

Chapter 703 of NAC

LCB File No. T005-08

REVISED PROPOSED TEMPORARY REGULATION OF THE  
PUBLIC UTILITIES COMMISSION OF NEVADA

Docket 08-01007

USE OF STATEMENT OF EXPECTED CHANGES IN CIRCUMSTANCE  
IN A GENERAL RATE CASE

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

**Changes in Rates: Public Utilities Other Than Telecommunication Providers**

**NAC 703.2211 Information required in application.** An application by a public utility for adjustments in rates or charges must include:

1. An exhibit in the format of a tariff showing in full the rates, fares or rules desired to be put into effect or the general relief requested.
2. An exhibit in the format of a tariff showing in full the rates, fares or rules which will be superseded by the proposed changes.
3. A complete and accurate explanation of the circumstances and conditions relied upon as justification for the application.
4. *A statement of whether the utility has included adjustments to be certified pursuant to subsection 3 of NRS 704.110 and/or has included a statement of expected changes in circumstances in accordance with subsection 4 of NRS 704.110.*
- ~~[4]~~ 5. An exhibit referencing any prior proceeding before the Commission which has been held and which is related to any of the proposals contained in the application.
- ~~[5]~~ 6. A brief description of the application which will be used by the Secretary in drafting the public notice required in NAC 703.160. This description must include:
  - (a) The utility's reasons for the application or filing of a tariff;
  - (b) The estimated effect that approval of the application or tariff by the Commission will have on the applicant's annual revenues; and
  - (c) The estimated effect that approval of the application or tariff by the Commission will have on rates and charges paid by each class of the utility's customers.
- ~~[6]~~ 7. A proposed notice of hearing which conforms to the requirements of paragraphs (b), (c) and (d) of subsection 2 of NRS 233B.121.

**NAC 703.2231 Scope of presentation and preparation for hearing.** An applicant must be prepared to go forward at a hearing on the data which have been submitted and to sustain the burden of proof of establishing that its proposed changes are just and reasonable and not unduly discriminatory or preferential. To avoid delay by the Commission in its consideration of the

proposed changes, the applicant must ensure that the material it relied upon is of such composition, scope and format that it would serve as its complete case if the ~~[rate is suspended and the]~~ matter ~~[is]~~ *were* set for hearing.

**NAC 703.2245 Recorded data and adjustments.**

1. Amounts which purport to represent recorded data and are included in a statement or schedule must be reported in a separate column or columns. Adjustments to recorded data must also be reported in a separate column or columns so that the recorded data, ~~[and]~~ *the* adjustments thereto, and *the* adjusted amounts are clearly disclosed.

*2. If the utility includes adjustments which will be experienced and certified pursuant to subsection 3 of NRS 704.110, these adjustments must be reported in a separate column or columns so that the recorded data, adjustments to recorded data and certification adjustments are clearly disclosed.*

~~[2.]~~ *3. If the utility includes* ~~[For the purposes of subsection 4 of NRS 704.110,]~~ adjustments which show the effects, on an annualized basis, of all expected changes in circumstances~~[, and which]~~ *that* are reasonably known and measurable with reasonable accuracy *pursuant to subsection 4 of NRS 704.110*, must be reported in a separate column or columns so that the recorded data, adjustments to recorded data, *certification adjustments, if any*, and adjustments that show the effects of all expected changes in circumstances, *including directly attributable or associated offsets as required by subsection 4(a) of NRS 704.110*, are clearly disclosed.

~~[3.]~~ *4. [Any] All* adjustments to recorded data *submitted pursuant to subsections 1, 2, and 3 above* must be supported by workpapers detailing the calculations, units, unit rates and any other accounting or financial data necessary to completely explain and justify the proposed adjustments.

~~[4.]~~ *5.* The applicant shall calculate ~~[the]~~ *all* adjustments *submitted pursuant to subsections 1, 2, and 3 above* to show the annual effect of the change in units or in the unit rate, or both, upon the applicant's weighted cost of capital, rate base or summary of earnings.

~~[5. If the Commission considers an adjustment for all expected changes in circumstances in accordance with subsection 4 of NRS 704.110, the Commission may also consider all reasonably projected or forecasted offsets in revenue and expenses that are directly attributable to or associated with the expected changes in circumstances under consideration.]~~

~~[NAC 703.2248 Statements of effects of expected changes in circumstances: Factors for consideration by Commission.~~

~~For the purposes of subsection 4 of NRS 704.110, the Commission will consider expected changes in circumstances to be reasonably known and measurable with reasonable accuracy if the expected changes in circumstances:~~

~~—1. Consist of specific and identifiable events or programs rather than general trends, patterns or developments;~~

~~—2. Have an objectively high probability of occurring to the degree, in the amount and at the time expected; and~~

~~—3. Are primarily measurable by recorded or verifiable revenues and expenses and are easily and objectively calculated, with the calculation of the expected changes relying only secondarily on estimates, forecasts, projections or budgets.]~~

**NAC 703.2255 Supporting data.**

1. The data in support of the proposed change in rates must include the required recorded data, adjustments and other computations and information on which the applicant relies to justify the proposed rates.

2. Any data or summaries included in the application which reflect the book of accounts must be supported by accounting workpapers. The workpapers must contain, in separate columns, all necessary particulars from which an auditor may readily identify the book data included in the filing and a verification that such data are in agreement with the applicant's book of accounts. All statements, schedules and workpapers must be prepared in accordance with the classifications provided in the uniform system of accounts. Workpapers in support of all adjustments, computations and other information included in the application must be cross-referenced, contain all relevant details and be available for inspection.

3. Each applicant shall prepare and maintain workpapers sufficient to support the application. Failure to produce promptly such workpapers on request of an authorized representative of the Commission or the Consumer's Advocate is a cause for dismissal by the Commission of the application in its entirety. In addition to the workpapers, the following material, normally prepared by the applicant, must be made available for verification and analysis by the Commission's staff and the Consumer's Advocate. Upon request, a copy of the information must be furnished. If required for the analysis, the Commission will request:

(a) Copies of monthly financial reports prepared for managerial purposes.

(b) Copies of the accounting analyses of balance sheet accounts.

(c) Complete trial balances of all the balance sheet accounts at the beginning and end of the 12 months of actual experience, and revenue and expense accounts for the 12 months of recorded data used for the application.

(d) Analyses of the miscellaneous revenues and related expenses included in the submitted results of operations.

(e) Analyses of accounts showing retained earnings or capital surplus.

~~[(f) If the applicant is submitting a statement pursuant to subsection 4 of NRS 704.110, the most recent operating budget.]~~

~~[(g)]~~ (f) Copies of all relevant reports and correspondence with other regulatory agencies.

~~[(h)]~~ (g) Copies of all relevant reports, returns and correspondence with federal, state and local authorities on taxes.

~~[(i)]~~ (h) If not confidential, copies of all managerial studies, reports and letters prepared by employees of the company and outside auditors.

**NAC 703.2301 Schedule F-1.** Schedule F-1 is a schedule that shows the weighted average cost of debt capital based upon the following data for each class and series of debt outstanding according to the balance sheet as of the end of the period of testing and the cost of new securities issued pursuant to subsection 3 ~~for 4~~ of NRS 704.110:

1. Title;
2. Date of issuance and final maturity;
3. Interest rate;
4. Principal amount of the issue, gross proceeds, discount and any premiums;
5. The amount and percentage of the gross proceeds of the issuance expense, including underwriters' discounts or commissions;

6. Principal amount of the issue outstanding, unamortized discount and expense and net proceeds outstanding;
7. Effective cost of the money;
8. If the issue is owned by an affiliate, the name and relationship of the owner; and
9. If the company has acquired at a discount or premium some part of the outstanding debt which could be used in meeting sinking fund requirements or for other reasons, it shall show the annual amortization of the discount or premium for each series of debt from the date of reacquisition, over the remaining life of the debt being retired and separately show the total discount and premium as a result of such amortization, applicable to the period of testing.

**NAC 703.2305 Schedule F-2.** Schedule F-2 is a schedule that shows the weighted average cost of preferred stock capital based upon the following data for each class and series of preferred stock outstanding according to the balance sheet as of the end of the period of testing and the cost of new securities issued pursuant to subsection 3 ~~for 4~~ of NRS 704.110:

1. Title;
2. Date of issuance;
3. If callable, the call price;
4. If convertible, the terms of conversion;
5. Dividend rate;
6. Par or stated amount of the issue, gross proceeds and any premiums;
7. The amount and percentage of gross proceeds of the issuance expense, including underwriters' discounts or commissions;
8. Net proceeds;
9. Cost of the money;
10. Whether the issue was offered to stockholders through subscription rights or to the public; and
11. If the issue is owned by an affiliate, the name and relationship of the owner.

**NAC 703.2315 Schedule F-4.** Schedule F-4 is a schedule that shows for each issue of common stock during the 6 years preceding the balance sheet as of the end of the period of testing and the cost of new securities issued pursuant to subsection 3 ~~for 4~~ of NRS 704.110:

1. Number of shares sold;
2. Gross proceeds at offering price;
3. Amount and percentage of gross proceeds of underwriters' discounts or commissions;
4. Proceeds to applicant;
5. Amount and percentage of gross proceeds of issuance expenses; and
6. Net proceeds showing the offering price and net proceeds per share.

**NAC 703.2345 Statement H.**

1. Statement H is a summary of the overall results of operations developed from the supporting schedules and statements. ~~The s~~Statement~~s~~ H must show, *and to the extent practicable, the supporting statements and schedules should show:*

- (a) The amounts as recorded on the applicant's books;
- (b) Adjustments during the year of testing for known changes; and
- (c) ~~Either:~~

~~——(1) Estimated adjustments to be certified by the applicant in accordance with subsection 3 of NRS 704.110; or~~

~~——(2) Adjustments for expected changes in circumstances that are reasonably known and measurable with reasonable accuracy in accordance with subsection 4 of NRS 704.110 relating to a public utility which purchases natural gas for resale.] *The requested rate of return and the application of the requested rate of return to the overall rate base.*~~

*2. If the applicant elects to make a certification filing pursuant to subsection 3 of NRS 704.110, Statement H must also include a separate schedule specifically identifying the adjustments to be certified by the applicant.*

*3. If the applicant elects to file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110, Statement H must also include a separate schedule specifically identifying the adjustments for the expected changes in circumstances that are reasonably known and measurable with reasonable accuracy, along with directly attributable or associated offsets, in accordance with subsection 4 of NRS 704.110.*

*4. An applicant may elect to:*

*(a) make a certification filing pursuant to subsection 3 of NRS 704.110;*

*(b) file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110;*

*(c) do both (a) and (b) above; or*

*(d) do neither (a) nor (b) above.*

*Should an applicant elect to both make a certification filing pursuant to subsection 3 of NRS 704.110 and also file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110, the applicant must comply with each of subsections 2 and 3 above and also include a separate column or columns showing the subtotals for each adjusted amount.*

~~[2. The statement must also include the requested rate of return and must show the application of the requested rate of return to the overall rate base.]~~

#### **NAC 703.2351 Statement I.**

*1. If statement H contains adjustments for ~~[estimated]~~ changes beyond the actual year of testing *to be certified pursuant to subsection 3 of NRS 704.110*, certification of these amounts must be submitted in statement I in accordance with subsection 3 of NRS 704.110. ~~[unless filing in accordance with subsection 4 of NRS 704.110, in which case statement I is not necessary.]~~*

*2. If statement I must be filed pursuant to subsection 3 of NRS 704.110(3), the ~~[The]~~ certified amounts must be shown ~~[in statement I]~~ in the same format as statement H. Statement I must begin with the results of operations as recorded and as adjusted for known changes during the year of testing from statement H. Each certified adjustment must ~~[be then]~~ *then be* shown. The necessary detail used to support each certified adjustment must be submitted with the statement.*

*3. If an applicant is filing in accordance with only subsection 4 of NRS 704.110, statement I is not necessary.*

*4. If an applicant is filing pursuant to both subsection 3 and subsection 4 of NRS 704.110, the expected changes in circumstances and offset amounts, in addition to the certification amounts shown pursuant to subsection 1 above, must be shown in statement I in the same format as in statement H.*

**NAC 703.2461 Certified adjustments.**

1. ~~Estimated and subsequently experienced a~~ Adjustments may be certified up to 6 months beyond the period of testing pursuant to subsection 3 of NRS 704.110. Adjustments must be known and measurable with reasonable accuracy at the time of filing the original application. No new rates, fares or charges may be placed into effect until the changes have been experienced and certified by the applicant to the Commission.

2. Adjustments that may be certified and reported in an application for a rate increase in statement I include, but are not limited to, the following items:

(a) The costs of new securities as defined in NRS 704.322, and the associated expense for interest as an adjustment to the calculation of federal income tax;

(b) Adjustments in the rate base that reflect increased investments in facilities used and useful in operations of the utility and the deduction of the appropriate amounts from construction work in progress as a factor in allocating interest costs between departments;

(c) Operating revenues based on sales calculated as described in NAC 703.2355; and

(d) Expenses which are:

~~(1) Costs for fuel;~~

~~(2)~~ (1) Costs for labor, pensions, benefits and taxes, when such taxes are a direct result of a change in the rate per unit of costs for labor;

~~(3)~~ (2) Costs for research and development;

~~(4)~~ (3) Property taxes;

~~(5)~~ (4) Depreciation;

~~(6)~~ (5) Insurance; and

~~(7)~~ (6) Rent.

3. Each adjustment must also include a calculation of the appropriate federal income tax.

**Changes in Rates of Telecommunication Providers: Competitive Suppliers That Are Incumbent Local Exchange Carriers**

**NAC 703.2511 Information required in application.** An application for adjustments in rates or charges submitted by a competitive supplier that is an incumbent local exchange carrier must include:

1. An exhibit summarizing the presently existing rates and the proposed rates, a brief description of each change in rates requested and a reference to the associated page of the tariff.

2. An exhibit containing all proposed changes or additions to the tariff. If the proposal changes existing language in the tariff, the exhibit must also contain the existing language in the tariff.

3. A complete and accurate explanation of the circumstances and conditions relied upon as justification for the application.

*4. A statement of whether the utility has included adjustments to be certified pursuant to subsection 3 of NRS 704.110 and/or a statement of expected changes in circumstances in accordance with subsection 4 of NRS 704.110.*

~~(4)~~ 5. An exhibit referencing any prior proceeding before the Commission which has been held since the applicant's last general rate case and which is related to any of the proposals contained in the application.

~~(5)~~ 6. A brief description of the:

(a) Applicant's reasons for the application or filing of a tariff;

(b) Estimated effect that approval of the application or tariff by the Commission will have on the applicant's annual revenues; and

(c) Estimated effect, for each service offered, of approval of the application or tariff by the Commission on rates and charges paid by the applicant's customers.

~~6.~~ 7. A proposed notice of hearing which conforms to the requirements of paragraphs (b), (c) and (d) of subsection 2 of NRS 233B.121.

**NAC 703.2531 Scope of presentation and preparation for hearing.** An applicant must be prepared to go forward at a hearing on the data which have been submitted and to sustain the burden of proof of establishing that its proposed changes are just and reasonable and not unduly discriminatory or preferential. To avoid delay by the Commission in its consideration of the proposed changes, the applicant must ensure that the material it relied upon is of such composition, scope and format that it would serve as its complete case if the ~~rate is suspended and the~~ matter ~~is~~ were set for hearing.

**NAC 703.2545 Recorded data and adjustments.** 1. Amounts which purport to represent recorded data and are included in a statement or schedule must be reported in a separate column or columns. Adjustments to recorded data must also be reported in a separate column or columns so that the recorded data, ~~the and~~ adjustments thereto, and ~~the~~ adjusted amounts are clearly disclosed.

*2. If the utility includes adjustments which will be experienced and certified pursuant to subsection 3 of NRS 704.110, these adjustments must be reported in a separate column or columns so that the recorded data, adjustments to recorded data, and certification adjustments are clearly disclosed.*

*3. If the utility includes adjustments that show the effects, on an annualized basis, of all expected changes in circumstances that are reasonably known and measurable with reasonable accuracy pursuant to subsection 4 of NRS 704.110, these adjustments must be reported in a separate column or columns so that the recorded data, adjustments to recorded data, certification adjustments, if any, and adjustments that show the effects of all expected changes in circumstances, including directly attributable and associated offsets as required by subsection 4(a) of NRS 704.110, are clearly disclosed.*

~~2.~~4. ~~An~~ All adjustments to recorded data *submitted pursuant to subsections 1, 2, and 3 above*, must be supported by workpapers detailing the calculations, units, unit rates and any other accounting or financial data necessary to completely explain and justify the proposed adjustments.

~~3.~~5. The applicant must calculate ~~the~~ all adjustments *submitted pursuant to subsections 1, 2 and 3 above*, to show the annual effect of the change in units or in the unit rate, or both, upon applicant's weighted cost of capital, rate base or summary of earnings.

#### **NAC 703.2601 Statement H.**

1. Statement H is a summary of the overall results of operations developed from the supporting schedules and statements. ~~The s~~Statement~~s~~ H must show, *and to the extent practicable, the supporting statements and schedules should show:*

(a) ~~The~~ The amounts as recorded on the applicant's books~~;~~;

(b) ~~a~~ Adjustments during the year of testing for known changes and ~~estimated~~ adjustments to be certified by the applicant~~;~~; *and*

*(c) The requested rate of return and the application of the requested rate of return to the overall rate base.*

*2. If the applicant elects to make a certification filing pursuant to subsection 3 of NRS 704.110 Statement H must also include a separate schedule specifically identifying the adjustments to be certified by the applicant.*

*3. If the applicant elects to file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110, Statement H must also include a separate schedule specifically identifying the adjustments for the expected changes in circumstances that are reasonably known and measurable with reasonable accuracy, along with directly attributable or associated offsets, in accordance with subsection 4 of NRS 704.110.*

*4. An applicant may elect to:*

*(a) make a certification filing pursuant to subsection 3 of NRS 704.110;*

*(b) file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110;*

*(c) do both (a) and (b) above; or*

*(d) do neither (a) nor (b) above.*

*Should an applicant elect to both make a certification filing pursuant to subsection 3 of NRS 704.110 and also file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110, the applicant must comply with subsections 2 and 3 above and include a separate column or columns showing the subtotals for each adjusted amount.*

~~*[The statement must also include the requested rate of return and must show the application of the requested rate of return to the overall rate base.]*~~

#### **NAC 703.2605 Statement I.**

*1. If statement H contains adjustments for ~~[estimated]~~ changes beyond the actual year of testing *in a certification filing*, certification of these amounts must be submitted in statement I in accordance with subsection 3 of NRS 704.110.*

*2. If statement I must be filed pursuant to subsection 3 of NRS 704.110, the ~~[The]~~ certified amounts must be shown ~~[in statement I]~~ in the same format as statement H. Statement I must begin with the results of operations as recorded and as adjusted for known changes during the year of testing from statement H. Each certified adjustment must then be shown. The necessary detail used to support each certified adjustment must be submitted with the statement.*

*3. If an applicant is filing in accordance with only subsection 4 of NRS 704.110, statement I is not necessary.*

*4. If an applicant is filing pursuant to both subsection 3 and subsection 4 of NRS 704.110, the expected changes in circumstances and offset amounts, in addition to the certification amounts shown pursuant to subsection 1 above, must be shown in statement I in the same format as in statement H.*

#### **NAC 703.2691 Certified adjustments.**

*1. The applicant may certify in statement I to the following ~~[estimated and subsequently]~~ experienced adjustments for up to 6 months beyond the recorded test period, as provided in subsection 3 of NRS 704.110. Adjustments that may be certified and reported in an application for a rate increase in statement I include, but are not limited to, the following items:*

*(a) The costs of new securities as defined in NRS 704.322 and the associated interest expense as an adjustment to federal income tax calculation;*



(b) Adjustments in the rate base that reflect increased investments in facilities used and useful in operations of the competitive supplier that is an incumbent local exchange carrier and the deduction of the appropriate amounts from construction work in progress as a factor in allocating interest costs between departments;

(c) Operating revenues based on sales calculated as described in NAC 703.2611; and

(d) Expenses which are:

(1) ~~Fuel costs;~~

~~(2)~~ Labor costs, pensions, benefits and taxes, when the taxes are a direct result of a change in the rate per unit of labor costs;

~~(3)~~(2) Costs for research and development;

~~(4)~~(3) Property taxes;

~~(5)~~(4) Depreciation;

~~(6)~~(5) Insurance; and

~~(7)~~(6) Rent.

2. Each adjustment must also include a calculation of the appropriate federal income tax.

### **Changes in Rates of Telecommunication Providers: Small-Scale Providers of Last Resort**

**NAC 703.27118 Information required in application for adjustments in rates.** An application for adjustments in rates by a small-scale provider of last resort must include:

1. An exhibit summarizing the presently existing rates and the proposed rates, a brief description of each change in rates requested and a reference to the associated page of the tariff.

2. An exhibit containing all proposed changes or additions to the tariff. If the proposal changes existing language in the tariff, the exhibit must also contain the existing language in the tariff.

3. A complete and accurate explanation of the circumstances and conditions relied upon as justification for the application.

4. *A statement whether the utility has included adjustments to be certified pursuant to subsection 3 of NRS 704.110 and/or a statement of expected changes in circumstances in accordance with subsection 4 of NRS 704.110.*

~~(4)~~ 5. An exhibit referencing any prior proceeding before the Commission which has been held since the applicant's last general rate case and which is related to any of the proposals contained in the application.

~~(5)~~ 6. A brief description of the:

(a) Applicant's reasons for the application or filing of a tariff;

(b) Estimated effect that approval of the application or tariff by the Commission will have on the applicant's annual revenue; and

(c) Estimated effect, for each service offered, of approval of the application or tariff by the Commission on rates and charges paid by the applicant's customers.

~~(6)~~ 7. A proposed notice of hearing which conforms to the requirements of paragraphs (b), (c) and (d) of subsection 2 of NRS 233B.121.

**NAC 703.2712 Scope of presentation and preparation for hearing.** An applicant must be prepared to go forward at a hearing on the data which has been submitted and to sustain the burden of proof of establishing that its proposed changes are just and reasonable and not unduly discriminatory or preferential. To avoid delay by the Commission in its consideration of the proposed changes, the applicant shall ensure that the material upon which it relied is of such

composition, scope and format that it would serve as its complete case if the ~~rate is suspended and the~~ matter ~~is~~ were set for hearing.

**NAC 703.27122 Recorded data and adjustments.**

1. Amounts which purport to represent recorded data and are included in a form, statement or schedule must be reported in a separate column or columns. Adjustments to recorded data must also be reported in a separate column or columns so that the recorded data, ~~the~~ adjustments thereto and ~~the~~ adjusted amounts are clearly disclosed.

*2. If the utility includes adjustments which will be experienced and certified pursuant to subsection 3 of NRS 704.110, these adjustments must be reported in a separate column or columns so that the recorded data, adjustments to recorded data, and certification adjustments are clearly disclosed.*

*3. If the utility includes adjustments which show the effects, on an annualized basis, of all expected changes in circumstances that are reasonably known and measurable with reasonable accuracy pursuant to subsection 4 of NRS 704.110, these adjustments must be reported in a separate column or columns so that the recorded data, adjustments to recorded data, certification adjustments, if any, and adjustments that show the effects of all expected changes in circumstances, including directly attributable or associated offsets as required by subsection 4(a) of NRS 704.110, are clearly disclosed.*

~~2.~~ ~~4.~~ ~~All~~ adjustments to recorded data *submitted pursuant to subsections 1, 2, and 3 above* must be supported by workpapers detailing the calculations, units, unit rates and any other accounting or financial data necessary to explain and justify completely the proposed adjustments.

~~3.~~ ~~5.~~ The applicant shall calculate ~~the~~ *all* adjustments *submitted pursuant to subsections 1, 2, and 3 above* to show the annual effect of the change in units or in the unit rate, or both, upon the applicant's weighted cost of capital, rate base or summary of earnings.

**NAC 703.27132 Information required in application for change in rates.**

1. An application by a small-scale provider of last resort for a change in rates must include the following:

(a) The general information specified in NAC 703.27118.

(b) Information required to complete the following forms, which are available from the Commission:

(1) Form A, which provides general information about the company.

(2) Form B, which is a statement of financial position based on the total company, in the order of accounts prescribed by the Uniform System of Accounts, as of the beginning and ending of the test year.

(3) Form C, which is an income statement based on the total company, in the order of accounts prescribed by the Uniform System of Accounts, for the test year.

(4) Form D, which is a statement that shows the balance at the beginning of the test year with debits and credits to retained earnings during that year according to descriptive captions and the resultant balance at the end of the test year.

(5) Form E, which is a summary of the overall rate base of the company by primary plant account for the test year. The rate base must be separated to reflect the total company and Nevada jurisdictional accounts.

(6) Form F, which must contain a statement that shows the dollar amount of each component of the capital structure, its related cost percentage and the proportion of each component of the capital structure to the total capital structure. This form must also show the percentage of the overall rate of return requested.

(7) Form G, which is a summary of overall results of operations developed from the supporting schedules and statements. The results of operations must be separated by jurisdiction.

(I) Form G must show:

- (i) ~~the amounts as recorded on the applicant's books;~~
- (ii) ~~adjustments during the test year of known changes;~~
- (iii) ~~adjustments necessary to normalize or annualize the various components of the results of operation, including but not limited to revenues, depreciation expenses and labor expenses [and any estimated adjustments to be certified by the applicant]; and~~
- (iv) *The return on equity, as determined in accordance with NAC 703.27138, unless otherwise determined by the Commission, and the application of this return on equity and resulting rate of return on the overall rate base.*

~~[The company shall annualize and normalize revenues, depreciation expenses and labor expenses. The rate base at the end of the period must be utilized to calculate the results of operation. The form must show the applicant's return on equity and the application of this return on equity and resulting rate of return on the overall rate base. The applicant's return on equity will be determined in accordance with NAC 703.27138, unless otherwise determined by the Commission.]~~

*(II) If the applicant elects to make a certification filing pursuant to subsection 3 of NRS 704.110 Form G must also include a separate schedule specifically identifying the adjustments to be certified by the applicant.*

*(III) If the applicant elects to file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110, Form G must also include a separate schedule specifically identifying the adjustments for the expected changes in circumstances that are reasonably known and measurable with reasonable accuracy, along with directly attributable or associated offsets, in accordance with subsection 4 of NRS 704.110.*

*(IV) An applicant may elect to:*

- (a) make a certification filing pursuant to subsection 3 of NRS 704.110;*
- (b) file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110;*
- (c) do both (a) and (b); or*
- (d) do neither (a) nor (b).*

*Should an applicant elect to both make a certification filing pursuant to subsection 3 of NRS 704.110 and also file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110, the applicant must comply with subparagraphs II and III above and also include a separate column or columns showing the subtotals for each adjusted amount.*

(8) If Form G or Form I, or both, contain an adjustment for ~~estimated~~ changes beyond the actual test year *in a certification filing*, certification of these amounts must be submitted in Form H in accordance with subsection 3 of NRS 704.110.

(I) The certified amounts must be shown on this form in the same format as those shown in Form G or Form I, as appropriate. Each certified adjustment must be shown separately. The necessary detail used to support each certified adjustment must be submitted with this form.

*(II) Any certification adjustments contained in Form G pursuant to subsection 3 of NRS 704.110 must also be shown in Form H in the same format as Form G.*

*(III) If Form G, or Form I, or both contain adjustments for changes beyond the actual year of testing in a statement of expected changes in circumstances pursuant to subsection 4 of 704.110, including directly attributable or associated offsets as required by subsection 4(a) of NRS 704.110, support for those amounts must be submitted in Form H in accordance with subsection 4 of NRS 704.110. The expected changes in circumstances amounts must be shown in Form H in the same format as Form G. Form H must begin with the results of operations as recorded and as adjusted for known changes during the year of testing from Form G. Each expected change in circumstances adjustment must then be shown. The necessary detail used to support each expected change in circumstances adjustment must be submitted with the statement. Any adjustments contained in Form G pursuant to subsection 4 of NRS 704.110 must also be shown in Form H in the same format as Form G.*

*(IV) An applicant may elect to make both a certification filing pursuant to subsection 3 of NRS 704.110 and file a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110. Should such an election be made, the applicant must comply with subparagraphs II and III above.*

(9) Form I, which must:

(I) Contain a statement that shows operating revenues of the applicant, separated by jurisdiction, classified in accordance with the accounts for operating revenue prescribed by the Uniform System of Accounts;

(II) Disclose, using such supporting schedules as necessary, monthly revenues and revenue totals for the period of testing; and

(III) Disclose, using such supporting schedules as necessary, the revenue totals for the period of testing from adjusted jurisdictional revenues as computed pursuant to the presently effective and proposed rates together with the difference in the annual revenues.

↳ Jurisdictional operating revenues must be adjusted to show the annual effect of changes occurring during the test year. If the application contains adjustments for **[estimated]** changes in expenses beyond the actual recorded test year, the applicant must adjust the jurisdictional operating revenues to show the annual effect of changes occurring during the test year for certification in Form H.

(10) Form J, which must contain a statement that shows the expense for operation and maintenance according to each account of the Uniform System of Accounts. If the expense accounts contain charges or credits in excess of \$5,000 from associated companies of the applicant or departments of the applicant which are not utilities, the applicant shall submit the following information for each such associated company or department which:

(I) Shows the amount of the charges or credits during each month and in total for the year of testing;

(II) Shows the classification of the account or the classification charged or credited;

(III) Includes a description of the specific services performed for or by the associated company or department; and

(IV) Shows the bases used in determining the amounts of the charges or credits.

(11) Form K, which must contain a statement that shows separately the plant depreciation and amortization expense by functional classifications. These expenses must be shown in separate columns as follows:

(I) Expenses for the period of testing;

- (II) Any adjustment to such an expense; and
  - (III) The total adjusted expense claimed.
- (12) Form L, which provides for customer notice.
2. Until the utility has submitted a completed application, its application will not be considered by the Commission.

**NAC 703.27144 Certified adjustments.**

1. The applicant may certify in Form ~~HH~~ to the following ~~estimated and subsequently~~ experienced adjustments for up to 6 months beyond the recorded test period, as provided in subsection 3 of NRS 704.110. Adjustments that may be certified and reported in an application for any rate increase in Form ~~HH~~ include, but are not limited to:
- (a) The cost of new securities, as defined in NRS 704.322, and the associated interest expense as an adjustment to the calculation of federal income tax;
  - (b) Adjustments in the rate base that reflect increased investments in facilities used and useful in the operations of the small-scale provider of last resort and the deduction of the appropriate amounts from construction work in progress as a factor in allocating interest costs between departments;
  - (c) Operating revenues based on sales calculated as described in NAC 703.2611; and
  - (d) Expenses, including:
    - (1) ~~Fuel costs;~~
    - ~~(2)~~ Labor costs, pensions, benefits and taxes, if the taxes are a direct result of a change in the rate per unit of labor costs;
    - ~~(3)~~(2) Costs for research and development;
    - ~~(4)~~(3) Property taxes;
    - ~~(5)~~(4) Depreciation;
    - ~~(6)~~(5) Insurance; and
    - ~~(7)~~(6) Rent.
2. Each adjustment must also include a calculation of the appropriate federal income tax.

**Applications for Approval of New or Revised Depreciation Rates**

**NAC 703.272 Application: Contents; action by Commission when filed as part of general rate application.**

1. An application for approval of new or revised depreciation rates must include:
- (a) For each account, the proposed depreciation rate and the existing depreciation rate which will be superseded.
  - (b) A complete and accurate explanation of the circumstances and conditions relied upon as a basis for filing the application. This may include directives of the Commission or any other regulatory or judicial body having jurisdiction over the premises.
  - (c) Any prior action taken by the Commission relative to the existing and proposed depreciation rates.
2. If the application for approval of new or revised depreciation rates is filed as part of a general rate application pursuant to NRS 704.110, the Commission will issue an order granting or denying, in whole or in part, the new or revised depreciation rates in the application within 90 days after the date on which the certification required by NRS 704.110 is filed with the Commission, or within ~~180~~210 days after the date on which the general rate application is filed with the Commission, whichever time is longer.

**NAC 703.276 Study of depreciation.**

1. An applicant shall provide a study of depreciation based upon the remaining life of existing plant at intervals not exceeding ~~4~~6 years or as otherwise directed by the Commission or other regulatory or judicial body having jurisdiction over the premises. The study must be filed with the Commission not later than 9 months after the date of the study upon which the proposed depreciation rates are based.

2. An applicant must include in its application statements A, B and C and such schedules, graphs and other information as necessary to support the study and the proposed depreciation rates. The Commission will determine whether this information is sufficient to support the application.

**New Sections Applicable to Any Utility Including a Statement of Expected Changes in Circumstances in an Application for a Change in Rates**

*Sec. XX. Cost of Capital. Subsection 4 of NRS 704.110 shall not be construed to preclude or restrict consideration of forward-looking data or to change the forward-looking nature of the process for determining the cost of equity, nor shall it be construed to preclude Commission consideration of proposals regarding cost of capital elements of a general rate case, including but not limited to a hypothetical capital structure, that do not necessarily involve consideration of forward-looking data.*

*Sec. XX. Statement of Expected Changes in Circumstances. An application for a change in rates that includes a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110 must clearly and separately identify each specific event or program proposed as an expected change in circumstances. For each event or program, the application must include a separate and specific analysis explaining in detail, sufficient to satisfy the applicant's burden of proof, how each such event or program meets each of the criteria contained in subsection 4 of NRS 704.110.*

*Sec. XX. Evidence Relevant to Expected Changes. In an application for a change in rates that includes a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110, the applicant must make a good faith effort to include all evidence relevant to the statement, including without limitation anticipated offsets that are directly attributable to or associated with the expected changes in circumstances proposed by the applicant, pursuant to subsection 4(a) of NRS 704.110. The application must explain in detail sufficient to satisfy the applicant's burden of proof how each item of relevant evidence, including anticipated offsets, is directly attributable to or associated with an expected change in circumstances. Nothing in this section shall preclude other parties from offering evidence relevant to the statement of expected changes in circumstances, including without limitation offsets that are directly attributable to or associated with any expected change in circumstances.*

*Sec. XX. Update of Expected Changes in Circumstances. If an applicant includes a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110 with an application for a change in rates, the applicant must also file a statement of updated revenue and expense data regarding each expected changes in circumstances included in the original statement no later than 90 days after the date on which the initial application was filed. At its*

*option, the applicant's update of monetary and other values may be submitted with a statement of explanation for any or all changes in those values.*

*1. The updated data shall not be considered in determining whether the applicant carried its burden of proof under subsection 4 of NRS 704.110 in its statement of expected changes in circumstances as submitted in its application.*

*2. The updated data may be used:*

*(a) to aid in directing discovery by identifying those expected changes in circumstances that may warrant further inquiry into the basis for their inclusion in the application at the time of filing pursuant to the requirements of subsection 4 of NRS 704.110;*

*(b) to test the reasonableness of the monetary and other values provided in connection with only those expected changes in circumstances for which the applicant met its burden in the initial application; and*

*(c) by the Commission as evidence relevant to setting just and reasonable rates.*

*3. Data requests, with the object of obtaining current values for revenue and expense data related to an expected change in circumstances only, may not be propounded to require additional or ongoing updates of current data.*

*Sec. XX. Classification of Adjustments. If an applicant includes a statement of expected changes in circumstances pursuant to subsection 4 of NRS 704.110 with an application for a change in rates and also chooses to certify the application pursuant to subsection 3 of NRS 704.110, the applicant must in its initial application clearly classify items that will be certified and items that are included as expected changes in circumstances. An applicant cannot classify an item as both eligible for certification pursuant to subsection 3 of NRS 704.110, and an expected change in circumstances pursuant to subsection 4 of NRS 704.110. Absent a showing of good cause, at no time subsequent to the filing of the initial application may an applicant alter the classifications contained in the initial application, including but not limited to the date of certification.*