

MINUTES OF THE
JOINT MEETING OF THE
SENATE COMMERCE AND LABOR AND
ASSEMBLY GOVERNMENT AFFAIRS COMMITTEES

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
February 16, 1981

The Joint Meeting of the Senate Commerce and Labor and Assembly Government Affairs Committees was called to order by Chairman Joe Dini at 4:05 p.m., Monday, February 16, 1981, in Room 131 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

SENATE MEMBERS PRESENT:

Senator Thomas R.C. Wilson, Chairman
Senator Richard Blakemore, Vice Chairman
Senator Don Ashworth
Senator Melvin Close
Senator Clifford McCorkle
Senator William Raggio

SENATE MEMBER ABSENT:

Senator William Hernstadt (Excused)

ASSEMBLY MEMBERS PRESENT:

Assemblyman Joe Dini, Chairman
Assemblyman Jim Schofield, Vice Chairman
Assemblyman Robert Craddock
Assemblyman John DuBois
Assemblyman David Nicholas
Assemblyman John Polish
Assemblyman Paul Prengaman
Assemblyman Kenneth Redelsperger

ASSEMBLY MEMBERS ABSENT:

Assemblyman John Jeffrey (Excused)
Assemblyman Paul May (Excused)
Assemblyman Donald Mello (Excused)

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ASSEMBLY BILL NO. 58 -- "Creates utility customers
representative agency."

and

ASSEMBLY BILL NO. 85 -- "Creates office of representation
to represent customers of public utilities in matters
before the public service commission of Nevada."

Mr. Russell Scharman, Vice President and General Manager
of Nevada Bell Company, submitted a written copy of his
testimony to the committees. (See Exhibit C.)

Mr. Scharman said that Nevada Bell provides "life-line"
telephone service, and is the only telephone company
in Nevada that does provide this service. Mr. Scharman
said Nevada Bell is the largest of the phone companies
in Nevada and usually enters the filing for long
distance rates in behalf of all of the phone companies.

Mr. Scharman stated in his testimony that A.B. No. 58
would not allow the Public Service Commission adequate
staff to process filings of tariffs. Assembly Bill
No. 58 reduces the staff of the Commission to 9
technical personnel, and 11 administrative personnel,
one of which would be a deputy attorney general.

Mr. Chuck King, representing Central Telephone Company,
spoke to the effect of a consumer advocate's office
on telephone utilities. Mr. King said the telephone
company business has become competitive due to the
availability of equipment from entities other than the
company itself. The availability of other communication
markets results in having to file with the Public Service
Commission for tariffs which will allow new commercial
services, i.e., "Call Waiting" feature and the "Three-
Way Calling" feature. Mr. King said that filing for
a tariff increase differs from filing for a rate increase.
He expressed concern that a consumer advocate's office
would have the necessary expertise to adequately
evaluate the complicity of the various filings and
methods of depreciation. (See Exhibit D for an
example of a tariff filing.) Mr. King concluded, "We
do not want to see an agency created that would ignore
our duty to provide service and deter our responsibility
for capital improvement." (See Exhibit E for Mr. King's
verbatim testimony.)

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Mr. William Laub, Southwest Gas Corporation, stated that the corporation is not opposed to an office of consumer advocacy. However, Mr. Laub said he did not feel there would be a "great" reduction in rates due to the creation of such an office.

Mr. Laub said the gas corporation is not making large profits. He said Southwest Gas Corporation has a securities rating of "B AA" which means that their debt securities have a definite speculative characteristic applied to them by the financial community with a higher risk and a higher return expected by those who buy those securities. Mr. Laub said that Southwest Gas Corporation has to finance probably between 2 and 3 percent more expensively than if they were AAA rated. He stated that this was due to the fact they are not overcharging the public. He gave examples of overall costs of gas and fuel, comparing the states of Arizona, California and Nevada. He said that the cost of gas is even higher in Nevada because of buying Canadian gas. He indicated that because of these and other costs, the utility had to borrow money to pay their dividend. Because of these factors, he did not believe that a consumer advocate would be expected to show great savings for the utilities.

Senator McCorkle indicated that this was quite an important point. He asked Mr. Laub if he might respond to some of the statistics given by David Schwartz in previous testimony to the committee. He commented on the fairly substantial savings by Columbia Gas of Ohio in this respect and asked Mr. Laub to address that point.

Mr. Laub replied that he did not want to directly confront those figures because states do vary and companies vary in the way in which they allocate costs. He stated that he could not really speak to those particular statistics but would be glad to research them from the corporation's point of view and submit the answer at a later date.

Mr. Dini indicated that he felt that it would be appropriate if Mr. Laub would do that.

Mr. Laub said that the answer could be that they did not know, but if that were the case, he would tell them.

Mr. Laub continued that he is concerned with the expectations of great things happening, and then being frustrated in the final result. He stated that this was a big fear in how this agency is sold to the public, and the expectations the public may derive from it.

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Mr. Laub stated his concern that the audit functions and the safety functions be split from the commission and put with the advocate. He feels that audit and safety functions should be impartial and objective and fears that they would not be so in an advocate's office. He also posed the question as to those the advocate would represent, pointing out that "all consumers" might also refer to the users of propane and heating oil who are not represented and not paying their fair share under the taxation merit on the levy.

Mr. Laub also addressed the method of funding, the mill tax levy on revenues, and under one bill it is implicit that method of funding continue. He hopes that it would not be indexed to increasing revenues as that could pose a real problem for the utilities. He feels that the office should be funded through the general fund on an ad hoc basis.

Mr. Laub stated that he wanted to be specific, in regard to gas, about the mill tax being assessed on gas sales to other utilities for generation of electricity, which is taxed again in revenues. He believes that is a "double-bang" and that assessment of inter-utility sales should be eliminated. He commented that Southwest Gas Corporation people would be more than willing to work with the subcommittee on particular legislation for some of the things that might get overlooked. He feels that the electricians do not necessarily speak for the gas industry and their problems differ.

Senator Ashworth asked if, in Mr. Laub's field, he had a double-pronged problem with escalation, inflation, rate return and interest which might pose a paradoxical problem.

Mr. Laub replied that was the problem that the Public Service Commission has had forever, and they have responded to it as best they can. He stated that Southwest Gas has responsibilities to their customers, their stockholders, their employees, and the communities in which they live, and must find an equitable balance between those four constituencies.

Senator Ashworth commented that a return of six or seven percent would have been good in 1960; but in today's market, it just would not "cut it".

Mr. Laub agreed that it would not and went on to state that they have to be competitive in the marketplace for funds for financing and to be competitive they have to raise their return and their rates. He further stated that most of the consumer advocate's work would probably be in rate design, given a certain amount of dollars needed by the utilities.

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Mr. Laub continued that one of the things to be faced now is where these revenue dollars will be generated from and who is best able to bear the burden. He stated that is one of the things he is going to be faced with and the Commission is faced with it now.

Senator Wilson commented that most of Mr. Laub's statements were addressed to the consumer advocate in the petition. He asked whether Mr. Laub's concern, with reference to the mill tax funding of that office, goes to the level of funding in the light of accelerating energy costs to which the mill taxes apply rather than looking to that revenue as the source of funding.

Mr. Laub answered in the affirmative.

Senator Wilson then asked if in other words, Mr. Laub would cap it within the budget fixed by the legislature and would that eliminate his concerns.

Mr. Laub replied in the affirmative, that it would be similar to the bracket treatment by the Internal Revenue Service.

Senator Wilson inquired, with reference to Assembly Bill 58, which is one of the alternatives, whether Mr. Laub would agree with the comment made by Mr. Scharman of Nevada Bell, that the residual staff left to the commission is not adequate for its day-to-day work and would not be sufficient to adequately serve the commission.

Mr. Laub said that he had no view because he hadn't studied it from the point of view of the workload of the commission and what is expected from the commission under that proposal.

Senator Wilson stated that since the agency staff under that bill would be adversary, autonomous and jurisdictionally and physically separate from the commission, he would assume that the commission is the only decision-making body and not just with respect to rate cases but daily orders, rules, tariffs, and a whole series of questions coming before it daily. He stated that his question then is obvious.

Mr. Laub replied that depended on what residual duties are left to the commission. He commented that the commission needs to be well-staffed, with higher compensation, to attract the people who will provide good regulation, since regulation is necessary. He did not comment on Mr. Scharman's testimony as he had not studied it.

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Mr. Dini asked Mr. Laub whether, in regard to payment of the dividend, it was necessary to borrow because they couldn't increase their rates fast enough; was their overhead going up faster than their increases by the Public Service Commission?

Mr. Laub replied that contingency was taken into account by the commission. He said Nevada has been really good about regulatory lag. There is a six months statute and they can live with it. He stated that the rates granted have not produced the revenues that the commission said they were entitled to. As a monopoly, they are not guaranteed a rate of return thereby but only freedom from competition; but there is competition from other fuels - oil, propane and electric. In 1980, as in 1956 and 1976, the opportunity to earn the rate of return did not present itself.

Mr. DuBois commented on Mr. Laub's statement of concern about having the audit group shifted to the consumer advocate's office. He asked if that concern was based on the fact that they might tend to slant their findings, stripping the residential side and perhaps shortchange the utilities.

Mr. Laub answered that was a very definite point. By definition auditors should be objective and impartial and he didn't see how they could be working for an advocate point of view. He stated that he did not think a consumer advocate was needed but the people think so and perceptions are more important than reality.

Mr. DuBois asked if Mr. Laub felt that the consumer advocate would be more effective if the audit staff remained under the commission and the advocate's office derived all of their data and information from that audit.

Mr. Laub replied that as he had stated before, the advocate's office should be funded sufficiently to provide for such auditing, financial and engineering services he deemed necessary to present the people's case. Mr. Laub indicated that the people should be properly and well-represented, but not by the commission staff, by the audit staff of the commission.

Mr. Laub then stated that he would like to submit some further remarks to the committee, not spoken during his testimony, as well as an article from the Wall Street Journal, dated February 2, 1981, on the possible bankruptcies of electrics. (See Exhibit F for Mr. Laub's verbatim testimony, remarks and copy of article.)

Mr. Dini indicated that at this time the meeting would be turned over to Senator Wilson, who is the co-chairman of the day.

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Senator Wilson indicated that the next speaker would be Gene Matteucci, chief counsel of Nevada Power Company.

Mr. Matteucci stated he was here to address the committee and answer any questions he might be able to, concerning Assembly Bill 85, Assembly Bill 58, and the initiative petition. He concurred with Mr. Laub in not believing that a consumer advocate will be able to stem the ever-increasing costs of public utilities. However, his company does favor any agency which might improve the credibility of the regulatory process. He said that his remarks would be directed more toward Assembly Bill 58 than Assembly Bill 85 and the initiative petition. He feels the former is much more definitive in its terms than the other two pieces of legislation.

Mr. Matteucci commented that Mr. Laub had pointed out that the consumer advocate is representing all consumers. He gave some statistics which indicated it is going to be extremely difficult for any advocate, consumer or otherwise, to represent all consumers on an impartial basis.

Senator Wilson asked if he was talking about the initiative petition and Assembly Bill 58 in that context.

Mr. Matteucci affirmed this. He further stated that, with respect to percentages of income, in Assembly Bill 58, he agrees with Mr. Laub that tying the mill tax to electric revenues would create a body well-funded enough to take care of almost all of the agencies of the State of Nevada.

Senator Raggio asked if Mr. Matteucci has any objection to that type of revenue if there is a cap placed on it as Senator Wilson suggested.

Mr. Matteucci replied they thought it might be better for the consumers to have it funded out of the general fund under that cap, as opposed to increasing costs, based on the increased utility rates for the reason that these costs are passed on to the consumers themselves. He stated it is similar to, collected like, a franchise fee or business license fee.

Senator Ashworth asked if Mr. Matteucci had anything similar to Mr. Laub's presentation of a five-year projection on total increase over a five year period as far as electric rates are concerned.

Mr. Matteucci answered that they did not. He commented that their construction budget for the next three years is pegged at three hundred million. A five year figure is not definitive enough. The MX and growth in Southern Nevada have created problems.

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Senator Ashworth commented that an expert in rate hearings had testified that maybe one of the solutions would be for the state to have an inter-tie between the north and the south because of the peak load argument. The peak load required in the north is the opposite time for that required for peak load in Las Vegas and consequently capital expenditures throughout the state could be cut down. He asked if there is any insight into transmission lines and a tie-up between the two.

Mr. Matteucci replied that at this point there isn't a complete inter-tie agreement between the north and the south. When the White Pine project is completed, it is anticipated there would be a complete north to the south inter-tie. He said this would be of assistance because the peak in the north is in the winter and in the south in the summer, although the south also has a substantial winter peak.

Senator Ashworth asked if there is a link into Utah.

Mr. Matteucci affirmed that there is an inter-tie through Hell's Canyon.

Senator Ashworth then asked if there is an inter-tie clear to Salt Lake City.

Mr. Matteucci stated there is an inter-tie through the U.S. Bureau of Reclamation.

Senator Ashworth said it would appear to him that Salt Lake City's peaks would be very similar to Reno's.

Mr. Matteucci stated they were and quite a bit of energy is sold to Utah during the wintertime. He stated that a lot of energy is sold to California from the northwest, also through the inter-tie.

Senator McCorkle wondered what the impact of MX would be and how rate hikes would be dealt with. He asked if there was an accommodation in this legislation to deal with the MX potential.

Mr. Matteucci answered that the State Energy Division, Mr. Clark, and the Air Force have been meeting with the utility's experts on that.

Senator McCorkle stated that his question was not how the utility would adjust, but what adjustment would be in this legislation. He asked if there were any peculiar problems of MX which should be dealt with in this legislation.

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Mr. Matteucci stated he didn't think so. What he meant to infer was that there will be a certain amount of fall-off on MX assuming it is developed at Coyote Springs, the main base. He said if there was a larger than 50 percent change a lot of those people would reside in their service area. Such growth creates problems for the electric utility industry but he doesn't believe it can be addressed in this bill.

Senator McCorkle commented that one of things to be done in this bill was to define the number of staff. Would MX mean beefing up the staff for five years and then cutting back? Should something like this be taken into account?

Mr. Matteucci answered that he thought the consumer advocate's bureau should be adequately staffed with all the experts necessary. However, he added, that he didn't know whether or not they could employ technical people of the magnitude they are now having testify, in a staff, on a daily basis.

Mr. Dini asked if the industry had a preference of placing the consumer advocate under the attorney general's office or leaving it under the governor's appointment.

Mr. Matteucci replied that he could only speak for his company. They do not believe the attorney general should represent both the commission and the consumer advocate; that this is a complete conflict of authority. He continued that they believe it should be properly placed under the executive branch like the commerce department, insurance department or the real estate department and that Assembly Bill 58 must be amended in at least two respects in regard to to that question.

Mr. Matteucci continued that Section 40 precludes the Public Service Commission from becoming a party to any lawsuit or any appeal, and he believes this should be eliminated. If the utilities or the consumer advocate can't take the commission to court on their order, then the act is a wasted act.

Senator Wilson stated that he assumed the same observation with respect to the attorney general's conflict would apply under Assembly Bill 58 and that Mr. Matteucci raised the point of jurisdictional implication that had been raised in their hearings.

Mr. Matteucci affirmed that and said they feel the Public Service Commission should have the right to sustain its position, jurisdiction and reasons for its action, in front of the court.

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Senator Wilson questioned whether, if the agency, advocate, or some third party of the utilities, seeks to stay the commission's order or the district court on judicial review seeks to stay or remand it for further findings on a redetermination based upon those findings, the commission or party had to be before it, to have jurisdiction to do that.

Mr. Matteucci said that he believed that also, but that in seven years of representing Nevada Power, they had never been able to get a stay.

Senator Wilson commented that he would not like to process a bill and find that a district court doesn't have the jurisdiction to do what it ought to do in a review of a commission decision or order.

Mr. Matteucci said that was another reason that he believed the commission should have the right to go to court, and should have their own independent counsel to sustain their position.

Senator Wilson asked if Mr. Matteucci's company had a view, with respect to the staffing level left in the commission office under Assembly Bill 58; the twenty personnel, nine of whom are technical, one of whom is a deputy attorney general, and ten of whom are administrative.

Mr. Matteucci answered that they did not really have a view on that matter, other than that the staff have always taken a stand opposite the company's and in favor of the consumer in their auditing procedures. He stated he was not in a position to comment on it, as to what the number are or should be.

Senator Wilson stated that he hoped somebody takes a position on this question sooner or later. He said that what he had been trying to get from the witnesses in this and previous hearings, as well as the governor's office and the commission, is some kind of judgment as to whether the staffing provided in Assembly Bill 58, is adequate; or whether down the line it will be necessary to build a duplicate staff and double the budget, because the provisions of the bill were not adequate.

Mr. Matteucci said that he did not believe that would be to the benefit of either the consumers or the Public Service Commission.

Senator Wilson said that was why he raised the question.

Mr. Matteucci stated that as to numbers, he did not have any idea

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and was certain the committee was more familiar with the number of employees they have; that certain people in his company believe there are already too many people on the staff. Mr. Matteucci continued that the commission audits thoroughly every time they have a matter; that they hire some outside experts occasionally, and have been hiring more experts recently. He said he thought the staff they now have is more than adequate for this.

Senator Wilson stated that what he was saying is that the bill proposes to transfer all of them, save twenty, to the consumer representative agency.

Mr. Matteucci questioned Senator Wilson as to whether it would really be all but twenty.

Senator Wilson affirmed that and that would mean sixty or seventy people (for the advocate) and there would only be twenty people left to the commission, none of whom are technical, ten of whom are administrative, and one is a deputy attorney general. His concern is whether the Public Service Commission is left with an adequate staff, both administrative and technical, to assist the commission not just in rate matters but in the day to day traffic that may require orders and resolutions.

Mr. Matteucci stated he really could not answer that question.

Senator Wilson indicated that was fundamental to the thrust of Assembly Bill 58 and reiterated his feeling against having to duplicate in the commission, in two years, the staff which had been separated off and made autonomous with the consumer's advocate agency. He said that the Public Service Commission may have some probing and incisive testimony on this proposition, as a proponent of the bill, but that there has been none from a proponent yet. He said he thought the utilities might have some judgment on it because they experience the effectiveness of that staff on a day to day basis.

Mr. Matteucci stated that he thought if the Public Service Commission and the consumer advocacy agency were staffed on a one to one basis, it would be a disservice to the consumers and to the State of Nevada.

Mr. Vernon Dalton testified next. Mr. Dalton told the committee that he was a cattle rancher twelve miles south of Wells, Nevada and has also served on the board of the Wells Rural Electric Company since its inception. He presented copies of his presentation to the committee. (See Exhibit G for his presentation.)

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Senator Blakemore asked Mr. Dalton what his rate per kilowatt hour was.

Mr. Dalton replied that they had several different rates; but to the average consumer, it would be about 8 cents per kilowatt hour at this time.

Senator Wilson stated that Mr. Dalton made a point; but he wanted to be sure he was clear on it. Was it correct that the cooperatives are not now subject to the Public Service Commission's jurisdiction?

Mr. Dalton answered that most of the cooperatives are not. He believed that Valley is subject to the commission; but he stated he knew that Mt. Wheeler and Wells Rural Electric are not.

Senator Wilson asked if Mr. Dalton knew offhand what the distinguishing factor is as to whether a cooperative is or is not subject to the commission.

Mr. Dalton said that he did. There has to be 100 percent membership of the consumers to be exempt.

Senator Wilson stated that with respect to that classification, 100 percent of his consumers are members and not now subject to Public Service Commission jurisdiction.

Mr. Dalton said that was correct.

Senator Wilson then stated that Mr. Dalton was saying that they (the cooperatives) ought not be under any new bill.

Mr. Dalton affirmed that.

Senator Wilson further indicated that perhaps what Mr. Dalton was saying was that if any consumers are not members, they ought to be; whether status quo, or under a new bill.

Mr. Dalton stated that he thought it would behoove any consumer from a cooperative to be a member.

Senator McCorkle stated that Mr. Dalton had brought up an interesting point. He said that he was thinking of the Trans-Sierra Water District which they are just considering taking over. He asked Mr. Dalton what would happen with that. He wanted to know whether Trans-Sierra was an improvement district, cooperative, or what.

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Senator Wilson indicated that it was a 318 Improvement District, and said he did not think they are regulated per se by the Public Service Commission.

Mr. Dini added that there are two types of water companies that are not covered by the Public Service Commission. He said that one is a cooperative and there is another class. He said most of the problems with the small utilities has been that they cannot get their rates fast enough to retain their solvency; and that is what was looked at in their water survey last summer.

Mr. Joe L. Gremban, president of Sierra Pacific Power Company, testified next. He stated they have been asked whether or not they would support such a bill or such a position, and that they very definitely would, although they had testified in the last two sessions in opposition to such a position. At that time, he said, it would have added a large additional cost which would have had to be borne by the consumer. He added that they had questioned at that time as to whom the consumer advocate would represent. He then discussed the determination of revenues in relation to how much is obtained from each class of customers served. He stated that if you take it away from one, you have to apply it to the balance of the customers involved, and that is a very distinct concern of his company.

Mr. Gremban continued that they have felt the Public Service Commission has been doing an adequate job. However, he said, they also feel that it is the perception of the public that the commission does not adequately represent them. In view of that perception however, he feels that there should be a consumer advocate office where the public could feel that they do have specific representation. He adds, however, that there is one item he thinks the consumers should be cautioned on; the fact that there just are not going to be hundreds of millions of dollars in rate relief available to them, with the establishment of the consumer advocate agency.

Mr. Gremban then presented some charts to show the committee why utility costs, as far as they affect Sierra Pacific Power Company, are rising. He stated that he believed that costs were rising just as rapidly for Nevada Power and Southwest Gas, but that he was speaking only for his own company. He said that, in reviewing all rate cases since 1973, they discovered that 75 percent of their rate relief for electric power was directly due to rising fuel costs and purchase of power from

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other utilities. In the gas department, 96 percent is directly attributable to the cost of purchase of natural gas. He said they then separated the fuel cost increases from the general rate relief that they had requested and compared this to the consumer's price index, and that was part of what he would like to review with the committee. Mr. Gremban then explained the various charts which he had provided to the committee. (See Exhibit H, for Mr. Gremban's charts and presentation.)

Mr. Polish asked Mr. Gremban why the charts showed nothing on nuclear power, particularly as it is a competitive force.

Mr. Gremban replied that the reason nuclear power wasn't mentioned was that they have no possible opportunities of getting involved with nuclear generation. They are not constructing any nuclear plant currently and, with a 12 to 14 year lead time, it is unlikely that they would be going into it very soon. He agreed that the price of nuclear power is much lower even than coal although the cheapest source of power is hydro. But there is no source of additional generation for hydro in the northern part of the state, he added, so that is pretty much out of the picture except for some small hydro plants. He continued that the next time they put some slides together, they plan to include hydro, nuclear and coal also.

Mr. Gremban then returned to his explanation of the charts presented to the committee. He answered Senator Wilson's question as to what constitutes "other costs" by saying that included depreciation, taxes, property taxes, labor, materials and supplies, services and all other costs, other than fuel. He also indicated that the price of fuel is a little more than doubling.

Mr. Gremban replied to Mr. DuBois' query on new plant capital costs by stating that new construction would be represented in terms of depreciation, any operating cost that would be involved, and interest costs would be other costs.

Senator Wilson stated that those costs were running substantially proportionate to their fuel costs and Mr. Gremban agreed. He pointed out that, compared to the consumer price index, the increase was 700 percent in natural gas costs, and 385 percent in oil costs.

Senator Blake suggested that Mr. Gremban had not indicated that he was restricted from using pure Nevada oil and Mr. Gremban replied that they used as much of it as they can, due to its high sulfur content.

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Mr. Gremban explained further that emissions had to be restricted to .8 of 1 percent sulfur content. By purchasing lower cost high sulfur oil and blending it with higher cost low sulfur oil, they can minimize the prices that they pay.

Mr. Gremban responded to Mr. Redelsperger's question on the costs of electrical power per kilowatt hour in 1971 as compared to 1981. He stated that, for the residential customer, the cost was 1.95 cents per kilowatt hour and now is 6.5 cents per kilowatt hour; and that the high cost of oil and natural gas were the cause of the whole thing.

Mr. Gremban clarified some of the representations on the charts in response to questions from Senator Wilson and Senator Ashworth by indicating the proper correlations.

Mr. Dini asked if "other costs" on the chart are due to the accelerated rate of building a new power plant and whether it was built already or was to come.

Mr. Gremban indicated that that would come. He stated they have been building facilities but, because of the statutes limiting such, they have not been permitted to recover or recapture all of their depreciation costs and very few of their operating costs. He said they have constructed a 345,000 volt line to Idaho which is partially reflected in those costs; that it will take two years to recover full depreciation on it, so that line is partially represented in "other costs".

Senator Wilson asked Mr. Gremban to supply the Joint Committee with copies of the charts referred to. (See Exhibit H.)

Senator McCorkle asked Mr. Gremban to address the same question he had asked Mr. Laub for an illustration of where reductions have resulted from having a consumer advocate.

Mr. Gremban indicated that as far as specifics as to what a consumer advocate could actually accomplish, he was not aware of anything they could reduce their returns on, or do any more than the Public Service Commission or its staff has done so far.

Senator McCorkle suggested that perhaps if there had been a consumer advocate when the issue of the 25 million dollars, denied by the commission, came up, the advocate would have taken credit to the consumer for saving the consumer that 25 million.

Mr. Gremban agreed that Senator McCorkle was absolutely correct. He further stated that the statement was made in 1976 that the

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county had intervened in a rate case and substantially reduced the amount the commission had granted the utility.

Senator McCorkle commented on Sierra Pacific Power and the other power companies and the denials that have been made on their requests by the present commission.

Mr. Gremban concurred and stated that he thought Nevada Power had indicated they had not earned their dividend this year and, in 1980, Southwest Gas indicated the same thing. Referring to his charts, Mr. Gremban pointed out that his company was deficient by 8 million dollars in 1980.

Senator McCorkle indicated that he was not sure of the accuracy of Mr. Gremban's statement because the evidence in the report was that the final settlement was less than the Public Service Commission staff had requested in each example they give.

Mr. Gremban stated that although the Public Service Commission staff may recommend a certain level, the commission itself does not have to go on either the staff's or the company's recommendations. They will form an independent judgment and, if in the commission's opinion the staff or company overlooked something, the commission can reduce it even further.

Senator McCorkle commented that the question is, how many times the commission did not follow its staff recommendations.

Mr. Gremban replied that he honestly did not know; that they would have to try to determine how much the staff had recommended versus what the commission had finally granted.

Mr. Prengaman stated that those testifying in favor of the petition have indicated that the savings they are talking about have been over and above what the commission staff had recommended. The offices in existence and the savings that they are taking credit for, is not due to the commission staff. It is due to their own efforts and that point should be made clear.

Mr. Gremban stated that they would review those figures and make them available.

Senator Ashworth commented that what was needed was to look at those companies' rate of return on the dollar invested and compare it with those before making a meaningful analysis on the chart. If they are making only 9.4 percent return on the chart, taking away another million or two might mean ending up with nothing.

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Mr. Gremban stated that at that point they would be put in the position of having no alternative but to come back in and ask for relief.

Senator Ashworth commented that, in view of the projections made by the power companies, and the state of the economy, if the bill passes and establishes a separate consumer division, unless some alternative and less expensive fuel is used, there is not going to be any reduction by a consumer office.

Mr. Gremban said that there is no question that costs are going to continue going up. With regard to alternative fuels and the looking into possibilities of finding energy sources less costly than oil or natural gas, it has been suggested that they enter in purchase agreements with other utilities for whatever amounts of energy they have available. All utilities are in the same bind and obligated to save their lower cost energy for their own customers. He continued, pointing out the high costs of solar energy generation, the long lead time for nuclear generation plus its other problems, and concluded that a coal-fired plant is the only alternative right now and would take about 8 years to complete. As for the reason they are not now on coal, Mr. Gremban stated that at the time they were constructing new power plants, oil and gas were the cheapest fuels available.

Mr. Gremban commented that not only do they have to provide for the growth already present but they must look forward to even more growth. MX is a factor, mining is increasing rapidly and each mining load takes from three to seven megawatts of capacity. So they have to build for the increasing loads and get off oil and gas as a fuel.

Senator Blakemore asked what the bond rating was now.

Mr. Gremban stated that presently it is A, and if they went into the rating agencies with a return of 9.4 percent for a bond rating, they would be de-rated to the BBB. He said the difference in costs between the A and BBB is not less than 1 percent interest costs. Therefore, on every million that is \$10,000 and they must have earnings to cover those interest charges. A de-rating would mean excessive interest charges and additional costs to the consumer of from two to two and a half million dollars.

Mr. Polish asked if Mr. Gremban had ever looked into exothermal energy and, when asked for a description of it, stated that it is a process of fueling, burning plain dirt. He said just plain earth - sand burns best - is environmentally clean and produces no smoke.

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Mr. Polish said that he would show Mr. Gremban some of the information on this new process, and gave a further description of it. Mr. Polish also asked about hydrogen as another alternative fuel, and also nuclear generation.

Mr. Gremban replied that the industry itself has been doing a lot of research in various alternative forms of energy including magnetohydrodynamics and hydrogen. He said he understood that Niagara Mohawk is supposed to test a pilot plant using hydrogen and that they would be following its course very closely. He said he would like to see Mr. Polish's information as his company is ready and willing to talk with anyone to come up with an alternative source. They want to prove whether or not solar is feasible. They are looking into geothermal energy. They want to look at every conceivable approach. He said he agrees that nuclear is going to have to come but fusion is a long way off.

Mr. DuBois commented that a number of utilities are more or less discovering another source of energy and that is conservation. Some of the major utilities, like Pacific Gas and Electric, are going to very extensive programs regarding domestic solar water heating and weatherization of homes. He said he knows of three utilities in Washington and two in Oregon who are doing the same thing, with no interest loans. It seems the cost of financing these programs pretty well pays for itself in that it is a substitute for building new plants and purchasing new fuel. Mr. DuBois stated that Nevada appears to be extremely lacking in that area and did Mr. Gremban think a consumer advocate might focus more on developing similar programs and working out financing with the utilities to the benefit of the consumer.

Mr. Gremban replied that if there are savings, he believes that a study should be made to determine the costs either way. He said they have been promoting conservation for years and are promoting solar heating for water. He stated their own staff is geared to work with any individual who wants to come for help in determining the best approach. He commented also on the extensive use of wood for heating, and the increase in insulation standards for housing.

Mr. Gremban stated that the Public Service Commission is holding hearings on these matters, as mandated by the National Energy Act to do; so that he does not think the consumer advocate could do much to promote that. The utility is in full favor of the hearings and any benefits that might come out of them for the consumer.

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Mr. DuBois commented that Pacific Gas and Electric Company gives away free an insulating wrapping for water heaters. They feel that, in the long run, this is going to conserve their needs for new plants. He said it surprised him that Nevada - outside a few little programs - had not explored this area; that a consumer advocate might be more motivated to look into these areas which might be the only areas to lower rates.

Mr. Gremban stated that he agreed with Mr. DuBois and that the Public Service Commission has mandated that they look into those things and they will, holding hearings on time of day rates, on lifeline rates, and various alternatives. He agreed that there definitely can be savings in or through conservation; but Nevada is growing so fast that in spite of conservation, the demands still exceed the amount of energy savings.

Mr. Gremban made some further comments about the result of the dip in earnings on their ability to sell preferred stock, and that the balance of their construction program is in difficulty to raise capital. He believes it is vital to get into the use of coal as soon as possible because of the long-term impacts on energy costs the longer they use oil and gas.

Mr. Gremgan stated that as far as the consumer advocate department is concerned, they feel that the bill should provide for prompt judicial review and should permit the advocate and the utilities to sue the commission on rate matters. He said that his company believes that section 3 and 5 of NRS 700.104 should be repealed because it precludes getting rate relief by not permitting filing of applications by the utilities. He also stated that a very careful consideration should be given to the auditing process; that there be a careful evaluation of where a policing and enforcement responsibility should be, whether with the consumer advocate or the commission; that some provision for the commission not only to maintain the rates as low as possible but to also protect the financial ability of the utility to provide services and acquire necessary capital to continue operating. He said they also feel that a sunset provision ought to be in effect to determine whether the advocate position should continue after two years.

Mr. Gremban reiterated the utility's willingness to work with committees and anyone involved to provide all of the information they could on the impacts on the utilities or as they might see them on the consumer.

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Mr. Nicholas asked Mr. Gremban if the recommendations he had just made were in writing so that the committee could study them. Mr. Gremban replied that they would be summarized in writing for their consideration, as well as a copy of all the charts and graphs.

Mr. Prengaman asked Mr. Gremban to comment on the disparity he had mentioned between the domestic supply of natural gas and the Canadian supply. He wondered how long they are committed to the Canadian suppliers who are increasing rates at a very rapid rate.

Mr. Gremban stated that their contract with Southwest Gas runs through 1987. He said domestic supplies are fully committed and not available to them. The Mexican price of gas is about that of the Canadian and Texas gas is all committed and not available. He said that they have formed an energy subsidiary so they can go out independently to try to come up with a domestic source of natural gas and are presently participating in such a joint venture in a producing natural gas well.

Mr. Prengaman questioned the advantage of a long-term contract with Canadian suppliers without some advantage in terms of price. He wondered what was the benefit of a long-term contract when the suppliers can raise the price at will.

Mr. Gremban replied that because the source of natural gas was available and, at that time, the long-term contracts did guarantee the price, but were ignored by the various provinces in Canada who have established their own pricing mechanisms. They have said that they are going to price natural gas equivalent to oil and there the utility is locked in because other sources are not available.

Mr. Redelsperger asked Mr. Gremban about the joint ventures and asked if the utilities had looked into joint ventures with some of the geothermal leaseholders in the state, as he had heard there are some promising holdings.

Mr. Gremban answered that they are researching it very definitely but at the moment don't want to disclose any details. With regard to joint ventures, so far the major leaseholders are the oil companies and they are not interested in joint ventures with the utility companies. Hopefully, the utilities can find some independent developers and, if they can develop geothermal at a cost lower than coal, it would surely encourage development of the geothermal supply of energy.

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Mr. Redelsperger asked if they had any geothermal leases now in the State of Nevada.

Mr. Gremban replied that they do not because they cannot finance it and are not certain the Public Service Commission would allow them to recover those costs since it would not be for actual plant re-leases that are in service. There are also problems as far as current laws and statutes are concerned with regard to what happens to an investment in a geothermal facility if the reservoir expires after about one-third of the anticipated life. They certainly would not be able to recover that unappreciated cost from their consumers. He said they are aware that the U.S. Department of Energy previously had a loan guarantee program but with the current administration cutting costs at all levels, he wasn't sure that would be available any longer.

Mr. Craddock asked about a rather large financial loss in a geothermal venture quite a few years back.

Mr. Gremban stated that this was in 1963, they invested about \$350,000, finally terminated the project, and never did recover any of those costs.

Mr. Dini asked if there were any other utilities here that have not spoken. He indicated that the committee was almost out of time, and as a courtesy to Mrs. Westall, she would be allowed to make a statement if she wished.

Mrs. Westall testified next. Her opening remarks were humorous and to the effect that there obviously was no need for a consumer advocate's office or even a Public Service Commission since it was obvious from all the testimony that Nevada's public utilities are all run by boy scouts.

She continued that maybe they forget that the Public Service Commission is here to make the sort of judgment that's necessary as to whether rates asked for are really needed. The purpose here is to judge whether the consumer deserves an advocate of his own, which he has never had by law. She stated that she too, is concerned about the staffing, and she will conduct hearings regarding staffing because it is such a critical part of the advocacy office and the commission.

Senator Wilson asked Mrs. Westall whether, in the course of developing Assembly Bill 58, the question on the number of staff needed might be answered. She replied in the affirmative.

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Senator Wilson indicated that he thought the Assembly Government Affairs and the Senate Commerce and Labor Committees are going to have to reach a judgment in the course of the hearings on just how to decide to proceed. He said they have to decide what kind of staffing levels they are talking about.

Mrs. Westall stated that she thought it should go hand in hand with the bill also and that she would be working closely with the subcommittee on the Assembly side.

Mr. Dini commented that Assemblywoman Westall was chairman of the subcommittee in the Ways and Means Committee for the Public Service Commission. He said she really hasn't made final arrangements how the Assembly subcommittee is going to work with the Senate Committee except that they will all have to coordinate.

Senator Wilson stated that he assumed what the money committees do, depends upon what policy judgment is made in passing one bill or the other, or both. Mrs. Westall said that was correct.

Senator Wilson indicated that once the decision is made, he supposed the budget questions would follow on their own. He said one of the questions they're going to have to answer is whether to follow the policy suggested by the governor's bill or whether they'll find in two or three years that the staff of the consumer representative is duplicated to double the staff to adequately serve the Public Service Commission.

Mrs. Westall stated that the type of positions that are in each (category) is far more important than the numbers. She said she wasn't convinced that the type advanced thus far is the answer. She commented that Senator Wilson may be right in complaining about technical and not enough expertise in the Public Service Commission, but that those are items that will be looked at in the subcommittee hearing on Ways and Means. She also stated that she had Mr. Daykin drafting an amendment to clarify who the consumers are that the agency would represent. In reply to Mr. Dini's question as to the purpose of the amendment, Mrs. Westall said it would define what consumers the agency represents.

Mr. Craddock asked Mrs. Westall where, aside from public relations, is the greatest return expected to come from with regard to consumer advocacy savings.

Mrs. Westall stated that this was not her field of expertise but obviously there were other areas because the staff had been recommending less. Other states who have consumer offices have been granting less.

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Mrs. Dini asked if the committee had any further questions for Mrs. Westall and there were none.

The following exhibits were left for the committee and are attached to the minutes of this meeting as follows:

Exhibit I - Letter addressed to Nevada Power Company, dated February 2, 1981, with a Progress Report, dated January 1981, attached.

Exhibit J - Memorandum dated January 26, 1981, to Kathy Norwood, Economist, Nevada Power Company, from Kent Anderson of National Economic Research Associates, Inc.

Exhibit K - Letter addressed to Senator Thomas Wilson, dated February 16, 1981, from John L. Eck, of Southern Pacific Transportation Company.

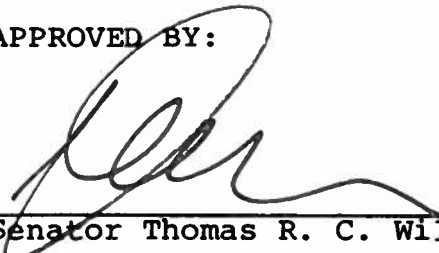
Exhibit L - Letter dated February 13, 1981, addressed to Senator Thomas C. Wilson, from Sierra Pacific Power Company, with a copy of Sierra Pacific Power Company's Policy Statement attached.

There being no further testimony to come before the meeting, the meeting adjourned at 6:40 p.m.

Respectfully submitted,


Betty Steele, Committee Secretary

APPROVED BY:



Senator Thomas R. C. Wilson, Chairman

DATE _____

INDEX OF EXHIBITS

Joint Committee Meeting of February 16, 1981

- Exhibit A - Meeting Agenda.
- Exhibit B - Attendance Roster
- Exhibit C - Testimony of Russell Scharman, Vice President and General Manager of Nevada Bell
- Exhibit D - Tariff Filing presented by Chuck King of Central Telephone
- Exhibit E - Testimony of Chuck King of Central Telephone Company
- Exhibit F - Testimony of William M. Laub, President of Southwest Gas Corporation and an article from the Wall Street Journal dated February 2, 1981.
- Exhibit G - Testimony of Vernon Dalton.
- Exhibit H - Charts from Sierra Pacific Power Company.
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- Exhibit J - Memorandum dated January 26, 1980 to Kathy Norwood, Economist. Nevada Power Company from Kent Anderson of National Economic Research Associates, Inc.
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ASSEMBLY

AGENDA FOR COMMITTEE ON GOVERNMENT AFFAIRS

Monday,

Date February 16, 1981 Time 4:00 P.M. Room 131

Bills or Resolutions
to be considered

Subject

Counsel
requested*

JOINT COMMITTEE HEARING

EXHIBIT A

ASSEMBLY GOVERNMENT AFFAIRS
and
SENATE COMMERCE AND LABOR

Initiative Petition

AB 58

Creates utility customers representative agency.

AB 85

Creates office of representation to represent
customers of public utilities in matters before
the public service commission of Nevada

UTILITY RESPONSE TO JOINT PROPOSALS

SENATE COMMITTEE ON Commerce and Labor-----Joint Hearing with
 ASSEMBLY COMMITTEE ON Government Affairs
 DATE: February 16, 4:00 p.m.

EXHIBIT B

PLEASE PRINT	PLEASE PRINT	PLEASE PRINT	PLEASE PRINT
NAME	ORGANIZATION & ADDRESS		TELEPHONE
Russ Johanson	NEVADA BELL		789-6214
CHRIS KASWUSSEN	NEVADA BELL		789-8404
STAN WARREN	NEVADA BELL		789-6102
BILL BRANCH	SIERRA PACIFIC POWER		789 4537
KAY BRANCH	4550 LAKEVIEW DR.		826-8861
CHARLES LENZ	NEVADA POWER CO. BOVD LAS VEGAS		383-6222
M. GENE MATTOCC	- - - - -		383-5011
V. LAVERGA	SIERRA PACIFIC POWER CO.		789-4326
Walter Warner	" " "		322 2996
Vernon Dalton	Wells Rural Electric Co		752-3328
Joe L. Gumban	Sierra Pacific Power Co.		825-8225
James Gumban	28165 Guilford		"
George Jakob	Nevada Bell		789-8496
Ken Smith	PSC		885-5516
CHUCK KING	CEN TEL.		393-5501
Betty J. Donley	Coalition for Affordable Energy		786-1455
Andrew B. B. B.	Coalition		786-1455
Randolph Townsend	Coalition		786-1455
DePelle	"		827-2463
John Lopez	Governor's Office		885-5276
John E. E.	SOUTHERN PACIFIC CO		829-2492
Joel Cochran	City of North Las Vegas		885-2121
Mitchell Landsberg	AP		885-4690

SENATE COMMITTEE ON Commerce and Labor-----Joint Hearing with
 ASSEMBLY COMMITTEE ON Government Affairs
 DATE: February 16, 4:00 p.m.

PLEASE PRINT	PLEASE PRINT	PLEASE PRINT	PLEASE PRINT
NAME	ORGANIZATION & ADDRESS	TELEPHONE	
CHRIS BRODERICK	Las Vegas Review Journal	883-7589	
Martin Griffith	Nev. State Journal	786-8989	
W.M. Lamb	Southwest Gas Corp	876-7231	
C H McCrea	" " "	876-7237	
Clark Guild	Union Pacific	786-2366	
Tom Young	Nw. Environ. Action Fund	348-7717	
Marilyn Sharp	consumer	329-7919	
Suzanne Howell	Consumer	322-3556	
DON PAFF	UNIVERSITY VALLEY DIST 3700/charlotte NV	870-2011	
	← Belle Lee, Southfield	735-1751	
DARYL E. CASURRO	NEVADA MOTOR TRANSPORT ASSN. P.O. Box 7320 - Reno, Nev. 89510	331-6884	
Mrs. Kathie Ann Bell	P.O. Box 1386 CC 89701		
Jim [unclear]			
D. [unclear]	DMV CC	885-5350	
Don [unclear]	LCB	5837	
Steve Tackes	PSC N	4326	
Brent Adams	None		
Linda Hale	None	323 9431	
Nina Hale	None	" " "	
Reggie Westall	Assemblyman & sponsor		
John Barrage	Inter - Sen Reggie		
W.J. Kennedy	Public	882-3068	
Edward Ives	"	553 4172	

ASSEMBLYMAN JOSEPH E. DINI, JR., CHAIRMAN, GOV'T AFFAIRS;
SENATOR THOMAS R. C. WILSON, CHAIRMAN, COMMERCE AND LABOR;
AND COMMITTEE MEMBERS:

-
- EXHIBIT C
-

I AM RUSSELL SCHARMAN, VICE PRESIDENT AND GENERAL MANAGER OF
NEVADA BELL.

TODAY I AM HERE TO DISCUSS SEVERAL CONCERNS ABOUT THE PROPOSED
LEGISLATION AFFECTING THE PUBLIC SERVICE COMMISSION THAT YOU ARE
CONSIDERING. THE MISSION OF THIS LEGISLATION APPEARS TO BE DIRECTED
TOWARD GIVING THE CONSUMER A STRONGER VOICE IN THE CONSIDERATION OF
RATE INCREASES FOR THE STATE'S UTILITIES.

THE PROPOSALS ARE APPARENTLY DESIGNED TO COPE WITH PROBLEMS
SPECIFICALLY RELATED TO UTILITIES PROVIDING ENERGY RELATED SERVICES.
THESE UTILITIES HAVE BEEN FACED WITH SERIOUS PROBLEMS OF SKYROCKETING
SUPPLY COSTS, RESULTING IN A FREQUENT NEED TO BE BEFORE THE PUBLIC
SERVICE COMMISSION WITH GENERAL RATE CASES AND FUEL COST ADJUSTMENT
CASES. FORTUNATELY WE ARE NOT IN THE SAME SITUATION, AND HAVE HAD TO
ONLY MAKE TWO REQUESTS FOR GENERAL RATE INCREASES TO THE PUBLIC
SERVICE COMMISSION IN THE PAST TWELVE YEARS.

WE HAVE NO OBJECTION TO GIVING THE CONSUMER A STRONG VOICE IN RATE
INCREASE MATTERS. OUR CONCERN IS THAT THE PROPOSALS DO NOT
RECOGNIZE THE UNIQUENESS OF TODAY'S TELEPHONE INDUSTRY. THE TELE-
PHONE BUSINESS CAN NO LONGER BE CONSIDERED THE DOMINANT MONOPOLY IT
WAS 12 YEARS AGO. VARIOUS COURT AND FEDERAL COMMUNICATIONS COM-
MISSION DECISIONS HAVE PLACED US IN THE COMPETITIVE MARKET, BUT WE

ARE STILL REGULATED BY THE PUBLIC SERVICE COMMISSION AND THE FCC. TODAY, WE ARE COMPETING WITH NON-REGULATED VENDORS OF TELECOMMUNICATIONS EQUIPMENT AND WE ARE ALSO IN COMPETITION WITH COMMUNICATIONS CARRIERS WHO DO PROVIDE FOR LONG DISTANCE CALLING NEEDS.

WITH THIS FEDERALLY MANDATED COMPETITION, YOU CAN HARDLY CONSIDER US THE KIND OF "UTILITY" THAT AB58, OR AB85, OR THE INITIATIVE PETITION ATTEMPTS TO CONTROL. YOU MAY ASK WHAT EFFECT HAS COMPETITION HAD ON OUR BUSINESS? LET ME TELL YOU,

- IN THE LAST 5 YEARS, 44% OF NEW PBX BUSINESS HAS BEEN PROVIDED BY OUR COMPETITORS.
- LONG DISTANCE CALLING THAT HAS ALWAYS BEEN PROVIDED BY THE REGULATED TELEPHONE COMPANIES MUST NOW BE SHARED WITH COMPETITORS WHO ARE PICKING THE MOST PROFITABLE ROUTES AND SERVICES.
- CUSTOMERS CAN BUY THEIR OWN TELEPHONE SETS FROM NUMEROUS SUPPLIERS IN NEVADA BELL TERRITORY - INCLUDING, SUCH STORES AS PENNY'S, MACY'S, SEARS, RADIO SHACK.

IN FACT, THE COUNTRY'S TELEPHONE INDUSTRY JUST ISN'T THE MONOPOLY IT WAS A FEW YEARS AGO. IF THERE IS ANY MONOPOLISTIC CHARACTER TO TODAY'S TELEPHONE BUSINESS, IT IS THE DIAL TONE AND TELEPHONE NUMBERS THAT WE PROVIDE AND THAT ARE ASSOCIATED WITH THE ACCESS LINES WE CONNECT TO YOUR HOMES AND OFFICES. BUT, THIS IS WHERE MONOPOLY ENDS AND COMPETITION BEGINS.

CERTAINLY, AS YOU CAN SEE, THERE ARE MANY UNCERTAINTIES AND RISKS IN OUR BUSINESS THAT DIDN'T EXIST A FEW YEARS AGO. IN SPITE OF THIS, WE STILL HAVE THE MAJOR RESPONSIBILITY IN MEETING THE PUBLIC'S GROWING NEEDS FOR RELIABLE, EFFICIENT BASIC TELEPHONE SERVICE. WE HAVE PROVIDED AN EXTENSIVE COMMUNICATIONS NETWORK THAT TIES OUR VAST, BUT SPARSELY POPULATED STATE, TOGETHER AND MAKES THIS SERVICE AVAILABLE TO VIRTUALLY EVERY CITIZEN AT VERY REASONABLE COSTS.

SPEAKING DIRECTLY TO CONSUMER NEEDS, LET ME CITE JUST A FEW OF OUR RESPOINSES THAT GO BEYOND THE BASICS:

LIFELINE TELEPHONE SERVICE - THIS WAS INTRODUCED IN 1971. SERVICE IS AVAILABLE IN OUR METROPOLITAN AREAS FOR CUSTOMERS WHO MAY HAVE LIMITED RESOURCES, ONLY MAKE A FEW CALLS, BUT NEED INEXPENSIVE TELEPHONE SERVICE FOR EMERGENCY PURPOSES.

EMERGENCY SERVICES - WE HAVE PROVIDED A SURVIVAL GUIDE IN THE FRONT OF THE TELEPHONE DIRECTORY, WHICH GIVES INFORMATION ON EMERGENCY SERVICES. IN ADDITION, THE 911 EMERGENCY NUMBER HAS BEEN INSTALLED IN SEVERAL OF OUR COMMUNITIES. AND OUR OPERATORS HAVE ALSO BEEN RESPONSIVE IN HANDLING EMERGENCY CALLS. IN 1980, NEVADA BELL OPERATORS RESPONDED TO 8,600 CUSTOMER CALLS INVOLVING FIRE, POLICE AND AMBULANCE EMERGENCIES.

HANDICAPPED SERVICES - WE PROVIDE TELETYPENRITERS, SPECIAL TELEPHONIC PRINTERS AND OTHER SPECIALIZED SERVICES FOR THE DEAF AND SPEECH IMPAIRED.

SERVICE TO REMOTE AND RURAL CUSTOMERS - NEVADA BELL PROVIDES BASIC EXCHANGE TELEPHONE SERVICE THROUGHOUT THE STATE, FROM VERDI ON THE WEST TO BAKER ON THE EAST, AND FROM McDERMITT IN THE NORTH TO SANDY VALLEY IN THE SOUTH. WE PROVIDE LONG DISTANCE CALLING FACILITIES TO VIRTUALLY EVERY COMMUNITY THROUGHOUT NEVADA'S 110,000 SQUARE MILES.

SOME REMOTELY LOCATED CITIZENS WOULD NOT HAVE THE ADVANTAGE OF TELEPHONE SERVICE WERE IT NOT FOR THE UNIQUE "TOLL STATION SERVICE" THAT WE PROVIDE. THESE 750 CUSTOMERS LOCATED IN THE MOST REMOTE PARTS OF THE STATE ARE SERVED OFF THE LONG DISTANCE TOLL LINES.

IN RECENT YEARS WE HAVE SEEN MORE AND MORE PEOPLE MOVING FROM HIGHLY POPULATED AREAS TO LESS SETTLED PARTS OF OUR STATE. TO BETTER SERVE MANY OF THESE PEOPLE, NEVADA BELL, WITH PUBLIC SERVICE COMMISSION APPROVAL, INCREASED THE FREE CONSTRUCTION ALLOWANCE TO 1,000 FEET SO THAT MANY COULD HAVE TELEPHONE SERVICE, WHO COULD NOT HAVE AFFORDED THE HIGH COST OF BUILDING THE EXTENSION OF FACILITIES. IN THE LAST 6 MONTHS, THIS NEW ARRANGEMENT HAS PROVIDED TELEPHONE SERVICE TO 150 NEW CUSTOMERS.

THERE ARE MORE EXAMPLES, BUT I'LL STOP WITH THESE. I THINK YOU WILL AGREE, GOOD TELEPHONE SERVICE IS UNIVERSALLY AVAILABLE THROUGHOUT THE STATE AND AT REASONABLE RATES. PROVIDING THIS SERVICE TO OUR CUSTOMERS HAS REQUIRED A SUBSTANTIAL INVESTMENT.

IN 1976, OUR CONSTRUCTION BUDGET WAS \$19M. THIS YEAR'S CONSTRUCTION BUDGET HAS MORE THAN QUADRUPLED TO \$85M. THESE INVESTMENTS HAVE BEEN REQUIRED TO KEEP PACE WITH A GROWING NEVADA. WE HOPE YOU WILL NOT PASS LEGISLATION THAT HAMPERS OUR EFFORTS TO CONTINUE TO MEET THE STATE'S FUTURE COMMUNICATIONS NEEDS. THE REGULATED TELEPHONE COMPANIES OF NEVADA HAVE PROVIDED THE CITIZENS OF THE STATE WITH GOOD TELEPHONE SERVICE - AT REASONABLE RATES. IF LEGISLATION IS PASSED WITHOUT RECOGNIZING OUR UNIQUE NEEDS, THE QUALITY AND PRICE OF OUR SERVICE WILL SERIOUSLY DETERIORATE.

IN ADDRESSING MYSELF TO OUR SPECIFIC CONCERNS ABOUT THE LEGISLATION YOU ARE CONSIDERING, LET ME AGAIN EMPHASIZE THAT WE ARE NOT OPPOSING LEGISLATION THAT WOULD ALLOW THE CONSUMER A STRONGER VOICE IN THE PUBLIC SERVICE COMMISSION'S CONSIDERATION OF ANY OF OUR REQUESTS FOR GENERAL RATE INCREASES. WE HAVE NOT REQUESTED GENERAL RATE RELIEF VERY OFTEN, AND WHEN WE DO, WE FEEL ALL CUSTOMERS SHOULD BE GIVEN A FAIR VOICE IN THESE IMPORTANT HEARINGS. ALTHOUGH WE HAVE SELDOM FOUND IT NECESSARY TO SEEK INCREASED RATES, WE DO REQUEST NEW PRODUCT AND SERVICE TARIFFS FROM THE PSC ON A CONTINUAL BASIS - ABOUT 50 TIMES A YEAR CONSISTING OF HUNDREDS OF RATE ITEMS. THIS ON-GOING REQUIREMENT IS UNIQUE TO THE TELEPHONE INDUSTRY. AND MOST OF THESE RATE ITEMS RELATE TO PRODUCTS THAT ARE ALSO OFFERED ON A COMPETITIVE BASIS BY UNREGULATED COMMUNICATIONS VENDORS.

TO BE REQUIRED TO ARGUE THE MERITS OF THESE COMPETITIVE PRODUCTS AND SERVICES WITH AN ADVERSARY AGENCY WHEN COMPETITION HAS NO SUCH REQUIREMENT WOULD BE GROSSLY UNFAIR TO TELEPHONE COMPANIES. THIS

PROCESS WOULD ONLY SLOW DOWN THE INTRODUCTION OF NEW SERVICES AND TECHNOLOGY TO THE NEVADA TELEPHONE USING PUBLIC, AND WOULD SEVERELY HANDICAP THE REGULATED TELEPHONE INDUSTRY FROM PROVIDING ADEQUATE AND TIMELY SERVICES.

MR. CHAIRMAN, WE HAVE REVIEWED THE LEGISLATION BEFORE YOU. BASICALLY WE HAVE NO CHANGES TO OFFER FOR THE INITIATIVE PETITION OR AB85. WE DO HAVE CONCERN ABOUT AB58. IF PASSED AS INTRODUCED, ALL COMPETITIVE PRODUCTS AND SERVICE TARIFFS WOULD HAVE TO BE APPROVED BY THE AGENCY WHOSE MISSION IS ADVERSARY. WE FEEL COMPETITIVE FILINGS SHOULD BE EXEMPT FROM AGENCY REVIEW. WE BELIEVE THE COMMISSION SHOULD CONTINUE TO CONSIDER THESE TARIFFS AS THEY HAVE IN THE PAST, AND THAT THE COMMISSION BE GIVEN ADEQUATE TECHNICAL STAFF TO PROPERLY REVIEW AND ANALYZE THESE IMPORTANT FILINGS. IN FACT, THE MOST APPROPRIATE ARRANGEMENT WOULD BE TO CONFINE THE AGENCY TO REPRESENTING CONSUMER INTERESTS IN RATE CASE PROCEEDINGS AND ALLOWING THE COMMISSION, WITH ADEQUATE STAFF, TO CONTINUE TO BE RESPONSIBLE FOR ON-GOING UTILITY MATTERS. TO OTHERWISE SPLIT THESE RESPONSIBILITIES COULD RESULT IN DUPLICATION OF COMMISSION AND AGENCY RESPONSIBILITIES AND IN DUPLICATION OF THEIR STAFFING NEEDS.

ANOTHER AREA OF CONCERN WITH AB58 IS THAT, AS WRITTEN, THE BILL WOULD APPEAR TO DENY THE STATES REGULATED UTILITIES THE RIGHT OF DUE PROCESS. THROUGHOUT THE BILL THE "AGENCY", IS REQUIRED TO SUBMIT REPORTS AND RECOMMENDATIONS TO THE COMMISSION CONCERNING THE PUBLIC UTILITIES. SINCE THE "AGENCY" IS ADVERSARY TO THE UTILITIES', AND AN ADVOCATE OF THE UTILITIES' CUSTOMERS, ITS CONTACT ON THESE MATTERS WITH THE COMMISSION SHOULD BE REQUIRED TO BE FORMAL, IN WRITING,

PUBLIC AND ALSO COMMUNICATED TO THE UTILITY INVOLVED. WE ASK YOUR FAVORABLE CONSIDERATION TO AMEND THIS LEGISLATION TO SATISFY OUR CONCERNS ABOUT DUE PROCESS.

I APPRECIATE THE OPPORTUNITY OF APPEARING BEFORE YOU TODAY. NOW, I'D BE PLEASED TO RESPOND TO ANY QUESTIONS YOU MAY HAVE. THANK YOU.

NEVADA BELL
FEBRUARY 16, 1980

Competitive filing proposed amendment:

The agency shall have no responsibility nor shall it intervene in the filing of tariffs by telephone public utilities for products or services for which the utility certifies in such filing that such product or services is subject to competition.

Due process proposed amendment:

"All reports, recommendations and petitions made by the agency in accordance with any provisions of this Title shall be in writing and served on the public utility involved therewith at least 30 days before the commission may act thereon. Such utility shall have the opportunity to respond in writing within 10 days of service and appear before the commission in opposition thereto.

Nevada Bell
February 16, 1981



central telephone company

2
3/14 - 4:00
joint meeting
Per 13
EFFECTIVE DATE
12-29-80

1810 East Sahara Avenue/Mailing Address: P.O. Box 1190, Las Vegas, Nevada 89104

Advice No. 41

Central Telephone Company

October 24, 1980

Public Service Commission
Third Floor, Kinkead Building
505 East King Street
Carson City, Nevada 89710

-
- EXHIBIT D
-

Central Telephone Company hereby transmits for filing the following changes in tariff sections applicable to its serving area and which are attached hereto:

SUBJECT INDEX

- 1st Revised P.S.C.N. Sheet No. 1, Cancelling Original P.S.C.N. Sheet No. 1
- 2nd Revised P.S.C.N. Sheet No. 2, Cancelling 1st Revised P.S.C.N. Sheet No. 2
- 3rd Revised P.S.C.N. Sheet No. 3, Cancelling 2nd Revised P.S.C.N. Sheet No. 3
- 1st Revised P.S.C.N. Sheet No. 4, Cancelling Original P.S.C.N. Sheet No. 4
- 1st Revised P.S.C.N. Sheet No. 5, Cancelling Original P.S.C.N. Sheet No. 5
- 1st Revised P.S.C.N. Sheet No. 6, Cancelling Original P.S.C.N. Sheet No. 6
- 2nd Revised P.S.C.N. Sheet No. 7, Cancelling 1st Revised P.S.C.N. Sheet No. 7
- 1st Revised P.S.C.N. Sheet No. 8, Cancelling Original P.S.C.N. Sheet No. 8
- 2nd Revised P.S.C.N. Sheet No. 9, Cancelling 1st Revised P.S.C.N. Sheet No. 9
- 1st Revised P.S.C.N. Sheet No. 10, Cancelling Original P.S.C.N. Sheet No. 10
- 1st Revised P.S.C.N. Sheet No. 11, Cancelling Original P.S.C.N. Sheet No. 11
- 1st Revised P.S.C.N. Sheet No. 12, Cancelling Original P.S.C.N. Sheet No. 12
- 1st Revised P.S.C.N. Sheet No. 13, Cancelling Original P.S.C.N. Sheet No. 13

SECTION 5

- 3rd Revised P.S.C.N. Sheet No. 1, Cancelling 2nd Revised P.S.C.N. Sheet No. 1 (withdrawn) and 1st Revised P.S.C.N. Sheet No. 1 (withdrawn) and Original P.S.C.N. Sheet No. 1

SECTION 13

- 3rd Revised P.S.C.N. Sheet No. 1, Cancelling 2nd Revised P.S.C.N. Sheet No. 1 Original P.S.C.N. Sheet No. 15.1

SECTION 14

- 2nd Revised P.S.C.N. Sheet No. 1, Cancelling 1st Revised P.S.C.N. Sheet No. 1
- 2nd Revised P.S.C.N. Sheet No. 11, Cancelling 1st Revised P.S.C.N. Sheet No. 11
- 3rd Revised P.S.C.N. Sheet No. 111, Cancelling 2nd Revised P.S.C.N. Sheet No. 111

Attached for your approval are six (6) copies of this filing which adds Call Waiting and Three Way Calling to the Custom Calling Services available from our Electronic Switching Offices.

The rate analysis sheets reflect percent usage factor of 65% for Call Waiting and 55% for Three Way Calling. We believe that the business rates should be somewhat above the residence rates due to the value of service consideration therefore we introduced an additive to continue that concept. These rate philosophies are consistent with those used in the development of the first two custom calling features previously filed (Call Forwarding and Speed Calling).

It has been estimated that this offering will generate annual revenues as follows:

	<u>REVENUE</u>
Call Waiting Residence	\$ 709.50
Call Waiting Business	439.60
3 Way Calling, Residence	283.50
3 Way Calling, Business	<u>1,234.80</u>
Annual Revenues	\$2,667.40

This filing also includes an update of index sheets to include changes for our last several approved filings.

This filing will not increase any rate or charge, cause withdrawal of service nor conflict with other sections or any rules or regulations. It is desired that this filing become effective on regular statutory (30 days) notice.

Also attached is a check in the amount of \$10.00.

CENTRAL TELEPHONE COMPANY

Issued By:

W. R. McGrew
W. R. McGrew
Vice President

WRM:sc

Attachments

bcc: J. Ogg
File ✓

GENERAL CUSTOMER SERVICES TARIFF

MISCELLANEOUS SERVICE ARRANGEMENTS

13.4 CUSTOM CALLING SERVICES - continued

(N)

13.4.4 Call Waiting

- a. Call Waiting allows a person who is involved in a telephone conversation to be alerted when another caller is attempting to call. The called customer may hold the existing call and answer the new call by flashing the switch hook.
- b. The customer may interchange the held and talking connection as often as they wish by flashing the switch hook.

c. Rates:

	Installation Charge	Rate Per Month
(1) Business, per line (7000)	\$ 10.00	\$ 2.80
(2) Residence, per line (7018)	\$ 10.00	\$ 1.50

13.4.5 Three Way Calling

- a. Three Way Calling allows a customer to add a third party to an existing originating or terminating call. At any time during the call, the added party may be dropped without affecting the original connection.
- b. There is no restriction on the number of times a new party may be added or dropped from an existing call.

c. Rates:

	Installation Charge	Rate Per Month
(1) Business, per line (7002)	\$ 10.00	\$ 4.20
(2) Residence, per line (7020)	\$ 10.00	\$ 2.25

(N)

<p>Issued: 10-24-80</p> <p>Effective:</p> <p>Advice No. <u>41</u></p>	<p>Issued by:</p> <p style="text-align: center;">W. R. McGrew Vice President</p>	
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Custom Calling Service:

3 Way Calling Rate analysis sheets usage factor:

\$ 1.20 @ 55% usage factor = \$ 2.25 Res.

85% value of service = \$ 4.20 Bus.

Call Waiting Rate analysis sheets usage factor:

\$.95 @ 65% usage factor = \$ 1.50 Res.

85% value of service = \$ 2.80 Bus.

MATERIAL AND LABOR COSTS FOR RATE DETERMINATION

Company CENTRAL TELEPHONE CO., Nev. Div. Date 8-26-80

Service or Equipment Item Central Office - Metaconta

3 Way Calling

Estimated Service Life 15 years; Estimated Location Life 5 years

Prepared By: Jody Harrison Checked By: _____

Item of Material					Qty. (A)	Unit Cost (B)	Total Cost of Reusable Material (C)		Total Non- Reusable Costs (D)		
Material Investment Per Line							24	33			
(1) Total Material											
Other Costs							(6) Material		24	33	
							(7) Tax % X 6			85	
INSTALLATION COSTS	LABOR	Other				(8) Total Material Requirements (6+7)		25	18	 	
		Company	3/4	27.40	20.55	(9) Supply Expense 3 x (8)				1	01
		Total (2)				(10) Total Material Costs (8 + 9)		26	19		
	ENGRG.	Other	----			SALVAGE ESTIMATES					
Company		----									
REMOVAL COSTS	Other					(11) Ultimate Gross Salvage Value-Scrap Value of reusables					
	Company		1/2	27.40	13.70	(12) Salvage of Non-Reusable Costs					
	Total (4)					(13) Immediate Gross Salvage Value					
ANNUAL MAINTENANCE	Labor					(14) Restoration of Reusable Material Where Applicable					
	Maintenance										
Total (5)											

RATE DETERMINATION WORK SHEET

Company _____ Date 8-26-80

Service or Equipment Item Call Waiting

Prepared By: Jody Harrison Checked By: _____

		A Reusable Material	B Non-Reusable Costs	C (A + B) Total	
1	Estimated Life (yrs.) Service (A) Location (B)	15	5		1
2					2
3	Estimated Non-Recurring Costs				3
4	Material (F C35C Line 10)	14.15	.57	14.72	4
5	Labor (F C35C Line 2)		20.55		5
6	Engineering (F C35C Line 3)				6
7	Total Expenditure (4B+5B+6B+7B), (7A+7B+7C)	14.15	21.12	35.27	7
8					8
9	Calculations @ <u>11.76%</u> Return				9
10	Restoration (F C35C Line 14)				10
11	Salvage (F C35C Line 11), (F C35C Line 12)				11
12	Cost of Removal (F C35C Line 4)		13.70		12
13	Net Salvage (11-12)		(13.70)		13
14	Non-Recoverable Costs (7B+12)		34.82		14
15	Annuity Fm Pres. Amt. <u>14503</u> x 7A, <u>27576</u> x (7B)	2.05	5.82	7.87	15
16	Annuity for Future Amt. <u>15816</u> x (13A)		(2.17)	(2.17)	16
17	Depreciation Allowance (7A-13A)-1A, (7B-13B)-1B	.94	6.96	7.90	17
18	Return Required From Revenue (Lines 15-16-17)			2.14	18
19					19
20	Estimated Recurring Charges				20
21	Amortization (15C-16C)			10.04	21
22	Annual Restoration (Line 10 ÷ 18)				22
23	Maintenance (F C35C Line 5) or (<u>5.78</u> x 7C)			2.04	23
24	Administration (_____ x 7C)				24
25	Other Taxes Excluding Gross Tax (<u>1.36</u> x 7C)			.48	25
26	Income Taxes (Factor <u>61.71</u> x Line 18)			1.32	26
27	Subtotal (Lines 21 through 26)			13.88	27
28	G. R. Taxes and License Contract (_____ x Line 27)				28
29	Subtotal (Line 27 + Line 28)			13.88	29
30	*Installation Charge <u>35</u> x of Line 14 = <u>10.00</u>				30
31	(Annuity Fm Pres. Amt. for Location Life) <u>27576</u> x (Line 30)			2.76	31
32	Annual Revenue Requirements (Line 29 - Line 31)			11.12	32
33	Monthly Revenue Requirements (Line 32 ÷ 12)			.93	33
34	Monthly Revenue Requirements Rounded			.95	34

Origin and Development of the Telephone Industry in Nevada

325

Mesquite & Bunkerville Service

The Rio Virgin Telephone Company was also incorporated in the early 1900's by people who wanted service in Mesquite and Bunkerville.

In 1907 a telephone line was constructed between a wholesale feed company and the Old Ranch in Las Vegas. That was the beginning of what is now the Central Telephone Company. The railroad was also responsible for the initial growth of the telephone system. During the Second World War the Nellis Air Force Base was constructed and placed new demands for service on the company. The hotel and casino operations did not actually start until 1941.

Many changes have taken place in the telephone industry since the first telephone was placed in a Virginia City mine more than 89 years ago. Companies are offering their customers a wide variety of services. In fact, new services are just beginning. Fiber optics, computer and digital technology will allow unbelievable service offerings in the near future.

Nevada Consolidated Telephone and Telegraph Company was incorporated. It later amended its name to the Nevada Telephone and Telegraph Company. That company still serves the Tonopah and Goldfield areas today.

Telephone service was first started in Pioche in 1902. A line was constructed to serve several small communities. Service was also provided to the railroad and a number of mining companies. In 1926, J. W. Christian purchased the telephone system from Bell Company of Nevada. Lincoln County Telephone System, Inc., is still owned and managed by the Christian family.

The Moapa Valley Telephone Company was incorporated on April 6, 1909. The 30 original stockholders were early pioneers who wanted telephone service between the southern towns of St. Thomas, Overton, Logan and Moapa. In 1915 Warren E. Lyon became manager and later acquired the majority of stock from the early stockholders. The Lyon family still owns and manages the Moapa Valley Telephone Company.

Others were sold time and again before stability was reached. Many of the communities where telephone companies were started have prospered and grown. Some of the telephone companies formed during the late 1800's and early 1900's are still operating successfully. Some operating under the same name, others with different names and some as part of other companies.

Continental Telephone Emerged

In 1897 a line was constructed from Carson City to Genoa, Minden and Gardnerville. Later, in 1911, ownership of this network was passed to the United Farmers Telephone and Telegraph Company. That company finally emerged as Continental Telephone Company of Nevada.

Churchill County Telephone was founded in 1889 when the County Commissioners bought a telegraph system from Western Union for \$975. Over the years Churchill County's growth rate has been a steady 5 percent. However, in 1977 their growth reached 9.6 percent.

In the late 1890's competition between two hardware stores was responsible for starting a telephone system in Elko. One business installed a telephone line between stores in Elko and Tuscarora. Not to be outdone, the other hardware business installed a line between stores in Elko and Skelton. Eventually the two businesses got together and formed the Elko County Telephone and Telegraph Company. Today that company is known as the C.P. National Utilities Company.

Serving Tonopah & Goldfield

The mining boom in the early 1900's brought telephone service to the towns of Tonopah, Goldfield, and other small settlements in the area. In 1905 Southern

The telephone was first put into operation in the Con. Virginia mine in Virginia City November 15, 1877. This was only one year after Alexander Graham Bell invented the telephone in Boston. Also at that time, Renoites were experimenting with the telephone. Finally, in 1889, Frank Bell received a license to install telephones in Reno and other areas in Nevada. A switchboard was installed which served 15 customers.

In 1900 the Sunset Telephone and Telegraph Company, a predecessor of Pacific Telephone and Telegraph, built a long distance line across the Sierras to Reno. Six years later Virginia City, Carson City and Wadsworth were connected. This was the only long distance line connecting Nevada to the world until the transcontinental line was opened in 1915.

Telephone System Established

In the meantime, competition developed for Frank Bell in Reno. Mrs. Jane Lake and her son also established a telephone system. Later Mrs. Lake purchased Mr. Bell's telephone system.

In 1906 the Sunset Telephone and Telegraph Company sold all of their stock to Pacific Telephone and Telegraph. Then in 1913 Pacific Telephone and Telegraph transferred all of its holdings to the Bell Telephone Company of Nevada.

During the early years of the telephone, companies were formed and exchanges were springing up throughout the state. They were sparsely scattered over an immense territory and most of the state was still isolated from the more settled western area.

Mining people started many of the early exchanges, as did stockmen and ranchers' associations. Many of the companies formed failed only a short time

Nevada Telephone Companies

Telephone Statistics as of December 31, 1970

	All Companies
TOTAL TELEPHONES	764,265 Telephones
EMPLOYMENT	More than 5,679 in telephone operations
EXPENDITURES	About \$116,522,878 annually in new construction
INVESTMENT	\$717,617,618 invested in plant and equipment
TAXES	Approximately \$6,272,077 annually in state and local taxes

TESTIMONY PROVIDED BY CHUCK KING
CENTRAL TELEPHONE COMPANY

EXHIBIT E

FEBRUARY 16, 1981

FOR
CHAIRMAN JOE DINI
&
THOMAS SPIKE WILSON
&
Committee Members

TESTIMONY CONCERNING A.B. 58, A.B. 85 & INITIATIVE PETITION

Speaking to principles of the proposed legislation and the effect on the telephone industry.

Within the past few years, through a series of orders issued by the Federal Communications Commission, aimed at detariffing and deregulation, customers have been allowed to own and attach their own equipment to the utilities' lines. This permission has opened a highly competitive communications market. The result has been to place continued investment in telephone terminal equipment by companies in some jeopardy. Jeopardy from the standpoint of continued use and capital recovery.

Now customers may buy from other than the telephone company, "we are no longer the only game in town".

Sometimes in order to be competitive drastic changes must be made and tariffs filed quickly.

We filed 23 tariffs during 1980. The average time to become effective is 77 days. We filed a tariff on 10-24-80 concerning the Call Waiting, 3 Way Calling, Customer Owned Features, which was made effective on 12-29-80. Copy of tariffs left with Secretary.

RATE INCREASES

We received our last General Rate Increase in 1964. We filed in 1972 for two million and received nothing. We filed again in 1975 for increase of installation rate, in the amount of \$1,052,000 and received \$1,019,000.

General Rate filings are involved and complex.

EXPERTISE

We feel the Consumer Advocate Division needs a great deal of expertise in the fields of:

1. Methods of Depreciation
2. Recognition of Allowable Expenses
3. Determination of Productivity Level
4. Financial Necessity for Growth and Recognition of Correct Amount of Growth for That Time Period
5. Reasonableness of Rate of Return, and;
6. Ability to analyze information and Render a Fair Decision

We have no problem with a Consumer Advocate reviewing this type of filing as long as they have the expertise.

COMPETITION

Besides Sears, Wards and The Radio Shack, there are four companies in Las Vegas in competition with us who are not regulated. Those being:

1. Las Vegas Communications
2. Nevada Telco
3. Executone
4. Com-Systems

There are 12 PABX's over 200 lines not owned by us. Examples are: Airport Inn, Sams Town, California Hotel, Desert Springs Hospital, Dunes Hotel, Sahara Hotel, Silverbird Hotel, Shenadoah Hotel and the Las Vegas Club Hotel.

There are 64 PABX's under 200 lines and 443 Business Communications Key Systems and thousands and thousands of telephone instruments in residences that belong to the customer.

We also have competition in our Long Distance toll business. The companies are: Southern Pacific Communications, 53 trunks; U.S. Trans. System (I.T.T.), 14 trunks; and M.C.I., who is in the process of filing

for routes. These companies handle high toll routes and they skim off the cream of the crop.

Dr. Swartz testified that we are a declining cost utility and I agree in principal.

Here are examples of our costs.

C.O. Equipment - Switching, in 1965 was \$236 a line, in 1980 it was \$249 a line. 1200 Pair Cable in 1965 was \$2.50 a foot, in 1980 it was \$12.00 a foot.

Technology and Obsolescence are decreasing the intervals to change to latest technology switching equipment. Central Office Equipment, Step By Step, was functional for 20 to 30 years, Crossbar Electronic for 15 to 25 years, Electronic 10 to 15 years and Digital 5 to ? years, what's next?

Centel's budget for 1981 includes these major items:

Central Office Equipment	- \$18,931,000 or 18%
Cable & Other OSP	- \$15,155,000 or 15%
Station Equipment	- \$10,667,000 or 10%
PABX	- \$ 4,071,000 or 4%
Payroll	- \$40,000,000 or 40% of budget and has increased approximately 130% since 1965.

One way we are holding cost down is by aggressively selling verticle services in the market place. Examples are: Extensions, Touch Tone, Answering Devices, etc. This has aided us in keeping rates down along with technology.

Here are some questions I have and which I have not heard answered by prior testimony.

1. In States where Consumer Advocate Divisions operate, can the savings be broken down by utility type?

2. In States where the savings has been substantial, what effect has the reduced rates had on the utilities ability to construct plant that will be required for future growth?
3. In States where Consumer Advocacy are in effect has the interest rate at which the utility company pays to borrow capital for construction increased more than utilities who have not experienced rate request roll back? And if there are additional costs of borrowing money is this not a cost that will eventually be borne by the customer?

So what I'm attempting to point out is that the P.S.C. does do a good job in regulating our industry by reviewing our policies, monitoring our service level and auditing us on an ongoing basis.

AND

I also subscribe to you that both technology and competition are now assisting to regulate telephone company rates.

AND FINALLY

We do not want to see an agency created that would ignore our duty to provide service and deter our responsibility for capitol improvement.

PRESENTATION TO NEVADA LEGISLATURE
BY WILLIAM M. LAUB, PRESIDENT
SOUTHWEST GAS CORPORATION

February 16, 1981

EXHIBIT F

Southwest Gas Corporation supports the concept of a consumer advocate--not because it thinks one is necessary, but because one is perceived as being necessary by a substantial number of people and their elected representatives.

I personally do not believe that the consumer advocate will have any material effect upon utility revenues, because utility revenues in Nevada have not been excessive. But it is important that consumers believe that their interests are being represented, and the consumer advocate fulfill that need.

There are some pitfalls of which I believe the Legislature should be aware. Some of them it may avoid by careful drafting of the measure which is to become law. Following are some of the problems the Legislature should be aware of.

Which Consumers Does The Consumer Advocate Represent? All of the measures presented to the Legislature (the initiative petition, AB58, AB85) establish a consumer advocate to represent all consumers. Instructions to represent "all consumers" are adequate insofar as the consumer advocate's battle with the utilities is concerned, but such instructions are totally inadequate to guide the consumer advocate in the inevitable disputes among the various classes of customers. How revenues which a utility is authorized to collect are to be allocated for collection among the various classes of customers

is referred to as "rate design." The several classes of customers historically have not paid the same rates, for many valid reasons which I will not discuss here. However, a consumer advocate whose mandate is to represent "all consumers" logically cannot be an advocate for one class of consumers against others. It might therefore be useful if the legislation establishing the consumer advocate should specify which class of consumers he is to represent.

Know What To Expect Of The Consumer Advocate, And What Not To Expect. It is important to recognize that the consumer advocate is charged with attacking the result of high energy costs and not the cause of high energy costs, for utility rates simply reflect the high cost of energy which the utilities must pay. The utilities are just as much the victims of high energy costs as consumers are; they too must pay them.

What I am saying is that the potential for disappointment in the consumer advocate is very great. This is true because there is much misunderstanding of what the consumer advocate can do. Expectations of what the consumer advocate can do have been greatly inflated by misleading publicity. Expectations based upon such publicity are going to lead to disappointment and a cynicism on the part of consumers at least as severe as that which now prevails. Great expectations based upon false premises lead to great disappointments.

What Form Should Consumer Advocate Legislation Take? We have some conceptual problems with the proposed bills. Setting these forth in detail, we have prepared critiques of both AB58 and the Initiative Petition, and copies of our critiques are available. I will summarize our principal problems briefly.

Initiative Petition

The problems with the Initiative Petition are fundamentally related to poor draftsmanship, except for the concept of establishing that office as an adjunct of the Attorney General's office. Conceptually we believe that this would set a bad precedent in that it would fragment the executive power, creating what is essentially an executive agency and having it report administratively to a department of government other than the executive. This has much potential for creating conflict between various departments of government particularly when, as now, their elective heads are of different political parties. I do not believe that the state would benefit from such a situation.

AB58

Our conceptual objections to AB58 are focused upon putting the audit function and the enforcement function under the consumer advocate. The auditors must be impartial or, by definition, they are not auditors. For that reason, the auditors should not be responsible to or report to a consumer advocate or any other "advocate"; they should report to an impartial administrator, or a judge. In our case the "judge"

is the Commission. The same is to be said of the enforcement function; safety, engineering standards, compliance and enforcement are not subjects of adversary proceedings, and therefore should not be in the hands of an advocate.

Further, we find it strange that the reconstituted Public Service Commission not be required or allowed to represent itself in appeals of its orders. Under this bill it cannot defend nor explain its actions. We feel it unwise to create a situation where possibly less than the full story be made available to any court.

AB85

Except as to the potential conflict of a consumer advocate in having to represent classes of customers with divergent interests (i.e. residential, commercial, industrial, municipal, etc.), AB85 appears to represent the best thoughtout approach to the consumer advocate concept. The consumer advocate under AB85 would have all necessary powers but no irrelevant powers such as control of auditing and safety and standards enforcement. The work of the subcommittee of the legislative committee, embodied in AB85, reflects the time and thought that that body devoted to regulatory problems and the consumer advocate concept.

Method Of Funding Consumer Advocate.

Funding of the consumer advocate should be adequate to provide outside expert consultants to be hired on an ad hoc basis, but should not be indexed to utility revenues. As the

revenues of all the utilities increase, and they surely will, the work of consumer advocate will not increase apace (81 percent of our costs are cost of gas, which is fully regulated by the federal government). Further, the funding should come from the general fund provided by taxpayers, so as not to give rise to a potential conflict of interest. It is possible the consumer advocate could be accused of being lax in his advocacy since his office will benefit by increased rates. As both 85 and 58 (and the initiative petition) now stand, they are indexed to rising revenues. Every rate increase becomes a "windfall" for the consumer advocate.

Plunging Power

Big Financial Problems Hit Electric Utilities; Bankruptcies Feared

Surge in Costs Largely Cited; Despite Generous Raises in Rates, Profits Weaken

Major Help: Indispensability

By JOHN R. EMMHWILLER

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK Arkansas Power & Light Co. had plenty of cause to call off a planned \$70 million bond sale recently.

Record interest rates had thrown the bond market into chaos and had already forced several utilities to postpone offerings. And with low ratings from major credit-rating services, Arkansas Power was faced with paying a 16.1% interest rate, one of the highest ever borne by a public utility.

But the subsidiary of Middle South Utilities Inc. completed the bond sale anyway, for one overpowering reason: It was running out of cash. "We needed money so badly we didn't have any option," says Edwin Luperber, Middle South's vice president and chief financial officer.

Such predicaments have become all too frequent. Electric utilities, once considered pillars of financial strength, have turned into wobbling giants. And there is increasing concern that one or more may topple.

An Array of Problems

Many electric utilities no longer generate enough cash earnings to even pay for their common-stock dividends, and they finance the payouts from sources such as depreciation, borrowings or the sale of more stock. Utilities have piled up tens of billions of dollars of debt to finance power-plant projects so huge and so costly that they threaten to overwhelm the financial capacity of the companies building them. Utility credit ratings are deteriorating steadily, and traditional sources of funds—particularly the long-term bond market—are drying up.

Indeed, some observers believe that a once-unthinkable event has become quite possible: A major U.S. utility could fall into bankruptcy. The cash bind is so serious that "some of these companies are eating themselves up," says Irvin C. Bupp, a Harvard Business School professor who has worked on utility financial issues.

No operating utility has ever gone bankrupt, and powerful protections have been erected over the years to keep that record intact. Spurred by the recognition that electricity somehow must be kept flowing to homes and factories, state regulators, bankers and others involved with a sick utility probably would arrange major emergency loans to avoid an insolvency. The companies' strongest safeguard is their indispensability.

Yet people inside and outside the utility industry agree that safety margins have been narrowing, and some fear that a company might slip into an unresolvable cash crunch before remedial action could be taken. This danger, they add, rises significantly in times such as these, when credit is expensive. Many utilities "are walking a real financial tightrope," says John Attalenti, utility analyst for Argus Research Corp.

No Easy Answers

Solving utilities' financial problems will be extremely difficult. Utility executives plead for higher electricity rates, but other observers note that rates have risen sharply in recent years and have badly strained customers' tolerance for further increases. Conservationists contend that utilities must conserve cash by canceling some power-plant construction plans and promoting efforts to hold down energy use. Utility officials reply that heavy reliance on conservation would lead to future power shortages and jeopardize billions of dollars already invested in unfinished generating plants.

The industry's problems are so thorny partly because of fundamental, long-term changes in the economics of electricity. For years, continuing improvements in generating technology pushed down the cost of power and helped increase demand for it. In the process, utilities reaped healthy profits. "Those were our golden years," recalls W.C. Tallman, chairman of Public Service Co. of New Hampshire.

That era started fading in the late 1960s, and major signs of trouble first surfaced in 1974, when oil prices surged after the Arab embargo. U.S. utilities found themselves pinched for cash, and Consolidated Edison Co. of New York even omitted its dividend for one quarter—an action that shook the entire utility industry.

Then, the position of utilities improved for a while, partly because of hefty rate increases granted by worried regulatory commissions. But the industry's fundamental problems remained. And amid the current high inflation, sluggish economic activity and stagnant demand for electricity, utilities are falling into a new and deeper financial trough.

Cost of Construction

Probably the biggest burden weighing them down is the very thing that long brought them prosperity: building new power plants. Construction costs have grown astronomically in recent years. Bills for labor and materials climb relentlessly. Ever-changing federal regulations, especially for nuclear plants, have forced utilities to redesign, at great cost, parts of many facilities to meet new rules. The sheer size and complexity of many projects—partly due, ironically, to the utilities' desire to save money by building ever-larger, ever more-efficient plants—have sometimes overtaxed contractors' abilities. And building delays arising from blocking actions by environmentalists or from utilities' inability to raise money further increase project costs.

The upshot: so many cost overruns at

Please Turn to Page 12, Column 1

Plunging Power: Some Utilities Are Hit by Big Financial Problems

Continued From First Page

many projects that financial planning has become almost impossible. And when the total costs are eventually pinned down, they tend to be sickening. For instance, the price tag of a nuclear plant being built in Michigan has soared from \$350 million to \$3.1 billion.

Capital-spending estimates for the electric-utility industry over the next decade range up to \$700 billion, about three times the current investment in all of its existing facilities. Many experts worry that financing huge construction programs while trying to meet other bills may be more than many utilities can handle. "I don't care how big a company is, some of these construction budgets hurt," says Argus Research's Mr. Attalenti.

Meanwhile, the average utility's ability to generate money internally has steadily weakened despite increased earnings.

Merrill Lynch, Pierce, Fenner & Smith Inc. calculates that electric utilities' per-share earnings increased 2.6% a year between 1969 and 1979. Yet, at the beginning of that period, the average utility could pay its common dividend out of net income and had some cash earnings left over. But by 1979, the average utility was having to dip into other sources, such as its depreciation fund or bank borrowings. "That isn't the textbook way to pay dividends," says John Kellenyi, utility analyst for Drexel Burnham Lambert Inc.

One reason utilities' net income hasn't kept up with dividends is that an increasing share of reported earnings isn't cash but rather comes from an accounting credit known as the allowance for funds used during construction. This AFUDC allows a company to take credit for its investment in a power plant that it is building even though the company can't earn any cash return on the investment until the plant is completed and operating. In 1979, AFUDC accounted for about 14% of net income available to utilities' common shareholders; in 1980, it was about 50%.

Though a firmly established accounting principle, AFUDC doesn't help a company pay bills. Indeed, it can often hurt, executives say, by pushing up reported earnings and making it harder to get public acceptance for rate increases that would improve cash flow.

Utility executives concede that cash earnings don't justify current dividend levels, but they contend that the companies really don't have much choice. They explain that a dividend rate acceptable to investors is needed to enable a utility to sell common stock and that occasional stock sales are needed to keep the constantly increasing debt from reaching a disquieting proportion of total capital.

"The industry is caught in a box because selling common stock is the key to all other financing. Cut the dividend, and you could be pushing over the first domino," says K.L. Harrison, senior vice president for finance at Portland General Electric Co., the big Oregon utility.

To keep the dominoes standing, utilities plan to sell hundreds of billions of dollars of long-term debt and common stock over the next decade. But the very problems forcing them into so much outside financing are making them less and less attractive as investments.

Despite some recent gains, prices of utility stocks remain depressed. Most of the stocks are selling below book value, the per-share equivalent of all the money invested by current shareholders, plus retained earnings. By selling stock below book value, a utility progressively dilutes a shareholder's ownership and makes its stock even more unpopular.

And bond issues also are becoming tougher to sell as inflation frightens many investors away from long-term debt of any kind and as utilities' credit ratings steadily decline. In 1970, only 4% of American electric utilities got a BBB rating from Standard & Poor's Corp. — the lowest investment-grade rating and a level of credit-worthiness that many institutional investors avoid. Today, about 30% are rated BBB.

Moreover, the senior debt of four utilities is rated BB or lower, which means that the issues have "speculative" characteristics. Three of them are subsidiaries of General Public Utilities Corp., which owns the now-closed nuclear plant at Three Mile Island.

The other is United Illuminating Co., a utility based in New Haven, Conn., that is

part owner of four nuclear reactors under construction. Its capital spending between 1981 and 1987 is projected at about \$840 million, roughly equal to its assets at the end of 1979. An estimated 90% of that spending will have to be financed from outside sources.

Even if a utility scrapes together all the cash needed to complete its construction projects over the next few years, it may face a final hurdle: Utility regulators might refuse to let it charge customers for the investment. That happened recently when the Missouri Public Service Commission wouldn't permit Kansas City Power & Light Co. to include in its rate base a \$165 million investment in a new coal-fired power plant. The commission decided that the plant wasn't needed yet because the company already had enough generating capacity. Although the utility has challenged the decision in court, Merrill Lynch immediately put all Missouri utilities on its sell list.

Kansas City Power has been able to weather the ensuing financial storm, but analysts fear that a similar decision on a bigger power project could have far worse consequences. Such "second-guessing" by regulators "is becoming a big problem," says Leonard Hyman, a Merrill Lynch analyst. Like other observers, he is especially worried that a commission might refuse to include a new nuclear plant in a utility's rate base. "Though I don't think any commission would push that far, if it did, the company would have a difficult time surviving," he says.

Some observers contend, in fact, that most commissions have been trying to ensure the utilities' survival with the most obvious form of help: by increasing company revenues. Wall Street analysts estimate that last year's increases in utilities' base rates totaled \$5 billion on an annual basis, topping the previous record of about \$3.1 billion in 1975. They add that projected revenues went up an additional \$3 billion a year in 1980 to cover higher generating-fuel costs. The total rise, about \$8 billion, equaled about 10% of the industry's 1979 revenues.

However, analysts also estimate that restoring the companies even close to financial health would require rate increases of \$5 billion to \$8 billion a year beyond any increases designed to keep pace with rising costs. Given the "political realities" of already-unhappy utility customers, granting such increases "wouldn't be an easy thing to do," says Ernest Liu, an analyst at Goldman, Sachs & Co.

Joint H.L. 10 2/16

Vernon Nelson

ASSEMBLY BILLS 58 AND 85
(Consumer Agency Bills)

POSITION OF: Wells Rural Electric Company and other membership cooperatives.

EXHIBIT G

POSITION: The membership cooperatives do not oppose or support either bill, but with regard to both bills request technical amendments.

REQUESTED AMENDMENT:

To provide that the acts would not be applicable to cooperative associations or non-profit cooperatives serving members only, that are presently exempt from rate-making and other public service commission jurisdiction.

PROBLEM TO BE CORRECTED:

The bills in a number of instances are applicable to and refer to "public utilities". By virtue of NRS 704.673 and 704.675 the cooperative associations and non-profit cooperatives are declared to be "public utilities". While a cooperative association or non-profit cooperative that serves members only, is subject to the jurisdiction of the public service commission insofar as assessments, reports, certification, and discontinuance, modification or restriction of service, they are not subject to public service jurisdiction in matters relating to rates, rules or approval of securities. Therefore, it would be unnecessary and illogical to have them subject to the consumer agency proposals.

RATIONALE:

The cooperative associations and non-profit cooperatives serving members only have no reason to be either regulated by the public service commission or to have over-

sight by the consumer agencies as to ratemaking, because:

1. The members, who are the consumers, have almost direct control over the ratemaking process. Each member-consumer, whether a large corporation or a small household user, has a full vote, annually, to elect members to the board of directors. Then, the directors, who themselves are members-consumers-ratepayers fix the rates to be charged, and then only after hearings to obtain further member in-put.

2. The cooperative directors who set rates do not have a conflict of purpose, as do the directors of an investor owned utility. In the investor owned utility the consumers want low rates for service and the directors and stockholders who elect them, want high rates for profits. In the cooperative no interested party, be it a member or a director, wants rates any higher than necessary to keep the cooperative in a healthy financial condition.

3. Any excess rates charged by a cooperative are pro-rated directly back to the consumers in the form of capital credits. All annual earnings of the cooperative over and above actual costs of service are credited to the capital account of each consumer, to be repaid to the consumer as the financial conditions of the cooperative permit.

WELLS RURAL, ELECTRIC COMPANY

BY D. Vernon Dalton
D. Vernon Dalton-President

SIERRA PACIFIC POWER COMPANY

EXHIBIT H

CONCERNS WE FEEL SHOULD BE ADDRESSED
REGARDING CONSUMER ADVOCATE LEGISLATION

1. Provision should be considered for prompt judicial review permitting both the consumer advocate and the utilities to sue the commission on rate matters.
2. Repeal Sections 3 and 5 of NRS 704-100. This section was adopted at a time when utilities were filing frequently for general rate relief. By statute they are now limited to two a year, so these sections are no longer necessary. The sections as presently worded would enable any consumer to frivolously file suits in court which could have the effect of prohibiting utilities from ever filing a rate case.
3. Consider carefully the responsibility for auditing the operations of a utility to provide for a complete, thorough, impartial audit. The consumer advocate office may, perhaps, not necessarily be impartial. Consideration could be given to have such audits under the Public Service Commission, performed by an independent "Big 8" accounting firm, excluding in each utility's case its own independent auditing firm.
4. Evaluate very carefully whether the policing and enforcement responsibilities should remain with the commission or be delegated to the consumer advocate.
5. Provide that the commission has a two-fold responsibility: that of maintaining as low a level of rates as possible, while still protecting the

financial integrity of a utility so it can provide reliable service at the lowest cost possible.

6. Provide that the consumer advocate position does not create delays in the various environmental, construction, etc. permitting processes, such as has been experienced in many nuclear projects around the country.
7. The Attorney General, if given the responsibility for the office, should not represent both the commission and the consumer advocate.
8. Consider a sunset provision so that the legislature at the next session can review the performance of and the continuing need of such a position.

CALCULATION OF CONSUMER SAVINGS
RESULTING FROM SIERRA MAINTAINING
AN A BOND RATING VS. BAA

SUMMARY

Interest rate cost resulting from a BAA vs. A bond rating	1%
Interest expense after taxes per \$1 million of bonds	\$ 5,400
Revenues required to support a 2.5 times interest coverage requirement by the rating agencies to maintain an A rating	\$ <u>32,400</u>
Total annual cost to consumer per 1 million issue	\$ 37,800
Total annual cost of 50 million bond issue	\$ 1,888,900
Total cost over 30 year life of bonds	\$ 56,667,000
Sierra issues 50 M of bonds annually	
Total annual cost after 10 years of issue	\$ 18,889,000
Total lifetime cost of 500 M of bonds	\$566,670,000



**CALCULATION OF CONSUMER SAVINGS RESULTING FROM
SIERRA MAINTAINING AN A BOND RATING VS. A Baa**

Assumptions:

1. Total financing	\$1,000,000	\$50,000,000
2. Interest rate savings resulting from an A bond rating	1%	1%
3. Corporate federal income tax rate	46%	46%
4. Corporate earnings support a 2.5 times interest coverage required to maintain an A rating		

Calculations:

Bonds Issued	\$1,000,000	\$50,000,000
Interest rate savings	.01	.01
Annual Interest Cost	<u>\$ 10,000</u>	<u>\$ 500,000</u>
Corporate income tax rate	.46	.46
Income tax interest deduction	<u>\$ 4,600</u>	<u>\$ 230,000</u>

Annual Effect on Ratepayers

Annual revenues required from customers	\$ 37,800	\$ 1,888,900
Less: Income tax (1)	<u>12,800</u>	<u>638,900</u>
Operating income (income before interest expense) (2)	<u>\$ 25,000</u>	<u>\$ 1,250,000</u>

30 Year Effect on Ratepayers

Consumer savings over 30 year bond life	\$1,134,000	\$56,667,000
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Notes:

(1) Income tax calculation:

Annual revenues required from customers	\$37,800	\$1,888,900
Less: Annual interest expense	<u>10,000</u>	<u>500,000</u>
Taxable Income	\$27,800	\$1,388,900
Income tax rate	x .46	x .46
Income tax expense	<u><u>\$12,800</u></u>	<u><u>\$ 638,900</u></u>

(2) Operating income is 2.5 times annual interest expense.

MOODY'S RATINGS AT DEC. 31, 1980

Baa-Rated Electric Utility Companies

	Alabama Power Company
	Appalachian Power Company
<u>ARK.</u>	<u>Arkansas Power & Light Company</u>
	Blackstone Valley Electric Company
<u>MASS.</u>	<u>Boston Edison Company</u>
<u>MASS.</u>	<u>Brockton Edison Company</u>
	Central Hudson Gas & Electric Company
	Central Vermont Public Service Corporation
<u>MICH.</u>	<u>Consumers Power Company</u>
<u>MICH.</u>	<u>Detroit Edison Company</u>
<u>MASS.</u>	<u>Fall River Electric Light Company</u>
<u>MASS.</u>	<u>Fitchburg Gas & Electric Company</u>
<u>GA.</u>	<u>Georgia Power Company</u>
	Indiana & Michigan Electric Company
	Kansas Gas & Electric Company
	Long Island Lighting Company
	Louisiana Power & Light Company
<u>OHIO</u>	<u>Monongahela Power & Light Company</u>
	Nevada Power Company
	New York State Electric & Gas Corporation
	Northwestern Public Service Company
<u>OHIO</u>	<u>Ohio Power Company</u>
	Pacific Power & Light Company
	Pennsylvania Power Company
	Portland General Electric Company
	Potomac Edison Company
	Puget Sound Power & Light Company
	San Diego Gas & Electric Company
<u>GA.</u>	<u>Savannah Electric & Power Company</u>
	Southern Electric Generating Company
<u>OHIO</u>	<u>Toledo Edison Company</u>
<u>MO.</u>	<u>Union Electric</u>
	United Illuminating Company
<u>MASS.</u>	<u>Western Massachusetts Electric Company</u>

RATING AGENCY CHANGES 1980

*DATE	COMPANY	SENIOR RATING REDUCED		
		FROM	TO	BY
<u>1980</u>				
2/ 2#	Metropolitan Edison	BBB	BB	Standard & Poor's
2/ 2#	Jersey Central Power & Light	A	BBB	Standard & Poor's
2/26	Public Service Co. of Colorado	Aa	A	Moody's
2/26	Public Service Co. of Colorado	AA	A	Standard & Poor's
3/ 8#	Mississippi Power & Light	A	BBB	Standard & Poor's
3/19**	New Orleans Public Service Inc.	A	BBB	Standard & Poor's
3/26	Kansas Gas & Electric	A	Baa	Moody's
3/26	Kansas Gas & Electric	A	BBB	Standard & Poor's
3/31#	Jersey Central Power & Light	Baa	Ba	Moody's
3/31#	Metropolitan Edison	Baa	B	Moody's
3/31#	Pennsylvania Electric	Baa	Ba	Moody's
<i>OHIO</i> 4/ 5#	Ohio Edison	A	BBB	Standard & Poor's
4/12#	Philadelphia Electric	A	BBB	Standard & Poor's
<i>MICH</i> 4/19#	Consumers Power	A	BBB	Standard & Poor's
4/28#	United Illuminating	A	Baa	Moody's
6/21#	Commonwealth Edison	AA	A	Standard & Poor's
6/23#	Long Island Lighting	A	Baa	Moody's
7/ 7#	Kansas City Power & Light	Aa	A	Moody's
7/12#S	Long Island Lighting	A	BBB	Standard & Poor's
<i>MO.</i> 8/26#	Missouri Power & Light	A	BBB	Standard & Poor's
<i>OHIO</i> 8/30#	Dayton Power & Light	A	BBB	Standard & Poor's
9/13#	Hartford Electric Light	A	BBB	Standard & Poor's
9/13#	Oklahoma Gas & Electric	AA	A	Standard & Poor's
9/16	Connecticut Light & Power	A	BBB	Standard & Poor's
9/20	Pennsylvania Power	A	BBB	Standard & Poor's
9/23	Duquesne Light	AA	A	Standard & Poor's
<i>OHIO</i> 10/ 8	Toledo Edison	A	BBB	Standard & Poor's
11/25	Central Hudson Gas & Electric	A	Baa	Moody's
12/ 2	New York State Electric & Gas	A	Baa	Moody's
12/ 3	Houston Lighting & Power	Aa	A	Moody's
12/ 6#	New York State Electric & Gas	A	BBB	Standard & Poor's
<i>MICH.</i> 12/ 8#	Consumers Power	A	Baa	Moody's
<i>MICH.</i> 12/15#	Michigan Consolidated Gas	A	Baa	Moody's

RATING AGENCY CHANGES 1977/1979

*DATE	COMPANY	SENIOR RATING REDUCED		
		FROM	TO	BY
<u>1977</u>				
1/24#	The Montana Power Company	Aa	A	Moody's
3/ 5#	The Montana Power Company	AA	A	Standard & Poor's
10/11	Southern California Gas	Aa	A	Moody's
11/16	Kansas City Power & Light	AA	A	Standard & Poor's
<u>1978</u>				
1/11	Pacific Tel. & Tel. Company	Aaa	Aa	Moody's
1/18	Louisiana Power & Light	A	BBB	Standard & Poor's
3/21	Kansas Gas & Electric	Aa	A	Moody's
4/ 3#	Idaho Power Company	Aa	A	Moody's
4/19	Pennsylvania Power Company	A	Baa	Moody's
6/27	Pacific Tel. & Tel.	AA	A	Standard & Poor's
7/29#	Kansas Gas & Electric	AA	A	Standard & Poor's
8/ 7#	Potomac Edison	A	Baa	Moody's
9/23#	Brockton Edison	A	BBB	Standard & Poor's
11/30#	Gulf States Utilities	AA	A	Standard & Poor's
12/ 2#	United Illuminating	A	BBB	Standard & Poor's
<u>1979</u>				
1/15#	Commonwealth Edison	Aaa	Aa	Moody's
2/ 5#	Monongahela Power	A	Baa	Moody's
2/ 7	Pacific Tel. & Tel. Company	Aa	A	Moody's
2/20	Duquesne Light	Aa	A	Moody's
4/ 4	Gulf States Utilities	Aa	A	Moody's
4/23#	Pennsylvania Electric	A	Baa	Moody's
4/23#	Metropolitan Edison	Withdrawn		Moody's
4/28#	Metropolitan Edison	A	BBB	Standard & Poor's
FLA. 4/24	Gulf Power Company	AA	A	Standard & Poor's
ARK. 6/21**	Arkansas Power & Light	A	BBB	Standard & Poor's
7/ 2#	Metropolitan Edison	Reinstated	Baa	Moody's
8/17S	Long Island Lighting	Aa	A	Moody's
11/ 7**	Commonwealth Edison	Aa	A	Moody's

SIERRA PACIFIC POWER COMPANY

NEVADA RATE INCREASES: 1974-80

FUEL VS. GENERAL

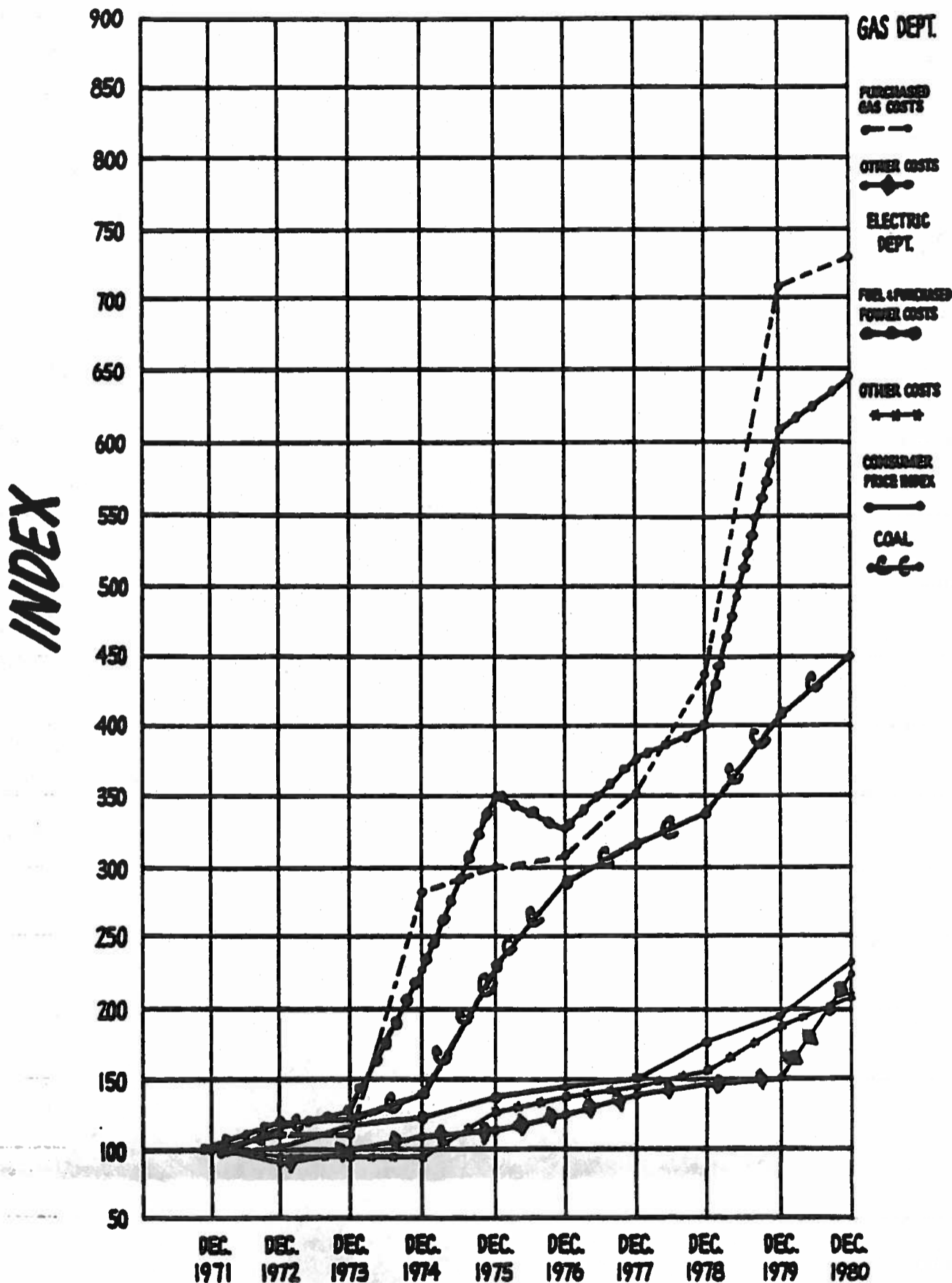
	<u>FUEL</u>	<u>%</u>	<u>GENERAL</u>	<u>%</u>
Electric	\$ 92.7 Million	- 75%	\$ 30.2 Million	- 25%
Gas	52.7 Million	- 95%	2.7 Million	- 5%
Water	-		5.2 Million	- -
Total	<u>\$145.4 Million</u>	<u>- 79%</u>	<u>\$38.1 Million</u>	<u>- 21%</u>

NEVADA GENERAL RATE INCREASES

	<u>Granted By PSCN</u>	<u>Disallowed</u>	<u>Company Request</u>
Electric	\$ 30.2 Million	\$ 21.1 Million	\$ 51.3 Million
Gas	2.7 Million	1.2 Million	3.9 Million
Water	5.2 Million	2.5 Million	7.7 Million
Total	<u>\$ 38.1 Million</u>	<u>\$ 24.8 Million</u>	<u>\$ 62.9 Million</u>
% of Amount Requested	60.5%	39.5%	xx

SIERRA PACIFIC POWER CO.

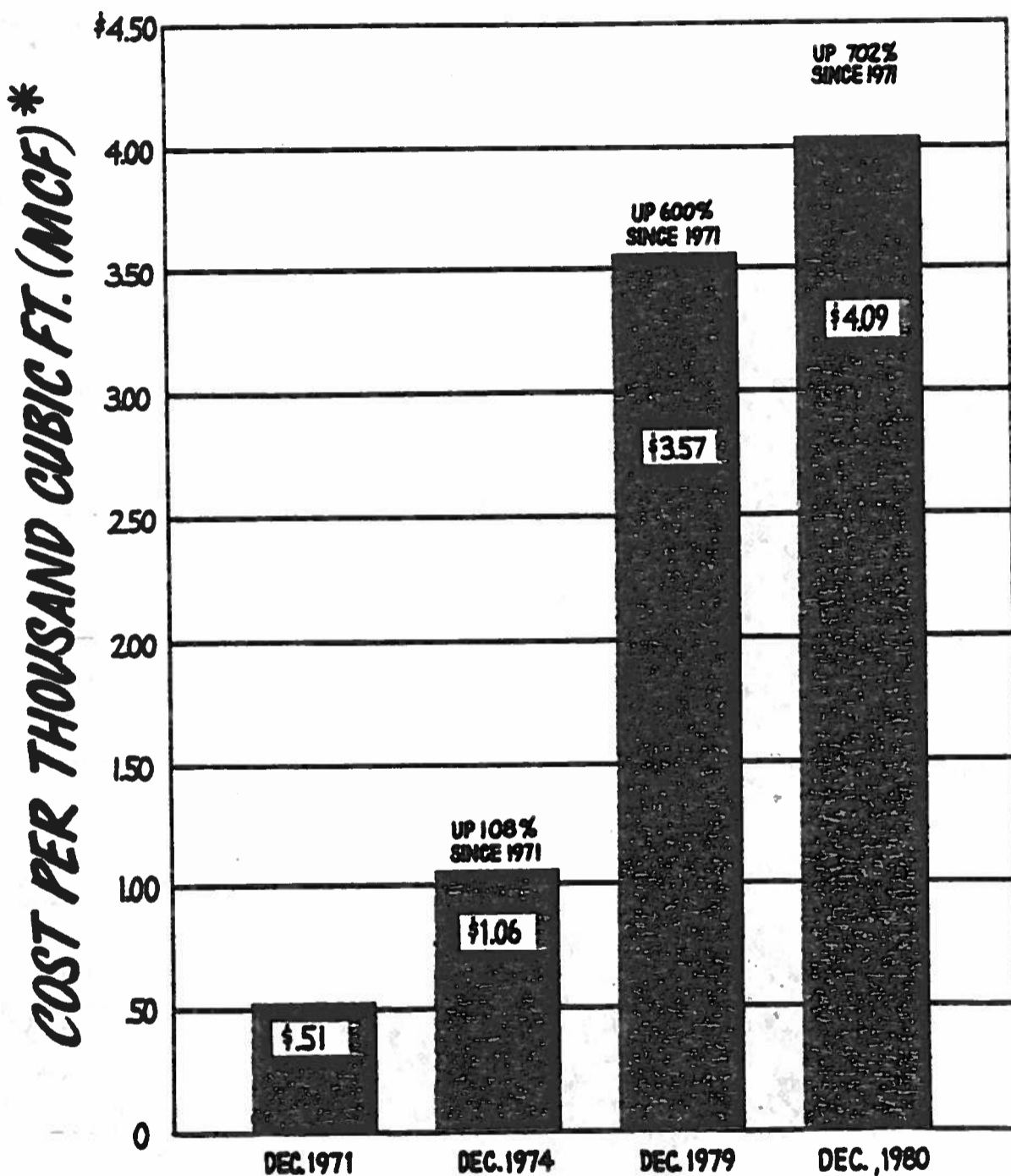
ELECTRICAL, NATURAL GAS & COAL COSTS
VS. CONSUMER PRICE INDEX



Rising fuel costs are the main reason for increased rates. Since 1971 the cost of fuel to generate electricity, and purchased power from other utilities, has risen 650%. Natural gas costs have risen over 700%. During this same period the cost of coal has increased only 450%. Before 1973 coal was a more expensive fuel than either oil or natural gas.

All other non-fuel operating costs have been held to below the level of the Consumer Price Index.

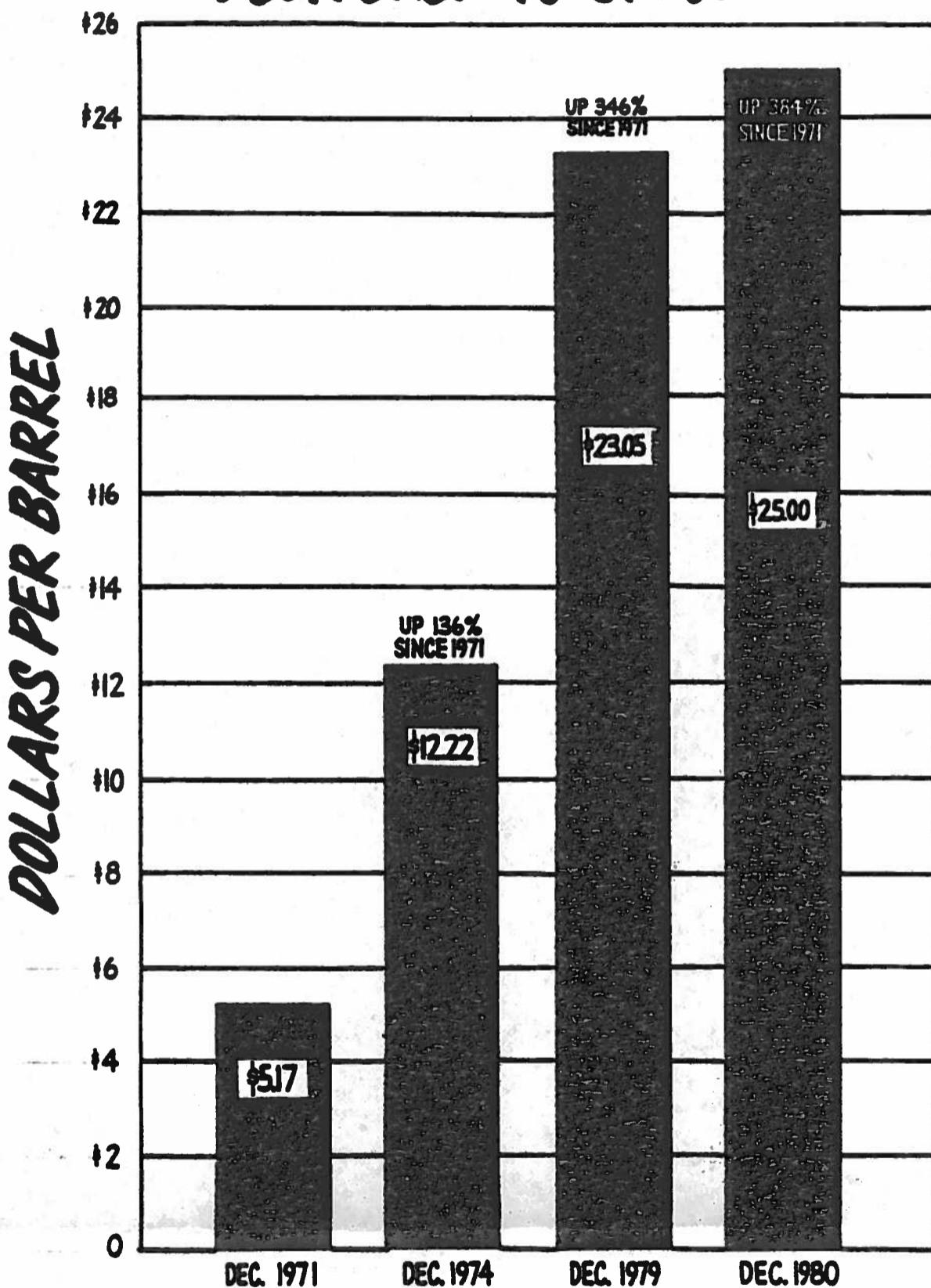
AVERAGE COST FOR NATURAL GAS PURCHASED BY SPPCO



* MCF = 10 THERMS

The average cost for purchasing natural gas has climbed steadily since 1971 -- an increase of 702%.

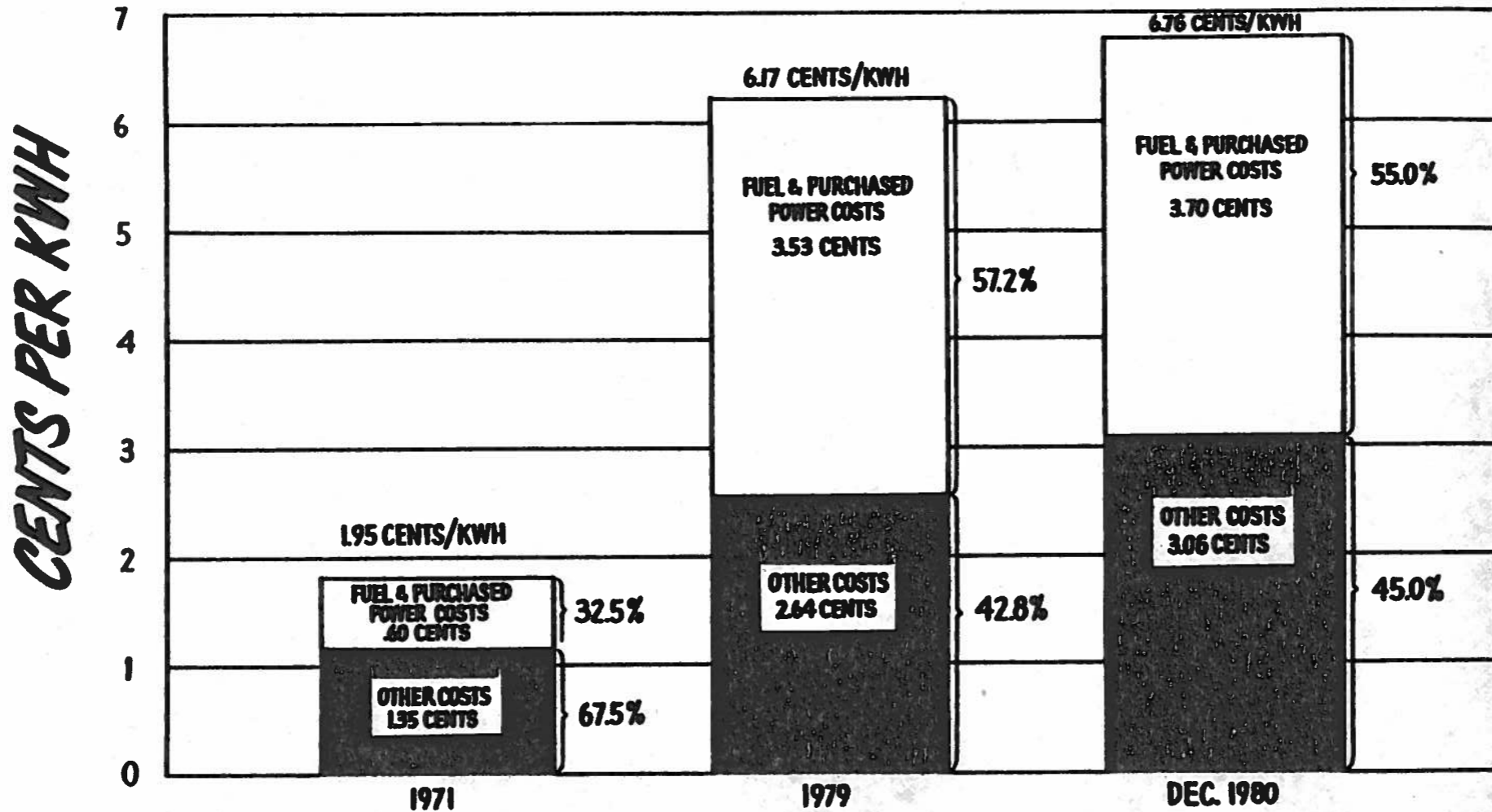
AVERAGE COST FOR STEAM OIL DELIVERED TO SPPCO



The average cost for fuel oil to generate electricity has climbed 384% since 1971.

SIERRA PACIFIC POWER CO. FUEL PORTION OF ELECTRIC COSTS

FUEL VS. OTHER COSTS



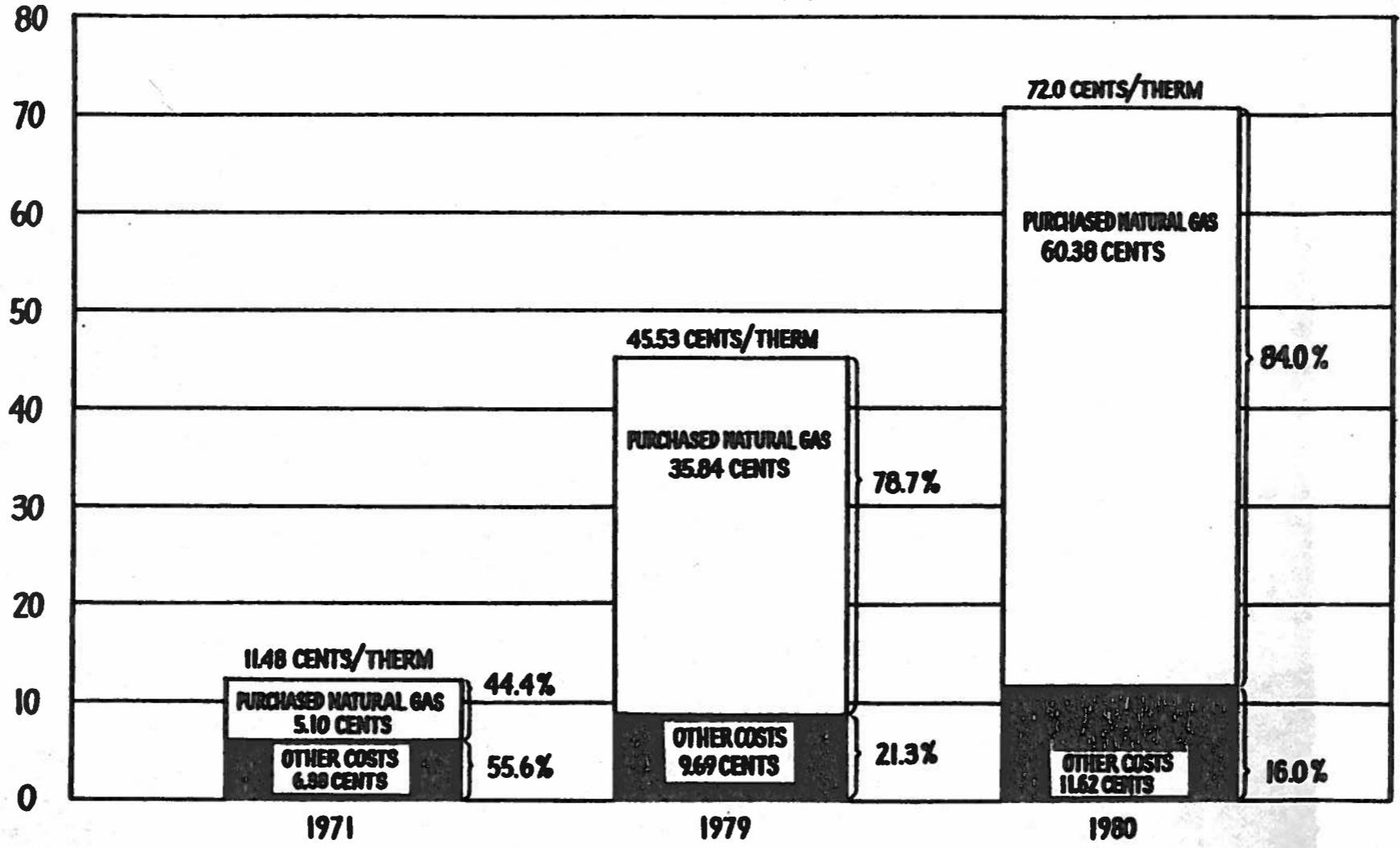
In 1971 fuel expenses amounted to 32% of the cost of electricity. This has steadily climbed until fuel expense now represents 55% of the cost of electricity.

SIERRA PACIFIC POWER CO.

FUEL PORTION OF NATURAL GAS COSTS

FUEL VS. OTHER COSTS

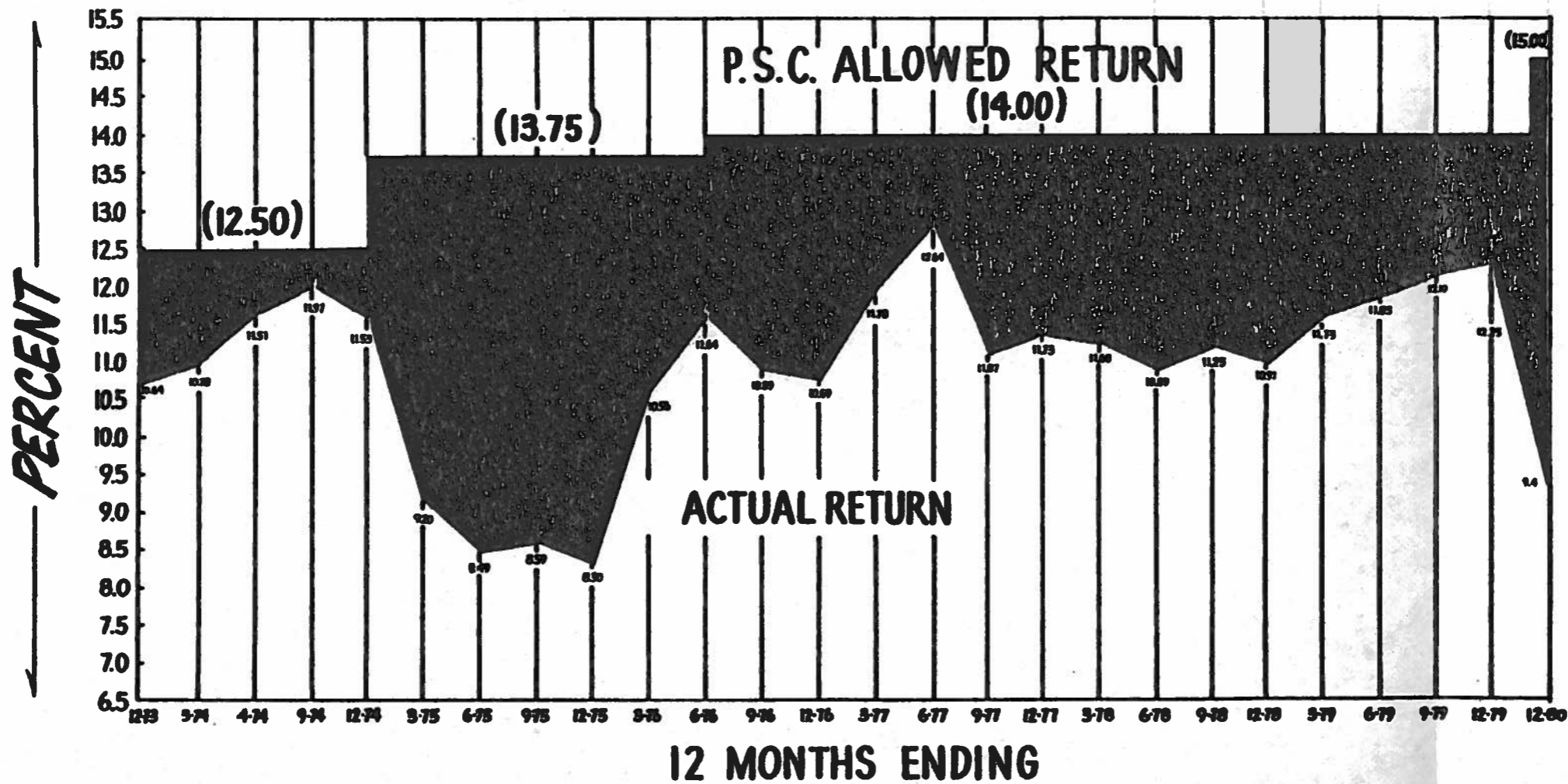
CENTS PER THERM



The price of purchasing natural gas represented only 44% of the total cost in 1971. Today it has climbed to represent 84% of the total cost.

SIERRA PACIFIC POWER CO.

RETURN ON COMMON EQUITY ACTUAL VS. ALLOWED

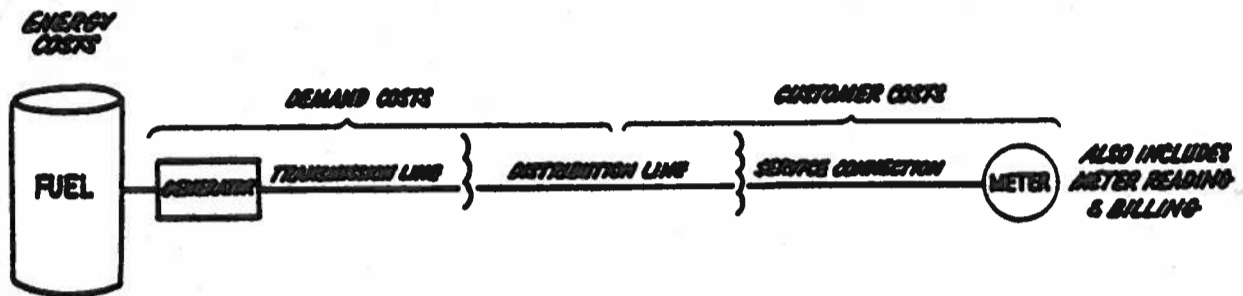


During the last seven years the difference between the percent of return Sierra Pacific was allowed to earn -- and the actual return achieved showed a continuing deficiency (of over \$18 million).

In 1980 the actual return on common equity fell to the lowest level since 1975.

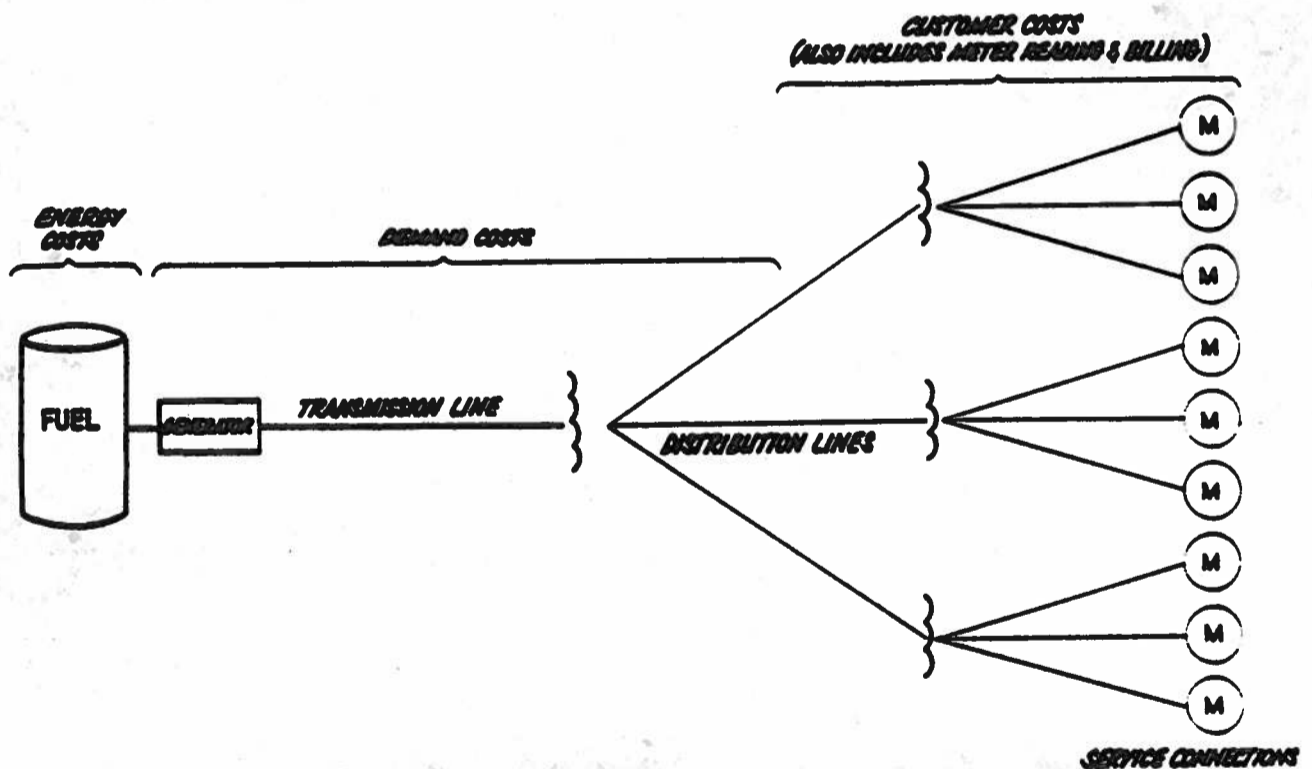
COST TO SERVE

LARGE COMMERCIAL CUSTOMER



RESIDENTIAL CUSTOMERS

(EQUAL TO LOAD OF LARGE COMMERCIAL CUSTOMER)



Large commercial customers are served with a single series of transmission and distribution lines, and one service connection.

To deliver the same load to residential customers requires many more distribution lines, service connections and meters -- plus additional costs in meter reading and billing.

It is less expensive for a utility to deliver service to a large commercial customer than deliver the same service load to many smaller residential customers.

COSTS TO SERVE

RESIDENTIAL vs COMMERCIAL

CUSTOMERS

10 KW LOAD

<u>SERVICE</u>	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>
AVG. COST PER KW	\$200	\$200
TOTAL COST TO SERVE	\$2,000	\$2,000

USAGE

ANNUAL Potential Hrs./Use	8,760	8,760
TOTAL Annual Potential	87,600 KWH	87,600 KWH
CUSTOMER Load Usage Factor	35%	90%
ACTUAL ANNUAL USAGE	30,660 KWH	78,840 KWH

UNIT COST TO SERVE

SERVICE ÷ USAGE =	6.5¢/KWH	2.5¢/KWH
--------------------------	-----------------	-----------------

Residential customers utilize approximately 35% of the capacity of the system built to serve them, while commercial customers use approximately 90% of their system's load capacity. This difference in utilization makes the cost to actually provide service considerably lower for a commercial customer than a residential customer.

TOTAL OPERATING COSTS

\$195.1 MILLION

NONCONTROLLABLE \$166.9 MILLION

**FUEL AND
PURCHASED POWER**

\$110.7 MILLION

**LABOR - \$15.3
Million**

**NATURAL GAS
RESALE
\$28.8 MILLION**

**DEPRECIATION
\$13.8 MILLION**

OTHER TAXES \$5.2 MILLION

**MATERIALS & SUPPLIES
\$12.9 MILLION**

PARTLY CONTROLLABLE \$28.2 MILLION

**Federal Income Tax
\$8.4 Million**

**LESS THAN 15% OF COSTS
ARE CONTROLLABLE**

EFFECT OF COST CONTROL MEASURES

**10% REDUCTION OF PARTLY
CONTROLLED COSTS = \$3 MILLION/YR.**
**DOLLARS SAVED PER
RESIDENTIAL CUSTOMERS \$7.08/YEAR**

**20% REDUCTION OF PARTLY
CONTROLLED COSTS = \$6 MILLION/YR.**
**DOLLARS SAVED PER
RESIDENTIAL CUSTOMERS \$14.16/YEAR**

**30% REDUCTION OF PARTLY
CONTROLLED COSTS = \$9 MILLION/YR.**
**DOLLARS SAVED PER
RESIDENTIAL CUSTOMERS \$21.24/YR.**

EXHIBIT I

February 2, 1981

Mr. Connell Marsden
Manager, Regulatory Affairs
Nevada Power Company
4th Street & Stewart Avenue
Las Vegas, Nevada 89101

Dear Mr. Marsden :

Enclosed please find the third progress report on Nevada Power Company's project.

As of this date, the project is about 3 weeks behind schedule but within budget for all tasks.

Very truly yours,

RJ Meredith

Robert J. Meredith
Project Manager

RJM:lst

cc: G Karady
R Dewberry
S Baron
R McDermid
D Pulito
E Lesnick
R Donnelly

PROGRESS REPORT 4
JANUARY 1981

GENERAL

During January virtually all work except the final report has been completed.

We estimate that more than 90% of the report has already been sent to typing, although considerable editing remains.

Several figures and graphs, material for the appendices and an overall summary of conclusions and recommendations remain to be completed.

A section of the report covering "General Management" has been typed and is being edited. This part of the report deals with technical capabilities and effectiveness of management.

We are providing a copy of the long promised Theft of Service report with this progress report.

The remainder of the report should be available in draft form for NPC's review within two weeks.

PROJECT STATUS

The status of the project is as follows:

Services (man-days)	approx.	190
Budgeted man-days		235
Percentage completed		90-95%

DETAILED REPORT

Tasks 1 and 4: Reserve Capacity Calculation;
Availability of Interconnection Power

These tasks have been combined in one section of the report dealing with "Interconnection Power Availability and Required Generation." Two small portions dealing with single-area loss of load probability for NPC and its surrounding pool have not yet been completed. The major portions dealing with two-area LOLP studies and production costs/fuel mix have been completed, except for graphs of results.

The report will recommend a long term average generation reserve for NPC in excess of 16%, with allowable year-to-year fluctuations of roughly + 3%.

The report also emphasizes that Warner Valley and Harry Allen should remain on schedule or be accelerated to provide a more economical fuel mix for NPC, regardless of their impact on reserves.

Approximately 73 man-days have been expended on the two tasks. These tasks are 90% complete.

Task 2: Plant Availability

All analyses covering unit availability and forced and maintenance outages have been revised to conform with latest information from NPC. Work is complete in this regard and a draft report covering the subject of plant performance is in typing.

The remaining portions of Task 2, covering the various aspects of accredited capacity are complete and the detailed report, is now in typing.

The summary covering overall evaluation of the above two items, together with conclusions and recommendations has been completed.

Work on Task 2 is estimated to be 90 to 95% complete with 39 workdays expended.

Task 3: Maintenance Program and Procedures

Tables, Graphs and summary text of a report covering O & M comparisons have been returned with comments from Mr. Nehez and are now completed as a report section.

Remaining sections of the Task 3 report covering visits to Plants and evaluations of maintenance procedures are in final stages of preparation and will be completed in typed form on or about February 3.

The summary concerning unit ratings for determination of reserve capacity is complete.

Work on Task 3 is estimated to be 95% complete with 40 work days expended.

Task 4b: Load Forecast

The draft report has been provided to NPC. Man-days total 11.

Task 5: Theft of Service

A draft of this report accompanies this progress report. Approximately 27 man-days have been expended. This task is 99% complete.

TO: Kathy Norwood, Economist, Nevada Power Company
FROM: Kent Anderson, NERA
RE: EBASCO's Management Audit Report on the NERA Sales and Load Forecasting Model Developed for Nevada Power Company.
DATE: January 26, 1980

The EBASCO management audit report on NERA's and NPC's forecasting techniques offers three major conclusions concerning the NERA model:

1. The econometric model developed by NERA is well founded in terms of economic theory and the forecasting procedures are appropriate for practical application to NPC's system.

2. The NERA annual growth rates for energy appear to be reasonable, but the peak load growth rate is too high, resulting in a significant decline in system load factor.

3. The data that NERA uses [sic] in its model comes [sic] from reliable sources. However, much of the data is [sic] not current and some of the information can be updated from census, state and local sources.

With respect to the NERA model, the report makes the following recommendations:

1. The . . . model . . . should be reestimated using more current data from the 1976 Census of Las Vegas and other applicable data

2. The NERA peak load growth projections resulting in an extensive decline in the load factor should be corrected.

The first of the three conclusions requires no comment. As to the second conclusion and its corresponding recommendation, I have no disagreement. As indicated in NERA's report to you, the peak-load regressions did not yield

satisfactory results. Concerning the third conclusion, and in particular the observation that some of the data can be updated, there are more complications than the writer of the EBASCO report may realize.

Leaving aside the question of what historical data to use to estimate the model's equations, there remains the problem of finding data sources for measuring the historic values for the explanatory variables used for the "backcast" period of the model (1971-1979) and for projecting future values for the "forecast" period of the model (1980-1990). As regards the backcast period, I used the latest data available at the time I did the study. At that time I had historical data running through 1978 or 1979 for customers and energy prices. For economic activity, I had figures from the Bureau of Economic Analysis running through 1977. Later data were not available from that source. To have tried to use estimates from another source for 1978 or 1979 would have meant running the risk of using inconsistent and very likely running afoul of incomplete data. Furthermore, the model's track record in "predicting" 1978 and 1979 is sufficiently good that I doubt whether refinements in the input data for those two years would make much practical difference.

As to the forecast period, none of the data sources suggested by EBASCO gives projections of future activity. In my view, the OBERS projections, interpreted in light of the 1972-1977 experience, constitute an excellent basis for judging future economic growth possibilities.

So much for my defense of the currency of the data used for the projections. Without apology, I hasten to add that it is now possible to update the data used for the backcast period and that new OBERS projections are due out soon. Further, there may be some economic activity projections of local banks or universities worth utilizing for the forecast period--if they go out far enough in time.

Finally, as to reestimation of the model's equations, let it be understood that, given the sectorally disaggregated approach utilizing cross-sectional data for states that I have relied upon, there were (and are) no more recent data. When the results of the 1977 Census of Manufacturing and the 1980 Census of Housing are available, it will be possible to update the study. But, at present, the only way that more recent data can be utilized is to use a different modelling approach, for example, by reducing the amount of end-use detail in the model. In that case it would be possible to do a cross-sectional study with data running through 1979. Alternatively, the data set could be restricted to time series pertaining only to the Company's service area. These alternatives may themselves be methodological compromises more serious than those required by the approach I took. This is not to say that they should not be tried. Rather, it is to say that altering the form of the model to incorporate more recent data not only offers no guarantee of improved forecasting capability, it in fact does not even support such a presumption.

KPA:ss

Southern Pacific Transportation Company

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JOHN L. ECK
ASST. TAX COMMISSIONER

1981 Legislature

EXHIBIT K

February 16, 1981

Senator Thomas Wilson, Chairman
Senate Committee on Commerce and Labor
Nevada State Senate
Carson City, Nevada 89701

Subject: Office of Consumer Advocacy -
Public Utilities

Dear Senator Wilson:

The specific intent of the initiative which prompted AB-58 and AB-85 is obviously directed at gas and electric type utility companies.

N.R.S. 704 defines railroads as utilities while it is generally recognized among regulators that in reality they are not, as railroads do not operate under a franchise as a monopoly as do true utilities. It should be noted that N.R.S. 704 was originally enacted about 1919 when Railroads quite possibly could have been in that category.

Testimony has been given before the Assembly Committee on Governmental Affairs to the effect that it was not the intent of the initiative proponents to include railroad operations under the Consumer Advocacy Agency, and in fact there is no need for them to be so placed. The testimony went on to advise that in those states having an office of consumer advocacy there was little if any interest in rail or transportation matters and that the efforts of those agencies were generally not in that direction.

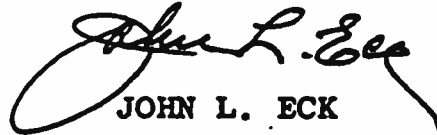
The Interstate Commerce Commission and various Federal agencies have pre-empted the field in the vast majority of railroad regulatory matters.

In those minute areas not pre-empted by Federal law the power to regulate and enforce is rightfully within the police power of the states and usually placed under the jurisdiction of the Public Service Commission or Department of Transportation wherein the expertise lies to protect the public interest in those matters.

Senator Thomas Wilson
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It is our belief that in practicality the railroad industry should not be included in any type of consumer advocacy legislation and respectfully request that any reference to railroads be stricken from present or any proposed legislation of this kind.

Yours truly,



JOHN L. ECK

JLE/hm

cc: Senators Richard Blakemore, Vice Chairman
Don Ashworth
Melvin Close
William Hernstadt
✓Cliff McCorkle
William Raggio

Sierra Pacific Power Company

JOE L. GREMBAN
President

EXHIBIT L

February 13, 1981

Senator Thomas C. Wilson, Chairman
Commerce and Labor Committee
Nevada State Legislature
Carson City, Nevada

Dear Senator Wilson:

When I appeared before your committee a couple of weeks ago to discuss the water situation in the Truckee Meadows, some of the members of the committee asked if there was anything that could be done with regard to new legislation that might alleviate some of our problems regarding water supply.

I have gone over this with our water rights engineer and our legal department and am enclosing for consideration some amendments to existing legislation which would help us quite significantly in acquiring water rights and improving our ability to provide adequate service. After you have had an opportunity to review these I would be very happy to get together with you and the committee and explain our position.

I also am enclosing, as a result of Senator Raggio's question, our policy statement with regard to expanding our service territory to areas adjacent to the territory. You will note on page 2, item c., we have stated that we would ask for all of the water rights appurtenant to the area to be annexed, unless otherwise agreed to by the company. There are instances where a developer may have developed the entire piece of property and has water rights in excess of that required to serve such property, which we would wish to acquire. We also recognize that there are instances where a developer may be developing only a portion of the property and would wish to retain water rights appurtenant to the balance of it and we would naturally accommodate such a request.

We are currently awaiting an order from the Nevada Public Service Commission which would authorize us to expand our service territory to accommodate the Community College and a proposed new high school in Reno. We also have had an application from a developer to annex a piece of property outside of our service territory, but adjacent to it, for development. This property owner would transfer to us the necessary water rights and shortly we will be

Senator Thomas C. Wilson
Page 2
February 13, 1981

filing for an expansion pursuant to that request. So, you can see we are not inflexible with respect to expanding our service area.

I believe we did have the opportunity to present to you our information regarding water supply in the Truckee Meadows as prepared by Joe Burns, our consultant, and Bob Firth, our water rights engineer. I believe the information is very significant and pertinent to questions of water supply and we would appreciate an opportunity to present this to your committee.

Please let me know if there is anything additional we can provide with regard to these items, or any other matter involving water supply.

I am enclosing sufficient copies of this material should you wish to present it to the other members of your committee.

Sincerely,



Joe L. Gremban

JLG/1b

SIERRA PACIFIC POWER COMPANY
POLICY STATEMENT

On August 24, 1979, Sierra Pacific Power Company made a statement to the Washoe Council of Governments describing the water supply situation within our existing water service territory. We stated that our existing inventory water rights are not expected to meet the demand of our existing service territory in 1981, or at the latest, 1982, and called upon local government to coordinate their planning efforts very closely with the Sierra Pacific staff. Sierra Pacific is actively involved in obtaining the water and storage rights to serve our existing service territory.

We have determined that certain water rights which are located outside the service territory are not available for sale to Sierra Pacific due to the desire of the owners of such rights to develop those lands in the future. Therefore, Sierra Pacific will consider expansion of its water service territory to these lands with appurtenant water rights, only under conditions which will not prejudice its existing customers.

The conditions which must be met prior to Sierra Pacific making a commitment to expand its water service territory include, but are not limited to, the following:

1. The property to be annexed must be contiguous to Sierra Pacific's existing service territory and must have water rights which will provide a firm yield sufficient in quantity and adequate in quality for human consumption, after treatment by Sierra Pacific's existing treatment facilities. The yield must be proven to the satisfaction of Sierra Pacific and the State Water Engineer and any other state or local agency having jurisdiction. The development must be limited to that which can

be supported by the firm yield of the water rights under hydrologic conditions such as those experienced in the 1928-1935 drought period and the critical year of 1934. The use per customer shall be determined by Sierra Pacific Power Company.

a. Surface water rights must be transferable to the Truckee River for use by the Company in its treatment facilities. Additionally, surface water rights which were appurtenant to lands located inside Sierra Pacific's service territory prior to August 24, 1979 (the date the Company made its water supply statement to the Washoe Council of Governments) or water rights which were used on property to be annexed but not officially transferred through the State Water Engineer's Office prior to August 24, 1979, will not be considered as part of the firm yield.

b. Existence of groundwater rights and permits must be approved and confirmed by the State Water Engineer. Physical availability to adequate quality and quantity of groundwater to meet the proposed development must be proven to the Company's satisfaction. In addition, it must be proven to the Company's satisfaction that the proposed groundwater draft will not adversely affect any existing Company wells. Existing and proposed wells for the annexed area must be constructed to Company standards.

c. All water rights appurtenant to the territory to be annexed must be transferred to Sierra Pacific regardless of whether or not they are considered as part of the firm yield unless otherwise agreed to by the company.

2. The party(ies) desiring such water service shall take such steps as Sierra Pacific may require to insure that the development does

not exceed the firm yield of the water rights. This will include, but is not limited to, (1) the institution of all feasible water conservation measures, and (2) obtaining an agreement and ordinance from the local government to permanently limit the development to the firm yield of the water rights under hydrologic conditions such as those experienced in the 1928-1935 drought period and the critical year of 1934.

3. Water service will be provided in accordance with Sierra Pacific's approved rates, rules and regulations as filed with the Public Service Commission of the State of Nevada. The applicant would be required to pay for all facilities necessary to serve the development including, but not limited to, wells, treatment facilities, and storage facilities. All annexations are subject to the review and approval of the Public Service Commission of Nevada.

This statement of policy is intended to define those conditions which an applicant for water service must meet before Sierra Pacific management will consider an annexation of additional service territory. The statement is not intended to operate as a commitment or dedication to serve all applicants meeting the above conditions and Sierra Pacific reserves the right to refuse to annex any territory to its water service territory which it deems, in its discretion, to be an undesirable addition.

Exhibit A page 3 of 3

37.010 Public uses for which the right of eminent domain may be exercised. Subject to the provisions of this chapter, the right of eminent domain may be exercised in behalf of the following public uses:

. . . .

8. Public utilities. Telegraph, telephone, electric light, and electric power lines, and sites for electric light and power plants, water and water rights for municipal, industrial and domestic use, where such waters and water rights are appurtenant to lands located within such public utility's service area, and (1) to parcels located in a residential subdivision with individual lots which do not exceed 1/2 acre in size, or (2) to parcels located in a commercial or industrial subdivision.

EXPLANATION

This legislation would allow a public utility to condemn those water rights which were not reserved by the developer when the land was subdivided, causing those rights to be very difficult to acquire. The size limitation on residential subdivisions was intended to exclude the large residential lots in the Truckee Meadows which recharge the groundwater with their water rights.

277.050 Sales, exchanges, leases of real property by one public agency to another public agency: Conditions; procedure.

1. As used in this section, "public agency" includes the United States or a department or agency thereof, the State of Nevada or a department or agency thereof, a county, Carson City, a public corporation, and a public district.

2. Without a vote of the electors of a public agency first being had, the governing body thereof is authorized:

(a) To sell or exchange to another public agency or to a public utility as defined in NRS 704.020, et seq., any unused real property belonging to it, which, at the time of delivery of title or possession, is no longer required for public use by the selling or exchanging public agency.

(b) To lease to another public agency or to a public utility as defined in NRS 704.020, et seq., for a term not exceeding 99 years, any unused real property belonging to it, which, at the time of delivery of possession, is no longer required for public use by the lessor public agency.

3. A sale or exchange may be:

(a) Negotiated without advertising for public bids.

(b) Made for cash or property, or for part cash and property, or for part cash and terms of deferred payments secured by mortgage or deed of trust, but the purchasing public agency or exchanging public agencies shall pay or convey property worth an amount at least equal to the current appraised value of the real property being conveyed or exchanged. Funds derived from a sale shall be used for capital outlay.

4. A lease may be:

(a) Negotiated without advertising for public bids.

(b) Made for such consideration as may be authorized by action of the governing body of the lessor public agency.

5. Before ordering the sale, exchange or lease of any such property the governing body of a public agency shall, in a regular open meeting, by a majority vote of its members, adopt a resolution declaring its intention to sell or exchange the same, or a resolution declaring its intention to lease the same, as the case may be. The resolution shall:

(a) Describe the property proposed to be sold, exchanged or leased in such a manner as to identify it.

(b) Specify the minimum price, consideration or rent and the terms upon which it will be sold, exchanged or leased.

(c) Fix a time not less than 2 weeks thereafter for a public meeting of the governing body, at which meeting objections to the sale, exchange or lease may be made by the electors of the public agency.

6. Notice of the adoption of the resolution and of the time and place of the public meeting shall be published in a newspaper of general circulation published in the county in which the public agency or any part hereof is situated. The notice shall be published not less than twice, on successive days, the last publication to be not less than 7 days before the date of the public meeting.

7. Any resolution accepting a bid or any other form of acceptance of a bid by another public agency shall authorize and direct the chairman, president or other presiding officer of the governing body of the selling, exchanging or lessor public agency to execute a deed or lease and to deliver the same to the purchasing, exchanging or lessee public agency

upon the performance and compliance by it of all the terms and conditions of the contract to be performed concurrently therewith.

EXPLANATION

This amendment is intended to allow cities, counties and the state to transfer water rights or other land interests, such as a right of way, without first placing the interest up for public bid. The governmental bodies, of course, could place any land interest up for public bid if they determined that it was in their best interest.

278.020 Governing bodies empowered to regulate land improvement and location of structures for general welfare.

1. For the purpose of promoting health, safety, morals, or the general welfare of the community, the governing bodies of cities and counties are authorized and empowered to regulate and restrict the improvement of land and to control the location and soundness of structures.

2. Any such regulation, restriction and control shall take into account the potential impairment of natural resources and the total population which the available natural resources will support without unreasonable impairment.

3. The powers herein specifically include the power to condition land improvement on dedication of water rights.

EXPLANATION

Certain of the governmental bodies have expressed concern as to whether they had authority to condition land improvement on dedication of water rights. This provision should clarify the scope of their authority.

532.120 Rules and regulations; rules governing contests.

1. The state engineer is empowered to make such reasonable rules and regulations as may be necessary for the proper and orderly execution of the powers conferred by law.

2. The state engineer shall have power to make rules, not in conflict with law, governing the practice and procedure in all contests before his office, to insure the proper and orderly exercise of the powers granted by law, and the speedy accomplishment of the purposes of chapter 533 of NRS. Such rules of practice and procedure shall be furnished to any person upon application therefor.

3. Such rules and regulations may include simplified procedures for transferring the place of diversion, manner of use or place of use of water appurtenant to parceled land or dedicated streets and ways.

4. Such rules and regulations may include procedures for the review and approval required by Chapter 278 of NRS and for review of water quantity for commercial, industrial, apartment or other major developments which do not fall under that chapter.

EXPLANATION

This legislative change would accomplish two objectives. First, it would give the state engineer authority to provide for a simplified procedure for transfer of water rights by passing rules and regulations acceptable to the agency. Secondly, it would provide for review and approval by the state engineer of major developments for water quantity. It should be understood that in order to properly carry out this new duty, the state engineer would require additional manpower.

may

533. . "Place of Diversion" defined. As used in this chapter, "place of diversion" shall mean the point at which water is removed from a stream system. Upon application pursuant to 533.325, et seq., the state engineer may authorize more than one place of diversion.

EXPLANATION

This section is intended to provide authority to the state engineer to approve multiple points of diversion where the same would not affect other water right holders. This amendment would allow Sierra to make more efficient use of its water rights.

533.030 Appropriation for beneficial use.

1. Subject to existing rights, all such water may be appropriated for beneficial use as provided in this chapter and not otherwise.

2. The use of water, from any stream system as provided in this chapter and from underground water as provided in NRS 534.080, for any recreational purpose, is hereby declared to be a beneficial use.

3. The appropriation, acquisition or lease of water from any stream system as provided in this chapter and from any underground water as provided in NRS 534.080 by a public utility as defined in NRS 704.020, et seq., or a municipal corporation, for the purpose of serving the present or future municipal, industrial and domestic water needs of its customers or for the purpose of serving the ultimate electrical needs of its customers is hereby declared to be a beneficial use.

EXPLANATION

This amendment is intended to forestall potential claims that a municipality or a public utility, which holds water rights for the future requirements of its constituents or customers, has abandoned or forfeited its rights.