

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

**LCB File No. R036-10**

**Docket No. 09-02025**

**Changes in rates for public utilities that furnish  
water or services for the disposal of sewage, or both**

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

AUTHORITY: NRS 703.025, 704.095 and 704.210.

A REGULATION relating to public utilities; providing simplified procedures for changes in rates of water and waste water utilities.

**Section 1.** Chapter 703 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this regulation.

**Sec. 2.** *A public utility that furnishes water or services for the disposal of sewage, or both, shall meet with the Regulatory Operations Staff of the Commission prior to filing the written notice pursuant to subsection 2 of NAC 703.2207 in order to determine which schedules and statements may be excluded from the application for adjustment in rates as provided in NAC 703.2201 to 703.2481 and sections 2 and 3 of this regulation.*

**Sec. 3.** *A public utility that furnishes water or services for the disposal of sewage, or both, may use the 1/8th formula method for computing cash working capital pursuant to Section 20 of this regulation in an application for adjustment in rates as provided in NAC 703.2201 to 703.2481 and sections 2 and 3 of this regulation, inclusive.*

**Sec. 4.** NAC 703.2205 is hereby amended to read as follows:

The provisions of NAC 703.2201 to 703.2481, inclusive, apply to all:

1. Public utilities which produce, deliver or furnish electricity or gas; *and*

2. ~~[Telegraph and community antenna television companies; and]~~  
~~[3.]~~ Public utilities which furnish water or ~~[sewer service]~~ *services for the disposal of sewage*, or both, and are not subject to the provisions of NAC 704.570 to 704.628 *and Sections 2 and 3 of this regulation*, inclusive ~~[, under the jurisdiction of the Commission].~~

Sec. 5. NAC 703.2207 is hereby amended to read as follows:

1. A public utility that furnishes electricity, gas, ~~[or]~~ water *or services for the disposal of sewage, or both, and is not subject to the provisions of NAC 704.570 to 704.628 and sections 9 to 20 of this regulation, inclusive*, ~~[which has an annual gross revenue of more than \$1,000,000 from intrastate operations in this State]~~ must provide written notice of its intent to file an application for adjustments in rates to:

(a) The *Assistant* Secretary of the Commission;

(b) The ~~[staff]~~ *Regulatory Operations Staff* of the Commission ~~[assigned to regulatory operations]~~; and

(c) The Consumer's Advocate.

2. The written notice must be filed at least 60 days before the anticipated date for filing the application for adjustments in rates. If the public utility files the written notice, it is not required to file the application for adjustments in rates on the anticipated filing date or any time thereafter.

3. The written notice must contain a list of the components on which the public utility expects to base its application for adjustments in rates, including:

(a) Cost of capital;

(b) Depreciation;

(c) Cost of service, including any study of the cost of service;

(d) Design of the proposed rates; and

(e) Any other material issues known at the time the notice is filed.

**Sec. 6.** NAC 703.2208 is hereby amended to read as follows:

1. A public utility that furnishes electricity, gas, ~~or~~ water *or services for the disposal of sewage, or both, and is not subject to the provisions of NAC 704.570 to 704.628 and sections 9 to 20 of this regulation, inclusive, ~~[which has an annual gross revenue of more than \$1,000,000 from intrastate operations in this State and]~~* which files an application for adjustments in rates must submit a master document for the request of data, together with answers to the questions contained in the document, to:

(a) The Consumer's Advocate; and

(b) The ~~[staff]~~ *Regulatory Operations Staff* of the Commission ~~[assigned to regulatory operations]~~.

2. The public utility shall:

(a) Submit the master document for the request of data, together with the answers, on the same date as it files the application for adjustments in rates.

(b) Complete as much of the answers to the questions in the master document as possible given the available applicable data and any agreements for the confidentiality of information which have been executed.

3. Except as otherwise provided in this subsection, the master document for the request of data must be submitted in the illustrative format required by the Commission. The illustrative format for a particular master document for the request of data may be changed if the Consumer's Advocate, the ~~[staff]~~ *Regulatory Operations Staff* of the Commission and the public utility agree to the change. The illustrative format for the master document for the request of data may be obtained at the offices of the Commission.

4. The following entities may request the Commission to change the illustrative format for the master document for the request of data:

(a) The Consumer's Advocate;

(b) The ~~[staff]~~ *Regulatory Operations Staff* of the Commission ~~[assigned to regulatory operations]~~; or

(c) The public utility.

5. Any changes which the Commission makes to the illustrative format for the master document for the request of data do not apply to a master document for the request of data submitted by a public utility within 90 days after the Commission approves the changes.

**Sec. 7.** NAC 703.2209 is hereby amended to read as follows:

1. A public utility that furnishes electricity, gas, ~~or~~ water *or services for the disposal of sewage, or both, and is not subject to the provisions of NAC 704.570 to 704.628 and sections 9 to 20 of this regulation, inclusive,* ~~[which has an annual gross revenue of more than \$1,000,000 from intrastate operations in this State and]~~ which intends to file an application for adjustments in rates must meet with the Consumer's Advocate and the ~~[staff]~~ Regulatory Operations Staff of the Commission ~~[assigned to regulatory operations]~~ at least 20 days before the anticipated date for filing the application for adjustments in rates.

2. At the meeting, the public utility shall provide updated information regarding the application for adjustments in rates, including:

(a) Cost of capital;

(b) Depreciation;

(c) Cost of service, including any study of the cost of service;

(d) Design of the proposed rate; and

(e) Any other material issues known at the time of the meeting.

3. At the meeting, those persons in attendance shall:

(a) Develop guidelines for a preliminary plan for conducting audits. The guidelines must address all matters relating to the audit, including:

(1) The timing of the audits and any necessary meetings to coordinate audits conducted at the site, whether within or outside the State, by specialized personnel from the public utility and auditors from the Bureau of Consumer Protection and the ~~{staff}~~ *Regulatory Operations Staff* of the Commission.

(2) The number of persons representing each interest who will participate in the audits.

(3) The facilities and the supplies that the auditors will need at the locations of the audits.

(b) Discuss a plan and schedule for discovery, and methods of minimizing the duplication of discovery requests.

(c) Discuss the use of agreements for the confidentiality of information.

(d) Discuss the review of computer models for data contained in the filing.

(e) Determine which items on the master document for the request of data must be provided on a computer disc or other computer media, and which items must be provided on paper.

(f) Discuss the need for and timing of future meetings, including:

(1) A conference between the public utility, the ~~{staff}~~ *Regulatory Operations Staff* of the Commission and a representative of the Bureau of Consumer Protection to discuss the results of the audits.

(2) A mandatory settlement conference between all interests to the proceeding. The ~~{staff}~~ *Regulatory Operations Staff* of the Commission shall convene the settlement conference at least

14 calendar days before the scheduled first day of the hearing on the application for adjustments in rates in accordance with a procedural schedule approved by the Commission.

**Sec. 8.** Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 9 to 20, inclusive, of this regulation.

**Sec. 9.** *“1/8 formula method” means a computation of an allowance for cash working capital as total operating and maintenance expenses multiplied by 1/8 of the year. The current non-cash expenses of bad debts, depreciation, and amortization, and current and deferred income taxes would be excluded from total operating expenses as used in the computation under this method.*

**Sec. 10.** *“Affiliate” means a person who directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a utility subject to the provisions of NAC 705.570 to 704.628 and sections 9 to 20 of this regulation, inclusive.*

**Sec. 11.** *“Cash working capital” means an allowance to be included in rate base for recovery for the amount of money which a utility’s shareholders or investors have furnished for the purpose of enabling it to satisfy ordinary requirements for paying current operating expenses by bridging the gap between the time expenses of rendering utility service are paid and the time revenues from the same service are collected.*

**Sec. 12.** *“General rate change” means an increase or decrease in rates which is designed to produce gross annual operating revenue to cover a utility’s cost of providing service to the public, exclusive of specifically identified costs recovered from special rate and accounting mechanisms.*

**Sec. 13.** *“Gross domestic product deflator” means an economic metric that accounts for the effects of inflation or deflation in the current year’s gross domestic product by converting its output to a level relative to a base period and is calculated by the following formula:*

$$\text{Gross domestic product deflator} = \frac{\text{Nominal gross domestic product}}{\text{Real gross domestic product}} \times 100$$

**Sec. 14.** *On or before February 1st of each year, Staff shall notify all utilities subject to NRS 704.095 of the most recently available gross domestic product deflator based upon the information published by the United States Department of Commerce, Bureau of Economic Analysis.*

**Sec. 15. 1.** *On or before March 1st of each year, a utility may file an advice letter to implement an increase or decrease in the basic service fee and commodity charges of the utility consistent with the percentage change in the gross domestic product deflator.*

**2.** *A gross domestic product deflator advice letter must include:*

*(a) the utility’s schedule of proposed rate and charges;*

*(b) a comparison of existing and proposed rates charges, with the dollar and percentage amount of the total increase in gross annual revenues and the increase for each class or category of the rates and charges;*

*(c) the number of customers; and*

*(d) a copy of the work papers showing the calculation of the proposed changes in rates.*

*(e) proof of service that a copy of the advice letter has been filed with Staff and the Consumer’s Advocate.*

*3. A utility shall not file an advice letter pursuant to subsection 1 if the utility filed an application for a general rate change or an application to recover increased costs of fuel or power in the preceding calendar year.*

*4. Within 30 days of filing a gross domestic product deflator advice letter, or if the Commission has conducted a consumer session, within 5 business days of the consumer session, whichever is later, Staff shall file with the Commission and serve on the parties a memorandum setting forth its recommendations with respect to Commission approval of the proposed rates and charges and such other action by the Commission as Staff deems reasonable under the circumstances.*

**Sec. 16. 1. To place into effect a general rate change, a utility may file an application.**

**2. The application must include:**

*(a) The following forms, which are available from Staff upon request:*

*(1) Form A, Company Information (pages 1-2),*

*(2) Form B, Tariff Rate Schedule,*

*(3) Form C, Income Statement,*

*(4) Form D, Rate Base,*

*(5) Form E, Cost of Capital, and*

*(6) Form F, Statement of Services.*

*(b) A complete and accurate explanation of the circumstances and conditions relied upon as justification for the application.*

*(c) In lieu of certification, an explanation of the adjustments to the recorded data which show the effects, on an annualized basis, of known and experienced changes.*



*(d) A comparison of existing and proposed rates and charges, with the dollar and percentage amount of:*

*(1) the total increase or decrease in gross annual revenue, and*

*(2) the increase or decrease for each class or category of the rates and charges.*

*(e) The number of customers at the time of the filing.*

*(f) Proof of service of the application on Staff and the Consumer Advocate.*

**Sec. 17. 1.** *Within 30 days after the filing of a general rate change application pursuant to section 16 of this regulation, Staff's Division of Consumer Complaint Resolution shall prepare and file with the Commission a report on all service complaints received by the Division subsequent to the utility's last request for a general rate change.*

**Sec. 18. 1.** *Upon receipt of an application filed pursuant to section 16 of this regulation, Staff shall conduct an examination of the utility's books and records and a field inspection of the utility's facilities and may request information in addition to that specifically required by section 16 of this regulation. Based on its review, Staff shall prepare:*

*(a) a revised summary of the results of operations, based on its findings regarding the appropriate capital structure, reasonable expenses, rate base and revenues, and*

*(b) a revised recommended schedule of rates and charges,*  
*within 90 days of receipt of an application.*

**2.** *Upon completion of its review of the application, Staff shall schedule an informal settlement conference with the utility and the interveners, if any, to review the results of Staff's examination and field investigation and the report from Staff's Division of Consumer Complaint Resolution, to attempt to resolve any differences among the parties.*

**Sec. 19. 1.** *Except as provided in subsection 7 of this section, a utility may request*

*assistance from Staff in preparing an application for a general rate change by sending a request for assistance to the Assistant Commission Secretary.*

*2. No later than 10 days after receiving a utility's request for assistance, Staff shall notify the utility, in writing, of the information Staff needs in order to make a determination of recommended rates and charges.*

*3. Staff and the utility shall meet within 30 days of the request for assistance. At that meeting, the utility shall:*

*(a) provide all of the required information identified in Staff's written notice; and*

*(b) make arrangements for Staff's examination of the utility's books and records and for an inspection of the condition of the utility's facilities.*

*If all of the required information identified in Staff's written notice is not provided at the meeting, the utility shall have 15 days to provide the information. If the utility fails to provide all of the required information, Staff shall notify the utility in writing that there will be no further action on the request until the information is provided.*

*4. Upon receipt of the required information identified in Staff's written notice to the utility, Staff shall initiate an examination of the utility's records and property, including a field inspection of the condition of the utility's facilities.*

*5. No later than 90 days after Staff receives the required information identified in Staff's written notice to the utility, Staff shall:*

*(a) complete its examination and inspection; and,*

*(b) if it determines that the rates and charges of the utility need to be changed, prepare a draft general rate change application for the utility, if Staff determines that the rates and charges of the utility need to be changed.*

*6. If the utility elects to proceed, the utility shall file the application, as prepared by Staff or with modifications, with the Commission within 45 days after receipt of the draft application. If the application filed by the utility contains modifications to the draft application prepared by Staff, the utility's application must include an explanation of those modifications, the basis for the modifications, the work papers detailing any modified calculations, and any other accounting or financial data necessary to explain and justify the modifications.*

*7. If the utility elects not to proceed with the application, the utility may not make another request for the assistance of Staff for at least 1 year after the date of the previous request for assistance.*

*8. The Commission will issue an order on the application within 120 days. However, the Commission may take an additional 90 days to issue an order on the application, if necessary.*

**Sec. 20. 1.** *The allowance for cash working capital for a public utility may be computed using the 1/8 formula method in lieu of conducting a lead lag study.*

*2. For a public utility that furnishes water, the accounts to be used in the calculation are the National Association of Regulatory Commissioner ("NARUC") Uniform System of Accounts ("USOA") operations and maintenance account numbers 601 through 675, exclusive of account number 670, Bad Debt Expense, and account number 408, Taxes Other Than Income.*

*3. For a public utility that furnishes services for the disposal of sewage, the accounts to be used in the calculation are NARUC USOA operation and maintenance account numbers 701 through 775, exclusive of account number 770, Bad Debt Expense, and account number 408, Taxes Other Than Income.*

**Sec. 21.** NAC 704.570 is hereby amended to read as follows:

As used in NAC 704.570 to 704.628 *and sections 9 to 20 of this regulation, inclusive*, unless the context otherwise requires, the words and terms defined in NAC 704.571 to 704.574 *and sections 9 to 13 of this regulation*, inclusive, have the meanings ascribed to them in those sections.

**Sec. 22.** NAC 704.5725 is hereby amended to read as follows:

“Staff” means the ~~[staff]~~ *Regulatory Operations Staff* of the Commission.

**Sec. 23.** NAC 704.575 is hereby amended to read as follows:

The provisions of NAC 704.570 to 704.628 *and sections 9 to 20 of this regulation*, inclusive, apply to public utilities whose rates are subject to the jurisdiction of the Commission as set forth in NRS 704.095. ~~[To determine whether a public utility is subject to the provisions of NRS 704.095, a public utility that serves 3,000 or fewer persons shall be deemed to include a public utility that serves 3,000 or fewer service connections.]~~

**Sec. 24.** NAC 704.587 is hereby amended to read as follows:

If a utility files an application pursuant to ~~[NAC 704.580]~~ *Sections 15, 16, or 19 of this regulation*:

1. The utility shall make available at its place of business a complete copy of the application that is readily accessible and can be conveniently inspected by its customers.
2. The utility shall, within 10 days after the date on which the application is filed, post a notice at its place of business which states that the application has been filed with the Commission and that a copy of the application is available for inspection by customers on the premises of the utility.
3. The utility shall, within 30 days after the date on which the application is filed, notify its customers of its intention to seek a change in its rates.

4. The utility shall, within 45 days after the date on which the application is filed, submit an affidavit to the Commission which demonstrates that the utility has complied with the requirements set forth in subsections 1, 2 and 3.

5. The utility shall, either by inclusion in the regular bill of charges or in a separate mailing, notify its customers of the hearing to be held to receive comments from customers and of any evidentiary hearing to be held. The utility shall provide the notice of the hearing in such a manner as to ensure that the customers are notified of the hearing not less than 10 days before the date of the hearing. The notice must specify:

- (a) The date, time and location of the ~~consumer hearing and evidentiary~~ hearing, if any;
- (b) The percentage of change in revenues requested in the application; and
- (c) The current and proposed rates.

**Sec. 25.** NAC 704.625 is hereby amended to read as follows:

1. Each utility shall disclose in a separate statement as a part of its application all transactions in which it engaged during the preceding year or since its most recent filing with the Commission, whichever period is shorter, with any ~~associated company~~ *affiliate* or other person who is ~~an~~ *the* owner or stockholder of ~~any~~ *the* utility ~~company~~.

2. The statement must include the nature of the transactions, the amounts of money involved, and how those amounts were determined.

**Sec. 26.** NAC 704.626 is hereby amended to read as follows:

1. The Commission will determine the reasonable return on equity for each public utility subject to the provisions of NAC 704.570 to 704.628 *and sections 9 to 20 of this regulation*, inclusive. A determination will be made:

- (a) When deemed necessary by the Commission;

(b) At the request of ~~the staff~~ Staff; or

(c) At the request of the Consumer's Advocate,

Ê but no more frequently than one time every 2 years.

2. The Commission will notify ~~the staff~~ Staff, the Consumer's Advocate, and all public utilities subject to the provisions of NAC 704.570 to 704.628 *and sections 9 to 20 of this regulation*, inclusive, of its recommended return on equity. Any party may file written comments and request a hearing with the Commission regarding the Commission's recommended return on equity. If a hearing is so requested, the Commission will notify all parties of the date set for the hearing.

3. The return on common equity determined by the Commission in the proceeding will be used by the Commission in evaluating each application for a change in rates filed by a public utility subject to the provisions of NAC 704.570 to 704.628 *and sections 9 to 20 of this regulation*, inclusive, during those years, unless a party of record to the proceeding notifies the Commission and the other parties of record, in writing, before the deadline set for petitions for leave to intervene, of its intent to present evidence in support of a different rate of return on common equity.

**Sec. 27.** NAC 704.6265 is hereby amended to read as follows:

1. Any interested person may file a petition with the Commission to request that the Commission consider taking action to have a utility whose rates are subject to the jurisdiction of the Commission as set forth in NRS 704.095 placed in receivership. A petition filed with the Commission pursuant to this subsection must be served on the utility, ~~the Regulatory Operations Staff of the Commission~~ Staff, the Consumer's Advocate and the Bureau of Health Protection Services of the Health Division of the Department of Health and Human Services and must be

accompanied by proof of service. The Commission may, on its own motion, initiate an investigation into whether such a utility should be placed in receivership.

2. The Commission will issue a public notice of a petition filed pursuant to subsection 1. The utility that is the subject of the notice of petition may file an answer to the petition within the time set forth in the notice.

3. On its own motion, upon the request of the utility or upon the request of any interested person who has filed comments pursuant to a notice of petition, the Commission will hold a hearing to determine whether the Commission should take action to have the utility placed in receivership.

4. In considering whether to take action to have the utility placed in receivership, the Commission may consider:

(a) Whether the utility has complied with a written plan for the replacement or expansion of the plant of the utility that has been approved by the Commission;

(b) Whether the utility is providing reasonably adequate service;

(c) Whether the operation of the utility is affecting the public health in a detrimental manner;

(d) Whether the utility can meet its financial obligations; or

(e) Any other factor that may become apparent from a petition, answers filed thereto, or evidence gathered at the hearing.

**Sec. 28.** NAC 704.627 is hereby amended to read as follows:

1. ~~The staff~~ *Staff* will conduct a periodic inspection of the facilities, books and records of each public utility subject to the provisions of NAC 704.570 to 704.628 *and sections 9 to 20 of this regulation*, inclusive. The frequency of the inspections will be based on the growth in

customer base, customer satisfaction or any other change in the utility that would provide a reason for an inspection, or on the request of the Commission.

2. ~~{The-staff}~~ *Staff* will notify the utility and the Bureau of Consumer Protection that an inspection will be made in accordance with this section. Within 30 days after the utility receives notice of the inspection, the utility shall provide the Commission with adhesive mailing labels individually addressed to each customer. ~~{The-staff}~~ *Staff*, through the Division of Consumer Complaint Resolution, will mail a survey to each customer of the utility which is scheduled for inspection.

3. After completing the inspection, ~~{the-staff}~~ *Staff* will submit a written report of its findings and recommendations to the Commission, the utility and the Bureau of Consumer Protection. If the conclusion of the report is that the utility is not in compliance with the standards of service set forth in NAC 704.628, the utility shall submit to the Commission, within 30 days after its receipt of the report, its written response to ~~{the-staff's}~~ *Staff's* findings and recommendations. The utility may contest the findings and recommendations and request a hearing before the Commission. If no hearing is requested, the utility's response must indicate how the utility intends to comply with the recommendations set forth in ~~{the-staff's}~~ *Staff's* report. If expenditures for construction are required for compliance, the utility shall include a timetable for the construction, an estimate of its cost, and an estimate of the effect, if any, of the expenditure on the utility's rates. Upon its receipt of the utility's response, the staff will place the matter before the Commission. Whether or not a hearing is requested, the Commission may schedule a session to receive comments from the utility's customers on the quality of its service. The Commission will consider the survey of customers, ~~{the-staff's}~~ *Staff's* report, the utility's



response and the record of any hearing held before it approves or disapproves the findings and recommendations of the staff or makes any findings and recommendations of its own.

**Sec. 29.** NAC 704.628 is hereby amended to read as follows:

704.628 Each public utility subject to the provisions of NAC 704.570 to 704.628 *and sections 9 to 20 of this regulation*, inclusive, shall comply with the following standards of service:

1. For water resources, water rights must be sufficient to supply adequate amounts of water to satisfy existing commitments.

2. For water production, the utility must be capable of producing, from surface or ground water sources or by obtaining water from another utility, sufficient quantities of water to meet the historic maximum daily demand of the system.

3. For water distribution, the distribution system of the utility must meet each of the following requirements:

(a) Service connections from the utility must not exceed the hydraulic capabilities of the system.

(b) The network of pipes of the system must be capable of delivering maximum day demand concurrently with required fire flows. Maximum day demand must be determined from historical records or, in the absence of historical data, calculated by using a factor of three times the average day demand. Requirements for fire flow and duration of the fire flow must be established by the county or local agency having jurisdiction over fire protection. In the absence of a local agency exercising jurisdiction over fire protection, the requirements for fire flow must be established utilizing the ~~most current edition of the Uniform Fire Code, which is hereby adopted by reference. A copy of the Uniform Fire Code may be obtained, at a price of \$141.60,~~

~~from the International Conference of Building Officials, 5360 Workman Mill Road, Whittier, California 90601, telephone (800) 284-4406, or on line at <http://www.iebo.org>~~ *International Fire Code adopted by reference pursuant to the regulations in LCB File No. R043-08, section 49(2)(a).*

(c) The distribution system, in conjunction with production, storage and pressure control facilities, must be capable of maintaining, during periods of maximum day demand, a minimum residual pressure of 40 pounds per square inch throughout the distribution system. Static pressure must not exceed 100 pounds per square inch at the lowest elevation in any pressure zone. During periods of fire flow, the residual pressure at any point in the distribution system must not fall below 20 pounds per square inch.

(d) To deliver the quantity of water necessary to comply with the requirements of public fire protection, the utility shall provide and maintain an adequate quantity of hydrants at the prescribed spacing as established by the county or local agency having jurisdiction over fire protection. In the absence of any local agency having jurisdiction over fire protection, the spacing of fire hydrants must be determined by using the current edition of the ~~[Uniform Fire Code]~~ *International Fire Code adopted by reference pursuant to the regulations in LCB File No. R043-08, section 49(2)(a).*

(e) The utility shall not allow the amount of water lost from its distribution system because of leakage to exceed 10 percent of the amount of water required for the system.

(f) All water sources must have a master meter.

4. For storage, the utility must provide water under both of the following circumstances:

(a) The utility must have the ability to sustain a mechanical failure. When the single most critical pump is out of service, the pumping facilities and above-ground storage of the utility

must be able to maintain the average daily flow rate plus the maximum required fire flow rate for the required duration.

(b) The utility must have the ability to sustain a power outage. To provide system reliability during a power outage, the utility shall comply with at least one of the following:

(1) In a power outage, pumping facilities with an alternative power source in conjunction with above-ground storage must be capable of delivering the required fire flow demand for the required duration plus maximum day demand for 1 day.

(2) Above-ground storage must be capable of providing the required fire flow for the required duration plus the average day demand for 1 day.

Ê As used in this paragraph, “above-ground storage” means the amount of water that is stored above an elevation which will maintain a hydraulic gradient above 20 pounds per square inch at any point within the distribution system during maximum demand.

5. For water quality, the quality must meet all existing state and federal standards for purity.

6. For administration and management, adequately trained personnel must be available to operate the utility under all reasonable circumstances. Books and records maintained by the utility must comply with the systems of accounts established for class *A, B, and C* water and sewer utilities ~~[prepared by the National Association of Regulatory Utility Commissioners, which are hereby adopted by reference. A copy of the publication containing the system established for class C water utilities and for sewer utilities may be obtained, for the price of \$15 for the system of accounts for Class C water utilities and \$16 for the system of accounts for sewer companies, from the NARUC Publications, 1101 Vermont Avenue N.W., Suite 200, Washington, D.C. 20005, or on line at <http://www.naruc.org>].~~ Each utility shall develop and carry out a written operation and maintenance program, a cross-connection control program and

an emergency plan containing procedures unique to each system. Each utility shall have on file, at an office maintained in the State of Nevada, updated drawings, maps or other permanent records to aid in the operation of the water system. The utility shall make and maintain a record of any repairs made to a distribution pipe that sets forth the location of the leak, the date the leak was repaired, an assessment of the cause of the leak and a description of the manner used to repair the pipe.

***7. The Commission hereby adopts by reference:***

***(a) The Uniform System of Accounts for Class A Water Utilities, 1996 edition, published by the National Association of Regulatory Utility Commissioners. The public may be obtained from National Association of Regulatory Utility Commissioners, 1101 Vermont Avenue, N.W., Suite 200, Washington, D.C., 20005 or at the Internet address <http://www.naruc.org>. The price of the publication is \$30.00.***

***(b) The Uniform System of Accounts for Class B Water Utilities, 1996 edition, published by the National Association of Regulatory Utility Commissioners. The public may be obtained from National Association of Regulatory Utility Commissioners, 1101 Vermont Avenue, N.W., Suite 200, Washington, D.C., 20005 or at the Internet address <http://www.naruc.org>. The price of the publication is \$24.00.***

***(c) The Uniform System of Accounts for Class C Water Utilities, 1996 edition, published by the National Association of Regulatory Utility Commissioners. The public may be obtained from National Association of Regulatory Utility Commissioners, 1101 Vermont Avenue, N.W., Suite 200, Washington, D.C., 20005 or at the Internet address <http://www.naruc.org>. The price of the publication is \$18.00.***

*(d) The Uniform System of Accounts for Class A Wastewater Utilities, 1996 edition, published by the National Association of Regulatory Utility Commissioners. The public may be obtained from National Association of Regulatory Utility Commissioners, 1101 Vermont Avenue, N.W., Suite 200, Washington, D.C., 20005 or at the Internet address <http://www.naruc.org>. The price of the publication is \$31.20.*

*(e) The Uniform System of Accounts for Class B Wastewater Utilities, 1996 edition, published by the National Association of Regulatory Utility Commissioners. The public may be obtained from National Association of Regulatory Utility Commissioners, 1101 Vermont Avenue, N.W., Suite 200, Washington, D.C., 20005 or at the Internet address <http://www.naruc.org>. The price of the publication is \$25.20.*

*(e) The Uniform System of Accounts for Class A Water Utilities, 1996 edition, published by the National Association of Regulatory Utility Commissioners. The public may be obtained from National Association of Regulatory Utility Commissioners, 1101 Vermont Avenue, N.W., Suite 200, Washington, D.C., 20005 or at the Internet address <http://www.naruc.org>. The price of the publication is \$19.20.*

*8. The Commission will review each revision of the publications adopted by reference pursuant to subsection 7 to determine its suitability for this State. If the Commission determines that the revision is not suitable for this State, it will hold a public hearing to review its determination and give notice of that hearing within 6 months after the date of the publication of the revision. If, after the hearing, the Commission does not revise its determination, the Commission will give notice that the revision is not suitable for this State within 30 days after the hearing. If the Commission does not give such notice, the revision becomes part of the publication adopted by reference pursuant to subsection 7.*

**Sec. 30.** NAC 703.2455 is hereby repealed.

**Sec. 31.** NAC 704.571 is hereby repealed.

**Sec. 32.** NAC 704.5715 is hereby repealed.

**Sec. 33.** NAC 704.572 is hereby repealed.

**Sec. 34.** NAC 704.573 is hereby repealed.

**Sec. 35.** NAC 704.574 is hereby repealed.

**Sec. 36.** NAC 704.580 is hereby repealed.

**Sec. 37.** NAC 704.585 is hereby repealed.

**Sec. 38.** NAC 704.590 is hereby repealed.

**Sec. 39.** NAC 704.610 is hereby repealed.

**Sec. 40.** NAC 704.615 is hereby repealed.

**Sec. 41.** NAC 704.620 is hereby repealed.

**Sec. 42.** NAC 704.622 is hereby repealed.

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**TEXT OF REPEALED SECTIONS**

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**NAC 703.2455 Filing requirements for utilities with annual gross operating revenues of less than \$250,000.** (NRS 703.025, 704.210) An applicant with annual gross operating revenues of less than \$250,000 shall submit statements A through P. Supporting schedules may be submitted in addition to the required statements.

**NAC 704.571 “Completed application” defined.** (NRS 703.025, 704.095, 704.210)  
“Completed application” means an application which has been submitted to the Commission for review, which includes all required fees and all the information requested in the forms furnished

by the Commission and necessary for its determination, and which has been accepted by the Commission as complete.

**NAC 704.5715 “Question of policy” defined.** (NRS 703.025, 704.095, 704.210) “Question of policy” means an issue which is subject to the exercise of discretion by the Commission as applied to a particular set of facts.

**NAC 704.572 “Short-term debt” defined.** (NRS 703.025, 704.095 ~~704.210~~) “Short-term debt” means a debt maturing within 1 year after the date of the balance sheet.

**NAC 704.573 “Tariff” defined.** (NRS 703.025, 704.095, 704.210) “Tariff” means the schedule of rates, charges, and regulations used by a utility.

**NAC 704.574 “Test year” defined.** (NRS 703.025, 704.095, 704.210) “Test year” means the 12-month period ending no later than 6 months before the filing of an application pursuant to NAC 704.580 or no later than 45 days before the submission of a request for the assistance of the staff pursuant to NAC 704.622.

**NAC 704.580 Application to change tariff.** (NRS 703.025, 704.095, 704.210)

1. Except as otherwise provided in NAC 704.622, whenever a utility desires to file a change in its tariff which will increase its annual revenues, the utility must submit a completed application, setting forth the proposed changes in its tariff and the reasons for the changes. The application must contain recorded results of revenues, expenses, investments and costs of capital for the test year and annualization adjustments as described in written instructions provided by the staff. The utility shall notify its customers of its intent to seek increased rates in accordance with NAC 704.587.

2. The Commission will give public notice of the application in accordance with its regulations and procedures. The Commission will not consider the request for a rate increase as filed until the submittal is complete and ready for the staff's analysis.

**NAC 704.585 Additional information.** (NRS 703.025, 704.095, 704.210) The Commission or its staff may request a utility applying for a rate increase to submit information in addition to that specifically required in NAC 704.570 to 704.628, inclusive.

**NAC 704.590 Service of application.** (NRS 703.025, 704.095, 704.210) A utility shall serve a copy of the application on each party of record and on each county, municipality and general improvement district whose citizens would be affected by the proposed changes in rates.

**NAC 704.610 Required forms.** (NRS 703.025, 704.095, 704.210)

1. In applying for a general rate increase, a utility must complete:

- (a) Form A, Company Information (pages 1-2);
- (b) Form B, Tariff Rate Schedule;
- (c) Form C, Income Statement;
- (d) Form D, Rate Base;
- (e) Form E, Cost of Capital;
- (f) Form F, Statement of Services;
- (g) Form G, Customer Notice;
- (h) Form H, Verification of Application Accuracy; and
- (i) Form I, Affidavit of Service and Posting.

Ê The forms are available from the Commission.

2. Until the utility has completed the forms and verified their accuracy, its application will not be considered by the Commission.



**NAC 704.615 Review by staff; informal conference; request for hearing or presentation of stipulation for consideration by Commission.** (NRS 703.025, 704.095, 704.210)

1. Upon receipt of an application for rate changes filed pursuant to NAC 704.580, the Commission's Division of Consumer Complaint Resolution will prepare a report on all service complaints received by the Division subsequent to the utility's last request for a rate increase.

2. The staff will review the application to determine whether the requested rate changes are reasonable. The staff may make field investigations in conducting its review. If the staff determines that the utility's capital structure, expenses or rate base do not appear reasonable, the staff may prepare a revised summary of earnings based upon its finding of an appropriate capital structure, reasonable expenses, revenues and rate base.

3. After the staff completes its investigation, the staff will schedule an informal conference in the Commission's offices with the utility, the Consumer's Advocate and the staff to review the results of the staff's investigation and the report from the Division of Consumer Complaint Resolution, and to attempt to resolve any differences among the parties.

4. Following the informal conference, the staff will:

(a) Request that an evidentiary hearing be scheduled; or

(b) Present a stipulation for the consideration of the Commission. Before it will consider the stipulation, the Commission will determine if it is necessary to hold a hearing to receive comments from customers of the utility with respect to the quality of service and other matters of interest to customers.

**NAC 704.620 Hearing on application for rate change.** (NRS 703.025, 704.095, 704.210)

1. The Commission may set the matter for hearing if, in its judgment, the public convenience and necessity require a hearing.

2. The record of a public hearing convened solely to receive comments from customers may be reported by the Commission's sound recording equipment as provided in NRS 703.330 under the direction of the presiding officer. The Commission Secretary will file and maintain the tapes.

3. The utility shall provide a stenographer for reporting and transcribing a complete record of the evidentiary hearing. The cost of recording and transcribing must be paid by the utility. At least 5 days before the date on which the evidentiary hearing is scheduled, the utility shall notify the Commission that the utility has made arrangements for the reporting and transcription of the complete record of the evidentiary hearing. The utility shall provide the Commission with the original of the transcript not later than 10 days after the conclusion of the hearing.

4. If the utility is required to present and justify its requested changes in rates, it shall be prepared to explain the information included in its application and may supplement its application with a statement of increased revenues, any increased investment in facilities, increased depreciation expenses, any other operating expenses approved by the Commission, and any changes in the costs of securities which are known, measurable with reasonable accuracy at the time of filing and which will become effective within 6 months after the last month of the test year. The supplemental information must be provided no sooner than 90 calendar days after the date on which the utility files its application.

5. The Commission will issue its opinion and order in the matter not later than 180 days after the completed application has been filed.

**NAC 704.622 Application with assistance of staff.** (NRS 703.025, 704.095, 704.210)

1. A utility whose rates are subject to the jurisdiction of the Commission as set forth in NRS 704.095, and whose gross annual revenues for the past 12 months did not exceed \$100,000, may elect to change its rates and charges pursuant to this section or NAC 704.580.

2. The utility may request the assistance of the staff in changing the rates and charges of the utility by mailing a letter to the staff requesting that the staff conduct an audit of the books of the utility and a review of the utility's expenditures and operations to determine the appropriate levels of rates and charges. A request for the assistance of the staff must be made within 45 days after the last day of the test year selected by the utility to be audited.

3. Upon receipt of a request for assistance from the utility, the staff shall initiate an audit of the books of the utility and a review of its expenditures and operations.

4. If, following the audit and a determination of recommended rates and charges, the staff determines that the rates and charges of the utility need to be changed, the staff shall prepare, on behalf of the utility, an application which requests that such recommended rates and charges be put into effect. The staff shall provide a copy of the application to the utility.

5. If the utility elects to proceed with the application as prepared by the staff, the utility shall file the application with the Commission within 180 days after the last day of the test year selected. If the utility elects not to proceed with the application in the form suggested by the staff, the utility may not file an application pursuant to NAC 704.580 or make another request for the assistance of the staff for at least 1 year after the date of the previous request for assistance.

6. The Commission will issue a public notice of an application that has been prepared by the staff and filed by the utility pursuant to subsection 5. If no notice of intent to intervene has been filed by the Bureau of Consumer Protection in the Office of the Attorney General and no petition for leave to intervene has been filed by any interested and affected person by the deadline set by the Commission, the staff shall present the application at a meeting of the Commission.

7. If a notice of intent to intervene is filed or a petition for leave to intervene is granted, the Commission shall set the matter for an evidentiary hearing. An evidentiary hearing held pursuant to this subsection is subject to the provisions of subsection 3 of NAC 704.620.