SENATE BILL NO. 222–SENATOR O'CONNELL

FEBRUARY 18, 1999

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing recovery of certain costs by electric utilities. (BDR 58-467)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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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; revising the provisions governing the recovery of certain costs by a vertically integrated electric utility or an electric distribution utility; and providing other matters properly relating thereto.

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

Section 1. NRS 704.983 is hereby amended to read as follows:

704.983 1. **[**~~The~~**]** ***Upon a request filed by a vertically integrated electric utility, the*** commission shall determine ***, in accordance with this section,*** the recoverable costs associated with assets and obligations that are documented in the accounting records of **[**~~a~~**]** ***the*** vertically integrated electric utility and that are properly allocable to **[**~~a particular potentially competitive service as of the date on which alternative sellers of similar~~**]** ***generation, aggregation or other*** potentially competitive services ***.*** **[**~~begin providing such service to customers in this state.~~**]** Shareholders of the vertically integrated electric utility must be compensated fully for all such costs determined by the commission. In determining the recoverable costs, the commission shall take into account:

(a) The extent to which the utility was legally required to incur the costs ***;*** **[**~~of the assets and obligations;~~**]**

(b) The extent to which the market value of the assets and obligations of the utility, relating to the provision of ***generation, aggregation and other*** potentially competitive services, exceeds the costs of the assets and obligations;

(c) The effectiveness of the efforts of the utility to increase the market value and realize the market value of any assets, and to decrease the costs of any obligations, associated with the provision of ***generation, aggregation and other*** potentially competitive services;

(d) **[**~~The extent to which the rates previously established by the commission have compensated shareholders for the risk of not recovering the costs of the assets and obligations;~~

~~(e)~~**]** The effects of the difference between the market value and the cost, including, without limitation, tax considerations, for the assets and obligations; and

[~~(f)~~**]** ***(e)*** If the utility had the discretion to determine whether to incur or mitigate the costs, the conduct of the utility with respect to the costs **[**~~of the assets and obligations~~**]** when compared to other utilities with similar obligations to serve the public.

2. For the purposes of **[**~~this section,~~**]** ***subsection 1,*** the commission **[**~~may~~**]** ***shall*** impose a procedure for the direct and unavoidable recovery from ratepayers **[**~~of the portion~~**]** of the past costs which are determined by the commission to be owed by the ratepayers. The procedure must include a determination of the period over which the recovery **[**~~may~~**]** ***must*** occur and include the authority for the commission to assess charges on those customers on whose behalf the vertically integrated electric utility incurred costs who are no longer receiving transmission or distribution service, or both, from the vertically integrated electric utility. Such determinations and procedures must not discriminate against a participant in the market.

3. The cost of a contract between a vertically integrated electric utility and a qualified facility for the purchase of power, and of any other contract of the utility for the purchase of power, must be fully recovered by the utility from all of the customers of the utility on an equitable basis. As used in this subsection, "qualified facility" means a cogeneration facility or small power production facility that meets the criteria of and is certified as a qualified facility pursuant to Subpart B of Part 292 of Title 18 of the Code of Federal Regulations, as that subpart existed on January 1, 1999.

4. To recover the costs incurred in the implementation of the competitive provision of electric service, including generation, aggregation and any other potentially competitive service, a vertically integrated electric utility or an electric distribution utility must:

(a) Record those costs in its accounting records in deferred accounts; and

(b) Annually file a request for the recovery of those costs with the commission.

Upon a determination by the commission that the costs are properly recoverable pursuant to this section, the commission shall provide for the full recovery of those costs.

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