting power of 10 largest security holders and directors & officers.	1,166,650	1,502,500
Per cent of shares voted that this bloc represents	30.5%	25.3%
Per cent of shares outstanding that this bloc represents	22.1%	16.3%
Total number of security holders	14,357	23,902
Approximate attendance reported	65	139
Per cent of stock holders in attendance	.45% ^a	.58% ^b

^a Meeting held out of service area.

^b Meeting held in service area.

Coalition for Affordable Energy

P.O. Box 10034 • Reno, NV 89510 • (702) 786-1455, 826-7333

TESTIMONY OF
RANDOLPH J. TOWNSEND, CHMN.
COALITION FOR AFFORDABLE ENERGY, INC.
BEFORE THE NEVADA STATE
ASSEMBLY
COMMITTEE ON GOVERNMENT AFFAIRS, 3/25/81

RE: AB 308

Exhibit C

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, AND HONORED GUESTS.

FOR THE RECORD, I AM RANDOLPH TOWNSEND, CHAIRMAN OF THE COALITION FOR AFFORDABLE ENERGY, AND I THANK YOU FOR THE OPPORTUNITY TO SPEAK BEFORE YOU TODAY.

AB 308 IS A MUCH MORE IMPORTANT PIECE OF LEGISLATION THAN MIGHT BE READILY APPARENT. DISCLOSURE OF WHO OWNS WHAT SHARES OF PUBLIC UTILITIES CAN HAVE A VERY SUBSTANTIAL EFFECT IN KEEPING THE UTILITY RATE SPIRAL DOWN. WE THINK THE BILL IS VERY STRONG AS IT STANDS. WE WOULD OFFER ONE AMENDMENT: REQUIRE THE FILING WITH THE PUBLIC SERVICE COMMISSION OF NEVADA THE BENEFICIAL OWNERSHIP OF EVERY SUPPLIER, CONTRACTOR OR SUB-CONTRACTOR WHO DOES BUSINESS WITH ELECTRIC OR GAS UTILITIES IN A DOLLAR VOLUME OF \$25,000 PER YEAR OR MORE.

THIS IS MERELY THE OTHER SIDE OF THE COIN, AND THERE ARE DOCUMENTED INSTANCES OF UTILITIES OWNING CONCEALED INTERESTS IN CONSULTING FIRMS AND CONTRACTORS. THIS MERELY TENDS TO MAKE COMPETITIVE BIDDING NON-COMPETITIVE, AND ALLOWS UTILITIES TO DOUBLE-DIP PROFITS BY PAYING HIGH PRICES TO SUBSIDIARIES WHICH THEY ALREADY OWN.

MR. ORLAND T. OUTLAND'S SUBMISSIONS TO THE LEGISLATURE OVER THE PAST YEARS HAVE BEEN VERY WELL RESEARCHED, AND WE APPLAUD HIM AS THE MAN WHO PRESENTED THE IDEA FOR THIS BILL TO THE 1975 SESSION OF THIS BODY. YOU HAVE BEFORE YOU THE MINUTES OF THE ACR 22 COMMITTEE'S MEETING IN RENO ON JUNE 26, 1980. IT CONTAINS MR. OUTLAND'S 1975 STUDY AND SOME ADDITIONAL REMARKS. THEY ARE OF SUBSTANTIAL IMPORT TO THE REVIEW OF AB 308.

FINALLY, DO NOT LET THE UTILITIES CONFUSE YOU WITH THE OLD SAW THAT THEY ALREADY HAVE TO DISCLOSE BENEFICIAL OWNERSHIP UNDER SECURITIES AND EXCHANGE COMMISSION REGULATIONS. THAT ONLY APPLIES TO AN ENTITY WHICH OWNS 5% OF THE OUTSTANDING STOCK OR MORE. AS OF JULY 30, 1980, MORE THAN 11,000,000 SHARES OF SIERRA PACIFIC POWER STOCK WERE OUTSTANDING. THERE WERE APPROXIMATELY 27,000 SHAREHOLDERS OF THAT COMMON STOCK. SIERRA PACIFIC SECRETARY JOHN PEDERSEN TOLD US THAT THE LARGEST BLOCK WAS SOME 40,000 SHARES HELD BY ANY ONE ENTITY, AND THAT SIERRA PACIFIC MIGHT DISCLOSE THE IDENTITY OF ITS SHAREHOLDERS TO FELLOW SHAREHOLDERS WHO REPRESENT OR OWN 15% OF THE OUTSTANDING STOCK OR MORE.

THE NEED FOR THIS LEGISLATION IS CRITICAL, AND THE LACK OF SUCH A LAW ON THE BOOKS ONLY UNDERSCORES THE RATHER SORRY STATE OF UTILITY REGULATION FOR THE RATEPAYERS OF THE STATE OF NEVADA.

THANK YOU.

MINUTES OF THE
MEETING OF THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE
TO STUDY THE PUBLIC SERVICE COMMISSION OF NEVADA

A.C.R. 22
Reno, Nevada
June 26, 1980

The fourth meeting of the Legislative Commission's Subcommittee to Study the Public Service Commission of Nevada was called to order by Chairman Virgil M. Getto at 10:25 a.m., Thursday, June 26, 1980, in the Reno City Council Chambers, Reno City Hall, Reno, Nevada. Please see Exhibit A for the Meeting Notice and Agenda, and Exhibit B for the Attendance Roster. (Exhibit B also includes two pages of signatures from individuals who were unable to attend the hearing, but wished to support the Coalition for Affordable Energy.)

SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Virgil M. Getto, Chairman
Assemblyman Peggy Westall, Vice Chairman
Senator Richard Blakemore
Assemblyman Tod Bedrosian

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Samuel P. Hohmann, Senior Research Analyst
Jim Spencer, Legal Division
Sheba L. Frost, Research Secretary

Chairman Getto welcomed the public to the meeting of the subcommittee, and introduced the members and staff members present.

Mr. Heber Hardy, chairman of the public service commission (PSC), introduced Mr. George Roen of Cresap, McCormick, and Paget, who discussed the management study of the public service commission completed by his firm.

Mr. Roen stated that his firm has also completed similar studies of public service commissions for the states of West Virginia and California. He said that the scope of his inquiries regarding the Nevada public service commission included the functioning of the three person commission as well as the functioning of the commission's staff, and it included necessary interrelationships that exist within state government between the PSC and other agencies.

Mr. Roen said that the report provides detailed recommendations and an action plan for a modification and strengthening of the statutory definition of the mission of the commission; a need for substantial change in the size and some reorganization of the staff of the commission; a substantial need for the "overhaul" of the state personnel system to which the PSC must comply; the need for the PSC to adopt certain concepts of regulation, specifically processes of generic policymaking; and an improvement in management processes such as scheduling, calendaring, and workload definition.

Assemblyman Bedrosian questioned why the matter of the creation of an office of consumer advocacy was not given more consideration in the report, and asked what the duties within such an office that would "largely parallel" duties already within the PSC as was quoted from the report are.

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Exhibit D

Mr. Roen responded by reading from page 1 of Appendix B of the report: "The scope of this management analysis did not include the conduct of a feasibility study of the establishment of such an office in the state." He added that this was not called for in the commission's request for proposals, nor did his office make such a proposal. And, as to the parallel duties, Mr. Roen said that the responsibilities pursued in the office of consumer advocacy would duplicate activities which are taking place in several parts of the PSC staff, such as the audit, engineering, and consumer divisions.

Assemblyman Bedrosian said in reviewing letters to the consumer division of the PSC, it is apparent that the division does not act in the capacity of a consumer advocate.

Mr. Hardy remarked that it is his position that the PSC should not fund a study to determine if another office is needed outside of the commission. He said that this issue is "beyond the scope of our mandate." Assemblyman Bedrosian said that the PSC is mandated to regulate in the "public interest", and he feels the public is entitled to equal representation in utility rate hearings. Mr. Hardy restated that the commission does not have the authority to create an office outside of the commission. He said that this is something that has to be accomplished by legislation, and the 1979 legislature defeated the concept. Assemblyman Bedrosian remarked that the defeat reflected a strong opposition by the utility lobbyists as well as opposing testimony by Mr. Hardy himself before the Assembly Judiciary and Ways and Means Committees. The assemblyman asked which legislator had requested Mr. Hardy to testify on the bill creating the office of a consumer advocate. Mr. Hardy answered that he did not remember.

Assemblyman Bedrosian commented that as of February 27, 1980, the mil assessment fund had a surplus of approximately \$634,000 which could be used to create the office of a consumer advocate.

Senator Bla'emore stated that the report was comprehensive and made several beneficial recommendations. He emphasized that the recommendations need to be implemented in order that the PSC can better serve the public.

Assemblyman Westall also commended the report on being comprehensive, and asked if the consultant had considered recommending that the PSC staff be used as an intervenor for the public. Mr. Roen replied that the model the assemblyman suggests is not a specific or implied recommendation in the management study. Assemblyman Westall also asked if California and West Virginia had implemented the recommendations of the studies on their public service commissions completed by Mr. Roen's firm. Mr. Roen said that in both states the majority of recommendations were accepted and acted upon. And, Mr. Roen responded to Assemblyman Westall that the study recommends that for an interim period the professional staff be exempted from the state personnel system (this has already been done with the professional staff of the PSC audit division) pending an upgrade of the system. He added that the study also recommends that the three commissioners be exempted from both the Open Meeting Law and the Administrative Procedures Act because these two laws prohibit the commissioners from informal discussions on PSC matters either among themselves,

or with a member of the professional staff responding to a specific issue. Assemblyman Westall said that her response to this problem would be to have five rather than three commissioners. Mr. Roen said this would incur additional costs.

At the suggestion of a member of the audience Mr. Hardy concurred that copies of the management study would be made available in the local public libraries.

The chairman opened the meeting for public testimony.

The first speaker was Ms. Clara Litchfield (please note that not all of the speakers signed the guest list and the spelling of their names is an approximation). Ms. Litchfield supported the concept of a consumer advocate. She also read a notice she had received from Sierra Pacific Power Company, and one her daughter had received which indicated, respectively, that a rate increase hearing was to be held and would be noticed in the newspaper, and the increase was to support the new Valmy plant and power lines into Idaho. She questioned why the consumers should pay for service to another state or for dividends to power company stockholders. She also questioned why all consumers did not receive the same notices, since these matters involve separate proceedings.

Mr. Randolph Townsend said that the consumer would like to have representation within the PSC. He said, "We are looking for someone to represent us as a community."

Mr. Orlandt Outland said that he supported the management study being conducted because since 1975 the public has been demanding such a review in every PSC hearing. He said this is verified in PSC Docket No. 183 transcripts. Mr. Outland, speaking in behalf of Common Cause in Northern Nevada, said that any deviation from the Open Meeting Law in regard to PSC would be resisted. Mr. Outland then read his written statement into the record. (Please see Exhibit C.) During his presentation, Mr. Outland expressed concern about a possible connection between the Sierra Pacific Power Company and the Stone and Webster Construction Company, the latter being the recipient of several construction contracts from the power company. Senator Blakemore said this has also been his concern and he would appreciate any documentation on the matter that Mr. Outland may disclose.

Ms. Marti McHenry stated that in the rate hearings the results are always in favor of the utilities and not the consumers.

Mr. Jim Tuohy said that the power company should conduct an in-house study to review the efficiency of their manpower and use of equipment. He said that he would also like to see the PSC start to represent the public.

Mr. R.M. Hutchins stated that he would like to have the PSC review the matter of the power company's efficiency on generating equipment, so the load can be maximized and used on an off-peak basis to heat domestic water at a lower cost. And, he did not endorse the federal mandate that the utilities should research and advise on the subject of conservation of energy. He felt this was a conflict of interest and could not achieve efficient results.

Mr. Geary Lowery posed the following questions: (1) why do the power bills continue to increase when the consumers are making every effort to conserve energy? (2) Why is the power company allowed a monopoly status? (3) Why is not the consumer considered an adequate representative in rate hearings?

Mr. Larry Sumrall stated that since the power company is a monopoly he could not understand the necessity of the company's spending money to advertise.

Mr. Rusty Rubin said that an alternative to a consumer advocate would be to elect the commissioners of the PSC. He also encouraged the state legislature to act so the PSC no longer gives a "blank check" to the power company.

Mr. Reece Harper, representing the Nevada Farm Bureau, read into the record a resolution passed by the Bureau's 1979 convention: "Due to the lack of expressed or implied interest in the agricultural community by the Public Service Commission of Nevada, the Farm Bureau will make every effort to inform the Public Service Commission of our positions and grievances on matters before it. Legislation should be enacted to establish the purpose and the function of the Public Service Commission. First, to insure efficient management of the companies under its jurisdiction so that operating costs and capital investments per unit of service are minimized; and second, to determine that rates are based on efficient and economical operations and financing so that total costs to all consumers is minimized."

Ms. Joyce Warren questioned if the power company's franchise for operation was constitutional. Assemblyman Westall stated that she understood the only way for the company to become public would be for the state to condemn and purchase the company.

Mr. Jim Mooers asked the commissioners how they can relate to someone in the audience who has an income of \$3000 per year. (Mr. Mooers is the gentleman who submitted the list of names of individuals who could not attend the meeting because of employment, but wished to be recognized for their support of the Coalition for Affordable Energy.) Mr. Hardy responded that he and his fellow commissioners do have empathy for individuals on fixed incomes. Mr. Mooers said if Mr. Hardy does have feeling for these people why was he not in attendance at the June 24 meeting in Reno where Sierra Pacific Power Company was requesting an increase in rates. Mr. Hardy responded that during a major rate hearing, at least two of the commissioners try and attend. He said the purpose of the hearing was to obtain the direct testimony of the power company, the transcripts of which he intends to read. And, he plans to attend the cross-examination hearing which will be held sometime in August. Mr. Mooers said that he did not feel represented at the hearing because Mr. Hardy was not in attendance. Mr. Mooers also asked what the increase would mean in dollar amount to the consumer. Mr. Hardy said that he did not know the exact figure. A member of the audience stated that power bills would be increased by \$42.93 if both increases proposed by Sierra Pacific Power Company were granted. Mr. Mooers also asked the chairman to explain why Senator Thomas R.C. Wilson was not in attendance at this meeting; and he asked if this meeting would assist in negating the two power company rate increases. Chairman Getto said that the interim subcommittee

does not have the power to override decisions of the public service commission. He said the purpose of the subcommittee is to take testimony in public hearings and propose legislation in the 1981 legislative session. Assemblyman Bedrosian also stated that his has been a "lonely voice" in support of the consumer advocates within the PSC, and he encouraged the audience to continue their active participation during the legislative session. He said if the legislators have public input, they do act fairly, and the public endorsement of the concept of a consumer advocate could at some time in the future result in decreased utility rates. And in response to the inquiry about Senator Wilson, the chairman said that he would not speak for the Senator, however, Senator Wilson has not attended any of the meetings.

Ms. Yvonne DeLisle asked if the press would consider noticing meetings regarding the utilities on the front page of the newspapers where the ad could be easily discerned. Assemblyman Westall said that the legislature has requested that their meetings receive notification that is quickly identifiable. She encouraged the members of the audience to write such a request to their local newspapers.

Mr. Lowery spoke again and suggested that a separate commission be formed to regulate just the public utilities.

Ms. Mary Wagoner asked what the public can do to continue their expression of concern over increasing utility rates. Assemblyman Bedrosian said if the public will telephone the Legislative Counsel Bureau during the legislative sessions, the bureau will be able to relate when hearings are to be held on specific subjects.

Mr. Gary Haslam asked how far the public can be expected to live with increasing costs. Chairman Getto said that he serves on another legislative subcommittee which is studying geothermal energy. He said there are alternative sources of energy which would assist in decreasing these increasing costs. However, he stated that much of the progress in development of other types of energy are restricted by federal intervention.

Mr. Hollis Nielsen concurred with an earlier speaker that the personnel efficiency of the Sierra Pacific Power Company needs to be reviewed. Mr. Nielsen said that the consumers have given the power company a "cost-plus" operation.

Mr. Sid Hatfield, a resident of the Reno area since the 1930's, observed that the consumers have paid for the expansion of the power company but have received less and less service. Mr. Hatfield also questioned the residents' having to purchase the proposed water meters for approximately \$300 each, when the retail price of the meters is less than \$100, and none of the other utilities require that the residents purchase their meters.

Mr. Russell Simcoe stated that the stockholders of Sierra Pacific Power Company should be assessed for capital improvements of the company rather than the consumer. Mr. Hardy responded that the initial investment in capital improvements is made by the stockholders, but the capital recovery is made by the ratepayers. However, for the

Valmy plant, the PSC decided that due to the length of time for construction it would be less expensive to allow the initial investment to be included in the rate base and begin the recovery of capital at an earlier point in time. Mr. Simcoe asked if the subcommittee members could pursue the matter of conflicting interests within the ownership of the power company. Chairman Getto said the subcommittee could research their ability to request the attorney general to conduct an investigation of the power company.

Mr. Charles MacRae said that natural gas is the principal source of energy in Nevada. In northern Nevada the gas comes primarily from Canada, and in the past seven years the Canadians have increased the cost of gas at the border from 30¢ to approximately \$4.47 per million BTU. Mr. MacRae said that this increase is why utility bills, both gas and electric, have continually risen.

Ms. Wagoner, who had spoken previously, asked Mr. Hardy if the public comments from this meeting had any affect on his attitude toward serving the public interest. Mr. Hardy answered that the PSC has always welcomed public input at the commission rate hearings. Mr. Hardy reminded the audience that the commission bases their decisions on whether there is an economic basis for the rate increase. He said that during the past years the utilities have rarely earned their authorized rate of return. And, in regard to the comments regarding the personnel inefficiency of the utilities, Mr. Hardy stated that sometimes several individuals are at one worksite because of union requirements. He said that it is his concern and the concern of the other two commissioners that the rates remain as low as possible within the parameters of the statutes.

Assemblyman Bedrosian asked, based on Mr. Hardy's immediate remarks, if he intended not to lobby against the proposal of a consumer advocate during the 1981 session. Mr. Hardy said that if asked to testify he will give his views on matters that affect the PSC, whatever those views may be.

Mr. Robert Fink related that he was told by a representative of the power company that due to a ruling by the public service commission, the power company was not allowed to subsidize any line extensions for development. However, the consumer is asked to pay increased rates to subsidize the capital improvements of the power company.

Ms. Cynthia Fitzgerald remarked that she has asked the power company to advise her on how she can consume less energy. She stated that she has insulated, installed storm windows, placed plastic on her windows, and closed off her fireplace, but the utility bills continue to increase.

The afternoon session of the meeting continued with the public testimony.

Mr. Nicholas Colonna, president of the Northern Nevada Apartment Association, supported the concept of the consumer advocate. He also said that the legislature should insure that the PSC responds to the public.

Mr. Scott Brenneke, a member of the Northern Nevada Apartment Association, also supported the concept of the consumer advocate. Mr. Brenneke suggested that the utilities should have a "cap" on the amount of profits they are allowed; in-

depth studies should be conducted on the actual profits that are made; and financial information of the PSC should be made public. Mr. Brenneke felt that detailed knowledge about the total impact of increased rates on the consumer should be analyzed and made public. Senator Blakemore concurred and stated that all of the workings of the PSC should be available for public record. Mr. Brenneke said that the businessmen of the area are expected to keep their profits below a 15 percent increase in order to assist in maintaining the economy, and the utilities should also keep their profits below this level.

The chairman thanked the audience for their participation and closed the public hearing portion of the meeting.

Dr. Nazir A. Ansari, professor of management at the University of Nevada/Reno, presented a written statement to the subcommittee. (See Exhibit D.)

Senator Blakemore asked Dr. Ansari to comment on the possible efficiency of having the power company divided into two separate jurisdictions. One jurisdiction would be the manufacturer and the other the distributor. Dr. Ansari said that he would have to research the effects of such a division, however, his first observation is that Nevada's population and size are not conducive to that situation.

Dr. Ansari asked Mr. Hardy to explain why he could not accept the idea of a consumer advocate. Mr. Hardy said that his basic concern is that the PSC is established to perform the same duties as are proposed for the office of a consumer advocate. He said that there is no guarantee that the creation of such an office will actually reduce costs to the consumer. He added that during the last few years the percentage increases to residential customers have been lower than to commercial users of utilities. Mr. Mike O'Grady spoke from the audience and stated that Mr. Hardy's statement still does not make the situation between residential users and commercial users equitable because the commercial user can pass his increased costs on his customers and this results in the residential user's paying for both increases.

Continuing with their discussion on the creation of an office of consumer advocacy, Dr. Ansari stated that this office would assist in establishing better credibility for the PSC. Mr. Hardy did not agree and said that this office "would have no affect whatsoever on our credibility."

Chairman Getto asked Dr. Ansari if he would review the PSC management study and make formal comments on it back to the subcommittee. Assemblyman Westall asked if he would specifically consider her suggestion of separating the commissioners' jurisdiction from the staff so the staff would represent the public. Dr. Ansari said he would participate as requested at his own expense. The professor asked that the subcommittee send him a copy of the report along with a letter outlining the specifics of their direction.

Mr. Carl Geiss, speaking from the audience, said that he pays 34.6¢ per day for electricity which provides numerous services for his home. Mr. Geiss said that statements should not be made that Sierra Pacific Power is a "big business" because it is a small utility. He said he supports the power company.

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Ms. Litchfield, who had testified earlier, asked for clarification on the Valmy plant. Mr. Hardy explained that Valmy is owned jointly by Sierra Pacific and Idaho Power and the increases proposed by Sierra Pacific are attributable only to the portion of the plant owned by them.

Ms. Anne Murphy, an attorney representing a group in California entitled "Toward Utility Rate Normalization", spoke next on the concept of consumer advocacy as a consultant to the subcommittee. (See Exhibit E.) She stated that intervention saves money. She said that in the past nine months the group she represents convinced the utility commission of California to purchase gas locally rather than from Canada and this resulted in a savings of \$200 million annually. She said that "sophisticated consumer participation makes sound economic sense." Her presentation made the following points: (1) she knew of no jurisdiction that requires the shareholders to bear the cost of the utility's participation in rate cases; thus, the rate the consumer pays includes this cost; (2) one cannot expect the public service commission to adopt the viewpoint of the consumer as the agency is mandated to represent the views of all ratepayers; (3) additionally, representation of the residential interest by the cities and counties is not adequate because there is an inherent conflict of interest as these entities must also represent the corporate interests; (4) there are three methods of funding public groups which are generally utilized -- public counsel, an office of consumer advocacy, or direct funding of public participants; (5) another area of funding is the Public Utilities Regulatory Policy Act (PURPA) which provides provisions for consumer representation, wherein included are statements on compensation for public participation; (6) another piece of federal legislation called "The Energy Conservation and Production Act" provides federal assistance to a state office of consumer services which assists the representation of consumer interests with regard to matters before an electric regulatory commission (the deadline for filing for these monies in this fiscal year is July 15); and, (7) another source of funding could be unrefundable refunds from refunds previously made.

Mr. MacRae, who had participated earlier in the public hearing, now spoke as executive vice president of Southwest Gas Corporation. Mr. MacRae said that he opposes the concept of consumer advocacy and stated that there are three sources of funding for such an entity: (1) taxpayers; (2) utilities; and (3) ratepayers by voluntary consent. If funded by taxpayers, the state is in the difficult position of supporting one special interest. Funding by the utility is a "singular affront to the first amendment" as this requires the company to fund anyone who opposes their viewpoint. Voluntary funding by the ratepayers is the most desirable because it does not involve the problems of the other two options, Mr. MacRae concluded. Ms. Murphy asked if the utility passes their rate case costs on to the ratepayers. When Mr. MacRae responded that all revenue utilized by the utility is generated from the ratepayers, Ms. Murphy inquired why the ratepayers should not benefit from the same right of petition compensation since the consumer bears the final costs. Mr. MacRae replied that he did not believe that anyone petitioning his government for redress of grievances should have to fund his opposition.

Assemblyman Bedrosian remarked that Mr. MacRae's statement is not a fair response to the consumers. Ms. Murphy added that in other states votes in the legislatures on this issue "have turned on the concept of fairness," and she hoped the Nevada legislature would give the same consideration to the matter.

Mr. Noel Clark of the Nevada department of energy made the next presentation to the subcommittee. (See Exhibit F.) The text read into the record by Mr. Clark outlines the department's plan to implement the federal National Energy Policy Act of 1978. The plan emphasizes residential conservation.

Assemblyman Bedrosian asked Mr. Clark how he felt about the establishment of a consumer advocate. Mr. Clark said that he believed the money spent for an agency of consumer advocacy might be better spent strengthening the PSC staff. He did support the suggestion of the management study which purported a further separation of the commissioners and the staff. He said this would result in better representation of all entities involved in rate hearings.

Mr. O'Grady, who testified earlier, asked Mr. Hardy how he could co-generate with the power company. Mr. O'Grady said that he would be utilizing a portion of the electricity and would like the remainder to be transmitted directly into the utility grid. Mr. Hardy said that hearings by the PSC will be held in October 1980, on co-generation to determine a method to pay for generated electricity from a co-generation system. Mr. Patrick Fagan, deputy commissioner for the PSC, said that the hearing will be held in October and a rate will be set by March 20, 1981. The rate will be determined by the utility and the co-generators.

Mr. Kelly Jackson, deputy director of the Nevada department of energy, commented on the conservation plan presented earlier by Mr. Clark and said that the legislature has an obligation not only to reduce the burden to the consumer of the increasing costs of energy, but also to develop incentives to stimulate research and development of other types of energy, conservation, and renewable resources.

Mr. Hardy said that the commissioners would assist the subcommittee in drafting any legislation that is a result of the management study.

Chairman Getto asked Commissioner Janet MacDonald how she felt about the creation of an office of consumer advocacy. Ms. MacDonald said that she supported the concept during the 1979 session, because no attorney can currently appeal the PSC decisions in court if representing the residential customer. She stated that she would like for the subcommittee study to give some direction to the PSC in this area. Ms. MacDonald also commented on placing the cost of the Valmy plant in the rate base at this time rather than in the future when the plant becomes operational. She said that this was done because the plant will double the size of the utility and such a major investment for a small company requires substantial cash flow which would not be available if the utility had to wait five years for incorporation of costs into the rate base. She suggested that the legislature may consider mandating that the PSC can no longer make this type of decision in any future instance.

Assemblyman Bedrosian commented for the record that Ms. MacDonald has always been sensitive to the needs of the consumers.

Commissioner Roger Bos said he supported the management study, and in regard to the idea of a consumer advocate, he would give preferable priority to using any available funds for strengthening the staff of the PSC. Chairman Getto commented that he did not understand how a "dollar and cent" value could be placed on an office of consumer advocacy because of the major increase in credibility the office would give to the PSC.

Chairman Getto asked for a motion on the minutes of the previous meeting:

Assemblyman Westall moved to approve the minutes of the March 21, 1980, meeting.

Assemblyman Bedrosian seconded the motion.

The motion carried.

Mr. Hohmann briefly reviewed the "Worksheet" he had prepared which outlined five areas that have been considered by the subcommittee during its hearings. (See Exhibit G.) There areas of study are:

1. Competitive Bidding
2. Consumer Advocacy
3. Management Audits
4. Management of the PSC
5. Conservation and Renewable Resources

The subcommittee members decided that they would not give further consideration to the first issue on competitive bidding. Mr. Hohmann said that for the next meeting he will prepare individual analyses of the subjects listed under the other issues which the subcommittee can review for possible legislation drafts.

The chairman asked staff to poll the members of the subcommittee by telephone and arrange a date for the next meeting.

There being no further business, the meeting adjourned at 5:05 p.m.

Respectfully submitted by:


Sheba L. Frost, Research Secretary

APPROVED BY:

Assemblyman Virgil Getto, Chairman

DATE: _____

STATE OF NEVADA
LEGISLATIVE COUNSEL
LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

EXHIBIT A



COMMISSION (702) 885-5427
SEN. DONALD R. NELLO, Chairman
SEN. FRANK W. JARVIS, Senate Floor Analyst
SEN. ANDREW P. CAUSE, President Director (702) 485-1687

ARTHUR J. PALMER, Director
(702) 485-1627

FRANK W. JARVIS, Senate Floor Analyst (702) 485-1627
JOHN A. CROSSLEY, Legislative Analyst (702) 485-1627
ANDREW P. CAUSE, President Director (702) 485-1687

MEETING NOTICE AND AGENDA

LEGISLATIVE COMMISSION'S SUBCOMMITTEE TO STUDY THE
PUBLIC SERVICE COMMISSION (A.C.R. 22)

Date and Time: Thursday, June 26, 1980, at 10:00 a.m.

Place: Reno City Council Chambers, Reno City
Hall, South Center and East Liberty,
Reno, Nevada

Agenda:

- 10:00 a.m. 1. Call to Order and Approval of Minutes --
Assemblyman Virgil Getto, Chairman
- 10:15 a.m. 2. Staff Report --
Samuel F. Hohmann, Senior Research Analyst
- 10:30 -
12:00 noon 3. Public Comment
- Noon LUNCH
- 1:00 p.m. 4. Rate Setting and Rate Enforcing --
Nazir Ansari, Professor of Managerial
Sciences, College of Business Administration,
U.N.R.
- 1:30 p.m. 5. Consumer Advocacy --
Anne Murphy, Consultant
- 2:00 p.m. 6. Conservation and Alternative Sources --
Kelly Jackson, Deputy Director,
Nevada Department of Energy
- 2:30 p.m. 7. Public Service Commission of Nevada Management
Study
- 3:00 p.m. 8. Work Session
- 3:30 p.m. 9. Direction to Staff
- 4:00 p.m. 10. Adjournment

SFH/slf
ACR 22
6/25/80

EXHIBIT B

DATE:

TESTIFYING?	NAME	ORGANIZATION & ADDRESS	PHONE
	Joe Mc...	1099 - ...	323-194-
	Ruby Rubin	P.O. Box 60043 - ...	572-777-
	Mr. + Mrs. H.R. ...	R.P.E.N. ...	740-194-
	Mr. ...	3250 ...	5970-
	Mr. ...	2375 ...	849-057
	Mr. ...	237 - ...	251-237-
	Leon ...	995 ...	373-446
	Muriel ...	995 ...	373-446
	Bernice ...	2125 ...	925-712
	...	455 ...	325-85-
	...	175 ...	322-572
	...	2722 ...	747-672-
	...	501 ...	322-...
	...	355 ...	786-23-
	...	1692 ...	747-407-
	...	344 ...	359-75-
	...	260 ...	357-28-
	...	1682 ...	331-52-
	PEGGY ABRAHAMSON	" " " "	" "
	...	3627 ...	786585
	...	" " " "	" "
	...	2337 ...	none
	...	2337 ...	
	...	" " " "	" "
	...	2071 ...	-
	...	1945 ...	825-150

DATE:

TESTIFYING?	NAME	ORGANIZATION & ADDRESS	PHONE
	[Faint Name]	UNR	[Faint Phone]
	[Faint Name]	UNR	[Faint Phone]
	Archie DeSole	Housewife	825-870
	Pat & Springfield	Scenic Pacific Tourist CO	789-4560
	[Faint Name]	[Faint Address]	[Faint Phone]
	J.P. Tuckey	Homeowner	[Faint Phone]
	[Faint Name]	[Faint Address]	[Faint Phone]
	Jill Campbell	Teacher	747-7237
	[Faint Name]	Teacher	[Faint Phone]
	Mary Karpchuk	1195 Casa Linda Dr. Petaluma	767-5539
	[Faint Name]	[Faint Address]	[Faint Phone]
	[Faint Name]	[Faint Address]	[Faint Phone]
	Glen E. Wilson	101 Keystone Blvd.	322-8290
	[Faint Name]	[Faint Address]	[Faint Phone]
	D.W. Anderson	292 Kestrel St Petaluma	323-4400
	S. SCHLIMMISKI	1600 E. 16th St. Petaluma	777-7400
	Clara Littlefield	1175 [Faint Address]	177-1100
	Wm C & Frances [Faint Name]	615 Alameda St E	825-7350
	[Faint Name]	191 [Faint Address]	[Faint Phone]
	[Faint Name]	[Faint Address]	[Faint Phone]
	[Faint Name]	[Faint Address]	[Faint Phone]
	R. Shaw	31 E 2nd Street - Petaluma	577-88
	[Faint Name]	[Faint Address]	[Faint Phone]
	[Faint Name]	[Faint Address]	[Faint Phone]

DATE:

TESTIFYING?	NAME	ORGANIZATION & ADDRESS	PHONE
NO	[unclear]	2550-47th St K 240	747-311
NO	[unclear]	575 N. [unclear]	323-311
NO	[unclear]	[unclear]	[unclear]
NO	Carlene Buckley	1890 Ines Ave.	747-4214
NO	Lillian Palmer	1095 Kings Row Road	747-310
NO	Gloria Harris	1455 Wesley Dr. Reno	747-234
NO	J. J. [unclear]	2870 KETZLER LN #10	735-111
NO	H. H. [unclear]	315 Haultw. [unclear]	327-711
NO	[unclear]	Box 3457 Reno NV 89502	322-151
NO	Marta [unclear]	11741 [unclear] St. Reno	977-111
NO	[unclear]	[unclear]	[unclear]
NO	G.H. Firestone	420 E 7th St. Reno NV 89512	323-511
NO	[unclear]	420 [unclear] Reno NV 89511	747-111
NO	Kenneth Huron	720 THOMA St. Reno NV 89502	786-575
NO	T. FISHER	#10 15th St. Reno 89508	329-974
NO	[unclear]	[unclear]	[unclear]
NO	Gene Duvilla	1030 Joshua Dr	322-111
NO	Ann [unclear]	1735 [unclear] Reno	[unclear]
YES	BOBBE HARPER	WATSON CO. FARM BUREAU	322-812
NO	[unclear]	8715 Franklin [unclear]	[unclear]
YES!	Laura [unclear]	895 [unclear] Reno	786-311
NO	Larry Solinski	2212 Glen Vista Dr Sparks	[unclear]
NO	Ron [unclear]	625 [unclear] Reno	822-511
NO	Louise Peck	5350 [unclear] Reno	673-111
NO	Marty [unclear]	1575 [unclear] Reno	323-471
NO	[unclear]	450 [unclear] Reno	325-711

ACR 22: PUBLIC SERVICE COMMISSION STUDY

DATE: 6/26/80

TESTIFYING?	NAME	ORGANIZATION & ADDRESS	PHONE
✓	Frank [unclear]	1005 [unclear] St. Reno	[unclear]
	Wm J FISHER	5014 Tenthon St. Reno	773-3333
	Eric C. B. Saunders	1397 Chapel Rd. Reno	329-1422
	David M. Williams	15-N. [unclear] St.	329-994
	Ernie [unclear]	101 [unclear] St. Reno	513-1111
	Bruce Miller	1901 2nd St. Reno	825-9057
	Maryann Saunders	15150 Brown St. Reno	747-3752
	Agnes [unclear]	1435 Tasson Dr	747-0171
	Kath [unclear]	2322 Auburn St. Reno	323-8871
	Laura [unclear]	2016 [unclear] St.	927-2111
	Ernie Miller	1750 [unclear] St. Reno	352-4211
	Ramona [unclear]	2321 [unclear] St. Reno	322-8361
	Walter E. Swanson	3817 [unclear] St. Reno	623-3011
	Bill Wells	51 [unclear] St. Sparks	831-1422
	Gene [unclear]	745 [unclear] St. Reno	747-3752
	Edith [unclear]	807 [unclear] St. Reno	747-4833
	Max [unclear]	725 [unclear] St. Reno	747-6811
	Ed Wolf	3485 [unclear] St. Reno	323-5361
	Henry [unclear]	1540 [unclear] St. Reno	322-0571
	Barbara [unclear]	1349 [unclear] St.	323-7511
	[unclear]	[unclear]	[unclear]
	[unclear]	[unclear]	[unclear]
	Edward [unclear]	4820 [unclear] St. Reno	826-2062

A Petition

June 25, 1980

We the undersigned former employees of
 contract, agree with and support the
 Coalition for Affordable Energy.

We could not be at the meeting
 of the Joint Legislative Subcommittee
 on June 26, 1980 because of our work
 schedule.

31

Name	Address
Ronda Cattel	2598 Herold Pl Sparks NV
David S. [unclear]	2300 18th St Sparks
Thomas W. Brooks 2 Buns	1555 N. Sierra #140 Reno
Linda Manley	1830 King Edward Dr. Reno
Sharon [unclear]	1245 E 7th Reno
Sandy Purcell	487-B E. Lincoln Sparks
Michael James [unclear]	1474 Koto Dr Sparks
Janet S. [unclear]	2250 B Camille Dr Reno
Clara [unclear]	6090 Smokey Canyon Sparks
Tom Wood	5345 Corral Dr. Sparks
Mr & Mrs J. H. Chamberlain	265 Emerson Way Sparks
Cathy [unclear]	710 Redwood Reno
Paul [unclear]	3270 Everett Reno
Debra [unclear]	2920 4th St Sparks
Gina Serrano	1690 Merchant #51 Sparks
Paul [unclear]	1465 [unclear] Sparks
McAllister	1654 2850 Springfield Sparks
K Butto	1077 BRINBAT Reno 89509
Nancy G. [unclear]	410 Smilridge Reno 89502

Name	Address	City	State	Zip
B. McNamee	251 Gallison	Spokane	WA	89431
Ed. Linton	6255 Litchfield	Spokane	WA	89431
James C. Russell	511 Roberts #12	Spokane	WA	89431
W. J. Baggins	15 Sydney Dr	Spokane	WA	89431
John B. Baggins	1270 Parkwood Dr	Spokane	WA	89431
John B. Baggins	6500 Litchfield	Spokane	WA	89431
Jack Borman	6200 Dutch Flat Rd.	Spokane Valley	WA	89431
Erin S. Borman	1059 1/2 C St	Spokane	WA	89431
Donald R. Borman	4135 Cassin	Spokane	WA	89502
Richard Borman	2244 Baggins	Spokane	WA	89431
Bill Borman	101 Baggins	Spokane	WA	89431
Erin Borman	669 Apple St	Spokane	WA	89431

EXHIBIT C

COMMENTS OF CONSUMER ORLAND T OUTLAND
BEFORE THE NEVADA LEGISLATIVE COMMISSION
SUBCOMMITTEE TO STUDY THE PUBLIC SERVICE COMMISSION (A.C.R. 22)
ON 26 JUNE 1980

Mr Chairman, members of the committee, my name is Orland T Outland. I live at 2675 Valmar Place, Reno, where I have resided since 1969. Since 1975 I have made numerous appearances before the Nevada Public Service Commission (PSC) in the various capacities of an individual consumer, the president of a consumer group, and finally as an individual intervenor. I also have appeared before various committees of the legislature on consumer matters.

The charge to this subcommittee in A.C.R. NO. 22 is far-reaching and implicitly without limitation; it is explicitly without limitation in its examination of the relation of the PSC to utilities and the public. An incomplete list of matters that need addressing in this review would, in my opinion, include:

1. Examination of ownership of utilities. At the present time the law states that no commissioner of the PSC may hold an equity interest in a regulated utility, but there is no way of knowing who owns how much of what stock in what utility.
2. Examination of utility rate-setting.
3. Interlocking ties of directors of major businesses, banking institutions, and oil and gas industries.
4. Possible hidden relationships with gas and oil suppliers.
5. Better representation of consumer interests. The consumer interests I mean are residential consumers and civil entities such as city and county governments. Some corporate users have representatives sitting on some utility boards of directors and their interest are directly represented by virtue of those board positions.

In April 1975, in an appearance before a Joint Legislative Committee on Nevada Public Utilities I made some suggestions as to what one utility, the PSC, and the legislature could do. Some of those suggestions are still timely while others are not; I reiterate those suggestions today by providing you a copy of those remarks.

But what especially is needed is an avenue for the average residential consumer to voice his concerns and an agency with the capability to represent that constituency.

Consider the plight of the average wage-earning home-owner. He does not know and cannot be expected to know or understand "rates of return," "costs of capital," or "costs per kw-h" nor can he be expected to lose time from his job to gain that knowledge. On the other hand corporate users are conversant with such terms and have the manpower in-house to protect their interests. The residential rate-payer appears before the PSC in a frustrated and confused state and often his arguments are made light of by the utility, and the PSC commissioners and staff. I will limit myself to citing three cases for your attention, docket numbers 183, 732, and 2151.

In docket no. 183, filed February 3, 1975, the Sierra Pacific Power Company (SPP), as it does in most rate increase applications, produced a list of other utilities having a same or higher rate of return (a Salomon Brothers report) to assist in the justification of its own rate of return. I developed a similar list, but my list named utilities who had a lower rate of return and who were still operating. On 9 May 1975 I discussed this list with the staff counsel of the PSC at the offices of the PSC in Carson City and I was asked by that counsel if I had a background in finance -- could I present and document myself as an expert in rate of return or cost of capital. I said I could not, that I was not even attempting to suggest I was an expert witness in finance. What I was doing was producing information developed by experts and available publicly in order to rebut a single document of SPP; the data had been published in an industry related publication and I was merely reporting facts of record. I have included that list in the papers provided you. That counsel then told me I would not be able to present my rebuttal as I was not an expert in the field of finance and if I attempted to present the figures he would cut me off in the hearings. I was at that time the president of a consumer group that had filed as an intervenor in the case and, in effect, the PSC was telling me, an intervenor, I could not make the presentation I wanted. Our group was emasculated on the spot. Had we been working with an agency of consumer advocacy such as was proposed in A.S. 364 in February 1979, we could have forced the issue with better representation.

In docket number 732, on 2 May 1977, I presented a paper on the Valmy project. Considerable time was spent in researching Federal Power Commission papers, reports of Moody's and Standard and Poor, and the environmental impact study on the project (which, by the way, was prepared by a manufacturer and supplier of electric generator equipment, Westinghouse, based on information

provided by the applicant, SPP) and many other documents. Part of my presentation questioned the need for both those plants in light of agreements among utilities to share generated electric power and a questionable market demand; for one thing projections included providing power to a proposed Disney project that had an uncertain future as well as other uncertain markets. I draw your attention to a recent power outage in the entire SPP service area. According to press accounts, at the time of that outage SPP was providing its entire service area with purchased power because, as stated by a SPP representative, it was cheaper than the power SPP could generate. But the bulk of the rate is set by what it cost SPP to generate it; if the purchased power is cheaper than why are we being billed for fuel adjustment costs for fuel that is not being used? Where is our rebate for the savings in purchased power? How often does this occur? Who realizes the profit? In the Valmy case I believe there was not a critical examination by the PSC as to whether overbuilding of power plants was occurring in our region of shared service. I attach my paper presented in that hearing and some news clippings concerning overbuilding.

In docket number 2151, filed 10 April 1979, I filed as an intervenor and presented a substantial paper. I believe I set a precedent by requesting intervenor status as a residential homeowner. I filed all my papers timely, and did considerable research in order to present a factual as well as substantial paper. That paper is before you. When I appeared for the hearing when SPP presented its case, the commissioners did not have before them my petition to intervene although that petition had been granted; the applicant, SPP, had to verify my filing. I cite this as some indication of the interest given to the average protesting consumer. In my paper I documented the return on common equity and the cost per kilowatt hour of many other utilities in an effort to show that SPP's return and cost were both too high. I raised the point for a reduction in the allowed rate of return, an item allowed in the PSC's NOTICE OF HEARING, of which there is a copy attached. However, the chairman of the hearing stated flatly he would not permit that area to be addressed at the hearing. Plainly, the chairman was in conflict with a policy statement of the PSC, but there was little that I as a consumer with no legal staff could do to rebut that ruling.

It is also my opinion that the PSC has not sufficiently examined the

ties between the firm of Stone and Webster (S&W) and SPP from the time SPP spun off from S&W and the ties between S&W and the Canadian government concerning S&W gas interests in Canada; that inquiry should include S&W's gas interests in the Southwest United States. SPP states the main reason for increased natural gas costs is an increase in gas costs from Canada. When I first appearing before the PSC, SPP was using financial consultants from S&W to support the presentations; after I raised the question of the S&W/SPP/Canadian relationship, S&W no longer appeared as consultants; however, one of the former consultants is now an officer of SPP. I attach a copy of a letter I sent to Governor O'Callaghan on 17 May 1975 concerning this matter.

I believe there should be a bar to the holding of any equity interest in "street name" of brokerage houses, by nominee, or in trust accounts without identifying in the same line listing the name and address of the beneficial owner; this recommendation is set forth in detail in my paper on Docket No. 2151, pg 13, item 8. This should apply to every utility in the State of Nevada. A law barring ownership of stock in regulated companies by the regulators is meaningless if there is no way to determine if the law is being obeyed; the law is unenforceable and a charade for the public. Stockholder records should be open to scrutiny by the public as not only the regulators and their families and friends may hold the stock, legislators setting the rules for the regulators may also be stockholders. An office of consumer advocacy should have among its charges the right and responsibility to review those records.

It is my opinion that the interests of the average consumer is not being represented in rate increase hearings before the Nevada Public Service Commission. Witnesses are treated civilly, but little weight is attached to their testimony as it does not and cannot address the technical issues of the case at hand. Further, the relatively low wage scales for PSC staff has in the past encouraged has encouraged some staff to leave PSC for better paying positions elsewhere and a continuity of competence must suffer under such a condition.

In summary, I urge you to take, or cause to be taken, the following actions:

1. Support an office of consumer advocacy established by legislation.
2. Examination critically SPP's relationships, direct and indirect, with suppliers of equipment, fuel, and supplies.
3. Establish a ceiling on the return on common equity for regulated utilities.
4. Require beneficial ownership listing of utility stocks, bonds, & notes.

I thank you for allowing me to appear.

[The main body of the page contains several lines of text that are extremely faint and illegible due to heavy noise and low contrast. The text appears to be organized into paragraphs, but the individual words and sentences cannot be discerned.]

REMARKS BY MR ORLAND T OUTLAND,
OF CONSUMER ACTION OF NORTHERN NEVADA (CANN),
BEFORE THE JOINT LEGISLATIVE COMMITTEE
ON NEVADA PUBLIC UTILITIES,
ON 8 APRIL 1975

I am Orland T Outland, President of CANN, (Consumer Action of Northern Nevada;
I reside at 2675 Valmar Place, Reno, NV, 89503. Further, I am retired military.

Mr Chairman, gentlemen of the Committee: first and foremost, I wish to thank
you for the opportunity to appear before this committee to present some con-
sumer views on the operations and rates of utility companies.

I must state at the outset that I am a lay person with some business background,
some background as a small investor in the market, and some research background,
but I am by no means representing myself as an expert witness on utility
companies.

First, I would like to give a very brief exposition on how increases in rates
affect the consumer. To do this, I have selected myself as a case in point,
solely to have specifics to discuss and so as not to intrude upon the privacy
of others. I have appended charts on the following figures so that the impact
may be seen more readily.

On gas usage, I took 1971 as a base year.

In 1972, my therm increase was 2.3952% and the dollar increase was 4.27807%.

In February '73 over February '72, I used one therm less, and my dollar
increase was \$.03.

In '74 over '73, my therm usage was a minus 6.47068%, but my dollar
increase was 11.06677%.

In February '75 over February '74, my therm use was up 7.36716%, but my
dollar increase was 21.27496%.

In one month - March '75 over February '75, the therm increase was 2.92397%, and my dollar increase was 8.01139%

Feb '75 compared to Feb '72: my therm usage was the same: 171, but my dollar increase was 35% (34.95726%).

Taking March '75 over February '73, therm usage was increased 3.52941%, but my dollar increase was 45% (45.45842%).

My therm usage stays fairly constant, but as you can see, my bill is leaping in cost.

For the electric usage, I took February '74 as a base.

February '75 over February '74 I had a MINUS 1/2% (.47328%) in KWh used, but my dollar increase was 11.11951%.

March '75 over February '75 I had about 1/2% increase in KWh used (.57306%), but my dollar increase was 2 1/2% (2.49271%).

However, March '75 over February '74 shows an increase in KWh used of 9/10ths of 1%, but my cost is up 14% (13.96688%).

As for water, in two years my cost has gone up 25%, and the last increase was in March '75 when usage is down (no lawn watering, etc.).

Now, the last pass-along increase raises my bill 6.7%, not including water costs. Sierra Pacific Power (SPP) stated in a news release dated March 21st that we may expect 16 more increases through 1976 and yet other rate hikes amounting to an additional 10%. Projecting 16 increases against my bill at 6.7% each, in less than two years my bill would reach \$183.15, then adding the additional 10% mentioned, my bill would become \$203.67, an increase of 210.47256%, or the equivalent of payment on a 28 year mortgage @ 8 3/4% on a \$25,500.00 home, and in fact would cost me 16.61608% more for gas and electric than my present mortgage.

I think we must differentiate a reasonable profit and a maximum profit. It appears the utility industry is seeking a maximum profit in total disregard of the consumer. A reasonable profit is certainly acceptable. But in the utility field, all the comments of accounting firms catering to that industry, officers of the industry, and consultants to those firms notwithstanding, the risk of capital is low. Where risk is great, return usually is great (vide the roulette wheel). Or another lay example I may deposit as little as \$100.00 in a national bank or savings & loan association and get a return of 4% or 5% on my money. I may take the same \$100.00 and put it in another S & L and get 7% return on my money. In the first case, accounts are insured by FDIC or FSLIC whereas in the latter case, accounts are assured by a limited group of S & L Associations and the risk is higher.

Utility companies do not have to develop a market; they do not have to create an exceptional product; and they do not have to worry about the market getting away from them. They function for the most part as monopolies with rates of return set by government and not necessarily by competition or efficiency. Capital is not at risk. The product is always in demand. The return on investment should not be high. Yet yields are high and growing. Average yields on Standard & Poor's composite index is 5% whereas S&P's yield is 9.2%, certainly well above average and classed as high per se. The industry is snaking up on us, as the following figures will show: (from Moody's, the industry bible)

<u>AVERAGE UTILITY YIELD</u>	<u>GAS DISTRIBUTORS</u>	<u>P/E RATIOS</u>
1964: 3.15%	3.35%	20.1
1971: 5.67%	6.21%	11.8
1972: 6.07%	6.63%	10.4
1973: 7.06%	6.74%	9.4

According to a press release of March 24, a Congressional survey indicates that

Last year electric and gas bills jumped nearly \$10 BILLION, with more increases coming. That should help the profit and earnings picture, such as we see with SEP. Earnings per share have risen from \$.33 a share in 1964 to \$1.60 a share in 1974, almost doubled (92.77108%). The dividends have risen in the same period from \$.30 a share to \$.89, or an increase of 78% (for the past three quarters, the dividend has been at \$.23 per share a quarter, or \$.92 a year, up 80.39215%. In 1971 the dividend yield was 4.5% with a P/E ratio of 13; in 1974, the yield was 9.2%, with a P/E ratio of 6. In three years the dividend has jumped 104.444%. In other words, one is either earning twice as much, or paying half as little.

We note also from company statements that 13% (12.92696%) of SEP's customers are "preferred rate" customers; that means the rest of us are carrying part of someone else's load.

What can be done. Specifically, several things -- some by consumers, some by industry, and some by government.

Outside of exceptional capital expense (and for the average consumer, I class re-insulation and insulated windows and doors as exceptional capital expenses) about all that remains is husbanding energy (turn out certain lights, control thermostats, reduce the use of convenience appliances).

However, this affects company revenues; reduced usage is reduced income. A paradox, as reduced usage results in reduced company revenues results in increased rates. But certainly much of that approach is in order for the consumer. Where the consumer can afford it, heavier insulation and thermostats are in order although savings and costs would be amortized over many years and we would have to spend a dollar to save a dime.

Companies can go back to looking for lower profits; they should get out of money markets where they do not belong.

They can participate in such programs as taxing peak-load usage and perhaps developing time-clock meters for lower rates in non-peak hours, as is being tested in Vermont.

They can seek greater efficiency in manpower and use of equipment.

They can stop capital investment in excessive producing capacity.

They can eliminate interlocking directorships with financial and allied industries. Once there was, or still is, a Federal Law prohibiting such interlocking.

They can reduce research and development in archaic forms of power; perhaps they should seek alternate sources such as solar energy and wind developed power, and become producers and servicers of such equipment.

They can publicize their director and stockholder lists with specific exposure of those stockholders who do business with them.

They can feed pressure back through suppliers for lower costs in supplies, materials, and money.

They can divest themselves of holdings that do not relate directly to the production of energy. A question has been raised of me as to the relationship of LANDS OF SIERRA to SEP and in what way is it given dollar sustenance by the power company. The question is still under inquiry, but inquiry by your committee may be more appropriate.

The companies can eliminate preferred customers.

They can analyze rate inversions: in inflationary periods and in times of energy crisis, why should large users benefit by increased usage.

They can consider "lifeline" rates for lower or fixed income people, i.e., developing what is the minimum essential power consumption required

to maintain life and health, and build its rates from that level. They can seek better and tighter contracts from their suppliers that will give continuity over greater periods. As long as these so-called 'pass-alongs' are permitted, we will have a cost-plus approach, an open-ended contract as it were, to abuse the consumer of his (or her) last dollar. Businesses like SERP will not be too concerned as their profit margins will remain unaffected.

Government can do much more.

It can enforce the above suggestions.

It can strengthen its watch-dog role.

Definite rules for rate-making should be developed and periodically up-dated. I understand that whatever rules now exist, stem from 1934, and that specific ground rules for utilities, for the PSC, and for intervenors are quite hazy, if not non-existent.

Members of the legislature and their firms should be prohibited from appearing before the PSC. This is probably a sore point, but there is a direct conflict of interest as the PSC is an arm of the legislature. I have been told that in one Eastern State in 1970, power companies paid \$200,000.00 to law firms of members of that State's legislature. You should make an inquiry to determine if that conflict of interest is present in this State and if it is, eliminate it.

The PSC should be re-organized with the actual commissioners functioning as a quasi-judicial unit and the PSC staff separate from their supervision and control. (Something on this order was done with the CAB). The PSC Staff could function as advocates-general, similar to district attorneys, and develop information independently

for presentation before the commissioners. The public and consumer interests would be better served. That staff should be enlarged and given the capability of analyzing critically utility company requests and statements.

Commissioners should serve for limited periods and, perhaps, even stand for election rather than being political appointees.

Government can strengthen building codes and require increased insulation in buildings at time of construction.

It can require that no change be made in utility rates, operations, or accounting methods without a formal, public hearing. There is a rumor afoot that a formal ruling by the PSC affecting SEP's depreciation accounting was reversed by an informal, unpublicized ruling. Also, utilities want purchased gas and electric cost adjustment without hearings, with some provision for refunds; they are heavy on the refund side, but they are quite specific on the unpublicized cost increase side. We are thus involved with the use of money: the company takes it from the consumer, has the use of it, and maybe gives part of it back. But the interest or value received by that money is retained by the utility and the consumer is deprived that benefit.

The legislature should amend 704.530 of the NEVADA REVISED STATUTES to prohibit companies from obtaining injunctive relief of rate increase request and authorize injunctive relief, under bond, only in rate reduction rulings. NRS directs timely entry on the court calendar for such cases, but the final judgment of the court may take many appeals and many years, and again the utility has the use of the consumer's money.

You can disabuse the utilities of the term "pass-along". Increased fuel costs are operating expenses and should be thrown into the bucket with the rest. What a delightful way the utilities have of side-stepping any absorption of additional cost if they are permitted to continue this practice.

Rate request should be fixed specific 12-month, year-end figures, whether calendar, fiscal, or otherwise.

Government should require periodic outside management review of proper and efficient operations of utility plants, at company expense. The reviews should be made public.

Utilities should be more open to public inquiry. Even though some are classed as "private industry", they serve it and benefit from the public interest; they profit from the public interest; and they should be totally open to public inquiry.

In summary: I do not believe people are against profit; such accusations are more in the province of the profiteer who seeks to justify excessive profits. I come back to my long standing premise: too many businesses seek a maximum profit rather than a reasonable profit. When a monopoly, providing a service without competition, can double its earnings in 10 years, and seeks to increase them further, we are not talking about a reasonable profit.

Many are concerned with the so-called threat of socialism, but SFP, for example, has the best of both worlds: a private profit system wherein there is no exceptional demand for efficiency, and a rate structure and a return set for it by government. Under these terms, one may be inefficient, but profitable. And extra vigilance is required of government.

We are, I believe, in the midst of a turning-point in economic history.

Business demands bigger profits and pays less taxes, and the consumer is realizing that that profit and those reduced taxes are at his expense; he is becoming wiser and more knowledgeable. He knows something is wrong, but cannot yet articulate his misgivings. But he will, and he will do it sooner or later at the ballot box.

As long as 'pass-alongs' are permitted, again, businessmen like SEP will not be too concerned as their profit margins will remain unaffected. But there is limit to what the consumer can bear. SEP seems to orphan the golden egg as demand will increase for greater controls on it, and barring proper satisfaction, finally demand for public ownership and operation.

We must turn around the 'pass-along' psychology; as individuals have limited impact with a single voice, businesses such as SEP must help stem these constant increases in prices and help make all businesses aware, and particularly the oil industry, that lower, not higher profits are in order to help stabilize the economy world-wide. Capital can feed capital only so long, then it becomes cannibalism, and we all suffer.

The legislature should broaden its role to include surveillance of the consumer's interests. Bill 275 reads as though it were drafted by utility companies. There are no clauses directing inquiry into rate hike impact on consumers, and City, County, and State agencies; on reasonableness of rate hikes; or on rates of return to utility companies. But...any start is a good start.

I urge you to address these problems on a serious and continuing basis.

Your constituency is most distressed.

(NOT PERMITTED TO PRESENT THIS IN A PUBLIC HEARING BEFORE PSC BY MIKE
 SOUTHERNLOTIS IN CARSON CITY THE MORNING OF MAY 9th, 1975, RELATIVE TO
 ROCKET #183

1974 Rate Energy		Rate MILL	Return on Common Equity	RETURN ON COMMON EQUITY OTHER INDUSTRIES (1974)
12.0	Arkansas Missouri Power Co	356411722	742	
12.6	Benson Hydro-Electr	21162807	637	AIRLINES 7.5
12.3	Blackstone Valley Electric	28467152	854	APPLIANCES 6.1
5.5	Boston Edison Co.	318467000	876	AUTOMOTIVE 7.0
11.3	Brockton Edison Co	32981677	976	SAVINGS & LOAN 9.1
17.25	Central Vermont Public Ser Co	37274844	968	TEXTILES & APPAREL 8.8
11.7	Consolidated Edison of N.Y.	176239129	913	TIRE & RUBBER 9.7
9.4	Detroit Edison Co	753135000	915	UTILITIES 11.1
11.0	Fall River Electric Light Co	8698077	959	
9.4	Fitchburg Electric Light Co	14544679	897	
10.5	Georgia Power Co	603116000	916	
14.5	Green Mountain Power Co	24090201	521	
13.6	Iowa Public Service Co	91469000	890	
10.6	Kentucky Power Co	44178000	586	
5.3	Massachusetts Power Co	12719000	718	
10.9	Lake Superior Detroit Power Co	16711892	919	
8.9	Missouri Public Service Co	54963466	916	
13.2	Missouri Utilities Co	26155509	714	
9.7	New Bedford Gas & Electric Light Co	75773000	687	
7.8	Newport Electric Co	10223391	722	
10.4	Niagara Mohawk Power Corp	671357000	818	
3.2	Old Dominion Power Co	6569531	258	
10.0	Orange & Rockland Utilities Inc	723421809	959	
9.6	Pennsylvania Electric Co	766658000	972	
9.9	Piedmont Electric Power & Light Co	116901991	915	
13.0	San Diego Gas & Electric	227163000	961	
13.9	Savannah Electric Power Co	36417828	755	
10.2	Union Water Light & Power Co	10064463	755	
8.5	Western Massachusetts Elect. Co	90756000	893	
5.9	Wheeling Electric	22150000	757	

81.2 Average

File: HA-
1075
V. 73

1973 Corporate Financial Data
Electric Companies

Dr. Larry Larsen, Prof of Economics

Orland T Outland
2675 Valmar Place
Reno, Nevada, 89503

17 May 1975

D. N. "Mike" O'Callaghan, Governor of Nevada
State Capitol Building
Office of the Governor
Carson City, Nevada, 89701

re: PSC DOCKET 246/297 (Combined)

Dear Governor O'Callaghan,

Owing to other commitments I was unable to attend the public hearing on the above referenced docket (Sierra Pacific utility rate increase) on 15 May 1975. I do, however, have three questions I believe should be answered on the public record before any so-called "pass-a-long" rate increases are granted; perhaps the answers would bar the increases. I believe the answering of these questions to be in the best interests of Sierra Pacific Power Company, the Public Service Commission, and the Nevada consumer at all levels.

In April 1975 the national press reported that natural gas producers may be shutting down wells to create an artificial shortage and to force prices higher. The Federal Power Commission ordered 12 interstate pipeline companies and 68 independent producers to show cause why certain reservoirs of offshore natural gas are now in non-producing status. Further, repairs on some wells that normally take about 60 days took more than four months to complete in a peak use period, causing a loss to the pipeline system of 13 billion cubic feet of natural gas.

Also in April the national press reported Frank Zarb, Federal Energy Administration chief alleging willful criminal intent, not honest mistakes, apparently accounts for fuel overcharges and unjustified price increases in almost half of several hundred cases being investigated by his agency.

There are indication the firm of Stone and Webster, which provides expert testimony for Sierra Pacific in rate increase cases, and which provided expert testimony in the above referenced dockets, holds or controls oil and gas interests in Canada and Southwest United States: Spruce Hills Production Company in Canada; San Salvador Development Company in Texas and New Mexico; and Enterprise Resources, Inc. in Texas. Further, indications are that Stone and Webster have placed at least 4 bond and 3 stock issues of Sierra Pacific Power Company.

My questions:

To what extent has Sierra Pacific, the PSC, and the attorney general of Nevada satisfied themselves that utility companies in the State of Nevada have not been the victims of unjustified, criminal price increases, or if they have been victimized, what criminal complaints or being sought to curb these actions, and what protection or rebate may the consumers of Nevada expect?

To what extent has the Public Service Commission satisfied itself that

Governor Mike O'Callaghan, State of Nevada
Dockets 246/297, PSC

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Page 2

Sierra Pacific, and thus the consumer, is not the victim of artificial curtailments of sources of fuel?

In view of Stone and Webster's interests in oil and gas, to what extent do these interests influence and prejudice the testimony of expert witnesses from that firm in supporting utility company rate increase requests before the PSC, and should any further testimony from that firm be accepted as unbiased in any future hearings before the PSC?

I send this to you as an "open letter" to the Governor.

Most respectfully,



Orland T. Outland

Copies: Noel A. Clark, Chairman, PSC
News Media

[The main body of the page contains several lines of text that are extremely faint and illegible due to heavy noise and low contrast. The text appears to be organized into paragraphs, but the individual words and sentences cannot be discerned.]

COMMENTS OF CONSUMER ORLAND T OUTLAND
BEFORE THE PUBLIC SERVICE COMMISSION OF NEVADA ON 2 MAY 1977
RELATIVE TO DOCKET No. 732

(An application by Sierra Pacific Power Company to construct a 500-MW coal-fired electric generating plant north of Valmy, NV, with accompanying transmission lines.)

Mr Chairman, first allow me to thank the Commission for relocating this public hearing to Reno so that I, like others, may make our views heard on this issue one way or another. I would have preferred, however, to have heard more from Sierra Pacific Power Co. (SPPC) before I made my comments.

In reviewing this application, the PSC, I believe, should determine whether the information submitted by SPPC is outdated. I first heard of this project over two years ago, and being aware there are lead time requirements in any project of this magnitude, I must assume that SPPC's lead time for this project has already been 5 to 10 years in the making. The consultants contracted by the Washoe County District Attorney's office have alluded somewhat to weaknesses in SPPC's application which may have developed from changes that have occurred in the period from the conceptual initiation of this project up until the time these hearings are held and changes projected for the interim period between these hearings and the time the plant is brought "on-line." For example, conservation techniques are being developed which may very well have an impact on demand; retrofitting of user equipment is likely; and alternate sources of power may be brought on-line in some areas which will also have a lessening effect on demand. These changes could leave SPPC with excess capability and given the continued absurd rate of return allowed this monopoly, the using consumers on line would be paying an even more exorbitant price for the power they would be using.

SPPC had its environmental impact study prepared by Westinghouse

Electric Corporation who, in light of their production of electrical generating equipment, could hardly be called impartial. Nevertheless, in that report Westinghouse does not come right out and state that a 500-MW plant is required; instead, it quotes SPPC as stating that this is the need and then, accepting that statement from SPPC as fact, Westinghouse analyzes the situation. In reviewing generation alternatives the report states: "...Sierra requires the development of the North Valley Project to meet loads projected for the early 1980's. Consequently only those power generation technologies that are currently feasible (emphasis added) for base load service at a 500-MW size are potential alternatives to the North Valley Project. This time limitation excludes from further consideration the following systems; none of which have been (sic) developed to the point where they could be considered to be either technically feasible or available on a reliable cost-effective basis:

1. Solar
2. Wind
3. Fusion
4. Magneto Hydrodynamics
5. Fuel cell

Generation alternatives that have the potential to be considered both technically and economically feasible include the following:

1. Fossil steam electric
2. Nuclear fission
3. Hydroelectric
4. Geothermal" (2.2.1 WESD)

Close quote. The report then goes on to sustain the case for fossil

fuels and the proximity of a source of supply. The case is further stated on the assumption that coal beds in Utah and Wyoming will be fully available as a fuel source. But that is far from the case. Although strip mining is underway in the West there is still considerable contention and possible future court litigation over intensive strip mining in some Western states. What would be the impact on this project if there were only limited access for the next 15 years to those coal beds?

Also, it appears to me that SPFC may have developed future power demands empirically and not on scientific analyses of forecast data. That is, past power usage projected into growth trends and not anticipating what alternate sources of power used by consumers large and small will have in lessening demand. SPFC anticipates a 500-MW requirement additionally for its service area by 1986 and it presumes, perhaps wrongly, that it will be the sole supplier of that power. Businesses of varying sizes as well as individual homeowners are experimenting successfully with solar power. Solar power plants have been in effective use for over 30 years and some are in use now in Washoe County in both residences and businesses. Already this is a lessening of demand on SPFC.

Too, SPFC projects high expansion at Lake Tahoe and at the Disney complex (2.1.1.2.3 WESD). The matter of expansion at Lake Tahoe is far from settled as is the completion of the Disney complex.

But are we being asked to pick up the tab for SPFC so that it may have the capability to offer its services to the 10 major new hotel-casino-convention complexes that are projected for the Reno area by 1985? (2.1.1.1 WESD) Even in the face of those 10 new major complexes we are

asked to believe the percentage of total energy usage from 1976 to 1986 for residential use will be unchanged(1); small commercial & industrial usage (feeder industries) will DROP 12; and that large commercial & industrial use will rise by a mere 3% (Table 2.1-3 WESD)

I would like to know also what effect the major transmission line to the Reno area from the Feather River Plants projected for 1990 will have on SPPC's Valmy production. (III-3-187, The 1970 National Power Survey - Federal Power Commission (FPC Rpt))

Then there is the question of how into the project fits the plans of the Western Energy Supply & Transmission Associates (WEST), a consortium of 23 utility companies of which SPPC is a member, to build jointly owned plants and transmission lines. ("...members of WEST have planned together to build jointly-owned plants and transmission lines..." III-3-193 FPC Rpt) Or these plans of the Western Systems Coordinating Council (WSCC) some of whose major purposes are:

"Coordinate planning and/or operation of power resources.

"Coordinate planning and/or operation of transmission facilities.

"Encourage joint construction contracts." (III-3-12 FPC Rpt)

And in that regard, why is SPPC standing alone in the construction of this power plant when in the section on "PROBLEMS AND SOLUTIONS" of the FPC report is the statement: "Small systems may also be able to act in concert to install large units at much lower cost than would be possible if they supplied all their own needs from generating capacity within their system." (III-3-196 FPC Rpt)

We know also that SPPC has ambitions in the construction of a nuclear plant; what impact does Valmy have on those plans and vice versa.

In evaluating this application of SPPC some statements are worth

reiterating to reinforce public knowledge of them; also, I use them to support some of my earlier comments. Your own staff member said: "...I have been unable to secure from Sierra Pacific Power Company correlation coefficients or the equation of the curves in order to evaluate any degree of confidence in the trends utilized..."(Dennis K. Polosky, Elect Eng, PSC, pg 10). Consultants representing the Washoe County District Attorney's office indicated that SPPC in its assumptions "...ignore policies which might reduce the "need" for Valmy, and further it has included assumptions which tend to overstate that same need..." (Dr Dennis Aigner, pg 2) "...How detailed forecasts of consumption for new customers were made is not provided to us in the testimony or exhibits of Sierra Pacific..." (Dr Aigner pg 6). Further quoting "...there is however, no indication of system peak demands being at all related to projected MWh requirements. Moreover, there is no statement of the past precision of the method used (i. e., Sierra Pacific did not "test" its model) so it is difficult to evaluate its validity. There are some questions to be raised even with regard to the method used..." (Dr Aigner, pg 7) "...The state of the art in load forecasting is more advanced than the methods used by Sierra Pacific..." and "...Apparently Sierra Pacific Power Company gave no consideration to...energy demand reducing techniques..." (Dr Aigner, pg 18) "...I conclude that (SPPC) simply does not know or cannot tell this Commission with reasonable accuracy what the demands for electrical energy will be in the future...and has not demonstrated in this proceeding that there is a basis for the need to construct the Valmy Power Plant project within the time frame suggested..." (Dr Aigner, pg 19) From another consultant "...claims... are either terribly exaggerated or non-existent..."(Wm G. Gillen, pg 4)

And a final series of quotes: "...Sierra Pacific has failed to justify its application in this proceeding because of gross deficiencies.....its forecasts are without scientific method.... its approach to forecasting is biased....contains major deficiencies..." (Dr Charles J. Cicchatti, pgs 2, 3, & 4)

The Washoe County District Attorney's office should be commended for its efforts in behalf of municipalities and individual consumers to bring forth a professional, critical, and unbiased review of this application.

I do not want to overlook the possibility either that SPFC has foreseen a diminishing demand relative to user growth for plant generated electric power, if indeed that is in the offing, and has proposed both Valmy 1 and 2 in order to get on line with a capital investment and obtain a capital return that might not otherwise be in order or be allowed. Given the development of nuclear power, solar power, geothermal power, and joint plant construction, conservation techniques, retrofitting, and advances in technology, and if power companies can be persuaded, cajoled, or forced into the development of greater operating efficiency and more efficient systems, Valmy 2 may never be needed.

I urge the Commission to reject this application forthwith as being incomplete and unjustified.

From
DTO

BEFORE THE PUBLIC SERVICE COMMISSION OF NEVADA

In the matter of the application of SIERRA)
PACIFIC POWER COMPANY for authority to in-)
crease rates applicable to its Electric)
Department customers in the State of Nevada)

DOCKET NO. 2151

PRESENTATION BY INTERVENOR ORLAND T. OUTLAND

I

ALLOWING CONSTRUCTION WORKS IN PROGRESS (CWIP) IN THE RATE BASE

There are several reasons why The Public Service Commission of Nevada should reverse itself on allowing CWIP to be included in the rate base; CWIP should not be borne by the ratepayer.

1. CWIP in the rate base is, in effect, a form of capital generation by the company without attendant costs usually required through traditional methods of raising capital, i.e., stock issues, bond issues, etc. One of the company's positions is that the ratepayer will benefit by lower rates in future years. But the current equity holder is the short-term beneficiary as certain costs are recovered sooner, the profit margin is higher, and the equity holder benefits through increased dividends; the ratepayer does not participate in this dividend return.

2. The ratepayer affected by increased rates through the CWIP period may not be a ratepayer or customer in later years, thus being forced to underwrite a project for which there is no hope of return. For example, a residential customer may move completely out of the state before any rate reduction is effected in future years; a business may change hands, be merged, or cease operation before a rate reduction is effected; or an elderly customer may die before any rate reduction benefit is given. In the case of a business, the argument may be advanced that increased costs are deductible as a cost of business; however, increased costs demand increased revenues and a business may be at the peak of its market or may have to raise prices to offset the increased costs, in which case, the increase is inflationary. We may all be paying increased rates for 5 or 6 years before any benefit is realized through the project actually coming 'on-line.'

3. To elaborate on the elderly customer's situation, a person who is advanced in years and living on a limited, fixed income is certainly in a less advantageous position than a capital laden customer in the equity market. The increased rate for the elderly may reduce budget allocations for food and

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clothing and represent a health hazard. Being advanced in years the elderly are living off "borrowed time" that the company is attaching for revenue that may never be returned.

4. The company deals in the abstract with blocks of customers and is not especially concerned with specific customers. Customer rolls change and those who are customers today may not be the same customers on the rolls tomorrow.

5. The ratepayer is, in effect, being forced to underwrite construction through payment to the company that, to the ratepayer, will pay no dividend, generate no stock issue, allow no voting voice in the operations of the company, and neither guarantees nor offers any contractual return on an investment that is forced without due process. The ratepayer is being forced to contribute to the company's future expansion whether he wants to or not and whether he will benefit from it or not. The free choice of equity selection is denied the 'investor/ratepayer.'

6. There is no contractual assurance that rates will be lower in the future as a result of the construction; it is, rather, doubtful that the company will lower its rates and the PSC has yet to deal with this specific facet.

7. CWIP reduces the pressure on management to bargain effectively against price-gouging by suppliers and equipment manufacturers.

8. As some of the power to be generated by the new construction will be sold to customers outside the present service area of the company, the present ratepayer is being required to underwrite ostensibly lower rates for future customers who will come 'on-line,' either directly or through power purchased by other utilities after construction has been completed.

II

THE "JUST AND REASONABLE" DOCTRINE

The Public Service Commission of Nevada, in its "FINDINGS AND CONCLUSIONS" establishing new rates (e.g., Docket No. 1431), uses the supportive phrase "...just and reasonable..." in describing the rate allowed. This phrase, no doubt, stems from U. S. Supreme Court decisions that assert utilities have a right to a "...just and reasonable..." return. However, the statement of a fact is not proof of the fact of the statement; stating that a return is "...just and reasonable..." does not in itself make it so. To get a better understanding of that phrase, a further examination of Supreme Court comments seems to be in order.

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That rates should be "just and reasonable" was established by Congress in the Natural Gas Act and sustained by the U. S. Supreme Court.¹ Elements of that decision are constantly used to justify higher rate increases, whereas references to reducing rates are ignored. For example, the court stated that rates "...shall be just and reasonable, and any such rate or charge that is not just and reasonable is hereby declared to be un Lawful...Sec 5(a)(of the act) also empowers the Commission to order a 'decrease where existing rates are unjust,...unlawful, or are not the lowest reasonable rates'..."² It would seem, then, that all one would have to do to lower Sierra Pacific's rates would be to show that they were not "just and reasonable." The decision goes on to state: "...The fixing of prices, like other applications of the police power, may reduce the value of the property which is being regulated. But the fact that the value is reduced does not mean that the regulation is invalid..."³ The Court further stated: "...that the commission was not bound to the use of any single formula or combination of formulae in determining rates. Its rate-making function, moreover, involves the making of "pragmatic adjustments"..."⁴ In my opinion, that grants a broad license to regulatory rate-setters to establish low rates, not high ones. Again, the Court stated: "By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks..."⁵ Note here that the reference is to "other enterprises," not other companies in the same enterprise, i.e., utilities. Therefore, risks should be compared with other enterprises outside the utility industry, not with other companies within that industry. Otherwise, cross-referencing among and between companies becomes practically 'incestuous' in the breeding of information in an attempt to justify ever higher rates of return within the industry; we are whipped by utilities 'justifying' each other's rate increases.

Both the Congress and the Court have indicated that it is difficult to apply the 'corresponding risk' doctrine as Congress has not supplied any specific guidelines. But keep in mind that the Court did not mention a corresponding cost in a capital market - it said "similar risk," and let us face immediately that risk in utilities as a monopoly provider of service is extremely low. As Senator Lee Metcalf indicated in his book,⁶ utilities are not part of a free-enterprise system and do not bear the same risks as free enterprise businesses do. Utilities do not function on the same basis as entrepreneurships where there is

In re: DOCKET NO. 2151:

high level of risk; they do not have to face competition; they do not have to develop a diversification of product; they are given a license to function as a monopoly by the State; and there are other analogies that could be drawn to show that utility providers are not a 'free' enterprise.

The Court went on to say: "Rates which enable the company to operate successfully, to maintain its financial integrity, to attract capital and to compensate its investors for the risks assumed certainly cannot be condemned as invalid, even though they might produce a meager return on the so-called "fair-value" rate base..."⁷ (Emphasis added) Further, the Court commented that "...The primary aim of this legislation was to protect consumers against exploitation at the hands of natural gas companies..."⁸ and "...We cannot find in the words of the Act or in its history the slightest intimation or suggestion that the exploitation of consumers by private operators through the maintenance of high rates should be allowed to continue..."⁹ In another utility case the Court said: "...The ultimate test of industry structure in the communications common carrier field must be the public interest, not the private financial interests of those who have until now enjoyed the fruits of de facto monopoly..."¹⁰

From these references we see that the Court and the Congress opt for consideration for the consumer on the lower side of the rate structure, not the higher, and the applicant, Sierra Pacific Power Company (SPPCo) and the PSC staff should be directed to develop data showing how companies can "operate successfully" with lower rates of return.

1 320 U. S. 591, Federal Power Commission et al, v. Hope Natural Gas Co.

2 *ibid*, p 600

3 *ibid*, p 601

4 *ibid*, p 602

5 *ibid*, p 603

6 U. S. Senator Lee Metcalf and Vic Raines, OVERCHARGE, David McKay Co, N.Y. 1967

7 *op cit*, p 605

8 *op cit*, p 610

9 *op cit*, p 612

10 561 F.2d 365 (1977) MCI Telecommunications Corp. v. F. C. C.

In re: DOCKET NO. 2151:

III

LIFELINE RATES

The SPPCo has injected the comment that it believes the lifeline rate should not be addressed at this time; I would like to inject a comment of my own.

The Treasurer of the company stated: "...The philosophy that energy is a basic human right is subject to argument. In today's society energy is a necessity, but so are food, clothing and shelter..."¹ But - food, clothing, and shelter are available from competitive and competing sources in a free enterprise system; energy is available only from a monopoly. Further, the Treasurer said: "...Neither the Public Service Commission nor the utility company should assume the responsibility for redistributing income or indulging in any form of social welfare through changes in ratemaking policy..."² The Treasurer cites the possibility that some customers would receive "...an unneeded income transfer..."³ Reduced costs to utility employee customers seems to me to represent more clearly the receipt of "an unneeded income transfer," especially for highly paid executives.

Also, in a letter from the General Counsel of the SPPCo, Mr. John Madariaga, to the Public Service Commission, re: Docket Nos 1430 and 1431, dated September 5, 1978, it is stated: "Nevada Revised Statutes 702.120 prevents the establishment of rates that are 'found to be unjust, unreasonable or unjustly discriminatory or to be preferential...' It should be noted that the term "preferential" is not modified or limited in any way. There is no allowance for a preference based upon social consideration, just a complete prohibition of any preference." (Emphasis added) In my opinion, rate schedules that allow large users lower rates for volume consumption and policies that permit lower charges for employee customers while denying the need for some relief to the poor is unjust and in violation of the law cited above as well the U. S. Supreme Court decision in the Hope case. I want to interject that it is not my intent to become entrapped in the semantics of the provocative terms "redistributing income" or "unneeded income transfers" but merely to speak to the prejudiced comments of management.

Further, in addressing the company's role in social responsibility, I would direct the applicant's attention a comment in BOARD LIFE, "...Directors go through several stages of concern with respect to their own and the corporate attitude toward legal and social responsibilities. In the first stage the

In re: DOCKET NO. 2151:

directors stick to the profit and loss statement and balance sheet, products and services, the jobs and growth of the company. In the second stage they make some initial efforts to define the social and environmental problems that are related to their corporate decisions. In the third stage there are full-blown efforts to solve and anticipate some of the problems interfacing with the public, society, consumers, and the government before they are required by law or regulation or public opinion..." The third stage has even been addressed by the courts as being needed. But it appears to me that SPPCo has not advanced beyond the first stage of corporate responsibility. I feel further this 'balance sheet' attitude also predominates in general rate settings and rate of return considerations beyond just the lifeline area.

- - - - -

- ¹ Before the Committee on Commerce (Nevada State Legislature) - February 22, 1979, TESTIMONY OF WILLIAM C. BRANCH, TREASURER, SIERRA PACIFIC POWER COMPANY, IN OPPOSITION TO "LIFELINE RATES" AS PROPOSED IN A.B. 377, p. 1.
- ² *ibid*, p 2
- ³ *ibid*, p 3
- ⁴ Robert K. Mueller, BOARD LIFE, REALITIES OF BEING A CORPORATE DIRECTOR, AMACOM (a division of American Management Association) 1974, pp 34, 35, 177

IV

CUSTOMER CHARGE:

The 'customer charge' or the 'minimum charge' that is not offset against energy used should be disallowed forthwith. All the allowable expenses are contained in the calculations of the rate base and any additional customer charge is nothing more than a duplication of charges.

Further, with or without the 'lifeline rate' being allowed in the future, the proposed \$3.00 "Customer Charge" and the proposed Energy Charge of \$.04957 pkwh represent 60.52 kwh of use; with the lifeline allowance of 300 kwh, that represents 12% of that allowance that is being offset and recovered by the company.

Translating 60.52 kwh into practical, human terms it means the loss of use of use of any one of the following items for the periods indicated:

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<u>ITEM</u>	<u>kwh p.a.</u>	<u>PERIOD OF USE LCST</u>
Fan (circulating)	43	1 year 4 months
Heating Pad	10	6 years 5 months
Hot Plate	90	8 months
Iron (hand)	144	5 months
Mixer	13	4 years 8 months
Radio	86	8 months
Refrigerator (12 cu. ft.)	728	1 month
Sewing Machine	11	5 years 6 months
Television (B & W)	120	6 months
Toaster	39	1 year 6 months
Vacuum Cleaner	46	1 year 4 months
Washing Machine (Non-auto)	79	9 $\frac{1}{2}$ months
Water Heater	4,219	5 days

To an affluent utility executive, \$3.00 a month may not seem like much, but to a person on fixed, reduced income we see that it may buy the operation of a refrigerator every month or almost 6 $\frac{1}{2}$ years of added comfort to a person who needs a heating pad. Perhaps it is consideration of this sort that is, in part, addressed by the American Management Association in its discussion of the second and third stages of directors' sense of social responsibility.

V

EXPENSES:

One questions expenses listed by SPPCo, especially in the areas of consultant fees, legal fees, research fees, association affiliation, and advertising.

CONSULTANT FEES: Directors of corporations "...must subordinate their personal interests to those of the corporation..."¹ In the same reference it is stated that "...it is generally considered by various authorities that a director... give each problem presented to the Board his best considered judgment, make suitable inquiry or suggestions as to problems within the scope of the Board's concern..."² Further, the New York Supreme Court ruled in *Litwin v. Allen* that a "...director of a corporation is in the position of a fiduciary. He will not be permitted improperly to profit at the expense of his corporation..."³ Many other references could be drawn but we see that a director is expected to contribute fully and without reserve in this fiduciary capacity. If directors can

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function as outside paid consultants, there may be a tendency on the part of some to withhold certain 'expertise' in the boardroom in order to exchange it later as an 'outside consultant' for additional compensation from the very company they serve as directors. At least two directors are listed in SPPCo's papers as being consultant or fee beneficiaries of additional income.

LEGAL FEES: SPPCo indicates it has 'in-house' legal counsel yet at least 10 individuals or firms were paid for legal services:

1. Brookes, Brookes & Vogl
One Embarcadero Center, San Francisco, CA, 94111
(Restricted to Federal & State Tax Law and Estate Planning)
2. Collette & Erickson
355 California St., San Francisco, CA, 94104
(General Civil & Trial Practices; Corporate; Real Estate; Securities and Tax Law)
3. Patrick M. Cox
4. Goldberg & Fieldman
District of Columbia
(Federal Courts; Federal Regulatory Agencies; Government Departments; State Utility Commissioners)
5. Graham & James
One Maritime Plaza, San Francisco, CA, 94111
(General Practice) Offices in ~~Enwick~~ Long Beach, Rome, London
- 6. Lionel, Sawyer & Collins
300 S. Fourth St., Las Vegas, NV, 89101
7. Reid & Priest
40 Wall Street & 30 Rockefeller Plaza, New York, NY
(General U. S. and International Practice)
8. Robinson & Robinson
9. Keith Williams
- 10. Woodburn, Wedge & Blakey
One E. First St., Reno, NV, 89501
(Clients include SPPCo; Bell Telephone; Superior Oil. (Firm member is a director of SPPCo))

RESEARCH FEES AND ASSOCIATION AFFILIATION: In the reporting of a recent press conference called by Sierra Pacific's President, Joe L. Gramban, the

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newspaper reported (Nevada State Journal, Tuesday, April 3, 1979, p 18): "Concerning nuclear power, Gremban said Sierra Pacific has no plans for a nuclear power plant at this time..." If that is the case why has the company incurred the expenses reflected in Table V-1? Also, what services were rendered by the Edison Electric Institute to cause its fees to be raised over 3 1/2 times? (Table V-1)

ADVERTISING: There are indications that trade groups are urging utilities to 'improve their images' through expanded public relations activities. There have been several comments on this in various periodicals lately; THE WALL STREET JOURNAL (Wednesday, May 9, 1979, p 1) recently devoted an in-depth front page article to this subject that I think is worthy of your review. SPPCo has increased its so-called 'public service' function of late, including bill stuffers, newspaper advertisements, television programs, and radio and television 'spots.' However, with few exceptions, it seems to be an 'image building' program for management. The Nevada Public Service Commission should take a critical look at these expanded propaganda programs.

¹ Mueller, BOARD LIFE, p 25

² ibid, p 29

³ loc. cit.

VI

SUSTAINED PRESSURE FOR HIGHER RATES OF RETURN:

We have no way of knowing who may or may not have directed what the rate increase and rate of return should be. The application for rate increase is self-serving at best for those individuals now holding stock in the company. We do not know who they are. There is no way of knowing who they are. When stock is held in nominee name or 'street' name there is no way for the staff of the PSC to know whether or not the commissioners hold stock; there is no way for the commissioners to know whether the staff holds stock; there is no way for the commissioners and the staff to know whether legislators hold stock, and vice versa. The vested interests of SPPCo directors merit review. (Table VI-1)

There are indications of an interlocking relationship between the banking community, investment houses, the petroleum industry, and the utility industry, which will allow benefits to all. It also appears there may be a tacit agreement - one is tempted to use the word 'conspiracy' but without any necessary criminal

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connotations - to urge that pressure be exerted in the money markets for a higher rate of return on utility stocks and bonds, then to feed that pressure back through the Public Service Commissions and Public Utility Commissions across the country stating there is a competition for capital that demands a higher rate of return for utilities whereas the source or origination of that demand is subject to some critical analysis.

There are large blocks of unknown stockholders who will be the primary beneficiaries of these rate increases. For example, in reviewing the block of the 10 largest stockholders over the years, we find they are all listed in nominee or street name; in other words, hidden ownerships. We also find some interesting stock participations involving the companies in our service area that sell or exchange power with each other. (Table VI-2) Also, in Table VI-3 we can trace an interesting migration of holdings from listings by nominee to listings in street name of brokerage houses, particularly since this observation was made by me in 1974. We have no way of knowing whether the same block of nominees and banks holding stock in 1970 still hold stock today but now through brokerage houses in street name, but a review of some interlocking directorships in effect today might prove interesting. (Table VI-4) It can be seen from that exhibit that directors of banks which have or had some control over these portfolios serve also as directors of investment houses, oil companies, and utilities.

Although a high rate of return may encourage some investors to increase their stock holdings in a given company, a point not to be overlooked is that it may encourage others to decrease the number of shares held. Given a need for diversification of investment and given further the setting of a certain dollar amount desired as a return, a high dividend would mean that less stock would have to be purchased (lower capital investment) in order to achieve the return goal. Other capital is then freed for investment in other industries allowing a greater diversification and balance of investment.

SPPCo, in its various releases, attempts to answer the question of ownership of stock by large banks and corporations by citing the number of stockholders and their diversified backgrounds. However, in the absence of a contention for the control of management, stockholders tend to vote by proxy to support management as, for one thing, management usually solicits proxies from stockholders. Also,

In re: DOCKET NO. 2151:

for many stockholders, the reports issued by management, either directly to the stockholders or through security analysts, are the only information on company operations they receive. In reviewing Table VI-5 we see that practically all of the votes cast at the annual meeting are cast by proxy. In 1973 the voting bloc of the 10 largest security holders and directors and officers represented 30.5% of the vote; in 1978, 16.3% of the shares could control 25.3% of the vote. And these figures do not take into account a probably much larger bloc of shareholders holding smaller number of shares of stock. With about 65 shareholders in attendance at the annual meeting in 1973 and about 139 in attendance in 1978, there was about one-half of one per cent of the shareholders at those meetings. There should be no doubt that management is in full control of the meetings. But with a yield of 9.4% and a price-to-earnings ratio of 7 (25 May 79) who would want to look for another Santa Claus. It is the ratepayer who needs some relief.

As it did in Docket #183 (1973), SPPCo has submitted in the current application a list of utility companies reflecting varying returns on common equity (Salomon Brothers report) to show a need for a substantial rate of return on common equity. Using the 1973 list as a base and comparing the rate of return in 1973 against the rate of return in 1978, it can be seen in Table VI-6 that of the 44 companies listed by SPPCo in the earlier period, 50% had a lower rate of return on common equity in 1978 than in 1973, indicating on a comparison basis that SPPCo should be allowed a lower rate of return. Of those same companies, 77.3% (34 companies) had a lower average residential rate per kWh. (Table VI-6, Column 5)

Also, in reviewing the U. S. Department of Energy's Energy Data Report STATISTICS OF PRIVATELY OWNED ELECTRIC UTILITIES IN THE UNITED STATES 1977, it can be seen that of the 212 companies listed 69, or 32.5%, had a return on common equity of less than 10% and 154, or 72.6%, had a rate of return lower than that of SPPCo. Clearly, on a comparison basis, SPPCo's return is too high and it is my belief that the Nevada Public Service Commission is not representing the interests of consumers in the State of Nevada by allowing such high rates of return.

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In closing, inasmuch as SPPCo raises a 'social issue' in advancing its discussion of "redistributing income" and "unneeded income transfers" I would like to draw the commission's attention to the report that 17 major corporations with gross incomes totaling more than \$2 billion paid no federal income tax for 1977, among which are three utilities (Nevada State Journal, Saturday, June 23, 1979, p 2). These low and middle-income taxpayers of us who have no tax havens, accelerated depreciation, investment tax credits, depletion allowances, foreign tax credits, deferred compensation programs, legal expenses, and many other deductions to offset all income taxes must pay those taxes that these corporations do not pay in order to make up the deficit and thus the "unneeded income transfer" is to the large corporations from the small taxpayers and not the reverse as SPPCo indicates, in my opinion.

Now, therefore, this intervenor respectfully requests the Nevada Public Service Commission:

1. Remove Construction Works in Progress (CWIP) from the rate base for this and all future rate applications in the State of Nevada.
2. Reduce the return on common equity allowed Sierra Pacific Power Company to a return equal to the average return for the 50 electric utility companies having the lowest return on common equity in order to conform to the 'lowest reasonable rate' doctrine.
3. Disallow as a cost of service payments made to directors of the corporation for consultant or legal fees or any services rendered directly or through firm affiliations that are not specifically covered by regular director fees.
4. Disallow as a cost of service expenses for 'public service' activities that go beyond advice on conservation and tend to propagandize the ratepayer and the public. Of further special attention should be any effort on the part of the company to include any direct or indirect expenses for political action activities ranging from advice on lobbying techniques to the underwriting of specific political action committee(s).
5. Direct Sierra Pacific Power Company to provide the Commission with specific distribution of the costs incurred in the different categories

In re: DOCKET NO. 2151:

under RESEARCH AND DEVELOPMENT ACTIVITIES COSTS INCURRED with a view to determining which costs are attributable to:

- a. Current operations.
 - b. Development of new or expanded projects beyond the service provided current ratepayers.
 - c. Improved techniques or operations that would benefit directly current customers.
6. Disallow any item included in 5.b., above.
 7. Present draft legislation to the Nevada State Legislature enabling the Nevada Public Service Commission to approve and/or establish 'life-line' rates.
 8. Present draft legislation to the Nevada State Legislature to require that all utilities operating under the regulatory control of the Nevada Public Service Commission, or any other State agency, issue all securities, including bonds and stocks, whether preferred or common, whether traded publicly or placed privately, only in the natural name of the beneficial owner, and that in any subsequent trading of such utility securities the corporate records must list the natural name of the beneficial owner; no security would be held in "street name" of brokerage houses, by nominee, or in trust accounts without identifying in the same line listing the name and address of the beneficial owner. Such listings of security ownerships must be open to inspection by the Nevada Public Service Commission, and any other State agency, and by any party of record in any hearings conducted by any State agency concerning rates or other activities of the affected utility. A somewhat similar disclosure of interests in gaming is covered now in Chapter 463 of the Nevada Revised Statutes.

As added footnotes, the Maryland Public Service Commission ruled that the Baltimore Gas & Electric Company can't charge current customers the cost of financing construction of a new generating station (Brandon Shores); and the Supreme Court of the State of Utah commented that "...a utility should not be able to impose upon its present customers the burden of financing its growth by charging rates greater than are needed to provide a reasonable return upon the capital structure required to provide them with the services they are receiving."

RESEARCH AND DEVELOPMENT ACTIVITIES COSTS INCURRED

<u>CLASSIFICATION</u>	<u>DESCRIPTION</u>	<u>COSTS INCURRED</u>
1973:		
Nuclear Power Research	Atomics International Fast Breeder Reactor Engineering Test Program	\$ 49,674.
Atomic Industrial Forum, Inc	Contribution to Support the A.I.F. sponsored Price-Anderson study by the Legislation Drafting Research Fund, Columbia University	373.
Edison Electric Institute	Electric Industry research support payments	78,582.
1978:		
Nuclear Power Research	Atomics International Fast Breeder Reactor Engineering Test Program	60,873.
General Atomic Co.	Gas Cooled Fast Breeder Reactor Program for 1977	15,430.
Atomic Industrial Forum	Public Affairs and Information Program	5,430.
Edison Electric Institute	Electric Industry Research Support Payments	274,130. ^a

^a Three and a half times over 1973.

DIRECTORS/OFFICERS, FEES/DIVIDENDS PAID

DIRECTOR	FEE PAID 1973	FEE PAID 1978	% INCREASE '78 over '73	COMMON SHARES DECLARED '73 (div \$1.86)	COMMON SHARES DECLARED '78 (div \$1.22)	PER CENT OF DIVIDEND INCREASE (at current div)
A. C. BARNSON	\$2,900.	\$10,000.	344%	540	540	41.9
D. L. BARNSON	2,800.	9,500.	339%	4,000	3,600	27.7
C. R. BURGIN	2,800.	8,600.	307%	550	550	41.9
G. B. HARRIS	3,100.			5,000		
F. T. PRATT	2,900.	9,500.	327%	3,000	3,400	60.8
P. J. REINE	3,000.	13,000.	433%	6,494	6,494	41.9
F. A. TRACY	3,100.	2,100.	139% ^a	5,912		
N. W. PLATH	^b	10,300.	?	1,856	2,558	95.5
W. C. SANFORD	3,000.	9,700.	323%	1,032	1,032	41.9
H. P. DAYTON, Jr.	3,050.	9,800.	321%	430	530	74.9
P. A. LEONARD	1,950.	10,300.	528%	200	900	538.4
W. K. WOODBURN	1,950.	9,500.	487%	3,200	2,550	13.0
F. E. CRUMLEY	^c	9,000.			1,000	
J. L. CRENHAN	^e	^d		461	1,834.7	464.6
F. W. SMITH	^{e, d}	4,300.			250	
OFFICER, 1978, 1973 (not listed above)						
W. C. BRANCH					170	
R. P. CROWER				734	4,577.6	784.7
H. L. JONES					267.8	
H. J. McKIBBEN					140.7	
R. L. NICOLINI				1,035	2,216.3	203.8
J. R. PEDERSEN				18	1,053	8,198.8
J. R. RICE					2,460.8	
J. SAIBINI				1,415	3,143.1	215.1
G. H. SOULE				66	814.6	1,650.9

^a Deceased Apr 6, 1978. Fee pro-rated to obtain percentage; it is probable that the increase would be higher.

^b No figure given. Co. president and Chairman Executive Committee in 1973.

^c Not a director in 1973.

^d No figure given; company president 1978.

^e Elected to the Board July 7, 1978.

Some company officers did not report any ownership of stock in 1973 (e.g., McKibben and Kauth)

There were some individual decreases in share holdings, but there was still an increase in the dollar dividend received.

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INSTITUTIONS HOLDING STOCK (Among Top 10 Security Holders of O. Stock) (By Nominee) (As of Dec 31, 1970)	No. of Co.s Co Held	NUMBER OF SHARES HELD					
		IDAHO POWER CO	NEVADA POWER CO	PACIFIC GAS & ELECTRIC CO	SIERRA PACIFIC POWER CO	SOUTHWEST CALIFORNIA EDISON CO	UTAH POWER & LIGHT CO
BANK OF NEW YORK (NY)	15						
Hare & Co			76,327				
Lerche & Co			56,500				
O'Neill & Co							100,000
BANKERS TRUST (NY)	20						
Auer & Co		21,300					
Salheid & Co					57,412		
Hare & Co					51,413		
Hufun & Co					37,500		
CHASE MANHATTAN (NY)	42						
Cudd & Co		347,902	49,300	1,182,879	56,544		
CONTINENTAL ILLINOIS NATIONAL BANK & TRUST CO OF CHICAGO	12						
Aista & Co			106,800		237,572		
FIRST NATIONAL CITY BANK (NY)	29						
THOMAS & CO		204,000					47,100
MANUFACTURERS HANOVER TRUST CO (NY)	31						
Sigler & Co					71,783		
MORGAN GUARANTY TRUST CO (NY)	41						
Ince & Co			42,600				
Larson & Co				328,350			
Lynn & Co					75,300		
NATIONAL SHAWMUT BANK OF BOSTON (MA)	11						
Ferro & Co		127,900					
NEW ENGLAND MERCHANTS NATIONAL BANK (MA)	19						
Bonyman & Co					50,743		

INSTITUTIONS HOLDING STOCK (Among Top 10 Security Holders of Co. Stock) (By Nominee) (As of Dec 31, 1970)	No. of Co.s So Held	NUMBER OF SHARES HELD						
		IDAHO POWER CO	NEVADA POWER CO	PACIFIC GAS & ELECTRIC CO	SIERRA PACIFIC POWER CO	SOUTHERN CALIFORNIA EDISON CO	UTAH POWER & LIGHT CO	
STATE STREET BANK & TRUST (MA) Hyers & Co	21		47,300					
French & Co							50,000	
BROWN BROS, HARRIHAN & CO (NY)	14						35,028	
MERRILL LYNCH, PIERCE, FENNER & SMITH (NY)	52						72,257	
NEW YORK STOCK EXCHANGE, aka STOCK CLEARING CORP (NY) Cede & Co		209,550	56,650	1,265,991	147,030	663,563		
TOTALS		991,652	435,677	2,777,220	785,297	663,563	304,385	

SOURCE: Disclosure of Corporate Ownership, Document 93-62, Committee on Government Operations, United States Senate, March 4, 1974

NOTE 1: Sierra Pacific Power Co buys, sells, or exchanges power with the above utilities (among others) through an intertie with one or more of the following groups: California Power Pool (CALPP); Northwest Power Pool (NWPP); Associated Mountain Power System (AMPS); Rocky Mountain Power Pool (RMPP); Western Energy Supply and Transmission Associates (WEST). (Federal Power Commission Report)

In re: DOCKET NO: 2151:

TABLE VI-3

SHARES HELD IN NOMINEE AND STREET NAME
(Largest 10 Security Holders)

<u>HOLDER</u>	<u>1970</u>	<u>1973</u>	<u>1975</u>	<u>1978</u>
American Security & Trust Co. Wash., D.C.		63,000	30,000	
Bank of California, S.F., Ca.		45,000	45,000	
Banker Trust, NY, NY	146,325 ^a			
Bears, Stearns & Co, NY NY			72,000	
Blyth, Eastman Dillon & Co, NY				63,007
Chase Manhattan Bank, NY	56,544	92,660		
Continental Illinois Nat'l Bank & Trust Co of Chicago, II	237,572	351,672	176,000	
Dean Witter & Co, NY		183,176	196,000	343,243
Donaldson, Luffin & Jenrette Sec. Corp., NY				138,092
duPont, Glere, Forgan, NY		30,843		
E. F. Hutton & Co. NY				145,510
First Wall Street Settlement Corp, NY				56,447
Kidder, Peabody & Co. NY				65,672
Manufacturers Hanover Trust, NY	71,783			
Merrill, Lynch, Pierce, Fenner & Smith, NY		145,819	149,000	425,582
Morgan Guaranty Trust Co. NY	75,300	75,300	75,000	70,000
New England Merchants Nat'l Bank (MA)	50,743	41,332	40,000	
Paine, Weber, Jackson & Curtis, NY			26,000	84,851
Security National Bank, Reno, NV			26,000	
Smith, Barney, Harris Upham & Co. NY				70,015
Stock Clearing Corp (NYSE) NY	147,030			
Triangle Financial, Inc. DE		100,000		
TOTALS	785,297^b	1,158,802	831,000^c	1,462,419

^a Total includes 3 nominees.

^b Incomplete, only 9 holders included.

^c All appear to be 'round lots'.

"Migration" from banks to brokerage houses, but still in undisclosed ownerships.

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In re: DOCKET NO. 2151:

TABLE VI-4

INTERLOCKING RELATIONSHIPS OF DIRECTORS OF PERTINENT BANKS LISTED IN DOCUMENT 93-62, COMMITTEE ON GOVERNMENT OPERATIONS, UNITED STATES SENATE, March 4, 1974. (See Table

SOURCE: Standard & Poor's Directories

BANK OF NEW YORK; New York, NY:

Elliott Averett - Director, Louisiana Land & Exploration (Gas & Oil)

Arthur L. Mendolis - Chairman and Chief Executive Officer of OXIRANE
(a subsidiary of Atlantic Richfield)

John R. Stevenson - V.P. International Banking Department of Continental
Illinois Bank and Trust Company of Chicago

William L. Wearly - Director ASARCO (Coal affiliates)

Samuel H. Woolley - Director, INCO Ltd (Oil & gas); Director, Texas Oil
& Gas Corp.

John G. Phillips - Chairman and Chief Executive Officer of Louisiana
Land & Exploration Co (Gas & Oil); Director, American Petroleum
Institute.

BANKERS TRUST COMPANY, New York, NY:

John W. Hannon Jr. - Director and Member, Finance Committee, Consumer
Power Co.

Howard W. Blauvelt - Director, Mobil Oil

CHASE MANHATTAN BANK, New York, NY:

(Chairman and Chief Executive Officer is David Rockefeller)

- Howard C. Kauffmann - President and Director, Exxon Corp; Director
American Petroleum Institute.

*Whitney Stone - Chairman of Executive Committee and Director, Stone &
Webster, Inc.; Director, Stone and Webster Management Consultants;
Director, Stone & Webster, International, Inc.; Director, Stone &
Webster Canada Ltd (Canadian Gas Interests).

- John E. Swearingen - Chairman of the Board, Chairman of Executive Com-
mittee, and Chief Executive Officer of Standard Oil Co. (Indiana) (AMOCO)
Chairman, American Petroleum Institute.

CONTINENTAL ILLINOIS NATIONAL BANK & TRUST CO. OF CHICAGO, Chicago, IL:

Gordon E. Corey - Vice Chairman, Commonwealth Edison Co.

Robert Harvey Malott - Director, Standard Oil Co (Indiana) (AMOCO)

Blaine J. Yarrington - Executive VP & Director, Standard Oil Co. (Indiana) (AMOCO)

MANUFACTURERS TAKEOVER TRUST CO., NEW YORK, NY:

Gabriel Hauge - Director, Royal Dutch Petroleum (Shell); Director, AMAX (Petroleum Exploration).
John A. Waage - Director, Suburban Propane Gas Corp.
John F. McGillicuddy - Director, Cities Service Corp.
William S. Beinecke - Trustee, Consolidated Edison of New York.
James D. Finley - Chairman, Nominating Committee of American Society of Corporate Executives.
Henry Howard Henley, Jr. - President & Chief Executive Officer, and Director, Cluett, Peabody & Co.
Rene C. McPherson - Director, Standard Oil Co. (Ohio) (SOHIO)
George G. Zipf - President, Babcock & Wilcox Co.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, New York, NY:

Ray C. Adams - Director Cities Service Co.
J. Paul Austin - Director, Dow Jones & Co.
R. Manning Brown, Jr. - Director, Louisiana Land & Exploration Co. (Gas & Oil) --
Lewis Wilson Foy - Director, Bituminous Coal Operators Association.
(Alan Greenspan is a Director of Morgan Guaranty)
Howard W. Johnson - Director, E. I. DuPont DeMours & Co
James L. Katalson - Chairman, President & Chief Executive Officer, Tenneco Inc. (Oil)
Warren McKinney Shapleigh - Director, Tidewater, Inc. (Oil)

NATIONAL SHARPE BANK OF BOSTON, Boston MA:

Robert M. Jenney - President & Director Jenney Oil Co.; Director, Houston Natural Gas Corp.; Director, Santa Fe Int'l Corp.; Director, General Energy Corp.
John P. Kendall - Chairman, Kendall Oil Co.
Francis M. Staszsky - Executive V.P & Director, Boston Edison Co.; Director, Atomic Industrial Forum, Inc.; Director, American Nuclear Energy Council.

NEW ENGLAND MERCHANTS NATIONAL BANK, Boston MA:

Augustus F. Loring - Chairman, Haverhill (MA) Gas Co.
(John G. McElvee is a Director of New England Merchants)
Bernard J. O'Keefe - Director, Boston Edison; Director, International Energy Corp.; Director, American Nuclear Energy Council.
William G. Salatich - Trustee, Eastern Gas & Fuel Associates

STATE STREET BANK & TRUST CO, Boston, MA:

Edward S. Hanify - Member, Executive Committee and Director, Boston Edison Co.

Robert E. Siegfried - Chairman & Chief Executive Officer, The Badger
Co (Badger, B.V., The Hague); Trustee, New England Gas & Electric
Association; Director, American Petroleum Institute.

In re: DOCKET NO. 2151:

TABLE VI-5

SECURITY HOLDERS AND VOTING POWERS

<u>ITEM</u>	<u>1973</u>	<u>1978</u>
Total voting securities	5,284,564	9,229,241
Per cent increase of shares outstanding 1978 over 1973		74.6%
Votes cast at general meeting	3,819,002	5,950,191
Per cent increase of shares voted 1978 over 1973		55.8%
Votes cast by proxy	3,803,774	5,948,648
Per cent of all voting securities that were actually voted	72.3%	64.5%
Per cent of votes cast that were cast by proxy	99.5%	99.97%
Voting power of 10 largest security holders and directors & officers.	1,166,650	1,502,500
Per cent of shares voted that this bloc represents	30.5%	25.3%
Per cent of shares outstanding that this bloc represents	22.1%	16.3%
Total number of security holders	14,357	23,902
Approximate attendance reported	63	139
Per cent of stock holders in attendance	.45% ^a	.58% ^b

^a Meeting held out of service area.

^b Meeting held in service area.

TABLE VI-6
COMPARISON OF RATES OF RETURN, CHARGES, & RESIDENTIAL RATES
OF SELECTED COMPANIES^a

COMPANY	% RETURN ON COMMON EQUITY				EL. RATE BASE (4)	MOODY'S PUBLIC UTILITY MANUAL 1978		
	(1)	(2)	(3)	(5)		(6)	(7)	
	1973 ^b	1977 ^c	1978 ^d	Aver Res. rate per kwh (e)		Min Charge ^f (\$)	Cont Charge ^g (\$)	
Allegheny Power System ^h	12.8		8.7 -					
The Potomac Edison Co.		7.6		7.93	3.36		7.00	
West Penn Power Co.		14.4		8.60	3.42	1.67		
Monongahela Power Co.		10.9		8.61	3.63	3.00		
Arizona Public Service Co.	11.4	13.3	14.5 +	11.70	4.72	2.45		
Central Illinois Public Service Co.	10.9	11.9	11.7 +	7.15	4.4	C.C.	2.00 to 2.60	
Central Louisiana Electric Co.	15.2	16.0	16.5	6.98	3.7	1.05 to 1.50		
Central & South West Corp. ^h	15.4		14.9 -					
Central Power & Light		15.7		10.38	4.76	4.35		
Public Service Co. of Oklahoma		13.3		8.93	3.78	1.05		
Southwestern Electric Power Co.		14.2		9.71	3.12	1.00		
West Texas Utilities Co.		15.2		8.82	4.0	1.00		
Cincinnati Gas & Electric Co. Inc.	14.3	14.5	13.0 -	9.81	3.54	2.50		
Cleveland Electric Illuminating Co.	13.0	15.6	11.8 -	9.73	1.9 to 4.3	1.80		
Commonwealth Edison	12.1	10.1	11.7 -	7.32	4.14	C.C.	1.40	
Consumers Power Co.	8.7	10.3	10.8 +	9.21	4.02	C.C.	2.50	
Duke Power Co.	9.6	12.2	12.3 +	7.96	3.40		4.27 to 5.19	
Duquesne Light Co.	12.0	7.6	6.7 -	7.60	5.09	2.04		
Florida Power Co.	12.2	14.9	13.6 +	10.60	4.19 to 4.49	C.C.	2.50	
Florida Power & Light	13.3	13.2	14.2 +	9.76	3.96	C.C.	3.70	
Gulf States Utilities Co.	13.0	11.5	11.3 -	7.89	3.0	1.25 to 3.50		
Hawaiian Electric Co.	11.7	11.7	13.2 +	7.23	5.2	C.C.	3.45 to 3.50	
Houston Lighting & Power ^l	14.0	14.7	13.4 ^l	9.63	3.09	2.10 to 3.90		
Idaho Power Co.	12.4	7.7	10.5 -	6.33	2.01	1.00	3.00 to 3.50 or	

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COMPANY	RETURN ON EQUITY (1-3) & E.L.R.B. (%)				1977'S MAINTENANCE 1977:		
	(1) 1973 ^b	(2) 1977 ^c	(3) 1978 ^d	(4) 1977 ^e	(5) kwh (c)	(6) Hln Ch(\$)	(7) Cap Ch(\$)
Illinois Power Co.	12.7	12.6	12.7 -	8.62	3.84		
Indianapolis Power & Light	14.5	16.3	9.6 -	8.19	3.13		3.00 to 5.40
Kansas City Power & Light Co.	9.3	9.1	11.1 +	7.24	4.10	1.86 to 1.95	
Kansas Gas & Electric	9.6	10.1	10.7 +	7.54	3.43	1.34	
Kansas Power & Light Co.	12.5	12.6	12.1 -	7.88	3.95	2.40	
Kentucky Utilities	11.5	8.0	6.4 -	7.62	3.1	1.40	
Louisville Gas & Electric	11.4	11.2	99.1 -	11.29	2.83	1.45	
Middle South Utilities ^h	14.1		13.5 -				
Arkansas-Missouri Power Co.		12.0		9.19	n.a.,	sales to towns	
Arkansas Power & Light Co.		13.4		8.68	4.02	C.C.	5.75
Louisiana Power & Light Co.		11.0		7.92	2.33	0.90	
Mississippi Power & Light Co.		14.4		8.68	3.91	2.50	
New Orleans Public Service Inc.		12.5		6.74	4.0	1.45	
Montana Power	16.3	9.0	12.1 -	7.5	2.50	2.25	2.25
New England Electric System ^h	10.3		12.9 +				
Granite State Electric Co.		7.6		7.89	n.a.,	sales to towns	
Massachusetts Electric Co.		11.0		7.20	wide variations		
Narragansett Electric Co.		4.4		5.73	5.5		
New England Power Co.		13.7		9.21	wholesale		
New York State Electric & Gas Corp.	10.7	11.2	12.6 +	8.11	4.0	2.58	
Northern Indiana Public Service Co.	14.7	11.0	9.0 -	7.15	4.35	2.88	
Norther States Power (NW) (WI)	11.8	11.8	13.2 +	8.10	3.99	3.00	2.50
Oklahoma Gas & Electric Co.	14.9	13.5	13.0 -	8.66	3.05	2.25	2.25
Pacific Gas & Electric Co.	12.1	10.7	10.2 -	7.74	3.27	1.26	
Pennsylvania Power & Light Co.	11.3	14.3	11.9 +	9.71	3.81	C.C.	1.50 to 1.60
Potomac Electric Power Co.	11.3	11.9	11.1 -	9.92	3.93	2.15	
Public Service Co. of Indiana Inc.	14.4	15.4	12.7 -	9.53	4.67	2.77	
Public Service Co. Of New Mexico	14.9	10.8	15.1 +	10.49	3.6	2.95	
Southern California Edison Co.	9.6	11.9	9.6 -	8.29	n.a.,	sales to towns	
Southern Indiana Gas & Electric Co.	15.8	15.1	15.8 -	10.73	4.32	C.C.	2.00 to 3.00
Southwestern Public Service Co.	16.0	20.4	17.5 +	9.43	3.5	2.50	
Tampa Electric Co.	13.4	13.0	15.1 +	6.51	4.30	1.65	
					4.26	3.65	3.65

TABLE VI-6 (Cont'd)

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COMPANY	RETURN ON EQUITY (1-3) & E.L.R.B. (4)				MOODY'S MANUAL 1978		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	1973 ^b	1977 ^c	1978 ^d	1977 ^e	kwh (¢)	Min Ch(\$)	Cur Ch(\$)
Texas Utilities Co. ^h	13.5		12.6 -				
Dallas Power & Light Co.		12.1		9.29	3.46	2.50	
Texas Electric Service Co.		12.9		10.45	2.80	7.00	7.00
Texas Power & Light Co.		14.0		11.45	3.8	3.60	
Union Electric Co.	10.6	10.9	12.2 +	7.86	3.79	4.90 to	
						5.54	
Utah Power & Light Co.	11.6	9.8	11.3 -	8.64	3.7	3.25	
Wisconsin Electric Power Co.	12.0	12.1	12.1 =	9.24	3.54		3.39to 5.00
Sierra Pacific Power Co.	11.5	12.9	11.6	8.96	4.247to 4.925 +.0631 D.E.A.		

^aList of companies submitted by SPPCo in 1975 (Docket #183) to support level of return on common equity requested; ^breturn reflected on SPPCo list; ^c from STATISTICS OF PRIVATELY OWNED ELECTRIC UTILITIES IN THE UNITED STATES 1977, U.S. Department of Energy, January 1979; ^d from ELECTRIC UTILITY COMMON STOCK MARKET DATA, Solomon Brother, Jan 3, 1979 as submitted by SPPCo in Docket #2151, 1979; ^e from same source cited in ^b, above; ^f minimum charge may or may not be credited against kwh used; usually when minimum charge and customer charge are the same, there is no credit, otherwise credit usually is allowed; also, charges vary from one service area to another; ^g apparently no credit allowed against kwhs used; again charges vary between service areas and regulatory bodies in more than one state at times; ^h holding company, but not identified as such on SPPCo list; subsidiaries listed with available data; ⁱ Solomon report lists a HOUSTON INDUSTRIES, possibly reflecting a name change since 1977.

Legend: - : Lower return on common equity in 1978 than in 1973. (22, or 50.0%)
 + : Higher return on common equity in 1978 than in 1973. (17, or 38.6%)
 = : Return on common equity approximately the same in 1978 and 1973. (4, or 9.1%)
 ? : More than one jurisdiction; data unclear.

Parties of Record A:15 PM 27 Apr 79

Only Sierra Pacific

MA Article

Nevada State Journal Monday, April 29, 1979-7

NOTICE OF PUBLIC HEARING

Sierra Pacific Power Company will appear before the Public Service Commission of Nevada (PSCN) May 8 to present direct testimony on Docket 21ST, an application for an electric rate increase.

Reasons for the Request
The Company is requesting an additional \$10.9 million in electric revenues to recover increases in fixed costs related to plant investment and other costs to operate its utility facilities. The application also includes requests for modifications to rate schedule definitions and format, rate design applicable to all customers and a charge for delinquent accounts.

Public Hearing Date
The PSCN has set Tuesday, May 8, at 9:00 A.M. for the public hearing which will be held at the Holiday Inn Downtown, California-Arizona Room, 1000 East Sixth St., Reno. Interested parties may comment in writing to the PSCN and file appropriate comments or petitions to intervene. In addition to the May 8 hearing, special times for taking statements from consumers will be set by the Commission at a later date.

Information Available
Copies of the application and supporting documents may be examined during normal working hours at any Nevada office of Sierra Pacific Power Co., or at the PSCN offices at the Kinkead Bldg., Third Floor, 505 King St., Carson City, NV., 89701.

DON'T COPY

Lloyd Dyer named to gas utility board

Harrah's president Lloyd Dyer has joined the board of directors of Southwest Gas, a natural gas utility based in Las Vegas.

William M. Laub, president, said Dyer is filling the vacancy created by the resignation of Alex K. Sample who has been named executive vice president of Houghton National Bank in Houghton, Michigan.

Laub said, "We look forward to drawing extensively upon Lloyd Dyer's comprehensive business experience and the special understanding of Nevada's needs he has gained as a leading representative of the state's largest industry."

Dyer began his Harrah's career as a cashier in 1947. He went on to hold various positions with the company, including assistant director of community affairs, vice president of real estate and finance, executive vice president of administration and finance, and director. In 1972, he was elected president.

Southwest Gas serves about 150,000 customers throughout Nevada, and in California and Arizona.



LLOYD DYER

"Consumer" conflict?

Edison Puts Off Building of 2 Major Power Plants

By LEE DEMBART

The Southern California Edison Co. has decided to hold off construction of two major plants because of revised forecasts in the growth in demand for electricity, company officials confirmed Wednesday.

As recently as six months ago, the two plants—an oil-fired plant of 1,250 megawatts in the Lucerne Valley and a 1,500-megawatt coal-fired plant that is yet to be sited—were scheduled to be completed before the end of this decade.

They represented the utility's major power construction in California for the next 10 years.

But new filings to be made with the California Energy Commission in the next few days will show that Lucerne Valley is now listed as "contingent" and the coal plant will be delayed until 1982, the company officials said.

Southern California Edison provides electricity to a large section of Southern California north of San Die-

go outside the city of Los Angeles.

The Lucerne Valley plant, which was approved by the Energy Commission last summer, was scheduled to start generating electricity in stages from 1985 to 1989. The site is in San Bernardino County north of Big Bear Lake.

But Mike Hermal, manager of regulatory affairs in the utility's system development department, said Wednesday in response to questions "We are treating it as a contingent project, contingent on whether or not other projects get built and contingent on changes in our forecast load growth."

"It will not be built unless something else fails," he said.

The state's utilities have been under pressure from the Energy Commission to reduce their forecasts of the growth in demand for electricity. As recently as the early 1970s, demand was growing at 7% a year.

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POWER PLANTS CONSTRUCTION

Continued from First Page

which has slowed to less than half that figure and, according to the Energy Commission, will decline further.

Hermal said Edison and the commission were now in agreement that the utility would need approximately 6,500 megawatts of new power in the next 12 years, a forecast that requires it to build the so-called California Coal plant but not the one in the Lucerne Valley.

In San Francisco, David Roe, a lawyer for the Environmental Defense Fund, hinted the change in status of the two plants as evidence that utilities did not need all of the new capacity that until recently they said they did.

"This is dramatic confirmation of the fact that once you look there are a lot of things you might do besides build coal power plants, besides building power plants at all," Roe said.

"It suggests that the energy problem is a lot more malleable than the utilities have been telling us," he said.

He dismissed Hermal's insistence that the contingent status of the Lucerne Valley plant meant it is still a viable project.

"This means that the thing has been shelved," Roe said. "We still have so that they can point to it, but they are not going to put any money on it. What they're saying is that the best-guess is that they're not going to need it."

The change in the status of the two plants means that Southern California Edison believes it can get by in this decade with about 2,000 megawatts of electricity less than it had thought. (It was to have used all of Lucerne Valley's 1,250 megawatts and 50% of California Coal's 1,500 megawatts.)

That amount of electricity is slightly less than the total to be generated by Pacific Gas & Electric's still-un-

licensed Diablo Canyon nuclear plant near San Luis Obispo and is about two-thirds of the total that will be generated by the San Onofre nuclear plant at San Clemente.

The only remaining large generating station that Southern California Edison has in progress is the Allen Warner Valley project in Utah and Nevada, which is to generate slightly more than 1,000 megawatts. Its other new sources of power will come principally from hydroelectric facilities.

The Lucerne Valley project was to have cost \$771 million, and the three units of California Coal are projected at \$1.6 billion.

"This is remarkable evidence of how much flexibility there is once somebody looks at the numbers," said Roe of the Environmental Defense Fund. "These are the changes that determine whether you sink billions of dollars into concrete and coal mines."

And Now, the Gas Glut

In the midst of an energy crisis, Pacific Gas & Electric Co.'s predicament seems most curious: the big California utility is overloaded with natural gas. The company is storing all it can, and has even started burning more gas to generate electricity. But still, there's more gas available than the company can sell. Now, PG&E is asking California's Public Utilities Commission for permission to lower its rates in an effort to retain big industrial customers.

Only eighteen months after the icy winter of 1977, when a critical shortage of natural gas paralyzed industry and inconvenienced millions, the U.S. has a glut of natural gas. In parts of Texas, Louisiana and Oklahoma, the biggest gas-producing states, prices of interstate gas have dropped by as much as 45 cents per 1,000 cubic feet since last fall. After years of delay in making new booms, utilities in some parts of the country are once again offering gas to homeowners. In the Pacific Northwest, gas companies are turning down supplies from Canada. And the American Gas Association has called on its members to turn up the burners on new sales.

Why the oversupply? A relatively mild winter, government restraints on gas use and increased conservation have damped demand considerably. The higher rates

producers have been allowed to charge for interstate gas—and the prospect of still higher prices if Congress ever approves the pending gas-price compromise—have stimulated new production. "While the President and the Administration are investigating against the unwise use of natural gas," explains Charles Maxwell, an energy analyst at Cyrus J. Lawrence, Inc., "they allow prices to rise, subsidizing production of more gas which we won't use." The industry already has twice as many wells operating now as it did five years ago, and it has twice the number of drilling rigs at work. New discoveries are bound to multiply: just last year, the nation's proved reserves jumped by 11.9 trillion cubic feet, the largest addition since the huge Alaskan finds were included in 1970.

The Big Switch But the main reason for the falling demand is big industry's change-over to alternate fuels—especially oil. Industrial use dropped from 8.8 quadrillion BTU's to 8.2 quadrillion last year alone. In part, the industrial switch was forced by Federal and state pressure to assure gas for residential consumers. But alternate sources have also made good economic sense. "Anybody can see that you can't continue to burn natural gas when interstate prices are the equivalent of paying \$17 or \$18 a barrel for oil," says Jack Heaney of the Continental Oil Co. "Gas is too prime a resource to waste on generating electricity."

The lagging demand and softening of prices ironically come at a time when the government is struggling to solve what it sees as a long-term problem of

short supplies and soaring prices. Under the compromise bill now under consideration in Congress (Newsweek, June 5), price ceilings on all newly discovered gas would be lifted by 1983 in an effort to spur new production and promote conservation. Liberals argue that the scheme will result in huge price hikes and hurt consumers. But that may not be so. The large oversupply now in the interstate market, where prices are not regulated, has depressed prices, so some gas men argue that the market operates without regulation. "You cannot repeal the law of supply and demand. When the demand isn't there, you won't get the ceiling price," says Norman Hulings of Oklahoma Natural Gas.

Sensation Energy Secretary James Schlesinger argues that the surplus undermines the adverse effects of the dual-market system. Because of the rate ceilings on gas sold across state lines, many producers simply stay in the interstate market. "Given the saturation of that market, you've got something like a trillion cubic feet of gas a year that's not being produced, but could be," Schlesinger says. "And for every trillion cubic feet of gas we burn in a year, we cut imports of oil by half a million barrels a day."

Gas producers warn that the current glut is only temporary. Another cold winter could drain the stockpiles, and most forecasts suggest that within the next five or six years gas consumption will once again catch up with production capacity. But Schlesinger observes that the current situation shows that the U.S. can maintain historic production levels for the foreseeable future. "One ought to be cautiously, prudently optimistic about gas," he says. Gas men—eager to dispel the notion that natural gas is an unreliable source of energy—are delighted at the opportunity to spread that message.

—MICHAEL BISHOP AND WILLIAM COOK IN WASHINGTON
NICHOLAS PAPPAYTO IN DENVER AND DENVER OFFICE

Lower Growth in Power Demand Seen

Energy Commission Staff Calls Utilities' Predictions Too High

SACRAMENTO (AP)—For the rest of this century, California will need far less electricity and fewer power plants than utilities are predicting, the state Energy Commission staff said Tuesday.

The staff in a much-delayed biennial forecast predicted that statewide energy needs would grow by 2% a year through the end of the century.

Private utility predictions average 3.4%. Only two years ago, the commission was forecasting a 3.3% growth rate for the same period.

"High growth in electricity use is not necessary for economic growth and prosperity," the staff report said.

The preliminary forecast is the first round in what is likely to be a decade over competing projections of energy use that may determine how many power plants are built in the state in the next two decades.

The commission will adopt a final forecast after hearing arguments from utilities that higher predictions are warranted.

The staff said it was assuming that Californians' standard of living would

improve during the period. Recessions or depressions would reduce energy consumption, the report said.

All the predictions are well below the energy use growth rates of either 1964-69, an average of 3.7%, or the following five years, 3.3%. Average growth for the last five years has been only 1.5%, and the commission says droughts and the Arab oil embargo were largely responsible for the low figure.

"Increased efficiency in the way we use electricity" will reduce energy needs, the commission staff predicted. It cited new government conservation standards for buildings and widespread growth of insurance that use less energy and, in some areas, installation of demand for major appliances such as air conditioners.

"Until very recently, energy was so inexpensive that conservation habits were not widely practiced," the report said. "As energy prices began to increase in the early 1970s, consumers began to economize on their energy use (lowering thermostats or winter operating appliances less often, etc.)."

A 2% growth rate "will undoubtedly

ly require construction of new power plants," the staff said. It did not specify the number, type or location of new plants but said some would be needed to replace outmoded facilities.

The forecast was immediately praised by the conservationist Sierra Club as "a significant milestone on the path toward effective management of our energy problem."

For the state's five major utilities, the staff forecast growth at 1.79% a year for Pacific Gas & Electric, 1.53% for Southern California Edison, 2.25% for the Los Angeles Department of Water and Power, 3.07% for San Diego Gas & Electric and 3.01% for the Sacramento Municipal Utility District.

For natural gas, the staff predicted that the recent decline in use would level off and that demand would grow slowly, averaging just below a 1% annual increase over the two-decade period.

The report said electricity prices probably would continue to rise faster than the overall inflation rate through 1985 and would keep pace with inflation after that.

FTC REVEALS INVESTIGATION OF BANK, ENERGY FIRM TIES

WASHINGTON (UPI)—The Federal Trade Commission said Thursday it is investigating whether oil companies and other energy suppliers got preferential treatment from banks and arranged to shut out competition.

Commission officials said the inquiry was authorized Sept. 12, 1974, during the energy crisis, but not previously made public.

They said it is still very much alive, but being held up due to court action by six of nine banks involved to block an FTC examination of their records.

Confirmation of the investigation came after an independent news letter, "FTC Watch," reported it earlier this week.

The nine banks whose files have been subpoenaed are Chase Manhattan, The Chemical Bank of New York, Citicorp, Continental Illinois, Mellon National, J.P. Morgan, Bank of America, First City Bankcorp of Texas, and the Security Pacific Corp. of Los Angeles.

In a letter dated May 7 to one of the banks, in response to a motion to kill the subpoena, commission secretary Charles A. Tobin said the purpose of the investigation was "to determine whether certain interlocking relationships among petroleum companies and between such companies and financial institutions violate the

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FTC INVESTIGATION

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FTC Act and the Clayton Antitrust Act.

"Since the availability of credit is highly important to the capital-intensive energy sector," Tobin said, "the commission is investigating, among other things, whether interlocking energy concerns or some segment of the industry with which they are identified received preference in obtaining credit and whether interlocking energy companies influenced bank credit policies to encourage or inhibit various alternative energy sources and industry structures."

The commission's correspondence with Security Pacific indicates the agency was interested among other things in determining to what degree that bank or some of its subsidiaries gave loans to individual service stations.

In documents on file at the commission, names of the energy companies involved have been blacked out, and it could not be determined immediately which ones are under investigation.

The banks have told the FTC they do not believe they are under its jurisdiction. But the agency has told them it has authority to look into unfair methods of competition and other unfair acts and practices.

Power Play

Electric Utilities Turn To Tougher Approach In Seeking Rate Rises

They Expand Lobbying, Ad. Public-Relations Efforts: But Some Stunts Backfire

'Dopes' at Three Mile Island

By JOHN KOVACH
 Staff Reporter of THE WALL STREET JOURNAL
 Electric utilities are getting scrappy over rate matters.

Take Georgia Power Co. Last year, after a candidate won a seat on the Georgia Public Service Commission by promising never to vote for a rate increase, Georgia Power executives decided to debate the new commissioner on television. If his views prevailed, they warned, Georgia Power might have to sell some power plants and begin selective "brownout."

Or consider Columbus & Southern Ohio Electric Co. After the Ohio Public Utilities Commission in April 1978 granted only \$2.5 million of a \$4.5 million rate-increase request, the company soon filed for an "emergency" \$6 million rate. Columbus & Southern told newspapers that its financial survival was in jeopardy and said it was beginning to delay construction, close offices and freeze hiring. Last March 1, it received a \$2.5 million increase, subject to refund pending the outcome of another \$25 million request.

Faced with raging inflation and rising public and political pressure over rates, many of the 21 investor-owned utilities in the U.S. are becoming more aggressive in seeking rate increases and on other matters. They are expanding lobbying, advertising and public-relations efforts, and they are sending out executives to make tough speeches to Rotary clubs and other groups. And such efforts have become all the more important to them in the wake of the recent nuclear accident at Three Mile Island in Pennsylvania, which many regard as damaging to their credibility.

"Fight or Give Up"

"It's either fight or give up the ship," says Donald McCammond, a vice president at Virginia Electric & Power Co. Anthony Bruns, supervisor of communications at Florida Power & Light Co., adds, "Just because we're no longer thought of as the money utility doesn't mean we're going to give up."

John Attalenti, a utility-securities analyst at Argus Research Corp., New York, also notes the change. "Utilities used to be experts in engineering," he says. "Now they're experts in rate filings and public relations."

As recently as 10 years ago, most electric utilities had little use for public relations. They preferred a low-key business style—out of the public spotlight and off the front page. Furthermore, because electric rates had been falling, utilities didn't have to contend with much public pressure.

Working in the public-relations department at Public Service Electric & Gas Co. a few years ago "was so boring I wanted to quit," recalls Arthur Leshman, general manager of information services at the Newark, N.J., utility. "All I did was arrange luncheons."

Post-Embargo Blues

But since the Arab oil embargo in 1973, utility costs have been soaring, and utilities have been asking for huge rate increases. As a result, opposition to raising electric bills also has been growing. The Edison Electric Institute, a trade group, found in a study last year that 39% of the people surveyed believed that utilities make too much money, up from 30% in 1976. (Only 25% termed profits too low.) And many consumer groups and individuals are fighting back by filing protests against rate-increase requests and by notifying agencies that public service commission hearings. Joining the protest are large corporations trying to hold down their own electric bills.

"Suddenly, we're being blasted from pillar to post," says Alvin W. Foglio Jr., president of Southern Co., an Atlanta-based utility holding company whose subsidiaries include Georgia Power and Alabama Power Co. "We find ourselves having to explain that we're really not a rip-off organization, and that we're really not trying to feed a financial pipeline to New York banks and Wall Street investment firms."

And in the future, utility executives say, the explaining may become even more arduous because of the incident at Three Mile Island and the controversy over the public statements issued by General Public Utilities Corp., which operates the stricken nuclear-power facility.

Portrayed as Dopes

"Throughout the whole affair, utility executives were portrayed to be a bunch of dopes," says James L. Shoemaker, public-affairs manager at Utah Power & Light Co. "That's got to hurt us—in rate cases and everything else. It's something we're going to have to try to rectify, however long it takes."

To counter the increased opposition, utilities are juicing up their public-relations operations. Mr. Leshman says his staff at Public Service E&G has been doubled in the past few years. "We're in a kind of battle these days," he says. "We need more people to keep sending out flyers, bookies and information kits and to handle all of the questions we get from the media."

Many utilities have created speakers' bureaus, which disseminate information to AARP, Kiwanis, Rotary and other groups. George Edwards, vice president of public affairs at Georgia Power, says the utility's 150-member speakers' bureau last year "delivered thousands and thousands of speeches." He adds that whenever an executive makes a

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Power Play: Electric Utilities Try A Tougher Approach to Rate Rises

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speech, the utility puts out a news release on what the official said.

At Consumers Power Co. in Jackson, Mich., executives go through four days of training for television appearances and on how to deal with hostile audiences. The utility also holds shareholder meetings throughout Michigan each year to keep hidden information about rate developments.

Paying for Lemonade

Other utilities are running more newspaper ads to argue their case. One such ad, placed by Indianapolis Power & Light Co., shows a balloon with a belt tightened around it. "We're using the last inch," the ad says. And some Virginia E&P ads depict a boy complaining to his customers at a lemonade stand why the price has doubled to 10 cents a cup. "When someone raises the price of lemonade, someone else has to pay more for lemonade," it says.

Utilities also are increasing their lobbying efforts. Georgia Power, for instance, says it maintains a list of 1,000 "movers and shakers" in the state. Mr. Edwards says, "We try to contact everyone on the list at least twice a year. It's important that they know what we're doing because we need their support."

Mr. Edwards also cites Georgia Power's banking procedures. Rather than concentrating its deposits in big Atlanta banks, he says, the utility has been spreading its deposits across the state and thereby earning the favor of a lot of small-town bankers. In addition, employees are urged to explain the utility's views to their friends and neighbors. "We tell them not to be ashamed to

talk about the company in church or anywhere else," Mr. Edwards says.

Utah P&L credits a shareholders committee formed by its directors with helping it get a \$27.3 million rate increase a few years ago—close to the \$23.3 million it sought. "Directors felt that the shareholders' point of view ought to be represented in rate cases," a Utah P&L spokesman says. He adds that the board used company earnings to pay the committee's expenses, which included flying shareholders into the state to testify in rate hearings.

Disc Warnings

Another tactic used by utilities is to warn what might happen if they aren't allowed to raise rates.

Shortly after Ohio Edison Co. asked for an \$87 million rate increase, Robert J. McWorther, the utility's vice president of engineering, said that if the rate weren't granted there would be a "very significant increase" in the possibility that customers soon would face brownouts or selective blackouts. In a brownout, the amount of power sent to all customers is slightly reduced; lights dim, TV pictures get smaller, and electric motors can overheat.

Such warnings often are "orchestrated to have the maximum possible shock value on consumers," Mr. Attalenti, the utility analyst, says. But he adds, "Utilities aren't always whistling in the wind when they say such things, either."

It wasn't just an idle threat, for instance, when Alabama Power warned last December that it would be forced to lay off thousands of employees if it didn't obtain a rate increase. Later, when the increase was de-

nied, almost 4,000 workers were furloughed and power-plant construction was halted.

More Publicity Stunts

Publicity stunts also are becoming more common. Recently, Georgia Power was ordered by the Public Service Commission to complete a complicated financial study to justify a pending request for a 17% increase in electric rates. Georgia Power complained that such a study would take too long, but the commission insisted on it.

Finally, the utility called in TV cameras and reporters as it carried 650 pounds of documents across town to the commission. A Georgia Power representative told commissioners that if they wanted the study, they themselves would have to do it from the papers provided. However, the maneuver may have backfired: the commission later threw out the entire rate request.

Virginia E&P also faced poorly with a stunt. Involved in a lengthy contested rate case last year, the utility contended that opponents advocating energy conservation don't practice it themselves. It added that it had secretly monitored the power usage of 10 members of the Virginia Consumer Congress, a pro-conservation group, and learned that they hadn't been saving any electricity. The group angrily replied that the monitoring was an effort to "discredit and ridicule critics and invade its members' privacy. In retrospect, a Virginia E&P spokesman acknowledged, the stunt "probably hurt us as much as it helped."

Doubtful Record

Moreover, there is doubt whether any of the utility efforts are paying off. Last year, investor-owned electric utilities managed only a bare 1% average increase in profits. Standard & Poor's index of 22 utility stocks declined 13%, and both Standard & Poor's and Moody's Investors Service continued to downgrade utility bond ratings.

Indeed, Charles Benora, a utility analyst at Paine Webber Mitchell Hutchins, says utilities probably aren't nearly as aggressive as they should be. "They're on a collision course with economic disaster," he says. "They've simply got to get their rate relief than they are, or their ability to raise capital is going to be in serious jeopardy."

Argus Research's Mr. Attalenti agrees. He contends, for example, that Georgia Power should have reacted faster to Billy Lovett, the commissioner elected after promising never to vote for a rate increase. "Instead of waiting to start their fight until after he got elected, Georgia Power already should have had him pummed to the wall," Mr. Attalenti says. "They had a clear shot at him, and they blew it."

But Georgia Power's Mr. Edwards disagrees. "This is a long-term thing we're involved in," he says. "It took several years a long time to get into the financial mess we're in, and it's going to take us just as long to get out. There aren't any easy solutions."

Captive Customers? Utility-Owned Mines, Meant to Assure Fuel, Often Lift Power Cost

Critics Say Some Firms Run Mines Badly or Use Them To Escape Profit Limits

Regulators Begin to Notice

By THOMAS PETERSON JR.

Staff Reporter of THE WALL STREET JOURNAL

In 1976 American Electric Power Co. decided to go into the coal-mining business in a big way. At the time, that looked like a smart move.

The Arab oil embargo was pushing coal prices on the open market skyward, and tough new environmental rules required utilities to burn more low-sulfur coal, a commodity that is short supply. Gerald Blackmore, executive vice president of the New York-based utility holding company, maintains that the decision to reduce dependence on outside coal suppliers "was critical to properly implement our responsibilities" to shareholders and consumers alike.

But federal energy regulators aren't so sure consumers are among those benefiting. In a recent audit, they found that the coal American Electric produced for its own generators "was, on the average, consistently lower in energy content, consistently higher in sulfur content, and consistently higher in price than coal obtained from commercial sources." The result: The company's coal expansion actually cost consumers money, as much as \$2.5 million in higher electric bills for 1976, alone, the audit found.

More Money for Less Heat

American Electric isn't an isolated case. Utilities' so-called "captive coal," intended to be the consumer's protection against coal shortages and skyrocketing coal prices, frequently costs more and produces less energy than independently mined coal.

Five years after the oil embargo, many of the nation's leading utilities are saddled with costly and marginally productive mines, while cheap, high-quality coal goes begging on the open market. Since most of these utilities are enticed by law to a "reasonable" return on their mining investments, the industry has been stuck with footing part of the bill for captive coal.

Not surprisingly, regulators are growing uneasy about captive coal. Some question the quality of utility mine management, and others wonder about the wisdom of coal mining by electric utilities in the first place.

But what appears to concern state and federal regulators most is that some companies may be using their captive-coal operations to reap profits otherwise denied in the rate-making process. Some utility-owned mining companies are earning three times more on investment than commercial coal operators, who are suffering through the worst downturn in steam-coal demand since the early 1960s. Says one Energy Department official: "With captive coal, the machinery is there for a utility to 'get it' at one end if it can't legitimately boost rates at the other end."

A "Toughy Area"

But the electric utilities' trade association, the Edison Electric Institute, says it believes regulation is sufficient "to assure that the price of electricity will reflect the actual cost of fuel," captive or not. A spokesman for the institute adds that "this is a very touchy area."

Some utilities have been producing part of their own coal almost since the turn of the century. It wasn't until the Arab oil embargo, however, that utilities began to "go captive" in a big way. From 1961 to 1971, the proportion of utility coal requirements provided by captive mines fell to 4.9% from 1.6%, but from 1972 to 1978 it more than doubled to 12.1%. Today, some 37 utilities control 5% of the nation's coal reserves, and the government expects captive-coal production to triple by 1985.

In Florida, for instance, Tampa Electric Co. bought its Cal-Glo Mining Co. in 1976 because a new generator required special environmentally suitable coals that the mine produced and "because we got a good deal for it," a spokesman says. But one recent company report filed at the Energy Department shows that Tampa Electric paid \$13.77 a ton for Cal-Glo coal mined in Kentucky, while importing coal from Poland for \$13.38 a ton, or 23% less.

The Polish coal, in addition, was 66% lower in sulphur content and 19% lower in unwanted ash, besides being 13% higher in heating value. The lower quality of the Cal-Glo coal meant the price disparity was actually wider than 23%, because the costs of removing sulfur and ash are enormous, and the lower heating value means that more coal is required.

Economics Can Change

Even some utilities that once saved money by mining their own coal recently have begun paying more for captive coal—and charging their ratepayers accordingly. Pittsburgh-based Duquesne Light Co., for instance, was able to save 2.4%, or an average of 21 cents a ton, on coal it got from its wholly owned Warwick mine in 1976. But in 1977, citing mine-operating problems, the company began charging (and 21.5% above the going market price for its own's coal—and passing most of the increase on to customers.

Had Duquesne Light bought all its coal on the open market that year, records indicate, the savings to consumers would have totaled about \$3 million. More recent company reports indicate that it is still paying substantially more for its own coal, which is a bit lower in sulfur than most of the commercial coal it buys but is higher in ash and lower in heating value.

For its part, American Electric Power in 1978 paid its mining subsidiaries 14% above its contract-coal costs and 2% above what

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Captive Customers? Mines Owned By Utilities Often Raise Power Cost

Continued From First Page

if paid for spot-market coal, the government audit found. Company reports filed since 1976 indicate the price disparity still holds true in American Electric's case.

While all of these companies have the same primary reason for staying in the coal business—to assure long-term supplies of the better fuel—their explanations for the high cost of their own coal vary. Tampa Electric says that the "general efficiency" of its mine has been low, but that the company is taking steps to improve it. Duquesne Light says its mine, which is underground, is subject to a litany of costly federal health, safety and environmental regulations. (Presumably, though, commercial operators also are subject to these conditions.)

Mr. Blackmore of American Electric says his company's cost is often more expensive because many of its new mines haven't yet reached full production. Beyond that, he adds, the sheer cost of capitalizing a new mine has risen more than threefold in the past 10 years.

Paradoxically, Southern Co. in Atlanta got out of the mining business for precisely that reason in 1974, the same year American Electric expanded its operations. Recalls James C. Ludwig, Southern's vice president for fuel: "At the time we were striving to generate new capital dollars for (electricity) system expansion. We didn't need to aggravate the problem with coal mining."

Zachariah Allen, a vice president of P.R. Schwab & Associates in New York, a consulting firm that specializes in utility and mine management, believes that "many utility executives don't fully appreciate that the management requirements for the effective operation of a utility are radically different from those of running a mine. Coal mining requires a unique set of technical, supervisory and planning skills. Mr. Allen says, but "unfortunately, the utilities don't have these skills in-house and they can't be readily acquired on the job market."

"Franchised Monopolies"

This view is understandably prevalent at independent coal companies. "On balance, I damned well don't think they're as good at mining as we are," an executive of one major coal company in the East says. "I can think of a few occasions when a utility began mining an area that we wouldn't touch with a 10-foot pole."

Whether or not utilities are able to run mines efficiently, critics say they have little incentive to do so. In its audit of American Electric's coal operations, the Energy Department asserted that captive mines are "franchised monopolies" that "face limited competition." The pressure to operate them efficiently, the report found, is "minimal." In some states, captive-coal costs are built into the utilities' rate structures, and in others, many costs are transmitted directly to

consumers; either way, consumers pay. Lately, though, attitudes in some state capitals have begun to change. In Ohio, a state-run consumer agency is seeking an end to the fuel-adjustment clause, in part because of high captive-coal costs. Pennsylvania, West Virginia, Kentucky and South Dakota are among states that have recently

taken steps to control or monitor captive-coal prices. Pennsylvania's new regulation is typical: it states that captive-coal prices passed along to utility customers must be limited to the market price for coal or actual production cost, whichever is lower.

Higher Return on Investment

Profit is another element in the high cost of captive coal. In states that regulate captive-coal prices, utilities are typically allowed to earn as much through coal mining as through power generation. This return on investment averages about 13.5%. By contrast, Joel Price, a coal analyst with Dean Winter Reynolds Inc., says, "I doubt in today's weak coal market if there's an independent operator making 10% on steady coal."

Beyond that, regulatory officials suspect that some companies are abusing rate-of-return regulations and that others may be producing in the 30 or so states where no such regulations exist. A Justice Department report puts it this way: "Current regulatory schemes may be ineffective, possibly leaving (coal-producing) utilities in a position to capture profits in coal production that they are denied by regulation at the local (electricity) distribution level."

In one case, the Public Utilities Commission of South Dakota found that Mountain-Dakota Utilities Co. earned an "unconscionable" and "egregious" pretax return of 37% through its wholly owned Knife River Coal Co. The commission ruled that the utility could include a return of no more than 15% in its captive-coal prices, so that customers wouldn't "be required to pay in their electric rates for excess and unreasonable profits." The company, which disputes the agency's authority to regulate the return

and denies any harm to consumers, won't reversal of the decision in a district appellate court, and the matter is before the state supreme court.

Eleven-Volume Audit

In the American Electric audit, Energy Department officials found that "accounting manipulations" enabled the company to earn a 10% return on equity at its Windsor Power House Coal Co. unit while claiming to be earning just a 12.5% return. All told, the 11-volume audit claims to have accounted for \$12.3 million in coal-related overcharges from 1974 to 1978; it recommends that the Energy Department's Federal Energy Regulatory Commission, which regulates interstate transmission rates for gas and power, require American Electric to refund that amount to consumers.

The audit was initiated three years ago after a West Virginia consumers group, the McDowell County Consumers Council, filed a complaint with the old Federal Power Commission questioning the price of American Electric's captive coal. The McDowell case currently is before an administrative law judge at the Federal Energy Regulatory Commission, or FERC, and for that reason American Electric declines to comment on it or the Energy Department audit.

But it is clear that a finding of fault against the company would set a precedent for greater regulation of captive-coal operations. "I wouldn't be surprised to see FERC go to Congress for more authority, and the authority to prescribe a uniform system of accounting" for captive-coal operations, says a top Energy Department regulator. "In effect," he says, "such legislation would lead to the regulation of captive coal utility in its own right."

National Air Flights to Zurich

MIAMI, Fla.—National Airlines said it will begin weekly flights between Miami and Zurich beginning June 24.

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EXHIBIT D

My name is Nazir A. Ansari. I am professor of management at the University of Nevada, Reno. My academic background is in the field of government regulation of business.

I appreciate the opportunity of appearing before you today.

I would like to suggest that the two issues of concern addressed by ACR 22, namely a study of the Public Service Commission of Nevada and the requiring of competitive bidding, be examined separately. The question of competitive bidding is strictly an economic issue and in view of the sparsely populated nature of the State, I am of the opinion that this will have very limited impact on the cost of energy production.

Regarding the issue of the Public Service Commission, I would like to make the following comments and recommendations:

1. The PSC while keeping an eye on the income of the public utilities, should closely examine the expenditures of the utilities as well. I am of the opinion that the PSC should go well beyond its present emphasis on the management expenditures of the public utilities and do everything possible to bring about greater cost consciousness among the utilities. Nevada statutes require the PSC to do no less.

2. Consumer advocacy is an idea whose time has come in Nevada. In exercising its rate making authority, the PSC has failed to seek appropriate input from consumer and public groups as required by law. The state legislature should take necessary steps to address this most serious problem. This can be accomplished by either setting up a consumer advocacy board or by adding additional consumer members to the PSC. The PSC should be directed to seek consumer input in all rate hearings and decisions of capital expenditure.

3. I strongly recommend that the legislature and the PSC persuade the public utilities to appoint at least one person from among their customers on their Board of Directors. This will help alleviate the distrust that now exists between the utilities and their customers.

4. The PSC needs to do more to ensure that the burden of ever rising cost of energy is distributed equitably among various users and that one sector does not unduly subsidize another.

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EXHIBIT E

Ann Murphy
June 26, 1980, Meeting
Legislative Commission's Subcommittee to Study
the Public Service Commission (A.C.R. 22)

Good afternoon, my name is Ann Murphy.

For nearly five (5) years I have been attorney for Toward Utility Rate Normalization (TURN), a non-profit corporation, which represents the residential and small business ratepayer interests before the California Public Utilities Commission.

Mark Twain wrote:

"To be good is noble. To tell other people how to be good is even nobler and much less trouble."

Public participation is viewed by some as noble, by others as a waste of time and money. My opinion is that sophisticated public participation makes sound economic sense.

Around the country, residential and small business ratepayers are coming before their public utility commissions with a common complaint - rates are too high. But such complaints do not answer the question - why are rates so high? Since January of this year, PG&E in Northern California has received rate increases totaling \$2,242,000,000.

Consumer input in rate cases is caught between the increasing expense of effective participation and the growing need for sophisticated and persistent representation.

Public participation is necessary to aid in the development of the record, which provides the regulatory agency the viewpoint of those that are affected by its decision and prevents the agency's "capture" by the regulated interests.

Company orientation on the part of a commission or regulatory agency is seldom a deliberate decision. It often comes about simply due to the fact that a regulatory agency is exposed to only one point of view - the industry's.

Furthermore, regulatory agencies have limited budgets, and many issues in utility regulation (for example, experimental rate designs, monitoring revenues, etc.) require close cooperation between the agency and the regulated industry.

When compared to the interests of the small ratepayer, commercial and industrial interests generally possess the economic and organizational strength and political sophistication required to present their views before the regulatory agency. Industrial and commercial interests can claim their cost of participation as a necessary and proper business expense, and receive approximately fifty cents (\$.50) on the dollar subsidy from the general body of taxpayers.

The utility not only has the advantageous tax consequences of this business expense, BUT ALL THE COSTS OF THE UTILITY SEEKING A RATE INCREASE ARE PASSED ON TO THEIR RATEPAYERS as an operating expense. I know of no jurisdiction that requires the shareholders to bear the costs of the utilities' participation in rate cases.

Thus, the rates you pay include the utilities' costs of seeking greater rate increases.

Furthermore, one cannot expect the regulatory agency to adopt the cause of the small ratepayer. By statute or constitutional mandate, the agency must represent the views of all ratepayers. The agency must balance all interests and not become the advocate of any one interest. As Chief Justice Burger wrote when he sat on the Federal Court of Appeals:

The theory that the Commission (FCC) can always effectively represent the listener interest in a renewal proceeding without the aid and participation of legitimate listener representatives fulfilling the role of private attorney general is one of those assumptions we collectively try to work with so long as they are reasonably adequate.

(Office of Communications of United Church of Christ v. FCC, 395 F.2d 994, 1003.)

The California Supreme Court has held similarly. With respect to the California Public Utilities Commission, the Court recently stated that the Commission staff could not fully and adequately represent all facets of the public interest, and that the Commission and its staff has its own institutional interests that it represented. (CLAM v. PUC, TURN v. PUC (1979) 160 Cal.Rptr. 125.)

Additionally, representation of the residential and small business interest is not adequately represented by attorneys and staff of cities and counties. These governmental bodies have a conflict of interest in that such entities must also represent the corporate interests of the cities or counties. (For example, Centrex telephone rates v. basic exchange rates.)

The problem arises when all interests are not represented. Needless to say, the resulting decisions favor the side able to afford the representation necessary to adequately present its views - for a decision must be based on the evidence.

Effective public participation counters an agency's tendency towards company orientation and is a prerequisite to balanced decision making.

Public participation benefits the regulatory agency and all ratepayers in the following ways:

- (1) It will offer the Commission different viewpoints and result in a more fully developed record. Such a record enables informed decision making.
- (2) Increased public participation enables the regulatory agency to act with independence regarding industry demands.
- (3) The possibility of active public participation may persuade the regulated industry to recognize consumer interests.
- (4) The regulatory agency's acknowledgment of ratepayer organization's or public advocate's ability to develop a record and to appeal resulting decisions will promote careful consideration of all issues and responsible decision making.

- (5) In sum, regulatory agency decisions will command greater public acceptance and support.

WITHOUT FINANCIAL ASSISTANCE, EFFECTIVE PARTICIPATION BY THE SMALL RATEPAYER INTERESTS WILL NOT BE POSSIBLE.

Impediments to Effective Public Participation:

- (1) The direct economic effect of a regulatory decision on one ratepayer is so small that his participation costs far exceed any possible monetary benefits he might receive. Though a ratepayer's gas and electric bill may increase \$5 to \$10, such a cost does not justify the expenditure of thousands of dollars necessary for effective participation.

- (2) Ratepayer organizations are difficult to organize and financing such organizations costs money.

- (3) Costs of participation are staggering. The issues are complex. Participation must be more than just an opportunity for ratepayers to vent their anger and frustration. Ratepayer organizations or a public advocate must have the opportunity to cross-examine utility witnesses, to challenge their assumptions, and to elicit oftentimes ignored but crucial information. Most importantly, ratepayer organizations or a public advocate must have the opportunity to present their own evidence via expert witnesses to develop a record that encompasses all points of view.

No one would dispute that only participation which contributes to the development of the issues before a commission or regulatory agency should be compensated and compensation should only be awarded to reimburse the costs of participation.

There are three methods of funding generally utilized in federal and sister state jurisdictions:

- (1) Public Counsel;
- (2) Public Advocate; and
- (3) Direct Funding of Public Participants.

(1) The model "Public Counsel" is employed by a few federal agencies. It consists of an office of attorneys who assist those not adequately represented before the regulatory agency. Such an office represents members of the public, but there is no attorney-client relationship.

An example of such an office is the Rail Services Planning Office of the Interstate Commerce Commission (ICC). Though technically a part of the ICC, it has independent status. Such an office found its success depended on insulation from organizational and political pressures.

(2) The model of an office of "Public Advocate" is an office of attorneys who argue substantive positions on behalf of the public.

Such offices were first formed in states where the regulatory agency did not present an independent "public interest" position of the agency.

For instance, such an office was formed in Maryland in 1924, and has generally considered its customer to be the residential ratepayer.

The New Jersey Office of Public Advocate was created by statute in 1974. The statute also defines public interest. This office handles hospital, insurance and utility rate issues. There is a staff of 23 attorneys, most of whom possess dual specialties; i.e., attorney and physicist, attorney and economist, etc.

In a rate case the office is allowed a minimum fee of \$500. The maximum fee is \$1 million (1/10 of 1% of the Company's prior year revenues). This dollar amount has never been realized. The costs for this office are considered a legitimate operating expense of the utility.

Another public advocate's office is the office of People's Counsel in Washington D.C. Their office has an annual appropriation of \$100,000 and consultants' fees are billed to the utility. The office estimates that its efforts saved D.C. ratepayers \$100 million in the past year.

(3) "Direct Funding" of public participants has become more widespread. The pioneer agency in this area was the Federal Trade Commission (FTC). The agency

announces a total level of funding for compensation for participation in a particular proceeding, and applicants submit requests for compensation. Compensation is allowed only for authorized expenditures.

A unique feature of the FTC's program is that it may make advance payments when necessary.

The "Citizens Utility Board" (Board) is an organization that could be established by state law or commission regulation, and would be funded either through a check-off or by a return envelope enclosed in monthly utility bills.

The consumer could check-off the amount to be contributed to the action group and add it to his utility bill. The utility would turn over the monies to the Board.

Membership would be composed of contributing residential consumers, who would elect the Board of Directors. The Board of Directors would be responsible for hiring staff, intervening in rate proceedings and resolving consumer complaints.

Such a Board has been established in Wisconsin, but it is questionable whether such an organization is suitable for a sparsely populated state.

The "Public Utilities Regulatory Policy Act" (PURPA) establishes federal standards which must be considered in public hearings. This Act also provides explicit provisions for consumer representation, which provisions include compensation for costs of participation. (See Section 122.)

The Nevada Commission must make a determination with respect to six of the twelve standards by November of this year. Such issues as terminations, advertising expenditures, etc., would benefit greatly from consumer participation.

Other sister state public utilities commissions have awarded costs of participation to intervenors under their authority pursuant to their enabling legislation or under equitable doctrines. The Nevada Supreme Court has rejected these theories in 1978, and stated:

If consumers, or any particular class of them require additional legal representation in rate proceedings before the Commission, the legislature, not this court, should provide it.

Consumers League of Nevada v. Southwest Gas Corporation (1978) 576 P.2d 734.

Additional sources of funding are available.

(1) It is only fair that costs of consumer participation be allowed as a legitimate operating expense of the utility. Federal legislation provides for this (PURPA).

(2) This same federal legislation provides for monies to state commissions, and these monies could be utilized for consumer participation.

(3) The Energy Conservation and Production Act (ECPA) provides federal assistance to a "state office of consumer services which assist the representation of consumer interests with regard to matters before an electric regulatory commission."

(4) An additional source of funds might be unrefundable refunds from refunds previously made. In California it is an open legal question whether such funds escheat to the State. The California Commission is now investigating whether such monies could be used to fund intervention.

Conclusion: In 1971, Malcolm S. Mason, at congressional hearings on the issue of public participation (Administrative Conference of the United States; Public Participation in Administrative Hearings) stated:

In some instances it will prove more costly not to assist such groups than to assist them, for the presence of representative groups may save the agency from serious substantive error and serious delay. No agency, however conscientious, has a monopoly of wisdom. The wisest agencies are those that encourage others to inform them and do not pretend to speak for the public interest with the only qualified voice.

This insight is equally applicable today.

It is important that a consumer advocate be adequately funded in order that an effective and sophisticated representation be effected. Appointing lay persons to serve in consumer offices of regulatory agencies or on the Commission itself does not provide for public participation. Decisions must be based on the record. What is needed are different perspectives, which will prove invaluable to informed decision-making.

EXHIBIT F

Presentation by the
Nevada Department of Energy
before the
ACR 22 Legislative Subcommittee

Thank you for the opportunity of addressing this subcommittee. The NDOE has been asked to outline some of the conservation and renewable resource alternatives that could be pursued to help dampen the impact of increasing residential energy costs.

During the past several years, consumers have been faced with the anomaly that consumption has been dropping while energy bills have continued to increase. The primary cause of this phenomenon is the increased cost of natural gas, oil and coal. These are factors that are generally beyond the control of Nevada consumers, utilities and regulators.

Given the fact that it is unlikely that we can convince OPEC, Canada and American coal producers and transportation companies to reduce prices, activities to alleviate the burden that energy costs are putting on Nevada consumers must be directed at three objectives:

- (1) Reducing the amount of energy that individual consumers utilize-in simple terms conservation.
- (2) Increasing the number of customers that utilities can serve with existing facilities.
- (3) Facilitating the utilization of solar, geothermal and other alternative energy resources.

Conservation is an old theme and unfortunately one the people are generally tired of hearing. Nonetheless conservation is one of the few options that we have at this time. A major utility conservation initiative has been mandated by the National Energy Policy Act of 1978. This program will put renewed emphasis on residential conservation. Pursuant to the aforesaid legislation each of Nevada's major gas and electric utilities - Nevada Power

Company, Sierra Pacific Power Company, Southwest Gas Corporation, Idaho Power Company and C-P National will be required to provide a variety of conservation services.

The objective of this program is to maximize energy conservation and renewable resource measures in the homes of customers of major electric and gas utilities.

This program requires major utilities to send a utility representative into the customer's home to evaluate the energy efficiency of the residence. It should be noted that this service would be provided only if requested by the customer. Insulation levels, caulking, weatherstripping, storm windows and other measures will be checked and the customer will be informed where the potential for savings exist. If a home is suitable for solar, wind or geothermal energy the homeowner will be so advised.

But the program goes even further. Utilities will be required to provide homeowners with lists of qualified contractors who can perform conservation-oriented home improvements or install renewable resource measures. Lists of financial institutions willing to make loans will also be provided to the consumer. It is our hope that having the opportunity for a trained expert to evaluate one's home and provide suggestions on how energy and money can be saved will stimulate consumers to take action.

The NDOE has drafted a plan to implement this program in Nevada. It should be noted that had Nevada failed to develop a program, the U.S.DOE would have imposed a federally developed program.

However, the RCS program alone is not enough. In order to achieve the objectives outlined on page 1 a variety of other actions must be taken. Some of the steps which could help residential consumers get a better grip on their energy future are listed below:

1. Develop a no or low interest loan program. This could be done through the utility or through the state. The Housing Division of the Department of Commerce presently has a low interest loan program that could be expanded

to provide low-interest loans for retrofit of existing residential structures.

2. Require existing homes to be retrofitted to minimum conservation standards at the time of sale. The legislation to implement this suggestion should include a provision that limits the amount of money that the seller has to spend to upgrade their residence.
3. Support enactment by the NDOE of tougher energy conservation standards for new building construction.
4. Provide property and sales tax incentives for the purchase and installation of conservation and/or renewable resource equipment.
5. Require local governmental entities to adopt regulations which promote use of solar, geothermal and other alternative resources in new subdivisions.
6. Require Public Service Commission to provide incentives for conservation and renewable resource by reducing line extension charges for structures that meet higher conservation standards or which use renewable resources, and by providing for conservation and standby energy policies that do not discourage use of renewable resources.
7. Encourage PSC to require utilities to adopt load management and rate structure policies that enable the utility to obtain the best possible use of existing facilities. Devices such as those being used by Nevada Power Company to turn off air conditioners during peak periods can be used to help reduce the amount of plant which utilities need.
8. Require utilities to examine use of alternative energy resources like geothermal for new power facilities.
9. Require utilities to examine feasibility of reducing demands for energy and capacity as an alternative for new plant construction.

If the state is to provide meaningful help to consumers, immediate action must be taken to reduce energy consumption which

is related to fossil fuels, reduce plant or capacity requirements and stimulate use of alternative energy resources. The NDOE believes the foregoing suggestions will help achieve these ends.

June 26, 1980

LEGISLATIVE COMMISSION'S INTERIM SUBCOMMITTEE
TO STUDY THE PUBLIC SERVICE COMMISSION
(A.C.R. 22)

WORKSHEET

The following issues have been discussed in the course of the subcommittee's deliberations. The goal of the recommendations is to address the statewide concern over increasing monthly utility bills. Some of the suggested actions will accomplish this goal better than others, although all have been suggested to the subcommittee at some point during its meetings. As indicated under each major issue area, one of the subcommittee's options is to take no action regarding the issue.

1. Competitive Bidding

- A. Require competitive bidding on all large utility projects of construction or repair by statute.
- B. Allow the public service commission to require competitive bidding on all large utility project of construction or repair by statute.
- C. Recommend competitive bidding requirement to the public service commission.
- D. Take no action.

1.

2. Consumer Advocacy

A. Establish an office of consumer advocacy by statute.

- 1) Within the public service commission
- 2) Within the attorney general's office
- 3) As an independent agency

B. Funding

- 1) Rate payers
- 2) Taxpayers
- 3) Subscription

C. Take no action.

3. Management Audits

A. Give the public service commission authority to investigate public utility management expenditures in an effort to instill cost consciousness on the part of the utilities.

B. Take no action.

4. Management of the Public Service Commission

A. Recommend more comprehensive staffing of the public service commission in order to defend the welfare of the state of Nevada in rate cases.

B. Recommend reorganization of the public service commission and staff to bring about more efficient and effective utility regulation.

C. Take no action.

Worksheet

June 26, 1980

5. Conservation and Renewable Resources

- A. Require utility initiatives to encourage conservation and use of renewable resources.
 - 1) Home energy audits
 - 2) Technical assistance in installation
 - 3) Loan assistance
- B. Allow utilities to recover in their rate base the costs of energy conservation and renewable resource initiatives.
- C. Take no action.

6. Other Recommendations

sfb

3.

SECTION P

CABLE TELEVISION.

Table 49 shows the scope of agency regulation over cable television companies, as well as agency regulation of pole attachment rates, terms and conditions.

Table 50 provides financial data for the cable television industry for the period January 1977 - December 1977. This information was released by the Federal Communications Commission on December 28, 1978.

*From 1978 Annual Report on Utility and Carrier Regulation, by the National Association of Regulatory Utility Commissioners.

Table 40 - REGULATION OF CABLE TELEVISION COMPANIES

Scope of Agency Regulation of Cable Television Companies

State/Agency	Entry Dates	Oper- ating Ter- minals	Aban- don- ment	Sub- scrib- er Rates	Ser- vice	Ac- count- ing	Safety	Con- struc- tion Standards	Secu- rity La- tency	Net- work and Acqui- sition Standards	In- ter- state Lines	Plant Standards	Re- port- ing	Pole Attachment Access Terms & Conditions	
															Yes
Alabama PUC	✓				✓			✓							✓
Alaska PUC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Alberca PUC ✓															✓
Arizona CC															
Arkansas PUC															
California PUC															
Colorado PUC															
Connecticut PUC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Delaware PUC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
D.C. PUC															
Florida PUC															
Georgia PUC															
Hawaii PUC															
Idaho PUC															
Illinois PUC															
Indiana PUC															
Iowa SCC															
Kansas SCC															
Kentucky PUC															
Louisiana PUC															
Maine PUC															
Maryland PUC															
Massachusetts PUC															
Michigan PUC															
Minnesota PUC															
Mississippi PUC															
Missouri PUC															
Montana PUC															
Nebraska PUC															
Nevada PUC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
New Hampshire PUC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
New Jersey SPU															
New Mexico PUC															
New York PUC															
North Carolina PUC															
North Dakota PUC															
Ohio PUC															
Oklahoma CC															
Oregon PUC							✓	✓							
Pennsylvania PUC															
Rhode Island PUC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
South Dakota PUC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
South Carolina PUC															
Texas PUC															
Tennessee PUC															
Utah PUC															
Vermont PUC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Virgin Islands PUC															
Virginia PUC															
Washington PUC															
West Virginia PUC															
Wisconsin PUC															
Wyoming PUC															

✓ The term "pole attachment" includes communications space on poles, conduits or other rights-of-way. States which have asserted jurisdiction over pole attachment matters pursuant to Section 1.1414 of the FCC Rules, 47 C.F.R. 1.1414 and 47 U.S.C., Sec. 224, have, by that assertion, indicated that they regulate terms, rates and conditions for pole attachments, and, in so regulating, have the authority to consider and do consider the interests of the consumers of the utility services. Such states are listed as "yes."

✓ "Entry" regulated by cross-ownership rules limiting local broadcast or telephone company ownership.

✓ "Construction" regulated by rules requiring systems with 1,500 or more subscribers to have a specified channel capacity.

✓ "Network and Acquisition" regulated indirectly through control over microwave stations that are used by all major cable television systems companies.

✓ During December 1978 the Lieutenant Governor in Council directed the Public Utilities Board to inquire into the provision of all local non-telecommunications services and to make recommendations respecting the regulatory framework in which these services may be offered.

✓ Massachusetts CTV Commission.

✓ Regulation is limited to construction standards for safety considerations when facilities are on public streets and highways.

✓ Minnesota Cable Commission Board.

✓ Regulated by the Cable Television Division of Department of Regulatory Agencies.

✓ New York Commission on Cable Television.

Uniform System of Accounts for Cable Television Companies

The following agencies have adopted a Uniform System of Accounts (USA) for Cable Television Companies:

- Alaska PUC NAREC USA
- Connecticut PUC NAREC USA, with modifications
- Nevada PUC NAREC USA, with modifications
- New Jersey SPU Modified FCC Accounting System
- Rhode Island PUC NAREC USA

CABLE TELEVISION INDUSTRY FINANCIAL DATA FOR THE PERIOD JANUARY 1977 - DECEMBER 1977

The Federal Communications Commission released the following figures from its financial data system showing that cable television operating revenues totaled \$1.2 billion in 1977.

Total operating expenses were \$716.9 million, leaving an average operating margin of 40 percent before interest, depreciation/amortization expenses, taxes and extraordinary gains and losses.

Pre-tax net income reached \$123.7 million and the industry's total assets had a book value of \$3.43 billion.

Pay cable services yielded revenues of \$283.6 million or 7 percent of total revenues.

The national average monthly subscriber rate was \$5.23, ranging from a statewide average low of \$3.72 in Pennsylvania to a high of \$17.32 in Alaska.

(The average subscriber rate for each state, and for the nation, was determined by weighting each subscriber rate by the number of subscribers rather than by number of systems. Subscriber counts and average rates are from the most current FCC data.)

In 1977, pay cable services were offered by 193 financial entities comprising 1,949 communities. California, New York, New Jersey, Florida, Pennsylvania, Texas and Washington were the leading states in terms of pay cable revenues.

More than 6,000 communities were served by cable TV at the end of 1977. These were consolidated into 1,600 entities for financial reporting purposes.

(A financial entity is defined as one or more cable TV community systems that report to the FCC on Form 328 as one business entity. To report in this manner, the consolidated communities must be located within a 40-mile radius of a common designated reference point, have a consolidated set of bookkeeping records and be connected either by private wireline or cable.)

The average financial entity had approximately 1,000 subscribers and revenues of \$448,000.

The Commission emphasized that there were wide deviations in the averages and therefore they should not be considered as representative of a "typical" cable operation. For the 1976 financial release the Commission hopes to provide standard deviations from the averages for key financial categories. The operating margin ranged, in most states, between 34 and 51 percent.

The financial report was based on filings covering 90 percent of all cable subscribers in the nation. The remaining 10 percent are subscribers to systems whose filings are incomplete, inaccurate, or delinquent. National totals have been estimated for the entire industry presented on the large number of filings in the data base. The totals appear at the end of the following table under the heading "United States (estimated based upon 100% of subscribers)".

The Commission emphasized that only key financial categories were presented, while other accounts such as "other nonsubscriber revenues" and "extraordinary gains and losses" were not shown. The report thus was not designed to provide a complete income statement and balance sheet picture.

The Commission expects to provide historical data in subsequent financial releases, thus making year-to-year comparisons of the industry possible.

Comments on the data and suggestions for further information should be addressed to the Research Division of the Cable Television Bureau.

Released by the Federal Communications Commission, Washington, D.C., December 28, 1978.

TABLE 10 - STATE DEPARTMENT OF REVENUE, FINANCIAL DATA FOR THE PERIOD ENDING 3/31/77 - CONTINUED 1977

1976-77	Number of Filings	Number of Filings	Number of Filings	Number of Filings	Total	Total	Total	Total	Total	% of Total
1976-77	Number of Filings	Number of Filings	Number of Filings	Number of Filings	Total	Total	Total	Total	Total	% of Total
ALABAMA	107	11	211,051	7.24	21,421,227	1,448,150	11,994,130	4,412,200	17,731,701	90
ALASKA	7	0	11,300	17.22	1,481,423		1,701,000	489,470	1,701,000	100
ARIZONA	10	10	61,210	0.23	4,041,200	134,211	1,361,211	1,221,222	6,067,222	220
ARIZONA	00	12	134,222	0.20	10,702,147	622,422	9,122,122	7,542,200	45,202,122	100
CALIFORNIA	443	141	1,422,100	7.20	142,000,270	11,270,200	62,270,200	12,421,000	127,700,000	70
CONNECTICUT	17	10	70,000	7.40	4,220,100	10,121	1,002,272	720,242	11,220,220	100
CONNECTICUT	40	12	140,000	0.17	12,721,200	1,022,107	7,222,422	220,422	29,220,000	100
CONNECTICUT	42	7	61,000	0.21	11,220,722	1,227,200	6,220,222	1,220,222	100,722,221	00
CONNECTICUT	222	10	400,270	7.01	60,220,242	4,270,210	21,207,010	14,220,000	44,220,701	100
CONNECTICUT	127	12	220,270	0.20	20,220,400	1,020,220	14,272,000	4,220,200	100,220,000	100
DELAWARE	12	4	70,220	7.10	1,227,200	120,277	1,220,220	972,722	17,400,172	100
DELAWARE	40	21	42,000	7.00	1,220,207		1,220,220	920,220	7,120,220	100
DELAWARE	127	40	140,222	0.20	20,220,400	1,020,220	14,700,000	4,220,722	40,427,272	100
DELAWARE	121	40	220,000	0.20	17,000,220	120,121	10,000,220	10,000	20,000,000	70
DELAWARE	00	22	111,000	0.20	10,071,221	1,000,100	6,002,007	1,127,121	27,200,000	100
FLORIDA	00	00	100,222	7.00	10,222,010	000,000	9,100,000	720,070	41,000,077	100
FLORIDA	102	17	122,270	0.22	20,221,000	202,000	17,400,200	1,722,222	20,771,222	100
FLORIDA	07	10	171,200	0.20	12,000,000	70,221	7,070,422	1,020,000	20,221,207	00
FLORIDA	12	10	00,220	0.70	1,000,200		1,000,207	00,220	10,000,000	100
FLORIDA	07	10	77,000	0.20	7,120,100	10,707	1,000,000	700,000	7,000,100	100
GEORGIA	00	10	100,700	7.00	20,070,722	1,220,000	12,070,222	1,000,442	20,227,072	00
GEORGIA	127	12	211,000	7.71	20,000,000	722,222	10,000,222	1,220,000	00,222,000	00
GEORGIA	10	17	140,000	0.20	10,100,100	710,000	6,100,210	1,000,000	10,000,000	00
GEORGIA	00	42	170,700	0.20	12,220,211	000,000	7,100,220	1,020,220	21,700,007	100
GEORGIA	10	00	120,222	0.20	10,002,000	121,077	6,220,000	1,107,007	10,220,707	100
HAWAII	07	12	00,070	0.20	0,100,000	000,000	0,007,000	1,000,000	17,122,007	00
HAWAII	12	20	00,220	7.11	0,000,000	00,700	0,220,700	1,020,220	12,270,000	00
HAWAII	10	0	20,221	0.00	1,000,000	120,221	1,720,210	070,220	4,011,220	00
HAWAII	12	10	00,220	7.00	1,700,000	40,007	1,000,201	1,000,000	7,000,221	00
HAWAII	127	27	270,420	0.20	20,070,270	1,007,227	10,070,700	1,227,200	20,070,220	100
IDAHO	02	10	101,100	7.42	9,000,000	107,211	1,220,000	1,011,007	10,070,220	00
IDAHO	070	107	1,270,217	1.17	10,100,171	10,107,000	01,200,000	100,200	101,000,100	00
IDAHO	101	40	227,000	0.20	17,000,227	011,000	10,000,421	1,117,700	41,200,220	00
IDAHO	10	10	00,000	7.00	9,000,220	00,000	7,007,211	702,210	11,422,007	00
IDAHO	107	10	070,700	0.21	02,000,700	1,000,000	20,210,000	1,001,220	07,122,200	100
ILLINOIS	71	42	170,200	0.20	10,022,100	002,110	11,240,000	0,200,711	00,000,200	00
ILLINOIS	112	00	101,200	0.71	10,700,171	000,000	9,000,700	1,000,700	10,710,201	100
ILLINOIS	1,071	100	1,000,420	1.71	00,100,000	4,200,007	10,000,000	10,100,100	101,700,711	100
ILLINOIS	00	20	110,700	7.20	9,100,000	000,220	0,000,771	1,000,000	20,700,711	00
ILLINOIS	7	0	10,000	7.01	1,000,100	70,007	1,000,100	0,000	1,200,100	000
INDIANA	00	00	100,000	0.70	10,221,000	000,000	0,071,222	000,000	20,227,700	170
INDIANA	200	170	071,077	0.20	07,000,700	1,702,020	20,700,100	1,002,000	10,411,020	00
INDIANA	0	0	17,110	7.00	1,200,227		1,000,121	000,000	0,200,411	00
INDIANA	70	10	00,200	0.10	1,200,100	210,000	1,000,000	1,011,122	10,200,220	100
INDIANA	100	10	140,000	0.20	10,220,000	070,001	7,070,000	710,000	27,200,000	100
INDIANA	102	00	200,707	7.01	20,221,000	1,000,210	12,000,000	1,210,110	20,000,000	70
IOWA	127	12	221,000	0.27	27,000,222	002,107	11,070,712	9,000,700	20,000,000	170
IOWA	07	10	140,700	0.20	11,007,720	00,070	4,711,200	000,700	22,170,000	100
IOWA	40	10	70,420	7.42	7,000,400	100,710	4,001,000	2,110,171	9,000,000	00
KANSAS	1	1	10,071	0.00	1,200,100	10,077	1,700,000	100,100	1,070,000	200
KENTUCKY	0,404	1,210	11,201,740	0.20	1,000,200,100	77,220,270	600,220,220	120,221,000	1,200,411,200	100
KENTUCKY	0,200	1,277	12,021,010	0.20	1,000,070,770	00,002,211	710,000,200	110,720,100	1,400,000,111	00

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE COMMISSION

June 26, 1980

TO: Members, Legislative Commission's Interim Subcommittee to Study the Public Service Commission

FROM: Samuel P. Hohmann, Senior Research Analyst

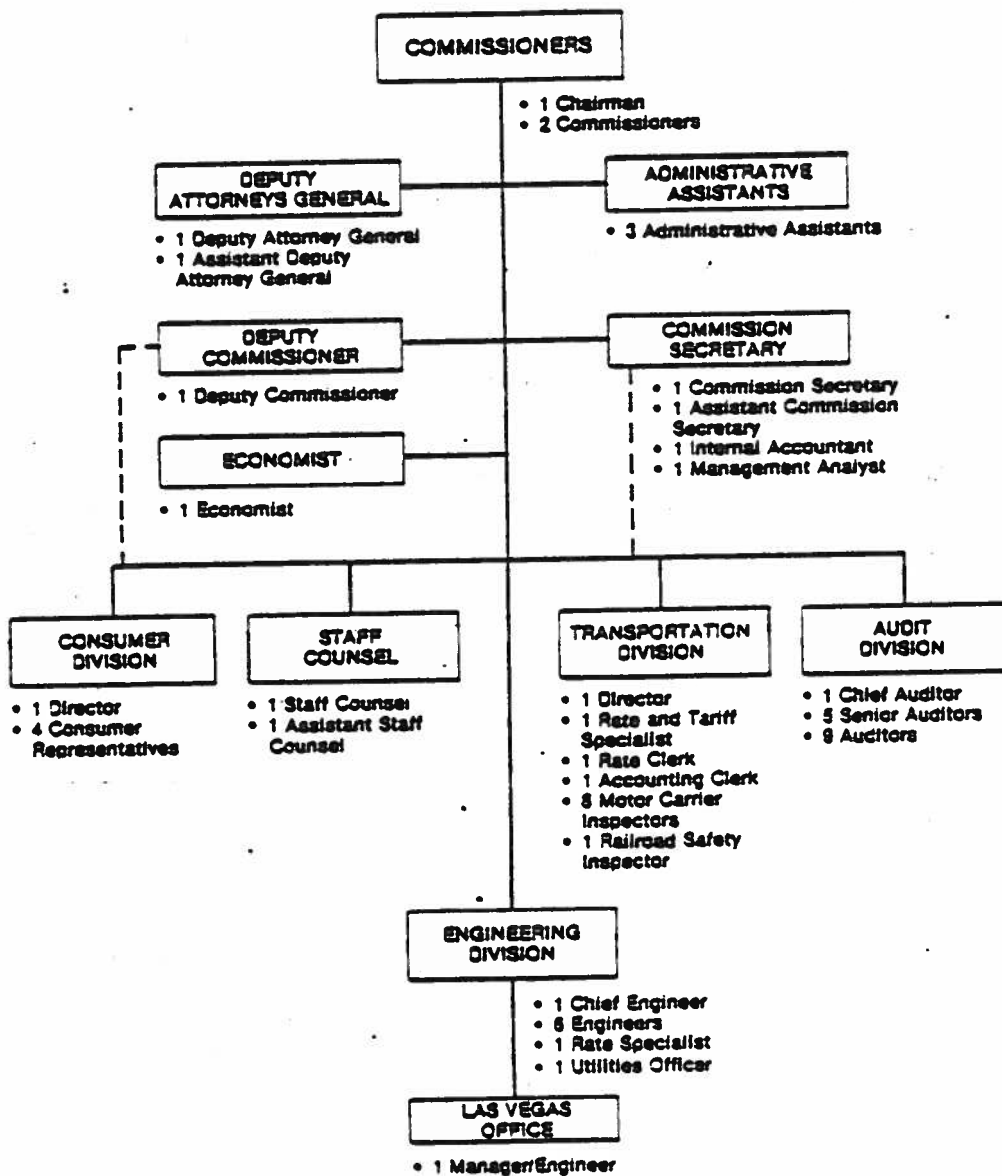
SUBJECT: Report of a Comprehensive Management Study

The following outline summarizes the topics appearing in the recommendations of the Report of a Comprehensive Management Study prepared by the consulting firm of Cresap, McCormick, and Paget, Inc. for the public service commission of Nevada. The recommendations in Sections I and II relate most directly to issues under consideration by the subcommittee. The existing and proposed organizational structures (Section IV) are attached for your information. Appendix B is also attached; it is the consulting firm's comment on the potential impact of a consumer advocate on the commission, another topic which has been addressed by the subcommittee.

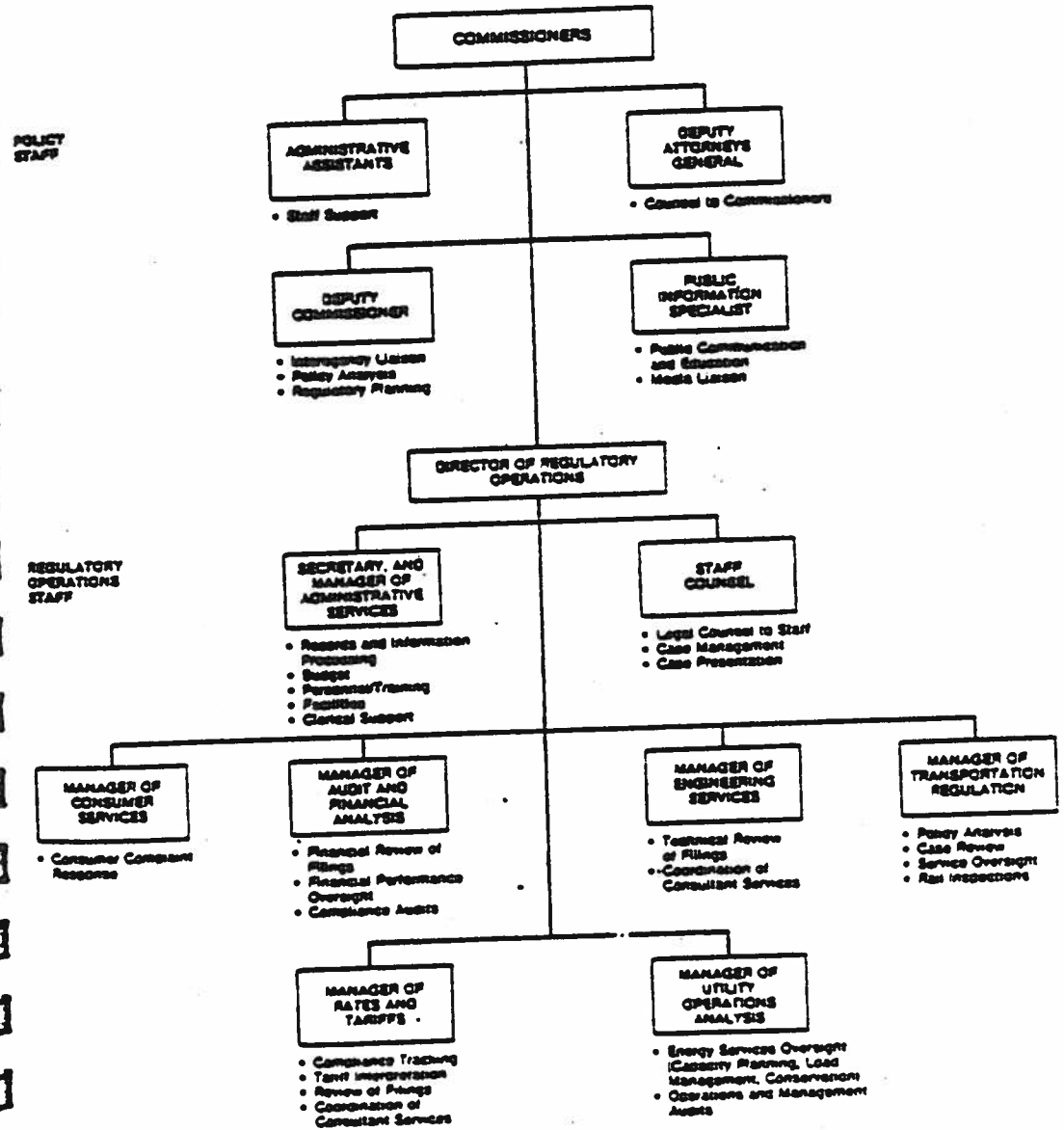
- I. Mission and Role of the PSCN
 - A. PSCN role in state energy management
 - B. PSCN role in program operations
 - C. Mission interpretation
- II. Regulatory Concepts
- III. Number, Role and Activities of the Commissioners
- IV. Organization and Composition of the PSCN Staff
- V. Major Management and Operating Systems

NEVADA PUBLIC SERVICE COMMISSION

PRESENT ORGANIZATION



NEVADA PUBLIC SERVICE COMMISSION PROPOSED ORGANIZATION ARRANGEMENTS



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APPENDIX B
POTENTIAL IMPACT OF
A CONSUMER ADVOCATE ON THE COMMISSION

This appendix addresses the potential impact on the PSCN of the creation of an Office of Consumer Counsel in Nevada.

BACKGROUND

- The scope of this management analysis did not include the conduct of a feasibility study of the establishment of such an office in the State.
 - No definitive conclusions were therefore reached regarding the need for such an office.
- Nevertheless, creation of such an office has been suggested in the past, and the PSCN wished to be appraised of the consultants' impressions regarding its potential impact on the Commission itself.

INTERPRETIVE COMMENTS

- Should an Office of Consumer Advocate be created, it would most probably result in one of the following actions:
 - The establishment, over time, of a substantial independent staff with legal, accounting, engineering, and rate-making skills, or
 - The retention of expert witnesses and consultants in these fields.
- While the capabilities, thus established, would largely parallel those of the PSCN staff, it is doubtful that a significant reduction in the size of the Commission staff could concurrently take place.
- Indeed, PSCN staffing needs might grow rather than diminish.
 - In the experience of the consultants, the processing of cases involving such officially sanctioned intervenors tends to become more, rather than less, complex.
 - Extensive attention is often focused upon exhaustive investigation of points and issues of relatively modest overall importance, which nevertheless requires an investment of regulatory staff time.

APPENDIX B (Cont'd)

- Recognizing the "bargaining" environment which often emerges, the rate case filings of jurisdictional utilities tend to become larger, reflecting the inclusion of requests that can be conceded away in the bargaining process.
- Thus, the hearing process also tends to become more lengthy, requiring investment of greater amounts of Commissioner and staff time to resolve given cases.
- Also, as proceedings grow more adversarial in nature, needs for close communication between the Commissioners and their regulatory staff subordinates intensify.
 - Accordingly, adherence to ex parte communications requirements becomes especially burdensome, and impedes the decision-making process.
- Finally, resort to the Courts by Consumer Counsel and jurisdictional utilities may grow, further imposing a substantial burden on the regulatory legal staff.
- The extent to which such developments might occur in Nevada would depend on numerous factors which cannot be ascertained at present; these include:
 - The mission and role of the office, as these might be specified by the legislature
 - The scope of office jurisdiction, in terms of the types of cases and range of jurisdictional industries within its purview
 - The organizational placement of the office within state government, and the nature of its accountability to state policy makers
 - The methods used to fund the office, and the nature of controls, if any, on its expenditures.



TESTIMONY OF H. JOE McKIBBEN
 SENIOR VICE PRESIDENT SIERRA PACIFIC POWER COMPANY
 IN OPPOSITION TO A. B. 308

Sierra Pacific Power Company common stock is held by more than 28,000 stockholders of record.

Since many individual stockholders prefer to have their stock purchases held in an account with a brokerage firm or a bank, we are unable to determine the number or names of many of the beneficial owners of our stock.

An analysis of Sierra's stockholder records as of January 19, 1981 reveals that 3,838,743 shares, or 34% of the 11,390,250 shares outstanding, are held in the name of various brokerage firms. Further analysis, which is required for Federal and State of Nevada reporting purposes, reveals that on October 16, 1980, the ten security holders representing the highest voting powers in Sierra were:

	<u>Total Votes Common Stock</u>
Merrill Lynch, Pierce, Fenner & Smith, Inc.	459,629
Dean Witter, Reynolds, Inc.	356,222
E. F. Hutton & Company, Inc.	304,529
Kidder, Peabody & Co.	143,689
Paine Webber, Jackson & Curtis	123,359
Donaldson, Lufkin & Jennette	124,932
Shearson, Loeb, Rhoades, Inc.	82,564
Lynn & Co.	70,000
Bache, Halsey, Stuart, Shields	62,472
Smith Barney, Harris Upham & Co.	<u>55,806</u>
Total	<u><u>1,783,202</u></u>

As may be seen from this list, the largest single voting power, Merrill Lynch, had approximately 4% of the total votes, and this group is made up of an estimated 2,000 individual beneficial stockholders.

Put quite simply, I am not aware of any means by which Sierra could comply with the requirements of A. B. 308 if it were enacted into law.

I believe it is important for this Committee to have a general idea of the make up of Sierra's stockholders and the following current statistics should be helpful.

— Total Shares Outstanding	11,390,250
— Total Number Shareholders of Record	28,091
— Nevada individuals who are beneficial stockholders (2,204,073 shares)	4,417
— California individuals who are beneficial stockholders (3,535,976 shares)	11,104



- Shares are owned by individuals representing every state in the United States
- No beneficial owner holds 5% or greater of Sierra's common stock
- 30% of Sierra's outstanding shares are owned by 23,759 individuals --each owning less than 500 shares.

Aside from the practical compliance problem I have just discussed, there are other concerns which arise with the enactment of A. B. 308.

An individual, or family, who decides to put their savings into a utility common stock anticipates the same privacy he would expect were his savings in a savings account. One's personal finances are exactly that--personal, and I would venture that none of us care to have the amount of these savings publicized. To select electric and gas utility investors for public display is grossly discriminatory, and you may rest assured would receive substantial investor reaction.

The first reaction I would anticipate would be an extreme hesitancy to purchase any common stock affected by A. B. 308. Today, one of the biggest problems faced by and electric or gas utility is attracting investors in common stock. To add to this problem could prove even more costly to the already overburdened consumer.

I am sure each of you on this Committee are aware of the mis-use such a public listing could effect. Just to name a few of the more obvious ones:

A ready list for all kinds of solicitation.

A ready list for harassment by the ever growing "anti-utility" factor.

A ready list of individuals who have accumulated savings. This information could be valuable to anyone with criminal intent.

I would like to point out that NRS 703.195 currently allows for the Nevada Public Service Commission to examine all books and records of electric and gas utilities. It is our opinion that any concerned individual with just cause could request the Nevada Public Service Commission to review our stockholder records for any kind of wrong doing and the Commission could and would conduct such an investigation.

In conclusion, for reasons which I have given, I strongly recommend that this Committee vote against the passage of A. B. 308.

MEMORANDUM

David Russell

To: ~~Clark J. Guild, Jr.~~

From: ~~C. H. McCrea~~

Date: March 18, 1981

Subject: A.B. 308

A.B. 308 among other things would require public utilities supplying electricity or natural gas to file and maintain with the Public Service Commission "a complete list of all persons including any agencies or instrumentalities of government, who have any beneficial ownership of the stock or other shares in the public utility."

This is a practical impossibility, arising out of a probable misunderstanding of the term "beneficial ownership."

No corporation has any way of finding out who the beneficial owners may be, other than to ask the record owners (these are the ones whose names appear on the stockholder list). Not only would this be a practical impossibility because the record owners are constantly changing; the record owners have no obligation to identify the beneficial owners, and in fact, in some cases (certain trusts, for example) the fiduciaries who are the record owners of the stock may have an affirmative duty not to disclose the names of the beneficial owners. Nor could the legislature compel record owners of utility stock to disclose the names of the beneficial owners, for in many cases the record owners do not reside in Nevada and are beyond the jurisdiction of the legislature. Finally, it is sufficiently burdensome to keep lists of the record owners of the stock of a large corporation (Southwest Gas Corporation has approximately 17,000 stockholders); it would place an unconscionable burden on the corporation and its transfer agent to compel it to attempt (and it could do no more than attempt) to also keep a list of the beneficial owners of its stock.

1200

A.B. 308
Page Two
March 18, 1981

Record owners of shares typically include brokerage houses, pension funds, trustees and others who for various reasons hold stock in their names for the benefit of others.

So my first objection to A.B. 308, and I think it is a compelling one, is that it would be impossible for the utilities to comply with it.

Persons seeking information as to the ownership of stock in a public utility are not, however, entirely foreclosed. All utilities operating in Nevada are required to file annual reports with the Public Service Commission which disclose, among other things, the 25 largest record holders of the Utility's outstanding stock. Moreover, utilities must disclose in their annual proxy statements filed with the Securities and Exchange Commission (and mailed to each shareholder) the beneficial ownership of shares by each director and by all directors and officers in the aggregate.

Finally, the Public Service Commission has full power to inspect the utility's records, including its shareholder list; for good reason, the Commission could require a utility to disclose the record holders of its shares, and the list would then become public information.

Enclosed is a copy of the Proxy Statement of Southwest Gas Corporation dated March 9, 1981. At pages 6 and 7, the statement discloses the numbers of shares of stock owned by all nominees for the board of directors, individually. It also discloses the total number of shares owned beneficially by the directors and officers of the company as a group, and reveals further that the company "knows of no person who owns beneficially or of record more than 5 percent of the outstanding voting stock of the company."

A.B. 308
Page Three
March 18, 1981

Presumably, the legislature's interest in ownership of the stock of gas and electric utilities is related to control of the board of directors and management of the utilities. What information, in addition to that disclosed in the proxy statement, could the legislature want that is within the power of the utility to supply?

The information appearing in the proxy statement is required to be disclosed by every corporation which has securities registered with the SEC. Penalties for false disclosure or for failure to disclose are severe.

What all of the foregoing suggests is that (1) A.B. 308 would not achieve its objective because compliance with respect to disclosure of beneficial ownership is not possible, and (2) A.B. 308 is unnecessary, because information with respect to significant stock ownership, and "control" of gas and electric utilities through stock ownership, is readily available from the Securities and Exchange Commission and the Nevada Public Service Commission.



STONE & WEBSTER, INCORPORATED
90 BROAD STREET
NEW YORK, NEW YORK 10004

WILLIAM M. EGAN
FINANCIAL VICE PRESIDENT

October 16, 1980

Mr. J. L. Gremban
Chairman of the Board
and President
Sierra Pacific Power Company
P.O. Box 10100
Reno, Nevada 89510

Dear Mr. Gremban:

You have asked me to inform you of Stone & Webster's holdings of securities of Sierra Pacific Power Company. This is to inform you that Stone & Webster, Incorporated does not own any shares of common stock, preferred stock, bonds or any other type of security of Sierra Pacific Power Company. This also applies to all of the subsidiaries of Stone & Webster, Incorporated.

I trust this answers your question.

Yours very truly,

1303

Exhibit G

Disciple
Residential
Centers, Inc.

P. O. BOX 4186 • 101 S. RANCHO DRIVE • LAS VEGAS, NEVADA 89106

TELEPHONE (702) 384-1544

March 25, 1981

Assembly Government Affairs Committee
Room 214
Legislative Building
Carson City, NV 89710

I am Nancy G. Adams, Corporate Secretary, Disciple Residential Centers, Inc., a Nevada non-profit corporation providing residential care for mentally handicapped adults. Our residents must be over 18 and employable. We endeavor to impart to them independent living skills which will enable them to become productive members of the community.

I am in favor of S.B./A.B 268 which has already passed the Senate and is now before this committee of the Assembly. I support it because it removes any obstacles of a zoning nature which make it difficult for us to locate our homes in R-1 zoning. We are about the business of normalizing the situations of persons who are handicapped but who are capable of learning to help themselves. They should be allowed to do so without restrictions which prevent them from living in a normal residential neighborhood.

Our experiences in trying to meet the community restrictions infringe upon our residents' civil rights and cause great embarrassment to the handicapped adult. Such zoning laws are unfair and certainly discriminatory.

I ask that you approve S.B./A.B. 268 in this, the Government Affairs Committee of the Assembly, and that you share your approval with your colleagues in the Assembly.

Nancy G. Adams
Nancy G. Adams

Exhibit H

1211

Disciple
Residential
Centers, Inc.

P. O. BOX 4186 • 101 S RANCHO DRIVE • LAS VEGAS, NEVADA 89106

TELEPHONE (702) 381 1544

SOURCES OF INCOME FOR
DISCIPLE RESIDENTIAL CENTERS, INC., PROGRAM
1980 FISCAL YEAR

	<u>AMOUNT</u>	<u>PERCENT</u>
I. PRIVATE SECTOR		
Contribution - Individuals	\$ 938.13	1.13
Contributions - Churches	7,054.00	8.53
Clients (Non-State Funded)	2,250.00	2.72
Private Fees	8,625.50	10.44
Total - Private Sector	<u>\$ 18,867.63</u>	<u>22.82</u>
II. FEDERAL		
Supplemental Security	13,238.52	16.02
D.D. Grant (Start Up - One Time Grant)	16,665.00	20.17
Food Stamps	875.00	1.05
Total - Federal	<u>\$ 30,778.52</u>	<u>37.24</u>
III. STATE		
Residential Placement	11,123.04	13.46
Rent & Utility Subsidy	5,615.98	6.79
Voc. Rehab. Living Grants	1,850.00	2.23
Total - State	<u>\$ 18,589.02</u>	<u>22.48</u>
IV. In Kind (Church and Community)		
Salary - Secretary	2,045.04	2.47
Office Rent	2,142.00	2.59
Communications	300.00	.36
Office Equipment	500.00	.60
Supplies	200.00	.24
Automotive Equipment Donated	6,861.73	8.30
Household Furnishings Donated	2,329.00	2.81
Total - In Kind (Church and Community)	<u>\$ 14,377.77</u>	<u>17.37</u>
Total Sources Of Income - 1980 Fiscal	<u>\$ 82,612.94</u>	<u>99.91</u>

NOTE: The following calculation shows the importance of full occupancy within the home. For example, by local ordinance, we could have only 3 clients in each home during 1980, instead of four.

nine clients x \$9180.00 = \$82,620.00

twelve clients x 6885.00 = 82,620.00

Four to six residents in a home would provide greater economy with services for more clients being provided.

**Disciple
Residential
Centers, Inc.**

P. O. BOX 4186 • 101 RANCHO DRIVE • LAS VEGAS, NEVADA 89102

TELEPHONE (702) 384-1544

ANTICIPATED INCOME (7/80)

4 residents @ \$600.00 \$ 2400.00

Disbursements

I. RESIDENTIAL

A. House payment	\$ 525.00	
B. Utilitites	145.00	
1) Electric	\$50.00	
2) Gas	50.00	
3) Phone	20.00	
4) Water	20.00	
5) Trash Disp.	5.00	
	<u>145.00</u>	

C. Food 6 x \$70.00	420.00	
D. Maintenance	60.00	

1150.00

II PERSONNEL

A. Residential House Manager	325.00	
B. N.I.C.	55.00	
C. Relief staff	100.00	
D. Administrative Costs	220.00	

700.00

III. PROGRAM COSTS

A. Activities (4 @ \$25.00)	100.00	
B. Transportation	300.00	

400.00

IV. ADMINISTRATIVE COSTS

A. Insurance (Liability/Gen.)	100.00	
B. Materials/Supplies	50.00	

150.00

TOTAL \$ 2400.00

(approved - Bd. of Trustees 6/17/80)

The Disciple's Residential Centers are . . .

...an enlightened approach for developmentally disabled persons in a residential environment.

...an enrichingly supervised non-institutional setting located in beautiful areas of Las Vegas, Nevada.

...centers where residents use community facilities for worshipping, shopping, banking and working.

...an opportunity for experiencing the joy of achievement, through work training opportunities.

...Ideally located facilities to serve the entire community.

...a way of life to assist the mentally retarded adult to achieve their maximum potential.

...resource centers for developing social and educational skills as well as acquiring work skills.



O. Park Baker, Board Chairman

*"When we love each other,
God lives in us and His love
within us grows ever stronger."*

I John 4:12

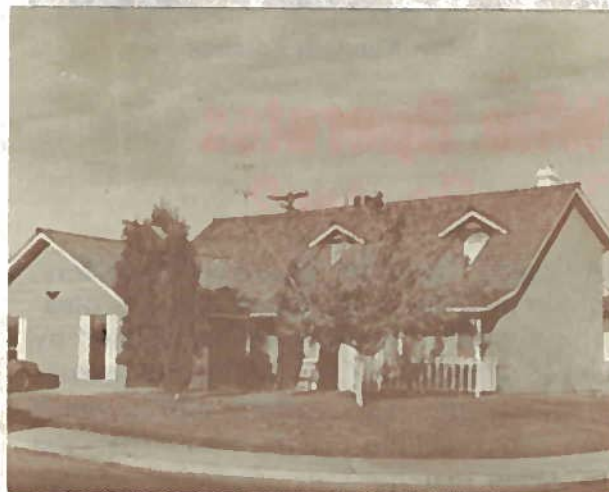
Help us support this commitment
to the mentally retarded adult. . . .

Please mail your tax deductible donation
to:

**DISCIPLES RESIDENTIAL CENTERS,
INCORPORATED
101 Rancho Drive
Las Vegas, Nevada 89108**

Or phone (702) 384-1544 to learn more about
this special care facility

Disciple Residential Home



THE DISCIPLES RESIDENTIAL CENTERS

**the
disciples
residential
centers**

**what
we do
best
is**

care

**extended care facilities
for mentally retarded adults**

A Dream Come True

Motivated by care! With impetus from concerned parents and with generous contributions from parents and friends, the first Disciple Residential Center opened in Las Vegas in 1978.

The Disciples Residential Centers are operated for the care of mentally retarded adults.

The Disciples Residential Centers provides full support services and training for retarded persons in all aspects of their life.



Some of Our Residents

Who Can Apply?

Any mentally retarded person between ages 18-40 who would benefit from our program. Individuals of all ethnic and religious backgrounds, persons of all races and creeds are accepted.



Rev. Kenneth Forshee

Who Operates The Center?

A highly qualified Board of Directors, chaired by Mr. Park Baker and a professional staff of house parents assisted by social workers, special education instructors, recreational leaders and support workers facilitate the program. The total program is under the supervision of Rev. Kenneth Forshee.

What is The Center's Goal?

To help the retarded residents find a sense of self-esteem, while developing a better understanding of others. To grow in the basic skills of living and working, to become a creative and productive part of society.



Meet Becky

**Don't walk in front of me —
I may not follow.**

**Don't walk behind me —
I might not lead.**

**Just walk beside me
and be my friend.**

First Christian Church
820 Plumas Street
Reno, Nevada 89509

Assembly Government Affairs Committee
Room 214
Legislative Building
Carson City, Nevada 89710

I am Truman Robbins, the Pastor of First Christian Church in Reno. I urge you, the Government Affairs Committee of the Assembly to recommend to the Assembly the passage of SB/AB 268.

1. It is hoped that the First Christian Church of Reno can duplicate the efforts of our sister church in Las Vegas by opening small group homes for mentally retarded adults in Reno. It now appears that the Disciple Residential Centers design can be duplicated in almost any city or town in Nevada, if SB/AB 268 is passed in this session of the legislature.
2. We believe that the Disciple Residential Centers concept and program of providing small group homes in residential neighborhoods is an economical way to provide excellent care for the mentally retarded adult who often cannot live independently due to his or her handicaps.
3. We do not, however, have the resources, the time or the desire to fight local zoning ordinances, as our friends in Las Vegas have had to do.
4. We agree with the others who have spoken that local zoning ordinances have not provided for the residential care of the handicapped in small group homes.
5. We also agree that because this problem effects the entire state and not just individual municipalities, the decision should be made for the mutual benefit of all developmentally disabled persons in every town and city in Nevada. The only place for this comprehensive action is in the legislature.
6. If SB/AB 268 is passed in this session of the legislature, it will provide an open door in every community for concerned persons to pool their resources and open small group homes for 4-6 mentally retarded adults, whose parents can no longer care for them and who cannot care for themselves.

Cordially yours,



Truman Robbins, Pastor
First Christian Church
Reno, Nevada

TRna

1315
Exhibit I

Testimony by Beverley Lee, representing

The Governor's Developmental Disabilities Planning Council,
The Sierra Developmental Center Parents' Group, and
Herself, as a consumer.

I am here representing the Governor's Developmental Disabilities Planning Council, the Sierra Developmental Center Parents' Group, as well as myself as a consumer.

The Governor's Developmental Disabilities Planning Council is unanimously in favor of SB 268.

The Sierra Developmental Center Parents' Group wishes to go on record as advocating the passage of SB 268. In case you are not familiar with the Center, it is the group of buildings just southeast of the Mental Health Institute in Sparks. The Center serves and houses many clients who have varying degrees of disabilities and it is these clients who will benefit from the passage of SB 268.

Now speaking for myself as a consumer: I concur with the testimony presented by Susan Haas and Nancy Adams.

My daughter, Laura, is 25 years old and mildly retarded. She is presently living at the Sierra Developmental Center and part of her program involves learning community skills. Laura has learned these skills but cannot really practice them enough within the institutional setting of the Center. There she associates only with other clients, most

Corylee's, Inc.

SB 268

Testimony by Beverley Lee (continued)

of whom are much lower functioning than she, or with the staff, whose responses to Laura are dictated by the professional relationship they have with her. She is ready to move out into the community and she must do so in order to continue to develop and grow. Laura is still at the Center because there is no vacancy in a group home. There are just too few homes and too many waiting for a vacancy.

More group homes are needed but the cost can become prohibitive and the obstacles seemingly endless when a zoning variance is required.

A non-profit organization in Northern Nevada attempted to establish a group home here in Carson City. The organization had the funding and the commitment for the home but had to abandon the project because of the protests against granting the necessary zoning variance for the home and because of the expense and time required to overcome these protests.

My daughter's situation is not unique. There are many like her who could function and continue to develop in a group home better than in an institution.

When a person "graduates" from the institution to a group home, then that institution has fulfilled part of its obligations to that person as well as to the community.

Carylee's, Inc.

SB 268

Testimony by Beverley Lee (continued)

We need more group homes in our communities and the passage of SB 268 will provide the impetus for the expansion of this very worthwhile program.

SB 268 is a good bill. The Governor's Developmental Disabilities Planning Council, the Sierra Developmental Center Parents' Group and I all urge you to recommend its passage.

It has been a privilege to testify before your committee. Thank you for your time and your attention.

STATE OF NEVADA
DEPARTMENT OF HUMAN RESOURCES

RALPH R. DISIBIO, Ed.D., DIRECTOR

ROBERT LIST, GOVERNOR



DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

505 EAST KING STREET, ROOM 502
CARSON CITY, NEVADA 89710
TELEPHONE (702) 885-4440

March 25, 1981

To: Assembly Committee on Government Affairs, Nevada Legislature
From: Mrs. Beverly Lee, Member
Nevada Developmental Disabilities Planning Council

SENATE BILL 268

The Nevada Developmental Disabilities Planning Council, which is appointed by Governor List with the prime function of coordinating planning for the severely handicapped, unanimously endorses Senate Bill 268. We strongly urge your support in the passage of this Bill which will assist in the provision of group homes.

BL:fs

Exhibit K

Wednesday, March 25, 1981

LAS VEGAS SUN 19

Daines Seeks Order To File For NLV Judge

North Las Vegas Mayor Ray Daines is scheduled to appear before District Court Judge Addellar Guy in Clark County District Court Thursday to seek an order that will allow him to run for city judge, a post now held by Gary Davis.

Daines is taking the city to court because the City Clerk will not allow him to file his candidacy for Municipal

Court judge. The hearing is set for 1:15 p.m.

Citing the city charter, NLV City Clerk Esther Borden refused to let Daines file for the judge's race Friday morning.

The charter prohibits the mayor and councilmen from being elected or appointed to any office for which they created or set the salary until one year after the expiration

of their term in elected office.

Daines feels the restriction should apply solely to appointed positions. He and his lawyer, John Fadgen, feel that the restriction as it pertains to elected offices is unconstitutional.

"We are going to get an order from District Court that will allow him to file," Fadgen said.

People wanting to run for office have until April 3 to file with the City Clerk's office. The filing period began Friday morning.

Daines also said that the city should pay for his legal fees since he had to hire a private attorney to prove that a section of the city charter is unconstitutional.

Although City Attorney George Franklin did not say

what his stand would be in court, he said that city should not pay Daine's legal fees.

Daines served as Municipal Court judge for nine years, starting in 1967. He was elected mayor in 1977.

When the City Council recently voted to raise the annual salary of the judge to \$37,500, he abstained from the vote. The judge's current salary is \$18,000 a year. He

also argued Friday morning that because he had not cast a vote regarding the raise, he had a right to file for the judge's race.

Davis, the present Municipal Court judge, has already announced his plans to run for re-election.

At last Wednesday night's City Council meeting, the council approved a recommendation that will be

passed on to the state Legislature to allow a councilman or mayor to be elected to a post for which they had increased the salary. Only the Legislature has the power to amend the charter. The recommendation is to delete the words "elected or" from the charter provision that right now prohibits Daines from running for judge.

Franklin agrees with Daines that the charter provision is unconstitutional.

State legislators are per-

mitted to run for positions for which they have voted pay raises. The state Constitution only prohibits a legislator from assuming an appointed position they created or for which they approved a salary increase.

The council also approved a recommendation that will be passed on to the Legislature to change the term of the Municipal Court judge from two to four years at the earliest possible time. Councilmen Theron Goynes, James Senstrand and Mary Kincaid voted in favor of the change. Councilman Brandon Price and Daines voted against the recommendation. As of now, both Daines and Davis are running for a two-year term.

Concerning his motivations for running for judge, Daines said, "I was there nine years. It was the highest regarded position I ever held in my life. I felt it was the greatest honor ever bestowed on me."

CHRISTIAN COMMUNITY

BASIC STANDARDS FOR GROUP HOMES
FOR SPECIAL ADULTS-RESIDENTIAL-

SB 43
Director: Rober K. Whitney
3253 Hastings Avenue
Las Vegas, Nevada 89107
702 / 870-4219

PURPOSE

A group home provides loving care and training for a group of first-time convicted adults. Group homes are dwellings in which there is on-going Christian family life, where a special live-in counselor takes charge of 4 to 6 adults.

GROUP HOME COUNSELORS GENERAL QUALIFICATIONS

Qualified group home counselors are the heart of the program. The job requires a loving Christian who cares and understands and helps his family. Group home counselors must be able to work cooperatively with case workers, teachers and other professional personnel caring for the individual need of his charge.

CRITERION FOR SELECTION OF 1ST TIME CONVICTS

A special Board of Review of "5" counselors shall review each adult before being accepted.

RECORD SYSTEM

Current records shall be kept on every adult cared for; attitude, sharing love for one another, tidiness and physical hygiene, religious training, participation, educational advancement.

ECONOMIC EXPERIENCE

Opportunity should be provided adults for employment so they can become self-sufficient. Counselors shall guide each adult in the care and distribution of money.

ORGANIZATION AND BOARD STRUCTURE IS NON-PROFIT

The following section, related to incorporation, governing or advisory boards is applicable only to non-profit group homes.

1. A non-profit group home or its parent body shall be incorporated in the State of Nevada, or be a corporation qualified in this state, and shall operate in accordance with an established constitution and by-laws.
2. There shall be no intent of money gain to any individual in the group operating the group home. All money donations received for this purpose shall be used only for the defined purpose of the organization. There shall be a salary compensation.
3. The group home's governing board shall be composed of not less than seven members.
4. The board shall meet at regular stated times or as necessary but at least every 3 months.
5. The board shall keep written minutes of proceedings. The minutes shall be available for review by its State of Nevada representatives.
6. Appropriate special committees shall be appointed, such as Building Development, Maintenance, Finances, Program, Public Relations and Personnel.
7. The board's duties shall be to oversee the first-time convicts to establish policies and controls necessary. To provide a sound financial program, including control of expenditures and the establishment of appropriate accounting methods.

CHRISTIAN COMMUNITY
GROUP HOME ANNUAL COST ESTIMATE
(BASED ON "5" ADULTS)

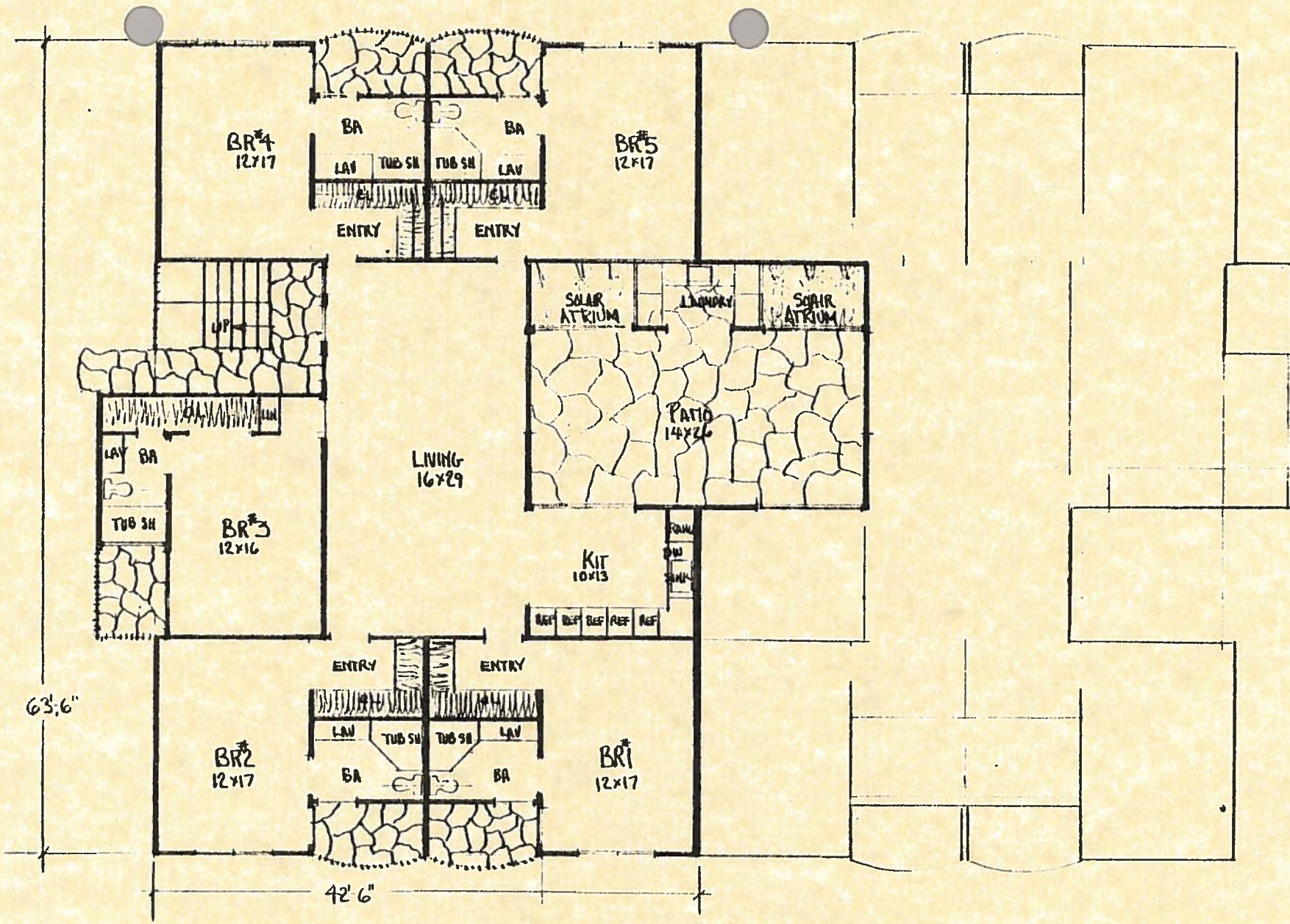
Housing "Furnished"	\$ 10,000.00
Food and Household Supplies	12,000.00
Clothing	3,000.00
Counseling	10,000.00
Telephone	1,200.00
Utilities	2,400.00
Transportation/Insurance	5,400.00
Gas	3,000.00
Administration	4,000.00
Miscellaneous	<u>2,000.00</u>
Total	<u><u>\$ 54,000.00</u></u>

\$10,800 Annually or \$900.00 per month per adult

32 UNITS AT \$54,000.00 = \$1,728,000.00 GROSS ANNUAL INCOME

CHRISTIAN COMMUNITY
GROUP HOME COST ESTIMATE BUDGET

LAND PURCHASE	\$ 300,000.00
#1 THROUGH #8 GROUP HOMES	
\$250,000.00 EACH X 8 =	2,000,000.00
#9 ADMINISTRATION HOME	150,000.00
#10 VOCATIONAL MECHANICS	153,000.00
#11 VOCATIONAL CLASSES	175,000.00
#12 CHRISTIAN FELLOWSHIP BLDG.	250,000.00
#13 AGRICULTURE FARMING	150,000.00
#14 OFFSITE/SEWER/BLOCK WALLS	300,000.00
#15 ORIENTATION HOME	150,000.00
#16 FINANCING & CONTINGENCIES	500,000.00
#17 SEED MONEY	50,000.00
#18 ARCHITECTURAL/ENGINEERING	<u>160,000.00</u>
TOTAL	<u>\$ 4,338,000.00</u>

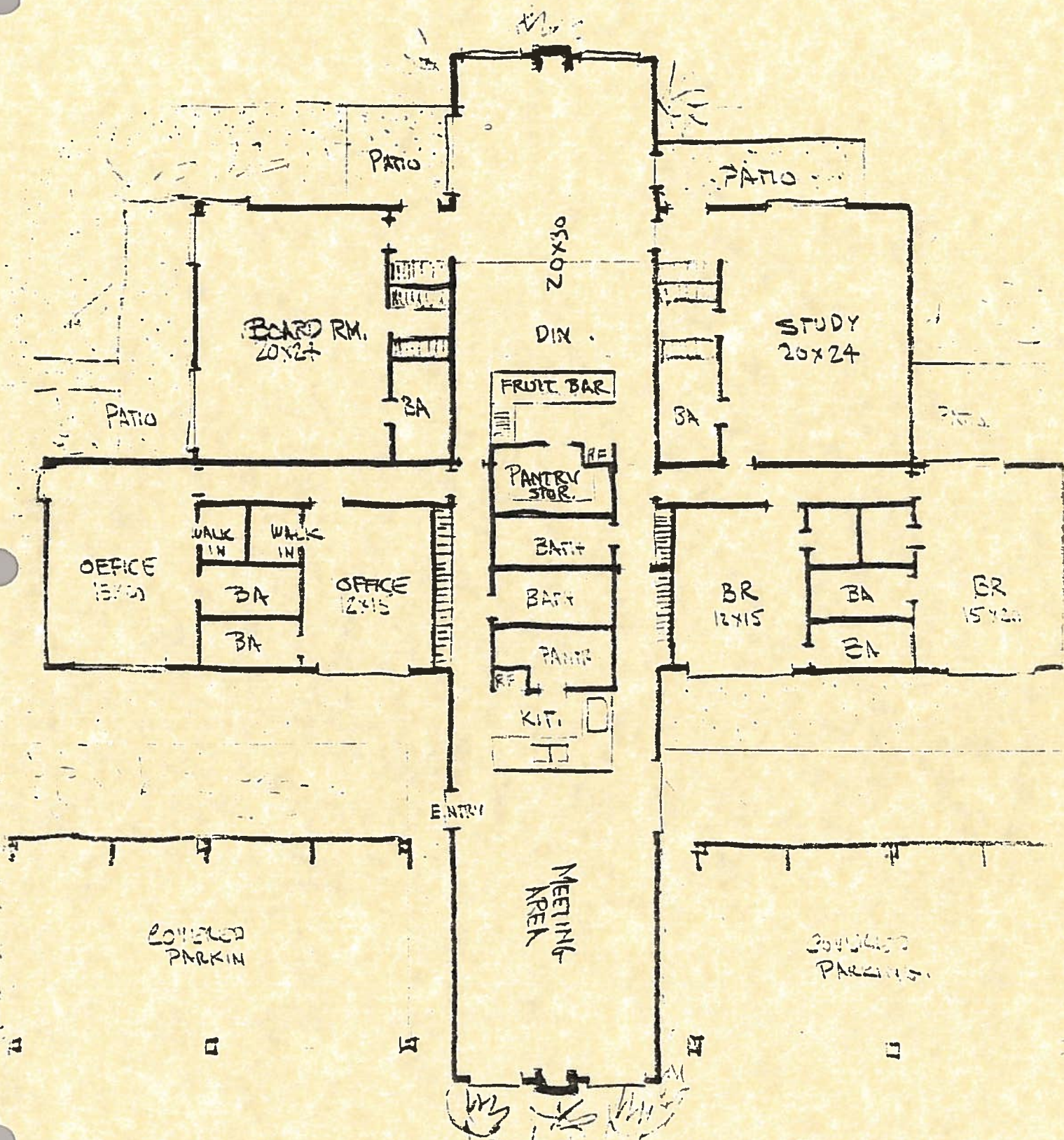


TYPICAL TYPE GROUP HOME

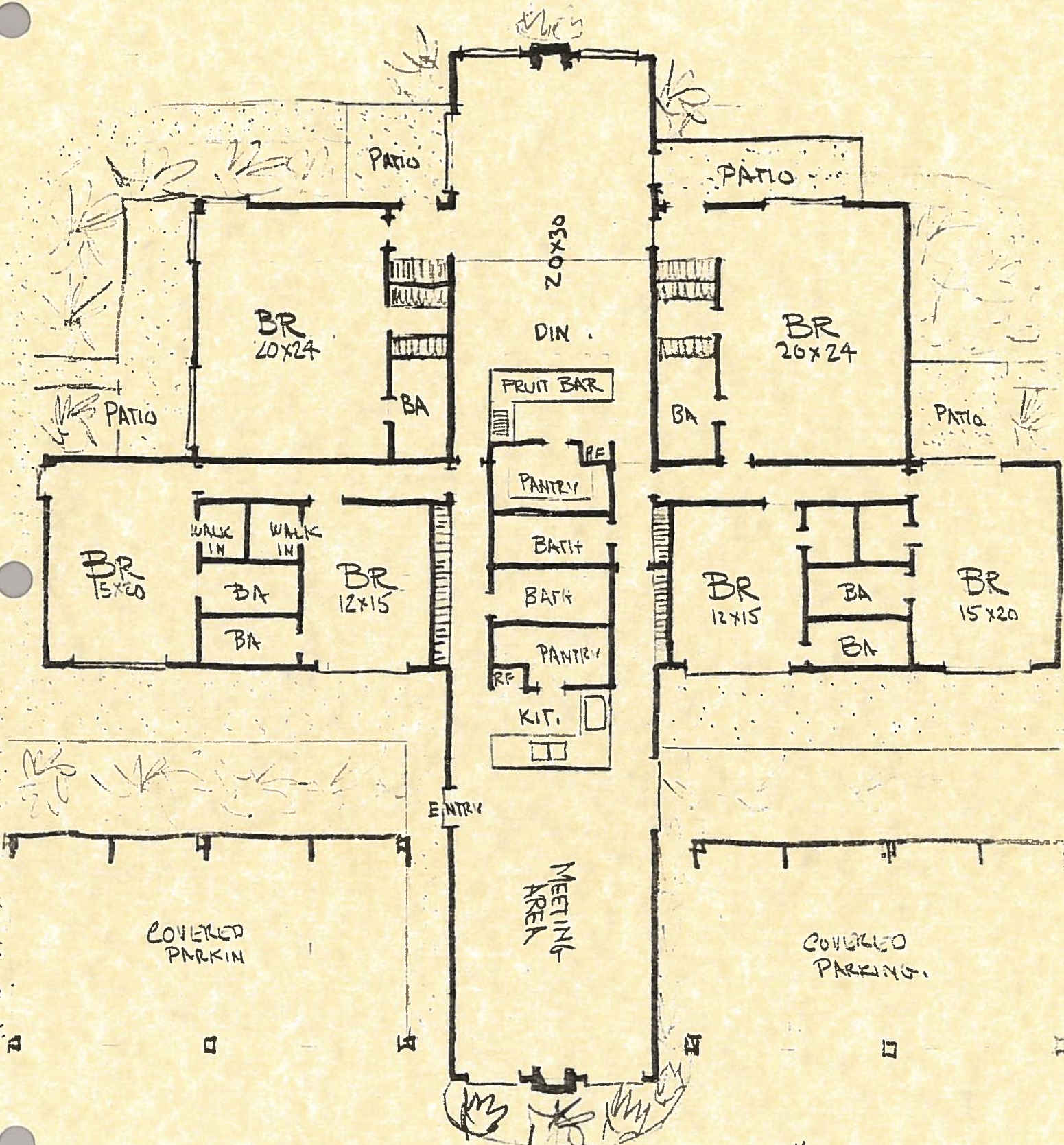
E-1 FOURPLEX

ROBERT K. WHITNEY (702-870-4219) 2600[#] (20 ROOMS) x 4 = 10,400[#]

1224



ADMINISTRATION HOME #9 1225



ORIENTATION HOME #15

Ministry the guiding light for Rev. McCoy

By James Kastelic
Staff Writer

At 12, when most kids are expected to be seen and not heard, the Rev. Bertie McCoy was preaching sermons in her local church.

Upon turning 15, when most youths are just discovering their own identities, McCoy was holding revival services in and around her hometown.

And at 21, when most young adults are stationed on the lowest rung of the ladder to success, the fundamentalist minister had sufficiently established and pastored her first church.

"I've spent a lifetime in the ministry," said McCoy, 58, the pastor of Echoes of Faith Center in Las Vegas who also has helped form a total of 12 churches during a 31-year ministry.

"All my life I've had a divine call," she said. "I've always had the feeling that I have special work to do."

McCoy's spiritual calling took her from her native Oklahoma where in 1949 she was ordained an Assembly of God minister, to Bakersfield, Calif., where she started with a congregation of two families and nurtured it to 200 members, to Las Vegas where she established her present interdenominational church which originally started out as a rehabilitation center for youths with drug problems.

"When I came to Las Vegas in 1971, I single-handedly took over the Powerhouse drug center and started working with kids on drugs," McCoy said. She was joined shortly by an associate who helped her attend to the needs of an ever-growing caseload.

"We worked with the underprivileged, the transients and the prob-



BERTIE MCCOY
...minister

lem boys, and especially the kids on drugs," McCoy said.

"The drug scene has been a great factor in demoralizing the youth of our land," she said. "This causes the greater part of our crime situation and the rebellion of age."

Eventually McCoy's drug counseling program outgrew the early Powerhouse building, so she bought the old Sheriff's Posse building at 1401 E. Washington Ave. and remodeled it into the Echoes of Faith Center — an independent, pentecostal-type Christian church.

"We operated it as a combination coffeehouse and church for some time before it emerged as a full church in 1975," McCoy said.

"One of our biggest miracles was a dance girl from the (Las Vegas) Strip who was using drugs and who had suicidal tendencies," McCoy remembered. "Today, she teaches our Bible classes."

McCoy, a business college graduate, also operates a 30-pupil on-

site school — the Echoes of Faith Christian School — for children in kindergarten through ninth grade.

The public school system has "taken prayer out of the schools and put sex in," McCoy said.

"We have a full elementary curriculum," she said of her school.

As a minister, McCoy is a spiritual figure for the 200 members of her church. But as a woman, she is a much-needed mother figure for the congregation.

"In Las Vegas, I haven't tried to promote myself as a minister, but as someone who cares. I guess you could say I'm a mother image, especially for people who come from broken homes," said McCoy, who has no children of her own.

"The young become my spiritual children," she said.

During her youth, McCoy preached sermons and conducted revivals around Jones, Okla., — the buckle of the Bible belt.

"I felt that I had gained great respect in my early days," she said. "I don't remember any persecution in my youth at all."

McCoy's mother, who was also a minister and who presently lives with McCoy in their Henderson home, was very supportive of her daughter's religious pioneering work. McCoy's father died when she was a child.

She attended a business college and after graduation, went to work at a federal reserve bank in Oklahoma City.

"Soon afterwards I made the decision to go into the ministry," she said.

McCoy married shortly thereafter. Her husband died in 1958.

before she moved to Bakersfield.

The fact that she is a woman has at times been a controversy in itself — especially because she took up a ministerial vocation.

But McCoy, whose mother, great-grandfather and father-in-law were ministers, said that "God created both men and women to perform certain roles, even in the ministry."

"I'm not a women's liberator, but things like the Equal Rights Amendment take away from our (women) freedom," she said. "The ERA makes women more unisex than the role God created us for."

"I believe the man is the head of the house, but there are special times when women play an outstanding role," she added. "I also feel there is a divine purpose for men's leadership and for ladies' leadership pertaining to the ministry."

McCoy believes women ministers are accepted more in some parts of the country than others. But, she adds quickly, "If one does his job well, no one is going to look too hard to see if it's a man or a woman."

"I know where I stand with God in my work, so it becomes the other person's problem if they accept me or not."

SENATE BILL NO. 43—SENATORS WAGNER,
FAISS, GETTO AND ECHOLS

JANUARY 21, 1981

Referred to Committee on Judiciary

SUMMARY—Authorizes establishment of residential centers by
department of parole and probation. (BDR S-63)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Yes.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to the department of parole and probation; authorizing the establishment of centers for the housing and supervision of certain probationers; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 SECTION 1. The department of parole and probation may:
2 1. Establish centers for the housing and supervision of probationers
3 assigned to the centers under section 2 of this act.
4 2. Contract for any services necessary to operate these centers.
5 SEC. 2. Except as provided in section 3 of this act, when a district
6 court grants probation to a person convicted of a crime or continues his
7 probation after his return to the court for violation of a condition of pro-
8 bation, the court may require as a condition of granting or continuing
9 probation that the convicted person live for a period of time specified by
10 the court under the supervision of the department in a residential center
11 established pursuant to section 1 of this act.
12 SEC. 3. The court may not assign a convicted person to a residential
13 center under section 2 of this act:
14 1. If the convicted person has served a prior prison term in Nevada,
15 any other state or a federal penal institution.
16 2. Unless, in cases where probation is being granted rather than con-
17 tinued, the assignment is recommended by the department of parole and
18 probation.
19 SEC. 4. The department of parole and probation shall:
20 1. Determine a fixed amount to be deducted from the wages of each
21 probationer assigned to a residential center to partially offset the cost of
22 providing the probationer with housing and meals at the center.
1 2. Arrange for all earnings of a probationer assigned to a residential
2 center to be paid directly from the employer to the probationer who shall
3 immediately give his earning to the department.
4 3. Deduct the amount for housing and meals as determined under
5 subsection 1 and distribute the remainder according to a court order for
6 restitution, if any, or to a plan for the management of the probationer's
7 assets established by the department.
8 SEC. 5. The department of parole and probation may adopt regula-
9 tions necessary to carry out the provisions of this act.
10 SEC. 6. This act shall expire by limitation on July 1, 1983.

SB43

PROPOSAL FOR TWO (2) MULTI PURPOSE RESIDENTIAL CENTERS

I. IDENTIFICATION OF NEED

The Nevada Department has recognized the need of residential facilities, one in Reno and another in Las Vegas, for several years. The Department recognizes and identifies many probationers who need some structure provided by a supervised residential facility, but who do not require imprisonment.

It is not uncommon to identify a probationer who is not making a satisfactory adjustment, perhaps because of family problems, employment difficulties, or a host of other problems. The lack of adjustment is not sufficiently severe to require institutionalization, but nonetheless requires a closely supervised program in the community. The proposed multi purpose residential facilities would meet this need.

II. ADVANTAGES OF MULTI PURPOSE RESIDENTIAL FACILITIES

- 1. Will assist in the alleviation of overcrowded prison facilities.

The two (2) facilities, when at capacity, could reduce Statewide prison populations by 125 to 150 persons per year. If the programs are successful, and if alternatives to incarceration are expanded in Nevada, it is conceivable that such programs will eliminate the need, or certainly delay the need to construct expensive prisons.

- 2. Residential Centers are less expensive than maintaining non-dangerous prisoners in prison.

Capital expenditures for building a prison cell today are estimated to be about \$65,000.00 per cell. This does not include daily operational costs. Thus, residential centers are less expensive, more realistic in their approach to rehabilitation, and provide protection to the community in that the persons can be viewed closely under supervision to determine their degree of adjustment before they are released from the transition facility.

- 3. Provides the Nevada Parole and Probation Department creative alternatives that do not now exist.

Presently there do not exist any viable state programs in Nevada which provide an alternative service between the extremes of imprisonment and the relative freedom of probation. Not all probationers need this narrow choice of programs...some need more

than probation and some need less than imprisonment. Community residential centers provide a much needed "in-between" service to probationers.

III. COST CONSIDERATIONS

The cost of maintaining a person in a community residential center is approximately \$26.00 to \$30.00 per day. The cost of maintaining a person in prison does not differ that much from the cost of community residential centers.

In addition, the resident will be expected to pay part of his way while in the program and when working. A \$5.00 to \$7.50 per day charge to the resident is realistic and will reduce the cost of the programs by an estimated \$25,000.00 the first year and \$90,000.00 the second and succeeding years.

Further, the resident is working and will be paying taxes which, when the programs are at capacity, can be expected to approximate \$140,000.00 annually.

A further bonus of the residential programs is the true assistance they provide in the resident's capacity to support his or her family. Since about 50% of the residents will have dependants, an employed probationer will be expected to support the family and, if on welfare or any kind of public assistance, will be relieved.

IV. PROGRAM CONTENT

The multi purpose residential centers will strive to meet many needs of many different residents. A few of the services shall include:

1. Employment Counseling.
2. Employment referral and placement.
3. Budgeting resources, both personal and financial.
4. Resolving family conflicts and reconciliation of families.
5. Handling personal crises in a positive way.
6. Referrals to appropriate community resources for specialized services (dental, medical, training, etc.).
7. Individual and group counseling.

V. IMPLEMENTATION SCHEDULE

Establishing residential centers is becoming more and more difficult and thus sufficient time must be allowed. The following

schedule is anticipated, following the approval and release of funds:

Month 1 and Month 2

1. Identify area and facility within the community.
2. Begin education program to community on the program to be established.
3. Negotiate lease and renovation arrangements.

Month 3, Month 4 and Month 5

1. By end of 5th month renovation to be completed.
2. Accumulation and purchase of equipment and furniture for program.
3. Begin training of appointed staff.

Month 6

1. Complete training of staff.
2. Develop necessary forms and accountability systems.
3. Finalize facility needs.

Month 7

1. Begin to accept residents into the program.

SUMMARY

The establishment of two (2) multi purpose residential programs in Nevada, one (1) in Washoe County and one (1) in Clark County will provide the Department of Parole and Probation and the Courts with badly needed alternatives for probationers, alternatives which do not now exist.

The multi purpose centers are economically sound for the State of Nevada, are more realistic in the hopes for rehabilitation of offenders, and provide the Department of Parole and Probation with alternatives needed to carry on an effective parole and probation program. The programs, because they provide 24 hour a day supervision protect the community more than traditional parole and probation.

BIOGRAPHICAL SKETCH
OF
PROPERTY DEVELOPMENT DIRECTOR
ROBERT K WHITNEY

SUMMARY OF QUALIFICATIONS

Over thirty years experience in all phases of development and building, including extensive periods of business ownership and management.

AREA OF EXPERIENCE

Architectural Design	Propety Feasibility Studies
Residential Construction	Cost Control
Commercial Construction	Quality Control
Subdivision Projects	Personnel Management
Subdivision	Purchasing
Planning	Sales Administrative
Contract Administration	

EDUCATION AND SPECIAL TRAINING

1938	Graduated, Fresno High, Fresno California - Engineering
1940	Fresno State College, two years - Civil Engineering
1942	Graduated, UCLA, Westwood, California - Architecture
1943	(Teacher for University of California - Tool Design)

PERSONAL DATA

Birth Date:	May 22, 1921
Height:	6' 4½"
Weight:	265
Health:	No physical defects
Citizenship:	USA
S.S.Number	571-09-8647
Marital:	Married

P A C S O N

(Praying Americans Can Save Our Nation)
6109 Glacier Avenue
Las Vegas, Nevada 89110
452-4196

March 23, 1981

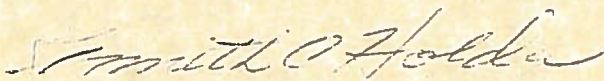
Nevada State Legislature
Capitol Building
Carson City, Nevada

Dear Sirs:

As President of the PACSON organization and a group of praying people have looked at this Christian Community program and have accepted it as something good and needed in this area. We are willing to support the project with our time and efforts.

We feel we can support and help these first-time offenders to find a better way to serve society and help themselves.

Sincerely,



Kenneth C. Holder, President

KCH:bm



echoes of faith

1401 East Washington Street
Post Office Box 42664
Las Vegas, Nevada 89104

702/642-0011

Pastor: Rev. Bertie McCoy

March 23, 1981

Members of the Nevada State
Legislature
Carson City, Nevada

Dear Sirs:

We wish to give our approval of the Christian Community project, as outlined. We know of the need in this area for a program of this nature that will give the first-time convicted adults a chance for a new life through a Christian ministry.

We support and back this endeavor as in God's will, and will help to train and guide counselors as necessary for the program.

Sincerely,

Bertie McCoy
Rev. Bertie McCoy, Pastor

1234

3/23/81

TO WHOM IT MAY CONCERN:

For one and a half years I worked in the rehabilitation of drug addicts and alcoholics at the Chapel of the Canyon ministries in Chatsworth, California and also with the Sylmar Solid Rock ministries in Sylmar, California.

I also assisted Rev. Joe Wells from time to time at the Chino correctional facilities visiting the cell blocks of inmates who could not attend church services.

Our group ministered to the needs of the young patients at the Spastic Children's Foundation in Sylmar, California for the period of about one year.

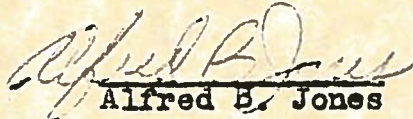
There is a vital need for a rehabilitation program for convicts who want to make a new start and we believe that through the efforts of dedicated and committed people this can be accomplished. With a program where they can be taught a trade they can become useful citizens and a credit to the community in which they live.

It is my understanding that crime is on the rise to such an extent that there is a need for a new prison to be built every two years. A program such as ours should eliminate some of that expense.

At present I am engaged as a volunteer H.O.P.E. Chaplain at the Southern Nevada Memorial Hospital in Las Vegas, Nevada two evenings a week.

We would be working with people who have had years of experience in this work and feel it can only go upward and onward.

Sincerely,


Alfred B. Jones

The World Fellowship of The World Church

2116 W. Beverly Boulevard, Los Angeles 57, California
DUnkirk 4-4885

**THE TWENTY-FOUR
INTERNATIONAL ELDERS**
Dr. O. L. Jagers
Founder-President
Los Angeles, California

Rev. Raymond L. Boatright
Vice-Chairman
Norwalk, California

Rev. Manuel A. Beauchamp
General Secretary-Treasurer
Bellflower, California

Dr. Epaminodas S. Lima
Executive Vice-President
Sao Paula, Brazil, S. A.

Rev. Eddie Oxendine
Vice-President
St. Louis, Missouri

Dr. Ralph L. Phillips
Vice-President
Hong Kong, China

Dr. Roy M. Gray
Educational Director
Mereford, Arizona

Rev. William C. Harms
President-Liberators
Los Angeles, California

Rev. D. B. Jagers
Los Angeles, California

Rev. Lester W. Higgins
Jamaica, B.W.I.

Dr. Franklin Hall
San Diego, California

Rev. K. J. Samuel
Kumbanad, S. India

Rev. Douglas C. Gould
Wellington, New Zealand

Rev. Mariano C. Caneso
Honolulu, Hawaii

Rev. Augustine N. Peters
Madras, India

Dr. M. S. Shoucair
Beirut, Lebanon

Rev. Marien Joseph
Bombay, India

665 Christy Lane
Las Vegas, Nv. 89110
3/23/81

To Whom It May Concern:

I would like to add my name and support to the program initiated by Robert K. Whitney and other fine leaders of this community.

I have been an ordained minister since 1942. It was my privilege to have attended the following schools of learning preparing me for a career, both in the religious and social fields.

Graduate of Elim Theological Seminary, Lima, N.Y. (Four yrs)
Graduated from Bethesda Theo. Seminary, N.Y., N.Y. (Th. B.)
Graduated from The American Bible College, Chicago, Ill. (B.D.)

The Jewish Theological Seminary, W. 122 St., N.Y., N.Y.
I was an invited guest and member participating in special courses, including sociology and other related materials.

Other studies consisted of business courses with The Eastern School of Business, N.Y., N.Y. In Central Islip, N.Y., I took six months of Mental Hygiene while pastoring The First Christian Church of Brentwood, Brentwood, N.Y. I also received a diploma from The Anthony School Of R.E. in Reseda, California.

Ministerial Duties:

Founder and Pastor of five churches and many missions for the Elim Ministerial Association. Conference speaker around the country and many foreign fields, plus professor of Comparative Religions at the Oyster Bay Seminary, N.Y.

With Attorney Irwin Schapiro, I helped organize a legal-aid society for Spanish people and other ethnic groups... in Brentwood, N.Y. and N.Y.C.

In 1957, I was made General Secretary-Treasurer of The World Fellowship of Churches in L.A., Ca. (3,000 churches) I handled all promotional, organizational, advertising, publicity, radio, T.V. and pastored The Christian Church of Bellflower, Ca.

Any additional information can be given upon request.

Sincerely
Rev. M. Anthony Beauchamp
Rev. M. Anthony Beauchamp

**THE SEVENTY
INTERNATIONAL DIRECTORS**

Rev. A. J. Eminiue
Calabar, Nigeria, B.W.A.
Mr. Werner Zeuch
Eschwege a/W Germany

Rev. Sanfrid Mattsson
Jakobstad, Finland

Rev. A. J. May
Galt, Ontario, Canada

Rev. William A. Bean
Warrivick, Bermuda Isles

Rev. Leonard W. Coote
Ikoma, Japan

Rev. Victor Liberato
Mexico 2, D.F., Mexico

Rev. Rolorito Bracco
Rome, Italy

Rev. Samuel B. DeFlerk
Johannesburg, Africa

Rev. William Makaehu
Kauai, Hawaii

Rev. Gunder Olsen
Hilo City, Philippine Islands

Rev. Srairi Tahar
Tunis, N. Africa

Rev. Robert W. Phillips
Hong Kong, Asia

Rev. K. S. Joseph
W. Godavary, S. India

Rev. Ibrahim Said
Cairo, Egypt

Rev. Heinrich Vietheer
Berlin-Friedenau, Germany

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Ramallah, Jordan

Rev. Harold Jackson
San Juan, Trinidad, B.W.I.

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Queensland, Australia

Rev. J. A. du Plessis
Krugersdorp, South Africa

Rev. David Castillo Barajas
Mexico 2, D.F., Mexico

Rev. W. L. Rodriguez
Philippine Islands

Elder Sven Thulen
Stockholm, K. Sweden

Bishop E. Edem Ephraim
Adak, Nigeria, B.W.A.

Rev. D. P. Khaire
Poona 2, India

Rev. Timothy L. Soke
Nuuli, American Samoa

Rev. Esau Gambito
Iloccos Sur, Philippine Islands

Rev. Bu Schell
Rotterdam, Holland

Rev. Viggo Olsen
Copenhagen K, Denmark

Rev. Bolson Chang
Hong Kong, Asia

Rev. Paul Peterson
Sao Paula, Brazil

Rev. Harlan Graham
Brazil, S. A.

Rev. William Fitch
Atlanta, Georgia

Rev. Novell Lima
Brazil, S. A.

Rev. Francisco Rodriguez
Havana, Cuba

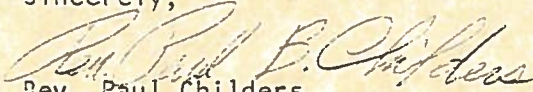
March 23, 1981

Nevada State Legislature
Capitol Building
Carson City, Nevada

Dear Sirs:

The concern for our Nation's problems in crime have led me into committing myself to this Christian Community Project as a spiritual leader and administrator with God's direction. May we in some way stem the rushing tide of crime and help bring our nation back to sanity.

Sincerely,



Rev. Paul Childers
6840 South Polaris
Las Vegas, Nevada 89118
361-3963

My Resume follows:

Paul Bernard Childers was born September 15, 1918 in a home which later became part of the officers' quarters in Camp Dodge, a suburb of Des Moines, Iowa. His father, Wilbur Leroy, a farmer, sod-cutter, and carpenter took his family to live in all of the six most western states except Utah.

Paul graduated from San Bernardino High School and about the time of his graduation experienced both the Baptism in the Holy Spirit and a call to the ministry. So immediately upon matriculation, Paul attended 2½ years of Christian Bible training. For 1½ years he attended the Canyonville Bible Academy (Oregon) and for 1 year he attended Central Bible College (Springfield, Missouri).

In 1940 Paul was licensed to preach in the Assemblies of God and took his first pastorate in Shoshone, Idaho. In January 1942 he married Ferle Charlene Hilgers. Late that same year the first of four sons was born, the noted John Mark Childers "world renowned" Bible teacher and adventurer. In 1944 Paul was ordained as a minister of the Assemblies of God. Since that time, he has pioneered and pastored Assembly of God churches in Idaho, Arizona, California, and Nevada.

Since coming to Las Vegas in 1962, Paul was for four years chaplain of the Spring Mountain Youth Camp, taking services each week. Then for six years, Paul worked as Pastor of Church Extension Ministries at Trinity Temple. This ministry included work in jails, juvenile homes, Child Haven, rehabilitation farms and rest homes.

Upon completion of this work Paul and his family pioneered a new church, Mountain View Assembly of God. He resigned from this Pastorate in 1978. Since then Paul's ministry has taken him as far afield as New Zealand. He is currently assisting in the ministry of Faith Assembly of God.

March 24, 1981

Members of the
Nevada State Legislature
Carson City, Nevada

Dear Sirs:

I, Delbert Marshall, support this Christian Community program as a director, to help moderate people to become better citizens and to help with the local crime problem.

With the Christian Community the following are some of the services which which I can help. I am in the building business and have knowledge of most of the construction trades in Nevada. I also have knowledge of the care and feeding of livestock. Also, I understand the incubation of raising of poultry. I could instruct in the fields of sports, boxing, weightlifting, archery.

Sincerely,

Delbert Marshall

March 24, 1981

RESUME

Name: PICKETT, JAMES N. 4817 Tillman Drive, Las Vegas NV 89030 702/642-4973

Date of Birth: August 11, 1924

Occupation: Dirt moving, greenhouse operator, farmer, business consultant, and counselor

Past Occupation: General; Paint; and Sandblast Contractor (B-1, C-33, and C-61 License, California).
Flight School General Manager.
Founder and State Director of Nevada 7th Step Foundation, Inc.
Mobile Home Sales - Owner.
Insurance Sales - License, Nevada.
Rancher.

Education: 16 years. Psychology
Sociology
Counseling
Architectural Drafting
Business Management

Trades: All construction
Heavy equipment
Flight Training School
Fireman (boiler house and fire house)
Chef
Business Manager and Consultant
Grower (greenhouse and container)
Animal breeder and trainer
Psychological Analyst
Applied Psychological Counselor

Pertaining to Purpose: Many years studying and counseling. Counseling delinquents and criminals.

Founder and State Director: Nevada 7th Step Foundation, Inc. - 1966-1981; still functioning.

Remotivation of delinquents, predelinquents, felons, and exfelons.

Functions: Jobs, clothing, finances, living quarters, counseling.

Purpose: To be constructive citizens. Thousands handled. 95% success rate.

Position: Executive Director of Building and Operations of Christian Community.

I wholeheartedly support the Christian Community Program, and I believe we can really help our State with this crime problem. God Bless.

James N. Pickett
James N. Pickett

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