

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

LCB File No. R150-06

Effective March 23, 2007

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

AUTHORITY: §§1-19, NRS 703.025, 704.210 and 704.991.

A REGULATION relating to utilities; revising certain provisions relating to resource planning by certain natural gas utilities; establishing procedures for the filing of informational reports which natural gas utilities are required to submit annually to the Public Utilities Commission of Nevada; repealing certain provisions relating to the filing of resource plans by certain natural gas utilities; and providing other matters properly relating thereto.

Section 1. Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 5, inclusive, of this regulation.

Sec. 2. *“Forecast period” means the 3 gas-year period beginning with the gas year immediately following the gas year in which:*

- 1. The informational report is filed; or*
- 2. The resource plan is filed.*

Sec. 3. *“Gas year” means the yearly period used by a utility in its planning process. The period may be a 1-year period beginning November 1 and ending October 31 of the subsequent calendar year, or another yearly period determined by the utility.*

Sec. 4. *“Sources of natural gas” means the physical locations or regions where natural gas will be acquired or exchanged.*

Sec. 5. *If a utility files an informational report as required pursuant to NRS 704.991, the Commission will issue an order:*

- 1. Accepting the informational report as filed; or*
- 2. If the informational report does not contain the information required pursuant to NRS 704.991 and NAC 704.953 to 704.968, inclusive, and sections 2 to 5, inclusive, of this regulation specifying which portions of the informational report the Commission deems to be inadequate.*

Sec. 6. NAC 704.953 is hereby amended to read as follows:

704.953 As used in NAC 704.953 to ~~704.973,~~ **704.968**, inclusive, *and sections 2 to 5, inclusive, of this regulation*, unless the context otherwise requires, the words and terms defined in NAC ~~704.9535~~ **704.954** to 704.9605, inclusive, *and sections 2, 3 and 4 of this regulation* have the meanings ascribed to them in those sections.

Sec. 7. NAC 704.9575 is hereby amended to read as follows:

704.9575 “Major facilities for the supply of gas” means those facilities for the production, transmission, compression ~~;~~ or storage of natural gas, or a combination of such facilities or substitutes for such facilities, that are required to meet the demand imposed upon a utility’s system. The term includes major additions or modifications to the distribution system which are planned to maintain adequate capacity and the cost of which exceeds ~~[\$5,000,000.]~~ **\$10,000,000.**

Sec. 8. NAC 704.9585 is hereby amended to read as follows:

704.9585 ~~["Plan"]~~ **“Informational report”** means the ~~[plan]~~ **informational report** which a utility is required by NRS 704.991 to submit **annually** to the Commission.

Sec. 9. NAC 704.961 is hereby amended to read as follows:

704.961 ~~Each~~

1. *Except as otherwise provided in subsection 2, a utility shall annually submit its ~~plan~~ pursuant to the following schedule:*

~~1. The plan submitted by Southwest Gas Corporation for its Southern (Thunderbird) Division must be filed on or before July 1, 1990, and every 3 years thereafter; and~~

~~2. The plans submitted by Southwest Gas Corporation for its Northern (Sierra) Division and by Sierra Pacific Power Company must be filed on or before January 15, 1992, and every 3 years thereafter.] informational report to the Commission:~~

(a) If the utility uses deferred energy accounting, with the filing of the utility's adjustment of its deferred energy account; or

(b) If the utility does not use deferred energy accounting, on any date before the first day of the first gas year of the forecast period.

2. *A utility that is subject to the provisions of NRS 704.736 to 704.751, inclusive, may annually submit its informational report to the Commission with the utility's energy supply plan or annual evaluation submitted pursuant to NAC 704.9482.*

3. *A utility may submit updates on the status of its informational report if the utility believes that conditions warrant an update.*

Sec. 10. NAC 704.9615 is hereby amended to read as follows:

704.9615 ~~[1.—A plan]~~ *Each informational report must include a comprehensive summary [separate from the plan which is suitable for distribution to members of the general public. The summary must consist of easily understood narratives, tables, graphs, and maps and must not contain any complex explanations or highly technical language. The summary must be separately bound and be approximately 10 pages in length.*

~~—2.] of the report.~~ The summary must include ~~[-~~

~~(a)~~, *without limitation:*

1. A brief introduction, addressed to members of the general public, describing the utility, its facilities ~~[,]~~ and the purpose of the ~~[plan;~~

~~—(b)~~ *informational report;*

2. The forecast of base growth for the ~~[next 10 years;~~

~~—(c) A summary of the plan to reduce consumption and demand, listing each program and its effectiveness in terms of costs and showing the forecast reduction of demand and the contribution of each program to this forecast;~~

~~—(d) A summary of the plan to construct or acquire major facilities for the supply of gas, showing each] forecast period;~~

3. *Forecasts of sales volumes and peak demands;*

4. *Projections of price trends for natural gas;*

5. *A list that includes, without limitation:*

(a) *Each major facility for the supply of gas which has been planned as an addition to the system for the [next 10 years] forecast period, with its anticipated capacity, cost [,] and date of [beginning service;*

~~(e) A summary of the plan to acquire adequate] initial service;~~

(b) *Each program for conservation and load management that the utility has chosen to implement;*

(c) *The cost and impact on rates of each program for conservation and load management;*
and

(d) *The forecasted reduction in the utility's load as a result of each program for conservation and load management;*

6. *An explanation of how the utility intends to acquire its* supplies of gas to meet forecasted requirements ~~;~~

~~(f) A summary of the activities, acquisitions, and costs included in the utility's plan of action;~~
~~and~~
~~—(g)], including, without limitation, strategies associated with the supplies of gas for the forecast period; and~~

7. Any other information useful in presenting ~~[to members of the general public]~~ a comprehensive summary of the ~~[utility and its expected development.]~~ *utility's informational report.*

Sec. 11. NAC 704.963 is hereby amended to read as follows:

704.963 Each utility shall provide *with its informational report* a suitable map or maps to show ~~[the areas covered by its plan.]~~ *its existing and planned major facilities for the supply of gas and sources of natural gas.*

Sec. 12. NAC 704.964 is hereby amended to read as follows:

704.964 1. ~~[A plan]~~ *Each informational report* must contain a projection of the future price of ~~[purchased gas and documentation for that projection.]~~ *natural gas for each of the supply basins from which the utility purchases gas for each month of the forecast period. The informational report must explain the sources and methods used to develop the projection of the future price of natural gas.*

2. If a projection of a national service or a published forecast is adjusted on the basis of factors specific to a utility, the adjustment must be explained.

~~[3.—A utility shall include in its plan ranges of prices for purchased gas.]~~

Sec. 13. NAC 704.9645 is hereby amended to read as follows:

704.9645 1. A utility shall include in its ~~[plan forecasts]~~ *informational report*:

~~(a) Forecasts of sales [and transportation volumes and forecasts of peak demands on the system for each year of the 10-year period beginning with the year in which the plan is filed. To the extent feasible, the information must be disaggregated by class of customer. The forecast must include an estimate of the impact of potential changes in usage by customers who are capable of using alternative fuels in lieu of natural gas.]~~ *volumes under normal weather conditions for each month of the forecast period; and*

(b) Forecasts of the annual peak demand under weather at maximum design conditions.

2. *The forecasts of sales volumes and demands described in subsection 1 must include, without limitation, an estimate of unaccounted for gas for each month of the forecast period.*

3. To prepare ~~[and report]~~ the required forecasts, a utility shall:

(a) Use substantially accurate data, incorporating to the extent necessary data available from other utilities, state ~~[,]~~ and federal agencies, county agencies, universities, and other public or private sources;

(b) Use recognized and generally accepted forecasting methods considering the availability of data;

(c) Cite the source of demographic and economic projections upon which it relies and document the procedure by which the projections were incorporated into its forecasts; and

(d) If any national forecasts are adjusted by using local or regional variables, explain those adjustments.

~~[3.—To describe the required forecasts, a utility shall:~~

~~—(a) Develop and explain a forecast for base growth based on a set of future conditions.~~

~~(b) Develop a forecast for high growth based on weather at maximum design conditions and other appropriate changes from the forecast of base growth.]~~

Sec. 14. NAC 704.9655 is hereby amended to read as follows:

704.9655 ~~[1.—A plan]~~ *Each informational report* must include ~~[an]~~, *without limitation:*

1. A forecast for base growth;

2. An assessment of base conservation which includes the effects, cost and impact on rates of each program for conservation and load management ~~[induced by higher prices and the continuation of existing programs for conservation and load management. The utility shall consider, to the extent feasible, each use to which the gas will be put by the final customer. The utility shall include the impact of its conservation plan in its forecast of base growth.~~

~~—2.—A plan must include an assessment of methods for conservation. The assessment must consist of a list of measures and programs which the utility determines to be technically feasible. The measures and programs must be ranked according to their] *that the utility has chosen to implement; and*~~

3. The level of [saving] energy savings or [reducing demand,] reduction in demand from each program for conservation and load management, or both.

~~[3.—The plan must include an assessment of the programs and measures to determine which will produce benefits exceeding costs. The utility shall rank the programs and measures on the basis of their overall relationship between benefits and costs and identify the measures or groups of measures whose benefits will exceed their costs. A detailed description of methods used for this assessment must be included.~~

~~—4.—The program for conservation and load management must include:~~

~~—(a) A characterization of representative customers by class and type of use;~~

- ~~—(b) A schedule of proposed programs for limiting energy and demand, listed according to the expected savings and reduction in peak demand;~~
- ~~—(c) An assessment of the preliminary costs and savings of the proposed measures, assuming a realistically forecasted level of penetration of the market; and~~
- ~~—(d) An assignment of priorities to the programs for conservation and load management based on a detailed analysis of the estimated benefits and costs of each program.~~
- ~~—5.— A plan must identify how the utility intends to carry out the recommended programs.~~
- ~~—6.— A utility shall include in its plan a detailed description of the method the utility used to determine and compare the benefits and costs of programs.]~~

Sec. 15. NAC 704.966 is hereby amended to read as follows:

704.966 1. ~~[A plan]~~ ***Each informational report*** must contain a list of all its existing and planned major facilities for the supply of gas which it expects to be constructing, operating ~~[]~~ or utilizing in each *gas* year ~~[covered by the forecast.~~

~~—2.— A plan] of the forecast period.~~

2. ***Each informational report*** must contain information on the financial and economic characteristics of planned major facilities for the supply of gas. The information must include ~~[]~~ ***, without limitation:***

- (a) The estimated costs of construction, purchases ~~[]~~ or acquisition of the rights to use the facilities;
- (b) The estimated costs of operation by *gas* year;
- (c) An assessment of the cost and reliability of its existing and planned major facilities for the supply of gas; and

(d) The criteria used in determining the nature and extent of planned additions to major facilities for the supply of gas.

3. ~~[A map which shows the location and type of each existing or proposed major facility for the supply of gas must be included in the plan.~~

~~—4.]~~ A utility shall consider the following options for major ~~[supplies]~~ *facilities for the supply* of gas:

- (a) The expansion of transmission facilities;
- (b) The augmentation of compressor stations;
- (c) The expansion and acquisition of storage facilities;
- (d) Interconnection with other pipelines;
- (e) Developing transportation arrangements; and
- (f) Improvements in the efficiency of major facilities for the supply of gas.

Sec. 16. NAC 704.9665 is hereby amended to read as follows:

704.9665 ~~[A plan]~~ *Each informational report* must include , *without limitation, the* criteria used in setting the dates for the retirement of its major facilities for the supply of gas and the basis for the criteria.

Sec. 17. NAC 704.9675 is hereby amended to read as follows:

704.9675 ~~[A plan]~~ *Each informational report* must include , *without limitation,* a discussion of the alternative strategies the utility would pursue if any preferred resource or facility were not available as described in the ~~[plan.]~~ *informational report.*

Sec. 18. NAC 704.968 is hereby amended to read as follows:

704.968 1. The ~~[plan for the]~~ *informational report must include the utility's plan for the supply of gas which must include, without limitation, a discussion of the strategies which the*

utility intends to implement for its supply of gas ~~[must include:]~~, including, without limitation, a discussion of:

(a) The criteria used in determining the level and mix of the supply of gas planned;

(b) The criteria used to select the sources of *the* supply ~~[at the least cost;~~

~~—(c) A discussion of the utility’s intent to serve the various classes of customers;] of gas and an assessment of the reliability of each of the sources of the supply of gas;~~

(c) Strategies for minimizing the cost, minimizing the retail price volatility and maximizing the reliability of the gas that the utility intends to employ for its supply of gas; and

(d) ~~[A discussion of the]~~ *The* procedures for curtailment which will be utilized if the supply or facilities are inadequate.

2. The ~~[utility shall develop a set of analyses of its options to meet the expected future requirements on its system for the supply of gas. The options to be analyzed, where applicable, must include:~~

~~—(a) The costs, benefits, and feasibility of purchases of gas or transactions with other suppliers of gas, producers of gas, other utilities, or other entities;~~

~~—(b) Production from wells owned by the utility or the purchase of wells;~~

~~—(c) Transportation arrangements in obtaining supplies of gas;~~

~~—(d) Transmission and storage facilities; and~~

~~—(e) Any other option the utility determines should be considered.~~

~~—3. The utility shall identify the criteria it has used or will use to select its options to meet the expected future demands for gas and explain how any conflicts among criteria have been or will be resolved. The utility, when comparing its options, shall identify the criteria it has used or will use to select and rank its plans for selecting sources of supply at the least cost.~~

~~—4.— The utility’s plan must list:~~

~~—(a) The sources of gas from which the utility has firm plans or potential opportunities to purchase or exchange during the years covered by the forecast;~~

~~—(b) The amount and cost of gas to be purchased or exchanged from each source for each year in the period covered by the forecast; and~~

~~—(c) A brief description of the nature of the purchase or exchange.]~~ *informational report must list each existing and planned long-term arrangement for the supply, storage and transportation of gas.*

3. As used in this section, “long-term arrangement” means an agreement with a duration of 3 or more years and includes, without limitation:

(a) Supply contracts;

(b) Agreements for hedging the price of gas;

(c) Agreements that involve production wells or inground reserves owned by the utility which are intended to be used as a source of supply;

(d) Transportation agreements;

(e) Storage agreements; and

(f) Any other long-term arrangement that the utility determines should be considered.

Sec. 19. NAC 704.9535, 704.955, 704.956, 704.9565, 704.962, 704.9625, 704.9635, 704.965, 704.967, 704.9685, 704.969, 704.9695, 704.970, 704.9705, 704.971, 704.9715, 704.972 and 704.973 are hereby repealed.

TEXT OF REPEALED SECTIONS

704.9535 “Coincident demand” defined. (NRS 703.025, 704.210, 704.991) “Coincident demand” means a demand which occurs on one subpart of a utility’s system simultaneously with a demand which occurs on another subpart of the system or on the total system.

704.955 “Firm supply of gas” defined. (NRS 703.025, 704.210, 704.991) “Firm supply of gas” means natural gas which is intended to be available at all times during the period covered by a commitment unless the supply is interrupted by uncontrollable forces.

704.956 “Forecast of high growth” defined. (NRS 703.025, 704.210, 704.991) “Forecast of high growth” means a forecast of growth using the same set of future conditions as the forecast of base growth, adjusted for the weather at maximum design conditions on a utility’s system and, if appropriate, selected other changes.

704.9565 “Least cost” defined. (NRS 703.025, 704.210, 704.991) “Least cost” means a combination of options which can be reasonably carried out to minimize the net present value of requirements for future revenue and which are consistent with appropriate regulatory, legal, financial, environmental, and public considerations and considerations concerning reliability and safety.

704.962 Technical appendix to plan. (NRS 703.025, 704.210, 704.991)

1. A plan must include a technical appendix which shows methods, analyses, assumptions and data used to prepare the plan. The appendix must contain sufficient details to enable a technically proficient reader to understand how the plan and its forecasts were prepared.

2. The appendix must include:

(a) Citations to the sources of all significant information used in the plan;

(b) A list of the information put into the models which were used in developing the plan, with an explanation of any modification made to the data;

(c) The final results derived from the models;

(d) Documentation of all models and formulas used, excluding any information limited by proprietary requirements imposed upon the utility by outside suppliers of the models; and

(e) Such other information as is necessary to enable an informed reader to examine and verify the adequacy and accuracy of the data, assumptions, and methods used in developing the plan.

704.9625 Periods to be covered by plan. (NRS 703.025, 704.210, 704.991) The periods which must be covered by the data submitted in a utility's plan are:

1. The 10-year period preceding the year in which the plan is filed; and

2. The 10-year period beginning with the year in which the plan is filed.

704.9635 Submission of historical data. (NRS 703.025, 704.210, 704.991) The following historical data must be submitted with a plan:

1. The actual or estimated monthly purchases of natural gas from each specific supplier for each year in the 10-year period preceding the year in which the plan is filed.

2. The actual or estimated monthly volume of natural gas delivered during each year of the 10-year period preceding the year in which the plan is filed. This information must be disaggregated to the extent possible by:

- (a) Class of customer;
- (b) Whether the delivery was firm or interruptible;
- (c) Whether the service was a sale or for transportation; and
- (d) Supplier.

3. A reconciliation of gas purchased, transported, sold, used in compressor stations, lost, or otherwise unaccounted for, for each month of each year of the 10-year period preceding the year in which the plan is filed.

4. The actual or estimated coincident peak demands experienced on the system during each month of each year of the 10-year period preceding the year in which the plan is filed. This information must be reported to the extent possible by class of customer for both sales and transportation services.

5. The historical data required in subsections 2 and 4, adjusted for normal weather conditions.

6. The actual or estimated number of customers by class of customer for both sales and transportation services for each month of each year of the 10-year period preceding the year in which the plan is filed.

7. A list of customers who are capable of using alternative fuel, showing the capability as a percentage of load, and other data available to support a forecast of the impact of potential changes in usage by customers who are capable of using alternative fuels in lieu of natural gas.

704.965 Estimation of unaccounted for gas. (NRS 703.025, 704.210, 704.991)

- 1. A utility shall state the assumptions used to estimate unaccounted for gas.
- 2. A utility's plan must include an estimate for unaccounted for gas for each year of the forecast disaggregated by:

- (a) The system's unaccounted for gas;
- (b) The utility's own uses; and
- (c) Any other unaccounted for gas.

704.967 Consideration of alternative programs and sources of supply. (NRS 703.025, 704.210, 704.991)

1. A utility shall treat programs for conservation and load management as resources and evaluate them in the same manner as other sources of supply.
2. Consideration of alternative programs and sources of supply is adequate if the programs whose benefits exceed costs are evaluated and ranked according to increasing cost.

704.9685 Three-year plan of action. (NRS 703.025, 704.210, 704.991)

1. Each plan must include a detailed 3-year plan of action. The 3-year plan of action must include actions taken by the utility that are related to planning and acquiring resources which are to occur during the 3 years commencing 240 days after the date the plan is filed.
2. The 3-year plan of action must include, where appropriate:
 - (a) A schedule for the acquisition of data;
 - (b) Schedules of planned activities to develop or refine the data used in forecasting;
 - (c) A section describing any plans to acquire or develop additional modeling instruments;
 - (d) A description of proposed conservation and load management programs;
 - (e) A schedule for the acquisition and development of the facilities or programs which the plan indicates will yield benefits exceeding costs and which can be reasonably carried out;
 - (f) A description of activities the utility will undertake to obtain supplies of natural gas; and
 - (g) An estimate, for planning purposes, of the total cost of carrying out the 3-year plan of action. The estimate must include the expected spending level in each of the activities set forth in

paragraphs (a) to (f), inclusive, and the expected costs for carrying out conservation and load management, if any.

3. The Commission may approve a utility's 3-year plan of action only if it determines that the utility's programs are reasonable and prudent and appear to provide benefits exceeding costs.

704.969 Analyses of sensitivity for assumptions and estimates. (NRS 703.025, 704.210, 704.991) A utility shall conduct appropriate analyses of sensitivity for combinations of major assumptions and estimates used in its plan, including an analysis of the sensitivity to high and low load growth and of load forecast to prices of gas.

704.9695 Sessions for reviewing plan. (NRS 703.025, 704.210, 704.991)

1. A utility may schedule sessions for reviewing a plan and provide an opportunity for interested persons to:

- (a) Learn of the progress made by the utility in developing plans and amendments to plans;
- (b) Determine whether fundamental assumptions are being applied in a consistent and acceptable manner;
- (c) Determine whether fundamental results are reasonable; and
- (d) Offer suggestions on other matters as appropriate.

2. If the utility, the Consumer's Advocate, persons employed by the Commission to regulate utilities which supply natural gas, or any other person participating in the process cannot agree to schedule sessions for reviewing plans, any of those persons may petition the Commission to schedule the sessions.

3. The persons involved in the sessions shall establish, at the beginning of the sessions, a procedure to resolve any technical issues which are discussed during the sessions.

704.970 Public comment on plan; action by Commission. (NRS 703.025, 704.210, 704.991)

1. At a hearing held to review a plan, any interested person may comment regarding the contents and adequacy of the plan.

2. After the hearing, the Commission will determine whether:

(a) The utility's forecasted requirements are based on substantially accurate data and adequate methods of forecasting.

(b) The utility has adequately considered reasonable, technically feasible programs and projects for conservation and facilities which are cost-effective, and has selected and carried out, or plans to carry out, those programs and projects in a timely and reasonable manner.

(c) The utility has identified and carried out, or plans to carry out, reasonable measures to obtain adequate, reasonably priced supplies of natural gas.

3. Within 180 days after a utility has filed its plan, the Commission will issue an order accepting the plan as filed or specifying portions of the plan which it deems to be inadequate.

704.9705 Annual report of supply of gas: Submission; contents. (NRS 703.025, 704.210, 704.991)

1. After the approval of the first plan for an affected service area, each utility shall submit an annual report of the supply of gas for that service area. The report must be submitted to the Commission on the date the utility's annual application for a purchased gas adjustment is filed. In the interim, the utility shall submit as much of the information required by subsection 2 as is practical when any annual application for a purchased gas adjustment is filed.

2. The annual report of the supply of gas must include:

- (a) A report on the status of each facility and each conservation and load management program in the approved 3-year plan of action;
- (b) A detailed report of all bona fide offers for the sale of gas that were considered and purchases of gas that were made during the 12-month period used for calculating the purchased gas cost adjustment in the utility's annual application for a purchased gas adjustment;
- (c) An explanation of the factors considered by the utility in selecting and purchasing supplies of gas during the period;
- (d) Any other information the utility believes will assist in justifying or explaining the utility's acquisition of gas during the period; and
- (e) A forecast of the purchases of gas to which the utility has committed itself or projects it will make during the 12-month period immediately following the last month for which historical data is provided pursuant to this section.

704.971 Recovery of cost of developing and implementing plan; recovery of incremental costs. (NRS 703.025, 704.210, 704.991)

1. The cost of developing and implementing a plan may be recovered in the same manner as any other expenditure of the utility. The Commission will consider all prudent and reasonable costs of trial programs as costs incurred by a utility in developing its plan.
2. A utility may apply to the Commission for rates to recover incremental costs incurred for beginning the activities required by NAC 704.953 to 704.973, inclusive, up to the time the utility's general rates are next adjusted. The utility shall propose a reasonable amortization period for the recovery of those costs. The utility's application must justify all reasonable and prudent costs and describe all activities proposed for recovering those costs, using at a minimum the activities set forth in subsection 2 of NAC 704.9685, and time and cost budgets.

704.9715 Resource plan; accounting for costs of implementing programs for conservation and load management; recovery of costs; penalty. (NRS 703.025, 704.210, 704.991)

1. A utility shall demonstrate in its resource plan the projected amount and duration of the savings in energy and demand of all existing and proposed full programs for conservation and load management.

2. All costs of implementing the programs for conservation and load management must be accounted for in the utility's books and records separately from amounts attributable to any other activities. All accounts must be maintained in such a manner as will allow costs attributable to specific programs to be identified readily. These costs must be segregated into the same categories as specified in the budget for the 3-year plan of action.

3. A utility may recover all prudent and reasonable costs incurred since November 19, 1993, in implementing programs for conservation and load management that the Commission has approved as part of the utility's 3-year plan of action. These costs include, but are not limited to, costs for labor, overhead, materials, incentives to customers, advertising, marketing, and evaluation. A utility may recover approved costs associated with monitoring and evaluating full programs for conservation and load management pursuant to NAC 704.971. To recover costs incurred in implementing programs for conservation and load management pursuant to this subsection, a utility must:

(a) Calculate the costs incurred in implementing each program since the end of the test period or period of certification in its last proceeding to change general rates.

(b) Record the total cost of implementing each program, as calculated in paragraph (a), in a separate subaccount of Account 186 (Other Deferred Debits) for each program and make an appropriate offset to other subaccounts.

(c) Accrue ongoing costs monthly in the appropriate subaccount of Account 186 for each program.

(d) Maintain subsidiary records of the subaccounts of Account 186 for each program. These records must clearly delineate all costs incurred by the utility in implementing each program that the Commission has approved.

(e) Apply a carrying charge at the rate of 1/12 of the authorized overall rate of return to the current balance in the subaccounts of Account 186 for each program. The utility must apply the charge at the end of each month from the end of the test period or period of certification in the utility's last proceeding to change general rates until the date on which the utility files its next application to change general rates or for certification, whichever is later.

(f) Clear any balance accumulated in the subaccounts of Account 186 for each program through a charge or credit set at the time of a proceeding to change general rates as follows:

(1) The Commission will establish a rate to clear the accumulated balance by dividing the accumulated balance by the sales used in the proceeding to change general rates.

(2) The Commission will adjust the rate to amortize the balance over a period determined by the Commission to be appropriate for clearing the account and consistent with the life of the investment.

(3) A utility must begin amortizing costs on the date that the change in general rates goes into effect.

(4) The utility must include the balance in the subaccounts of Account 186 for each program, including carrying charges, in the rate base on the date on which the utility files its next application to change general rates or for certification, whichever is later.

(5) To calculate revenue requirements, the utility must base the rate of return to be applied to the balance in the subaccounts of Account 186 for each program that the utility has implemented on the authorized return on equity plus 5 percent.

(g) Adjust any balance remaining in the subaccounts of Account 186 for each program at the time of a subsequent proceeding to change general rates for:

(1) The anticipated recovery of revenue from the application of any rate of amortization previously authorized for the period between the end of the test period or period of certification and the date on which the new rate of amortization is expected to become effective, or

(2) Any new investments in the existing programs.

↪ The utility must include these adjustments in the balance that the Commission will consider for amortization in the subsequent rate case.

4. If the level of costs incurred for programs for conservation and load management since the end of the test period or period of certification in the utility's last proceeding to change general rates is less than 90 percent or greater than 110 percent of the level of costs approved in the utility's last resource plan or an amendment to its resource plan, unless such change is otherwise justified by the utility, the Commission will impose a penalty on the utility that equals 5 percent of the difference between:

(a) The level of costs and 90 percent of the level approved; or

(b) The level of costs and 110 percent of the level approved.

5. A utility may recover all prudent and reasonable costs incurred in implementing certain full programs for conservation and load management that are ineligible for recovery under the procedures described in subsection 3 through general rates pursuant to the procedures established for adjusting general rates.

704.972 Amendment of plan or 3-year plan of action. (NRS 703.025, 704.210, 704.991)

1. A utility may apply for permission to amend its plan or 3-year plan of action if:

(a) The utility has determined it is necessary to file an application for a permit to construct a major facility for the supply of gas pursuant to NRS 704.820 to 704.900, inclusive, which was not previously approved as part of the utility's plan;

(b) The utility has determined it is necessary to make a commitment for the acquisition or construction of a major facility for the supply of gas which was not previously approved as part of the utility's plan; or

(c) The conditions upon which approval of its previous plan was based have significantly changed.

2. The Commission will establish an appropriate procedural schedule to consider each request to amend a plan or a 3-year plan of action.

704.973 Severability. (NRS 703.025, 704.210, 704.991) If any provision of NAC 704.953 to 704.973, inclusive, is held invalid, the Commission intends that such invalidity not affect the remaining provisions to the extent that they can be given effect.

**NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB FILE NO. R150-06**

The Public Utilities Commission of Nevada submits the following statement. The Commission adopted regulations assigned LCB File R150-06, which pertain to Chapter 704 of the Nevada Administrative Code, a regulation relating to utilities; revising certain provisions relating to resource planning by certain natural gas utilities; establishing procedures for the filing of informational reports which natural gas utilities are required to submit annually to the Public Utilities Commission of Nevada; repealing certain provisions relating to the filing of resource plans by certain natural gas utilities; and providing other matters properly relating thereto.

INFORMATIONAL STATEMENT

1. A description of how public comment was solicited, a summary of public response, and an explanation of how other interested persons may obtain a copy of the summary.

A Combined Notice of Intent to Amend/Adopt/Repeal Regulations and Notice of Workshop concerning proposed revisions to NAC 704 was issued on June 20, 2006. The Combined Notice, including the request for comments, was published in the Elko Daily Free Press, Las Vegas Review Journal, Nevada Appeal, Reno Gazette Journal, and Tonopah Times-Bonanza. Additionally, the notices were mailed to county clerks, county libraries and all persons who requested inclusion on the Commission's service list.

The following represents a summary of the written comments that were filed with the Commission prior to its properly noticed Workshop to be held on September 7, 2006:

The Regulatory Operations Staff of the Commission ("Staff") supported the revised proposed regulation in its current form, with no modifications.

The Attorney General's Bureau of Consumer Protection ("BCP") had some serious concerns with the proposed regulations. In particular, BCP questioned: the Informational Report approval language, the discretionary language regarding whether or not the Commission will hold a hearing on the Informational Report, that interested parties may only comment on the adequacy of the Report, requiring the gas utilities to implement hedging strategies and a prospective finding of prudence if the Informational Report is approved by the Commission.

Southwest Gas Corporation ("SWG") supported the proposed language that was attached to the Combined Notice.

Sierra Pacific Power Company ("Sierra") stated that the gas resource planning regulations should be consistent with those regulations for electric utilities. Sierra also suggested some clarifications with regard to the proposed regulations.

The properly noticed Workshop was continued from September 7, 2006 in order to allow the Commission to complete the required small business impact statement.

The following represents a summary of the written comments that were filed with the Commission prior to its continued Workshop held on September 18, 2006:

SWG identified three substantive changes in the LCB draft. SWG recommended that the language in the initial proposal be restored in regard to the definition of forecast period and

proposed deletions in NAC 704.9645(3)(a) - the explanation of load forecast. SWG also proposed language regarding modifications to Section 7 of the LCB draft.

The following represents a summary of the public responses that were made to the Commission at the continued Workshop held on September 18, 2006:

Sierra distributed copies of its preferred language to the proposed regulations at the Workshop, some of which it stated was consensus language.

The participating parties and the presiding officer went through Sierra's version section by section with the parties stating their concerns or agreement with the language of a particular section. The participating parties were Staff, BCP, Sierra, SWG and the Southwest Energy Efficiency Project ("SWEEP").

The following represents a summary of the written comments that were filed with the Commission prior to its Hearing held on November 29, 2006:

SWG generally supported the draft regulations with a few exceptions. It suggested edits and/or clarification language to the proposed regulations.

Sierra had no further comments on the Commission's proposed regulations.

The following represents a summary of the public responses that were made to the Commission at the duly-noticed hearing held on November 29, 2006:

A representative of the Commission went through the differences between the November 22, 2006 LCB version and the language that was attached to the Notice of Hearing. None of the participants took issue with the changes. They all agreed that they were ministerial and not substantive changes.

Staff stated its support of LCB's version.

BCP did not oppose the regulation as it had been promulgated. BCP stated that it believes the language in the proposed regulation discussing reliability echoes that of the Energy Supply Plan language, which has worked very well in the past. BCP encouraged the Commission to keep this language intact in the proposed regulations.

Sierra addressed the comments that had been filed by SWG and proposed language which it felt would satisfy SWG's concerns. Sierra did not believe that any of its suggestions were substantive in nature.

SWG clarified its written concerns on the record. It accepted BCP's explanation of the reliability standard as well as the discussion that is to be included in the informational report, balancing what SWG believes to be conflicting goals - minimizing gas costs and retail price stability while maximizing reliability.

A copy of the summary may be obtained by calling the Commission at (775) 684-6100 or (702) 486-2600, or by writing to the Commission at 1150 East William Street, Carson City, Nevada 89701 or 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109.

2. The number of persons who

(a) Attended the workshop

9/7/06 - 6

9/18/06 - 9

(b) Testified at the workshop

9/7/06 - none

9/18/06 - 5

(c) Attended the hearing: 10

(d) Testified at the hearing: 4

(e) Submitted to the agency written comments: 4

3. A description of how comment was solicited from affected businesses, a summary of their response, and an explanation of how other interested persons may obtain a copy of the summary.

Comments were solicited from affected businesses by the notice placed in the newspapers mentioned in the response to question #1 above, by direct mailings to interested persons on the Commission's mailing list and by posting of notices at county libraries, courthouses and the Commission's website.

Appearances were made at the foregoing workshops and hearing by interested persons including representatives of: Staff, BCP, Sierra, SWG and SWEEP.

Written comments were received as set forth in the responses to questions 1 and 2(e) above.

A summary of the comments is contained in answer #1 above.

A copy of the summary may be obtained by calling the Commission at (775) 684-6100 or (702) 486-2600, or by writing to the Commission at 1150 East William Street, Carson City, Nevada 89701 or 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109.

4. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

The proposed regulation was drafted by Staff in accordance with ordering paragraph 5 of the Commission's Order in Docket No. 05-5015. Changes were made to the language after the Commission's workshop. The presiding officer felt these changes were necessary so that the Commission's regulations reflected the intent of authorizing statute, NRS 704.991. Additional clarifications were made at the Hearing on November 29, 2006 before the regulation was adopted by the Commission at a duly-noticed agenda meeting on December 20, 2006.

5. The estimated economic effect of the adopted regulation on the business which it is to regulate and on the public. These must be stated separately, and in each case must include:

(a) Both adverse and beneficial effects; and

(b) Both intermediate and long-term effects.

The Commission completed a small business impact statement pursuant to NRS 233B.0608. Staff recommended, and the Commission found, that the proposed regulations do not impose a

direct and significant economic burden upon small businesses nor do they directly restrict the formation, operation, or expansion of a small business.

The Commission cannot estimate the specific economic effect in dollars of the entire regulation upon the public or businesses at this time.

The regulation revises sections of NAC 704 of the Commission's regulations so that they conform to authorizing statute, NRS 704.991

6. The estimated cost to the agency for enforcement of the adopted regulation.

The Commission does not anticipate any increased costs associated with enforcement of the adopted regulation.

7. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

The Commission is not aware of any overlap or duplication by this regulation of any regulation of any other local, state or federal government agencies.

8. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.

The Commission is not aware of any provision in this regulation that is more stringent than a federal regulation which regulates the same activity.

9. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

The Commission is not aware of any provision in this regulation that provides for a new fee, or increases an existing fee.