

MEMBERS PRESENT: Chairman Dini
Vice Chairman Schofield
Assemblyman Craddock
Assemblyman DuBois
Assemblyman Jeffrey
Assemblyman May
Assemblyman Mello
Assemblyman Nicholas
Assemblyman Polish
Assemblyman Prengaman
Assemblyman Redelsperger

MEMBERS ABSENT: None

GUESTS PRESENT: Please refer to the guest list attached to the minutes of this meeting.

Chairman Dini called the meeting to order at 8:05 A.M.

Mr. Dini stated that the first bill the committee would consider would be S.B. 422.

Mr. Bill Engel, representing the Military Department and also here is Don Dehne, representing the Department of Civil Defense, testified first.

Mr. Engel stated that they asked to have the bill introduced with the idea that by combining the two agencies the state could be provided with a stronger civil defense program by making more of the resources of the military department available to it.

Mr. Engel stated that it does not change the structure or the responsibilities of the Civil Defense Department but merely places that agency under the military department for administration.

Mr. Dini stated that under this structure the head of the military department would also be head of civil defense but that would be a division of the military department.

Mr. Engel stated yes. He further stated that the position of director for civil defense will remain as it is currently along with the other staffing.

Mr. Dini stated that there was no change in the fiscal impact or anything else. It would be the same staffing.

Mr. Engel stated that there would be no requirement for additional funds for either the military or civil defense to make the change. A number of other states have gone this way to improve the service that civil defense people can provide. We have a number of things we can do to support the program in the way of federal personnel

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currently involved in emergency planning and some of our equipment would be a little more available to civil defense and we feel the proposed bill will improve the ability of the state to respond to local emergencies.

Mr. Dini questioned the repealer.

Mr. Dini asked if there were any questions from the committee.

Mr. Polish asked if there were any reciprocal agreements with the National Guard in California or Arizona?

Mr. Engel stated that they had nothing in writing. He further stated that they have in the past borrowed expertise from the California National Guard primarily for National Guard activities in this state. I am not sure what would be required in the way of law to provide it or agreement between the two states, but they have always been very cooperative as the other surrounding states have but no we have no official document that provides for resciprocity. There is very little we can provide them with. It would be pretty much one way. They have a large capacity to handle a great many emergencies over there but they have always been very cooperative in the past if we needed anything.

Mr. Dini asked if the committee had any other questions.

Mr. Dini asked if anyone else wished to speak on this bill.

This concluded the testimony on S.B. 422.

Mr. Dini announced that the next bill to be heard by the committee would be S.B. 511.

Mr. Mello at this point moved for a Do Pass and Re-refer to Ways and Means on S.B. 422, which was seconded by Mr. Polish. The motion carried unanimously.

Mr. Noel Clark, Director of the Nevada Department of Energy and Mr. Duane Sudweeks, Administrator of the Colorado River Resources Division testified next. Mr. Clark stated that they were here in support of S.B. 511. The bill increases the authority of the Division to participate in power purchases, participation in energy projects, electric energy projects, throughout the State. It gives the Division more flexibility in handling power for its customers throughout the state and other small technical amendments which Mr. Sudweeks will speak to. There is one mistake in this bill which is quite important. On page 1, lines 19, 20, there has been deleted the last sentence and that particular provision was inserted in there so that one of the REAs which is a customer of the State of Nevada through Colorado River could serve a few of its customers across the state line in California, and it is a technicality but it is quite important to that particular cooperative utility and the brackets should be taken out.

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Mr. May referred to that which he stated was covered on page 2.

Mr. Sudweeks stated that it did not give them the authority to sell power outside of the boundaries of the state and that is the thing that is important. He further stated that they are somewhat limited by the language of the act in the state and the fact that they have a few customers outside of the boundary we wouldn't be able to provide them service.

Mr. Nicholas stated that he was interested in making sure that our state receives the services that it needs. Would the ability to provide these services outside of our state line have any effect on the amount of power available to us?

Mr. Sudweeks stated that in this particular instance it could have. There was an REA project and the whole project was predicated on the whole territory.

Mr. Nicholas stated that it was then possible that we may go down slightly.

Mr. Sudweeks stated that it was the financing of this project which is contingent upon the whole territory and if they did not take in that small amount of territory in California, then the financing would not have been available to this REA.

Mr. Nicholas stated that the financing was also contingent on the removing of this phraseology.

Mr. Sudweeks stated that it could be.

Mr. Clark stated that only when it is incidental to a very small segment of the territory which might be served by that particular utility.

Mr. Nicholas stated that he thought that the substantialness of this is the next thing too. I would like to know about this. Are we talking of an appreciable percentage of the power.

Mr. Clark stated that it was less than 1% he thought.

Mr. Sudweeks stated that it was a very, very small area in California.

Mr. Sudweeks stated that he might briefly review some of the amendments and the reasons therefor that are included in the bill.

As Mr. Clark has indicated of course the intent of this legislation and these amendments was to broaden the authority of the Nevada Department of Energy, namely the Division of Colorado River Resources to first of all more accurately define the Division's activities in today's electrical service market and secondly to provide the Division with the tools which may be needed to meet the electrical energy requirements in the future.

The amendments to NRS 538.161 subsection 3 allows the Division as an agent of the State to engage in electric resource generation facilities planning and development activities along with the transmission systems for delivery of electric energy to load centers. The Division acting in the name of the State could also own generation and transmission facilities in whole or in part if such action offered real benefit to the State. We look upon this amendment as a vehicle under which the State may provide the service in the public interest in concert with the electric utilities in Nevada should engagement of such activities merit favorable consideration in the future. I refer to the provisions on Page 2, line 1 through 3 of this subsection which is intended to safeguard the interest of the electric utilities in Nevada against direct service to consumers of electrical energy within their service area by the Nevada Department of Energy, namely the Division of Colorado River Resources except at the request of and by agreement with the electric utility in whose service area the direct service customer is located. We refer to page 1, lines 19 and 20, specifically we are talking about a small service area in California which is actually by Valley Electric in the Fish Lake Valley Area. This language, we feel, needs to be restored.

Now the additional language in NRS 538.181 subsection 1, page 2, lines 41 through 44 expands the authority of the Administrator to enter into electrical energy exchange agreements which would include seasonal exchanges and/or exchanges associated with pooling arrangements agreed to among the State's contractors to derive the benefits of season or month load pattern diversities.

Mr. Sudweeks stated that the Division in the past has encouraged such pooling arrangements and the residents within their participating customer service areas have enjoyed substantial benefits and cost savings over the past several years. The amendment also broadens the market authority of the administrator to include transmission and other electrical energy distribution services being necessary coincidental with the amendment previously discussed in Subsection 538.161. Subsection 4 of that same section presently requires that before any sale of power and/or of water is made, the Division must advertise the same for two weeks and shall allow ten days after the last publication for any person who may so elect to file a notice of objection. If an objection is filed, a hearing must be held within thirty days after the date of the notice. We wish to point out that the present electric power resources of certain of our State's small utility customers which they own no generating facilities is rapidly becoming insufficient to accomodate their growth needs. They have on their own located sources of energy and supply for additional power and they have requested the State to enter into contract with those suppliers for additional resources which have been located and secured by them. Advertisement of such sales coupled with the possibility of an objection and a hearing is both costly and time consuming as you are well aware and could place the Division in an

awkward position of holding unnecessary hearings on the sale of power which possibly should go to the finder. Subsection 5(a), page 3, line 15 through 19 has been added to eliminate the need for advertising the sale of power under these specified conditions. We wish further to note that the Division at times is offered short term interruptable power for immediate acceptance at attractive prices which can be used by the holder of long term firm power contracts. During the past year and we wish to point this out that it is engagement and the ability to take such interruptable power that has resulted in savings to our state contractors to the tune of approximately \$1,000,000. At times delivery to state contractors are under way within twelve hours after notice of its availability. These transactions are conducted by telephone and deliveries are scheduled by the area load control dispatchers within the maximum rates of delivery and the price ceilings pre-established by the Division with the supply. Complying with the advertising requirements of Subsection 4 is not practical for such sales. Subsection 5(b), page 3, lines 20 through 23, has been added to negate the need for advertising for interruptable short term immediate acceptance of power sales.

The language except as otherwise provided in Subsection 2, NRS 538.251 has been added to Subsection 6, page 3, line 24. Subsection 2 is that same section is new language which eliminates the need for the ratification and approval by the governor of agreements made by the Division with suppliers to take delivery of interruptable short term immediate acceptance power or the sale thereof to holders of long term firm power contracts within the State.

As I pointed out these are good faith verbal transactions and they are very, very common in the utility practice today. Our staff also believes that the amendments to Subsection 3, NRS 538.211, Subsections 1, 2 and 3 are needed to be consistent with the other changes that are presented in S.B. 511. We strongly support the addition of Subsection 4, page 4, lines 35 through 43, and Section 3, NRS 538.211. I think many of you are aware that the Attorney General's office at the request of the Division has prepared a very lengthy legal memorandum which presented an opinion of Nevada's legal position concerning the reallocation of the Hoover Electrical Resources upon the termination of the present contract in 1987. This memorandum indicates the requirement could be that compensation be made to other allottees or any facilities that are rendered idle as a result of the increased allotment for Nevada. This compensation question is a matter which requires further legal research. The compensation issue must be considered and offset against any potential gain in considering the available options to the State. However, should legal action become necessary there must be statutory authority provided to the Division in order to fulfill the requirements of the Boulder Canyon Project Act of 1928. I should also point out that although the statute constitutes authorization to make compensation, we obviously must return to

Legislature in order to acquire appropriation of funds or specific authorization to sell bonds to fulfill any monetary requirements. NRS 538.251, Subsection 1, page 4, line 45 is amended to add the words "except as provided in subsection 2". This is to eliminate as we previously mentioned the need for approval by the Governor of agreements by the State with the supplier to take delivery of interruptable short term immediate acceptance power or the sale thereof to holders of long term power contracts with the State. As I mentioned earlier this is the verbal good faith transaction that are common today. The words "all from other entities shall not be", page 5 line 2 are deleted to remove possible limiting constraints with respect to sources from which power could be acquired.

The words "or for planning development or ownership of facilities or the generation and transmission of electricity" are not added in lines 2 through 4 page 5, actually they are added to harmonize with the changes that relate to NRS 538.161 which we discussed earlier. With the minor amendment that we have suggested at the bottom of page 1, we strongly support approval of S.B. 511.

Mr. Dini referred to the preceding line and asked if the power would be available in that area.

Mr. Sudweeks stated that that was something over which they normally had a lot of control as to what is available. However our ability to react is the thing that is important to us. During the past several years the federal government has provided a lot of fuel saving energy, made it available on very short term notice and we have to be in a position to react and react quickly to bring about benefits to our customers that we provide service to. That is extremely important to us and lengthy hearings and lengthy approvals are just not practical in the utility business today.

Mr. Dini asked if they wielded any power in the Northern part of the State too or just in the south.

Mr. Sudweeks stated that they are not presently wielding any power into northern Nevada today.

Mr. Dini asked if there was any potential for that.

Mr. Sudweeks stated that they are involved in the central valley reallocation process. Most of Northern Nevada is in that area. There is a possibility that we may be able to find some additional hydropower for the State of Nevada. We are certainly following it with interest trying to do all that we can to benefit the State as a whole. At one time we had an allocation from that project but for numerous reasons we were unable to get it into the State. We are certainly looking into that today and we are hopeful, but whether we will be able to accomplish anything or not that is questionable at this point in time.

Mr. Clark stated that in the event that there are any layoffs of power any large or small blocks available out of any of the new Utah projects or even out of the White Pine Power Project to put the Division in a position of handling distribution.

Mr. DuBois asked if one of the things that is scheduled is to expand the state into public commerce.

Mr. Clark stated no. We are in no competition with any power company. It is merely as a sales agency to handle the distribution of any surplus of power or in the event a project like White Pine Power came along and there was any surplus energy available or a surplus block of that project available which was laying there and they needed somebody to stabilize it they could participate in it.

Mr. Sudweeks stated that we are strictly trying to provide a service and that is really what we are trying to do.

Mr. DuBois asked what the possibility of increasing allocations from Hoover Dam.

Mr. Clark stated that we are working very very hard on it right now and I think the probability of getting any major turnaround of the allocations there - Nevada gets about 17% now and California gets the bulk of it and we contend that we are entitled to one-third, one-third and one-third, and that is the process that we are developing forward and it is going forward in negotiations and possibly a court case to acquire a larger share for the state of Nevada. Right now to say what our percentages of recovering that one-third is, I don't think anybody can put a handle on it. We will never know unless we try.

Mr. Clark stated that we are sure that we are going to pick up some.

Mr. Polish asked who owned Hoover Dam or Boulder.

Mr. Clark stated that the Federal government owns it.

Mr. Sudweeks stated that it is actually operated today by the Department of Water and Power and Southern Cal Edison. They have served notice upon those two agencies that come 1987 that they are not going to even be the operator so the Federal government plans to assume not only - they obviously own it - but they intend to operate it and maintain it as well.

Mr. Clark stated that that dam was originally constructed for flood control water control and the third priority was power and it still operated under about the same conditions.

Mr. Nicholas stated that in order to make sure that there were no misunderstandings about the availability of any additional

power, Mr. Clark, wouldn't it be true to suggest that though we are in litigation for greater power for Nevada that the time lines here are extremely long and the counter demands are somewhat sizeable. If you had to give an estimate of the possibility of success in this litigation would you be extremely positive or would you suggest that this is very, very long term.

Mr. Clark stated that we have asked for additional funding for the case in this particular area and we would not have asked for the money if we had not felt that we had a good chance and there is no question that if it goes to full-fledged litigation that it could be a long term project. But, if the negotiations are successful which we are carrying on at this time, it may be buttoned up in a very short period of time and the ultimate contracts will go into in 1987.

Mr. Nicholas stated that if they won this particular situation then the effect would be increased requirements or ability to supply would come into effect the end of 1987 and not before.

Mr. Sudweeks stated yes, that contract expires in 1987, in fact most of the federal contracts expire in the 1980s. Parker/Davis and that project expires in 1986. They have made a decision that they are going to extend that contract and make it terminate coincidental with Hoover, the Colorado River Storage Project in which the state has a minor share, which is in the upper basin, and that expires in 1989. Central Valley that I mentioned has various expiration dates with various contractors, but all of them are pretty much in the 1980s, so it is very important for the next few years, that is for sure to follow all of these processes.

Mr. DuBois asked if these were original fifty year contracts.

Mr. Clark and Mr. Sudweeks both stated yes.

Mr. Sudweeks stated that he might mention in line with that that their present plans, or at least the federal government's present plan is to extend the contract or to write a new contract for twenty years. That is what they are indicating to us at this point in time, just so we don't mislead you.

Mr. Clark and Mr. Sudweeks left a copy of their testimony with the Secretary. This testimony is attached to the minutes of this meeting as EXHIBIT A.

Testimony on this bill was concluded.

Mr. Dini stated that Mr. Sader came in with a bill to introduce and he stated that he did not know if the committee would be interested in it. Mr. Dini stated that Mr. Sader felt that the NIC and their approach to the open meeting law when they post their agenda, they just post a standard agenda and are not

specific about what they post on the agenda. You never know what they are going to be taking up that day.

Mr. Mello asked if anyone had spoken to the Attorney General about it.

Mr. Dini stated that he had just gotten this yesterday afternoon.

Mr. Mello stated that he would move for introduction if it is necessary.

Mr. Mello moved for committee introduction of BDR 19-1616⁺ which was seconded. The motion carried unanimously.

Mr. Dini stated that the committee had a couple of state employee bills that had not been processed, AB 520 and AB 521. Mr. Dini stated that AB 521 had an amendment that both sides agreed to and it says to strike all material after line 2. Mr. Dini discussed the amendment with the committee.

Mr. Nicholas moved for an Amend and Do Pass on AB 521 which was seconded by Mr. DuBois. The motion carried unanimously.

The committee then discussed AB 520.

The committee discussed the amendment to this bill with Mr. Gagnier. Mr. Gagnier stated that the amendment that the committee had before them was the amendment proposed by the Deputy Attorney General for State Personnel and they had no objections to it.

Mr. Gagnier stated that it was a difference of opinion. Mr. Daykin said our bill did it the way he drafted it and the AG says it doesn't and we have no objections to that. It looks fine to us.

Mr. Dini asked if Mr. Gagnier had some other language he wanted to put in.

Mr. Gagnier stated that he did not remember that they did.

Mr. Gagnier stated that he thought that the discussion was about eliminating lines 11 through 13 and then that picks up the State Comptroller's regulations.

Mr. Nicholas stated he also believed there was an amendment in line 10. The insurance program had been questioned and that at least one of the people who testified suggested that that phrase be bracketed out.

Mr. Gagnier stated that it was his understanding that the personnel division objected to the portion on the insurance because they are currently instituting some insurance programs on payroll deduction and of course it had been our intent to make sure that these things had the approval of the committee on group insurance or somebody and that was our problem because they are going to put an auto

insurance program on payroll deduction July 1st and they never put it to bid. They just negotiated with one company and put it on payroll deduction without any other companies having an opportunity. In addition, we have that cancer program that I think I mentioned to the committee which according to the committee on group insurance is not a good buy.

Mr. DuBois asked if there was some desire to expand this to a broader number of employees?

Mr. Gagnier stated that he thought that that was the intent of their amendment is that their Deputy AG feels that this still does not get beyond the state comptroller. We have six payroll systems and the comptroller has one. The whole intent of this legislation is that that is the problem now is that the law only pertains to the comptroller and not to the others, the University, the Department of Transportation, NIC and so forth.

Mr. DuBois stated that the way this is written he thought it only covers about two-thirds.

Mr. Gagnier stated that according to the Deputy AG for State Personnel his amendment would take care of that. Mr. Gagnier stated that they did think that there should be some mechanism in there for approval of an insurance program. As an example this is the insurance program that they are going to institute. The problem we are confronted with is that if they go ahead and institute this insurance program unilaterally by themselves, it would appear to us that without a bidding procedure or some mechanism for approval, any other insurance company can now come in after July 1st and indicate they want their program on payroll deduction and I don't see how they could legally turn them down. Pretty soon we are going to have payroll deductions coming out of our ears.

Mr. DuBois asked if it covered 500 participants.

Mr. Gagnier stated that that was a very arbitrary figure.

Mr. Gagnier stated he would like to go back a few years and tell you. Joe may remember this. When the law was first past which is the very last paragraph of the bill, this committee processed that bill and Bob Bruce who was then the Deputy Comptroller came in and asked for the last sentence which was that the State Comptroller shall adopt regulations. He was the Deputy Comptroller. He and I worked on those regulations and they were about to be implemented and nothing has occurred since then. We pulled the 500 out because that was his suggestion at the time. Totally an arbitrary figure. I have no strong feelings about it.

Mr. Gagnier stated how many is enough to warrant adequate interest is a purely subjective thing.

Mr. Dini suggested that we just leave it where it has to be approved by the insurance committee.

Mr. Dini suggested that the 500 be taken out.

Mr. Gagnier stated that would be fine.

Mr. Dini stated that he did not know whether he would have 500. You have to pre-sell it and you don't know if you can or if there will be anybody interested in it. He felt that it was too restrictive. Mr. Gagnier has a good point. You may have every company in the state wanting a payroll deduction and it would be a nightmare.

Mr. DuBois stated that he thought that it would take care of the 500 and why they wanted it in there.

Mr. Gagnier stated that you are getting to a point here where you are running into a cost item. If I remember correctly Mr. Bruce testified that it cost them \$2.50 to commence each payroll deduction. Many people think payroll deduction is a very simple thing but in my office when we have payroll deduction for our dues and three insurance programs but we submit it to the State as one lump sum and they don't separate it out, we keep one person busy on that three-quarters of the time. It takes her that long to process that.

Mr. Gagnier stated that right now to the best of their knowledge the only things on payroll deduction as far as insurance is concerned is that cancer care program which is in some state agencies and then the University has a wide variety of programs that they offer and they were primarily aimed at their academic staff but I think they have expanded and allowed other people to participate.

Mr. Dini stated that the amendment proposed by the Deputy AG goes to any public officer, that goes to local government and goes to state government.

Mr. Gagnier asked if he could suggest that it be changed to state officer instead of public. We don't want to do anything that would get involved with the local governments. They might be unhappy.

Mr. Gagnier stated that in local government it is a matter of negotiations so I don't think we would want to get involved in that. Could I suggest then that the way you could take his language and substitute it for ours is any state officer authorized to disburse funds in payment of salaries and wages of state officers and employees and then down following number three that he has, accident, life, health and casualty insurers with the approval of the committee on group insurance created pursuant to NRS 287.041. Would that take care of it?

Mr. Gagnier stated that sub 3 and 4 should be put back in and stated that John Crossley was quite insistent that that be put back in there

as far as the Legislative Auditor was concerned.

Mr. Gagnier stated that he might say that in justification for taking out 6 we have found that in the State Labor Code, the 600 series, and I can't remember the exact number, there is a provision that any employer may institute a program so 6 is really taken care of already.

Mr. DuBois asked who was on that committee.

Mr. Gagnier asked Mr. DuBois if he was referring to the Committee on Group Insurance.

Mr. DuBois answered affirmatively.

Mr. Gagnier stated that the Director of the Department of Administration is on by law. The Governor appoints two, one of whom must be a retiree of the State, and we appoint two by law.

Mr. Gagnier stated that they serve indeterminate terms.

Mr. Craddock questioned Mr. Gagnier if they could now enroll in the insurance program.

Mr. Gagnier stated that he thought that the governor had signed that and it was A.B. 248.

Mr. Mello asked how he would enroll in that now.

Mr. Gagnier stated that in his case he would just contact Mr. Crossley.

Mr. Gagnier stated that he thought that John (Crossley) handles all of the deductions.

Mr. Gagnier stated that all of the employees of the Counsel Bureau are covered by that policy except the legislators and the temporary employees.

Mr. Mello stated that they were not on the payroll though so how do we get that taken out of our pay.

Mr. Gagnier stated that was a good question and that he did not know.

Mr. Gagnier stated that there was one legislator who is in the program and he believed that was Sue Wagner and he thought that her deductions are made from her retirement check.

Mr. DuBois asked if you could send a check in.

Mr. Gagnier answered yes.

Mr. Gagnier stated that he would imagine that what was going to happen is that John (Crossley) is going to have to set up a procedure to implement that law.

Mr. DuBois asked if that was a good program.

Mr. Gagnier stated that it was a fair program. We did a recent study and we find that on an average our deductible is a little high. The state average on deductibles is \$100 and ours is \$150 but other than that it is a pretty good program.

Mr. Gagnier stated that it has gotten to the point where it is not bad and it all came about because of the death of Dr. Wagner. We have an increased amount for death on the job and the health part of it is pretty good. The dental program is excellent if a person goes to the doctor every year because if you go to the dentist every year and have an examination and do all the work necessary at the end of 4 years you get 100% coverage on your dental insurance.

Mr. DuBois asked if you could eliminate one portion - like the dental portion if you want.

Mr. Gagnier stated no, it is one package.

Mr. Mello stated you could get an eye examination and get your glasses.

Mr. Gagnier stated we have vision care services as a portion of the program which is a pretty good program according to what we have heard from the people that have used it.

Mr. Dini asked if the committee needed any more information from Mr. Gagnier.

Mr. Dini asked the committee if he could have a motion on AB 520.

Mr. Schofield moved for an Amend and Do Pass on AB 520, which was seconded by Mr. Polish. The motion carried unanimously.

Mr. Schofield stated that we do have four items that are on the second reading file.

Mr. Dini stated that he needed a couple of volunteers on a special subcommittee next Wednesday at 4:00 P.M. to hear the complaints from the people of Storey County about the Comstock Historic District. Mr. Nicholas stated that it would be a tough one but that he would like to. Mr. DuBois indicated that he would be able to sit on that committee.

There being no further business to come before the meeting, the

meeting was adjourned at 9:00 A.M.

Respectfully submitted



Barbara Gomez
Assembly Attache

ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

GUEST LIST

Date 4/30/81

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>
DONALD DEHNE	CIVIL DEFENSE			SB 422
Bill Ernie	Military Dept	✓		" "
Thore A. Clark	Nev. Dept of Energy	✓		SB 511
Duane E. Sudweeks	Div. Colorado River Res	✓		SB 511
DON PAFF	LAS VEGAS VALLEY WATER DIST	-		-
JIM WIDNER	Las Vegas Valley Water Dist			

DEPARTMENT OF ENERGY
DIVISION OF COLORADO RIVER RESOURCES
TESTIMONY REGARDING SENATE BILL NO. 511
ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

April 30, 1981

Mr. Chairman and Committee Members, I am Duane Sudweeks, Administrator of the Division of Colorado River Resources. I am here to testify in support of Senate Bill No. 511.

The amended legislation in S.B. 511 is intended to broaden the authority of the Nevada Department of Energy, Division of Colorado River Resources to (1) more accurately define the Division's activities in today's electric service market, and (2) to provide the Division the tools which may be needed to meet the electrical energy requirements in the future.

The amendments to NRS 538.161, subsection 3 allow the Division, as an agent of the State, to engage in electric resource generation facilities' planning and development activities along with transmission systems for delivery of electric energy to load centers. The Division, acting in the name of the State, could also own generation and transmission facilities, in whole or in part, if such action offered real benefit to the State. We look upon this amendment as a vehicle under which the State may provide a service, in the public interest in concert with electric utilities in Nevada, should engagement in such activities merit favorable consideration in the future. The provision added on page 2, lines 1 through 3 of

this subsection is intended to safeguard the interest of the electric utilities in Nevada against direct service to consumers of electrical energy within their service area by the Nevada Department of Energy ~~or its~~ Division of Colorado River Resources, ~~or successor agency of the State~~, except at the request of and by agreement with the electric utility in whose service area the direct service consumer is located.

The language deleted from NRS 538.161, subsection 2, page 1, lines 19 through 20 must be restored. This language was specifically developed and included in prior statute amendments to allow Valley Electric Association, an REA customer of the State, to serve loads in its Fishlake Valley area, some of which lies in California.

The additional language in NRS 538.181, subsection 1, page 2, lines 41 through 44, expands the authority of the Administrator to enter into electrical energy exchange agreements which would include seasonal exchanges and/or exchanges associated with pooling arrangements agreed to among the State's contractors to derive the benefit of season or month load pattern diversity. The Division has encouraged such pooling arrangements and the residents within participating customers' service areas have enjoyed substantial cost savings over the past several years. The amendment also broadens the marketing authority of the Administrator to include transmission and other electrical energy distribution services deemed necessary coincidental with the amendment of NRS 538.161 discussed earlier.

NRS 538.161, subsection 4, presently requires that before any sale of power and/or water is made, the Division must advertise same for two weeks and shall allow 10 days after the last publication for any person who may so elect to file a notice of objection. If an objection is filed, a hearing must be held within thirty (30) days after the date of notice.

The present electric power resources of certain of the State's small utility customers which own no generating facilities is rapidly becoming insufficient to accommodate load growth needs. They have, on their own, located a source of supply for additional power and have requested that the State enter into contract with those suppliers of the additional resources, located and secured by them. Advertisement of such sales, coupled with the possibility of an objection and a hearing, is both costly and time consuming and could well place the Division in the awkward position of holding unnecessary hearings on the sale of power which properly should go to the finder. Subsection 5(a), page 3, lines 15 through 19, has been added to eliminate the need for advertising the sale of power under these conditions.

The Division is at times offered short-term, interruptible power for immediate acceptance at attractive prices which can be used by holders of long-term firm power contracts. During the past year, the savings to the State's contractors, which could take delivery of such interruptible power, was in the order of one million dollars. At times deliveries to the State's contractors are underway within twelve (12) hours after notice of

availability. These transactions are conducted by telephone and deliveries are scheduled in by the Area Load Control Dispatchers within the maximum rates of deliveries and price ceiling pre-established by the Division with the supplier. Complying with the advertising requirement of subsection 4 is not practical for such sales. Subsection 5(b), page 3, lines 20 through 23, has been added to negate the need for advertising interruptible, short-term, immediate acceptance power sales.

The language "Except as otherwise provided in subsection 2 of NRS 538.251" has been added to subsection 6, page 3, line 24. NRS 538.251, subsection 2 is new language which eliminates the need for the ratification and approval by the Governor of agreements made by the Division with a supplier to take delivery, of interruptible, short-term, immediate acceptance power or the sale thereof to holders of long-term firm power contracts with the state. They are "in good faith" verbal transactions and common in good utility practice today.

Staff believes the amendments to Section 3, NRS 538.211, subsections 1, 2 and 3 are needed to be consistent with the changes presented in S.B. 511. We strongly support the addition of subsection 4, page 4, lines 35 through 43 in Section 3, NRS 538.211. The Attorney General's Office at the request of the Division prepared a legal memorandum which presented an opinion of Nevada's legal position concerning the reallocation of Hoover electrical resources upon the termination of the present contract period in 1987. This memorandum indicates a requirement could be, compensation be made to other allottees for any facilities

rendered idle as a result of an increased allotment for Nevada. This compensation question is a matter that requires further legal research. The compensation issue must be considered and offset against any potential gain in considering the available options. However, should legal action become necessary there must be statutory authority provided to the Administrator to fulfill the requirements of the Boulder Canyon Project Act of 1928. I should also point out that although this statute constitutes authorization to make compensation, the Administrator must return to the Legislature to acquire appropriation of funds or specific authorization to sell bonds to fulfill the monetary requirements.

NRS 538.251, subsection 1, page 4, line 45, is amended to add the words "Except as provided in subsection 2" to eliminate the need for approval by the Governor of agreements by the State with a supplier to take delivery of interruptible, short-term, immediate acceptance power or the sale thereof to holders of long-term firm power contracts with the State. As stated earlier, such agreements are verbal "in good faith" transactions.

The words "from other entities shall not be", page 5, line 2, are deleted to remove possible limiting constraints with respect to sources from which power could be acquired. The words "or for planning, development or ownership of facilities for the generation and transmission of electricity are not" added in lines 2 through 4, page 5 are needed to harmonize with the changes to NRS 538.161, subsection 2, discussed earlier.

We would be happy to answer any questions you may have
concerning S.B. 511.

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