



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

9-8-2010

Testimony By Chairman, Philip G. Satre, Before the FCIC

Philip G. Satre

<https://elischolar.library.yale.edu/ypfs-documents/6372>

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfs@yale.edu.

FINANCIAL CRISIS INQUIRY COMMISSION

TESTIMONY OF PHILIP G. SATRE

WEDNESDAY, SEPTEMBER 8, 2010

My name is Phil Satre. I am the chairman on the board of 2 Nevada based NYSE public companies: NV Energy , Inc., the investor owned electric utility that serves all of the commercial & residential electricity needs of Nevada; and International Game Technology (IGT), the world's largest developer & manufacturer of electronic casino games & systems.

In both cases, the largest Nevada customers for NV Energy and IGT tend to be Nevada's casino hotel businesses in Las Vegas, and to a lesser extent, Laughlin, Reno, and Lake Tahoe. Prior to my role as a director and chairman of NV Energy and IGT, I spent 25 years at Harrah's Entertainment, Inc. For many of those years I was the Chairman, President and CEO until retiring in January 2005.

IGT and NV Energy in many ways are a mirror for the impact of the financial crisis in Nevada: the period 2000 to 2007 was a period of explosive growth for both companies as the hospitality industry and construction industry in Nevada grew rapidly. As the financial crisis took root in 2008 and 2009, both companies saw a drop in demand, revenues and their Nevada payrolls declined significantly.

For NV Energy, total employee headcount peaked at 3,244 in 2008 as we added new generation facilities to meet the electrical demands of residential and commercial growth in Nevada that had been leading the nation for nearly 20 years. Today 330 of those jobs are gone, along with an additional 200 to 250 contract employees jobs which were eliminated. Our load forecasts which we present to the PUCN in our Integrated Resource Plan have been reduced significantly as population growth, employment, construction, and the hospitality industry have contracted. While the direct impact on NV Energy has been moderated by the need for both residential and commercial customer to "keep the lights and air conditioning on", the outlook for new capital investments and new job creation driven by forecasts of annual system peak demand growth over the next 10 years has been reduced dramatically (graph #1).

For IGT the financial crisis has had a much more severe and direct impact. The company's two main sources of revenue and profits; sales of slot machines and "revenue sharing" mega jackpot games placed on casino floors have been reduced significantly as a result of the financial crisis, not only in Nevada but also throughout the U.S. and the world. In Nevada specifically, machine sales were crushed by stalled or terminated casino hotel projects and drastically reduced capital budgets of our casino operator customers have lengthened the normal replacement cycle for our products. Coupled with reduced play on our revenue sharing machines inside our customer's casinos, IGT's revenues have dropped from their peak in 2007 of \$2.6 billion to \$2 billion today. Our U.S. operations (primarily in Reno and Las Vegas) have reduced our employee population by 800 jobs since our peak year of 5,000 employees in 2007.

Accompanying this summary description of my testimony is:

A narrative that discusses the impact of the economic downturn on the Gaming Industry and IGT (Exhibit 1)

A Chart of Economic Indicators and other Metrics from 2007 – 2010 (Exhibit 2)

Various Charts and supporting documents that illustrate the economic impact and forecast comparisons for NV Energy (Exhibit 3)

Charts and information illustrating the impact on customers and customer arrears for NV Energy for the period 2005 through July 2010 (Exhibit 4)