

LCB File No. R084-05

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

(This proposed regulation was previously adopted as T021-04 and T024-05)

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

**NOTICE OF INVESTIGATION AND RULEMAKING REGARDING POTENTIAL
REVISION OF REGULATIONS CONCERNING DEFERRED ENERGY FILING
REGULATIONS AND THE BASE TARIFF ENERGY RATE COMPONENT OF
DEFERRED ENERGY FILINGS
AND
NOTICE OF WORKSHOP**

On July 27, 2005, the Public Utilities Commission of Nevada (“Commission”) voted to expand Commission Docket No. 04-6022 to conduct an investigation and rulemaking concerning the 2005 Nevada Legislature’s Senate Bill Nos. 238 and 256 and the issues in Docket No. 04-6022, which concerns the Base Tariff Energy Rate (“BTER”) component of deferred energy filings, and to assess the need for potential revision of deferred energy filing regulations.

This matter is being conducted by the Commission pursuant to Chapters 233B, 703 and 704 of the Nevada Revised Statutes and the Nevada Administrative Code.

In order to assist the Commission, interested persons are invited to file **COMMENTS** relating to the amendment of the regulations **on or before Wednesday, September 28, 2005**, at the offices of the Commission. In response to any Comments filed on or before Wednesday, September 28, 2005, interested persons are invited to file **REPLY COMMENTS on or before Wednesday, October 12, 2005.**

NOTICE IS HEREBY GIVEN that the Commission will hold a **WORKSHOP** on **Wednesday, October 19, 2005, at 10:00 a.m.**, at the offices of the Commission: Hearing Room A, 1150 E. William Street, Carson City, Nevada 89701 and via videoconference to Hearing Room A, 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109, at which time interested persons may appear and be heard. The purpose of this workshop is to receive

comments from all interested persons regarding only the potential revision of deferred energy filing regulations, including the BTER, in accordance with the new legislation.

The Commission is seeking specific recommendations accompanied with proposed regulatory language for discussion. The Commission is mindful that the topics included in this docket have been fully discussed before the 2005 Nevada State Legislature. The policy of the State has been established by the Legislature and signed into law by the Governor and it is not the intent of the Commission to repeat or otherwise expand upon that policy discussion. Instead, the Commission will only entertain specific recommendations regarding the implementation of Nevada law as written by the 2005 Legislature. Commenters are encouraged to avoid general discussion or tangential issues.

This matter is available for public review at the offices of the Commission at: 1150 East William Street, Carson City, Nevada 89701 and 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109.

LCB File No. R084-05

PROPOSED REGULATION OF THE PUBLIC
UTILITIES COMMISSION OF NEVADA

PUCN DOCKET NO. 04-6022
(PHASE II – GAS UTILITIES)

EXPLANATION – This draft modifies the temporary regulation passed in Phase I and given LCB File No. T021-04. The “new” matter from Phase I is in bold, non-underlined *italic*; deleted matter from Phase I is in brackets and struckthrough ~~omitted matter~~. The Phase II proposed amendments are as follows: New matter is in ***bold underlined italic***; deleted matter is struckthrough but, like Phase I material, is ~~underlined~~. Section 8 is entirely new to Phase II.

AUTHORITY: §§1-7, NRS 703.025, 704.210 and 704.187.

A REGULATION relating to utilities; revising deferred accounting regulations for certain electric utilities; revising the calculation of the base tariff energy rate; revising the procedures for filing base tariff energy rate changes; making technical changes; 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 and 3 of this regulation.

Sec. 2. *“Base tariff energy rate application” means an application to revise the base tariff energy rate filed pursuant to subsection 2 of Section 3.*

Sec. 3. *Base tariff energy rate change and effective period.*

1. Each electric utility and gas utility shall file with its deferred energy application the base tariff energy rate calculated pursuant to Section 7 or ~~[NAC 704.135]~~ Section 8. Upon providing notice in its deferred energy application, an electric utility may update the base tariff energy rate calculation 60 days after the filing of the deferred energy application.

2. An electric utility may file a base tariff energy rate application if it does not have a deferred energy application pursuant to subsection 2 of Section 5 pending. An electric utility that files a base tariff energy rate application shall:

(a) Submit its base tariff energy rate application 120 days prior to the adjustment date for the deferred energy application filed pursuant to subsection 1 of Section 5 and

(b) Calculate the base tariff energy rate pursuant to Section 7.

3. As set forth in NRS 704.110(6), a gas utility may file an application every 30 days to change its base tariff energy rate.

~~3~~ 4. *The base tariff energy rate of an electric utility or gas utility remains in effect until an amended rate is authorized by the Commission. If the electric utility files to revise the base tariff energy rate pursuant to subsection 2 of Section 3, the Commission will authorize any amended rate from that proceeding to become effective on the day following the adjustment date for the deferred energy application filed pursuant to subsection 1 of Section 5.*

Sec. 4. NAC 704.032 is hereby amended to read as follows:

704.032 “Base tariff energy rate” means:

1. For an electric utility, the rate determined by dividing the ~~annualized~~ cost of fuel for generation and purchased power by applicable sales as described in NAC 704.130; or
2. For a gas utility, the rate determined by dividing the ~~annualized~~ cost of purchased gas by applicable sales as described in NAC 704.135.

Sec. 5. NAC 704.116 is hereby amended to read as follows:

704.116 1. Except as otherwise provided in subsection 2, each electric utility and gas utility shall file annually with the Commission a deferred energy application for each of its jurisdictional operating departments in this State setting forth its calculations of the deferred energy accounting adjustment and the base tariff energy rate.

2. An electric utility or gas utility may file with the Commission a semiannual deferred energy application if the net change in revenue necessary to clear the change in the deferred energy account balance at the end of the 6-month period exceeds plus or minus 5 percent of the total revenue at the last authorized rates for fuel for electric generation and purchase power or purchased gas.

3. Each electric utility and gas utility shall file its deferred energy application not later than 45 days after the adjustment date.

4. If an electric utility files a deferred energy application while a general rate application is pending before the Commission, the electric utility shall:

(a) Submit with its deferred energy application information relating to the cost of service and rate design; and

(b) Supplement its general rate application with the same information, if such information was not submitted with the general rate application.

5. The deferred energy accounting adjustment of an electric utility or gas utility must be calculated pursuant to NAC 704.101 and 704.111.

6. ~~[An increased or decreased base tariff energy rate must be based on the volumes as described in NAC 704.130, for electric operations, and NAC 704.135, for gas operations, for the test period at the latest experienced unit costs].~~

~~[7. The base tariff energy rate of an electric utility or gas utility remains in effect until an amended rate is authorized by the Commission.]~~

~~[8.]~~ The deferred energy accounting adjustment of an electric utility or gas utility remains in effect until the end of the designated amortization period or until an amended rate is authorized by the Commission, whichever occurs first.

Sec. 6. NAC 704.118 is hereby amended to read as follows:

704.118 1. ~~[If an]~~ *An* electric or gas utility *that* files ~~[an application for]~~ a deferred energy application pursuant to NAC 704.116, *or an electric utility that files a base tariff energy rate application pursuant to subsection 2 of Section 3, or a gas utility that files a base tariff energy rate application pursuant to subsection 3 of Section 3* ~~[the utility]~~ shall:

(a) Within 10 days after filing the application, make available at each of its business offices a complete copy of the application in such form and place as to be readily accessible to and conveniently inspected by the public;

(b) Within 10 days after filing the application, print in plain type and post at each of its business offices, in such form and place as to be readily accessible to and conveniently inspected by the public, a notice stating that the application has been filed with the Commission, describing briefly the purpose of the application, indicating that the complete application is available for public inspection on the premises and setting forth the locations where additional information may be obtained; and

(c) Within 20 days after filing the application, submit to the Commission affidavits that indicate that the application has been filed and that the utility has complied with the provisions of paragraphs (a) and (b) of this subsection.

2. After the Commission has scheduled a date for a hearing on the application, the applicant shall, at least 10 days before the scheduled date of the hearing, give notice to its customers who are affected by the proposed increase. The first paragraph of the notice must state the date, time and place of the hearing, the total amount of the proposed increase in dollars, the estimated proposed monthly increase in dollars and the proposed percentage of increase for each class of customer or class of service. The notice must also state that the Commission may set rates which

may be higher or lower than the rates proposed in the application and that additional information may be obtained from the Commission or at the offices of the electric or gas utility filing the application. The notice must be given by at least two of the following methods:

- (a) Inclusion in the regular bill of charges transmitted to the applicant's customers.
- (b) Separate mailing to each of the applicant's customers.
- (c) Prominent presentation in one or more forms of the media, including newspapers, television and radio, so that the notice will likely reach the applicant's customers.

3. At or before the hearing, the applicant must submit a verified statement to the Commission that the notice required in subsection 2 has been given. The statement must:

- (a) Set forth the means by which, and the dates and times when, the notice was mailed, published or broadcast; and
- (b) Include, as an attachment, a copy of the notice as mailed, published or transcribed.

Sec. 7. NAC 704.130 is hereby amended to read as follows:

704.130 The base tariff energy rate (BTER) for fuel for electric generation and for purchased power ~~[must be established in the deferred energy application of an electric utility and must be based on the following formula]~~ *shall be calculated by the utility using each of the following methodologies. The electric utility shall provide both calculations and recommend its preferred BTER.*

1. A forecasted BTER for the period the BTER is anticipated to be in effect, using an appropriate production cost model, sales forecast, and fuel and purchase power cost forecast.

2. A historic BTER using the following formula:

~~[Let]~~ *Where:*

MG = Units of fuel used for the test period by each generating station for each type of fuel used.

UG = The latest experienced unit cost, for a reasonably significant volume purchased, for each type of fuel used in each generating station.

FG = Other latest known costs associated with fuel used in electric generation as enumerated in the accounts specified in paragraph (a) of subsection 2 of NAC 704.120.

PPF = Total megawatt-hours purchased under firm obligation and net associated interchanged power for the test period.

UPF = The latest experienced unit energy costs for firm power and associated net interchanged power from each supplier.

PPN = Total megawatt-hours purchased under nonfirm sales and associated net interchange power for the test period.

UPN = The average weighted cost for nonfirm power and associated net interchange power purchased during the test period (recorded cost).

FP = Fixed costs associated with the purchase and net interchange of power as may be enumerated in the account specified in paragraph (b) of subsection 2 of NAC 704.120.

T = Total sales of megawatt-hours which have been sold, exclusive of nonfirm sales, for the test period.

Then:

$$((MG \times UG) + FG) + ((PPF \times UPF) + (PPN \times UPN) + FP)$$

$$BTER = \frac{\text{---}}{T}$$

Sec. 8. NAC 704.135 is hereby amended to read as follows:

704.135 The base tariff energy rate (BTER) for purchased gas ~~[must be established in the deferred energy application of the gas utility and must be based on the following formula:]~~ shall be calculated by the utility using each of the following methodologies. The gas utility shall provide both calculations and recommend its preferred BTER.

Methodology 1: Forecasted prices.

Where:

PG = Sales volumes of the Utility grossed up for projected distribution system shrinkage and upstream pipeline company use gas to calculate purchases necessary to support the given level of sales for the test period expressed in therms.

UG = The projected average unit price that will be paid for gas to each supplier and during the test period in which the rates will be in effect.

SG = Actual volumes of gas sold for the test period expressed in therms.

FG = Fixed costs associated with the purchase of gas for the period in which the rates will be in effect as may be enumerated in the accounts specified in paragraph (e) of subsection 2 of NAC 704.120.

Then:

$$BTER = \frac{(PG \times UG) + FG}{SG}$$

Methodology 2: Historic prices.

~~[Let]~~ ***Where:***

PG = *Sales volumes of the Utility grossed up for projected distribution system shrinkage and upstream pipeline company use gas to calculate purchases necessary to support the given level of sales* ~~[Actual volumes purchased from each pipeline supplier and from each producer in the field.]~~ for the test period expressed in therms.

UG = The latest experienced unit price paid for gas to each ~~[pipeline]~~ gas supplier ~~{and each producer}~~ during the test period.

SG = Actual volumes of gas sold ~~[less excess gas sold]~~ for the test period expressed in therms.

FG = *Annualized* ~~[F]~~fixed costs associated with the purchase of gas for the test period as may be enumerated in the accounts specified in paragraph (e) of subsection 2 of NAC 704.120.

~~[DSG = Total actual volume of gas sold and delivered into the transmission system of the utility for the test period expressed in therms.]~~

Then:

~~[For distribution utilities:]~~

$$\text{BTER} = \frac{(\text{PG} \times \text{UG}) + \text{FG}}{\text{SG}}$$