

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

**LCB File No. R084-05**

August 16, 2005

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

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

A REGULATION relating to public utilities; revising the provisions governing deferred accounting by certain electric utilities and gas utilities; and providing other matters properly relating thereto.

**Section 1.** Chapter 704 of NAC is hereby amended by adding thereto a new section to read as follows:

*1. If an electric utility provides notice in its deferred energy application, the electric utility may update its base tariff energy rate calculation 60 days after filing its deferred energy application.*

*2. An electric utility may file an application to revise its base tariff energy rate if it does not have pending a deferred energy application pursuant to subsection 2 of NAC 704.116. An electric utility that files an application to revise its base tariff energy rate must:*

*(a) Submit the application to revise its base tariff energy rate not less than 120 days before the adjustment date for the deferred energy application filed pursuant to subsection 1 of NAC 704.116; and*

*(b) Calculate the base tariff energy rate pursuant to NAC 704.130.*

*3. In accordance with subsection 7 of NRS 704.110, a gas utility may file an application to revise its base tariff energy rate every 30 days.*

*4. If an electric utility files an application to revise its base tariff energy rate pursuant to subsection 2 and the Commission authorizes the revised rate, the Commission will provide that the revised rate becomes effective on the day following the adjustment date for the deferred energy application filed pursuant to subsection 1 of NAC 704.116.*

**Sec. 2.** NAC 704.023 is hereby amended to read as follows:

704.023 As used in NAC 704.023 to 704.195, inclusive, *and section 1 of this regulation*, unless the context otherwise requires, the words and terms defined in NAC 704.024 to 704.063, inclusive, have the meanings ascribed to them in those sections.

**Sec. 3.** 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 electric 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. 4.** 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 purchased 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}~~ *The* base tariff energy rate *of an electric utility or gas utility* 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.}~~ *calculated pursuant to NAC 704.130 or 704.135, respectively.*

7. The base tariff energy rate of an electric utility or gas utility remains in effect until ~~{an amended}~~ *a revised* 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. 5.** NAC 704.118 is hereby amended to read as follows:

704.118 1. ~~[If an]~~ *An* electric *utility* or gas utility *that* files ~~[an application for]~~ a deferred energy application pursuant to NAC 704.116, ~~[the utility]~~ *an electric utility that files an application to revise its base tariff energy rate pursuant to subsection 2 of section 1 of this regulation or a gas utility that files an application to revise its base tariff energy rate pursuant to subsection 3 of section 1 of this regulation* 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. 6.** NAC 704.130 is hereby amended to read as follows:

704.130 ~~{The}~~

*1. An electric utility shall, pursuant to subsections 2 and 3, calculate a forecasted and an historic 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]~~ and recommend its preferred base tariff energy rate to the Commission.*

*2. The electric utility shall calculate a forecasted base tariff energy rate based on the period during which the base tariff energy rate is anticipated to be in effect, using an appropriate production cost model, sales forecast and fuel and purchased power cost forecast.*

*3. The electric utility shall calculate an historic base tariff energy rate based on 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:

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

$$BTER = \frac{\quad}{\quad}$$

T

Sec. 7. NAC 704.135 is hereby amended to read as follows:

704.135 ~~{The}~~

1. *A gas utility shall, pursuant to subsections 2 and 3, calculate a forecasted and an historic base tariff energy rate (BTER) for purchased gas ~~{must be established in the deferred energy application of the gas utility and must be}~~ and recommend its preferred base tariff energy rate to the Commission.*

2. *The gas utility shall calculate a forecasted base tariff energy rate based on the following formula:*

~~{Let:~~

~~—PG = Actual volumes of gas purchased from each pipeline supplier and from each producer in the field,}~~

*Where:*

*PG = Sales volumes of the gas utility, including an adjustment for projected shrinkage in the distribution system and the consumption of gas by an upstream pipeline company, used 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 during the period in which the rate 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 rate will be in effect as may be enumerated in the accounts specified in paragraph (e) of subsection 2 of NAC 704.120.*

*Then:*

$$(PG \times UG) + FG$$

$$BTER = \frac{\quad\quad\quad}{SG}$$

3. *The gas utility shall calculate an historic base tariff energy rate based on the following formula:*

*Where:*

*PG = Sales volumes of the gas utility, including an adjustment for projected shrinkage in the distribution system and the consumption of gas by an upstream pipeline company, used to calculate purchases necessary to support the given level of sales for the test period expressed in therms.*

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

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

*FG = ~~[Fixed]~~ Annualized 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:]*~~

*Then:*



(PG X UG) + FG

BTER = \_\_\_\_\_

SG

~~[For transmission utilities:~~

~~\_\_\_\_\_ (PG X UG) + FG~~

~~BTER = \_\_\_\_\_~~

~~\_\_\_\_\_ DSG]~~