

**PROPOSED REGULATION OF THE
PUBLIC UTILITIES COMMISSION OF NEVADA**

LCB File No. R178-12

June 21, 2013

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

AUTHORITY: §§1 and 2, NRS 703.025, 704.095 and 704.210.

A REGULATION relating to water and sewer utilities; authorizing certain water and sewer utilities to request the approval of the Public Utilities Commission of Nevada for a rate surcharge to provide cash reserves to fund certain repairs and maintenance of water and wastewater systems and the replacement of certain capital assets; establishing requirements to apply for such a rate surcharge; providing for the deposit and withdrawal of certain rate surcharges by water and sewer utilities; and providing other matters properly relating thereto.

Section 1. NAC 704.600 is hereby amended to read as follows:

704.600 1. When requested by a utility, the Commission will consider a rate surcharge to

~~finance~~ :

(a) *Finance* large additions or improvements to a plant ~~+~~ ; or

(b) *Provide a cash reserve for the purposes of:*

(1) *Funding significant, unanticipated repairs to, or maintenance of, a water supply or wastewater treatment system; or*

(2) *Funding significant but nonspecific capital improvements or replacements of capital assets.*

2. In determining whether a surcharge should be authorized, the Commission will consider:

(a) The ~~necessity of~~ *need for* the additions , ~~or~~ improvements ~~+~~ , *cash reserves, repairs, maintenance or replacements;*

(b) The size, in terms of capital requirements, of the additions, ~~or~~ improvements ~~to~~, *cash reserves, repairs, maintenance or replacements*; and

(c) The availability of other methods of financing.

3. The Commission may make such amendments, restrictions or modifications in approving the surcharge as the public interest may require. For the purposes of rate making, all ~~facilities of the utility~~ *additions, improvements, cash reserves, repairs, maintenance or replacements* that are funded by a surcharge will be considered to be a contribution in aid of construction. A rate surcharge will not be authorized unless the utility acknowledges in a written statement to the Commission that the value of the additions, ~~or~~ improvements ~~to a facility~~, *cash reserves, repairs, maintenance or replacements* will not be considered in determining the fair market value of the utility's entire facility.

4. Any money collected by a ~~public~~ utility ~~subject to the provisions of NAC 704.570 to 704.628, inclusive,~~ pursuant to a rate surcharge authorized by the Commission must be deposited in an account separate from the utility's other money. ~~The account must be established as a trust account in a recognized bank, brokerage house, escrow or title company. The trust document must be reviewed and approved by the Commission before the trust document may be executed.~~ The money ~~held in trust~~ must be deposited in an interest-bearing account ~~and must be~~ *that is* federally insured ~~to~~ *or in any other type of account approved by the Commission*. A copy of all statements identifying all deposits and withdrawals must be provided to the Regulatory Operations Staff upon receipt of the statements by the utility.

5. ~~The procedure for~~ *All* withdrawals from the account must be authorized by the Commission.

6. Not later than March 31 of each year, the Regulatory Operations Staff of the Commission shall present at a meeting of the Commission a report that provides, for each utility authorized by the Commission to collect a rate surcharge pursuant to this section, an accounting for the immediately preceding calendar year of the deposits and withdrawals from the separate account in which the rate surcharge is deposited.

Sec. 2. NAC 704.605 is hereby amended to read as follows:

704.605 *1.* An applicant for a rate surcharge must submit a written plan for the replacement or expansion of the plant and its financing *, or for the provision of cash reserves, whichever is applicable,* to the Commission for its consideration. The plan must be in sufficient detail to enable the Commission to determine the need ~~{and necessity}~~ for the proposed additions or improvements ~~{and}~~ *or for the cash reserves, whichever is applicable.*

2. A written plan submitted by an applicant for a rate surcharge to finance large additions or improvements to a plant pursuant to paragraph (a) of subsection 1 of NAC 704.600 must include, but is not limited to, the following information and documents:

~~{1.}~~ *(a)* A brief description of the proposed additions or improvements, together with the estimated cost and the source of that estimate, and an estimate of the time needed for construction and the estimated date of commencement and date of completion of the construction;

~~{2.}~~ *(b)* A list of the proposed projects in order of priority, which contains the reasons for the priorities;

~~{3.}~~ *(c)* The ~~{necessity of}~~ *need for* the proposed additions or improvements;

~~{4.}~~ *(d)* The size, in terms of capital requirements, of the additions or improvements;

~~15.1~~ (e) Any letter of credit, loan commitment or other evidence that funding is or is not available to the applicant; and

~~16.1~~ (f) The availability of other methods of financing.

3. A written plan submitted by an applicant for a rate surcharge to provide a cash reserve for the purposes set forth in paragraph (b) of subsection 1 of NAC 704.600 must include, but is not limited to, the following information and documentation:

(a) Documentation that the applicant does not exceed the customer and gross sales limitations set forth in NRS 704.095;

(b) Documentation that the applicant does not have access to other sources of funding at reasonable terms and conditions other than the cash reserve;

(c) The appropriate amount in the cash reserve account;

(d) The calculation of the rate surcharge necessary to provide the appropriate amount in the cash reserve account; and

(e) The manner in which money will be refunded to ratepayers if the cash reserve account exceeds the appropriate amount.