ADOPTED REGULATION OF THE

PUBLIC UTILITIES COMMISSION OF NEVADA

LCB File No. R117-13

Effective June 23, 2014

EXPLANATION – Matter in ***italics*** is new; matter in brackets **[~~omitted material~~]** is material to be omitted.

AUTHORITY: §1, NRS 703.025, 704.110, 704.185, 704.187 and 704.210.

A REGULATION relating to energy; revising provisions relating to the allocation of certain costs of fuel and purchased power by an electric utility that uses deferred accounting; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law requires an electric utility that purchases fuel or power to use deferred accounting. (NRS 704.187) Existing regulations prescribe the procedure by which such an electric utility must allocate costs of fuel and purchased power in its deferred energy account and provide that such costs must be allocated by the ratio of jurisdictional sales to the total sales of energy. (NAC 704.101) This regulation requires such allocations to be made by the ratio of a jurisdiction's contribution to the output to lines.

Section 1. NAC 704.101 is hereby amended to read as follows:

704.101 ***1.*** Each electric utility and gas utility using deferred energy accounting shall maintain a deferred energy account. Entries must be made to the deferred energy account at the end of each month as follows:

[~~1.~~] ***(a)*** For electric operations:

[~~(a)~~] ***(1)*** A debit entry or credit entry, if negative, to a subaccount of FERC Account No. 182.3, if the cumulative month-end balance is a debit, or a subaccount of FERC Account No. 254, if the cumulative month-end balance is a credit, equal to the cost of both fuel for electric generation and purchased power, reduced for revenues from off-system sales, distributed to ***the***

applicable ~~[jurisdictional sales]~~ ***jurisdiction*** by the ratio of ~~[those jurisdictional sales to the total sales of energy, exclusive of off-system sales,]~~ ***the jurisdiction's contribution to the output to lines,*** less the amount of revenue derived by applying the base tariff energy rate to that month's applicable jurisdictional sales exclusive of interruptible irrigation sales.

~~[(b)]~~ ***(2)*** A separate credit entry or debit entry, if negative, equal to the amount of revenue derived by applying the appropriate deferred energy accounting adjustment to that month's applicable jurisdictional sales, exclusive of interruptible irrigation sales.

~~[(c)]~~ ***(3)*** A credit entry equal to the amount of revenue from interruptible irrigation sales.

~~[(d)]~~ ***(4)*** A credit entry equal to the jurisdictional amount of any cash refund, including interest if applicable, received from suppliers of fuel or purchased power.

~~[(e)]~~ ***(5)*** A separate debit entry or credit entry, if negative, equal to the product of the ending balance multiplied by one-twelfth of the authorized rate of return as provided in NAC 704.150.

~~[2.]~~ ***(b)*** For gas operations:

~~[(a)]~~ ***(1)*** A debit entry or credit entry to FERC Account No. 191, if negative, equal to the cost of purchased gas for the month distributed to applicable jurisdictional sales by the ratio of those jurisdictional sales to total sales, less the amount of the revenue derived by applying the base tariff energy rate to that month's applicable jurisdictional sales.

~~[(b)]~~ ***(2)*** A credit entry or debit entry, if negative, equal to the amount of revenue derived by applying the appropriate deferred energy accounting adjustment to that month's applicable jurisdictional sales.

~~[(c)]~~ ***(3)*** A credit entry equal to the jurisdictional amount of any cash refund, including interest if applicable, received from suppliers of purchased gas.

~~[(d)]~~ ***(4)*** A debit entry or credit entry, if negative, equal to the product of the ending balance multiplied by one-twelfth of the authorized rate of return as provided in NAC 704.150.

2. As used in this section, "output to lines" means the net generation by the system's own generation, plus purchased power and less energy applicable to off-system sales.

NOTICE OF ADOPTION OF REGULATIONS

The Public Utilities Commission of Nevada adopted a permanent regulation assigned LCB File No. R117-13 (Docket No. 13-09027) which changes the fuel and purchased power jurisdictional cost allocation methodology set forth in NAC 704.101(1)(a) from jurisdictional sales to output to lines. A copy of the permanent regulation as adopted is attached.

LEGISLATIVE REVIEW OF ADOPTED REGULATIONS--NRS 233B.066
Informational Statement
LCB File No. R117-13

1. A clear and concise explanation of the need for the adopted regulation.

The proposed regulation changes the fuel and purchased power jurisdictional cost allocation methodology set forth in NAC 704.101(1)(a) from jurisdictional sales to output to lines. That need was triggered by a change in status of the California service area from a part of Sierra Pacific Power Company d/b/a NV Energy's retail load to wholesale jurisdiction.

2. Description of how public comment was solicited, a summary of public response, and an explanation of how other interested persons may obtain a copy of the summary.

Copies of the proposed regulation, notice of intent to act upon the regulation and notice of workshop and hearing were sent by U.S. mail and email to persons who were known to have an interest in the subjects of noticing and interventions. These documents were also made available at the website of the Commission, http://puc.nv.gov, mailed to all county libraries in Nevada, published in the following newspapers:

Elko Daily Free Press
Las Vegas Review Journal
Nevada Appeal
Reno Gazette Journal
Tonopah Times-Bonanza,

and posted at the following locations:

Public Utilities Commission 1150 East William Street Carson City, Nevada 89701	Public Utilities Commission 9075 West Diablo Drive, Suite 250 Las Vegas, Nevada 89148
First Judicial District Court 885 East Musser Street Carson City, Nevada 89701	Second Judicial District Court 75 Court Street Reno, Nevada 89501

Eighth Judicial District Court
Regional Justice Center
200 Lewis Avenue
Las Vegas, Nevada 89155

Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy (collectively, "NV Energy") and the Commission's Regulatory Operations Staff filed comments in the proceedings regarding the regulation. The above-listed participants commented on NV Energy over or under recording total fuel and purchased power costs; Statement N cost allocations; and deferred energy accounting.

Copies of the transcripts of the proceedings are available for review at the offices of the PUCN, 1150 East William Street, Carson City, Nevada 89701 and 9075 West Diablo Drive, Suite 250, Las Vegas, Nevada 89148.

3. The number of persons who:

(a) Attended each hearing: 2
(b) Testified at each hearing: 2
(c) Submitted written comments: 2

4. For each person identified in paragraphs (b) and (c) of number 3 above, the following information if provided to the agency conducting the hearing:

(a) Name;
(b) Telephone number;
(c) Business address;
(d) Business telephone number;
(e) Electronic mail address; and
(f) Name of entity or organization represented.

1. Sam Crano
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5. A description of how comment was solicited from affected businesses, a summary of their response and an explanation of how other interested persons may obtain a copy of the summary.

Comments were solicited from affected businesses in the same manner as they were solicited from the public.

The summary may be obtained as instructed in the response to question #1.

6. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

The regulation was adopted on March 14, 2014. There were changes to the proposed regulation that are reflected in the adopted regulation.

7. The estimated economic effect of the regulation on the business which it is to regulate and on the public.

(a) Estimated economic effect on the businesses which they are to regulate.

(b) Estimated economic effect on the public which they are to regulate.

The Commission's Regulatory Operations Staff conducted a Delphi Method exercise to determine the impact of this proposed regulation on small businesses. The Delphi Method is a systematic, interactive, forecasting method based on independent inputs of selected experts. In this instance, the participants were members of Staff. Each participant in the exercise used his or her background and expertise to reflect upon and analyze the impact of the proposed regulation on small businesses.

The proposed regulation changes the fuel and purchased power jurisdictional cost allocation methodology from jurisdictional sales to output-to-line. The use of the current jurisdictional cost methodology overstates the cost allocable to Federal Energy Regulatory Commission ("FERC")-California jurisdictional sales because the jurisdictional sales used for billing purposes have been adjusted to include line losses, whereas Nevada jurisdictional retail sales volumes have not. The proposed regulation will eliminate the over allocation of fuel and purchased power costs to FERC-California. By default, the amount allocated to Nevada retail customers will increase, thus retail customers, including small businesses, will see an increase in their utility bills via an increase in the base tariff energy rate ("BTER"). However, the increase will be very small--approximately $0.0001 per kilowatt hour ("kWh") based on 2012 fuel and purchased power costs and energy sales.

The change in allocation methodology will increase the allocated deferred energy costs to be recovered from Nevada retail ratepayers, including small businesses, by the utility. The change to the proposed regulation, however, will not pose a significant economic burden for small businesses. All Nevada retail ratepayers will be allocated a marginally small increase in costs to be recovered through BTER and deferred energy accounting adjustment rates. The increase is the result of "grossing up" the kWh sales for line losses and should not be significant.

The change in allocation methodology in the proposed regulation will not result in a rate increase significant enough to preclude the formation, operation, or expansion of small business.

8. The estimated cost to the agency for enforcement of the proposed regulation:

There is no additional cost estimated for the Commission to enforce or administer the proposed regulation, including start-up and ongoing costs, as the change in methodology would be evaluated in a deferred energy adjustment docket, which are filed and investigated regardless of the proposed change in regulation.

9. A description of any regulations of other State or governmental agencies which the regulation overlaps or duplicates and a statement explaining why the duplication or overlap is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

This regulation does not overlap or duplicate any federal, state, or local regulations.

10. If the regulation includes provisions that are more stringent than a federal regulation that regulates the same activity, a summary of such provisions.

N/A

11. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

N/A

12. If the proposed regulation is likely to impose a direct and significant burden upon a small business or directly restrict the formation, operation or expansion of a small business, what methods did the agency use in determining the impact of the regulation on a small business?

The Commission has determined that the proposed regulation does not impose a direct and significant economic burden upon a small business or restrict the formation, operation or expansion of a small business. In making this determination, the Commission adopted the findings of the Regulatory Operations Staff, which conducted a Delphi Method exercise to determine the impacts.