BRIAN SANDOVAL
Governor

STATE OF NEVADA

ANGELA DYKEMA
Director

755 North Roop Street, Suite 202
Carson City, NV 89701
Office: (775) 687-1850
Fax: (775) 687-1869

GOVERNOR'S OFFICE OF ENERGY

MINUTES
(DRAFT)
Committee on Energy Choice

February 6, 2018

The Committee on Energy Choice's Technical Working Group on Energy Consumer & Investor Impact: Divesting Assets & Investments held a public meeting on February 6, 2018, beginning at

10:00 A.M. at the following location:

Legislative Counsel Bureau
401 South Carson Street, Room 2134
Carson City, NV 89701

The meeting was also available via videoconference at:
Grant Sawyer State Office Building
555 East Washington, Room 4412
Las Vegas, NV 89101

1. Call to Order and Roll Call: The meeting was called to order at 10:06 A.M. by Chair James Settelmeyer. The agenda item was opened up for roll call and a quorum was confirmed for the committee.

The following Members were present:

Members Present

James Settelmeyer – Carson City
Paul Caudill – Las Vegas
Erik Hansen – Las Vegas
Mark Hutchison – Las Vegas

2. Public Comment and Discussion:

Chair Settelmeyer opened up for public Agenda Item No. 2 and asked if anyone from the public sought to make a comment on the matter in both Carson City and Las Vegas locations. No public comment was provided.

Chair Settelmeyer closed Agenda Item No. 2 and moved to Item No. 3 on the agenda.

3. Approval of Minutes from the December 6, 2017 meeting.

Chair Settelmeyer opened up for public Agenda Item No. 3 asking if any members of the Committees wanted to move forward and approve the minutes. Mr. Caudill moved to approve the minutes, and Mr. Hansen seconded the motion. The motion to approve the minutes passed unanimously.

Chair Settelmeyer closed Agenda Item No. 3 and moved to Item No. 4 on the Agenda.

4. Overview of Issues related to Collective Bargaining Agreements and Divestiture under a Restructured Energy Market – Jesse Newman, Business Manager/Financial Secretary, IBEW Local 396; Hunter Stern, Business Representative, IBEW Local 1245.

Jesse Newman, in Las Vegas started with a PowerPoint presentation in regard to Question 3, and what the IBEW collectively sees as challenges for this committee if Question 3 was to pass. The IBEW Local 396 and 1245 represents NV Energy. IBEW Local 396 is in the south and IBEW Local 1245 is in the northern part of the state. We roughly represent 1300 employees that are covered under a collective bargaining agreement out of the 2500 employees that NV Energy currently has. We also represent employees for Valley Electric Association, the upper test site, the lower test site, and other electrical utility contractors. Local 1245 represents Mt. Wheeler, Plumas Sierra, Wells Rural, Desert Co-Ops, City of Fernley, Truckee Meadows and other electrical contractors. We do have a vast group of people that could be affected by Question 3 depending on the outcome of Question 3. I want to talk about the wage rates and what this means to the employees. A broader picture of the IBEW, collectively the IBEW in the state of Nevada, between the four locals, represents about 6000 employees. If you look at the employees that currently work for NV Energy, the knowns that we do know, if Question 3 were to pass, NV Energy would have to divest its generation assets. That’s a given under the constitutional amendment. If that was to happen, we would have roughly 400 employees that are covered under a collective bargaining agreement that would be affected by the spinoff of the generation and the assets being divested.

Mr. Newman expressed concerns about the employees that are covered under a collective bargaining agreement. It does have successorship language in it. So, if those plants were to be sold, technically under the collective bargaining agreement, that successorship language would in fact go with the employees that would be potentially sent to other employees.

The Concern we have is the way that NV Energy is structured and the way the collective bargaining agreement works is we fall under federal law and what federal law has is a successorship doctrine. Under that doctrine the language in the collective bargaining agreement isn’t useful. So for example, what would happen is the generation assets that were divested for the estimated 260 Southern NV Energy employees in the south and the 140 Northern employees in the north would be potentially subject to going to work for these employers.

What is foreseen, based off of the wage rates the employees make is the companies that purchased the assets will choose not to honor the collective bargaining agreement and if that happens the only option then would be is to hope we have at least 50% of the employees to go through the entire

NLRB process. We would then have to negotiate a whole new wage rate and collective bargaining agreement. So you see there is a whole host of challenges with it.

Some of the questions we've heard is if something can be placed in the state statute that forces an employer to take the wage rates and the collective bargaining agreement of those employees. In our opinion, you cannot impose any state statute on those employees because of the federal preemption that goes with collective bargaining agreements that are covered under federal law. If that was to happen, the rates of the employees of Local 396 Generation Tech in and in the north are in the amount of $50.06 and in the south the amount of $47.47. It's going to be hard to retain those wages.

A slide of benefits was presented Note: These employees generally have only worked for one employer being NV Energy. These employees are generally in rural areas that's where the generation assets are. These employees support these rural areas and keep the economy going in these rural areas because they are some of the better paying jobs in and most cases the highest paying jobs. These employees have had security and have been accustomed to knowing every 3 – 5 years an agreement will be negotiated with NV Energy and there will generally be wage increases, benefit increases and a protection that they currently have.

A typical independent power provider in the state currently pays is significantly less than what these employees are making at NV Energy. We do represent some of the independent power providers, such as the plant in Eldorado Valley, Solar Valley, Nevada Solar One. Research has shown that those employees currently make roughly $14.00 per hour to $35.00 per hour with very minimal benefit packages. If new negotiations were to happen then it would disrupt the long-term residents in the state of Nevada if Question 3 were to pass. I believe this is a challenge this committee will have to face.

Mr. Newman showed a slide that explained the current benefits that current members receive which included; 401(k) with a guaranteed 4% match, an additional 6% match of the employee contribution They have a Retiree Medical which each retiree employee will receive $260/per year of service per year for retiree medical pre-age 65 and $130/per year of service after age 65. The average age of these fleet NV Energy generation employees are age 55 and the average years of service is 22. If question 3 were to pass. If in 2018, this passes, these highly skilled employees who have ran these plant flawlessly without interruptions in the most extreme conditions would have uncertainty. The concern is these employees would seek more stable employment elsewhere. There are plenty of areas where employment is readily available. These jobs will be hard to fill due to the nature and also skill of the employees.

Beyond NV Energy Locals 396 and 1245 also work with our sister locals 401 and 357 here in Las Vegas. Currently we have existing solar projects going right now with an investment between 500 and 900 million dollar price range per project. After deregulation it would be unclear whether there will be an investment level in renewable projects or future energy providers that are unlikely to invest in local Nevada based projects. Currently on any one of these current projects, IBEW 401 or 357, will have over 1000 members. Obviously residents of the state of Nevada because that is the requirement working on these jobs. What we are hearing from the customers whom we are talking to now is when they enter into a power purchase agreement, it's generally with a local monopolized utility that has a Triple AAA credit rating, and very secure. They know if they enter into a 15 or 20 year agreement that NV Energy is going to be there.

The uncertainty now without the deregulated utility being in place and the ability to enter into these long-term power purchase agreements, we are already starting to see is a downtick in people wanting to come into the state of Nevada and invest in these renewable projects. We deal with these customers on a daily basis because we have large amounts of sun. People do want to invest in renewables in the state of Nevada, with the discussions we're having with the collectively four locals is that people are concerned that without the utility they will have an interest investing in the state of Nevada because of the uncertainty. The concerns the IBEW has regarding the collective bargaining agreement is these people are long-term residents of the state of Nevada. These people have enjoyed a job that pays well with security.

If Question 3 passes, and we're not able to address the concerns I just raised, we have just created a whole host of problems for these residents and employees of NV Energy. I guess how we fix it will be left up to you guys. I'm not smart enough to figure out how to fix it. If it does pass, I see a future for these employees that is not as bright as one they enjoy today. One last point regarding jobs, the known is the generation assets. This could go much further depending on how the legislature puts this together on who owns the meter. If it goes into the meter not being owned by NV Energy, we're looking at a potentially our meter another 50 or 60 jobs could be affected. The billing side of it, the customer service fees that go with it, you're looking at a couple more hundred jobs that could be affected. The known is the generation assets. The unknown are the other pieces I've spoken about.

Chair Settelmeyer intervened and stated that Mr. Newman and Mr. Stern had divided their discussion into two groups. One primarily focused on labor. And also the human aspect. You've discussed the concept that most of the people that are in this position are on the average 55 years old with 22 years into it. It seems to these individuals that these are not just jobs, but careers and lifestyles. Chair Settelmeyer asked what the turnover rate within the members the IBEW represents and how many who start these jobs end up retiring.

Mr. Newman agreed and stated that historically over 90 percent of the employees choose this as a career. The utility model has generally always been, let me use myself as an example. I entered into this when I was 18 years old. If I hadn't gone on to the union side, I would still be working at NV Energy.
I would've spent my whole career working for NV Energy from age18 to 65. My father also worked for NV Energy. Same thing, long term with a utility job that included good pay and secure benefits. My father raised our family on the ability to work for NV Energy with secure benefits. He retired about 5 years ago. I would say about 90 percent of employees will start with the company and will retire from the company. Primarily because it's a great place to work. Also, you see the wages and the benefits package that we have provided today for this presentation. It's hard to get that type of security somewhere else with those types of wages. The employees enjoy doing the highly skilled work, and take pride and ownership in these jobs. They understand the nature and their responsibility to the community. The community aspect is huge. They understand when it's 115 degrees out, if the power goes out, they will work 24 hours. If we have an outage in the northern part of the state, our lineman know that it doesn't matter if you've got three or four feet of snow they're going to get you back in power. It's a career, it's not a job, and it's a lifestyle.

Chair Settelmeyer stated that up in the north, policy changes over time. I used to have a service station up in Douglas County. We actually knew the cell phone numbers of those service guys. We would just call them, and no offense, just bypass your bureaucracy and get things fixed at a quicker rate.

Chair Settelmeyer opened it up for any questions that Mr. Hansen or Mr. Caudill may have. Mr. Hansen had a follow-up question to Chair Settelmeyer with regards to the average age being 55 in the pool. Where are you pulling your younger workers from and are you seeing less interest in the trade? Do you think with Question 3 that some of the interest in the younger folks coming into the trade is diminishing a little bit?

Mr. Newman stated that there obviously is some concern. What we do is we pool from the community for apprenticeships. Also, there are schools out there these people can go through. There is Alignment College or classes for generation plant operators. We're pooling from those people. We are seeing people asking the question about Question 3. The ones that are educated on it. Is this a viable career now for me? Is it going to be long term or would I be better going to work for APS or Southern California Edison? These places are paying retention bonuses and hiring bonuses. Because of the nature of these jobs, the market is very competitive. We are seeing people coming through the market asking the question if there is a likelihood they may not have a job, or how will they be affected if they did choose to go to work for you? We're seeing the same thing with our journeyman and lineman. They've got concerns about how it is going to affect them.

Mr. Caudill asked Mr. Newman if he recalled how many apprentices he has in southern Nevada. Or if Mr. Stern has the number for northern Nevada. Mr. Newman responded in the southern part of the state roughly are getting ready to interview roughly another 11 apprentices. The company does understand the challenges of putting employees in those positions. It's something the IBEW works very closely with the company. It's a joint apprenticeship. We take great ownership and pride in working with the company on this apprenticeship to make sure that we   what is the current term of those contracts? Mr. Newman stated the current contracts are up in 2021. The current contract of 2021 will be up with the collective bargaining agreement. With Local 396. I think Hunter can comment on 1245. We tried to put them pretty close together. They were 5 year agreements, the last agreement. When we negotiated with the company, both sides found value in giving the employees certainty. The certainty is the prime thing in working for the utility. In the last two years the increases were 2 to 2 ½ percent. The certainty was more important to the members I represent than the big wage increases.

Mr. Caudill stated one thing for the committee to consider is that in 2020 or 2021, assuming we've got a situation where we are transitioning into open retail access and you're in the process of potentially divesting power plants. There will need to be an effort to extend these agreements or negotiate these agreements. One of the uncertainties would be for what length of time you do that and what potential liability is the company in for negotiating a labor agreement that goes beyond 2023? This is one of the challenges that hit me as I was sitting here today. Mr. Newman stated one of the things needed to be looked at depending on if the agreements weren't extended. If Question 3 were to pass, the future employers would not take these employees on. There would be language in the collective bargaining agreement that would trigger layoff provisions set forth in the collective bargaining agreement. If you look at those severance provisions the company would be faced with, being NV Energy. Its two weeks of pay for ever year of service. With the average employee having over 22 years, you're looking at roughly a year's worth of pay those employees would have to be paid out when they were laid off. They'd also receive a 4500.00 paid lump sum for retraining, and six months' worth of cobra insurance for the average employee, with a family, an average of 1500.00 per month for cobra insurance. With the number of employees potentially impacted. We estimate about 400, there could be some significant costs accumulated with those layoffs.

Mr. Caudill stated this is an important point, let's assume the company negotiated a 5 year agreement with either one of the Local IBEW bargaining units in 2021. That takes you to 2026. In 2022, if one of these plants are sold and the buyer makes a decision that they do not want to operate under the collective bargaining agreement. I'm hearing you say they will not have to do that. Mr. Newman stated "correct." Mr. Caudill stated at that stage the collective bargaining agreement becomes null and void, and at that stage if they decide to lay one of these employees off, severance provisions do not kick in. Is that correct? Mr. Newman stated "that is correct." I think again it's something for the committee to consider when they think about the potential impacts to some of these Nevada employees working for, not just for NV Energy, but for the other companies you identify here. Absolutely, if you look at some of the other employees we represent, and how it's going to affect them, we have members that work for the City of Boulder, Valley Electric. You look at 1245, they represent a whole host of the rurals up in the northern part of the state. They would be affected the same way as NV Energy. Mr. Caudill thanked Mr. Newman for the presentation. Mr. Stern added two answers to Mr. Caudill's questions. In the north there are currently 11 apprentices. Our collective bargaining agreement runs through 2022. Mr. Newman covered most everything else.

Chair Settelmeyer stated in the current state of Nevada, many workers in the state tend to work past their ability to retire because they enjoy the job and larger paycheck. Sometimes when the legislature passes laws, it triggers people to retire due to uncertainty or potential change to PERS. Sometimes there will be an unintended consequence of legislation we pass that will trigger retirement of a large portion of workers. Do you also within IBEW have individuals that currently are capable of retiring potentially choose to continue? And potentially if there's such as the ballot initiative could trigger per say early retirement or trigger them to retire? Do you know of any of those details by chance, Jesse? Mr. Newman stated that they had the similar situation. Some of the legislative stuff that happened with the shutdown of Reid Gardner. We had provisions set forth to move those employees to other plants in the fleet because of the uncertainty of Question 3 and not wanting to move from one plant and travel a tremendous distance chose to retire. At that point, didn't want to retire but because of the uncertainty and change of nature and location. So they chose to retire. So it does happen.

Mr. Stern, of IBEW 1245, started by saying Mr. Settelmeyer was correct by saying the second part of this presentation is a little different. Our members, both north and south, in Las Vegas and in northern part of Nevada. We service the customers. The customers at NV Energy provide services too, as well as others. We do have an interest in the customers' experience. We have a commitment in making sure that experience is as positive as possible. There's been a lot of discussion not just in this subcommittee but the committee as a whole about Texas as an example of retail choice. We're not sure that all of the information brought out is not a full or complete picture. We did want to take a quick survey of Texas as an historical example. The intent is to bring lower prices or electricity costs. When Texas began its deregulation, its unregulated retail environment, that's not what happened.

There was a pretty thorough study published in the 2007/2008 timeframe. The major findings of this research are listed here. The fundamental effect was that customers were disadvantaged. It doesn't necessarily mean that things have to go this way. I can't recall any of the testimony that got into the customers' experience in Texas or in any of the other states that have been discussed by the committee thus far. This is actually very much Nevada's experience today. Nevada's prices/rates are lower than the national average. Not just NV Energy's but also other retail electric providers in the state. NV Energy is obviously the issue on this committee's mind. After the unregulated market began in Texas, those costs increased for the retail customers. The point of revisiting this study and also Texas, is to make clear you can slice and dice this information a lot of different ways. There are two prominent approaches. One is to take the aggregate amount of overall energy sold and the relative savings or cost increases associated with that.

There's no question that retail choice, the unregulated marketplace advantages the largest consumers of electricity. The largest load, the largest users can cut their own deals. They have good negotiating power and plenty of people that want to serve them. The ultimate price they pay is a negotiated rate. It is lower almost always than under a regulated environment. That is not the case for residential customers and you can extend the same sort of experience to small business owners. This is particularly focused on the residential customers. In Texas, those residential rates or prices increased 64 percent in the first nine years of service.

The other way to look at these costs is on an aggregate or an individual year to year basis. The first ten years of the regulated and unregulated experience was bad for the customers and for the consumers. If you take the year to year cost difference, you will find that residential ratepayers in Texas paid more than they would have paid in an unregulated environment than if the regulated environment would have continued. Only in the last year or two, specifically 2016 and 2017, did the residential customers in Texas pay lower than had they remained in a regulated environment. It means that people can come in and testify and say that you can do better, Texas rates are lower, unregulated versus regulated. That's the not the full story. The full story needs to be what people paid every year and what difference would it have been otherwise.

Jumping ahead, this is from an article published a few years ago detailing some of the problems that the consumers or customers experienced in an unregulated market. This is more of a general approach surveying the different states. It's not unlike cell phone experience today where you are as a customer are unaccustomed to consuming electricity and buying electricity in an open market. They get a good rate, they like it, they sign up for it and then something changes. That something can be any number of things and has been in different states. NV Energy testified that some of the consumer programs it provides they would no longer provide. Most people use these three programs: Energy efficiency and conservation are something that a lot of people are interested in maintaining; the assistance program for fixed and lower income; and then the equal payment program, which doesn't seem like a big deal and probably is something that retail providers could provide more easily than the other two should Question 3 pass. Although, they don't have to. The equal payment plan makes it easier for people to plan and budget their payments, particularly over the hot months. There's no certainty that these kinds of programs will be able to be maintained or offered by retail providers in an unregulated environment.

There are issues that impact our members regarding changes in the marketplace. There has been a lot of talk about the retail marketplace changes. Question 3 focuses on that. The advocates suggest this is a really good thing. There has been almost no discussion until this committee was formed about the wholesale marketplace. That's where most of IBEW 396 and 1245 members work. Additionally, the other IBEW members and other workers throughout Nevada are engaged in constructing and operating some of the large solar arrays and plants in the state. Some of that power goes to other states but it would still work here. There's no certainty that the people who will come in, assuming they take over the existing plants, I'm referring to the gas plants that Brother Newman was referring to in his presentation, are going to run them. There's no certainty that they're going to be taken over at all. We may lose two or three important plants. If they are taken over, and we're concerned about the wage and benefit structures of the new owners, they also operate these plants differently. And not with the interest and reliability or the interest in Nevada customers. First and foremost as NV Energy does at the direction of the PUCN.

IBEW 1245 represents plenty of workers in California. We've had this experience. We've represented workers, independent power producers and independent plants. Their decision making and operations are simply different than a regulated utility. It's not necessarily bad. It is directed to benefit them as a company and their revenue and profits, rather than the reliability of the energy supply, and the reliability of the plant. In other words, decisions about what to fix and when to fix it, are made differently. This impacts our members because it could be that something goes wrong in that plant and then they're out of work. It also impacts the customers they serve.

The reliability issue is about supply. Is there enough energy at a given time when it's needed? It's also the reliability and the operation of the plants that may continue to operate in the state. We have seen two things in California for sure. One is more power comes from outside of California after deregulation than it did before. The state of California imports more power than it did before. The second is the motivation or the investment necessary to build new plants is harder to come by. These gas fired plants are more expensive. The capital expenditure and the need to get that money back over 20 or 30 years is intense. There's no certainty that the money comes back in a retail marketplace. The retail suppliers have their own energy suppliers and their own contracts already. They will likely return to those resources before signing new contracts in Nevada. What happens then is a more likelihood the longtime workers will choose to retire due to the uncertainty. Some might choose to leave and work in another state given the circumstances here in Nevada. Most of them will likely retire here where they've lived. That trained workforce will no longer be available. Attracting the same skilled workers is very low.

The state will no longer be able to regulate its markets. It will become FERC regulated on the transmission side. The local retail side will be driven by the unregulated marketplace. Residential customers don't use a lot of electricity. They're not that attractive to these retail providers. It's more of a reality than a negative thing. If your load profile is really low, you don't use a lot of electricity. It's not as easy to make money on the margins that these retail providers need to make with these customers. If they're forced to provide services in order to get service here, which is one suggested way of getting around some of the lack of interest in serving both customers and particularly lower income or fixed income customers, they will need to make that money up somewhere else. It would likely be in the way of increased rates for other retail customers that they're serving. In California we've absolutely seen, and it's been reported and noted several times through this subcommittee and also the committee as a whole that the energy crisis in California led to price spikes and blackouts during that period.

All of the concerns and risks and potential problems are made that much more difficult by amending the state constitution and putting absolute requirements on the duration period in which this could happen. It's also very unclear that the clean energy goals that the state has identified and we are still pursuing can be met in this kind of environment. When the constitution is amended and technology changes, resource changes, markets change. You may now need to back and amend the constitution again. That's a slow, laborious process. With that I will finish my presentation. Mr. Stern stated he was happy to answer any questions.

Chair Settelmeyer asked about equal interest on the Texas model. I believe if it was to pass by the voters, wouldn't we be required to have 100% of the market deregulated in the state of Nevada. Or could we choose like Texas did? It seems that 15% of Texas is not deregulated. Mr. Stern confirmed that Texas and all the other deregulated states to date have done so legislatively. In their deregulation they carved out all of the municipal utilities then serving customers in the state, which is part of the difference. Although I'm just a labor guy and not a constitutional lawyer, my view is the same. The manner in which the initiative is written, the state of Nevada would be required to eliminate its monopoly and franchise for all generation. Therefore, the current monopoly as granted by the state, being NV Energy, could no longer serve customers by supplying their power.

Chair Settelmeyer added that currently the coops and also the munis I represent. I represent Churchill County for full disclosure, within Churchill County the City of Fallon is the energy provider for my constituents. In essence they have a monopoly to provide that power to those citizens. If it ends that ability for them as well, the competition would be allowed in those areas. Where in Texas, due to the lower population and certain municipal areas and also the coops, they created a situation where they said we need to maintain the regulation of those in order to maintain a certain level of service. It seems to me that would not be permitted due to the fact this was done under a constitutional amendment. I may have to confirm with our legal counsel at the LCB to see if my interpretation is correct.

Mr. Stern stated there are several different views about what energy choice means. Our reading is similar to your past statement. I would point out the reason rural electrical cooperatives were created is exactly what Chair Settelmeyer stated, that only through collective and cooperative structure could these rural customers get the reliability of rural electricity that people in densely populated urban and suburban areas were enjoying. This is the turn of the 20th century 900 to 1930, involved electrification of rural areas. Those cooperatives provide an absolute essential function to all the people they serve. Particularly the larger agricultural customers. Chair Settelmeyer stated there are a lot of people who choose to live way out in the middle of what some people consider nowhere.

Mr. Hansen asked if energy efficiency and was something Mr. Stern thought could be kept in place through legislative mandate. Mr. Hansen also stated that a lot of this will end up with our elected leaders. It seems to me we could keep those through legislative mandate.
Mr. Stern stated he thinks that two things happen. The first is this legislature could endeavor to do so and I think that would be the right instinct. The question then becomes will the retail providers choose to serve under those conditions. Mr. Stern stated he just attended a PUCN hearing the prior week where Chairman Reynolds described certain terms and conditions that the PUCN would like to see, should Question 3 pass, these retail providers honor in order to get the right to serve customers in Nevada. I think ultimately then it becomes a choice of the retail provider and are they willing to serve under those conditions and how will they set the rates? In other words, you can make those choices but in order to make the revenue and profit you seek as a company providing the service, you will then set your rates accordingly. Again it's not the same thing. It's not unlike what might happen. There are a lot of rules and restrictions in the contracts you sign to receive cell service. Most people see cell service today as an essential service. I'm not sure if cell service is regulated in the same way. Electricity absolutely is an essential service. The question then becomes is who's willing to provide that retail electric service and under what conditions? If you do mandate those conditions, what is the effect on rates or cost? Those are all open questions.
Mr. Hansen stated that all makes sense.

Mr. Hansen stated a concern of his is if and when plants are owned by a third party provider, will they be governed and have to comply by the reliability standards set forth by the federal entities?
Mr. Stern stated there have been third party plants operating in the state of Nevada for years. An entity we had a labor agreement in California was operating the APEX plant. It's not a question of them not observing safety rules or minimal standards for operation. The question becomes what is their goal and target? The answer is to operate the unit and make the profit the third party seeks. Otherwise they're not in business. The second and more important part of reliability is the power supply. Is there enough electricity being generated around Nevada? It's available to the wholesale marketplace to ensure Nevadans, particularly in southern Nevada, have enough electricity when it's the hottest day of the year? This is uncertain because the level of investment, particularly independent power producers are getting hammered right now. We have contracts with a few of them. We've lost contracts in other units because they've closed and don't operate any longer. Their ability to operate in the future is a function of the marketplace for them. That marketplace does not include the concerns that the state of Nevada may have about resource adequacy or electricity supply. It's a marketplace where they are required get the best price for the energy they produce. If they can't operate their plants profitably, they won't operate them anymore and close them down. This is not about the plant itself not meeting maintenance standards. Although maintenance standards can be met and the plant can operate differently based on the interest of the owner, or not operate. That's the point of the presentation slide. Mr. Hansen stated he appreciated the clarification.

Chair Settelmeyer thanked Mr. Stern for the presentation. He also stated that it raises a lot of interesting questions if this passes. It puts a lot of faith within the legislative process and ensuring it's correct the first time. However inductive logic in my 12 years of experience tends to point otherwise. Sometimes it takes us a time or two within a legislation of this size to get it correct.

Chair Settelmeyer thanked for presentation and moved to Item No. 5.

5. Overview of Labor and Employment Issues Under a Restructured Energy Market – Carolyn Barbash, Vice President of Energy Market Policy, NV Energy.

Carolyn Barbash, in Carson City, started with some background on NV Energy's workforce. NV Energy currently employees about 2500 employees throughout the state of Nevada. Over half of these are represented by the International Brotherhood of Electrical Workers 396 and 1245, as you just heard Mr. Newman and Mr. Stern describe. In addition to that, NV Energy contracts with about 200 external employees who work for local businesses in order to help us administer our energy efficiency and conservation programs. In this presentation I will try and provide a high level estimate of the impact on our employees' careers. The 2500 employees and the other 200 external contractors that could occur if Question 3 passes. It's difficult to provide much more than a high level estimate due to the lack of details around Question 3 in and of itself. We've made a set of assumptions in order to give these high level estimates. Of course, one assumption that I think everyone agrees with is that NV Energy would divest its power supply assets and exit the role of the provider of electric service for Nevadans. This would result in at least 30 percent of our employees being impacted or not necessary for the company's new operations.

Some of the groups that would be impacted by Question 3 if it does pass; the generation group consists of the employees that are involved in the day to day efficient operation and maintenance at our power plants, as well as engineers, analysts, etc. Most of these employees work at plants in the rural areas of Nevada. For example, Fort Churchill out between Valmy and Winnemucca, Winnemucca and Battle Mountain out in our Valmy plant and various other plants throughout rural Nevada. Some of them do work in the Las Vegas and Reno areas doing engineering, analytics and planning. The renewables and energy efficiency group consists of employees that develop and procure renewable energy, administer our public policy programs and assist our customers in their conservation efforts. If Question 3 passes, it's assumed that, as Mr. Hansen was just questioning, that each electric provider in Nevada would be responsible for procuring their own renewable energy and also providing any energy and conservation programs that the state of Nevada would require those companies to do. It's most likely that they would use contractors, not local contractors but contractors they've already established in the states that they are headquartered in. Our resource optimization group is the employees who continuously, I mean, every month, every hour, every 15 minutes, economically optimize a portfolio of resources that serve Nevadans. Including our participation in the energy imbalance market and executing on the joint dispatch agreement so that we can ensure that resources all across Northern Nevada, north and south, are optimized.

If Question 3 passes, each electric provider would be responsible for managing their individual smaller portfolios on a smaller scale basis. Our resource planning group consists of our engineers, economists and financial experts that plan day ahead seasonally, annually and create 3 year action plans, investment plans and 20 year plans for optimal integrated energy supply and delivery to meet Nevada's forecasted needs and economic growth. As well as participate in the Public Utilities Commission's integrated resource planning process. If Question 3 passes, Nevada's resource adequacy programs will be disintegrated, for lack of a better word, it will separate the delivery planning, the planning of the transmission and delivery assets from the resources that are delivered on those assets. The resource adequacy program would most likely be administered by an independent system operator with oversight from the federal government. The ISO would most likely be located outside of Nevada. Transmission service and energy balancing groups, these are employees of the fiscal wholesale customers and generation owners. It consists of the rurals, munis and coops, those power agencies we spoke about by providing delivery service over NV Energy's system to deliver their energy to their customers. The transmission operators and engineers that ensure Nevada's transmission system is continually in balance for actual electric supply and demand, meaning maintaining 60 hertz on the system and reacting quickly to any unforeseen problems and outages on the system.

If Question 3 passes, Nevada will most likely have the need to turn control over its system again to a different wholesale market operator. Today, those customers in Nevada, the rurals, munis and coop customers, 704B customers those that serve those customers purchase and receive transmission service from NV Energy. If for example Nevada turned control of its transmission system over to the California ISO, Nevadans would then need to interface with California ISO to purchase and receive transmission service or interconnect a generator. The California ISO would also be settling their energy prices. They would submit their payments to the California ISO for transmission service as well as wholesale energy.

Our customer service group consists of our call centers that take customer's billing and credit questions and a variety of other questions. Our major account representatives that support our larger more sophisticated customers because their questions are a lot different, and of course our credit and billing assistance workforce. If Question 3 passes, the retail providers, it's assumed that they would be interfacing with their large and small customers and responsible for answering any billing and credit questions, or making any arrangements. Our support services organization consists of our finance, our government affairs, human resources, corporate services, community relations, procurement, legal rates, regulatory, environmental and safety. If Question 3 passes, the economy will scale from operating these support roles that support total bundle packages of service to Nevadans would be downsized. Each of the participants in Nevada would have these staffs for themselves. And again, these supports would likely be located in the states that the providers are headquartered in. Mr. Stern and Mr. Newman touched on the uncertainty regarding employment in Nevada is an issue. The proposal has already created some uncertainty since it was filed in February of 2016.

Unfortunately, NV Energy hasn't been able to provide definitive answers to our employees about their careers given the lack of details around Question 3. If Question 3 passes a second time, this uncertainty will continue to increase, leading to the implementation of the market. Employees will be looking for more certainty around their employment and look for jobs outside the company in order to support themselves and their families. Mr. Newman and Mr. Stern already spoke about the uncertainty around a new buyer and the collective bargaining unit contract. So, I won't repeat that. It's also highly likely that as these employees leave during the transition period leading up to an opening of a retail market, NV Energy will have a difficult time filling jobs for those key functions in order to continue our obligations to reliably provide service to Nevadans until the new market is in place.

Based on all of the assumptions, we've also tried to estimate the cost of workforce downsizing and the retention that would be required during the transition period. We've estimated the severance cost to be over 20 million for approximately 311 non-represented employees. Again, these are all assumptions. 28 million in severance cost for 368 represented employees. Retention costs ranging from 4 to 7 million dollars. Finally, again there will also be impacts to the 200 external employees that the company contracts with for energy and conservation services. If new retail providers are required to offer energy efficiency and conservation programs it is likely that those retail providers will choose contractors that they're already employing in their headquarters in other states that they already provide service to. No questions were asked.

Chair Settelmeyer thanked Ms. Barbash for the presentation and moved on to agenda item 6.

6. Update from Committee on Energy Choice (CEC) staff on the progress of the CEC's request to the PUCN to open an Investigatory Docket.

Matt Morris provided an update on the status of the investigatory docket. There were a series of workshops that were held between January 16th and January 30th. I'm going to touch on some of the major items. On January 16th, the workshop held was dedicated to discussing potential amendments to or appeal to any current Nevada laws, policies or existing energy programs that may be necessary to establish an open and competitive electricity market in Nevada. The PUC held a follow-up workshop on January 23rd that discussed those issues. On January 17th, a workshop was held to discuss options reasonably available to Nevada in designing and establishing a wholesale electric service market. A follow-up to that workshop was held on January 24th. On January 18th, a workshop was held dedicated to discussing options reasonably available to Nevada in designing and establishing a reasonable, competitive retail electric service market. Including but not limited to the relative pros and cons and the best practices and structure for the state. The PUC held a follow-up workshop on those issues on January 25th. Finally, a workshop was held to discuss potential short and long-term financial benefits and risks to residents and businesses of Nevada should the initiative pass, a follow-up workshop was held on January 26th discussing those issues. There was a written comment and reply period that began on December 9th and that lasted through January prior to the workshop period. The PUC Chairman extended that written comment and reply period so that it was reopened from January 31st. It is now currently open so that comments and reply from interested and affected stakeholders can be submitted on the record. It is scheduled to conclude on February 16th.

7. Public Comment.

Chair Settelmeyer thanked Mr. Morris for the update and opened Agenda Item No. 7. Chair Settelmeyer asked if anyone from the public sought to make a comment in Carson City or Las Vegas.

Fred Voltz in Carson City stated to put some context around the deliberations of this working group as well as the committee at large. The US energy information administration publishes a monthly matrix of power costs. They split it out by state and then within each state by residential commercial, industrial and transportation users. They then put all of those sectors together into an average rate. We've heard during the proceedings at this committee as well as the PUC about various states who have deregulated or have changed otherwise their formula for electricity provision. The chart that I am looking at, the average price for electricity to ultimate customers by end user sector. It's for the month of November 2017. These are the most current stats available. It says that in Massachusetts the cost for kilowatt hours for all sectors is 16 ¼ cents. In California it's 15.9 cents. In Pennsylvania it's 9.99 cents. In Illinois it's 9.43 cents. In Texas it's 8.40 cents. In the state of Nevada it is 8 ¼ cents per kilowatt hour. With the US average being 10.38 cents per kilowatt hour. The importance of this is how much more we might be able to save if Question 3 passes, given the experience of these other states that have been doing this for some time. Thank you.

Chair Settelmeyer closed Agenda Item No. 7 and moved to Item No. 8 on the agenda.

8. Adjournment.

Chair Settelmeyer thanked all for their participation and attendance, and asked for motions to adjourn the meeting. Eric Hansen motioned and Paul Caudill seconded the motion. Chair Settelmeyer adjourned the meeting.