

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

LCB File No. R070-07

August 20, 2007

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

AUTHORITY: §§1-4 and 13-15, NRS 703.025, 704.210 and 704.225; §5, NRS 703.025 and 704.210; §§6-10, NRS 703.025, 704.187 and 704.210; §§11 and 12, NRS 703.025, 704.210 and 704.324.

A REGULATION relating to public utilities; revising provisions governing rates for interruptible service of electricity used solely for pumping water for purposes of agricultural irrigation; revising provisions governing deferred energy accounting; 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, 3 and 4 of this regulation.

Sec. 2. *“Interruptible irrigation sales” means electricity sales subject to the rate for interruptible service established pursuant to section 3 of this regulation.*

Sec. 3. *A public utility which furnishes electricity to customers that use electricity for the sole purpose of pumping water to irrigate land for agricultural purposes shall annually establish a rate for interruptible service. In establishing the rate, the public utility shall:*

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

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

Sec. 4. *Each public utility, municipal utility and cooperative association that receives a request for information pursuant to section 3 of this regulation shall provide the requested information to the public utility that made the request not later than October 1 of the year in which the request is made.*

Sec. 5. 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. 6. NAC 704.037 is hereby amended to read as follows:

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. 7. NAC 704.045 is hereby amended to read as follows:

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;*

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. 8. NAC 704.101 is hereby amended to read as follows:

704.101 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 *No.* 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 ~~[4.]~~, *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 ~~[4.]~~, *exclusive of interruptible irrigation sales.*

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

(d) A credit *entry* 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 *No.* 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. 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, *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 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 704.130 is hereby amended to read as follows:

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

Then:

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

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

T

Sec. 11. NAC 704.217 is hereby amended to read as follows:

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:

$$1BTGR = \frac{[AVIR(\text{new}) - AVIR(\text{prior})] \times RB}{BU}$$

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:

$$ADI(\text{new}) - ADI(\text{prior})$$

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

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. 12. NAC 704.219 is hereby amended to read as follows:

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

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.]~~ 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:

704.680 If a utility anticipates that a deficiency in revenue will result from its provision of the ~~[special rate,]~~ *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.

Sec. 15. NAC 704.670 is hereby repealed.

TEXT OF REPEALED SECTION

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.