

SENATE BILL NO. 116—SENATOR DALY

FEBRUARY 8, 2023

Referred to Committee on Growth and Infrastructure

SUMMARY—Establishes provisions governing natural gas infrastructure. (BDR 58-540)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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

AN ACT relating to utilities; authorizing a gas utility to apply to the Public Utilities Commission of Nevada for approval of a gas infrastructure modernization plan; requiring a gas utility to submit an application for approval of the rates charged to recover certain gas infrastructure project expenses; establishing requirements for contracts entered into by a gas utility for the performance of a gas infrastructure project; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law requires the Public Utilities Commission of Nevada to adopt regulations authorizing a public utility which purchases natural gas for resale to expand the infrastructure of the public utility in a manner consistent with a program of economic development. (NRS 704.9925) **Section 6** of this bill authorizes a public utility which purchases natural gas for resale to apply to the Commission for approval of a gas infrastructure modernization plan consisting of one or more gas infrastructure projects which the gas utility intends to implement not more than 60 months after the plan is approved by the Commission. **Section 6** establishes criteria for the types of gas infrastructure projects which the Commission is authorized to approve as part of a gas infrastructure modernization plan. **Section 6** requires a gas utility to recover all prudent and reasonable gas infrastructure project expenditures through a separate monthly rate charged to customers which the gas utility is authorized to adjust on a quarterly basis.

Section 7 of this bill requires a gas utility which imposes a separate monthly rate to recover gas infrastructure project expenditures incurred by the gas utility to file an annual application with the Commission for approval of the rates charged in the previous calendar year. **Section 7** requires the Commission to review each application to determine if the gas infrastructure project expenditures were prudently incurred and, if the Commission determines that the gas infrastructure



20 project expenditures were not prudently incurred, to issue an order requiring the gas
21 utility to refund the imprudently incurred expenses to the customers of the gas
22 utility to the extent that such expenses were recovered through the gas utility's
23 rates.

24 **Section 8** of this bill requires a gas utility to advertise a contract for the
25 performance of a gas infrastructure project to not less than two contractors who
26 must: (1) have the financial ability to provide the labor, materials and equipment
27 required for the project; (2) have the ability to obtain any bonding necessary for the
28 contract; (3) provide a plan of health insurance for each employee and their
29 dependents; (4) have access to a qualified local work force, not less than 50 percent
30 of whom will be employed for the project must be residents of this State; (5) be
31 eligible to hire an apprentice enrolled in an apprenticeship registered and approved
32 by the State Apprenticeship Council; and (6) operate a safety program that includes
33 a drug testing program. **Section 8** further authorizes a gas utility to select the
34 contractor that the gas utility determines submitted the best proposal.

35 Existing law establishes procedures for the Commission to review an
36 application to make changes in any schedule. (NRS 704.110) **Section 9** of this bill
37 adds an application for approval of a gas infrastructure modernization plan and an
38 application for approval of the rates charged to recover gas infrastructure project
39 expenditures to the definition of an "application to make changes in any schedule,"
40 such that these procedures apply to those applications.

41 Existing law prohibits a utility from filing a general rate application while
42 another general rate application is pending before the Commission. (NRS 704.110)
43 **Section 10** of this bill provides that this provision does not prohibit a utility from
44 filing an application for approval of a gas infrastructure modernization plan or an
45 application for approval of the rates charged to recover gas infrastructure project
46 expenditures while a general rate application is pending before the Commission.

47 **Sections 3-5** of this bill define certain terms related to gas infrastructure
48 modernization plans.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 704 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 8, inclusive, of this
3 act.

4 **Sec. 2.** *As used in sections 2 to 8, inclusive, of this act, unless*
5 *the context otherwise requires, the words and terms defined in*
6 *sections 3, 4 and 5 of this act have the meanings ascribed to them*
7 *in those sections.*

8 **Sec. 3.** *"Gas infrastructure project" means a project to*
9 *replace natural gas infrastructure which meets one or more of the*
10 *criteria set forth in subsections 3 and 4 of section 6 of this act.*

11 **Sec. 4.** *"Gas infrastructure project expenditures" includes,*
12 *without limitation:*

13 1. *The costs associated with the replacement, removal or*
14 *abandonment of existing gas infrastructure to carry out a gas*
15 *infrastructure project;*



1 2. *The costs associated with entering a contract for*
2 *construction of a gas infrastructure project;*

3 3. *Incremental property taxes associated with a gas*
4 *infrastructure project;*

5 4. *An amount that reflects a return on the investment of a gas*
6 *utility in a gas infrastructure project, adjusted for accumulated*
7 *depreciation and accumulated deferred income taxes, using the*
8 *authorized pretax rate of return of the gas utility; and*

9 5. *Depreciation expenses for the gas infrastructure project,*
10 *using the authorized rate of depreciation of a gas utility.*

11 **Sec. 5.** *“Gas utility” means a public utility which purchases*
12 *natural gas for resale.*

13 **Sec. 6.** 1. *In accordance with such procedures as the*
14 *Commission may establish by regulation, a gas utility may apply to*
15 *the Commission for approval of a gas infrastructure*
16 *modernization plan consisting of one or more gas infrastructure*
17 *projects which the gas utility intends to implement not more than*
18 *60 months after the plan is approved by the Commission.*

19 2. *The Commission may approve a plan submitted pursuant*
20 *to subsection 1, approve the plan in part or reject the plan.*

21 3. *Except as otherwise provided in subsection 5, the*
22 *Commission shall approve a gas infrastructure project which is*
23 *included in a plan submitted pursuant to subsection 1 if the*
24 *project is for the replacement of:*

25 (a) *Infrastructure composed of steel which was manufactured*
26 *or installed before January 1, 1971;*

27 (b) *Infrastructure composed of Driscopipe Series 7000 or*
28 *Driscopipe Series 8000 high density polyethylene pipe*
29 *manufactured by Chevron Phillips Chemical Company LP or any*
30 *of its subsidiaries;*

31 (c) *Primary customer-owned yard lines;*

32 (d) *Infrastructure composed of material that the Pipeline and*
33 *Hazardous Materials Safety Administration of the United States*
34 *Department of Transportation has prohibited from future use as*
35 *material in newly constructed pipelines, including, without*
36 *limitation:*

37 (1) *Acrylonitrile butadiene styrene, cellulose acetate*
38 *butyrate, polybutylene, polyvinyl chloride and any other*
39 *nonpolyethylene plastic used as a material for pipelines, before*
40 *January 1, 1990; and*

41 (2) *Century Utility Products medium density polyethylene*
42 *produced after January 1, 1970, and before January 1, 1975,*
43 *DuPont Aldyl A medium density polyethylene and 3306 high*
44 *density polyethylene; or*



1 (e) *Infrastructure composed of materials, components or other*
2 *physical facilities which have been prohibited from future use in*
3 *newly constructed pipelines or the integrity of which has been the*
4 *subject of an advisory bulletin, recommendation or notification*
5 *issued by the Pipeline and Hazardous Materials Safety*
6 *Administration of the United States Department of Transportation,*
7 *the National Transportation Safety Board or the Plastic Pipe*
8 *Database Committee, or a successor organization.*

9 4. *Except as otherwise provided in subsection 5, the*
10 *Commission may approve a gas infrastructure project which is*
11 *included in a plan submitted pursuant to subsection 1 if the*
12 *project is:*

13 (a) *A project that involves the replacement of materials,*
14 *components or other physical facilities that have been recalled by*
15 *the manufacturer or the integrity of which has been raised in an*
16 *advisory bulletin, recommendation or notification issued by the*
17 *manufacturer;*

18 (b) *A project that will reduce or has the potential to reduce*
19 *greenhouse gas emissions through a reduction in natural gas*
20 *system leaks; or*

21 (c) *Any other project which the Commission finds will be in*
22 *the public interest and will mitigate system integrity risks,*
23 *including, without limitation, customer outages, corrosion,*
24 *equipment failures, material failures or natural forces.*

25 5. *The Commission shall not approve a gas infrastructure*
26 *project which is included in a plan submitted pursuant to*
27 *subsection 1 unless the Commission determines that the project:*

28 (a) *Is not revenue-producing, including, without limitation,*
29 *that the project will not result in increased revenues by directly*
30 *connecting the infrastructure to new customers;*

31 (b) *Is not already included in the utility's rate base following*
32 *its most recent general rate case proceeding conducted pursuant to*
33 *NRS 704.110 and 704.120; and*

34 (c) *Has not already been approved by the Commission.*

35 6. *A gas infrastructure project approved by the Commission*
36 *pursuant to subsection 3 or 4 may involve the replacement or*
37 *abandonment of materials, components and other physical*
38 *facilities which do not independently meet the criteria for a gas*
39 *infrastructure project set forth in subsection 3 or 4, if the*
40 *replacement or abandonment of such materials, components or*
41 *physical facilities will help facilitate the efficient completion of the*
42 *gas infrastructure project.*

43 7. *All prudent and reasonable gas infrastructure project*
44 *expenditures incurred by a gas utility to implement a plan*
45 *submitted pursuant to subsection 1 and approved by the*



1 *Commission must be recovered through a separate monthly rate*
2 *charged to the customers of the gas utility. The gas utility shall*
3 *designate the amount charged to each customer as a separate line*
4 *item on the bill of the customer. The gas utility may make*
5 *quarterly adjustments to the rate. A quarterly rate adjustment*
6 *made pursuant to this subsection is not subject to the requirements*
7 *for notice and a hearing pursuant to NRS 703.320.*

8 8. *A gas utility is not eligible to file a plan pursuant to*
9 *subsection 1 if the gas utility has not filed a general rate*
10 *application with the Commission pursuant to NRS 704.110 within*
11 *the immediately preceding 60 months, absent a waiver by the*
12 *Commission.*

13 9. *As used in this section, "primary customer-owned yard*
14 *lines":*

15 (a) *Means gas piping that is owned and maintained by a*
16 *customer of the gas utility that begins from the service point of*
17 *delivery of the gas utility at the meter located at the property line*
18 *or public right-of-way and extends underground to a house or*
19 *building or gas equipment where gas is consumed.*

20 (b) *Does not include secondary customer gas piping that may*
21 *exist further downstream on the houseline pipe facilities of a*
22 *customer.*

23 **Sec. 7. 1.** *In accordance with such procedures as the*
24 *Commission may establish by regulation, a gas utility which*
25 *imposes or adjusts any rate pursuant to subsection 7 of section 6*
26 *of this act shall file with the Commission an annual application*
27 *for approval of the rates charged during the immediately*
28 *preceding calendar year to recover the prudent and reasonable gas*
29 *infrastructure project expenditures incurred to implement the*
30 *approved gas infrastructure modernization plan. The application*
31 *must include:*

32 (a) *Information regarding the rate adjustments made by the*
33 *gas utility for each quarter of the immediately preceding calendar*
34 *year, presented in a manner sufficient to verify the calculation of*
35 *such rates;*

36 (b) *The recorded costs of each gas infrastructure project for*
37 *which the gas utility recovered its gas infrastructure project*
38 *expenditures through a rate adjustment in the immediately*
39 *preceding calendar year, including, without limitation,*
40 *information sufficient to demonstrate the recorded costs were*
41 *prudently incurred; and*

42 (c) *Such other information as the Commission may require.*

43 2. *The Commission shall review each application submitted*
44 *pursuant to this section to determine if the gas infrastructure*
45 *project expenditures were prudently incurred. For the purpose of*



1 *determining if gas infrastructure project expenditures were*
2 *prudently incurred, a gas infrastructure project which was*
3 *approved by the Commission as part of a plan submitted pursuant*
4 *to section 6 of this act shall be deemed to be a prudent investment.*
5 *If the Commission determines that the gas infrastructure project*
6 *expenditures were not prudently incurred, the Commission shall*
7 *issue an order requiring the gas utility to refund to the customers*
8 *of the gas utility any gas infrastructure project expenditures that*
9 *were not prudently incurred and which were previously recovered*
10 *by the gas utility from the customers of the gas utility through the*
11 *rates charged by the gas utility.*

12 **Sec. 8. 1.** *Before a gas utility may enter into a contract for*
13 *the performance of a gas infrastructure project with a contractor,*
14 *the gas utility shall:*

15 *(a) Advertise the contract to not less than two contractors who*
16 *satisfy the requirements of subsection 2; and*

17 *(b) Include the requirements set forth in subsection 2 in the*
18 *bid specifications for the contract.*

19 **2.** *For a contractor to be eligible to perform a contract for a*
20 *gas infrastructure project, the contractor must demonstrate that he*
21 *or she:*

22 *(a) Has the financial ability to provide any labor, materials or*
23 *equipment required for the gas infrastructure project;*

24 *(b) Has the ability to obtain any necessary bonding for the*
25 *work required for the gas infrastructure project;*

26 *(c) Provides a plan of health insurance to all employees, which*
27 *includes coverage for the dependents of the employees;*

28 *(d) Has access to a qualified local work force, not less than 50*
29 *percent of which is comprised of residents of this State who will be*
30 *employed to perform the work required for the gas infrastructure*
31 *project;*

32 *(e) Is eligible to hire an apprentice enrolled in an*
33 *apprenticeship program that is registered and approved by the*
34 *State Apprenticeship Council pursuant to chapter 610 of NRS;*
35 *and*

36 *(f) Operates a safety program which includes drug testing.*

37 **3.** *A gas utility may select the contractor that the gas utility*
38 *determines submitted the best proposal.*

39 **Sec. 9.** NRS 704.062 is hereby amended to read as follows:

40 704.062 "Application to make changes in any schedule" and
41 "application" include, without limitation:

42 1. A general rate application;

43 2. An application to recover the cost of purchased fuel,
44 purchased power, or natural gas purchased for resale;



1 3. An annual deferred energy accounting adjustment
2 application; ~~and~~

3 4. An annual rate adjustment application ~~and~~;

4 5. *An application for approval of a gas infrastructure*
5 *modernization plan submitted pursuant to section 6 of this act;*
6 *and*

7 6. *An application for approval of the rates charged to recover*
8 *the prudent and reasonable gas infrastructure project*
9 *expenditures incurred by a gas utility to implement a gas*
10 *infrastructure modernization plan submitted pursuant to section 7*
11 *of this act.*

12 **Sec. 10.** NRS 704.110 is hereby amended to read as follows:

13 704.110 Except as otherwise provided in NRS 704.075,
14 704.68861 to 704.68887, inclusive, and 704.7865, or as may
15 otherwise be provided by the Commission pursuant to NRS
16 704.095, 704.097 or 704.7621:

17 1. If a public utility files with the Commission an application to
18 make changes in any schedule, including, without limitation,
19 changes that will result in a discontinuance, modification or
20 restriction of service, the Commission shall investigate the propriety
21 of the proposed changes to determine whether to approve or
22 disapprove the proposed changes. If an electric utility files such an
23 application and the application is a general rate application or an
24 annual deferred energy accounting adjustment application, the
25 Consumer's Advocate shall be deemed a party of record.

26 2. Except as otherwise provided in subsection 3, if a public
27 utility files with the Commission an application to make changes in
28 any schedule, the Commission shall, not later than 210 days after the
29 date on which the application is filed, issue a written order
30 approving or disapproving, in whole or in part, the proposed
31 changes.

32 3. If a public utility files with the Commission a general rate
33 application, the public utility shall submit with its application a
34 statement showing the recorded results of revenues, expenses,
35 investments and costs of capital for its most recent 12 months for
36 which data were available when the application was prepared.
37 Except as otherwise provided in subsection 4, in determining
38 whether to approve or disapprove any increased rates, the
39 Commission shall consider evidence in support of the increased
40 rates based upon actual recorded results of operations for the same
41 12 months, adjusted for increased revenues, any increased
42 investment in facilities, increased expenses for depreciation, certain
43 other operating expenses as approved by the Commission and
44 changes in the costs of securities which are known and are
45 measurable with reasonable accuracy at the time of filing and which



1 will become effective within 6 months after the last month of those
2 12 months, but the public utility shall not place into effect any
3 increased rates until the changes have been experienced and
4 certified by the public utility to the Commission and the
5 Commission has approved the increased rates. The Commission
6 shall also consider evidence supporting expenses for depreciation,
7 calculated on an annual basis, applicable to major components of the
8 public utility's plant placed into service during the recorded test
9 period or the period for certification as set forth in the application.
10 Adjustments to revenues, operating expenses and costs of securities
11 must be calculated on an annual basis. Within 90 days after the date
12 on which the certification required by this subsection is filed with
13 the Commission, or within the period set forth in subsection 2,
14 whichever time is longer, the Commission shall make such order in
15 reference to the increased rates as is required by this chapter. The
16 following public utilities shall each file a general rate application
17 pursuant to this subsection based on the following schedule:

18 (a) An electric utility that primarily serves less densely
19 populated counties shall file a general rate application:

20 (1) Not later than 5 p.m. on or before the first Monday in
21 June 2019; and

22 (2) Once every 36 months thereafter or on a date specified in
23 an alternative rate-making plan approved by the Commission
24 pursuant to NRS 704.7621.

25 (b) An electric utility that primarily serves densely populated
26 counties shall file a general rate application:

27 (1) Not later than 5 p.m. on or before the first Monday in
28 June 2020; and

29 (2) Once every 36 months thereafter or on a date specified in
30 an alternative rate-making plan approved by the Commission
31 pursuant to NRS 704.7621.

32 (c) A public utility that furnishes water for municipal, industrial
33 or domestic purposes or services for the disposal of sewage, or both,
34 which had an annual gross operating revenue of \$2,000,000 or more
35 for at least 1 year during the immediately preceding 3 years and
36 which had not filed a general rate application with the Commission
37 on or after July 1, 2005, shall file a general rate application on or
38 before June 30, 2008, and at least once every 36 months thereafter
39 unless waived by the Commission pursuant to standards adopted by
40 regulation of the Commission. If a public utility furnishes both
41 water and services for the disposal of sewage, its annual gross
42 operating revenue for each service must be considered separately for
43 determining whether the public utility meets the requirements of this
44 paragraph for either service.



1 (d) A public utility that furnishes water for municipal, industrial
2 or domestic purposes or services for the disposal of sewage, or both,
3 which had an annual gross operating revenue of \$2,000,000 or more
4 for at least 1 year during the immediately preceding 3 years and
5 which had filed a general rate application with the Commission on
6 or after July 1, 2005, shall file a general rate application on or before
7 June 30, 2009, and at least once every 36 months thereafter unless
8 waived by the Commission pursuant to standards adopted by
9 regulation of the Commission. If a public utility furnishes both
10 water and services for the disposal of sewage, its annual gross
11 operating revenue for each service must be considered separately for
12 determining whether the public utility meets the requirements of this
13 paragraph for either service.

14 ➤ The Commission shall adopt regulations setting forth standards
15 for waivers pursuant to paragraphs (c) and (d) and for including the
16 costs incurred by the public utility in preparing and presenting the
17 general rate application before the effective date of any change in
18 rates.

19 4. In addition to submitting the statement required pursuant to
20 subsection 3, a public utility may submit with its general rate
21 application a statement showing the effects, on an annualized basis,
22 of all expected changes in circumstances. If such a statement is
23 filed, it must include all increases and decreases in revenue and
24 expenses which may occur within 210 days after the date on which
25 its general rate application is filed with the Commission if such
26 expected changes in circumstances are reasonably known and are
27 measurable with reasonable accuracy. If a public utility submits
28 such a statement, the public utility has the burden of proving that the
29 expected changes in circumstances set forth in the statement are
30 reasonably known and are measurable with reasonable accuracy.
31 The Commission shall consider expected changes in circumstances
32 to be reasonably known and measurable with reasonable accuracy if
33 the expected changes in circumstances consist of specific and
34 identifiable events or programs rather than general trends, patterns
35 or developments, have an objectively high probability of occurring
36 to the degree, in the amount and at the time expected, are primarily
37 measurable by recorded or verifiable revenues and expenses and are
38 easily and objectively calculated, with the calculation of the
39 expected changes relying only secondarily on estimates, forecasts,
40 projections or budgets. If the Commission determines that the public
41 utility has met its burden of proof:

42 (a) The Commission shall consider the statement submitted
43 pursuant to this subsection and evidence relevant to the statement,
44 including all reasonable projected or forecasted offsets in revenue
45 and expenses that are directly attributable to or associated with the



1 expected changes in circumstances under consideration, in addition
2 to the statement required pursuant to subsection 3 as evidence in
3 establishing just and reasonable rates for the public utility; and

4 (b) The public utility is not required to file with the Commission
5 the certification that would otherwise be required pursuant to
6 subsection 3.

7 5. If a public utility files with the Commission an application to
8 make changes in any schedule and the Commission does not issue a
9 final written order regarding the proposed changes within the time
10 required by this section, the proposed changes shall be deemed to be
11 approved by the Commission.

12 6. If a public utility files with the Commission a general rate
13 application, the public utility shall not file with the Commission
14 another general rate application until all pending general rate
15 applications filed by that public utility have been decided by the
16 Commission unless, after application and hearing, the Commission
17 determines that a substantial financial emergency would exist if the
18 public utility is not permitted to file another general rate application
19 sooner. The provisions of this subsection do not prohibit the public
20 utility from filing with the Commission, while a general rate
21 application is pending, an application to recover the increased cost
22 of purchased fuel, purchased power, or natural gas purchased for
23 resale pursuant to subsection 7, a quarterly rate adjustment pursuant
24 to subsection 8 or 10, any information relating to deferred
25 accounting requirements pursuant to NRS 704.185 , ~~for~~ an annual
26 deferred energy accounting adjustment application pursuant to NRS
27 704.187, *an application for approval of a gas infrastructure*
28 *modernization plan pursuant to section 6 of this act or an*
29 *application for approval of the rates charged to recover the*
30 *prudent and reasonable gas infrastructure project expenditures*
31 *incurred to implement a gas infrastructure modernization plan*
32 *pursuant to section 7 of this act*, if the public utility is otherwise
33 authorized to so file by those provisions.

34 7. A public utility may file an application to recover the
35 increased cost of purchased fuel, purchased power, or natural gas
36 purchased for resale once every 30 days. The provisions of this
37 subsection do not apply to:

38 (a) An electric utility which is required to adjust its rates on a
39 quarterly basis pursuant to subsection 10; or

40 (b) A public utility which purchases natural gas for resale and
41 which adjusts its rates on a quarterly basis pursuant to subsection 8.

42 8. A public utility which purchases natural gas for resale must
43 request approval from the Commission to adjust its rates on a
44 quarterly basis between annual rate adjustment applications based
45 on changes in the public utility's recorded costs of natural gas



1 purchased for resale. A public utility which purchases natural gas
2 for resale and which adjusts its rates on a quarterly basis may
3 request approval from the Commission to make quarterly
4 adjustments to its deferred energy accounting adjustment. The
5 Commission shall approve or deny such a request not later than 120
6 days after the application is filed with the Commission. The
7 Commission may approve the request if the Commission finds that
8 approval of the request is in the public interest. If the Commission
9 approves a request to make quarterly adjustments to the deferred
10 energy accounting adjustment of a public utility pursuant to this
11 subsection, any quarterly adjustment to the deferred energy
12 accounting adjustment must not exceed 2.5 cents per therm of
13 natural gas. If the balance of the public utility's deferred account
14 varies by less than 5 percent from the public utility's annual
15 recorded costs of natural gas which are used to calculate quarterly
16 rate adjustments, the deferred energy accounting adjustment must be
17 set to zero cents per therm of natural gas.

18 9. If the Commission approves a request to make any rate
19 adjustments on a quarterly basis pursuant to subsection 8:

20 (a) The public utility shall file written notice with the
21 Commission before the public utility makes a quarterly rate
22 adjustment. A quarterly rate adjustment is not subject to the
23 requirements for notice and a hearing pursuant to NRS 703.320 or
24 the requirements for a consumer session pursuant to subsection 1 of
25 NRS 704.069.

26 (b) The public utility shall provide written notice of each
27 quarterly rate adjustment to its customers by including the written
28 notice with a customer's regular monthly bill or by electronic
29 transmission pursuant to NRS 704.188. The public utility shall
30 begin providing such written notice to its customers not later than 30
31 days after the date on which the public utility files its written notice
32 with the Commission pursuant to paragraph (a). The written notice
33 required by this paragraph:

34 (1) Must be printed separately, if included with the
35 customer's regular monthly bill, or the subject line of the electronic
36 transmission must indicate that notice of a quarterly rate adjustment
37 is included, if provided by electronic transmission pursuant to NRS
38 704.188; and

39 (2) Must include the following in clear and bold text:

40 (I) The total amount of the increase or decrease in the
41 public utility's revenues from the rate adjustment, stated in dollars
42 and as a percentage;

43 (II) The amount of the monthly increase or decrease in
44 charges for each class of customer or class of service, stated in
45 dollars and as a percentage;



1 (III) A statement that customers may send written
2 comments or protests regarding the rate adjustment to the
3 Commission;

4 (IV) A statement that the transactions and recorded costs
5 of natural gas which are the basis for any quarterly rate adjustment
6 will be reviewed for reasonableness and prudence in the next
7 proceeding held by the Commission to review the annual rate
8 adjustment application pursuant to paragraph (d); and

9 (V) Any other information required by the Commission.

10 (c) The public utility shall file an annual rate adjustment
11 application with the Commission. The annual rate adjustment
12 application is subject to the requirements for notice and a hearing
13 pursuant to NRS 703.320 and the requirements for a consumer
14 session pursuant to subsection 1 of NRS 704.069.

15 (d) The proceeding regarding the annual rate adjustment
16 application must include a review of each quarterly rate adjustment
17 and the transactions and recorded costs of natural gas included in
18 each quarterly filing and the annual rate adjustment application.
19 There is no presumption of reasonableness or prudence for any
20 quarterly rate adjustment or for any transactions or recorded costs of
21 natural gas included in any quarterly rate adjustment or the annual
22 rate adjustment application, and the public utility has the burden of
23 proving reasonableness and prudence in the proceeding.

24 (e) The Commission shall not allow the public utility to recover
25 any recorded costs of natural gas which were the result of any
26 practice or transaction that was unreasonable or was undertaken,
27 managed or performed imprudently by the public utility, and the
28 Commission shall order the public utility to adjust its rates if the
29 Commission determines that any recorded costs of natural gas
30 included in any quarterly rate adjustment or the annual rate
31 adjustment application were not reasonable or prudent.

32 10. An electric utility shall adjust its rates on a quarterly basis
33 based on changes in the electric utility's recorded costs of purchased
34 fuel or purchased power. In addition to adjusting its rates on a
35 quarterly basis, an electric utility may request approval from the
36 Commission to make quarterly adjustments to its deferred energy
37 accounting adjustment. The Commission shall approve or deny such
38 a request not later than 120 days after the application is filed with
39 the Commission. The Commission may approve the request if the
40 Commission finds that approval of the request is in the public
41 interest. If the Commission approves a request to make quarterly
42 adjustments to the deferred energy accounting adjustment of an
43 electric utility pursuant to this subsection, any quarterly adjustment
44 to the deferred energy accounting adjustment must not exceed 0.25
45 cents per kilowatt-hour of electricity. If the balance of the electric



1 utility's deferred account varies by less than 5 percent from the
2 electric utility's annual recorded costs for purchased fuel or
3 purchased power which are used to calculate quarterly rate
4 adjustments, the deferred energy accounting adjustment must be set
5 to zero cents per kilowatt-hour of electricity.

6 11. A quarterly rate adjustment filed pursuant to subsection 10
7 is subject to the following requirements:

8 (a) The electric utility shall file written notice with the
9 Commission on or before August 15, 2007, and every quarter
10 thereafter of the quarterly rate adjustment to be made by the electric
11 utility for the following quarter. The first quarterly rate adjustment
12 by the electric utility will take effect on October 1, 2007, and each
13 subsequent quarterly rate adjustment will take effect every quarter
14 thereafter. The first quarterly adjustment to a deferred energy
15 accounting adjustment must be made pursuant to an order issued by
16 the Commission approving the application of an electric utility to
17 make quarterly adjustments to its deferred energy accounting
18 adjustment. A quarterly rate adjustment is not subject to the
19 requirements for notice and a hearing pursuant to NRS 703.320 or
20 the requirements for a consumer session pursuant to subsection 1 of
21 NRS 704.069.

22 (b) The electric utility shall provide written notice of each
23 quarterly rate adjustment to its customers by including the written
24 notice with a customer's regular monthly bill or by electronic
25 submission pursuant to NRS 704.188. The electric utility shall begin
26 providing such written notice to its customers not later than 30 days
27 after the date on which the electric utility files a written notice with
28 the Commission pursuant to paragraph (a). The written notice
29 required by this paragraph:

30 (1) Must be printed separately, if included with the
31 customer's regular monthly bill, or the subject line of the electronic
32 transmission must indicate that notice of a quarterly rate adjustment
33 is included, if provided by electronic transmission pursuant to NRS
34 704.188; and

35 (2) Must include the following in clear and bold text:

36 (I) The total amount of the increase or decrease in the
37 electric utility's revenues from the rate adjustment, stated in dollars
38 and as a percentage;

39 (II) The amount of the monthly increase or decrease in
40 charges for each class of customer or class of service, stated in
41 dollars and as a percentage;

42 (III) A statement that customers may send written
43 comments or protests regarding the rate adjustment to the
44 Commission;



1 (IV) A statement that the transactions and recorded costs
2 of purchased fuel or purchased power which are the basis for any
3 quarterly rate adjustment will be reviewed for reasonableness and
4 prudence in the next proceeding held by the Commission to review
5 the annual deferred energy accounting adjustment application
6 pursuant to paragraph (d); and

7 (V) Any other information required by the Commission.

8 (c) The electric utility shall file an annual deferred energy
9 accounting adjustment application pursuant to NRS 704.187 with
10 the Commission. The annual deferred energy accounting adjustment
11 application is subject to the requirements for notice and a hearing
12 pursuant to NRS 703.320 and the requirements for a consumer
13 session pursuant to subsection 1 of NRS 704.069.

14 (d) The proceeding regarding the annual deferred energy
15 accounting adjustment application must include a review of each
16 quarterly rate adjustment and the transactions and recorded costs of
17 purchased fuel and purchased power included in each quarterly
18 filing and the annual deferred energy accounting adjustment
19 application. There is no presumption of reasonableness or prudence
20 for any quarterly rate adjustment or for any transactions or recorded
21 costs of purchased fuel and purchased power included in any
22 quarterly rate adjustment or the annual deferred energy accounting
23 adjustment application, and the electric utility has the burden of
24 proving reasonableness and prudence in the proceeding.

25 (e) The Commission shall not allow the electric utility to recover
26 any recorded costs of purchased fuel and purchased power which
27 were the result of any practice or transaction that was unreasonable
28 or was undertaken, managed or performed imprudently by the
29 electric utility, and the Commission shall order the electric utility to
30 adjust its rates if the Commission determines that any recorded costs
31 of purchased fuel and purchased power included in any quarterly
32 rate adjustment or the annual deferred energy accounting adjustment
33 application were not reasonable or prudent.

34 12. If an electric utility files an annual deferred energy
35 accounting adjustment application pursuant to subsection 11 and
36 NRS 704.187 while a general rate application is pending, the
37 electric utility shall:

38 (a) Submit with its annual deferred energy accounting
39 adjustment application information relating to the cost of service
40 and rate design; and

41 (b) Supplement its general rate application with the same
42 information, if such information was not submitted with the general
43 rate application.

44 13. A utility facility identified in a 3-year plan submitted
45 pursuant to NRS 704.741 and accepted by the Commission for



1 acquisition or construction pursuant to NRS 704.751 and the
2 regulations adopted pursuant thereto, or the retirement or
3 elimination of a utility facility identified in an emissions reduction
4 and capacity replacement plan submitted pursuant to NRS 704.7316
5 and accepted by the Commission for retirement or elimination
6 pursuant to NRS 704.751 and the regulations adopted pursuant
7 thereto, shall be deemed to be a prudent investment. The utility may
8 recover all just and reasonable costs of planning and constructing, or
9 retiring or eliminating, as applicable, such a facility. For the
10 purposes of this subsection, a plan or an amendment to a plan shall
11 be deemed to be accepted by the Commission only as to that portion
12 of the plan or amendment accepted as filed or modified with the
13 consent of the utility pursuant to NRS 704.751.

14 14. In regard to any rate or schedule approved or disapproved
15 pursuant to this section, the Commission may, after a hearing:

16 (a) Upon the request of the utility, approve a new rate but delay
17 the implementation of that new rate:

18 (1) Until a date determined by the Commission; and

19 (2) Under conditions as determined by the Commission,
20 including, without limitation, a requirement that interest charges be
21 included in the collection of the new rate; and

22 (b) Authorize a utility to implement a reduced rate for low-
23 income residential customers.

24 15. The Commission may, upon request and for good cause
25 shown, permit a public utility which purchases natural gas for resale
26 or an electric utility to make a quarterly adjustment to its deferred
27 energy accounting adjustment in excess of the maximum allowable
28 adjustment pursuant to subsection 8 or 10.

29 16. A public utility which purchases natural gas for resale or an
30 electric utility that makes quarterly adjustments to its deferred
31 energy accounting adjustment pursuant to subsection 8 or 10 may
32 submit to the Commission for approval an application to discontinue
33 making quarterly adjustments to its deferred energy accounting
34 adjustment and to subsequently make annual adjustments to its
35 deferred energy accounting adjustment. The Commission may
36 approve an application submitted pursuant to this subsection if the
37 Commission finds that approval of the application is in the public
38 interest.

39 17. As used in this section:

40 (a) "Deferred energy accounting adjustment" means the rate of a
41 public utility which purchases natural gas for resale or an electric
42 utility that is calculated by dividing the balance of a deferred
43 account during a specified period by the total therms or kilowatt-
44 hours which have been sold in the geographical area to which the
45 rate applies during the specified period, not including kilowatt-hours



1 sold pursuant to an expanded solar access program established
2 pursuant to NRS 704.7865.

3 (b) "Electric utility" has the meaning ascribed to it in
4 NRS 704.187.

5 (c) "Electric utility that primarily serves densely populated
6 counties" means an electric utility that, with regard to the provision
7 of electric service, derives more of its annual gross operating
8 revenue in this State from customers located in counties whose
9 population is 700,000 or more than it does from customers located
10 in counties whose population is less than 700,000.

11 (d) "Electric utility that primarily serves less densely populated
12 counties" means an electric utility that, with regard to the provision
13 of electric service, derives more of its annual gross operating
14 revenue in this State from customers located in counties whose
15 population is less than 700,000 than it does from customers located
16 in counties whose population is 700,000 or more.

