

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

LCB File No. R076-11

Docket No. 11-08022
(September 28, 2011)

Agency address:

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Purpose of the rule: To amend adopt, and/or repeal regulation regarding quarterly rate adjustments for public utilities that purchase natural gas for resale and electric utilities in accordance with Assembly Bill 215 (2011).

Statutory authority: NRS 703.025, 704.210, 704.110, 703.320, 704.062, 704.069, 704.185, and 704.187.

Type of regulation: Permanent Regulation

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

Section 1. Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 and 3, inclusive, of this regulation.

Sec. 2. *1. Before an electric utility may make quarterly deferred energy accounting adjustments, the utility must file an application pursuant to subsection 10 of NRS 704.110 and must receive approval from the Commission to adjust its deferred energy accounting adjustment on a quarterly basis.*

2. The application described in subsection 1 must include, without limitation:

(a) The rationale in support of the decision of the electric utility to apply to the Commission for approval to implement quarterly deferred energy accounting adjustments;

(b) The proposed adjustment dates, filing dates and effective dates for each of the quarterly deferred energy accounting adjustments;

(c) The methodology proposed to be used to calculate the quarterly deferred energy accounting adjustments and the rationale supporting the selection of the methodology; and

(d) The amount of the proposed initial quarterly deferred energy accounting adjustment.

3. If the Commission approves an application described in subsection 1, the Commission will specify the adjustment dates, filing dates, effective dates, methodology and amounts to be used by the applicant.

Sec. 3. *1. An electric utility may file an application pursuant to subsection 16 of NRS 704.110 requesting approval to discontinue its authority to make quarterly deferred energy accounting adjustments and to establish its deferred energy accounting adjustment pursuant to NAC 704.111 and 704.116. The electric utility may cease making quarterly deferred energy accounting adjustments upon approval from the Commission.*

2. The application submitted pursuant to subsection 1 must include, without limitation:

(a) The rationale supporting the request to discontinue the utility's authority to make quarterly deferred energy accounting adjustments; and

(b) The proposed effective date of the transition.

Sec. 4. NAC 704.024 is hereby amended to read as follows:

“Adjustment date” means the end of the calendar year for an electric utility or the end of the calendar month selected by a gas utility for the purposes of a deferred energy application, *annual rate adjustment application, or quarterly rate adjustment.*

Sec. 5. NAC 704.030 is hereby amended to read as follows:

“Amortization period” means:

1. For an electric utility *not making quarterly deferred energy accounting adjustments*, such period, not to exceed 12 months, after the end of the prior related test period, as determined by the Commission.

2. For a gas utility *not making quarterly deferred energy accounting adjustments*, such period, not to exceed 12 months, after the end of the prior related test period, as determined by the Commission.

Sec. 6. NAC 704.031 is hereby amended to read as follows:

“Annual rate adjustment application” means an application filed *pursuant to subsections 8 and 9 of NRS 704.110* by a gas utility making quarterly ~~[rate]~~ adjustments ~~[to clear its natural gas deferred energy accounts pursuant to NAC 704.023 to 704.195, inclusive]~~ *to its base tariff energy rate*.

Sec. 7. NAC 704.039 is hereby amended to read as follows:

“Deferred energy application” means an application filed by:

1. An electric utility pursuant to subsections ~~[9]~~ *10 and 11* of NRS 704.110 and NRS 704.187; or

2. A gas utility to clear its deferred energy accounts pursuant to NAC 704.023 to 704.195, inclusive.

Sec. 8. NAC 704.056 is hereby amended to read as follows:

“Gas utility” means a gas utility that elects to use deferred energy accounting pursuant to NRS 704.185, including a gas utility that is authorized to make quarterly rate adjustments pursuant to subsections *8 and 9* of NRS 704.110.

Sec. 9. NAC 704.062 is hereby amended to read as follows:

“Quarterly rate adjustment” means a quarterly adjustment to ~~[the base tariff energy rate of]~~:

1. An electric utility's *base tariff energy rate* for purchased fuel ~~{or}~~ *and purchased* power based on changes in the utility's recorded energy costs; ~~{or}~~
2. *An electric utility's deferred energy accounting adjustment based on changes in the utility's deferred energy account;*
3. A gas utility's *base tariff energy rate* based on changes in the utility's recorded costs of natural gas purchased for resale; *or*
4. *A gas utility's deferred energy accounting adjustment based on changes in the utility's deferred energy account.*

Sec. 10. NAC 704.111 is hereby amended to read as follows:

1. For each electric utility *not making quarterly deferred energy accounting adjustments:*

(a) The electric utility shall clear annually any debit balance in the subaccount of FERC Account No. 182.3 or credit balance in the subaccount of FERC Account No. 254 over an approved period by dividing the cumulative debit or credit balance by the total Nevada jurisdictional kilowatt-hours which have been sold, exclusive of interruptible irrigation sales, during the test period. The resulting positive or negative deferred energy accounting adjustment must be applied to each Nevada jurisdictional customer's monthly use of energy, exclusive of interruptible irrigation sales, expressed in kilowatt-hours.

(b) The electric utility shall not bill or credit the deferred energy accounting adjustment to the customers of the electric utility until authorized by the Commission after a proper deferred energy application is made therefor.

2. For each gas utility *not making quarterly deferred energy accounting adjustments:*

(a) The gas utility shall clear annually any debit or credit balance in FERC Account No. 191 by dividing the cumulative debit or credit balance by the total Nevada jurisdictional therms which have been sold during the test period. The resulting positive or negative deferred energy accounting adjustment must be applied to each Nevada jurisdictional customer's monthly use of energy expressed in therms.

(b) The gas utility shall not bill or credit the deferred energy accounting adjustment to the customers of the gas utility until authorized by the Commission after a proper deferred energy application or annual rate adjustment application is made therefor.

~~3. The recovery of a debit balance in the subaccount of FERC Account No. 182.3, for electric operations, or FERC Account No. 191, for gas operations, must be limited by the most recently authorized Nevada jurisdictional rate of return for the specific operation of the electric utility or gas utility. If the Nevada jurisdictional rate of return submitted for an operating department of the electric utility or gas utility exceeds the most recently authorized rate of return for the utility, an amount equal to the amount which exceeds the utility's last authorized rate of return must be carried forward to the next test period.]~~

Sec. 11. NAC 704.116 is hereby amended to read as follows:

1. Except as otherwise provided in subsection 2 or 3, each electric utility and gas utility shall file annually with the Commission a deferred energy application for each of its jurisdictional operating departments in this State setting forth its calculations of the deferred energy accounting adjustment and the base tariff energy rate *if the utility does not adjust these rates on a quarterly basis.*

2. A gas utility that is not authorized to make quarterly rate adjustments may file with the Commission a semiannual deferred energy application if the net change in revenue necessary

to clear the change in the deferred energy account balance at the end of the 6-month period exceeds plus or minus 5 percent of the total revenue at the last authorized rates for purchased gas.

3. A gas utility that makes quarterly ~~[rate]~~ adjustments *to its base tariff energy rate* pursuant to subsection 8 of NRS 704.110 shall file an annual rate adjustment application with the Commission for each of its jurisdictional operating departments in this State~~[,]~~. *The annual rate adjustment application must set~~[ting]~~ forth ~~[its]~~ the calculation~~[s]~~ of the annual deferred energy accounting adjustment unless the utility is authorized to make quarterly deferred energy accounting adjustments pursuant to section 8 of NRS 704.110.* The annual rate adjustment application must be filed not later than the date specified by the Commission pursuant to subsection 3 of NAC 704.161.

4. Each electric utility shall file its deferred energy application pursuant to subsection 3 of NRS 704.187. Each gas utility shall file its deferred energy application not later than ~~[45]~~ 60 days after the adjustment date.

5. If an electric utility files a deferred energy application while a general rate application is pending before the Commission, the electric utility shall:

(a) Submit with its deferred energy application information relating to the cost of service and rate design; and

(b) Supplement its general rate application with the same information, if such information was not submitted with the general rate application.

6. The deferred energy accounting adjustment of an electric utility or gas utility must be calculated pursuant to NAC 704.101 and 704.111 *if the utility is not authorized to make*

quarterly deferred energy accounting adjustments pursuant to subsection 8 or 10 of NRS 704.110.

7. The base tariff energy rate of a gas utility that is not authorized by the Commission to make quarterly rate adjustments must be calculated pursuant to NAC 704.135.

8. The base tariff energy rate of a gas utility that is not authorized by the Commission to make quarterly rate adjustments remains in effect until a revised rate is authorized by the Commission.

9. The deferred energy accounting adjustment of an electric utility or gas utility *that is not authorized to make quarterly deferred energy accounting adjustments pursuant to section 8 or 10 of NRS 704.110* remains in effect until the end of the designated amortization period or until an amended rate is authorized by the Commission, whichever occurs first.

Sec. 12. NAC 704.118 is hereby amended to read as follows:

1. An electric utility or gas utility that files a deferred energy application pursuant to NAC 704.116, a gas utility that files an application to revise its base tariff energy rate pursuant to NAC 704.117 or a gas utility that files an annual rate adjustment application pursuant to subsection 3 of NAC 704.116 shall:

(a) Within 10 days after filing the application, make available at each of its business offices a complete copy of the application in such form and place as to be readily accessible to and conveniently inspected by the public;

(b) Within 10 days after filing the application, print in plain type and post at each of its business offices, in such form and place as to be readily accessible to and conveniently inspected by the public, a notice stating that the application has been filed with the Commission, describing briefly the purpose of the application, indicating that the complete application is available for

public inspection on the premises and setting forth the locations where additional information may be obtained; and

(c) Within 20 days after filing the application, submit to the Commission affidavits that indicate that the application has been filed and that the utility has complied with the provisions of paragraphs (a) and (b).

2. After the Commission has scheduled a date for a hearing on the application, the applicant shall, at least 10 days before the scheduled date of the hearing, give notice to its customers who are affected by the proposed increase. The first paragraph of the notice must state the date, time and place of the hearing, the total amount of the proposed increase in dollars, the estimated proposed monthly increase in dollars and the proposed percentage of increase for each class of customer or class of service. The notice must also state that the Commission may set rates which may be higher or lower than the rates proposed in the application and that additional information may be obtained from the Commission or at the offices of the electric or gas utility filing the application. The notice must be given by at least two of the following methods:

(a) Inclusion in the regular bill of charges transmitted to the applicant's customers.

(b) Separate mailing to each of the applicant's customers.

(c) Prominent presentation in one or more forms of the media, including newspapers, television and radio, so that the notice will likely reach the applicant's customers.

3. At or before the hearing, the applicant must submit a verified statement to the Commission that the notice required in subsection 2 has been given. The statement must:

(a) Set forth the means by which, and the dates and times when, the notice was mailed, published or broadcast; and

(b) Include, as an attachment, a copy of the notice as mailed, published or transcribed.

4. An electric utility shall, for each quarterly rate adjustment, provide:

(a) Notice to the Commission pursuant to the provisions of paragraph (a) of subsection ~~¶~~ **11** of NRS 704.110, including, without limitation:

(1) A copy of the notice of the quarterly rate adjustment that the electric utility will provide to its customers;

(2) Supporting information for all amounts shown in the notice of the quarterly rate adjustment that the electric utility will provide to its customers;

(3) The calculations supporting the change in its base tariff energy rate; ~~and~~

(4) *The calculations supporting the change in its deferred energy accounting adjustment if authorized to make quarterly deferred energy accounting adjustments pursuant to section 10 of NRS 704.110; and*

(5) The tariff sheets reflecting the quarterly rate adjustment *or adjustments*;

(b) Notice to its customers as required pursuant to the provisions of paragraph (b) of subsection ~~¶~~ **11** of NRS 704.110; and

(c) A copy of the notice provided pursuant to paragraph (a) to the Regulatory Operations Staff of the Commission and to the Bureau of Consumer Protection in the Office of the Attorney General.

5. A gas utility that is authorized to make quarterly rate adjustments shall, for each quarterly rate adjustment, provide:

(a) Notice to the Commission pursuant to the provisions of paragraph (a) of subsection ~~¶~~ **9** of NRS 704.110, including, without limitation:

(1) A copy of the notice of the quarterly rate adjustment that the gas utility will provide to its customers;

(2) Supporting information for all amounts shown in the notice of the quarterly rate adjustment that the gas utility will provide to its customers; ~~and~~

(3) The calculations supporting the change in its base tariff energy rate; and

(4) The calculations supporting the change in its deferred energy accounting adjustment *if authorized to make quarterly deferred energy accounting adjustments pursuant to section 8 of NRS 704.110;*

(b) Notice to its customers as required pursuant to the provisions of paragraph (b) of subsection ~~8~~ 9 of NRS 704.110; and

(c) A copy of the notice provided pursuant to paragraph (a) to the Regulatory Operations Staff of the Commission and to the Bureau of Consumer Protection in the Office of the Attorney General.

Sec. 13. NAC 704.161 is hereby amended to read as follows:

1. Before a gas utility which purchases natural gas for resale may make quarterly rate adjustments, the utility must file an application pursuant to subsection 8 of NRS 704.110 and must receive approval from the Commission to adjust its base tariff energy rate on a quarterly basis between annual rate adjustment applications.

2. The application described in subsection 1 must include, without limitation:

(a) The rationale in support of the decision of the gas utility to apply to the Commission for approval to implement quarterly rate adjustments;

(b) The proposed filing dates and effective dates for each of the quarterly rate adjustments;

(c) The proposed filing date and effective date for the annual rate adjustment application;

(d) The methodology proposed to be used to calculate the quarterly rate adjustments and the rationale supporting the selection of the methodology; and

(e) The amount of the proposed initial quarterly rate adjustment.

3. If the Commission approves an application described in subsection 1, the Commission will specify the filing and effective dates, methodology and amounts to be used by the applicant.

4. A gas utility making quarterly adjustments to its base tariff energy rate that requests approval to adjust its deferred energy accounting adjustment on a quarterly basis, must file an application pursuant to subsection 8 of NRS 704.110 and must receive approval from the Commission to adjust its deferred energy accounting adjustment on a quarterly basis.

5. The application described in subsection 4 must include, without limitation:

(a) The rationale in support of the decision of the gas utility to apply to the Commission for approval to implement quarterly deferred energy accounting adjustments;

(b) The proposed adjustment dates, filing dates and effective dates for each of the quarterly deferred energy accounting adjustments;

(c) The methodology proposed to be used to calculate the quarterly deferred energy accounting adjustments and the rationale supporting the selection of the methodology; and

(d) The amount of the proposed initial quarterly deferred energy accounting adjustment.

6. If the Commission approves an application described in subsection 4, the Commission will specify the adjustment dates, filing dates, effective dates, methodology and amounts to be used by the applicant.

Sec. 14. NAC 704.166 is hereby amended to read as follows:

1. A gas utility may file an application requesting approval to terminate its authority to make quarterly rate adjustments and to establish its base tariff energy rate pursuant to NAC 704.116 or subsection 3 of NAC 704.117. The gas utility may cease making quarterly rate adjustments upon authorization from the Commission.

2. The application submitted pursuant to subsection 1 must include, without limitation:

(a) The rationale supporting the request to terminate the utility's authority to make quarterly rate adjustments;

(b) The proposed effective date of the transition; and

(c) If applicable, the proposed base tariff energy rate calculated pursuant to NAC 704.135.

3. A gas utility may file an application pursuant to subsection 16 of NRS 704.110 requesting approval to discontinue its authority to make quarterly deferred energy accounting adjustments and to establish its deferred energy accounting adjustment pursuant to NAC 704.111 and 704.116. The gas utility may cease making quarterly deferred energy accounting adjustments upon approval from the Commission.

4. The application submitted pursuant to subsection 3 must include, without limitation:

(a) The rationale supporting the request to discontinue the utility's authority to make quarterly deferred energy accounting adjustments; and

(b) The proposed effective date of the transition.