

SENATE BILL No. 300—SENATOR BROOKS

MARCH 18, 2019

Referred to Committee on Growth and Infrastructure

SUMMARY—Revises provisions governing the rates charged by electric utilities. (BDR 58-302)

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

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

AN ACT relating to electric utilities; authorizing an electric utility to file an application for the establishment of an alternative rate-making plan; requiring the Public Utilities Commission of Nevada to adopt regulations governing the filing of such an application; revising the dates for the filing of general rate applications by electric utilities; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 **Section 16** of this bill requires the Public Utilities Commission of Nevada to
2 adopt regulations establishing procedures for an electric utility to apply to the
3 Commission for the approval of an alternative rate-making plan, which establishes
4 the alternative rate-making mechanisms that the utility is authorized to use to set
5 rates during the time period of the plan. The regulations adopted by the
6 Commission must: (1) establish the alternative rate-making mechanisms that may
7 be included in a plan and any limitations on such alternative rate-making
8 mechanisms; (2) provide the information that must be included in an alternative
9 rate-making plan and an application for the approval of such a plan; (3) specify the
10 circumstances under which an electric utility for which an alternative rate-making
11 plan has been approved must file a general rate application; (4) provide a process to
12 educate customers of an electric utility regarding alternative rate-making
13 mechanisms; and (5) establish criteria for the evaluation of an alternative rate-
14 making plan.

15 **Section 17** of this bill authorizes an electric utility to submit an application to
16 establish an alternative rate-making plan pursuant to the regulations adopted by the
17 Commission, establishes time limits for the Commission to approve or deny such
18 an application and requires the Commission to conduct a consumer session before
19 taking action on such an application. **Section 17** authorizes the Commission to
20 extend the time for an electric utility to submit its next general rate application
21 while an application for the approval of an alternative rate-making plan is pending
22 before the Commission. **Section 17** requires an application for the approval of an



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23 alternative rate-making plan to include a plan to educate the customers of the
24 electric utility regarding the alternative rate-making mechanisms in the plan
25 proposed by the utility. **Section 17** provides that the Commission may only approve
26 an application for the approval of an alternative rate-making plan if the
27 Commission determines that the plan meets certain requirements. **Section 17** also
28 authorizes an alternative rate-making plan to include certain provisions, including a
29 mechanism for earnings sharing with the customers of the utility, a provision
30 authorizing the filing of a complaint against the utility and a term or condition
31 waiving the requirement for the utility to file a general rate application every 36
32 months. **Section 19** of this bill makes a conforming change.

33 **Section 20** of this bill revises the dates by which electric utilities must file
34 general rate applications.

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

1 **Section 1.** (Deleted by amendment.)

2 **Sec. 2.** (Deleted by amendment.)

3 **Sec. 3.** (Deleted by amendment.)

4 **Sec. 4.** Chapter 704 of NRS is hereby amended by adding
5 thereto the provisions set forth as sections 5 to 18, inclusive, of this
6 act.

7 **Sec. 5.** *As used in sections 5 to 18, inclusive, of this act,
8 unless the context otherwise requires, the words and terms defined
9 in sections 6 to 15, inclusive, of this act have the meanings
10 ascribed to them in those sections.*

11 **Sec. 6.** *“Alternative rate-making mechanism” means a rate-
12 making mechanism in an alternative rate-making plan and
13 includes, without limitation, performance-based rates, formula
14 rates, multi-year rate plans, subscription pricing, an earnings-
15 sharing mechanism, decoupling mechanism or any other rate-
16 making mechanism authorized by the Commission by regulation.*

17 **Sec. 7.** *“Alternative rate-making plan” means a plan that
18 would implement one or more alternative rate-making
19 mechanisms to be used in addition to or in place of the rate-
20 making process established by NRS 704.110.*

21 **Sec. 8.** *“Decoupling mechanism” means a mechanism that
22 disassociates an electric utility’s financial performance and results
23 from the sales of electricity by the electric utility.*

24 **Sec. 9.** *“Earnings-sharing mechanism” means a mechanism
25 designed by the Commission that requires an electric utility to
26 share earnings with its fully bundled customers if such earnings
27 are above a specific percentage of return on equity.*

28 **Sec. 10.** *“Electric utility” has the meaning ascribed to it in
29 NRS 704.187.*



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1 Sec. 11. “*Formula rates*” means rates that are periodically
2 adjusted based on a predetermined formula approved by the
3 Commission without the need for an electric utility to file a
4 general rate application pursuant to NRS 704.110.

5 Sec. 12. “*Fully bundled customer*” means a customer of an
6 electric utility who receives energy, transmission, distribution and
7 ancillary services from the electric utility.

8 Sec. 13. “*Multi-year rate plan*” means a rate mechanism
9 under which the Commission sets rates and revenue requirements
10 for a multi-year plan period of more than 36 months, including,
11 without limitation, a plan which authorizes periodic changes in
12 rates, including, without limitation, adjustments to accounts for
13 inflation or capital investments, without a general rate application.

14 Sec. 14. “*Performance-based rates*” means rates that are set
15 or adjusted based on the performance of an electric utility as
16 determined by such performance metrics as the Commission may
17 establish.

18 Sec. 15. “*Subscription pricing*” means a rate offering to the
19 customers of an electric utility that is based upon a set,
20 subscription-based fee and may include other conditions for the
21 subscription-based rate.

22 Sec. 16. The Commission shall adopt regulations to establish
23 procedures for an electric utility to apply to the Commission for
24 the approval of an alternative rate-making plan. The regulations
25 must:

26 1. Establish the alternative rate-making mechanisms that
27 may be included in such a plan and any limitations on such
28 alternative rate-making mechanisms as the Commission deems
29 appropriate, including, without limitation, any restrictions on the
30 types of alternative rate-making mechanisms that may be used in
31 concert within the same alternative rate-making plan.

32 2. Provide the information that must be included in an
33 alternative rate-making plan and an application submitted
34 pursuant to the regulations adopted pursuant to this section.

35 3. Specify the circumstances under which an electric utility
36 for which the Commission has approved an alternative rate-
37 making plan is required to file a general rate application pursuant
38 to NRS 704.110 including, without limitation, if the alternative
39 rate-making plan ceases to meet the criteria established by the
40 Commission pursuant to subsection 5.

41 4. Provide a process to educate customers of an electric utility
42 regarding the available alternative rate-making mechanisms that
43 may be included in an alternative rate-making plan.



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1 5. Establish criteria for the evaluation of an alternative rate-
2 making plan which may include, without limitation, whether the plan:

3 (a) Aligns an economically viable utility model with state
4 public policy goals.

5 (b) Provides for just and reasonable rates that are comparable
6 to rates established pursuant to NRS 704.110.

7 (c) Enables the delivery of electric service and options for
8 services and pricing that customers value including, without
9 limitation, the development and the use of renewable resources by
10 customers that prioritize such resources above other factors,
11 including price.

12 (d) Fosters statewide improvements to the economic and
13 operational efficiency of the electrical grid.

14 (e) Furthering the public interest including, without limitation,
15 the promotion of safe, economic, efficient and reliable electric
16 service to all customers of the electric utility.

17 (f) Enhances the resilience and security of the electrical grid
18 while addressing concerns regarding customer privacy.

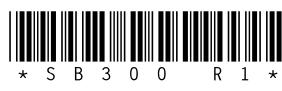
19 (g) Ensures that customers of an electric utility benefit from
20 lower regulatory administrative costs where appropriate.

21 (h) Facilitates the research and development of innovative
22 electric utility services and options to benefit customers.

23 (i) Balances the interests of customers and shareholders by
24 providing for services that customers want while preserving
25 reasonable shareholder value.

26 6. The Commission is not required to accept applications to
27 establish an alternative rate-making plan if the Commission
28 determines, after a reasonable investigation, that the use of
29 alternative rate-making plan is not consistent with the criteria
30 established by the Commission pursuant to subsection 5.

31 Sec. 17. 1. Except as otherwise provided in subsection 6 of
32 section 16 of this act, and in accordance with the regulations
33 adopted by the Commission pursuant to section 16 of this act, an
34 electric utility may apply to the Commission to establish an
35 alternative rate-making plan which sets forth the alternative rate-
36 making mechanisms to be used to establish rates during the time
37 period covered by the plan. The Commission shall approve, with or
38 without modifications, or deny the application not later than 210
39 days after the Commission receives a copy of the application
40 unless the Commission, upon good cause, extends by not more
41 than 90 days the time to act upon the application. If the
42 Commission fails to act upon an application within the time
43 provided by this subsection, the application shall be deemed to be
44 denied.



1 2. Upon the request of an electric utility, the Commission may
2 extend the time by which the electric utility is required to file its
3 next general rate application pursuant to subsection 3 of NRS
4 704.110 while the application submitted pursuant to subsection 1
5 is pending.

6 3. The Commission shall conduct at least one consumer
7 session pursuant to NRS 704.069 to solicit comments from the
8 public before taking action on an application submitted pursuant
9 to subsection 1.

10 4. The Commission shall not approve an application
11 submitted pursuant to subsection 1 unless the Commission
12 determines that the plan:

- 13 (a) Is in the public interest;
- 14 (b) Results in just and reasonable rates for the fully bundled
15 customers of the electric utility;
- 16 (c) Adequately protects the interests of electric consumers;
- 17 (d) Satisfies the criteria established by the Commission
18 pursuant to subsection 5 of section 16 of this act;
- 19 (e) Specifies the time period to which the plan applies; and
- 20 (f) Includes a plan for educating the customers of the electric
21 utility regarding the alternative rate-making mechanisms included
22 in the plan.

23 5. An alternative rate-making plan may include, without
24 limitation:

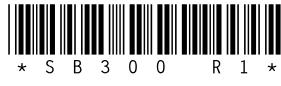
- 25 (a) An earnings-sharing mechanism that balances the interests
26 of retail customers that purchase electricity for consumption in
27 this State and the shareholders of the electric utility.
- 28 (b) A provision authorizing any customer or the Commission
29 to initiate a complaint or investigation pursuant to NRS 704.120.
- 30 (c) A term or condition waiving the requirement that the
31 electric utility file a general rate application every 36 months
32 pursuant to subsection 3 of NRS 704.110.
- 33 (d) Any other term or condition proposed by an electric utility
34 or any party participating in the proceeding or that the
35 Commission finds is reasonable and serves the public interest.

36 Sec. 18. The provisions of sections 5 to 18, inclusive, of this
37 act must not be construed to limit the existing rate-making
38 authority of the Commission.

39 Sec. 19. NRS 704.100 is hereby amended to read as follows:

40 704.100 1. Except as otherwise provided in NRS 704.075
41 and 704.68861 to 704.68887, inclusive, or as may otherwise be
42 provided by the Commission pursuant to NRS 704.095 . ~~for~~
43 704.097 ~~for~~ or section 17 of this act:

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



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

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

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

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

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

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

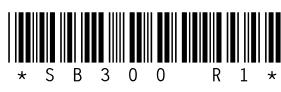
(f) Except as otherwise provided in paragraph (g), if the proposed change in any schedule does not change any rate or will result in an increase in annual gross operating revenue in an amount that does not exceed \$15,000:

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

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

→ A letter of advice filed pursuant to this paragraph must include a certification by the attorney for the public utility or an affidavit by an authorized representative of the public utility that to the best of the signatory's knowledge, information and belief, formed after a reasonable inquiry, the proposed change in schedule does not change any rate or result in an increase in the annual gross operating revenue of the public utility in an amount that exceeds \$15,000.

(g) If the applicant is a small-scale provider of last resort and the proposed change in any schedule will result in an increase in annual gross operating revenue in an amount that does not exceed \$50,000



1 or 10 percent of the applicant's annual gross operating revenue,
2 whichever is less:

3 (1) The small-scale provider of last resort may file the
4 proposed change with the Commission using a letter of advice in
5 lieu of filing an application if the small-scale provider of last resort:

6 (I) Includes with the letter of advice a certification by the
7 attorney for the small-scale provider of last resort or an affidavit by
8 an authorized representative of the small-scale provider of last resort
9 that to the best of the signatory's knowledge, information and belief,
10 formed after a reasonable inquiry, the proposed change in schedule
11 does not change any rate or result in an increase in the annual gross
12 operating revenue of the small-scale provider of last resort in an
13 amount that exceeds \$50,000 or 10 percent, whichever is less;

14 (II) Demonstrates that the proposed change in schedule is
15 required by or directly related to a regulation or order of the Federal
16 Communications Commission; and

17 (III) Except as otherwise provided in subsection 2, files
18 the letter of advice not later than 5 years after the Commission has
19 issued a final order on a general rate application filed by the
20 applicant in accordance with subsection 3 of NRS 704.110; and

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

23 ➔ Not later than 10 business days after the filing of a letter of
24 advice pursuant to subparagraph (1), the Regulatory Operations
25 Staff of the Commission or any other interested party may file with
26 the Commission a request that the Commission order an applicant to
27 file a general rate application in accordance with subsection 3 of
28 NRS 704.110. The Commission may hold a hearing to consider such
29 a request.

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

35 2. An applicant that is a small-scale provider of last resort may
36 submit to the Commission a written request for a waiver of the
37 5-year period specified in sub subparagraph (III) of subparagraph
38 (1) of paragraph (g) of subsection 1. The Commission shall, not later
39 than 90 days after receipt of such a request, issue an order approving
40 or denying the request. The Commission may approve the request if
41 the applicant provides proof satisfactory to the Commission that the
42 applicant is not earning more than the rate of return authorized by
43 the Commission and that it is in the public interest for the
44 Commission to grant the request for a waiver. The Commission
45 shall not approve a request for a waiver if the request is submitted



1 later than 7 years after the issuance by the Commission of a final
2 order on a general rate application filed by the applicant in
3 accordance with subsection 3 of NRS 704.110. If the Commission
4 approves a request for a waiver submitted pursuant to this
5 subsection, the applicant shall file the letter of advice pursuant to
6 subparagraph (1) of paragraph (g) of subsection 1 not earlier than
7 120 days after the date on which the applicant submitted the request
8 for a waiver pursuant to this subsection, unless the order issued by
9 the Commission approving the request for a waiver specifies a
10 different period for the filing of the letter of advice.

11 3. As used in this section, “electric utility” has the meaning
12 ascribed to it in NRS 704.187.

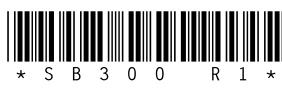
13 **Sec. 20.** NRS 704.110 is hereby amended to read as follows:

14 704.110 Except as otherwise provided in NRS 704.075 and
15 704.68861 to 704.68887, inclusive, or as may otherwise be provided
16 by the Commission pursuant to NRS 704.095 or 704.097:

17 1. If a public utility files with the Commission an application to
18 make changes in any schedule, including, without limitation,
19 changes that will result in a discontinuance, modification or
20 restriction of service, the Commission shall investigate the propriety
21 of the proposed changes to determine whether to approve or
22 disapprove the proposed changes. If an electric utility files such an
23 application and the application is a general rate application or an
24 annual deferred energy accounting adjustment application, the
25 Consumer’s Advocate shall be deemed a party of record.

26 2. Except as otherwise provided in subsection 3, if a public
27 utility files with the Commission an application to make changes in
28 any schedule, the Commission shall, not later than 210 days after the
29 date on which the application is filed, issue a written order
30 approving or disapproving, in whole or in part, the proposed
31 changes.

32 3. If a public utility files with the Commission a general rate
33 application, the public utility shall submit with its application a
34 statement showing the recorded results of revenues, expenses,
35 investments and costs of capital for its most recent 12 months for
36 which data were available when the application was prepared.
37 Except as otherwise provided in subsection 4, in determining
38 whether to approve or disapprove any increased rates, the
39 Commission shall consider evidence in support of the increased
40 rates based upon actual recorded results of operations for the same
41 12 months, adjusted for increased revenues, any increased
42 investment in facilities, increased expenses for depreciation, certain
43 other operating expenses as approved by the Commission and
44 changes in the costs of securities which are known and are
45 measurable with reasonable accuracy at the time of filing and which



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1 will become effective within 6 months after the last month of those
2 12 months, but the public utility shall not place into effect any
3 increased rates until the changes have been experienced and
4 certified by the public utility to the Commission and the
5 Commission has approved the increased rates. The Commission
6 shall also consider evidence supporting expenses for depreciation,
7 calculated on an annual basis, applicable to major components of the
8 public utility's plant placed into service during the recorded test
9 period or the period for certification as set forth in the application.
10 Adjustments to revenues, operating expenses and costs of securities
11 must be calculated on an annual basis. Within 90 days after the date
12 on which the certification required by this subsection is filed with
13 the Commission, or within the period set forth in subsection 2,
14 whichever time is longer, the Commission shall make such order in
15 reference to the increased rates as is required by this chapter. The
16 following public utilities shall each file a general rate application
17 pursuant to this subsection based on the following schedule:

(a) An electric utility that primarily serves less densely populated counties shall file a general rate application ~~not~~:

(1) Not later than 5 p.m. on or before the first Monday in June [2010,] 2019; and [at least once]

25 (b) An electric utility that primarily serves densely populated
26 counties shall file a general rate application ~~not~~:

27 (1) Not later than 5 p.m. on or before the first Monday in
28 June [2011,] 2020; and [at least once]

32 (c) A public utility that furnishes water for municipal, industrial
33 or domestic purposes or services for the disposal of sewage, or both,
34 which had an annual gross operating revenue of \$2,000,000 or more
35 for at least 1 year during the immediately preceding 3 years and
36 which had not filed a general rate application with the Commission
37 on or after July 1, 2005, shall file a general rate application on or
38 before June 30, 2008, and at least once every 36 months thereafter
39 unless waived by the Commission pursuant to standards adopted by
40 regulation of the Commission. If a public utility furnishes both
41 water and services for the disposal of sewage, its annual gross
42 operating revenue for each service must be considered separately for
43 determining whether the public utility meets the requirements of this
44 paragraph for either service.



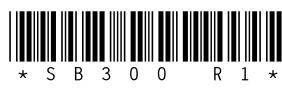
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1 (d) A public utility that furnishes water for municipal, industrial
2 or domestic purposes or services for the disposal of sewage, or both,
3 which had an annual gross operating revenue of \$2,000,000 or more
4 for at least 1 year during the immediately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

14 → The Commission shall adopt regulations setting forth standards
15 for waivers pursuant to paragraphs (c) and (d) and for including the
16 costs incurred by the public utility in preparing and presenting the
17 general rate application before the effective date of any change in
18 rates.

19 4. In addition to submitting the statement required pursuant to
20 subsection 3, a public utility may submit with its general rate
21 application a statement showing the effects, on an annualized basis,
22 of all expected changes in circumstances. If such a statement is
23 filed, it must include all increases and decreases in revenue and
24 expenses which may occur within 210 days after the date on which
25 its general rate application is filed with the Commission if such
26 expected changes in circumstances are reasonably known and are
27 measurable with reasonable accuracy. If a public utility submits
28 such a statement, the public utility has the burden of proving that the
29 expected changes in circumstances set forth in the statement are
30 reasonably known and are measurable with reasonable accuracy.
31 The Commission shall consider expected changes in circumstances
32 to be reasonably known and measurable with reasonable accuracy if
33 the expected changes in circumstances consist of specific and
34 identifiable events or programs rather than general trends, patterns
35 or developments, have an objectively high probability of occurring
36 to the degree, in the amount and at the time expected, are primarily
37 measurable by recorded or verifiable revenues and expenses and are
38 easily and objectively calculated, with the calculation of the
39 expected changes relying only secondarily on estimates, forecasts,
40 projections or budgets. If the Commission determines that the public
41 utility has met its burden of proof:

42 (a) The Commission shall consider the statement submitted
43 pursuant to this subsection and evidence relevant to the statement,
44 including all reasonable projected or forecasted offsets in revenue
45 and expenses that are directly attributable to or associated with the



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1 expected changes in circumstances under consideration, in addition
2 to the statement required pursuant to subsection 3 as evidence in
3 establishing just and reasonable rates for the public utility; and

4 (b) The public utility is not required to file with the Commission
5 the certification that would otherwise be required pursuant to
6 subsection 3.

7 5. If a public utility files with the Commission an application to
8 make changes in any schedule and the Commission does not issue a
9 final written order regarding the proposed changes within the time
10 required by this section, the proposed changes shall be deemed to be
11 approved by the Commission.

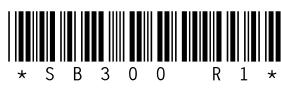
12 6. If a public utility files with the Commission a general rate
13 application, the public utility shall not file with the Commission
14 another general rate application until all pending general rate
15 applications filed by that public utility have been decided by the
16 Commission unless, after application and hearing, the Commission
17 determines that a substantial financial emergency would exist if the
18 public utility is not permitted to file another general rate application
19 sooner. The provisions of this subsection do not prohibit the public
20 utility from filing with the Commission, while a general rate
21 application is pending, an application to recover the increased cost
22 of purchased fuel, purchased power, or natural gas purchased for
23 resale pursuant to subsection 7, a quarterly rate adjustment pursuant
24 to subsection 8 or 10, any information relating to deferred
25 accounting requirements pursuant to NRS 704.185 or an annual
26 deferred energy accounting adjustment application pursuant to NRS
27 704.187, if the public utility is otherwise authorized to so file by
28 those provisions.

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

33 (a) An electric utility which is required to adjust its rates on a
34 quarterly basis pursuant to subsection 10; or

35 (b) A public utility which purchases natural gas for resale and
36 which adjusts its rates on a quarterly basis pursuant to subsection 8.

37 8. A public utility which purchases natural gas for resale must
38 request approval from the Commission to adjust its rates on a
39 quarterly basis between annual rate adjustment applications based
40 on changes in the public utility's recorded costs of natural gas
41 purchased for resale. A public utility which purchases natural gas
42 for resale and which adjusts its rates on a quarterly basis may
43 request approval from the Commission to make quarterly
44 adjustments to its deferred energy accounting adjustment. The
45 Commission shall approve or deny such a request not later than 120



1 days after the application is filed with the Commission. The
2 Commission may approve the request if the Commission finds that
3 approval of the request is in the public interest. If the Commission
4 approves a request to make quarterly adjustments to the deferred
5 energy accounting adjustment of a public utility pursuant to this
6 subsection, any quarterly adjustment to the deferred energy
7 accounting adjustment must not exceed 2.5 cents per therm of
8 natural gas. If the balance of the public utility's deferred account
9 varies by less than 5 percent from the public utility's annual
10 recorded costs of natural gas which are used to calculate quarterly
11 rate adjustments, the deferred energy accounting adjustment must be
12 set to zero cents per therm of natural gas.

13 9. If the Commission approves a request to make any rate
14 adjustments on a quarterly basis pursuant to subsection 8:

15 (a) The public utility shall file written notice with the
16 Commission before the public utility makes a quarterly rate
17 adjustment. A quarterly rate adjustment is not subject to the
18 requirements for notice and a hearing pursuant to NRS 703.320 or
19 the requirements for a consumer session pursuant to subsection 1 of
20 NRS 704.069.

21 (b) The public utility shall provide written notice of each
22 quarterly rate adjustment to its customers by including the written
23 notice with a customer's regular monthly bill. The public utility
24 shall begin providing such written notice to its customers not later
25 than 30 days after the date on which the public utility files its
26 written notice with the Commission pursuant to paragraph (a). The
27 written notice that is included with a customer's regular monthly
28 bill:

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

31 (2) Must include the following:

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

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

38 (III) A statement that customers may send written
39 comments or protests regarding the rate adjustment to the
40 Commission;

41 (IV) A statement that the transactions and recorded costs
42 of natural gas which are the basis for any quarterly rate adjustment
43 will be reviewed for reasonableness and prudence in the next
44 proceeding held by the Commission to review the annual rate
45 adjustment application pursuant to paragraph (d); and



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(V) Any other information required by the Commission.

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

(d) The proceeding regarding the annual rate adjustment application must include a review of each quarterly rate adjustment and the transactions and recorded costs of natural gas included in each quarterly filing and the annual rate adjustment application. There is no presumption of reasonableness or prudence for any quarterly rate adjustment or for any transactions or recorded costs of natural gas included in any quarterly rate adjustment or the annual rate adjustment application, and the public utility has the burden of proving reasonableness and prudence in the proceeding.

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

10. An electric utility shall adjust its rates on a quarterly basis based on changes in the electric utility's recorded costs of purchased fuel or purchased power. In addition to adjusting its rates on a quarterly basis, an electric utility may request approval from the Commission to make quarterly adjustments to its deferred energy accounting adjustment. The Commission shall approve or deny such a request not later than 120 days after the application is filed with the Commission. The Commission may approve the request if the Commission finds that approval of the request is in the public interest. If the Commission approves a request to make quarterly adjustments to the deferred energy accounting adjustment of an electric utility pursuant to this subsection, any quarterly adjustment to the deferred energy accounting adjustment must not exceed 0.25 cents per kilowatt-hour of electricity. If the balance of the electric utility's deferred account varies by less than 5 percent from the electric utility's annual recorded costs for purchased fuel or purchased power which are used to calculate quarterly rate adjustments, the deferred energy accounting adjustment must be set to zero cents per kilowatt-hour of electricity.

11. A quarterly rate adjustment filed pursuant to subsection 10 is subject to the following requirements:



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1 (a) The electric utility shall file written notice with the
2 Commission on or before August 15, 2007, and every quarter
3 thereafter of the quarterly rate adjustment to be made by the electric
4 utility for the following quarter. The first quarterly rate adjustment
5 by the electric utility will take effect on October 1, 2007, and each
6 subsequent quarterly rate adjustment will take effect every quarter
7 thereafter. The first quarterly adjustment to a deferred energy
8 accounting adjustment must be made pursuant to an order issued by
9 the Commission approving the application of an electric utility to
10 make quarterly adjustments to its deferred energy accounting
11 adjustment. A quarterly rate adjustment is not subject to the
12 requirements for notice and a hearing pursuant to NRS 703.320 or
13 the requirements for a consumer session pursuant to subsection 1 of
14 NRS 704.069.

15 (b) The electric utility shall provide written notice of each
16 quarterly rate adjustment to its customers by including the written
17 notice with a customer's regular monthly bill. The electric utility
18 shall begin providing such written notice to its customers not later
19 than 30 days after the date on which the electric utility files a written
20 notice with the Commission pursuant to paragraph (a). The written
21 notice that is included with a customer's regular monthly bill:

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

24 (2) Must include the following:

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

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

31 (III) A statement that customers may send written
32 comments or protests regarding the rate adjustment to the
33 Commission;

34 (IV) A statement that the transactions and recorded costs
35 of purchased fuel or purchased power which are the basis for any
36 quarterly rate adjustment will be reviewed for reasonableness and
37 prudence in the next proceeding held by the Commission to review
38 the annual deferred energy accounting adjustment application
39 pursuant to paragraph (d); and

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

41 (c) The electric utility shall file an annual deferred energy
42 accounting adjustment application pursuant to NRS 704.187 with
43 the Commission. The annual deferred energy accounting adjustment
44 application is subject to the requirements for notice and a hearing



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1 pursuant to NRS 703.320 and the requirements for a consumer
2 session pursuant to subsection 1 of NRS 704.069.

3 (d) The proceeding regarding the annual deferred energy
4 accounting adjustment application must include a review of each
5 quarterly rate adjustment and the transactions and recorded costs of
6 purchased fuel and purchased power included in each quarterly
7 filing and the annual deferred energy accounting adjustment
8 application. There is no presumption of reasonableness or prudence
9 for any quarterly rate adjustment or for any transactions or recorded
10 costs of purchased fuel and purchased power included in any
11 quarterly rate adjustment or the annual deferred energy accounting
12 adjustment application, and the electric utility has the burden of
13 proving reasonableness and prudence in the proceeding.

14 (e) The Commission shall not allow the electric utility to recover
15 any recorded costs of purchased fuel and purchased power which
16 were the result of any practice or transaction that was unreasonable
17 or was undertaken, managed or performed imprudently by the
18 electric utility, and the Commission shall order the electric utility to
19 adjust its rates if the Commission determines that any recorded costs
20 of purchased fuel and purchased power included in any quarterly
21 rate adjustment or the annual deferred energy accounting adjustment
22 application were not reasonable or prudent.

23 12. If an electric utility files an annual deferred energy
24 accounting adjustment application pursuant to subsection 11 and
25 NRS 704.187 while a general rate application is pending, the
26 electric utility shall:

27 (a) Submit with its annual deferred energy accounting
28 adjustment application information relating to the cost of service
29 and rate design; and

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

33 13. A utility facility identified in a 3-year plan submitted
34 pursuant to NRS 704.741 and accepted by the Commission for
35 acquisition or construction pursuant to NRS 704.751 and the
36 regulations adopted pursuant thereto, or the retirement or
37 elimination of a utility facility identified in an emissions reduction
38 and capacity replacement plan submitted pursuant to NRS 704.7316
39 and accepted by the Commission for retirement or elimination
40 pursuant to NRS 704.751 and the regulations adopted pursuant
41 thereto, shall be deemed to be a prudent investment. The utility may
42 recover all just and reasonable costs of planning and constructing, or
43 retiring or eliminating, as applicable, such a facility. For the
44 purposes of this subsection, a plan or an amendment to a plan shall
45 be deemed to be accepted by the Commission only as to that portion



1 of the plan or amendment accepted as filed or modified with the
2 consent of the utility pursuant to NRS 704.751.

3 14. In regard to any rate or schedule approved or disapproved
4 pursuant to this section, the Commission may, after a hearing:

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

7 (1) Until a date determined by the Commission; and
8 (2) Under conditions as determined by the Commission,
9 including, without limitation, a requirement that interest charges be
10 included in the collection of the new rate; and

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

13 15. The Commission may, upon request and for good cause
14 shown, permit a public utility which purchases natural gas for resale
15 or an electric utility to make a quarterly adjustment to its deferred
16 energy accounting adjustment in excess of the maximum allowable
17 adjustment pursuant to subsection 8 or 10.

18 16. A public utility which purchases natural gas for resale or an
19 electric utility that makes quarterly adjustments to its deferred
20 energy accounting adjustment pursuant to subsection 8 or 10 may
21 submit to the Commission for approval an application to discontinue
22 making quarterly adjustments to its deferred energy accounting
23 adjustment and to subsequently make annual adjustments to its
24 deferred energy accounting adjustment. The Commission may
25 approve an application submitted pursuant to this subsection if the
26 Commission finds that approval of the application is in the public
27 interest.

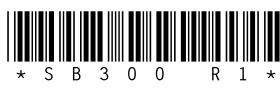
28 17. As used in this section:

29 (a) “Deferred energy accounting adjustment” means the rate of a
30 public utility which purchases natural gas for resale or an electric
31 utility that is calculated by dividing the balance of a deferred
32 account during a specified period by the total therms or kilowatt-
33 hours which have been sold in the geographical area to which the
34 rate applies during the specified period.

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

37 (c) “Electric utility that primarily serves densely populated
38 counties” means an electric utility that, with regard to the provision
39 of electric service, derives more of its annual gross operating
40 revenue in this State from customers located in counties whose
41 population is 700,000 or more than it does from customers located
42 in counties whose population is less than 700,000.

43 (d) “Electric utility that primarily serves less densely populated
44 counties” means an electric utility that, with regard to the provision
45 of electric service, derives more of its annual gross operating



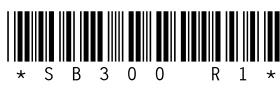
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1 revenue in this State from customers located in counties whose
2 population is less than 700,000 than it does from customers located
3 in counties whose population is 700,000 or more.

4 **Sec. 21.** The provisions of this act must not be construed to
5 invalidate the effectiveness of any rate, charge, classification or joint
6 rate fixed by the Commission before the effective date of this act,
7 and such rates, charges, classifications and joint rates remain in
8 force, and are *prima facie* lawful, from the date of the order of the
9 Commission fixing such rates, charges, classifications and joint
10 rates until changed or modified by the Commission, or pursuant to
11 NRS 703.373 to 703.376, inclusive.

12 **Sec. 22.** This act becomes effective upon passage and
13 approval.

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