PROPOSED REGULATION OF THE

PUBLIC UTILITIES COMMISSION OF NEVADA

LCB File No. R021-06

April 7, 2006

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

AUTHORITY: §1, NRS 703.025, 704.210, 704.329 and 704.741; §§2 and 8, NRS 703.025 and 704.210; §9, NRS 703.025, 704.210 and 704.329; §§3-7, 10 and 11, NRS 703.025, 704.210 and 704.741.

A REGULATION relating to energy; providing a procedure for an electric utility to apply to the Public Utilities Commission of Nevada for approval for a reservation of import capacity; requiring a utility which receives such an approval for a reservation of import capacity to include certain information concerning the reservation of import capacity in the utility's supply plan; revising provisions concerning certain proposed transactions of energy utilities; and providing other matters properly relating thereto.

Section 1. Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 7, inclusive, of this regulation.

Sec. 2. ***"Available transfer capability" means the transfer capability remaining in the physical transmission network for further commercial activity after subtracting the transfer capability for the already committed uses.***

Sec. 3. ***"Capacity benefit margin" means the amount of available transfer capability reserved by a utility for load-serving entities whose loads are located on the utility's system to enable access by the load-serving entities to generation from interconnected systems to meet generation reliability requirements.***

Sec. 4. *"Import capacity" means the total amount of electrical power that can be transferred over an interconnected transmission network to bring power into an area to serve the electricity needs of customers in the area without jeopardizing the reliability of the system.*

Sec. 5. *"Load-serving entity" means the entity responsible for securing energy and transmission service and related ancillary services to serve the end-use customer and for managing the resource portfolios to meet demand and energy requirements.*

Sec. 6. *"Native load customer" means the end-use customer whom the utility is obligated to serve.*

Sec. 7. *1. A utility may submit to the Commission an application for approval for a reservation of import capacity to serve future load growth.*

2. An application for approval for a reservation of import capacity submitted pursuant to subsection 1 must be included with the supply plan that the utility submits to the Commission and must include, without limitation:

(a) A supporting analysis which:

(1) Covers a 10-year period or other reasonable planning period;

(2) Is based on a load forecast, a supply plan, a demand side plan and financial assumptions that are consistent with the utility's resource plan;

(3) For each year of the planning period, states the quantity of the proposed reservation of import capacity that is needed for native load customers, the periods that the import capacity is needed and the reasons that the import capacity is needed based on the following factors:

(I) The possible locations of future conventional or renewable generation facilities and the possible import capacity requirements associated with any new generation facilities;

(II) The capacity benefit margin;

(III) Whether any financial limitations may affect the utility's ability to construct required generation or transmission facilities;

(IV) The effect of the proposed reservation of import capacity on the ability of the utility to comply with its portfolio standard and its other obligations set forth in chapter 704B of NRS;

(V) Whether there are environmental or economic factors which could affect the locations of any potential new generation facilities;

(VI) The lead times for developing generation and transmission facilities; and

(VII) Any other relevant factors; and

(4) Includes a sensitivity analysis that demonstrates how the factors listed in subparagraph (3) could affect changes in import capacity requirements over the course of the planning period;

(b) A list of the factors which could affect the level of import capacity that is required for native load customers, including, without limitation:

(1) Changes in load forecasts;

(2) Environmental requirements;

(3) Regulatory changes;

(4) Potential retirement of generation facilities;

(5) Potential addition of generation facilities; and

(6) Nonnative load transmission requirements;

(c) A list of the assumptions used in the analyses underlying the application for a reservation of import capacity;

(d) A summary of the transmission studies, financial analyses and environmental analyses which support the utility's application for a reservation of import capacity; and

(e) Any other information upon which the analyses underlying the application for a reservation of import capacity were based.

Sec. 8. NAC 704.005 is hereby amended to read as follows:

704.005 As used in this chapter, unless the context otherwise requires, the words and terms defined in NAC 704.0052 to 704.009, inclusive, ***and section 2 of this regulation*** have the meanings ascribed to them in those sections.

Sec. 9. NAC 704.79989 is hereby amended to read as follows:

704.79989 An application for authorization of a proposed transaction must include information relating to the facilities of the parties to the proposed transaction, including, without limitation:

1. If the proposed transaction involves the disposition of physical facilities:

(a) Maps that show the locations of the assets which will be disposed.

(b) A plan that sets forth the manner in which the facilities will be disposed. The plan must include, without limitation:

(1) A detailed description of the methods that the parties to the proposed transaction will use to identify and select buyers, and to determine the purchase price, including a chronology of the steps that the parties to the proposed transaction will take;

(2) An evaluation of whether the disposition of the assets will result in a purchase that is above or below the book cost of the assets;

(3) A proposal regarding the manner in which the parties to the proposed transaction will allocate any overage or underage of the sales price, in relation to the book cost of the assets,

between ratepayers and shareholders of the parties and among classes of ratepayers of the parties; and

(4) An explanation of the effect of the disposition on bondholders of the parties to the proposed transaction, including, without limitation, a detailed explanation of any of the rights of the bondholders that will be affected by the disposition and the manner in which those rights will be honored.

(c) If authorization of the proposed disposition by any municipal, state or federal regulatory body other than the Commission is required, a copy and an explanation of all state statutes and rules with which the parties to the proposed transaction and the purchasers of the disposed assets will be required to comply.

2. Information relating to the transmission facilities of the parties to the proposed transaction, including, without limitation:

(a) Data concerning the transmission capability for each of the transmission paths, interfaces or other facilities used by suppliers to deliver energy to the destination markets. The data must be on an hourly basis for the 2 years immediately preceding the date of the application and include, without limitation:

(1) The name of the transmission path, interface or facility;

(2) The total transfer capability; and

(3) The ~~[firm available transmission]~~ ***available transfer*** capability.

➥ If simultaneous transmission capability is available, the application must include that fact.

(b) For each existing transmission facility which was constrained during the 2 years immediately preceding the date of the application or which is expected to be constrained within

the 3 years immediately following the date of the application, the parties to the proposed transaction must provide, without limitation:

(1) Information regarding expected changes in loadings on transmission facilities as a result of the proposed transaction and the consequent effect on transfer capability; and

(2) To the extent possible, system maps showing the location of transmission facilities where binding constraints have been known or are expected to occur that include:

(I) The name of each path, interface or facility affected by the constraint;

(II) The locations of the constraint and each path, interface or facility affected by the constraint;

(III) The hours of the year in which the constraint is binding; and

(IV) The system conditions under which the constraint is binding.

(c) For each potential supplier to a destination market that holds firm transmission rights on a transmission path, interface or facility necessary to deliver energy from a potential supplier, including the supplier itself, to the destination market, the application must include:

(1) The name of the supplier and transmission path, interface or facility; and

(2) The number of the rate schedule on file with the Federal Energy Regulatory Commission under which transmission service is provided, if applicable, and a description of the firm transmission rights held, including, without limitation, quantity and remaining time that the rights will be held and any relevant time restrictions on transmission use, such as peak or off-peak rights.

(d) Information concerning any interruptions, curtailments and denials of transmission service, including, without limitation, failures to provide transmission service after a request for service that was not withdrawn, on the systems of the parties to the proposed transaction for the 2

years immediately preceding the date of the application. The information must include, without limitation:

(1) The name of the customer or entity whose transmission service was interrupted, curtailed or denied;

(2) The type, quantity and duration of the service provided to the customer or entity;

(3) The date and length of time during which the transmission service was interrupted, curtailed or denied;

(4) The reason given for the interruption, curtailment or denial;

(5) The transmission path; and

(6) The reservations or other use anticipated on the affected transmission path at the time when the service of the customer or entity was interrupted, curtailed or denied.

(e) Data or analyses on the effect that the proposed transaction is expected to have on the transmission capability of the resulting energy utility, including, without limitation, data and analyses on:

(1) Any dispatch changes, and the manner in which such changes will affect transmission use; and

(2) The new markets that may be served by the resulting energy utility and the transmission services planned to reach those markets.

3. If the systems of the parties to the proposed transaction are not interconnected, documents showing any current plans for interconnection and, to the extent that no current plans exist, an analysis showing whether interconnection is physically feasible and, if so, the magnitude of the costs of the interconnection.

4. An assessment of the effects of the proposed transaction on the quality of service and reliability of the system of the resulting energy utility. The assessment must include a proposal for:

(a) Measuring and reporting on the performance of the resulting energy utility relating to customer satisfaction, reliability of service, the safety of the system and the business office of the resulting energy utility; and

(b) Imposing penalties for any shortfalls in such performance.

5. An identification, by types and estimated annual quantities, of inter-affiliate transactions that will occur after the transaction is completed and an explanation of the extent, if any, of federal preemption of the authority of the Commission which will result upon the completion of the proposed transaction.

Sec. 10. NAC 704.9005 is hereby amended to read as follows:

704.9005 As used in NAC 704.9005 to 704.9525, inclusive, ***and sections 3 to 7, inclusive, of this regulation,*** and when used in a utility's resource plan, unless the context otherwise requires, the words and terms defined in NAC 704.9006 to 704.9173, inclusive, ***and sections 3 to 6, inclusive, of this regulation*** have the meanings ascribed to them in those sections.

Sec. 11. NAC 704.9385 is hereby amended to read as follows:

704.9385 1. The supply plan of the utility must develop and document the origins of:

(a) The assumptions, data and projections used by the utility to calculate the costs and benefits of its options.

(b) The assessment of current and anticipated electric market conditions by the utility for the region in which the utility operates.

(c) The basic economic and financial limitations of the utility.

(d) The assumptions used by the utility for developing the environmental costs and the net economic benefits to the State from each of the options of the utility for future supply.

(e) The criteria used by the utility for determining the reserve margin.

(f) The assumptions used by the utility for renewable resources.

(g) The assumptions used by the utility for independent power producers.

(h) The assumptions used by the utility for the reduction in demand and energy requirements associated with customers exiting service from the utility and customers utilizing distributed generation resources.

2. Regarding generation, a utility's supply plan must contain a table of all its existing and planned facilities for electric generation that it expects to be operating in each of the 20 years covered by its forecast. Each of the following items of information must be set forth in the table if applicable to a listed facility:

(a) The planned or actual commercial operation date of the facility;

(b) The date of the planned retirement of the facility, including the criteria used to select that date;

(c) The type of facility;

(d) The rated generating capacity and net expected generating capacity of the facility;

(e) The fuel used;

(f) The capacity of the facility for storing fuel; and

(g) The designation of the capacity type of the facility, such as base load, intermediate or peaking.

3. The supply plan of a utility must include a transmission plan for the 20 years covered by the forecast in the supply plan. The transmission plan must include, without limitation:

(a) A summary of the capabilities of the transmission system, including import, export and the rating of significant transmission paths within the system of the utility, and of the existing and planned transmission system of the utility for each year in the period covered by the resource plan.

(b) A description of the transmission projects the utility is considering for expanding or upgrading the capabilities of its transmission system, the anticipated timing of those projects and the impact of the projects on the transmission capabilities of the existing and planned transmission system of the utility.

(c) Identification of the transmission capacity required to serve bundled retail transmission customers, unbundled retail transmission customers and those wholesale transmission customers for whom the utility has an obligation to provide transmission services, for annual and peaking periods throughout the period covered by the resource plan.

(d) Identification of all existing and proposed transmission service agreements, and their expiration dates, with transmission customers for transmission service on the transmission system of the utility and the impact of these agreements on available capacity for bundled retail transmission customers on the proposed or existing transmission facilities.

(e) A table identifying all the transmission capacity that the utility has secured for its bundled retail transmission customers on both its transmission system and the transmission systems of other entities.

(f) A description of the participation of the utility in regional planning organizations and an explanation of the role of those organizations in the transmission planning process of the utility.

(g) A summary of the impacts of relevant orders of the Federal Energy Regulatory Commission issued since the utility filed its last resource plan.

(h) A demonstration that the utility has attempted to reduce the impact of line losses upon its future resource requirements.

(i) If the utility submits an application for a reservation of import capacity pursuant to section 7 of this regulation, a description of the reservation of import capacity proposed by the utility in the application.

4. Regarding the purchase of power, the supply plan must contain a list showing:

(a) All sources from which the utility has contracted to buy, or has plans or potential opportunities to buy, electric power during the 20 years covered by the supply plan; and

(b) The amount of electric power that the utility has contracted to buy, or has plans or potential opportunities to buy, from each source and the years for which delivery of the electric power is contracted or planned.

5. The utility shall include in its supply plan a map or maps that identify the location of each existing or planned generation or transmission facility, renewable energy system and independent power producer that are projected to be relied upon during the period covered by the action plan.