

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

LCB File No. R043-12

July 6, 2012

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

AUTHORITY: §§1 and 2, NRS 703.025, 704.185, 704.187 and 704.210; §3, NRS 703.025, 704.210 and 704.225; §4, NRS 703.025, 704.210, 704.997 and 704.998; §5, NRS 703.025 and 704.210.

A REGULATION relating to utilities; revising the method of maintaining deferred energy accounting; repealing certain provisions; and providing other matters properly relating thereto.

Section 1. NAC 704.045 is hereby amended to read as follows:

704.045 “Deferred energy balance” means the amount contained in FERC Account Nos. 182.3 and 191, and represents:

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. *Revenues 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. 2. 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. Entries must be made to the deferred energy account at the end of each month as follows:

1. For electric operations:

(a) A debit entry or credit entry, if negative, to a subaccount of FERC Account No. 182.3, if the cumulative month-end balance is a debit, or a subaccount of FERC Account No. 254, if the cumulative month-end balance is a credit, equal to the cost of both fuel for electric generation and purchased power, reduced for revenues from off-system sales, distributed to applicable jurisdictional sales by the ratio of those jurisdictional sales to the total sales of energy, exclusive of off-system 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) 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 entry equal to the amount of revenue from interruptible irrigation sales.*

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

~~(d)~~ (e) 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. 3. NAC 704.675 is hereby amended to read as follows:

704.675 1. For the period from November 1 to the last day in February, inclusive:

(a) The schedule containing the 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.

2. The schedule containing the 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 pursuant to the conditions set forth in the utility's tariff for interruptible service.

~~[3. For the purposes of NAC 704.023 to 704.195, inclusive, the base tariff energy rate applicable to interruptible irrigation sales is the lesser of the base tariff energy rate applicable to other rate schedules or the rate for interruptible service.]~~

Sec. 4. NAC 704.7896 is hereby amended to read as follows:

704.7896 ~~[(1)]~~ NAC 704.789 to 704.792, inclusive:

~~[(a)]~~ **1.** Apply to the provision of services as set forth in NRS 704.993 to 704.999, inclusive.

~~[(b)]~~ **2.** Do not apply to a public utility that supplies natural gas which is not regulated under an alternative plan established pursuant to NRS 704.997.

~~[- 2. The provisions of NAC 704.789 to 704.792, inclusive, are not in any way restricted by the provisions of NAC 704.270 to 704.2725, inclusive.]~~

Sec. 5. NAC 704.270, 704.2702, 704.2704, 704.2706, 704.2708, 704.271, 704.2714, 704.2716, 704.272, 704.2725 and 704.273 are hereby repealed.

TEXT OF REPEALED SECTIONS

704.270 Definitions. (NRS 703.025, 704.210) As used in NAC 704.270 to 704.273, inclusive, unless the context otherwise requires, the words and terms defined in NAC 704.2702 to 704.2716, inclusive, have the meanings ascribed to them in those sections.

704.2702 “Affiliate” defined. (NRS 703.025, 704.210) “Affiliate” means a person who directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a public utility.

704.2704 “Control” defined. (NRS 703.025, 704.210) “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through ownership, by contract, or otherwise.

704.2706 “Financial trust” defined. (NRS 703.025, 704.210) “Financial trust” means an affiliate or subsidiary which is created by a public utility for the sole purpose of financing securities.

704.2708 “Material transaction” defined. (NRS 703.025, 704.210) “Material transaction” means:

1. Any contract, business arrangement, joint venture, or partnership which:
 - (a) Is between a public utility and one of its affiliates, subsidiaries, or parents for the acquisition of any goods or services; and
 - (b) Involves goods or services, or a series of transactions for goods or services, valued at \$1,000,000 or more.
2. Any transaction or combination of transactions with a subsidiary or affiliate valued at 3 percent or more of the annual revenues of the public utility which affects the indebtedness, obligations, capital structure, service, personnel, or value of the common stock of the public utility.
3. Recurring payments made pursuant to a general or continuing agreement between a public utility and an affiliate or a subsidiary valued in the aggregate at 3 percent or more of the annual revenues of the public utility.

704.271 “Person” defined. (NRS 703.025, 704.210) “Person” means a natural person, trust, estate, partnership, joint venture, or corporation.

704.2714 “Public utility” defined. (NRS 703.025, 704.210) “Public utility” has the meaning ascribed to it in NRS 704.020.

704.2716 “Subsidiary” defined. (NRS 703.025, 704.210) “Subsidiary” means a person who is controlled by a public utility directly or indirectly through one or more intermediaries.

704.272 Applicability; exemptions from certain requirements. (NRS 703.025, 704.210)

1. Except as otherwise provided in this section, the provisions of NAC 704.270 to 704.273, inclusive, apply to all public utilities.

2. The provisions of NAC 704.270 to 704.273, inclusive, do not apply to a competitive supplier.

3. Unless otherwise ordered by the Commission, transactions which relate solely to telecommunication services deemed competitive or nonregulated pursuant to the provisions of NAC 704.6806 to 704.68076, inclusive, are not required to be included in the report required by NAC 704.2725.

4. A public utility whose rates are:

(a) Subject to the jurisdiction of the Commission as set forth in NRS 704.095 and 704.097; or

(b) Subject to the jurisdiction of the Commission and whose annual jurisdictional revenues are less than \$2,000,000,

↪ is required to comply with the provisions of NAC 704.2725 and 704.273 only when it files an application for a change in general rates.

5. Unless otherwise ordered by the Commission, transactions which relate solely to services which have been approved as part of a public utility’s tariff are not required to be included in the report required by NAC 704.2725.

6. Transactions between a public utility and an affiliated financial trust are not required to be included in the report required by NAC 704.2725 if the transactions and issuances involving the utility and trust are subject to the jurisdiction of, and have been specifically approved by, another state or federal regulatory agency. If such transactions and issuances are not included in the report required by NAC 704.2725, the report must include, for informational purposes, the information filed with the other regulatory agency for approval of the transactions and issuances.

704.2725 Report of public utility which transacts business with subsidiary or affiliate; contents. (NRS 703.025, 704.210) At the time of filing the annual report required by NRS 703.191, a public utility which transacts business with a subsidiary or affiliate must file a report of its material transactions with each such subsidiary or affiliate. The report must contain:

1. The name of each affiliate or subsidiary.
2. The nature of each transaction conducted between the public utility and each of its affiliates or subsidiaries during the period covered by the annual report submitted to the Commission pursuant to NRS 703.191. A public utility which is subject to the requirements of subsection 4 of NAC 704.272 shall use a reporting period from the end of the test period in its last application to change general rates through the current test period.
3. A current financial statement prepared for outside users for each affiliate and subsidiary.
4. An explanation of the effect of current activities and planned activities which have been approved by the board of directors of an affiliate or subsidiary on the public utility's capital structure, including, but not limited to, organizational changes such as the creation of a holding company.

5. The basis upon which the public utility allocates costs of physical plant, revenue, and expenses to each affiliate or subsidiary, and the monetary amount involved, including, but not limited to:

- (a) An explanation of the derivation of the factors utilized to make such allocations;
- (b) Reasons supporting the derivation of the factors utilized to make such allocations;
- (c) An explanation of the methodology used in accounting for the allocation of joint, common, direct, and indirect costs between the public utility and each of its affiliates or subsidiaries; and
- (d) Reasons supporting the methodology used in accounting for the allocation of such costs.

6. A categorization of the material transactions that occurred during the reporting period between a public utility and each affiliate or subsidiary. The total dollars transferred must equal the total dollars of all categories reported.

7. The basis upon which the cost of any goods or services purchased by the public utility from an affiliate, subsidiary, or parent was determined, including a demonstration that the cost of such goods or services was reasonable in comparison with prices generally available on the open market or the fair market value of such goods or services.

8. Copies of reports or documents which substantially satisfy the requirements of NAC 704.270 to 704.273, inclusive, and which are filed by the public utility with agencies of a state or Federal Government for the reporting period of the annual report, with a statement indicating the location of and extent to which the filed reports contain the information that satisfies the requirements of NAC 704.270 to 704.273, inclusive.

704.273 Access of Commission to certain information; maintenance of confidentiality.
(NRS 703.025, 704.210) The Commission must be provided access to the documents, data, and

records of affiliates or subsidiaries of a public utility for the purpose of verifying the information supplied pursuant to the provisions of NAC 704.270 to 704.2725, inclusive. Pursuant to NRS 703.196, the Commission will maintain the confidentiality of the documents, data, and records upon request.