

**LCB File No. R070-07**

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

**BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

Investigation and rulemaking to adopt, amend or repeal )  
regulations pertaining to Nevada Administrative Code )  
Chapters 703 and 704 regarding interruptible service ) Docket No. 07-06023  
and other related utility matters in accordance with )  
Assembly Bill 144. )  
\_\_\_\_\_ )

**NOTICE OF INTENT TO ACT UPON A REGULATION, AND NOTICE OF HEARING  
FOR THE ADOPTION, AMENDMENT, OR REPEAL OF REGULATIONS OF THE  
PUBLIC UTILITIES COMMISSION OF NEVADA**

On June 6, 2007, the Public Utilities Commission of Nevada (“Commission”) opened an investigation and rulemaking docket to adopt, amend, or repeal Commission regulations pertaining to Nevada Administrative Code (“NAC”) Chapters 703 and 704 regarding interruptible service and other related utility matters in accordance with Assembly Bill 144. This matter has been designated by the Commission as Docket No. 07-06023.

The Commission will hold a public **HEARING** at **10:00 A.M.** on **MONDAY, SEPTEMBER 17, 2007**, at the offices of the Commission, Hearing Room A, 1150 East William Street, Carson City, Nevada, 89701 and via videoconference to Hearing Room A, 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment, or repeal of Commission regulations pertaining to NAC Chapters 703 and 704 regarding interruptible service and other related utility matters in accordance with Assembly Bill 144. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the

Commission may proceed to act upon any written submissions. The hearing may be continued day to day as necessary.

The following information is provided pursuant to the requirements of the Nevada Revised Statutes (“NRS”) 233B.0603:

In accordance with Assembly Bill 144, on June 6, 2007, during a duly noticed meeting, the Commission voted to open an investigation and rulemaking to adopt, amend or repeal regulations.

Revised text of the proposed regulations prepared by the Legislative Counsel Bureau pursuant to NRS 233B.063 is not yet available. However, when the revised text is released, it will be available at the Commission offices, 1150 East William Street, Carson City, Nevada 89701 and 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109, and at the Legislative Counsel Bureau, 401 S. Carson Street, Carson City, NV 89701-4747, as LCB File No. R070-07P.

The proposed regulations address interruptible service and other related utility matters.

The proposed regulations potentially affect the public utilities that furnish electricity to customers that use electricity for the sole purpose of pumping water to irrigate land for agricultural purposes and the customers of those public utilities. Currently Sierra Pacific Power Company (“SPPC”) is the only public utility provider in this category. At this time, the Commission cannot quantify either the adverse or beneficial economic effects on SPPC, either immediate or long-term, which may result from the proposed regulations.

At this time the Commission cannot quantify either the adverse or beneficial economic effects on the public as a whole, either immediate or long-term, which may result from the proposed regulations. However, the estimated effect for customers that use electricity for the

sole purpose of pumping water to irrigate land for agricultural purposes would be a change in rates to align the rates of those customers of regulated utilities with the customers of unregulated electric providers. The estimated effect for an average residential SPPC rate payer would be a rate increase of approximately 0.80 dollars per month.

The methodology used by the Commission to determine the impact of proposed regulations on small businesses is called the Delphi Method. This Delphi Method is a systematic interactive forecasting method based on independent inputs of selected Staff experts who form a consensus opinion as to the likely impact of the regulation on small businesses and the public.

The Commission at this time is unsure if there will be any increased costs associated with enforcement of these proposed regulations.

These regulations do not overlap or duplicate any federal, state, or local regulations.

These regulations do not establish any new fee or increase an existing fee.

Persons wishing to comment upon the proposed action of the Commission may appear at the scheduled hearing and/or address their comments, data, views, or arguments, in written form, to the Secretary of the Commission, 1150 East William Street, Carson City, Nevada 89701 or 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109. Written submissions to be discussed at the hearing must be received by the Commission on or before **MONDAY, SEPTEMBER 10, 2007.**

A copy of this notice and the proposed regulations will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulations will be available at the offices of the Commission, at 1150 East William Street, Carson City, Nevada 89701 or 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109; and in all counties in which an

office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulations are also available in the State of Nevada Register of Administrative Regulations, which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653, and on the Internet at <http://www.leg.state.nv.us>. Copies of this notice and the proposed regulations will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption and incorporate therein its reason for overruling the consideration urged against its adoption.

This notice has been posted at the county courthouses located in Reno, Carson City, and Las Vegas.

By the Commission,

---

CRYSTAL JACKSON, Commission Secretary

Dated: Carson City, Nevada

---

(SEAL)

**LCB File No. R070-07**

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

**Docket No. 07-06023**

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

**Section 1.** Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 4, inclusive, of this regulation.

**Sec. 2.** *Each public utility that furnishes electricity to customers that use electricity for the sole purpose of pumping water to irrigate land for agricultural purposes shall establish a rate for interruptible. In order to determine the rate, the public utility shall:*

*1. On or before September 1 of each year, submit a request to each public utility, municipal utility, and cooperative association in the State inquiring what is the lowest per-kilowatt hour rate charged under any of its rate schedules applicable to its residential, commercial or industrial customers or members in Nevada.*

*2. On or before November 1 of each year, file an application with the Commission to revise the rate for interruptible service, calculated pursuant to NRS 704.225.*

**Sec. 3** *Each public utility, municipal utility, and cooperative association that receives a request pursuant to section 2(1) shall provide the information to the public utility that made the request no later than October 1 of that year..*

**Sec. 4.** *“Interruptible irrigation sales” means electricity sales subject to the rate for interruptible service established in section 2.*

**Sec. 5.** NAC 704.037 is hereby amended to read as follows:

NAC 704.037 “Deferred energy accounting adjustment” means the rate determined by dividing the deferred energy balance for the test period by the total Nevada jurisdictional kilowatt-hours, *exclusive of interruptible irrigation sales*, or therms which have been sold during the test period as described in NAC 704.101 and 704.111.

**Sec. 6.** NAC 704.045 is hereby amended to read as follows:

NAC 704.045 “Deferred energy balance” means the amount contained in FERC Account Nos. 186 and 191, and represents the sum of:

1. The difference between revenue received from the base tariff energy rate and the jurisdictional allocation of the amounts contained in the appropriate accounts listed in paragraphs (a), (b), (c) and (e) of subsection 2 of NAC 704.120;

2. The amount resulting from the application of the deferred energy accounting adjustment to sales, as contained in the appropriate revenue accounts;

**3. *Revenue from interruptible irrigation sales;***

~~[3.]~~ **4.** The Nevada jurisdictional portion of refunds from suppliers, including any interest earned thereon; and

~~[4.]~~ **5.** Carrying charges as described in NAC 704.150.

**Sec. 7.** NAC 704.101 is hereby amended to read as follows:

NAC 704.101 Use of deferred energy accounts and subaccounts; required entries.

Each electric utility and gas utility using deferred energy accounting shall maintain a deferred energy account and, if applicable, such an electric utility shall maintain appropriate subaccounts. Entries must be made to the deferred energy account and any appropriate subaccounts at the end of each month as follows:

1. For electric operations:

(a) A debit entry or credit entry to FERC Account 186, if negative, equal to the cost of both fuel for electric generation and purchased power, reduced for revenues from nonfirm sales, distributed to applicable jurisdictional sales by the ratio of those jurisdictional sales to the total sales of energy, exclusive of nonfirm sales, less the amount of revenue derived by applying the base tariff energy rate to that month's applicable jurisdictional sales, *exclusive of interruptible irrigation sales*.

(b) Each subaccount must receive a separate credit entry or debit entry, if negative, equal to the amount of revenue derived by applying the appropriate deferred energy accounting adjustment to that month's applicable jurisdictional sales, *exclusive of interruptible irrigation sales*.

*(c) A credit equal to the lesser amount of the interruptible irrigation sales revenue for the month or the amount of revenue derived by applying the base tariff energy rate to that month's applicable interruptible irrigation sales.*

~~(e)~~ (d) A credit equal to the jurisdictional amount of any cash refund, including interest if applicable, received from its fuel or suppliers of purchased power.

~~(d)~~ (e) Each subaccount must receive a separate debit entry or credit entry, if negative, equal to the product of the ending balance multiplied by one-twelfth of the authorized rate of return as provided in NAC 704.150.

2. For gas operations:

(a) A debit entry or credit entry to FERC Account 191, if negative, equal to the cost of purchased gas for the month distributed to applicable jurisdictional sales by the ratio of those jurisdictional sales to total sales, less the amount of the revenue derived by applying the base tariff energy rate to that month's applicable jurisdictional sales.

(b) A credit entry or debit entry, if negative, equal to the amount of revenue derived by applying the appropriate deferred energy accounting adjustment to that month's applicable jurisdictional sales.

(c) A credit entry equal to the jurisdictional amount of any cash refund, including interest if applicable, received from suppliers of purchased gas.

(d) A debit entry or credit entry, if negative, equal to the product of the ending balance multiplied by one-twelfth of the authorized rate of return as provided in NAC 704.150.

**Sec. 8.** NAC 704.111 is hereby amended to read as follows:

NAC 704.111 Clearing deferred energy accounts; calculation and application of deferred energy accounting adjustment; limitations on recovery of debit balance.

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, *exclusive of interruptible irrigation sales*, 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, *exclusive of interruptible irrigation sales*, 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, *exclusive of interruptible irrigation sales*, 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, *exclusive of interruptible irrigation sales*, 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 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. 9.** NAC 704.130 is hereby amended to read as follows:

NAC 704.130 1. An electric utility shall, pursuant to subsections 2 and 3, calculate a forecasted and a historic base tariff energy rate (BTER) for fuel for electric generation and for purchased power 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 a historic base tariff energy rate based on the following formula:

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 *both interruptible irrigation sales and* nonfirm sales, for the test period.

Then:

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

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

**Sec. 10.** NAC 704.217 is hereby amended to read as follows:

NAC 704.217 1. A utility may file an application to recover deferred variable interest expense or dividends and to update the level of variable interest expense or dividends included in the current rates within 45 days after the end of the utility's test period. An application may not be filed more than once during a calendar year.

2. The application must include:

- (a) A request for approval to adopt the procedure;
- (b) A calculation of the weighted average variable interest or dividend rate;
- (c) A calculation of the net change in the base tariff general rate resulting from changes in the weighted average variable interest or dividend rate; and
- (d) A calculation of the net change in the base tariff general rate resulting from changes in accumulation of deferred interest.

3. The net change in the base tariff general rate (1BTGR) resulting from changes in the weighted average variable interest or dividend rate must be based on the following formula:

$$[\text{AVIR}(\text{new}) - \text{AVIR}(\text{prior})] \times \text{RB}$$

$$1\text{BTGR} = \frac{\text{---}}{\text{---}}$$

BU

4. The net change in the base tariff general rate (2BTGR) resulting from changes in accumulation of deferred interest (ADI) must be based on the following formula:

$$2\text{BTGR} = \frac{\text{ADI}(\text{new})}{\text{BU}(\text{new})} - \frac{\text{ADI}(\text{prior})}{\text{BU}(\text{prior})}$$

5. As used in this section:

(a) “ADI(new)” means the balance in the subaccount of FERC Account No. 186 during the current amortization period.

(b) “ADI(prior)” means the balance in the subaccount of FERC Account No. 186 during the prior amortization period.

(c) “AVIR(new)” means the current month’s weighted variable interest or dividend rate for all outstanding variable rate securities issued by the utility and included in the Nevada jurisdictional capital structure, as approved in the last general rate case or other proceeding if stipulated by the parties and accepted by the Commission.

(d) “AVIR(prior)” means the weighted average variable interest or dividend rate.

(e) “BU” means the billing units, *exclusive of interruptible irrigation sales*, established in the last general rate case or other proceeding if stipulated by the parties and accepted by the Commission.

(f) “BU(new)” means the billing units, *exclusive of interruptible irrigation sales*, established during the current amortization period.

(g) “BU(prior)” means the billing units, *exclusive of interruptible irrigation sales*, established during the prior amortization period.

(h) “RB” means the rate base established in the last general rate case or other proceeding if stipulated by the parties and accepted by the Commission.

**Sec. 11.** NAC 704.219 is hereby amended to read as follows:

NAC 704.219 1. A utility which plans to seek recovery of variable interest expense or dividends shall calculate revenues and expenses related to the accumulation of deferred variable interest or dividends as follows:

(a) Amortization revenues must be credited or debited to FERC Account No. 186 based on the following formula:

$$2BTGR \times BU(\text{new})$$

(b) Monthly expense must be transferred from the subaccount of FERC Account No. 186 to a subaccount of interest expense. Monthly expense is the net change in the base tariff general rate, calculated pursuant to subsection 3 of NAC 704.217, and multiplied by the billing unit sales, *exclusive of interruptible irrigation sales*, for the month.

(c) Whenever a new accumulation of deferred interest is authorized, revenues must be increased or decreased annually to match changes in accumulation of deferred variable interest by adjusting the base tariff general rate based on the following formula:

$$BTGR(\text{new}) = BTGR(\text{prior}) \pm 2BTGR$$

2. As used in this section:

(a) “2BTGR” means the net change in the base tariff general rate resulting from changes in the accumulation of deferred interest, calculated pursuant to subsection 4 of NAC 704.217.

(b) “BTGR(new)” means the base tariff general rate established in the last general rate case or other proceeding if stipulated by the parties and accepted by the Commission.

(c) “BTGR(prior)” means the base tariff general rate established in the prior general rate case or other proceeding if stipulated by the parties and accepted by the Commission.

(d) “BU(new)” means the billing units, *exclusive of interruptible irrigation sales*, established during the current amortization period.

**Sec. 12. NAC 704.670 is hereby repealed.**

**Sec. 13.** NAC 704.675 is hereby amended to read as follows:

NAC 704.675 ~~1. Each utility shall file with the Commission a schedule containing a special rate for interruptible service to customers who use electricity solely to pump water to irrigate land for agricultural purposes.~~

~~—2. For the period from March 1 to October 31, inclusive:~~

~~—(a) The special rate must not exceed the lowest charge per kilowatt-hour offered by the utility under any of its rate schedules applicable to its residential, commercial, or industrial customers in Nevada.~~

~~—(b) In determining whether its charge per kilowatt-hour is the lowest it offers, the utility shall average any such charges contained in its schedules of block rates and shall average any such charges contained in its schedules of time-differentiated rates.~~

~~—(c) The special rate must not include any provision for minimum billings, standby charges, customer charges, or demand charges.~~

~~—3.]~~ **1.** For the period from November 1 to the last day in February, inclusive:

(a) The schedule containing the ~~[special]~~ rate *for interruptible service pursuant to NRS 704.225* must provide for charges which are the same as those provided in the utility's regular schedule of rates for irrigation.

(b) Annual charges must be prorated, and any amount attributable to the period from March 1 to October 31, inclusive, must be excluded.

~~[4.]~~ 2. The schedule containing the ~~[special]~~ rate *for interruptible service pursuant to NRS 704.225* must include a provision requiring the customer to agree to an interruption of service at any time during the period from March 1 to October 31, inclusive, upon notification by the utility that ~~[a system emergency exists and]~~ a load reduction is needed to maintain the integrity of the system. The schedule must provide that if the customer fails to reduce the load upon the utility's request, the customer will be billed for the entire period, including that portion for which the customer was previously billed, at the rate contained in the utility's regular schedule of rates for irrigation.

**Sec. 14.** NAC 704.680 is hereby amended to read as follows:

NAC 704.680 If a utility anticipates that a deficiency in revenue will result from its provision of the ~~[special]~~ rate *for interruptible service pursuant to NRS 704.225*, it shall recover the deficiency and do so in the manner directed by the Commission for that utility.

#### **TEXT OF REPEALED SECTION**

**NAC 704.670 Applicability.** (NRS. 703.025, 704.210, 704.225) The provisions of this section and NAC 704.675 and 704.680 apply to:

1. CP National Corporation;

2. Idaho Power Company;
3. Nevada Power Company;
4. Panaca Power and Light Company; and
5. Sierra Pacific Power Company.