

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

**LCB File No. R067-09**

Effective November 25, 2009

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

AUTHORITY: §§1-9, NRS 704.992.

A REGULATION relating to utilities; providing the method by which a gas utility may obtain authorization from the Public Utilities Commission of Nevada to decouple general revenue; providing the accounting method by which a gas utility must implement general revenue decoupling; 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 8, inclusive, of this regulation.

**Sec. 2.** *“Base tariff general rate” means the rate determined by the Commission to collect all revenue other than revenue collected in the base tariff energy rate, as defined in NAC 704.032, the deferred energy accounting adjustment, as defined in NAC 704.037, the adjustment to the base tariff general rate to recover accumulated deferred interest, as described in NAC 704.217, and the general revenue decoupling adjustment set forth in section 8 of this regulation.*

**Sec. 3.** *“Customer class” means the customer class categories in the rate schedules under the Nevada tariff of a gas utility.*

**Sec. 4.** *“General revenue” means the revenue collected from the base tariff general rate for the tracking period.*

**Sec. 5.** *“General revenue decoupling methodology” means the mechanism established pursuant to section 7 of this regulation to allow a gas utility to recover the base tariff general rate revenue without regard to the difference in the quantity of natural gas actually sold.*

**Sec. 6.** *“Tracking period” means the first full 12-month period following the implementation of the most recently authorized general rates, and each 12-month period thereafter.*

**Sec. 7. 1.** *To remove financial disincentives that discourage a public utility which purchases natural gas for resale from planning and implementing substantive conservation and energy efficiency programs, a gas utility not electing to recover program costs using an equity adder methodology may seek approval from the Commission to decouple general revenue. A gas utility seeking approval from the Commission to decouple general revenue must file a request to decouple general revenue with the Commission as part of a general rate application filed pursuant to NRS 704.110. A gas utility electing to decouple general revenue must recover the costs of its substantive conservation and energy efficiency programs pursuant to section 14 of LCB File No. R095-08, which was adopted by the Public Utilities Commission of Nevada and filed with the Secretary of State on September 29, 2008. If the gas utility files a request to decouple general revenue, the gas utility’s application must include a discussion identifying any change in risk for the gas utility and a calculation to adjust for the change in risk and demonstrate the impact on the current and requested rate design for the gas utility.*

**2.** *As part of a gas utility’s general rate case application seeking approval from the Commission to decouple general revenue, the gas utility must outline its plan to educate customers about general revenue decoupling.*

*3. In considering a request to decouple general revenue, the Commission will seek to harmonize the incentives of general revenue decoupling methodology with the rate design of the gas utility filing the request. Harmonization by the Commission will include, without limitation, the use of the information contained in the approved conservation and energy efficiency plan to modify the customer class billing determinants used to establish the base tariff general rate in the general rate application filed pursuant to NRS 704.110 that includes the request to decouple general revenue. The gas utility must apply the general revenue decoupling methodology approved by the Commission to all customer classes, excluding customers served under negotiated agreements.*

*4. To file a request to decouple general revenue, a gas utility must have an order of the Commission accepting the conservation and energy efficiency plan, with the acceptance occurring not more than 1 year before the gas utility files the request to decouple general revenue. Execution of the conservation and energy efficiency plan will be deferred until the general revenue decoupling methodology is implemented.*

*5. If the Commission approves the general revenue decoupling methodology requested by a gas utility, the gas utility may continue to use the approved general revenue decoupling methodology until its next general rate case. A gas utility's request to continue or discontinue the approved general revenue decoupling methodology must be included in a general rate application filed pursuant to NRS 704.110.*

**Sec. 8. 1.** *A gas utility authorized to use the general revenue decoupling methodology must recover or refund its deferred general revenue by applying a per therm general revenue decoupling adjustment for each applicable customer class. The general revenue decoupling adjustment rate must remain in effect until the Commission changes the rate.*

2. *The general revenue decoupling adjustment rate must be adjusted annually in the annual conservation and energy efficiency plan report and conservation and energy efficiency plan filed after the implementation of the general revenue decoupling methodology.*

3. *The general revenue decoupling adjustment rate must be calculated individually for each customer class, excluding customers served under negotiated agreements, and accounted for as follows:*

(a) *A separate subaccount of FERC Account No. 182.3 must be maintained for each customer class, excluding customers served under negotiated agreements, and the balance of the subaccount must be used to calculate the general revenue decoupling adjustment.*

(b) *The gas utility must calculate annually the deferred general revenue. The deferred general revenue per customer equals the difference between:*

(1) *The general revenue on a per customer basis authorized in the general rate application in which the Commission approved the request to decouple revenue or, if applicable, the subsequent change in general rate revenue approved by the Commission; and*

(2) *The tracking period general revenue on a per customer basis.*

↪ *The deferred general revenue per customer must be multiplied by the number of customers for the tracking period.*

(c) *The net amount of deferred general revenue for the tracking period calculated pursuant to paragraph (b) must be recorded in a subaccount of FERC Account No. 182.3 and included in the determination of the balance of the subaccount of FERC Account No. 182.3 which is used to calculate the general revenue decoupling adjustment.*

(d) *Monthly, a credit entry or debit entry, if negative, for the amortization of the general revenue decoupling adjustment must be recorded in the subaccount of FERC Account No.*

*182.3. The amortization amount must be equal to the amount of revenue derived by applying the general revenue decoupling adjustment to the jurisdictional sales of the applicable customer class.*

*(e) The balance of the subaccount of FERC Account No. 182.3 at the end of the tracking period adjusted pursuant to paragraph (d) must be divided by the total sales for the tracking period.*

**Sec. 9.** NAC 704.953 is hereby amended to read as follows:

704.953 As used in NAC 704.953 to 704.9687, inclusive, *and sections 2 to 8, inclusive, of this regulation*, unless the context otherwise requires, the words and terms defined in NAC 704.954 to 704.9605, inclusive, *and sections 2 to 6, inclusive, of this regulation* have the meanings ascribed to them in those sections.

**NOTICE OF ADOPTION OF PROPOSED REGULATION**  
**LCB File No. R067-09**  
**PUCN Docket No. 07-06046**

The Public Utilities Commission of Nevada (“PUCN”) adopted permanent regulations assigned LCB File No. R067-09 which pertain to chapter 704 of the Nevada Administrative Code on November 19, 2009. A copy of the permanent regulations as adopted is attached.

**INFORMATIONAL STATEMENT**

The following informational statement is submitted for adopted amendments to Nevada Administrative Code (“NAC”) Chapter 704.

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

Copies of the regulations, notice of intent to act upon the regulation and notice of workshop and hearings were sent by U.S. mail and email to persons who were known to have an interest in the subjects of energy efficiency and conservation programs, demand side management programs, and other related utility matters for gas utilities. These documents were also made available at the website of the Public Utilities Commission of Nevada, <http://pucweb1.state.nv.us/PUCN/>, mailed to all county libraries in Nevada, published in the following newspapers:

Elko Daily Free Press  
Las Vegas Review Journal  
Nevada Appeal  
Reno Gazette Journal  
Tonopah Times-Bonanza

and posted at the following locations:

Public Utilities Commission  
1150 East William Street  
Carson City, Nevada 89701

Public Utilities Commission  
101 Convention Center Drive, Suite 250  
Las Vegas, Nevada 89109

First Judicial District Court  
885 East Musser Street  
Carson City, Nevada 89701

Second Judicial District Court  
75 Court Street  
Reno, Nevada 89501

Eighth Judicial District Court  
Regional Justice Center  
200 Lewis Avenue  
Las Vegas, Nevada 89155

The public's comments in this matter were submitted in writing and heard during the workshops and the hearings. The comments and discussions during the workshops and the hearings focused on: (1) methods of cost recovery for gas utilities; and (2) the removal of disincentives for gas utilities to encourage energy efficiency and conservation.

Copies of all documents filed in this matter, including this summary, are available at <http://pucweb1.state.nv.us/PUCN> on the PUCN's website or at the offices of the PUCN, at 1150 East William Street, Carson City, Nevada 89701 and 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109.

**2. The number of persons who: (a) attended each hearing; (b) testified at each hearing; and (c) submitted to the agency written statement.**

a. Attendees

- i. Workshop, September 21, 2007
  1. Attorney General's Bureau of Consumer Protection ("BCP")
  2. Sierra Pacific Power Company ("SPPC")
  3. Southwest Energy Efficiency Project ("SWEEP")
  4. Southwest Gas Company ("SWG")
  5. Regulatory Operations Staff of the Commission ("Staff")
- ii. Workshop, December 11, 2007
  1. BCP
  2. SPPC
  3. SWG
  4. Staff
- iii. Workshop, January 14, 2008
  1. BCP
  2. International Energy Conservation ("IEC")
  3. SPPC
  4. SWG
  5. Staff
- iv. Workshop, March 25, 2008
  1. BCP
  2. IEC
  3. SPPC
  4. SWEEP
  5. SWG
  6. Staff
- v. Workshop, October 2, 2008
  1. BCP
  2. IEC
  3. Natural Resources Defense Council
  4. SPPC
  5. SWEEP
  6. SWG
  7. Staff

- vi. Workshop, November 10, 2008
  - 1. BCP
  - 2. IEC
  - 3. SPPC
  - 4. SWG
  - 5. Staff
- vii. Hearing, November 12, 2008
  - 1. BCP
  - 2. IEC
  - 3. SPPC
  - 4. SWG
  - 5. Staff
- b. Testimony
 

No formal testimony was offered in this matter. The above noted attendees participated in the workshops and/or hearings.
- c. Written statements
 

On September 11, 2007, BCP, SPPC, SWEEP, SWG, and Staff filed comments.  
 On September 18, 2007, BCP, SPPC, and SWG filed reply comments.  
 On December 10, 2007, Staff filed two versions of proposed draft regulations on behalf of BCP, SPPC, SWG, and Staff.  
 On February 26, 2008, SWEEP filed a brief.  
 On February 29, 2008, BCP, SWG, and Staff filed briefs.  
 On March 28, 2008, IEC filed comments.  
 On April 11, 2008, BCP, SWG, and Staff filed comments.  
 On September 24, 2008, SWEEP filed comments.  
 On September 29, 2008, BCP, Natural Resource Defense Council, and SWG filed comments.  
 On November 5, 2008, SWG and Staff filed comments.

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

Comments were solicited from affected businesses in the same manner as they were solicited from the public as outlined in response #1.

The SPPC and SWG submitted written comments and participated in the workshops and the hearings in this matter. In their comments SPPC and SWG raised their concerns regarding the appropriate cost recovery methodologies for their individual companies. SPPC and SWG also discussed the implementation of the methodologies in relation to conservation and energy efficiency program planning and general rate case filings.

Copies of all documents filed in this matter, including this summary, are available at [www.puc.state.nv.us](http://www.puc.state.nv.us) on the PUCN's website or at the offices of the PUCN, at 1150 East William Street, Carson City, Nevada 89701 and 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 temporary regulation adopted on November 20, 2008, reflected changes from the original proposed regulation made during the workshops and/or hearings.

The permanent regulation adopted by the Commission on November 19, 2009, contained no substantive changes from the temporary regulation.

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

**(a) Both adverse and beneficial effects;**

The regulations potentially affect those regulated utilities that purchase natural gas for resale. At this time, the PUCN cannot quantify either the adverse or beneficial economic effects on regulated utilities, either immediate or long-term, which may result from the proposed regulations.

At this time the PUCN cannot quantify either the adverse or beneficial economic effects on the public as a whole, either immediate or long-term, which may result from the regulations.

**(b) Both immediate and long-term effects.**

See response to #5(a).

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

The PUCN believes there will be no significant additional or start-up costs to enforce or administer the new regulations.

**7. A description of any regulation 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.**

These regulations do not overlap or duplicate any federal, state, or local regulations.

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

These regulations do not overlap or duplicate any federal, state, or local regulations.

- 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.**

These regulations do not establish any new fee or increase an existing fee.

- 10. Is the proposed regulation likely to impose a direct and significant economic burden upon a small business or directly restrict the formation, operation or expansion of a small business? What methods did the agency use in determining the impact of the regulation on a small business?**

The PUCN determined that the regulation does not impose a direct and significant burden on small businesses or directly restrict the formation, operation or expansion of a small business in Nevada. In making this determination, the PUCN adopted the findings of the Staff. The methodology used by the PUCN and its Staff to determine the impact of proposed regulations on small businesses is called the Delphi Method. The 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.