

LCB File No. R150-06

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

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Rulemaking to adopt, amend or repeal regulations)
regarding natural gas resource planning.) Docket No. 06-06017
)

)

**NOTICE OF INTENT TO AMEND/ADOPT/REPEAL REGULATIONS,
AND NOTICE OF HEARING**

Pursuant to the Nevada Administrative Procedure, Nevada Revised Statutes ("NRS") 233B.010 *et seq.*, including but not limited to NRS 233B.060, .0603, .061 and .063, NOTICE IS HEREBY GIVEN that the Public Utilities Commission of Nevada ("Commission") has opened this rulemaking docket in order to adopt, amend, or repeal Commission regulations regarding natural gas resource planning. This Rulemaking has been designated by the Commission as Docket No. 06-06017.

NOTICE IS HEREBY GIVEN that the Commission will hold a HEARING

Wednesday, November 29, 2006
11:30 a.m.
Hearing Room A
Public Utilities Commission of Nevada
1150 E. William Street
Carson City, Nevada 89701

The hearing may continue from day to day as necessary. The Commission may hear comments from interested persons regarding the proposed regulations. The Commission may also consider other issues related to the provisions of Chapter 233B, 703 and 704 of NRS and the Nevada Administrative Code (NAC"), as well as make decisions on procedural issues raised at the hearing. The Commission may also take any such other actions as it deems appropriate under the circumstances.

The following information is provided pursuant to the requirements of NRS 233B.0603:

On June 9, 2006, pursuant to the Commission's Order in Docket No. 05-5015, the Commission's Regulatory Operations Staff ("Staff") submitted to the Commission proposed regulations for natural gas resource planning.

The Commission believes that review of its natural gas resource planning regulations, NAC 704.953 through 704.969, is necessary so that they conform to the authorizing statute, NRS 704.991.

The methodology used by Staff of the Commission to determine the impact of proposed regulations on small businesses is called the Delphi Method. This Delphi Method is a systematic interactive forecasting method based on independent inputs of selected Staff experts who form a consensus opinion as to the likely impact of the regulation on small businesses and the public.

The proposed regulations potentially affect all entities that offer or will offer natural gas service, as well as the customers of such entities. At this time, the Commission cannot quantify either the adverse or beneficial economic effects on the entities affected by the regulation or the public, either immediate or long-term, which may result from the regulation.

The Commission at this time is unsure if there will be any increased costs associated with enforcement of these proposed regulations. These regulations do not overlap or duplicate any federal, state, or local regulations, nor do they establish any new fee or increase an existing fee.

Pursuant to NRS 233B.061(1), persons wishing to comment upon the proposed action of the Commission may appear at the scheduled public workshop and/or address their comments, data, views, or arguments, in written form, to the Secretary of the Commission, 1150 East William Street, Carson City, Nevada 89701 or 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109. Written submissions to be discussed at the hearing must be received by

the Commission **on or before Thursday, November 16, 2006**. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Commission may proceed immediately to act upon any written submissions.

A copy of this notice and the attached proposed regulations will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulations will be available at the offices of the Commission, at 1150 East William Street, Carson City, Nevada 89701 or 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109; and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulations are also available in the State of Nevada Register of Administrative Regulations, which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653, and on the Internet at <http://www.leg.state.nv.us>. Copies of this notice and the proposed regulations will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption and incorporate therein its reason for overruling the consideration urged against its adoption.

This notice has been posted at the county courthouses located in Reno, Carson City, and Las Vegas.

LCB File No. R150-06

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

RESOURCE PLANNING BY CERTAIN NATURAL GAS UTILITIES

NAC 704.953 Definitions. As used in NAC 704.953 to 704.973, inclusive, unless the context otherwise requires, the words and terms defined in NAC 704.9535 to 704.9605, inclusive, have the meanings ascribed to them in those sections.

[NAC 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.]~~

NAC 704.954 “Conservation” defined. “Conservation” means an increase of efficiency in the production or use of energy which results in a reduction in the consumption of natural gas.

NAC 704.9545 “Demand” defined. “Demand” means the rate at which natural gas is delivered to or by a system, a part of a system, or a piece of equipment, expressed in therms or other suitable units, at a given instant or averaged over any designated period.

NAC 704.955 “Firm supply of gas” defined. “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.

] **NAC 704.9555 “Forecast of base growth” defined.** “Forecast of base growth” means a forecast of the load on a utility’s system based on normal weather conditions and the most likely set of future conditions or forces which would have an effect on that load, including, but not limited to, conservation induced by price, conservation resulting from laws and regulations and

governmental programs, and conservation resulting from existing programs sponsored by utilities.

[**NAC 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.]

[**NAC 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.]

NAC 704.957 “Load management” defined. “Load management” means a deliberate reshaping of the customers’ patterns of use in order to shift the time of use of natural gas and reduce its consumption during the period of the utility’s peak load.

NAC 704.9575 “Major facilities for the supply of gas” defined. “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.

NAC 704.958 “Normal weather conditions” defined. “Normal weather conditions” means the average weather conditions for the previous 30 years or another period, if justified.

NAC 704.9585 [“Plan”] “Informational Report” defined. [“Plan”] “Informational Report” or “Report” means the [plan] Report which a utility is required by NRS 704.991 to submit to the Commission *on an annual basis*.

NAC 704.959 “Storage facilities” defined. “Storage facilities” means facilities for storing gas for the primary purpose of balancing loads or shaving peak loads, or both.

NAC 704.9595 “Substantially accurate data” defined. “Substantially accurate data” means data:

1. Which a utility demonstrates has been gathered from the best sources of information available to it; or
2. Whose validity is inherently uncertain but whose use does not substantially contribute to the risk of incorrect conclusions.

NAC 704.960 “Unaccounted for gas” defined. “Unaccounted for gas” means the difference between the total amount of gas delivered to a utility and the total amount of gas which is used, sold, or delivered to other entities by the utility.

NAC 704.9605 “Weather at maximum design conditions” defined. “Weather at maximum design conditions” means the coldest day on record for the previous 30 years or another period, if justified.

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

“Forecast period” defined. *“Forecast period” means the three gas year period beginning with the gas year in which the Report is filed.*

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

“Report submitted for approval” defined. *“Report submitted for approval” means a report which has been submitted under this section for approval by the Commission.*

NAC 704.961 Schedule for submission of [plans]Informational Report.

Each utility shall submit *an annual Report with the utility's deferred energy account adjustment filing. Utilities may submit status updates on their Report if the utility believes conditions warrant an update.* [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.]

NAC 704.9615 [Summary of plan.] Contents of Informational Report.

The Report must include:

[1. A plan must include a 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. The summary must include:

—(a)]1. A brief introduction, addressed to members of the general public, describing the utility, its facilities, and the purpose of the [plan;]Report.

[(b)]2. [The f]Forecasts of sales volumes and peak demands.[base growth for the next 10 years;

—(c)]3. Projections of price trends for natural gas.

4. A summary [of the plan to reduce consumption and demand,] that lists each conservation and load management program, the program's [and its effectiveness in terms of] cost[s] and the forecasted reduction in the utility's load [of demand] and the contribution of each program to the sales volume and demand forecasts during the [this] forecast period.;

—(d)]5. A summary [of the plan to construct or acquire major facilities for the supply of gas,] showing each planned addition in excess of \$10,000,000 to the system for the forecast period [next 10 years] with its anticipated capacity, cost, and date of [beginning] initial service.;

- (e) 6. A summary *showing how the utility intends to acquire its [of the plan to acquire adequate]* supplies of gas to meet forecasted requirements, *including strategies associated with the supplies of gas for the forecast period.* [
- (f) ~~A summary of the activities, acquisitions, and costs included in the utility's plan of action; and~~
- (g) 7. Any other information useful in presenting ~~[to members of the general public]~~ a comprehensive summary of the utility's *plans* ~~[and its expected development.]~~

[NAC 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.]~~

- [NAC 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.]~~

NAC 704.963 Map of area covered by *the Informational Report.* [plan.]

Each utility shall provide a suitable map or maps to show *existing and planned major transmission and storage facilities and sources of natural gas* ~~[the areas covered by its plan.]~~

~~[NAC 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.]~~

NAC 704.964 Price p[P]rojections [of future prices].

- 1. The Report[A plan] must contain a projection of the future price of natural[purchased] gas *for each of the supply basins from which the utility purchases gas for each month of the**

forecast period[and documentation for that projection]. *The Report will explain the sources and methods used to develop that projection.*

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.]~~

NAC 704.9645 Forecasts of sales[~~, transportation~~] volumes and peak demands.

1. A utility shall include in its *Report*[*plan*] forecasts of sales [~~and transportation~~] volumes *under normal weather conditions for each month of the forecast period. The Report shall include the annual peak demand under weather at maximum design conditions.*~~[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.]~~

2. *The forecasted volumes and demands will incorporate an estimate of unaccounted for gas.*

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.]~~

[NAC 704.965 Estimation of unaccounted for gas.]

- 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.]

NAC 704.9655 Programs for conservation and load management[: Required assessments and comparisons; contents; implementation].

- 1. *The Report*[A plan] must include [an assessment of methods for conservation. The assessment must consist of] a list of *conservation and load management* [measures and] programs [which] the utility *currently employs and the* [determines to be technically feasible. The measures and programs must be ranked according to their] level of [saving] energy *savings* or reduce[ing]tion in demand *from each program*[, or both].
- 2. *The Report*[A plan] must include an assessment of base conservation which includes the effects of 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 *for*[of] base growth.

[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.]~~

NAC 704.966 Inclusion of information regarding planned major facilities~~[; map of facilities; consideration of options for supply]~~.

1. *The Report*~~[A plan]~~ must contain a list of all its existing and planned major *transmission and storage* facilities ~~for the supply of gas~~ which it expects to be constructing, operating, or utilizing in each year covered by the forecast.
2. *The Report*~~[A plan]~~ must contain information on the financial and economic characteristics of planned major facilities for the supply of gas. The information must include:
 - (a) The estimated costs of construction, purchases, or acquisition of the rights to use the facilities;
 - (b) The estimated costs of operation by 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 *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.

NAC 704.9665 Inclusion of criteria for retirement of facilities.

The Report [A plan must include criteria used in setting the dates for the retirement of its major facilities for the supply of gas and the basis for the criteria.]

— [NAC 704.967 Consideration of alternative programs and sources of supply.]

— 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.]

NAC 704.9675 Discussion of alternative strategies.

The Report [A plan] must include a discussion of the alternative strategies the utility would pursue if any preferred resource or facility were not available as described in the *Report* [plan].

NAC 704.968 *Discussion of the utility's sources of supply.* [Contents of plan for supply of gas; analyses of options for supply.]

1. *The Report will include a discussion of the utility's supply of gas. This discussion must include strategies the utility intends to implement for its [The plan for the] supply of gas. The utility's strategies should [must] include 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 supply [at the least cost];
- (c) *Hedging strategies the utility intends to employ for its supply of natural gas. [A discussion of the utility's intent to serve the various classes of customers]; and*
- (d) A discussion of the procedures for curtailment which will be utilized if the supply or facilities are inadequate.

2. *The Report must list the existing or planned long-term arrangements for gas supplies, storage and transportation. Long-term agreements are those agreements that equal or exceed three years in duration. Such arrangements should include, but are not limited to:*

- (a) *Long-term supply contracts;*
- (b) *Long-term gas hedges;*
- (c) *Production wells or in-ground reserves owned by the utility which are intended to be used as a source of supply;*
- (d) *Long-term transportation agreements;*

(e) Long-term storage agreements; and

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

~~[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.]~~

Submission for approval.

The utility, at its sole discretion, may submit to the Commission and seek approval of the Report.

Estimation of unaccounted for gas in a Report submitted for approval.

1. In a Report submitted for approval, the utility shall state the assumptions used to estimate unaccounted for gas.

2. The utility's Report 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.

Programs for conservation and load management submitted for approval: Required assessments and comparisons; contents; implementation.

In a Report submitted for approval where the utility specifically seeks approval of one or more conservation or load management programs, the utility shall:

1. *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 level of saving energy or reducing demand, or both.*
2. *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.*
3. *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.*
4. *Identify how the utility intends to carry out the recommended programs.*
5. *Include a detailed description of the method the utility used to determine and compare the benefits and costs of programs.*

Analysis of supply options in a Report submitted for approval.

In a Report submitted for approval, the utility shall:

- 1. Develop 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.*
- 2. 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.*
- 3. Identify the forecasted amount and cost of gas to be purchased or exchanged from each source for each year in the period covered by the forecast; and provide a brief description of the nature of the purchase or exchange.*

Analyses of sensitivity for assumptions and estimates in a Report submitted for approval.

In a Report submitted for approval a utility shall conduct appropriate analyses of sensitivity for combinations of major assumptions and estimates used in its analysis of supply options. The utility shall include an analysis of the sensitivity to high and low load growth and also high and low natural gas prices.

Submission of work papers in a Report submitted for approval.

The utility shall file with any Report submitted for approval all work papers that support any forecast or analysis in the report. The work papers may be provided on computer media or by paper copy.

[NAC 704.9685 Three-year plan of action.]

- 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.]

[NAC 704.969 Analyses of sensitivity for assumptions and estimates. 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.]

[NAC 704.9695 Sessions for reviewing plan.]

- 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.]~~

NAC 704.970 Public Hearing on Report.~~[comment on plan; action by Commission.]~~

If approval of the Report is requested by the utility, the Commission may hold a public hearing on the Report.

1. At a hearing held to review *the Report*~~[a plan]~~, any interested person may comment regarding the contents and adequacy of the *Report*~~[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 ~~120~~^{H80} days after a utility has filed its *Report*~~[plan]~~, the Commission will issue an order accepting the *Report*~~[plan]~~ as filed or specifying portions of the *Report*~~[plan]~~ which it deems to be inadequate *if so requested by the utility. Any program approved by the Commission pursuant to this section is deemed prudent.*

~~[NAC 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.]

[NAC 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.]

[NAC 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.]

NAC 704.972 Amendment of *the Report*.~~[plan or 3-year plan of action.]~~

1. A utility may apply for permission to amend its *Report*~~[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 *Report*~~[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 *Report*~~[plan]~~; or
 - (c) The conditions upon which approval of its previous *Report*~~[plan]~~ was based have significantly changed.
2. The Commission will establish an appropriate procedural schedule to consider each request to amend *the Report*~~[a plan or a 3-year plan of action]~~.

~~[NAC 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.]~~