

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

LCB File No. R073-07

Effective October 31, 2007

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

AUTHORITY: §1, NRS 703.025, 704.185, 704.187 and 704.210.

A REGULATION relating to public utilities; revising the calculation of the carrying charge applicable to the monthly debit or credit balance in certain accounts of electric utilities and gas utilities; and providing other matters properly relating thereto.

Section 1. NAC 704.150 is hereby amended to read as follows:

704.150 1. Except as otherwise provided in subsection 3, a carrying charge must be computed on the current *average monthly* debit or credit balance ~~[at the end of each month]~~ in FERC Account No. 186, for electric operations, or FERC Account No. 191, for gas operations, and must be respectively debited or credited to the account at the *carrying charge* rate of one-twelfth of the overall rate of return as authorized by the Commission for the particular department or division of the electric utility or gas utility ~~[]~~, *adjusted for federal income tax applicable to the equity component of the overall rate of return computed at the applicable statutory rate*. The rate of the carrying charge must be applied to the entire balance in FERC Account No. 186, for electric operations, or FERC Account No. 191, for gas operations ~~[]~~, *net of applicable accumulated deferred income taxes, as follows:*

Carrying charge = (Carrying charge rate) x (average deferred energy balance for the month) x (1 - statutory deferred income tax rate)

2. The contra entries for the carrying charge must be made to FERC Account No. 419, for gas operations.

3. If, in any month, the Nevada jurisdictional earned rate of return for an operating department of the electric utility or gas utility ~~[for the test period]~~ exceeds the overall rate of return last authorized by the Commission for that department, and if the *average* monthly balance in FERC Account No. 186, for electric operations, or FERC Account No. 191, for gas operations, is a debit, an adjustment amount will be calculated equal to the amount which exceeds the utility's last authorized rate of return. *The Nevada jurisdictional earned rate of return will be calculated quarterly using the 12-month period ending with the last month of the quarter and will apply to the carrying charge calculation in each month of that quarter.* Carrying charges may accrue only on that portion of the debit balance which exceeds the adjustment amount.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R073-07
Docket No. 07-01010

The Public Utilities Commission of Nevada adopted regulations assigned LCB File No. R073-07 which pertain to chapter 704 of the Nevada Administrative Code on September 5, 2007.

INFORMATIONAL STATEMENT

1. A description of how public comment was solicited, a summary of public response, and explanation how other interested persons may obtain a copy of the summary.

Copies of the proposed regulations, notice of intent to act upon the regulation and notice of workshop and hearing were sent by U.S. mail and email to persons who were known to have an interest in the subjects of interruptible service and other related utility matters. These documents were also made available at the website of the Public Utilities Commission of Nevada (“PUCN”), <http://pucweb1.state.nv.us/PUCN/>, mailed to all county libraries in Nevada, published in the following newspapers:

Elko Daily Free Press
Las Vegas Review Journal
Nevada Appeal
Reno Gazette Journal
Tonopah Times-Bonanza

and posted at the following locations:

Public Utilities Commission
1150 East William Street
Carson City, Nevada 89701

Public Utilities Commission
101 Convention Center Drive, Suite 250
Las Vegas, Nevada 89109

First Judicial District Court
885 East Musser Street
Carson City, Nevada 89701

Second Judicial District Court
75 Court Street
Reno, Nevada 89501

Eighth Judicial District Court
Regional Justice Center
200 Lewis Avenue
Las Vegas, Nevada 89155

The comments in this matter were submitted in writing and heard during the workshop and the hearing. The comments focused on: (1) the carrying charge rate; (2) accumulated deferred income tax adjustments; and (3) the average balance in lieu of the end of month balance. The Office of the Attorney General’s Bureau of Consumer Protection (“BCP”) and Barrick Goldstrike Mines, Inc. (“Barrick”) supported the use of an index to calculate the rate

of carry on deferred balances. The PUCN's Regulatory Operating Staff ("Staff"), Nevada Power Company ("NPC") and Sierra Pacific Power Company ("SPPC"), and Southwest Gas Corporation ("SWG") supported the rate of return methodology that appeared in the proposed regulation.

Copies of all documents filed in this matter, including this summary, are available at www.puc.state.nv.us on the PUCN's website or at the offices of the PUCN, at 1150 East William Street, Carson City, Nevada 89701 and 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109.

2. The number of persons who: (a) attended each hearing; (b) testified at each hearing; and (c) submitted to the agency written statement.

a. Attendees

i. Workshop, March 22, 2007

1. Staff, 3
2. BCP, 2
3. NPC/SPPC, 2
4. SWG, 4
5. Barrick, 1

ii. Workshop, May 17, 2007

1. Staff, 3
2. BCP, 2
3. NPC/SPPC, 2
4. SWG, 5
5. Barrick, 1

iii. Workshop, July 10, 2007

1. Staff, 3
2. BCP, 2
3. NPC/SPPC, 3
4. SWG, 4
5. Barrick, 1

iv. Hearing, July 11, 2007

1. Staff, 3
2. BCP, 2
3. NPC/SPPC, 4
4. SWG, 2
5. Barrick, 1

b. Testimony

No formal testimony was offered in this matter. The above noted attendees participated in the workshops and/or hearing.

c. Written statements

On February 23, 2007, Staff, BCP, NPC and SPPC, SWG, and Barrick filed comments in Docket No. 07-01010. On March 9, 2007, Staff, BCP, NPC and SPPC, SWG, and Barrick filed reply comments in Docket No. 07-01010.

On May 3, 2007, Staff, BCP, NPC and SPPC, SWG, and Barrick filed comments in Docket No. 07-01010. On May 14, 2007, Staff, BCP, NPC and SPPC, SWG, and Barrick filed reply comments in Docket No. 07-01010.

On June 29, 2007, SWG filed comments in Docket No. 07-01010. On July 2, 2007, BCP, NPC and SPPC, and Barrick filed comments in Docket No. 07-01010.

3. A description of how comment was solicited from affected businesses, a summary of their response and an explanation how other interested persons may obtain a copy of the summary.

Comments were solicited from affected businesses in the same manner as they were solicited from the public as outlined in the response to item #1. The summarized responses of affected businesses are included in the response to item #1. The summary may be obtained as indicated in the response to item #1.

4. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

The regulation adopted on September 5, 2007, reflects changes from the original proposed regulation made during the workshop and/or hearing.

5. The estimated economic effect of the adopted regulation on the businesses which it is to regulate and on the public. These must be stated separately, and each case must include:

(a) Both adverse and beneficial effects;

The proposed regulations potentially affect all entities that offer or will offer natural gas service, as well as the customers of such entities. At this time, the PUCN cannot quantify either the adverse or beneficial economic effects, either immediate or long-term, which may result from the adopted regulations.

At this time the PUCN 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.

(b) Both immediate and long-term effects.

See the response to item #5(a).

6. The estimated cost to the agency for enforcement of the adopted regulation.

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

7. A description of any regulation of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the

duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

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

- 8. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.**

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

- 9. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.**

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

- 10. Is the proposed regulation is likely to impose a direct and significant economic burden upon a small business or directly restrict the formation, operation or expansion of a small business? What methods did the agency use in determining the impact of the regulation on a small business?**

The PUCN determined that the regulation does not impose a direct and significant burden on small businesses or directly restrict the formation, operation or expansion of a small business in Nevada. In making this determination, the PUCN adopted the findings of the Staff. The methodology used by the PUCN and its Staff to determine the impact of proposed regulations on small businesses is called the Delphi Method. The 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.

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Investigation and rulemaking to amend NAC 704.150,)
including but not limited to the computation of carrying)
charges on deferred energy balances and a revision for the) Docket No. 07-01010
accumulated deferred income tax offset.)
_____)

At a general session of the Public Utilities
Commission of Nevada, held at its offices
on September 5, 2007.

PRESENT: Chairman Jo Ann P. Kelly
Commissioner Rebecca D. Wagner
Commissioner Sam A. Thompson
Commission Secretary Crystal Jackson

ORDER ADOPTING REGULATIONS

The Public Utilities Commission of Nevada (“Commission”) makes the following
findings of fact and conclusions of law:

1. On December 12, 2006, the Attorney General’s Bureau of Consumer Protection (“BCP”) filed a Petition for Rulemaking with the Public Utilities Commission of Nevada. BCP proposed three amendments to an existing Commission regulation, Nevada Administrative Code (“NAC”) 704.150. Specifically, BCP requested to change the rate of carrying charge applied to deferred balances, to calculate the monthly carrying charge on an average balance, and to require an accumulated deferred income tax (ADIT) offset.

2. At a January 8, 2007, Agenda Meeting, the Commission voted to open an investigation and rulemaking in order to determine what, if any, amendments should be made to the Commission’s existing carrying charges regulation. This matter was designated as Commission Docket No. 07-01010.

3. The Commission issued a public notice of this matter in accordance with state law and the Commission's rules of practice and procedure.

4. This matter is being conducted by the Commission pursuant to Chapters 233B, 703 and 704 of the Nevada Revised Statutes ("NRS") and the NAC.

5. On January 25, 2007, the Presiding Officer issued a Request for Comments and Notice of Workshop in Docket No. 07-01010.

6. On February 23, 2007, Sierra Pacific Power Company and Nevada Power Company (collectively "the Companies"), the Regulatory Operations Staff ("Staff") of the Commission, Southwest Gas Corporation ("SWG"), Barrick Goldstrike, Turquoise Ridge, and Cortez (collectively "Barrick"), and the BCP filed comments in Docket No. 07-01010.

7. On March 9, 2007, the Companies, Staff, BCP, Barrick, and SWG filed reply comments in Docket No. 07-01010. On March 14, 2007, Staff filed errata to their reply comments.

8. On March 22, 2007, the Commission held a duly noticed workshop in Docket No. 07-01010.

9. On March 29, 2007, the Presiding Officer issued a Request for Comments and Notice of Second Workshop in Docket No. 07-01010.

10. On March 30, 2007, Staff filed a supplement to their March 9, 2007, reply comments in Docket No. 07-01010.

11. On May 3, 2007, the Companies, Staff, BCP, SWG, and Barrick filed comments in Docket No. 07-01010. On May 9, 2007, BCP filed errata to their comments.

12. On May 14, 2007, the Companies, Staff, Barrick, and BCP filed reply comments in Docket No. 07-01010.

13. On May 17, 2007, the Commission held a duly noticed workshop in Docket No. 07-01010.

14. On May 18, 2007, the Presiding Officer issued a Notice of Intent to Amend/Adopt/or Repeal Regulations, Notice of Workshop, and Notice of Hearing in Docket No. 07-01010.

15. On May 24, 2007, the Presiding Officer issued a Procedural Order directing Staff to conduct a small business impact assessment in accordance with NRS 233B.0608(1).

16. On June 20, 2007, the Commission issued an Order that found that the proposed regulation in Docket No. 07-01010 does not impose a direct or significant economic burden upon small businesses, nor does it directly restrict the formation, operation, or expansion of a small business.

17. On June 29, 2007, SWG filed comments in Docket No. 07-01010. On July 2, 2007, BCP, Barrick, and the Companies filed comments.

18. On July 10, 2007, the Commission held a duly noticed workshop in Docket No. 07-01010.

19. On July 11, 2007, the Commission held a duly noticed hearing in Docket No. 07-01010.

20. On July 25, 2007, at a duly noticed Agenda meeting, the Commission voted to adopt a revised version of the proposed temporary regulation set forth in LCB File No. T031-07. The revised version of the regulation set forth in LCB File No. T031-07 was subsequently

assigned to LCB File No. R073-07 for review as a proposed permanent regulation pursuant to NRS 233B.060.

21. The Commission finds that it is in the public interest to adopt as permanent the proposed regulations set forth in LCB File No. R073-07, attached hereto and incorporated herein as Attachment 1.

THEREFORE, based on the foregoing, it is hereby ORDERED that:

1. The proposed regulations, attached hereto as Attachment 1 and incorporated herein, are ADOPTED as permanent regulations pursuant to NRS 233B.040 and 233B.060.
2. The Commission retains jurisdiction for the purpose of correcting any errors that may have occurred in the drafting of this Order.

By the Commission,

JO ANN P. KELLY, Chairman and
Presiding Officer

REBECCA D. WAGNER, Commissioner

SAM A. THOMPSON, Commissioner

Attest: _____
CRYSTAL JACKSON, Commission Secretary

Dated: Carson City, Nevada

(SEAL)