

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

**LCB File No. R202-05**

May 2, 2006

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

AUTHORITY: §1, NRS 703.025, 703.320 and 704.210; §§2-7, 9, 10 and 12-14, NRS 703.025, 704.185, 704.187 and 704.210; §§8 and 15, NRS 703.025, 704.185 and 704.210; §11, NRS 703.025, 704.187 and 704.210.

A REGULATION relating to energy; establishing procedures for the quarterly adjustment of base tariff energy rates by certain public utilities that purchase natural gas; revising the provisions governing deferred accounting by certain electric utilities and gas utilities; and providing other matters properly relating thereto.

**Section 1.** NAC 703.160 is hereby amended to read as follows:

703.160 1. The Secretary shall cause public notice of each filing or proceeding described in subsection 11 to be published in the manner prescribed in this section. The publisher of the public notice shall, not later than 5 days after publication of the notice, provide to the Commission proof of the publication of the notice. The proof must include:

- (a) The name of the newspaper in which the notice was published;
- (b) The name of the county in which the notice was published;
- (c) A statement signed by the publisher that the newspaper in which the notice was published is a newspaper of general circulation in the county in which the notice was published; and
- (d) The date of the publication of the notice.

2. Except as otherwise provided in this section, if the Secretary determines that the filing or proceeding will have:

(a) A statewide effect, the Secretary shall cause the public notice to be published once in four or more newspapers of general circulation in this State, no two of which are published in the same county.

(b) An effect on a limited number of counties, the Secretary shall cause the public notice to be published once in a newspaper of general circulation in each county affected. If there is no newspaper published in an affected county, the Secretary shall cause the public notice to be published once in a newspaper of general circulation in an adjoining county.

3. For a petition filed pursuant to NAC 703.290, the Secretary shall cause a public notice to be published once in a newspaper of general circulation in the county in this State where the principal place of operations of the incumbent local exchange carrier is located. As used in this subsection, “incumbent local exchange carrier” has the meaning ascribed to it in NAC 704.75993.

4. The Secretary will, if practicable, post each business day on the Internet website of the Commission a current list of all public notices published pursuant to this section.

5. The public notice must be an advertisement which is not less than 1 column inch by 3 inches, with a border on all sides, and must include, as appropriate:

(a) At the beginning of the notice, a title that generally describes the relief requested or the type of proceeding scheduled;

(b) The name of the applicant, complainant or petitioner or the name of the agent for the applicant, complainant or petitioner;

(c) A brief description of the purpose of the filing or proceeding, including, without limitation, a clear and concise introductory statement that summarizes the relief requested or the type of proceeding scheduled and the effect of the relief or proceeding upon consumers;

(d) The location where the filing is on file for the public or the location and time for the proceeding; and

(e) The date by which persons must file comments, notices of intent to participate as a commenter or petitions for leave to intervene with the Commission.

↪ The public notice must be published prominently so that it is reasonably calculated to notify affected persons.

6. If the notice is:

(a) A public notice for a hearing, the Secretary shall cause the notice of hearing to be:

- (1) Served on each party and published at least 10 days before the hearing is held; and
- (2) Posted at the principal office of the Commission at least 3 days before the hearing is held.

(b) For a filing or a proceeding other than a hearing, the Secretary shall cause the public notice to be published in the appropriate newspapers not less than 3 working days before the proposal in the filing becomes effective or the proceeding is held.

7. The applicant, complainant or petitioner shall pay the cost of the publication.

8. On a weekly basis, the Commission will cause to be published a summary of public notices concerning the filings and proceedings described in subsection 11. The summary of public notices will be published in the Sunday edition of a newspaper of general circulation in Carson City and such other newspapers as determined by the Secretary.

9. If public notice of a filing or proceeding is published by the Secretary pursuant to this section, the Secretary's notice shall be deemed to be legally sufficient public notice of the filing or proceeding, even if public notice in the summary of public notices is deficient or fails to be published pursuant to this section.

10. If public notice of a filing or proceeding is published in the summary of public notices pursuant to this section, the public notice in the summary of public notices shall be deemed to be legally sufficient public notice of the filing or proceeding, even if the Secretary's public notice is deficient or fails to be published pursuant to this section.

11. The provisions of this section apply to the following filings or proceedings:

(a) An application or tariff filing involving any authorization, expansion, reduction or curtailment of services, facilities or authority, any increase in rates, fares or charges, or any change in regulations.

(b) A complaint filed with the Commission pursuant to NAC 703.651.

(c) A petition.

(d) A prehearing conference.

(e) A workshop.

(f) A consumer session.

(g) A hearing.

***12. The provisions of this section do not apply to a quarterly rate adjustment made pursuant to section 8 of NRS 704.110.***

**Sec. 2.** Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 3 to 6, inclusive, of this regulation.

**Sec. 3.** ***“Annual rate adjustment application” means an application filed by a gas utility making quarterly rate adjustments to clear its natural gas deferred energy accounts pursuant to NAC 704.023 to 704.195, inclusive.***

Sec. 4. *“Quarterly rate adjustment” means a quarterly adjustment to the base tariff energy rate of a gas utility based on changes in the utility’s recorded costs of natural gas purchased for resale.*

Sec. 5. 1. *Before a gas utility which purchases natural gas for resale may make quarterly rate adjustments, the utility must file an application pursuant to subsection 8 of NRS 704.110 and must receive approval from the Commission to adjust its base tariff energy rate on a quarterly basis between annual rate adjustment applications.*

2. *The application described in subsection 1 must include, without limitation:*

(a) *The rationale in support of the decision of the gas utility to apply to the Commission for approval to implement quarterly rate adjustments;*

(b) *The proposed filing dates and effective dates for each of the quarterly rate adjustments;*

(c) *The proposed filing date and effective date for the annual rate adjustment application;*

(d) *The methodology proposed to be used to calculate the quarterly rate adjustments and the rationale supporting the selection of the methodology; and*

(e) *The amount of the proposed initial quarterly rate adjustment.*

3. *If the Commission approves an application described in subsection 1, the Commission will specify the filing and effective dates, methodology and amounts to be used by the applicant.*

Sec. 6. 1. *A gas utility may file an application requesting approval to terminate its authority to make quarterly rate adjustments and to establish its base tariff energy rate pursuant to NAC 704.116 or subsection 3 of section 1 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary*

*of State on October 31, 2005, as amended by section 11 of this regulation. The gas utility may cease making quarterly rate adjustments upon authorization from the Commission.*

*2. The application submitted pursuant to subsection 1 must include, without limitation:*

- (a) The rationale supporting the request to terminate the utility's authority to make quarterly rate adjustments;*
- (b) The proposed effective date of the transition; and*
- (c) If applicable, the proposed base tariff energy rate calculated pursuant to NAC 704.135.*

**Sec. 7.** NAC 704.023 is hereby amended to read as follows:

704.023 As used in NAC 704.023 to 704.195, inclusive, *and sections 3 to 6, inclusive, of this regulation*, unless the context otherwise requires, the words and terms defined in NAC 704.024 to 704.063, inclusive, *and sections 3 and 4 of this regulation* have the meanings ascribed to them in those sections.

**Sec. 8.** NAC 704.056 is hereby amended to read as follows:

704.056 "Gas utility" means a gas utility that elects to use deferred energy accounting pursuant to NRS 704.185 ~~[-]~~, *including a gas utility that is authorized to make quarterly rate adjustments pursuant to subsection 8 of NRS 704.110.*

**Sec. 9.** NAC 704.111 is hereby amended to read as follows:

704.111 1. For each electric utility:

- (a) The electric utility shall clear annually any debit or credit balance in FERC Account No. 186 over an approved period by dividing the cumulative debit or credit balance by the total Nevada jurisdictional kilowatt-hours which have been sold during the test period. The resulting positive or negative deferred energy accounting adjustment must be applied to each Nevada jurisdictional customer's monthly use of energy expressed in kilowatt-hours.

(b) If the electric utility requests or is ordered to clear any debit or credit balance in FERC Account No. 186 over an amortization period exceeding 12 months, the cumulative debit balance, subject to subsection 3, or credit balance at the end of the test period must be transferred to a separate subaccount. The cumulative balance must be multiplied by the ratio of 12 months to the number of months in the extended amortization period. The debit or credit amount so derived must be divided by the Nevada jurisdictional kilowatt-hours sold during the test period. The resulting positive or negative deferred energy accounting adjustment must be applied to each Nevada jurisdictional customer's monthly use of energy expressed in kilowatt-hours. At the end of the amortization period, any remaining balance must be transferred to the nonsegregated deferred account subaccount.

(c) The electric utility shall not bill or credit the deferred energy accounting adjustment to the customers of the electric utility until authorized by the Commission after a proper deferred energy application is made therefor.

2. For each gas utility:

(a) The gas utility shall clear annually any debit or credit balance in FERC Account No. 191 by dividing the cumulative debit or credit balance by the total Nevada jurisdictional therms which have been sold during the test period. The resulting positive or negative deferred energy accounting adjustment must be applied to each Nevada jurisdictional customer's monthly use of energy expressed in therms.

(b) The gas utility shall not bill or credit the deferred energy accounting adjustment to the customers of the gas utility until authorized by the Commission after a proper deferred energy application *or annual rate adjustment application* is made therefor.

3. The recovery of a debit balance in FERC Account No. 186, for electric operations, or FERC Account No. 191, for gas operations, must be limited by the most recently authorized Nevada jurisdictional rate of return for the specific operation of the electric utility or gas utility. If the Nevada jurisdictional rate of return submitted for an operating department of the electric utility or gas utility exceeds the most recently authorized rate of return for the utility, an amount equal to the amount which exceeds the utility's last authorized rate of return must be carried forward to the next test period.

**Sec. 10.** NAC 704.195 is hereby amended to read as follows:

704.195 1. Not later than 45 days after the end of each month in every deferred energy period, each electric utility and gas utility shall submit to the Commission a report containing all transactions and calculations affecting the deferred energy accounts. The monthly reports must include any other information or data required by the Commission to expedite or facilitate the deferred energy application *or annual rate adjustment application* and hearing necessary to clear the balances of deferred energy accounts.

2. Each electric utility shall submit in its monthly reports for electric operations the monthly cost of all energy generated and purchased, indicating:

(a) The number of megawatt-hours generated as to quantity, cost and type of fuel used in each generating unit;

(b) The number of megawatt-hours purchased and the cost, including demand charges, for each supplier by rate schedule or contract; and

(c) The basis of charges and data supporting those charges.

3. Each gas utility shall submit in its monthly reports for gas operations the monthly cost of all gas purchased, indicating:

(a) The quantity and cost of gas purchased from each supplier by rate schedule or contract;  
and

(b) The basis of the charges and the invoices supporting the charges.

**Sec. 11.** Section 1 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary of State on October 31, 2005, is hereby amended to read as follows:

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 ~~and~~ *unless the Commission has approved a quarterly rate adjustment pursuant to the provisions of NRS 704.100 and 704.110 and the gas utility has not filed an application requesting approval to terminate*

*its authority to make quarterly rate adjustments pursuant to section 6 of LCB File No. R202-05 as proposed by the Public Utilities Commission of Nevada.*

4. If an electric utility files an application to revise its base tariff energy rate pursuant to subsection 2 and the Commission authorizes a 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. 12.** Section 3 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary of State on October 31, 2005, is hereby amended to read as follows:

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 cost of fuel for electric generation and purchased power by applicable sales as described in NAC 704.130; ~~for~~

2. For a gas utility ~~for~~ *that does not make quarterly rate adjustments*, the rate determined by dividing the cost of purchased gas by the applicable sales as described in NAC 704.135 ~~for~~; *or*

*3. For a gas utility that makes quarterly rate adjustments, the rate determined pursuant to the methodology determined by the Commission pursuant to section 5 of LCB File No. R202-05 as proposed by the Public Utilities Commission of Nevada.*

**Sec. 13.** Section 4 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary of State on October 31, 2005, is hereby amended to read as follows:

Sec. 4. NAC 704.116 is hereby amended to read as follows:

704.116 1. Except as otherwise provided in subsection 2 ~~4~~ or 3, 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 *that is not authorized to make quarterly rate adjustments* 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. *A gas utility that makes quarterly rate adjustments pursuant to subsection 8 of NRS 704.110 shall file an annual rate adjustment application with the Commission for each of its jurisdictional operating departments in this State, setting forth its calculations of the deferred energy accounting adjustment. The annual rate adjustment application must be filed not later than the date specified by the Commission pursuant to subsection 3 of section 5 of LCB File No. R202-05 as proposed by the Public Utilities Commission of Nevada.*

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

~~4~~ 5. 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.]~~ 6. The deferred energy accounting adjustment of an electric utility or gas utility must be calculated pursuant to NAC 704.101 and 704.111.

~~[6.]~~ 7. The base tariff energy rate of an electric utility ~~[or gas utility]~~ must be calculated pursuant to NAC 704.130 . ~~[or 704.135, respectively.]~~

~~7.]~~ 8. *The base tariff energy rate of a gas utility that is not authorized by the Commission to make quarterly rate adjustments must be calculated pursuant to NAC 704.135.*

9. The base tariff energy rate of an electric utility or gas utility , *other than a gas utility that is authorized by the Commission to make quarterly rate adjustments,* remains in effect until a revised rate is authorized by the Commission.

~~[8.]~~ 10. 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. 14.** Section 5 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary of State on October 31, 2005, is hereby amended to read as follows:

Sec. 5. NAC 704.118 is hereby amended to read as follows:

704.118 1. An electric utility or gas utility that files a deferred energy application pursuant to NAC 704.116, 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 *or a gas utility that files an annual rate adjustment application pursuant to subsection 3 of NAC 704.116* 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).

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.

*4. A gas utility that is authorized to make quarterly rate adjustments shall, for each quarterly rate adjustment, provide:*

*(a) Notice to the Commission pursuant to the provisions of paragraph (a) of subsection 8 of NRS 704.110, including, without limitation:*

*(1) A copy of the notice of the quarterly rate adjustment that the gas utility will provide to its customers;*

*(2) Supporting information for all amounts shown in the notice of the quarterly rate adjustment that the gas utility will provide to its customers; and*

*(3) The calculations supporting the change in its base tariff energy rate;*

*(b) Notice to its customers as required pursuant to the provisions of paragraph (b) of subsection 8 of NRS 704.110; and*

*(c) A copy of the notice provided pursuant to paragraph (a) to the Regulatory Operations Staff of the Commission and to the Bureau of Consumer Protection in the Office of the Attorney General.*

**Sec. 15.** Section 7 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary of State on October 31, 2005, is hereby amended to read as follows:

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

704.135 1. A gas utility *that does not make quarterly rate adjustments* shall, pursuant to subsections 2 and 3, calculate a forecasted and ~~and~~ a historic base tariff energy rate (BTER) for purchased gas 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:

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 *weighted* 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.

*VG = Variable transportation costs.*

*TG = Distribution system shrinkage costs paid by transportation customers.*

Then:

$$(PG \times UG) + FG + (VG - TG)$$

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

3. ~~[The]~~ *Except as otherwise provided in subsection 4, the* gas utility shall calculate ~~[an]~~ *a* 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 *weighted average of the* latest experienced unit ~~[price]~~ *prices* paid for gas ~~[to each gas supplier]~~ during the test period.

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

FG = 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.

*VG = Variable transportation costs.*

*TG = Distribution system shrinkage costs paid by transportation customers.*

Then:

$$(PG \times UG) + FG + (VG - TG)$$

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

*4. A gas utility that makes quarterly rate adjustments shall calculate its base tariff energy rate using the methodology determined by the Commission pursuant to section 5 of LCB File No. R202-05 as proposed by the Public Utilities Commission of Nevada.*