

Committee Action:
Do Pass _____
Amend & Do Pass _____
Other _____

Senate Committee on Commerce, Labor and Energy
This measure may be considered for action during today's work session.
March 4, 2011

Senate Bill 60

Revises provisions relating to the Fund for Renewable Energy, Energy Efficiency and Energy Conservation Loans. (BDR 58-410)

Sponsored by: Senate Committee on Commerce, Labor and Energy (On Behalf of the Governor)
Date Heard: February 23, 2011
Fiscal Impact: Effect on Local Government: No
Effect on the State: Yes

The bill is designed to allow the Fund for Renewable Energy, Energy Efficiency and Energy Conservation Loans to be used for energy efficiency and energy conservation projects as well as renewable energy projects; when the bill was enacted in 2009, these two activities, though mentioned in the title of the Fund, were not specifically authorized in the text.

Amendments: Stacey Crowley, Director, Nevada Office of Energy, presented an amendment to also allow the Fund to be used for renewable energy system manufacturing.

Subsequent to the hearing, Ms. Crowley asked if she could present a further amendment to address an issue brought to her attention during preparation for her budget hearing. The money for the Fund comes from the federal American Recovery and Reinvestment Act of 2009 (ARRA); under ARRA, it is permissible to use a portion of the funding, including the interest earned by the Fund, for administrative purposes. However, that authority is not clearly set out in the current *Nevada Revised Statutes* provisions. Therefore, Ms. Crowley has added language to her proposed amendment to accomplish this purpose as well.

Additionally, the new amendment includes a provision authorizing the adoption of regulations that establish a priority for larger energy efficiency or conservation projects funded under the loan program.

A copy of the new amendment, which incorporates the original amendment, is attached to this document, along with some supporting documents.



OFFICE OF THE GOVERNOR
NEVADA STATE OFFICE OF ENERGY

MEMORANDUM

DATE: March 3, 2011
TO: Stacey Crowley, Director
FROM: Robert Nellis, Energy Program Manager
RE: ARRA Project Inspection: February 22-25, 2011

This memo is a summary of the ARRA project inspections conducted by Sean Sever and myself from the State Energy Office in cooperation with three Project Officers from the Department of Energy (DOE). The inspections were conducted over four days covering four counties in southern Nevada. The substance of the inspections was to view 14 projects that were in the process of implementation or have been implemented to ensure they complied with the Davis-Bacon Act, ARRA's Buy American provision, National Environmental Policy Act, and State Historic Preservation Act where applicable. I am pleased to report that the DOE is extremely pleased with Nevada's ARRA implementation progress and how we monitor our projects and will be sending detailed report before the end of next week.

The ARRA inspections consisted of monitoring random sampling of projects implemented under the Energy Office's State Building's Program, Energy Efficient Schools program, Revolving Loan Program, Street Light and Traffic Signals Program, and Alternative Fuel Program. Prior to arriving at each site the recipients were required to provide the Energy Office with proof of meeting Davis-Bacon wage requirements, Buy American provisions, and others requires on a site specific basis. The Clark County School District, Lincoln County School District, Esmeralda County School District, State Public Works Board, Sunburst Energy, and RO Ranch were all found to be in compliance with the Davis-Bacon Act. The DOE expressed high praise for the RO Ranch Hydro project, which was implemented by Nevada Controls with Revolving Loan funds. The DOE stated that of all the projects they had reviewed, Nevada Controls was the most organized and had the most complete files demonstrating Davis-Bacon requirement that they had seen.

The only questions or concerns observed were regarding one Buy American compliance question and one State Historic Preservation Office question. The State Historic question was in regard to some HVAC and lighting upgrades implemented on a Lincoln County school building that was 51 years old. DOE has cleared this item today, stating that the work was found to be in compliance with SHPO. The Buy American compliance question was raised during a visual inspection of solar panels being installed on the Grant Sawyer property. The contractor claims to have a Buy American waiver, which is currently in the process of being reviewed by DOE. Funds are being held until the compliance question is resolved.

Nevada State Office of Energy
Revolving Loan Applications Approved by IFC

Applicant	Project	Location	Est. Jobs	Funding Requested	Status
Young Brothers Ranch	Hydro Plant	Kingston	3.13	\$448,000	Funded
Truckee River Ranch	Hydro Plant	Nye County	3.13	\$619,600	Funded
Sean R. Madole	Wind Turbine	Washoe Valley	.193	\$45,497	Funded
ATB Enterprises	Wind Turbine	Reno	.193	\$42,930	Funded
Earl & Rhonda Knox	2 Wind Turbines	Washoe Valley	.193	\$44,268	Funded
Avatar Energy Nevada	Anaerobic Digester	Lyon County	15	\$1,500,000	Funded
Sunburst Energy Solutions	6 Photovoltaic	Clark & Washoe	2.79	\$1,500,000	Funded
Desert Hills Dairy	Anaerobic Digester	Yerington	15	\$2,040,662	Funded
Hillside Dairy	Anaerobic Digester	Fallon	15	\$2,347,000	Funded
Berken Energy	Geothermal	Fernley	8	\$1,700,000	Funded
Van Norman Ranches	Hydro Plant	Tuscarora	1.75	\$220,998	Pending NEPA Approval
Enigma Energy, LLC	Photovoltaic	Incline Village	27	\$2,500,000	Pending NEPA Approval
The Lake Tahoe School	Photovoltaic	Incline Village	2.2	\$254,696	On Hold by Applicant
DHDB, LLC	Biodigester	Yerington	10	\$1,200,000	Additional Info Needed
Zero Carbon Wind Energy	Wind	Searchlight	TBD	\$1,600,000	Additional Info Needed
Mountain View Industrial Park	Photovoltaic	North Las Vegas	TBD	\$100,000	Additional Info Needed
Rodney and Lori Monk	35 Wind Turbines	Battle Mountain	TBD	\$60,000	Additional Info Needed
Truckee Carson Irrigation District	Photovoltaic	Fallon	3	\$3,500,000	Additional Info Needed
All Sun & Wind Energy	Wind & Photovoltaic	Reno	3	\$1,000,000	Additional Info Needed

Brian Sandoval
Governor

STATE OF NEVADA



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OFFICE OF THE GOVERNOR
NEVADA STATE OFFICE OF ENERGY

MEMORANDUM

Date: March 1, 2011

To: Chairman Schneider, Chairman of Senate Commerce, Labor and Energy Committee

From: Stacey Crowley, Director

RE: Proposed Amendments to SB 60 - Expansion of the Fund for Renewable Energy, Energy Efficiency and Energy Conservation Loans

INTENT OF Senate Bill 60

The Fund for Renewable Energy, Energy Efficiency and Energy Conservation Loans ("Fund") is a successful, low interest rate loan program that provides financing for renewable energy projects. This Fund originated from a \$9.2M American Recovery and Reinvestment Act (ARRA) grant through the Nevada State Office of Energy.

Currently only renewable energy projects are able to take advantage of this program by statute. The original intent of the Fund was to include energy efficiency and conservation projects, and SB60 proposes to add those project types to the program. This will help continue and grow a sustainable Fund for the long term benefit to Nevada.

Under the ARRA Program, the objective is to:

"Provide low-interest loans a) to industry for renewable energy system manufacturing, b) to renewable energy developers for the installation of renewable energy projects, and c) enterprises involved in energy efficiency and energy conservation improvements."

PROPOSED AMENDMENTS TO Senate Bill 60

There are three issues being addressed by the proposed amendments to SB 60:

1. Development of regulations that establish priority for larger energy efficiency or conservation projects funded under this loan program;
2. Fund's allowable project types to include renewable energy manufacturing; and
3. Additional language to clarify that the Director can use a portion or all of the interest from the Fund in order to administer the Fund.

Therefore we are offering the following proposed amendment language under SB 60 for your consideration. There will be more detailed criteria set forth in the revised regulations that follow the adoption of this Bill as set forth in NRS 701.595.

- Add the following subparagraphs to the end of Sec. 4 of SB 60:
 - 4. The development of renewable energy system manufacturing.*

- Add the following language to Sec. 8.1 of SB 60:
 - (d) The development of renewable energy system manufacturing.*
 - except that the interest earned on the Fund may be used to defray, in whole or in part, the costs of administering the Fund and the expenses of the Director in administering the program.*

- Add the following subparagraph to the end of Sec. 8 of SB 60:
 - 5. Money from the Fund may not be given to Energy Efficiency or Conservation projects that receive other subsidies for the same work.*
 - 6. The Director is to give preference to large projects as determined by the adopted regulations pursuant to NRS 701.595.*

AMENDMENT BENEFITS

The Fund has been a success, both in terms of getting stimulus dollars out to innovative companies and getting jobs on the ground, as well as by establishing a structure for an on-going, “revolving” loan program that will continue to provide financing for innovative energy projects. For example, as a result of receiving funds through this program, at least two companies are in the process of locating manufacturing plants to Nevada that will provide hundreds of jobs to Nevadans.

Projects under the new categories could include:

- Energy efficiency upgrades to large commercial or industrial facilities, providing immediate construction jobs and significantly reducing the energy costs of typically high energy consumers
- Programs for curtailing demand at certain times in order to lower the peak demand on the system and delay the need for new power plants or expensive power purchases. For example, some experiments with NV Energy's new smart meters are designed to both lower the overall use of electricity AND shift use to off-peak hours.

The use of the Fund’s interest for administering the Fund is critical to the success of the program. The interest is assumed to be used for that purpose in our proposed FY12/13 budget and is considered an allowable use through American Recovery and Reinvestment Act.

Attachments:

- Letter with additional Revolving Loan Fund Program information
- Estimated revenue and expenditure spreadsheets for Revolving Loan Fund Program
- Letter from DOE representing approval to use portion of ARRA fund to administer Revolving Loan Fund Program

Thank you for your consideration.
Stacey Crowley, Director



OFFICE OF THE GOVERNOR
NEVADA STATE OFFICE OF ENERGY

MEMORANDUM

Date: March 1, 2011

To: Chairman Schneider, Chairman of Senate Commerce, Labor and Energy Committee

From: Stacey Crowley, Director

RE: Proposed Amendments to SB 60 – Additional Information

Revolving Loan Fund Description

Purpose

The revolving loan fund is created under NRS 701.545-701.595 through a federal grant authorized under the American Recovery and Reinvestment Act of 2009 and is to continue in perpetuity. The interest rate is set at a maximum of 3% pursuant to NRS 701.590(1).

Available Funds

The amount authorized by the legislature to grant loans from the Fund is \$9,224,097. Additional funds from NV Energy Rebates in the amount of \$729,465 and unspent ARRA funds may be deposited into the Fund for the purpose of granting additional loans, bringing the total amount in the account available for loans up to at least \$12,000,000 by early 2011. It is important to note that any original ARRA funds not expended by April 30, 2012 will be returned to the federal government. In order for projects to have sufficient time to expend funds, loans with those original monies must be granted no later than the first quarter of 2011.

Interest

Interest is calculated based on the \$9,224,097 currently approved for loans by the IFC. The total interest earned on this amount from FY11-FY13 is estimated to be \$533,668.90. The NSOE currently has \$13 million in qualified applications that will be ready to receive funding between now and the end of the calendar year, so it is likely the amount of interest accrued will be greater as additional funds are deposited into the revolving loan fund and loaned out to applicants.

Administration

NRS 701.585(d) and (e) provide authority for the Director of the Nevada State Office of Energy (NSOE) to manage the Revolving Loan Fund *“in accordance with the requirements and objectives of the American Recovery and Reinvestment Act.”* This language demonstrates the intent for the provision of management and administrative expenses for the ongoing administration of the Fund.

There are sufficient ARRA funds to administer the revolving loan program through April 30, 2012. Beyond that, the interest earned on the loans will be used to administer the Fund. Approximately \$500,000 in expenditures is needed in the next biennium to continue the program's payroll expenditures, operating costs, and travel costs through June 30, 2013.

See attached projected Revenue and Expenditure spreadsheets.

Revolving Loan Administrative Expenditures

In May 2010, the NSOE requested confirmation from the Department of Energy (DOE) as to whether interest earned from the Revolving Loan Fund could be utilized for ongoing administration of the Fund after the NSOE has exhausted its budgeted administrative costs as of April 30, 2012. Please refer to the attached email confirmation from the DOE dated May 20, 2010, stating that utilization of the interest for ongoing administration of the Revolving Loan Program is considered an eligible purpose under the terms and conditions of the ARRA Act.

Utilizing the interest earned from loans made from the Revolving Loan Fund is consistent with best practices implemented by other states with revolving loan funds. The NSOE recommends adding amended language to the statutes in order to clarify that the NSOE may utilize the interest for ongoing program and administrative costs.

The recommended language came from the Nevada Division of Water Resources' Revolving Loan Program which states: *"The money in the Fund may be used to defray, in whole or in part, the costs of administering the Fund and the expenses of the Director in administering the program."*

While the language allows for Water Resources to utilize the principal in the Fund itself and not just the interest for administering the Fund, NSOE recommends language stating that only the interest may be utilized to defray administrative costs.

It is important to note that the ongoing success of the program is dependent upon keeping the team in place that launched the program so effectively and making it the first program in the nation to have loaned out 100% of its ARRA funds to qualified projects. This team has ensured that funds revolve back quickly so that additional requests for proposals may be submitted and new projects initiated every few years.

Project Team: The Energy Program Manager, Outreach Coordinator, Accounting Technician, and Grants & Projects Analyst will be paid out of the interest earned from the fund. Each position serves a different function in administering the program. The Program Manager manages the program; the Outreach Coordinator markets the program; The Grants & Projects Analyst seeks funding for the program, and The Accounting Technical administers the reporting requirements.

- End of Memo

REVOLVING LOAN PLAN

Revenues based on Actual Interest Received in Fiscal Year

	Interest	FY11	FY12	FY13	Projected FY14	Total
Revolving Loan Interest						
Loans Granted: \$9,224,097	3%	\$ 29,515.79	\$ 205,474.10	\$ 250,086.68	\$ 347,000.00	\$ 832,076.57
Balance Forward to FY 12		\$ 29,515.79	\$ 29,515.79			
FY 12 Expenditures			<u>\$ (43,016.66)</u>			
Balance forward to FY 13			\$ 191,973.23	\$ 191,973.23		
FY 13 Expenditures				<u>\$ (272,695.00)</u>		
Balance forward to FY 14				\$ 169,364.91	\$ 176,977.16	
FY 14 Expenditures					<u>\$ (268,303.32)</u>	
Balance forward to FY15					\$ 255,673.84	
 Est. Percentage for Admin Funds			18.3%	61.7%	51.2%	

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REVOLVING LOAN PLAN

Expenditures	FY12 (5/1/12- 6/30/12)	FY13 (7/1/12- 6/1/13)		Projected FY 14	
In-State Travel	\$ 2,550.00	\$ 15,000.00		\$ 15,000.00	
Per Diem	\$ 1,725.00	\$ 10,500.00		\$ 10,500.00	
Comm Air	\$ 600.00	\$ 3,000.00		\$ 3,000.00	
Motor Pool	\$ 225.00	\$ 1,500.00		\$ 1,500.00	
Out of State Travel	\$ 2,800.00	\$ 11,000.00		\$ 11,000.00	
Per Diem	\$ 2,100.00	\$ 8,100.00		\$ 8,100.00	
Comm Air	\$ 500.00	\$ 2,000.00		\$ 2,000.00	
Vehicle	\$ 200.00	\$ 900.00		\$ 900.00	
Operating	\$ 6,170.00	\$ 37,000.00		\$ 37,000.00	
Office Supply (Rent & Supplies)	\$ 1,912.00	\$ 11,454.00		\$ 11,454.00	
Cell Phone	\$ 133.00	\$ 796.00		\$ 796.00	
Title & Escrow	\$ 4,125.00	\$ 24,750.00		\$ 24,750.00	
Payroll					
PCN					
Salary & Fringe	\$ 31,496.66	\$ 209,695.00	Loan Fund	\$ 205,303.32	Loan Fund
0050 Energy Program Mgr	\$ 17,566.33	\$ 106,877.00	100%	\$ 108,480.32	100%
0052 Outreach Coordinator	\$ 13,930.33	\$ 42,521.00	50%		
0017 Grants & Projects Analyst II		\$ 24,133.00	33%	\$ 24,495.00	33%
0055 Accountant Tech I		\$ 36,164.00	50%	\$ 72,328.00	100%
Total	\$ 43,016.66	\$ 272,695.00		\$ 268,303.32	

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