

ASSEMBLY BILL NO. 215—COMMITTEE
ON COMMERCE AND LABOR

MARCH 1, 2011

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing utilities.
(BDR 58-593)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

~

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

AN ACT relating to utilities; authorizing certain public utilities that purchase natural gas for resale and electric utilities to request approval from the Public Utilities Commission of Nevada to make quarterly rate adjustments based on deferred accounting; requiring that written notices which are provided to customers of certain public utilities that purchase natural gas for resale and electric utilities contain information about the review of certain quarterly rate adjustments by the Commission; authorizing the Commission to allow public utilities that purchase natural gas for resale and electric utilities to apply for certain additional rate adjustments upon a showing of good cause; prohibiting public utilities which purchase natural gas for resale and electric utilities from applying for certain annual rate adjustments after receiving approval from the Commission to make quarterly rate adjustments based on deferred accounting; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law authorizes certain public utilities that purchase natural gas for
2 resale and certain electric utilities to use deferred accounting to reflect changes in
3 the cost of purchased natural gas, fuel or power. (NRS 704.185, 704.187) **Section 5**
4 of this bill authorizes a public utility which purchases natural gas for resale and
5 which adjusts its rates on a quarterly basis based on the fluctuating price of natural
6 gas to request approval to make quarterly adjustments to its deferred energy
7 accounting adjustment. **Section 5** also authorizes an electric utility that is required



* A B 2 1 5 R 1 *

8 to make quarterly adjustments based on the fluctuating price of fuel or power to
9 request approval from the Commission to make quarterly adjustments to its
10 deferred energy accounting adjustment. **Section 5** further requires a utility that
11 receives approval to make any quarterly adjustments to provide its customers with
12 written notice that includes information relating to when the adjustments will be
13 reviewed by the Commission. **Section 5** also authorizes the Commission to
14 approve, upon a showing of good cause, certain additional quarterly adjustments for
15 a public utility which purchases natural gas for resale and an electric utility which
16 has received approval from the Commission to make quarterly adjustments to its
17 deferred energy accounting adjustment. **Sections 6 and 7** of this bill provide that a
18 public utility which purchases natural gas for resale or an electric utility which has
19 received approval from the Commission to make quarterly adjustments to its
20 deferred energy accounting adjustment is not eligible to apply for any additional
21 adjustment to its deferred energy accounting adjustment in its annual deferred
22 energy accounting adjustment application.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 703.320 is hereby amended to read as follows:
2 703.320 Except as otherwise provided in subsections ~~8 and~~ 9
3 *and 11* of NRS 704.110:

4 1. In any matter pending before the Commission, if a hearing is
5 required by a specific statute or is otherwise required by the
6 Commission, the Commission shall give notice of the pendency of
7 the matter to all persons entitled to notice of the hearing. The
8 Commission shall by regulation specify:

- 9 (a) The manner of giving notice in each type of proceeding; and
10 (b) The persons entitled to notice in each type of proceeding.

11 2. The Commission shall not dispense with a hearing:

12 (a) In any matter pending before the Commission pursuant to
13 NRS 704.7561 to 704.7595, inclusive; or

14 (b) Except as otherwise provided in paragraph (f) of subsection
15 1 of NRS 704.100, in any matter pending before the Commission
16 pursuant to NRS 704.061 to 704.110, inclusive, in which an electric
17 utility has filed a general rate application or an annual deferred
18 energy accounting adjustment application pursuant to NRS 704.187.

19 3. In any other matter pending before the Commission, the
20 Commission may dispense with a hearing and act upon the matter
21 pending unless, within 10 days after the date of the notice of
22 pendency, a person entitled to notice of the hearing files with the
23 Commission a request that the hearing be held. If such a request for
24 a hearing is filed, the Commission shall give at least 10 days' notice
25 of the hearing.

26 4. As used in this section, "electric utility" has the meaning
27 ascribed to it in NRS 704.187.



1 **Sec. 2.** NRS 704.062 is hereby amended to read as follows:
2 704.062 “Application to make changes in any schedule” and
3 “application” include, without limitation:

- 4 1. A general rate application;
- 5 2. An application to recover the ~~increased~~ cost of purchased
6 fuel, purchased power, or natural gas purchased for resale; ~~and~~
- 7 3. An annual deferred energy accounting adjustment
8 application ~~;~~ *and*
- 9 4. *An annual rate adjustment application.*

10 **Sec. 3.** NRS 704.069 is hereby amended to read as follows:
11 704.069 1. Except as otherwise provided in subsections ~~8~~
12 ~~and~~ 9 *and 11* of NRS 704.110, the Commission shall conduct a
13 consumer session to solicit comments from the public in any matter
14 pending before the Commission pursuant to NRS 704.061 to
15 704.110, inclusive, in which:

16 (a) A public utility has filed a general rate application, an
17 application to recover the increased cost of purchased fuel,
18 purchased power, or natural gas purchased for resale, an annual
19 deferred energy accounting adjustment application pursuant to NRS
20 704.187 or an annual rate adjustment application; and

21 (b) The changes proposed in the application will result in an
22 increase in annual gross operating revenue, as certified by the
23 applicant, in an amount that will exceed \$50,000 or 10 percent of
24 the applicant’s annual gross operating revenue, whichever is less.

25 2. In addition to the case-specific consumer sessions required
26 by subsection 1, the Commission shall, during each calendar year,
27 conduct at least one general consumer session in the county with the
28 largest population in this State and at least one general consumer
29 session in the county with the second largest population in this
30 State. At each general consumer session, the Commission shall
31 solicit comments from the public on issues concerning public
32 utilities. Not later than 60 days after each general consumer session,
33 the Commission shall submit the record from the general consumer
34 session to the Legislative Commission.

35 **Sec. 4.** NRS 704.100 is hereby amended to read as follows:
36 704.100 1. Except as otherwise provided in NRS 704.075
37 and 704.68861 to 704.68887, inclusive, or as may otherwise be
38 provided by the Commission pursuant to NRS 704.095 or 704.097:

39 (a) A public utility shall not make changes in any schedule,
40 unless the public utility:

41 (1) Files with the Commission an application to make the
42 proposed changes and the Commission approves the proposed
43 changes pursuant to NRS 704.110; or

44 (2) Files the proposed changes with the Commission using a
45 letter of advice in accordance with the provisions of paragraph (f).



1 (b) A public utility shall adjust its rates on a quarterly basis
2 between annual rate adjustment applications pursuant to subsection
3 8 of NRS 704.110 based on changes in the public utility's recorded
4 costs of natural gas purchased for resale.

5 (c) An electric utility shall, between annual deferred energy
6 accounting adjustment applications filed pursuant to NRS 704.187,
7 adjust its rates on a quarterly basis pursuant to subsection ~~9~~ 10 of
8 NRS 704.110.

9 (d) A public utility shall post copies of all proposed schedules
10 and all new or amended schedules in the same offices and in
11 substantially the same form, manner and places as required by NRS
12 704.070 for the posting of copies of schedules that are currently in
13 force.

14 (e) A public utility may not set forth as justification for a rate
15 increase any items of expense or rate base that previously have been
16 considered and disallowed by the Commission, unless those items
17 are clearly identified in the application and new facts or
18 considerations of policy for each item are advanced in the
19 application to justify a reversal of the prior decision of the
20 Commission.

21 (f) Except as otherwise provided in paragraph (g), if the
22 proposed change in any schedule does not change any rate or will
23 result in an increase in annual gross operating revenue, as certified
24 by the public utility, in an amount that does not exceed \$2,500:

25 (1) The public utility may file the proposed change with the
26 Commission using a letter of advice in lieu of filing an application;
27 and

28 (2) The Commission shall determine whether it should
29 dispense with a hearing regarding the proposed change.

30 (g) If the applicant is a small-scale provider of last resort and the
31 proposed change in any schedule will result in an increase in annual
32 gross operating revenue, as certified by the applicant, in an amount
33 that does not exceed \$50,000 or 10 percent of the applicant's annual
34 gross operating revenue, whichever is less, the Commission shall
35 determine whether it should dispense with a hearing regarding the
36 proposed change.

37 (h) In making the determination pursuant to paragraph (f) or (g),
38 the Commission shall first consider all timely written protests, any
39 presentation that the Regulatory Operations Staff of the Commission
40 may desire to present, the application of the public utility and any
41 other matters deemed relevant by the Commission.

42 2. As used in this section, "electric utility" has the meaning
43 ascribed to it in NRS 704.187.



1 **Sec. 5.** NRS 704.110 is hereby amended to read as follows:

2 704.110 Except as otherwise provided in NRS 704.075 and
3 704.68861 to 704.68887, inclusive, or as may otherwise be provided
4 by the Commission pursuant to NRS 704.095 or 704.097:

5 1. If a public utility files with the Commission an application to
6 make changes in any schedule, including, without limitation,
7 changes that will result in a discontinuance, modification or
8 restriction of service, the Commission shall investigate the propriety
9 of the proposed changes to determine whether to approve or
10 disapprove the proposed changes. If an electric utility files such an
11 application and the application is a general rate application or an
12 annual deferred energy accounting adjustment application, the
13 Consumer's Advocate shall be deemed a party of record.

14 2. Except as otherwise provided in subsection 3, if a public
15 utility files with the Commission an application to make changes in
16 any schedule, the Commission shall, not later than 210 days after the
17 date on which the application is filed, issue a written order
18 approving or disapproving, in whole or in part, the proposed
19 changes.

20 3. If a public utility files with the Commission a general rate
21 application, the public utility shall submit with its application a
22 statement showing the recorded results of revenues, expenses,
23 investments and costs of capital for its most recent 12 months for
24 which data were available when the application was prepared.
25 Except as otherwise provided in subsection 4, in determining
26 whether to approve or disapprove any increased rates, the
27 Commission shall consider evidence in support of the increased
28 rates based upon actual recorded results of operations for the same
29 12 months, adjusted for increased revenues, any increased
30 investment in facilities, increased expenses for depreciation, certain
31 other operating expenses as approved by the Commission and
32 changes in the costs of securities which are known and are
33 measurable with reasonable accuracy at the time of filing and which
34 will become effective within 6 months after the last month of those
35 12 months, but the public utility shall not place into effect any
36 increased rates until the changes have been experienced and
37 certified by the public utility to the Commission and the
38 Commission has approved the increased rates. The Commission
39 shall also consider evidence supporting expenses for depreciation,
40 calculated on an annual basis, applicable to major components of the
41 public utility's plant placed into service during the recorded test
42 period or the period for certification as set forth in the application.
43 Adjustments to revenues, operating expenses and costs of securities
44 must be calculated on an annual basis. Within 90 days after the date
45 on which the certification required by this subsection is filed with



1 the Commission, or within the period set forth in subsection 2,
2 whichever time is longer, the Commission shall make such order in
3 reference to the increased rates as is required by this chapter. The
4 following public utilities shall each file a general rate application
5 pursuant to this subsection based on the following schedule:

6 (a) An electric utility that primarily serves less densely
7 populated counties shall file a general rate application not later than
8 5 p.m. on or before the first Monday in June 2010, and at least once
9 every 36 months thereafter.

10 (b) An electric utility that primarily serves densely populated
11 counties shall file a general rate application not later than 5 p.m. on
12 or before the first Monday in June 2011, and at least once every 36
13 months thereafter.

14 (c) A public utility that furnishes water for municipal, industrial
15 or domestic purposes or services for the disposal of sewage, or both,
16 which had an annual gross operating revenue of \$2,000,000 or more
17 for at least 1 year during the immediately preceding 3 years and
18 which had not filed a general rate application with the Commission
19 on or after July 1, 2005, shall file a general rate application on or
20 before June 30, 2008, and at least once every 36 months thereafter
21 unless waived by the Commission pursuant to standards adopted by
22 regulation of the Commission. If a public utility furnishes both
23 water and services for the disposal of sewage, its annual gross
24 operating revenue for each service must be considered separately for
25 determining whether the public utility meets the requirements of this
26 paragraph for either service.

27 (d) A public utility that furnishes water for municipal, industrial
28 or domestic purposes or services for the disposal of sewage, or both,
29 which had an annual gross operating revenue of \$2,000,000 or more
30 for at least 1 year during the immediately preceding 3 years and
31 which had filed a general rate application with the Commission on
32 or after July 1, 2005, shall file a general rate application on or before
33 June 30, 2009, and at least once every 36 months thereafter unless
34 waived by the Commission pursuant to standards adopted by
35 regulation of the Commission. If a public utility furnishes both
36 water and services for the disposal of sewage, its annual gross
37 operating revenue for each service must be considered separately for
38 determining whether the public utility meets the requirements of this
39 paragraph for either service.

40 ➤ The Commission shall adopt regulations setting forth standards
41 for waivers pursuant to paragraphs (c) and (d) and for including the
42 costs incurred by the public utility in preparing and presenting the
43 general rate application before the effective date of any change in
44 rates.



1 4. In addition to submitting the statement required pursuant to
2 subsection 3, a public utility may submit with its general rate
3 application a statement showing the effects, on an annualized basis,
4 of all expected changes in circumstances. If such a statement is
5 filed, it must include all increases and decreases in revenue and
6 expenses which may occur within 210 days after the date on which
7 its general rate application is filed with the Commission if such
8 expected changes in circumstances are reasonably known and are
9 measurable with reasonable accuracy. If a public utility submits
10 such a statement, the public utility has the burden of proving that the
11 expected changes in circumstances set forth in the statement are
12 reasonably known and are measurable with reasonable accuracy.
13 The Commission shall consider expected changes in circumstances
14 to be reasonably known and measurable with reasonable accuracy if
15 the expected changes in circumstances consist of specific and
16 identifiable events or programs rather than general trends, patterns
17 or developments, have an objectively high probability of occurring
18 to the degree, in the amount and at the time expected, are primarily
19 measurable by recorded or verifiable revenues and expenses and are
20 easily and objectively calculated, with the calculation of the
21 expected changes relying only secondarily on estimates, forecasts,
22 projections or budgets. If the Commission determines that the public
23 utility has met its burden of proof:

24 (a) The Commission shall consider the statement submitted
25 pursuant to this subsection and evidence relevant to the statement,
26 including all reasonable projected or forecasted offsets in revenue
27 and expenses that are directly attributable to or associated with the
28 expected changes in circumstances under consideration, in addition
29 to the statement required pursuant to subsection 3 as evidence in
30 establishing just and reasonable rates for the public utility; and

31 (b) The public utility is not required to file with the Commission
32 the certification that would otherwise be required pursuant to
33 subsection 3.

34 5. If a public utility files with the Commission an application to
35 make changes in any schedule and the Commission does not issue a
36 final written order regarding the proposed changes within the time
37 required by this section, the proposed changes shall be deemed to be
38 approved by the Commission.

39 6. If a public utility files with the Commission a general rate
40 application, the public utility shall not file with the Commission
41 another general rate application until all pending general rate
42 applications filed by that public utility have been decided by the
43 Commission unless, after application and hearing, the Commission
44 determines that a substantial financial emergency would exist if the
45 public utility is not permitted to file another general rate application



1 sooner. The provisions of this subsection do not prohibit the public
2 utility from filing with the Commission, while a general rate
3 application is pending, an application to recover the increased cost
4 of purchased fuel, purchased power, or natural gas purchased for
5 resale pursuant to subsection 7, a quarterly rate adjustment pursuant
6 to subsection 8 or ~~[9:] 10~~, any information relating to deferred
7 accounting requirements pursuant to NRS 704.185 or an annual
8 deferred energy accounting adjustment application pursuant to NRS
9 704.187, if the public utility is otherwise authorized to so file by
10 those provisions.

11 7. A public utility may file an application to recover the
12 increased cost of purchased fuel, purchased power, or natural gas
13 purchased for resale once every 30 days. The provisions of this
14 subsection do not apply to:

15 (a) An electric utility which is required to adjust its rates on a
16 quarterly basis pursuant to subsection ~~[9:] 10~~; or

17 (b) A public utility which purchases natural gas for resale and
18 which adjusts its rates on a quarterly basis ~~[between annual rate
19 adjustment applications]~~ pursuant to subsection 8.

20 8. A public utility which purchases natural gas for resale must
21 request approval from the Commission to adjust its rates on a
22 quarterly basis between annual rate adjustment applications based
23 on changes in the public utility's recorded costs of natural gas
24 purchased for resale. *A public utility which adjusts its rates on a
25 quarterly basis may request approval from the Commission to
26 make quarterly adjustments to its deferred energy accounting
27 adjustment. The Commission shall approve or deny such a request
28 not later than 120 days after the application is filed with the
29 Commission. The Commission may approve the request if the
30 Commission finds that the quarterly adjustment is in the best
31 interest of the public. If the Commission approves a request to
32 make quarterly adjustments to the deferred energy accounting
33 adjustment of a public utility pursuant to this subsection, any
34 quarterly adjustment to the deferred energy accounting
35 adjustment must not exceed 2.5 cents per therm of natural gas.
36 The Commission shall not approve a deferred energy accounting
37 adjustment if the balance of the public utility's deferred account
38 varies by less than 5 percent from the public utility's annual
39 recorded costs of natural gas which are used to calculate quarterly
40 rate adjustments.*

41 9. If the Commission approves ~~[such]~~ a request ~~[-] to make any
42 rate adjustments on a quarterly basis pursuant to subsection 8:~~

43 (a) The public utility shall file written notice with the
44 Commission before the public utility makes a quarterly rate
45 adjustment . ~~[between annual rate adjustment applications.] A~~



1 quarterly rate adjustment is not subject to the requirements for
2 notice and a hearing pursuant to NRS 703.320 or the requirements
3 for a consumer session pursuant to subsection 1 of NRS 704.069.

4 (b) The public utility shall provide written notice of each
5 quarterly rate adjustment to its customers by including the written
6 notice with a customer's regular monthly bill. The public utility
7 shall begin providing such written notice to its customers not later
8 than 30 days after the date on which the public utility files its
9 written notice with the Commission pursuant to paragraph (a). The
10 written notice that is included with a customer's regular monthly
11 bill:

12 (1) Must be printed separately on fluorescent-colored paper
13 and must not be attached to the pages of the bill; and

14 (2) Must include the following:

15 (I) The total amount of the increase or decrease in the
16 public utility's revenues from the rate adjustment, stated in dollars
17 and as a percentage;

18 (II) The amount of the monthly increase or decrease in
19 charges for each class of customer or class of service, stated in
20 dollars and as a percentage;

21 (III) A statement that customers may send written
22 comments or protests regarding the rate adjustment to the
23 Commission; ~~and~~

24 (IV) *A statement that the transactions and recorded
25 costs of natural gas which are the basis for any quarterly rate
26 adjustment will be reviewed for reasonableness and prudence in
27 the next proceeding held by the Commission to review the annual
28 rate adjustment application pursuant to paragraph (d); and*

29 (V) Any other information required by the Commission.

30 (c) The public utility shall file an annual rate adjustment
31 application with the Commission. The annual rate adjustment
32 application is subject to the requirements for notice and a hearing
33 pursuant to NRS 703.320 and the requirements for a consumer
34 session pursuant to subsection 1 of NRS 704.069.

35 (d) The proceeding regarding the annual rate adjustment
36 application must include a review of each quarterly rate adjustment ,
37 *each deferred energy accounting adjustment* and ~~a review of~~ the
38 transactions and recorded costs of natural gas included in each
39 quarterly ~~rate adjustment~~ *filing* and the annual rate adjustment
40 application. There is no presumption of reasonableness or prudence
41 for any quarterly rate adjustment or for any transactions or recorded
42 costs of natural gas included in any quarterly rate adjustment or the
43 annual rate adjustment application, and the public utility has the
44 burden of proving reasonableness and prudence in the proceeding.



1 (e) The Commission shall not allow the public utility to recover
2 any recorded costs of natural gas which were the result of any
3 practice or transaction that was unreasonable or was undertaken,
4 managed or performed imprudently by the public utility, and the
5 Commission shall order the public utility to adjust its rates if the
6 Commission determines that any recorded costs of natural gas
7 included in any quarterly rate adjustment or the annual rate
8 adjustment application were not reasonable or prudent.

9 ~~[9.]~~ 10. An electric utility shall adjust its rates on a quarterly
10 basis based on changes in the ~~[public]~~ electric utility's recorded
11 costs of purchased fuel or purchased power . ~~[in the following~~
12 ~~manner:]~~ *In addition to adjusting its rates on a quarterly basis, an*
13 *electric utility may request approval from the Commission to make*
14 *quarterly adjustments to its deferred energy accounting*
15 *adjustment. The Commission shall approve or deny such a request*
16 *not later than 120 days after the application is filed with the*
17 *Commission. The Commission may approve the request if the*
18 *Commission finds that the quarterly adjustment is in the best*
19 *interest of the public. If the Commission approves a request to*
20 *make quarterly adjustments to the deferred energy accounting*
21 *adjustment of an electric utility pursuant to this subsection, any*
22 *quarterly adjustment to the deferred energy accounting*
23 *adjustment must not exceed 0.25 cents per kilowatt-hour of*
24 *electricity. The Commission shall not approve a deferred energy*
25 *accounting adjustment if the balance of the electric utility's*
26 *deferred account varies by less than 5 percent from the electric*
27 *utility's annual recorded costs for purchased fuel or purchased*
28 *power which are used to calculate quarterly rate adjustments.*

29 11. *A quarterly adjustment to a deferred energy accounting*
30 *adjustment filed pursuant to subsection 10 is subject to the*
31 *following requirements:*

32 (a) ~~[An]~~ *The* electric utility shall file written notice with the
33 Commission on or before August 15, 2007, and every quarter
34 thereafter of the quarterly rate adjustment to be made by the electric
35 utility for the following quarter. The first quarterly rate adjustment
36 by the electric utility will take effect on October 1, 2007, and each
37 subsequent quarterly rate adjustment will take effect every quarter
38 thereafter. *The first quarterly adjustment to a deferred energy*
39 *accounting adjustment must be made pursuant to an order issued*
40 *by the Commission approving the application of an electric utility*
41 *to make quarterly adjustments to its deferred energy accounting*
42 *adjustment.* A quarterly ~~[rate]~~ adjustment *to a deferred energy*
43 *accounting adjustment* is not subject to the requirements for notice
44 and a hearing pursuant to NRS 703.320 or the requirements for a
45 consumer session pursuant to subsection 1 of NRS 704.069.



1 (b) ~~Each~~ *The* electric utility shall provide written notice of
2 each quarterly rate adjustment to its customers by including the
3 written notice with a customer's regular monthly bill. The electric
4 utility shall begin providing such written notice to its customers not
5 later than 30 days after the date on which the electric utility files a
6 written notice with the Commission pursuant to paragraph (a). The
7 written notice that is included with a customer's regular monthly
8 bill:

9 (1) Must be printed separately on fluorescent-colored paper
10 and must not be attached to the pages of the bill; and

11 (2) Must include the following:

12 (I) The total amount of the increase or decrease in the
13 electric utility's revenues from the rate adjustment, stated in dollars
14 and as a percentage;

15 (II) The amount of the monthly increase or decrease in
16 charges for each class of customer or class of service, stated in
17 dollars and as a percentage;

18 (III) A statement that customers may send written
19 comments or protests regarding the rate adjustment to the
20 Commission; ~~and~~

21 (IV) *A statement that the transactions and recorded*
22 *costs of purchased fuel or purchased power which are the basis*
23 *for any quarterly rate adjustment will be reviewed for*
24 *reasonableness and prudence in the next proceeding held by the*
25 *Commission to review the annual deferred energy accounting*
26 *adjustment application pursuant to paragraph (d); and*

27 (V) Any other information required by the Commission.

28 (c) ~~Am~~ *The* electric utility shall file an annual deferred energy
29 accounting adjustment application pursuant to NRS 704.187 with
30 the Commission. The annual deferred energy accounting adjustment
31 application is subject to the requirements for notice and a hearing
32 pursuant to NRS 703.320 and the requirements for a consumer
33 session pursuant to subsection 1 of NRS 704.069.

34 (d) The proceeding regarding the annual deferred energy
35 accounting adjustment application must include a review of each
36 quarterly rate adjustment , *each deferred energy accounting*
37 *adjustment* and ~~a review of~~ the transactions and recorded costs of
38 purchased fuel and purchased power included in each quarterly ~~rate~~
39 ~~adjustment~~ *filing* and the annual deferred energy accounting
40 adjustment application. There is no presumption of reasonableness
41 or prudence for any quarterly rate adjustment or for any transactions
42 or recorded costs of purchased fuel and purchased power included in
43 any quarterly rate adjustment or the annual deferred energy
44 accounting adjustment application, and the electric utility has the
45 burden of proving reasonableness and prudence in the proceeding.



1 (e) The Commission shall not allow the electric utility to recover
2 any recorded costs of purchased fuel and purchased power which
3 were the result of any practice or transaction that was unreasonable
4 or was undertaken, managed or performed imprudently by the
5 electric utility, and the Commission shall order the electric utility to
6 adjust its rates if the Commission determines that any recorded costs
7 of purchased fuel and purchased power included in any quarterly
8 rate adjustment or the annual deferred energy accounting adjustment
9 application were not reasonable or prudent.

10 ~~H0.~~ **12.** If an electric utility files an annual deferred energy
11 accounting adjustment application pursuant to subsection ~~H9.~~ **11** and
12 NRS 704.187 while a general rate application is pending, the
13 electric utility shall:

14 (a) Submit with its annual deferred energy accounting
15 adjustment application information relating to the cost of service
16 and rate design; and

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

20 ~~H1.~~ **13.** A utility facility identified in a 3-year plan submitted
21 pursuant to NRS 704.741 and accepted by the Commission for
22 acquisition or construction pursuant to NRS 704.751 and the
23 regulations adopted pursuant thereto shall be deemed to be a prudent
24 investment. The utility may recover all just and reasonable costs of
25 planning and constructing such a facility.

26 ~~H2.~~ **14.** In regard to any rate or schedule approved or
27 disapproved pursuant to this section, the Commission may, after a
28 hearing:

29 (a) Upon the request of the utility, approve a new rate but delay
30 the implementation of that new rate:

31 (1) Until a date determined by the Commission; and

32 (2) Under conditions as determined by the Commission,
33 including, without limitation, a requirement that interest charges be
34 included in the collection of the new rate; and

35 (b) Authorize a utility to implement a reduced rate for low-
36 income residential customers.

37 ~~H3.~~ **15.** *The Commission may, upon request and for good
38 cause shown, permit a public utility which purchases natural gas
39 for resale or an electric utility to make a quarterly adjustment to
40 its deferred energy accounting adjustment in excess of the
41 maximum allowable adjustment pursuant to subsection 8 or 10.*

42 **16.** *A public utility or an electric utility that makes quarterly
43 adjustments to its deferred energy accounting adjustment
44 pursuant to subsection 8 or 10 may submit to the Commission for
45 approval an application to discontinue making quarterly*



1 *adjustments to its deferred energy accounting adjustment and to*
2 *subsequently make annual adjustments to its deferred energy*
3 *accounting adjustment. The Commission may approve an*
4 *application submitted pursuant to this subsection if the*
5 *Commission finds that approval of the application is in the best*
6 *interest of the public.*

7 17. As used in this section:

8 (a) *“Deferred energy accounting adjustment” means the rate*
9 *of a public utility which purchases natural gas for resale or an*
10 *electric utility that is calculated by dividing the balance of a*
11 *deferred account during a specified period by the total therms or*
12 *kilowatt-hours which have been sold in the geographical area to*
13 *which the rate applies during the specified period.*

14 (b) “Electric utility” has the meaning ascribed to it in
15 NRS 704.187.

16 ~~(b)~~ (c) “Electric utility that primarily serves densely populated
17 counties” means an electric utility that, with regard to the provision
18 of electric service, derives more of its annual gross operating
19 revenue in this State from customers located in counties whose
20 population is 400,000 or more than it does from customers located
21 in counties whose population is less than 400,000.

22 ~~(c)~~ (d) “Electric utility that primarily serves less densely
23 populated counties” means an electric utility that, with regard to the
24 provision of electric service, derives more of its annual gross
25 operating revenue in this State from customers located in counties
26 whose population is less than 400,000 than it does from customers
27 located in counties whose population is 400,000 or more.

28 **Sec. 6.** NRS 704.185 is hereby amended to read as follows:

29 704.185 1. Except as otherwise provided in subsection 8 of
30 NRS 704.110, a public utility which purchases natural gas for resale
31 may record upon its books and records in deferred accounts all cost
32 increases or decreases in the natural gas purchased for resale. Any
33 public utility which uses deferred accounting to reflect changes in
34 costs of natural gas purchased for resale shall include in its annual
35 report to the Commission a statement showing the allocated rate of
36 return for each of its operating departments in Nevada which uses
37 deferred accounting.

38 2. ~~If the rate of return for any department using deferred~~
39 ~~accounting pursuant to subsection 1 is greater than the rate of return~~
40 ~~allowed by the Commission in the last rate proceeding, the~~
41 ~~Commission shall order the utility which recovered any costs of~~
42 ~~natural gas purchased for resale through rates during the reported~~
43 ~~period to transfer to the next energy adjustment period that portion~~
44 ~~of such recovered amounts which exceeds the authorized rate of~~
45 ~~return.~~



1 ~~—3.]~~ A public utility which purchases natural gas for resale may
2 request approval from the Commission to record upon its books and
3 records in deferred accounts any other cost or revenue which the
4 Commission deems appropriate for deferred accounting and which
5 is not otherwise subject to the provisions of ~~[subsections]~~
6 *subsection 1 . [and 2.]* If the Commission approves such a request,
7 the Commission shall determine the appropriate requirements for
8 reporting and recovery that the public utility must follow with
9 regard to each such deferred account.

10 ~~[4.]~~ 3. When a public utility which purchases natural gas for
11 resale files an *annual rate adjustment application or an annual*
12 *deferred energy accounting adjustment* application , ~~[to clear its~~
13 ~~deferred accounts.]~~ the proceeding regarding the application must
14 include a review of the transactions and recorded costs of natural
15 gas included in the application. There is no presumption of
16 reasonableness or prudence for any transactions or recorded costs of
17 natural gas included in the application, and the public utility has the
18 burden of proving reasonableness and prudence in the proceeding.

19 *4. A public utility which purchases natural gas for resale and*
20 *which has received approval from the Commission to make*
21 *quarterly adjustments to a deferred energy accounting adjustment*
22 *pursuant to subsection 8 of NRS 704.110 is not eligible to request*
23 *an adjustment to its deferred energy accounting adjustment in its*
24 *annual rate adjustment application.*

25 **Sec. 7.** NRS 704.187 is hereby amended to read as follows:

26 704.187 1. An electric utility that purchases fuel or power
27 shall use deferred accounting by recording upon its books and
28 records in deferred accounts all increases and decreases in costs for
29 purchased fuel and purchased power that are prudently incurred by
30 the electric utility.

31 2. An electric utility using deferred accounting shall include in
32 its annual report to the Commission a statement showing, for the
33 period of recovery, the allocated rate of return for each of its
34 operating departments in this State using deferred accounting. ~~[If,~~
35 ~~during the period of recovery, the rate of return for any operating~~
36 ~~department using deferred accounting is greater than the rate of~~
37 ~~return authorized by the Commission in the most recently completed~~
38 ~~rate proceeding for the electric utility, the Commission shall order~~
39 ~~the electric utility that recovered costs for purchased fuel or~~
40 ~~purchased power through its rates during the reported period to~~
41 ~~transfer to the next energy adjustment period that portion of the~~
42 ~~amount recovered by the electric utility that exceeds the authorized~~
43 ~~rate of return.]~~

44 3. Except as otherwise provided in this section, an electric
45 utility using deferred accounting shall file an annual deferred energy



1 accounting adjustment application on or before March 1, 2008, and
2 on or before March 1 of each year thereafter.

3 4. *An electric utility that purchases fuel or power and has*
4 *received approval from the Commission to make quarterly*
5 *adjustments to its deferred energy accounting adjustment*
6 *pursuant to subsection 10 of NRS 704.110 is not eligible to request*
7 *an adjustment to its deferred energy accounting adjustment in its*
8 *annual deferred energy accounting adjustment application.*

9 5. As used in this section:

10 (a) "Annual deferred energy accounting adjustment application"
11 means an application filed by an electric utility pursuant to this
12 section and subsection ~~9~~ 11 of NRS 704.110.

13 (b) "Costs for purchased fuel and purchased power" means all
14 costs which are prudently incurred by an electric utility and which
15 are required to purchase fuel, to purchase capacity and to purchase
16 energy. The term does not include any costs that the Commission
17 determines are not recoverable pursuant to subsection ~~9~~ 11 of
18 NRS 704.110.

19 (c) "Electric utility" means any public utility or successor in
20 interest that:

21 (1) Is in the business of providing electric service to
22 customers;

23 (2) Holds a certificate of public convenience and necessity
24 issued or transferred pursuant to this chapter; and

25 (3) In the most recently completed calendar year or in any
26 other calendar year within the 7 calendar years immediately
27 preceding the most recently completed calendar year, had a gross
28 operating revenue of \$250,000,000 or more in this State.

29 ↪ The term does not include a cooperative association, nonprofit
30 corporation, nonprofit association or provider of electric service
31 which is declared to be a public utility pursuant to NRS 704.673 and
32 which provides service only to its members.

33 **Sec. 8.** This act becomes effective upon passage and approval.



