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SUGGESTED COMMENTS FOR AB 32

ASSEMBLY BILL NO. 32 IS ONE OF THE RECOMMENDATIONS OF THE LEGISLATIVE COMMITTEE FOR LOCAL GOVERNMENT TAXES AND FINANCE ~~FOR~~ WHICH I SERVED AS CHAIRMAN DURING THE 2001-02 INTERIM. THE BILL WAS APPROVED AT THE REQUEST OF THE ADVISORY COMMITTEE TO THE LEGISLATIVE COMMITTEE. THE ADVISORY COMMITTEE CONSISTS OF 11 MEMBERS, INCLUDING THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF TAXATION AND 10 OTHER MEMBERS APPOINTED BY GROUPS REPRESENTING LOCAL GOVERNMENTS AND REPRESENTING VARIOUS GEOGRAPHICAL AREAS OF THE STATE OF NEVADA.

DURING THE 2001-02 INTERIM, THE ADVISORY COMMITTEE FORMED A WORKING GROUP TO ADDRESS A CONCERN RAISED BY LOCAL GOVERNMENTS REGARDING THE ABILITY OF LOCAL GOVERNMENTS TO CONTINUE COLLECTING FRANCHISE FEES FROM CUSTOMERS OF OUT-OF-STATE PROVIDERS OF NATURAL GAS AND ELECTRICAL SERVICES. PUBLIC UTILITIES IN NEVADA ARE REQUIRED TO COLLECT FRANCHISE FEES FROM THEIR CUSTOMERS AND TO REMIT THOSE PAYMENTS TO THE LOCAL GOVERNMENTS IMPOSING THE FEES.

BASED ON THE CONCERNS RAISED BY THE ADVISORY COMMITTEE, THE LEGISLATIVE COMMITTEE APPROVED A BILL DRAFT REQUEST TO REQUIRE THE CUSTOMER OF AN OUT-OF STATE SELLER OF NATURAL GAS SERVICE TO PAY THE SAME TAXES AND FEES THAT THE CUSTOMER WOULD HAVE BEEN REQUIRED TO PAY IF THE CUSTOMER HAD CONTINUED TO PURCHASE THE NATURAL GAS FROM A PUBLIC UTILITY IN NEVADA. THE LEGISLATIVE COMMITTEE ALSO VOTED TO REQUIRE THE CUSTOMER OF A PROVIDER OF ELECTRICAL SERVICES THAT PRODUCES ELECTRICAL ENERGY AND IS NOT OWNED BY AN ELECTRIC UTILITY FOR WHICH A CERTIFICATE OF CONVENIENCE AND NECESSITY HAS BEEN APPROVED TO PAY THE SAME TAXES AND FEES THE CUSTOMER WOULD HAVE BEEN REQUIRED TO PAY HAD THE CUSTOMER CONTINUED TO PURCHASE THOSE PRODUCTS FROM AN ELECTRIC UTILITY FOR WHICH A CERTIFICATE HAD BEEN APPROVED.

BECAUSE IT WAS DETERMINED THAT THE ADVISORY COMMITTEE'S CONCERNS WITH RESPECT TO OUT-OF-STATE PROVIDERS OF NATURAL GAS WERE NOT ADDRESSED IN THE ORIGINAL VERSION OF THE BILL, THE BILL WAS AMENDED TO ENSURE THAT PROVIDERS OF DISCRETIONARY NATURAL GAS SERVICE ARE REQUIRED TO PAY FRANCHISE FEES. PROVIDERS OF DISCRETIONARY NATURAL GAS SERVICE ARE COMPANIES THAT PROVIDE GAS SERVICE TO INDUSTRIAL AND LARGE COMMERCIAL CUSTOMERS OF NATURAL GAS USING THE LOCAL PUBLIC UTILITY'S LINES FOR TRANSMITTING THE GAS FROM THE INTERSTATE PIPELINE TO THE CUSTOMER.

OTHER AMENDMENTS WERE APPROVED IN THE ASSEMBLY TO ENSURE THAT OUT-OF-STATE PROVIDERS OF NATURAL GAS AND ELECTRICITY ARE REQUIRED TO KEEP THE SAME DETAILED ACCOUNTS OF BUSINESS TRANSACTIONS AND TO SUBMIT THE SAME REPORTS THAT PUBLIC UTILITIES ARE REQUIRED TO KEEP AND SUBMIT TO THE PUBLIC UTILITIES COMMISSION. THE AMENDMENTS ALSO PROVIDED THAT OUT-OF-STATE SELLERS ARE SUBJECT TO THE SAME CIVIL PENALTIES TO WHICH PUBLIC UTILITIES ARE SUBJECT AND PROVIDED THAT LOCAL GOVERNMENTS THAT ARE HARMED BY AN OUT-OF-STATE SELLER'S FAILURE TO COMPLY WITH THE PROVISIONS OF THE BILL MAY PETITION THE PUBLIC UTILITIES COMMISSION TO SUSPEND OR REVOKE THE LICENSE OR OTHER AUTHORITY OF THE OUT-OF-STATE PROVIDER.

THE PUBLIC UTILITIES COMMISSION, THE PUBLIC UTILITY INDUSTRY AND THE OUT-OF-STATE PROVIDERS HAVE BEEN VERY HELPFUL IN GETTING THIS BILL IN A FORM THAT CAN BE AGREED TO BY ALL PARTIES. ON BEHALF OF THE LEGISLATIVE COMMITTEE FOR LOCAL GOVERNMENT TAXES AND FINANCE, I APPRECIATE YOUR CONSIDERATION OF AB 32.