

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

**LCB File No. R071-21**

February 11, 2022

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

AUTHORITY: § 1, NRS 703.025, 704.050 and 704.210.

A REGULATION relating to gas utilities; revising provisions governing the recovery by a gas utility of certain costs related to the replacement of existing gas pipelines and related infrastructure; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

Existing law authorizes the Public Utilities Commission of Nevada to regulate public utilities, including gas utilities. (NRS 703.025) Existing law authorizes the Commission to adopt regulations regarding utility rates and services. (NRS 704.210) Existing law authorizes utilities to charge concentration, commodity, transit and other special contract rates, under certain circumstances, under the supervision and regulation of the Commission. (NRS 704.050)

Existing regulations require a gas utility to collect a replacement rate from certain customers of the gas utility to recover costs related to the replacement of certain gas pipelines and related infrastructure of the gas utility. Existing regulations exempt certain customers that have contracts for negotiated rates with the gas utility from the payment of the replacement rate charged by the gas utility and, instead, require these customers to pay a rate calculated separately that represents the costs associated with replacement of a pipeline segment or segments that benefit that customer. (NAC 704.7985) This regulation revises the types of customers who may be required to pay this separate rate by providing that transportation customers with contracts for special services may be required to pay this separate rate. Under this regulation, transportation customers are customers of the gas utility who obtain gas from a competitive third-party supplier and transport that gas through the distribution system of the gas utility using the facilities of the gas utility.

Existing regulations require a gas utility to submit certain information to the Commission for the purpose of determining whether a customer of the gas utility will be required to pay the replacement rate, including, without limitation, a list of customers that should be exempt from paying the replacement rate pursuant to a contract and evidence or legal arguments supporting any exemption. (NAC 704.7985) This regulation removes a requirement for the gas utility to file such evidence or legal arguments for customers not included on that list.

**Section 1.** NAC 704.7985 is hereby amended to read as follows:

704.7985 1. With the exception of ~~{negotiated-rate}~~ *transportation* customers ~~{}~~ *with contracts for special services*, the replacement rate must be collected from all customers of the gas utility based upon consumption of gas by each customer class during the 12 months immediately preceding the filing of the rate application.

2. A ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* may be required to pay a rate calculated separately that represents the costs associated with replacement of a pipeline segment or segments that benefit the ~~{negotiated-rate}~~ *transportation* customer. For the purpose of determining whether a ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* will be required to pay the applicable replacement rate, a gas utility shall file with each advance application:

(a) A list identifying each ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* that would benefit from the replacement of a specific pipeline segment or segments proposed in the advance application;

(b) A list identifying each ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* that should be exempt from paying the replacement rate pursuant to a contract with ~~{the negotiated-rate}~~ *that transportation* customer, and any evidence or legal arguments supporting any exemption claimed pursuant to this paragraph;

~~(c) {For any negotiated-rate customer other than a customer identified pursuant to paragraph (b), any evidence or legal arguments which may qualify the negotiated rate customer for an exemption from paying the replacement rate calculated pursuant to this subsection, including, without limitation, whether the negotiated rate customer has bypass options;~~

~~—(d)~~ A proposed rate for each ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* that would benefit from replacement of a specific pipeline segment or segments proposed in the advance application;

~~{(e)}~~ (d) For each ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* identified pursuant to this subsection, the consumption of gas by each ~~{negotiated-rate}~~ *such transportation* customer during the 3 years immediately preceding the filing of the advance application received through the specific pipeline segment or segments proposed for replacement in the advance application that benefit the ~~{negotiated-rate}~~ *transportation* customer; and

~~{(f)}~~ (e) Any other relevant evidence supporting the proposed rate to be charged to each ~~{negotiated-rate}~~ *transportation* customer ~~{-}~~ *with a contract for special services*.

↪ The rate for a ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* identified pursuant to this subsection must be calculated based upon a rolling 3-year average consumption by the ~~{negotiated-rate}~~ *transportation* customer from the specific pipeline segment or segments proposed for replacement in the gas infrastructure replacement advance application that benefit the ~~{negotiated-rate}~~ *transportation* customer. The rolling 3-year average consumption will be utilized to calculate an average consumption figure and will be compared to the percentage of consumption on the same pipeline segment or segments for all remaining gas utility customers as calculated pursuant to subsection 1.

3. Unless a ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* is determined to be exempt in a proceeding to review an advance application, the rate for a ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* as determined pursuant to this section must be charged to the ~~{negotiated-rate}~~ *transportation* customer after the gas utility has submitted a rate application that reflects the recorded costs of replacing the

pipeline segment or segments that benefit the ~~{negotiated-rate}~~ *transportation* customer. If the gas utility's costs as reflected in the rate application deviate by more than 10 percent from the estimates set forth in the advance application, the gas utility shall file any information necessary for the recalculation of the rate in the rate application. A party to a rate application shall not address whether a ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* should or should not be required to pay a replacement rate.

4. If the Commission determines that a ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* is exempt from paying a replacement rate, the gas utility is not required in any subsequent advance application proceeding to address the applicability of this section to the ~~{negotiated-rate}~~ *transportation* customer, unless the contract between the gas utility and the ~~{negotiated-rate}~~ *transportation* customer is modified . ~~{or renegotiated.}~~ A gas utility shall continue to identify each exempt ~~{negotiated-rate}~~ *transportation* customer *with a contract for special services* pursuant to paragraph (b) of subsection 2, but shall state that such a ~~{negotiated-rate}~~ *transportation* customer is exempt pursuant to this subsection and affirm that the contract with the ~~{negotiated-rate}~~ *transportation* customer has not been modified . ~~{or renegotiated.}~~

5. As used in this section ~~{, "negotiated-rate customer" means a customer that contracts for negotiated rates with a gas utility pursuant to a utility tariff.}~~ :

(a) *"Contract for special services" means a contract between a gas utility and a transportation customer other than a contract that complies with an approved schedule that specifies the methods, terms, conditions and rates that are negotiated or differ from the otherwise applicable rate.*

*(b) “Transportation customer” means a customer of a gas utility who obtains gas from a competitive third-party supplier and transports the customer-owned gas through the distribution system of the gas utility using the facilities of the gas utility.*