

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

**LCB File No. R058-13**

**Docket No. 13-04014  
(July 29, 2013)**

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Purpose of the rule: The Public Utilities Commission of Nevada (“PUCN”) opened a rulemaking to amend Nevada Administrative Code (“NAC”) 704.9524 to require that an application filed for lost sales compensation pursuant to Nevada Revised Statutes (“NRS”) 704.785 be required to present evidence, as part of the application, regarding the electric utility’s achieved rate of return.

The PUCN proposes the following modifications: (1) amend NAC 704.9524, to limit accrued carrying charges to the amount of earned rate of return that exceeds the last authorized amount, less the amount that has been offset against the deferred energy subaccount of Federal Energy Regulatory Commission (“FERC”) Account No. 182.3, if the balance in the lost revenue subaccount of FERC Account No. 182.3 is a debit and a utility is earning more than its last authorized return in any given month; (2) amend NAC 704.9524 to expand the information the Commission’s Regulatory Operations Staff receives via discovery; (3) amend NAC 704.9524 so that a utility is not placed in an under earning position due to a calculated lost revenue adjustment amount resulting from the utility exceeding its authorized rate of return.

Statutory authority: NRS 703.025, 704.210, 704.785

Type of regulation: Permanent Regulations

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

**Section 1.** NAC 704.9524 is hereby amended to read as follows:

1. An electric utility may recover an amount based on the measurable and verifiable effects on the revenue of the electric utility which are caused or created by the implementation of programs for energy efficiency and conservation described in the demand side plan of the electric utility

and approved by the Commission pursuant to NAC 704.9494 as part of the action plan of the electric utility.

2. To recover an amount pursuant to subsection 1, an electric utility must:

(a) Establish and maintain a separate subsidiary record of the subaccounts of FERC Account No. 182.3 (Other Regulatory Assets) for the tracking, calculation and recovery of the lost revenue associated with the programs for energy efficiency and conservation that are described in the demand side plan of the electric utility and approved by the Commission pursuant to NAC 704.9494 as part of the action plan of the electric utility.

(b) At the time the utility files an annual deferred energy accounting adjustment application pursuant to subsection 3 of NRS 704.187, apply to the Commission to establish the following period-specific rates:

(1) A prospective base lost revenue rate which is determined by allocating lost revenue to each customer class in the manner approved by the Commission in the most recent general rate case of the electric utility. The prospective base lost revenue rate for a customer class is an amount equal to the lost revenue allocated to the customer class pursuant to this subparagraph divided by the projected kilowatt hour sales for that class for the relevant period.

(2) A deferred lost revenue rate to clear the period-specific balance over 12 months. The deferred lost revenue rate is an amount equal to the period-specific balance in the subaccount of FERC Account No. 182.3 for lost revenue associated with programs for energy efficiency and conservation for each class of customers divided by the applicable test period kilowatt hour sales.

*(c) At the time the utility files an annual deferred energy accounting adjustment application pursuant to subsection 3 of NRS 704.187, file a statement of the Nevada jurisdictional earned rate of return for each month of the deferral test period for each operating department of the electric utility. The Nevada jurisdictional earned rate of return will be calculated for each month of the deferral test period on a rolling 12 months basis. Such statement shall include all subsidiary schedules necessary, and any adjustments made thereto, to support the calculations.*

*(d) If the Nevada jurisdictional earned rate of return for an operating department of the electric utility calculated for the last month of the deferral test period as filed in subsection (c)*

*above exceeds the authorized rate of return last authorized by the Commission for that department, the electric utility must:*

- (1) File a statement calculating the amount of revenue which caused the utility to exceed the utility's last authorized rate of return;*
- (2) File a statement calculating a lost revenue adjustment, which is the lesser of the revenue amount calculated in (1) above or the prospective base lost revenue approved by the Commission for the 12-month period ending with the last month of the deferral test period;*
- (3) Provide a proposal for determining a deferred lost revenue credit rate for the lost revenue adjustment amount derived in (2) above, including the proposed methodology and supporting calculations; and*
- (4) If the monthly balance in the period-specific lost revenue subaccount of FERC Account No. 182.3 for the prospective base lost revenue approved by the Commission for the 12-month period ending with the last month of the deferral test period is a debit, carrying charges may accrue only on that portion of each monthly debit balance which exceeds the revenue amount calculated in (1) above.*

*(e) If the lost revenues were refunded pursuant to (d) above, the lost revenues for the period subject to (d) shall be adjusted pursuant to (4) above, with the amount being recorded in the FERC Account No. 182.3 and collected or refunded by the deferred lost revenue rate. However, in no instance shall the combination of the amount refunded pursuant to (d) prior to any carrying charge adjustment and the amount to be refunded pursuant to this paragraph shall exceed the amount calculated in (1)(d).*

3. An electric utility shall account for period-specific lost revenue associated with a program for energy efficiency and conservation and revenue received from the period-specific base lost revenue rate in the following manner:

- (a) On a monthly basis, the electric utility shall:
  - (1) Calculate the deferred lost revenue;
  - (2) Calculate the recorded revenue attributable to the base lost revenue rate; and
  - (3) Record in the subaccount of FERC Account No. 182.3 the difference between estimated lost revenues and recorded revenue attributable to the base lost revenue rate.

(b) The electric utility shall apply a carrying charge at the rate of 1/12 of the authorized overall rate of return to the unamortized balance in the lost revenue subaccount of FERC Account No.

*182.3. If, in any month, the Nevada jurisdictional earned rate of return submitted for an operating department of the electric utility pursuant to NAC 704.150 exceeds the overall rate of return last authorized by the Commission for that department, and if the balance in the lost revenue subaccount of FERC Account No. 182.3 is a debit, an adjustment amount will be calculated equal to the amount by which the earned rate of return exceeds the utility's last authorized rate of return. Carrying charges may accrue only on that portion of the lost revenue debit balance which exceeds the adjustment amount less any debit balance in the deferred energy subaccount of FERC Account No. 182.3.*