PROPOSED REGULATION OF THE

PUBLIC UTILITIES COMMISSION OF NEVADA

LCB File No. R202-05

January 13, 2006

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

AUTHORITY: §§1-3, NRS 703.025, 704.185, 704.187 and 704.210; §§4-6, NRS 703.025, 704.187 and 704.210.

A REGULATION relating to public utilities; establishing procedures for the quarterly adjustment of base tariff energy rates by certain public utilities that purchase natural gas; revising the provisions governing deferred accounting by certain electric utilities and gas utilities; and providing other matters properly relating thereto.

Section 1. Chapter 704 of NAC is hereby amended by adding thereto a new section to read as follows:

1. A public utility that purchases natural gas for resale may, pursuant to NRS 704.110, apply to the Commission to adjust its base tariff energy rate on a quarterly basis.

2. If the Commission approves the application for quarterly adjustments of a base tariff energy rate, the public utility:

(a) Except as otherwise provided in subsection 3, shall, pursuant to NRS 704.100, adjust its base tariff energy rate not more than three times between the dates that the rates are adjusted pursuant to the order issued by the Commission in response to the annual deferred energy application of the public utility;

(b) May make quarterly adjustments of its base tariff energy rate that vary in timing and duration, except that the effective date of a rate adjustment must be at least 85 days after the effective date of the immediately preceding rate adjustment;

(c) May make a quarterly adjustment of its base tariff energy rate without:

(1) The prior approval of the Commission;

(2) Public hearings described in NRS 703.320; or

(3) Consumer sessions described in NRS 704.069; and

(d) Shall provide notice of each quarterly adjustment of its base tariff energy rate to its customers pursuant to subsection 8 of NRS 704.110.

3. If the quarterly adjustment of the base tariff energy rate would result in a change in the base tariff energy rate of less than 1 percent, the public utility may choose to leave the base tariff energy rate unchanged.

4. Before a public utility may make a quarterly adjustment of its base tariff energy rate, the public utility shall provide to the Regulatory Operations Staff of the Commission and the Bureau of Consumer Protection of the Office of the Attorney General supporting documentation demonstrating the calculations used to determine the adjustment of the base tariff energy rate.

Sec. 2. NAC 704.023 is hereby amended to read as follows:

704.023 As used in NAC 704.023 to 704.195, inclusive, ***and section 1 of this regulation,*** unless the context otherwise requires, the words and terms defined in NAC 704.024 to 704.063, inclusive, have the meanings ascribed to them in those sections.

Sec. 3. NAC 704.150 is hereby amended to read as follows:

704.150 1. Except as otherwise provided in subsection 3 ~~[,]~~ ***or in an order issued by the Commission in response to an annual deferred energy application,*** a carrying charge must be computed on the current 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 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. 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.

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 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. Carrying charges may accrue only on that portion of the debit balance which exceeds the adjustment amount.

Sec. 4. Section 1 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary of State on October 31, 2005, is hereby amended to read as follows:

> 1. If an electric utility provides notice in its deferred energy application, the electric utility may update its base tariff energy rate calculation 60 days after filing its deferred energy application.
>
> 2. An electric utility may file an application to revise its base tariff energy rate if it does not have pending a deferred energy application pursuant to subsection 2 of NAC 704.116. An electric utility that files an application to revise its base tariff energy rate must:

(a) Submit the application to revise its base tariff energy rate not less than 120 days before the adjustment date for the deferred energy application filed pursuant to subsection 1 of NAC 704.116; and

(b) Calculate the base tariff energy rate pursuant to NAC 704.130.

3. In accordance with subsection 7 of NRS 704.110, a gas utility may file an application to revise its base tariff energy rate every 30 days [.] ***unless the Commission has approved a quarterly adjustment pursuant to the provisions of NRS 704.100 and 704.110.***

4. If an electric utility files an application to revise its base tariff energy rate pursuant to subsection 2 and the Commission authorizes a revised rate, the Commission will provide that the revised rate becomes effective on the day following the adjustment date for the deferred energy application filed pursuant to subsection 1 of NAC 704.116.

Sec. 5. Section 4 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary of State on October 31, 2005, is hereby amended to read as follows:

Sec. 4. NAC 704.116 is hereby amended to read as follows:

704.116 1. Except as otherwise provided in subsection 2, each electric utility and gas utility shall file annually with the Commission a deferred energy application for each of its jurisdictional operating departments in this State setting forth its calculations of the deferred energy accounting adjustment and the base tariff energy rate.

2. An electric utility or gas utility may file with the Commission a semiannual deferred energy application if the net change in revenue necessary to clear the change in the deferred energy account balance at the end of the 6-month period exceeds plus or

minus 5 percent of the total revenue at the last authorized rates for fuel for electric generation and purchased power or purchased gas.

3. Each electric utility and gas utility shall file its deferred energy application not later than 45 days after the adjustment date.

4. If an electric utility files a deferred energy application while a general rate application is pending before the Commission, the electric utility shall:

(a) Submit with its deferred energy application information relating to the cost of service and rate design; and

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

5. The deferred energy accounting adjustment of an electric utility or gas utility must be calculated pursuant to NAC 704.101 and 704.111.

6. **[~~The~~]** ***In an annual deferred energy application:***

(a) The base tariff energy rate of an electric utility **[~~or gas utility~~]** must be calculated pursuant to NAC 704.130 ***.*** **[~~or 704.135, respectively.~~]**

(b) The base tariff energy rate of a gas utility must be calculated pursuant to NAC 704.135.

7. The base tariff energy rate of an electric utility or gas utility remains in effect until a revised rate is authorized by the Commission.

8. The deferred energy accounting adjustment of an electric utility or gas utility remains in effect until the end of the designated amortization period or until an amended rate is authorized by the Commission, whichever occurs first.

Sec. 6. Section 7 of LCB File No. R084-05, which was adopted by the Public Utilities Commission of Nevada and which was filed with the Secretary of State on October 31, 2005, is hereby amended to read as follows:

Sec. 7. NRS 704.135 is hereby amended to read as follows:

704.135 1. A gas utility shall, pursuant to subsections 2 ~~[and 3,]~~ ***, 3 and 4,*** calculate a forecasted and an historic base tariff energy rate (BTER) for purchased gas and recommend its preferred base tariff energy rate to the Commission.

2. The gas utility shall calculate a forecasted base tariff energy rate based on the following formula:

Where:

PG = Sales volumes of the gas utility, including an adjustment for projected shrinkage in the distribution system and the consumption of gas by an upstream pipeline company, used to calculate purchases necessary to support the given level of sales for the test period expressed in therms.

UG = The projected ***weighted*** average unit price that will be paid for gas ~~[to each supplier]~~ during the period in which the rate will be in effect.

SG = Actual volumes of gas sold for the test period expressed in therms.

FG = Fixed costs associated with the purchase of gas for the period in which the rate will be in effect as may be enumerated in the accounts specified in paragraph (e) of subsection 2 of NAC 704.120.

VG = Variable transportation costs.

TG = Distribution system shrinkage costs paid by transportation customers.

Then:

$$BTER = \frac{(PG \text{ X } UG) + FG \boldsymbol{+ (VG - TG)}}{SG}$$

3. ~~[The]~~ ***Except as otherwise provided in subsection 4, the*** gas utility shall calculate an historic base tariff energy rate based on the following formula:

Where:

PG = Sales volumes of the gas utility, including an adjustment for projected shrinkage in the distribution system and the consumption of gas by an upstream pipeline company, used to calculate purchases necessary to support the given level of sales for the test period expressed in therms.

UG = The ***weighted average of the*** latest experienced unit ~~[price]~~ ***prices*** paid for gas ~~[to each gas supplier]~~ during the test period.

SG = Actual volumes of gas sold for the test period expressed in therms.

FG = Annualized fixed costs associated with the purchase of gas for the test period as may be enumerated in the accounts specified in paragraph (e) of subsection 2 of NAC 704.120.

VG = Variable transportation costs.

TG = Distribution system shrinkage costs paid by transportation customers.

Then:

$$BTER = \frac{(PG \text{ X } UG) + FG \boldsymbol{+ (VG - TG)}}{SG}$$

4. Except for fixed costs, which must be annualized to reflect a 12 month period, a gas utility that makes quarterly adjustments of its base tariff energy rate shall:

(a) Select a test period of not less than 3 months and not more than 12 months, unless the gas utility obtains approval of the Commission to select a different length for the test period; and

(b) Calculate the base tariff energy rate pursuant to the provisions of subsection 3.