

PROPOSED REGULATION OF THE PUBLIC UTILITIES COMMISSION OF NEVADA

LCB File No. R116-15

October 1, 2015

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

Section 1. Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 19, inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 19, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 13, inclusive, of this regulation, have the meanings ascribed to them in those sections.*

Sec. 3. *“Gas infrastructure” means infrastructure to be used in the delivery or supply of natural gas including, but not limited to, compressed natural gas facilities, liquefied natural gas facilities, storage facilities, and natural gas distribution and transmission facilities.*

Sec. 4. *“Gas infrastructure expansion costs” means all prudent and reasonable costs incurred to develop and construct a gas infrastructure expansion activity.*

Sec. 5. *“Gas infrastructure expansion rates” means the rates established by the Commission for the purpose of collecting the revenue requirement associated with the gas infrastructure expansion costs.*

Sec. 6. *“Direct benefits” means benefits which are quantifiable, to the extent possible, and may include, but are not limited to, economic, environmental, or operational efficiencies, or enhanced reliability of service that customers of the public utility, specifically targeted to be served via the Commission-approved program of economic development may experience as a result of the gas infrastructure expansion activity.*

Sec. 7. *“Indirect benefits” means benefits which are quantifiable, to the extent possible, and may include, but are not limited to, economic, environmental, or operational efficiencies, or enhanced reliability of service that customers of the public utility, not specifically targeted to be served via the Commission-approved program of economic development may experience as a result of the gas infrastructure expansion activity.*

Sec. 8. *“Program of economic development” has the meaning ascribed to it by subsection 3 of section 1 of Senate Bill No. 151 (2015).*

Sec. 9. *“Underserved” means a geographic area in which natural gas infrastructure exists, but access is not economically feasible for certain households or businesses.*

Sec. 10. *“Unserved” means a geographic area that has no existing natural gas infrastructure or service.*

Sec. 11. *“Gas infrastructure expansion application” means an application filed by a public utility which purchases natural gas for resale seeking a determination by the Commission authorizing a gas infrastructure expansion activity and the recovery of the gas infrastructure expansion costs.*

Sec. 12. *“Gas infrastructure expansion activity” means the expansion of gas infrastructure within a geographic area in a manner consistent with a program of economic development.*

Sec. 13. *“Revenue requirement” means an amount equal to depreciation expense, carrying costs, and property taxes once the public utility incurs the property taxes.*

1. *As used in this section, “carrying costs” means the return on gas infrastructure expansion cost, adjusted for accumulated depreciation and accumulated deferred income taxes, utilizing the public utility’s authorized pretax rate of return.*

2. As used in this section, “depreciation expense” means the return of gas infrastructure expansion costs utilizing the public utility’s authorized rate of depreciation.

Sec. 14. 1. *A gas infrastructure expansion application must be supported by sworn testimony and must include, without limitation:*

(a) A description of the proposed gas infrastructure expansion activity;

(b) To the extent the proposed gas infrastructure activity seeks to provide natural gas service to an unserved or underserved area, a map generally depicting the unserved or underserved area the public utility proposes to serve including the relationship with existing natural gas infrastructure and customers;

(c) An estimate of the gas infrastructure expansion costs which identifies:

(1) The gas infrastructure expansion costs that are economically feasible, as defined in the public utility’s existing facilities extension policy; and

(2) The gas infrastructure expansion costs that are not economically feasible under the public utility’s existing facilities extension policy, and a description of the proposed methodology for the recovery of such costs as required in subparagraph (1) of paragraph (f);

(d) The estimated revenue requirement associated with the proposed gas infrastructure expansion activity; and

(e) An explanation of how the proposed gas infrastructure expansion activity is consistent with a program of economic development, to include:

(1) Identification of the purpose(s) of the proposed gas infrastructure expansion activity pursuant to subsection 3 of section 1 of Senate Bill No. 151 (2015);

(2) Projected demand and supporting materials, as required in subparagraphs (2) and (5) of paragraph (f), for each purpose identified in subparagraph (1) of paragraph (e); and

(3) Identification of the anticipated direct and indirect benefits, along with the area(s) for each benefit, and explanation of how the proposed gas infrastructure expansion activity is consistent with the purpose(s) identified in subparagraph (1) of paragraph (e).

(f) The analysis conducted on the feasibility of the gas infrastructure expansion activity, which will include, without limitation:

(1) A detailed description of the proposed alternative cost recovery methodology, including, but not limited to:

(I) The estimated time frame of the proposed alternative cost recovery methodology,

(II) The projected billing determinants to be used in establishing the gas infrastructure expansion rates,

(III) The process for determining when the timely and complete recovery of the revenue requirement by the public utility has been accomplished and the alternative cost recovery methodology will end, and

(IV) The rate treatment for the customers served by the gas infrastructure expansion activity when the alternative cost recovery methodology has ended;

(2) A projection of the number of customers, natural gas usage and revenues, by class of customer and class of service, by month over the time frame of the proposed alternative cost recovery methodology;

(3) The efforts expended by the public utility to identify potential customers in each gas infrastructure expansion activity;

(4) The estimated gas infrastructure expansion rates for each affected class of service;

(5) The economic and financial justification for the expansion activity; and

(6) The mechanism that the utility proposes to utilize to collect gas costs from customers receiving direct benefits.

2. The Commission shall, not later than 210 days after the date on which a gas infrastructure expansion application is filed, issue a written order approving, disapproving, or approving subject to modifications, the gas infrastructure expansion application.

Sec. 15. *1. A Commission order authorizing a gas infrastructure expansion activity shall adopt an alternative cost recovery methodology by establishing gas infrastructure expansion rates that allocate the revenue requirement among customers by balancing the interests of customers who will receive direct benefits and customers who will receive indirect benefits from the gas infrastructure expansion activity.*

2. In adopting the alternative cost recovery methodology, the Commission shall consider:

(a) The gas infrastructure expansion costs that are economically feasible, as defined in the public utility's existing facilities extension policy;

(b) The gas infrastructure expansion costs that are not economically feasible, as defined in the public utility's existing facilities extension policy;

(c) The amounts that will be recovered from customers receiving direct benefits and customers receiving indirect benefits from the gas infrastructure expansion activity;

(d) The timely and complete recovery of the revenue requirement by the public utility; and

(e) The billing determinants to be used in establishing the gas infrastructure expansion rates.

3. The public utility shall account for the difference between the actual monthly gas infrastructure expansion revenue requirement incurred on the cumulative investment in the

gas infrastructure expansion costs and the revenue collected through a gas infrastructure expansion rate as a deferred cost.

4. If a public utility collects all of the deferred gas infrastructure expansion revenue requirement through a gas infrastructure expansion rate prior to the expiration of the time period specified in the gas infrastructure expansion application, the gas infrastructure expansion rate shall terminate. A public utility may extend the gas infrastructure expansion rate beyond the period it is proposed to be in effect if necessary to recover any uncollected revenue requirement deferral. A public utility shall notify the Commission of any termination or extension of a gas infrastructure expansion rate at least 60 days prior to its termination or extension. Such termination or extension of the gas infrastructure expansion rate shall be subject to Commission approval.

5. The gas infrastructure expansion rates established pursuant to this section shall become effective with the public utility's first practicable quarterly rate adjustment following the in-service date of the gas infrastructure expansion activity.

Sec. 16. *On an annual basis, the public utility shall file with the Commission a status report for each approved gas infrastructure expansion activity which shall include, but not be limited to, the following:*

(a) The actual billing determinants with a comparison to those used in establishing the gas infrastructure expansion rates;

(b) The actual revenues received from customers with a comparison to the projected revenues;

(c) The actual gas infrastructure expansion costs with a comparison to the projected costs;

(d) An updated projection of billing determinants, revenues and costs; and

(e) A 12-month earned rate of return calculation for the most recently completed calendar quarter.

□ The public utility's obligation to file status reports with the Commission terminates once the revenue requirement associated with the gas infrastructure activity has been fully recovered by the utility.

Sec. 17. 1. A public utility that files a gas infrastructure expansion application pursuant to section 14 shall provide written notice of the filing to all existing and prospective customers who may experience a direct or indirect benefit as a result of the proposed gas infrastructure expansion activity. The written notice must include the following:

(a) The total amount of the increase in the public utility's revenues from the expansion rate, stated in dollars and as a percentage;

(b) The amount of the monthly increase in charges for each affected class of customer or class of service, stated in dollars and as a percentage;

(c) A statement that customers may send written comments or protests regarding the expansion rate to the Commission;

(d) A statement that the expansion rates will be reviewed for reasonableness and prudence in the public utility's next general rate case proceeding filed pursuant to NRS 704.110; and

(e) Any other information required by the Commission.

2. A copy of the notice shall be provided to the Regulatory Operations Staff of the Commission and to the Bureau of Consumer Protection in the Office of the Attorney General.

3. Notice to prospective customers shall be provided through the public utility applicant's website and in a newspaper or newspapers of general circulation in the community where the gas infrastructure expansion activity is proposed.

Sec. 18. To the extent the proposed gas infrastructure expansion activity includes an area not currently within the public utility's certificated area of service, the public utility may seek to amend its certificate of public convenience and necessity as part of its gas infrastructure expansion application so long as the requirements of NAC 703.175 are addressed.

Sec. 19. 1. A Commission order approving, denying, or modifying a gas infrastructure expansion application is not a determination of prudence with respect to any execution and/or costs of a Commission-approved gas infrastructure expansion activity set forth in such an application.

2. A public utility shall seek a determination of prudence in the first general rate application filed pursuant to NRS 704.110 after the costs of each gas infrastructure expansion activity are accounted for in gas infrastructure expansion rates. In the general rate application, the public utility shall submit evidence in support of the recorded costs for each gas infrastructure expansion activity completed since the last general rate application filed by the public utility, including, without limitation:

(a) Each invoice for the gas infrastructure expansion costs, including invoices segregated at the project level if blanket contracts or invoices were used by the public utility;

(b) Each work order for the gas infrastructure expansion activity, including work orders segregated at the project level if blanket contracts or work orders were used by the public utility;

(c) An accounting of the labor performed by outside contractors and the public utility for the gas infrastructure expansion activity undertaken; and

(d) Any other evidence which demonstrates that the incurred costs of the gas infrastructure expansion activity were prudent, just and reasonable.