SENATE BILL NO. 507-COMMITTEE ON COMMERCE AND LABOR

MARCH 26, 2001

Referred to Committee on Commerce and Labor

SUMMARY—Revises and repeals various provisions concerning utilities and energy. (BDR 58-1450)

FISCAL NOTE: Effect on Local Government: No.

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17 18 Effect on the State: 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 energy; revising and repealing various provisions concerning utilities and energy; clarifying certain procedures and requirements governing the regulation of utilities; expanding the availability of net metering; requiring the terms and conditions of certain contracts or agreements related to net metering and net metering systems to be approved by the public utilities commission of Nevada; 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 703.330 is hereby amended to read as follows:

703.330 1. A complete record must be kept of all hearings before the commission. [, and all] All testimony at such hearings must be taken down by the stenographer appointed by the commission, or, under the direction of any competent person appointed by the commission, must be reported by sound recording equipment in the manner authorized for reporting testimony in district courts. The testimony reported by a stenographer must be transcribed, and the transcript filed with the record in the matter. The commission may by regulation provide for the transcription or safekeeping of sound recordings. Cost of recording and transcribing testimony at any hearing, except those hearings ordered pursuant to NRS 703.310, must be paid by the applicant. If a complaint is made pursuant to NRS 703.310 by a customer or by a political subdivision of the state or municipal organization, the complainant is not liable for any costs. Otherwise, if there are several applicants or parties to any hearing, the commission may apportion the costs among them in its discretion.

2. [Whenever any complaint] If a petition is served upon the commission as provided in NRS 703.373 for the bringing of an action against the commission, before the action is reached for trial, the



commission shall file a certified copy of all proceedings and testimony taken with the clerk of the court in which the action is pending.

- 3. A copy of the proceedings and testimony must be furnished to any party, on payment of a reasonable amount, to be fixed by the commission, and the amount must be the same for all parties.
- 4. The provisions of this section do not prohibit the commission from restricting access to the records and transcripts of a hearing pursuant to paragraph (a) of subsection 3 of NRS 703.196.
- **Sec. 2.** NRS 703.373 is hereby amended to read as follows: 703.373 1. Any party of record to a proceeding before the commission is entitled to judicial review of the final [decision.
- Proceedings order of the commission.

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- 2. To institute proceedings for judicial review [may be instituted by filing| pursuant to this section:
- (a) A party of record must file a petition for judicial review in the district court in and for:
 - (1) Carson City [, in and for the];
- (2) The county in which the party resides [, or in and for the]; or
 (3) The county where the act on which the proceeding is based occurred [. A];
 - (b) The petition must be filed [within] in such district court:
- (1) Not later than 90 days after the date of service of the final [decision] order of the commission [or, if]; or
- (2) If a rehearing is held, [within] not later than 30 days after the vision thereon. Copies date of service of the final order of the commission on the rehearing; and
- (c) The petition must be served upon the commission and all other parties of record.
- 3. [The] To respond to the petition, the commission and other [defendants shall] parties of record must file their answers to the petition within not later than 30 days after the date of service [thereof, whereupon of the petition. On the date on which such answers must be *filed*, the action is at issue and **[they]** the parties must be ready for a hearing upon 20 days' notice to [either party.] the parties.
 - 4. The *court shall:*
- (a) Conduct its review [must be conducted by the court] of the petition without a jury [and be confined];
- (b) Confine its review to the record [. In], except that in cases of alleged irregularities in procedure before the commission, not shown in the record, the court may take proof [thereon may be taken in the upon request, shall of such alleged irregularities; and
 - (c) Upon request, hear oral argument and receive written briefs.
- All actions brought under this section have precedence over any civil action of a different nature pending in the court.
- 6. The court shall not substitute its judgment for that of the commission as to the weight of the evidence on questions of fact. The court may affirm the decision of the commission or set it aside in whole or in part if substantial rights of the appellant have been prejudiced because the administrative findings, inferences, conclusions or decisions are:



- (a) In violation of constitutional or statutory provisions;
- (b) In excess of the statutory authority of the commission;
 - (c) Made upon unlawful procedure;
- (d) Affected by other error of law:

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- (e) Clearly erroneous in view of the reliable, probative and substantial evidence on the whole record; or
 - (f) Arbitrary or capricious or characterized by abuse of discretion.
- Sec. 3. NRS 703.377 is hereby amended to read as follows: 703.377 1. [No] Any certificate of public convenience and necessity, permit or license issued or transferred in accordance with the [terms] provisions of NRS [704.005] 704.001 to 704.751, inclusive, is [either] not a franchise or irrevocable.
- 2. Upon receipt of a written complaint or on its own motion, the commission may, after investigation and hearing, revoke any certificate, permit or license, [but as to] except that the commission may not revoke the certificate of a public utility to provide the service for which the certificate was granted.
- 3. [The proceedings thereafter are governed by] If the commission revokes any certificate, permit or license, the person who held the certificate, permit or license may seek judicial review pursuant to the provisions of NRS 703.373 to 703.376, inclusive.
 - **Sec. 4.** NRS 704.070 is hereby amended to read as follows:
- 704.070 Unless exempt under the provisions of NRS 704.075, **704.095** or 704.097:
- 1. Every Each public utility shall file with the commission, within a time to be fixed by the commission, schedules which must be open to public inspection [, showing all] and which must show:
- (a) All rates, tolls and charges which [it] the public utility has established and which are *currently* in force [at the time] for any service performed or product furnished [in connection therewith by any] by the public utility [controlled and operated by it.]; and
- (b) All joint rates, tolls and charges which the public utility has established with one or more other public utilities and which are currently in force between those public utilities for any service performed or product furnished by those public utilities.
- 2. All rules or regulations that in any manner affect the rates, tolls or charges that are charged or [to] will be charged for any service performed or product furnished by the public utility must be filed with the appropriate schedule.
- 3. A copy of each schedule filed by the public utility pursuant to this section, or so much of the schedule as the commission deems necessary for inspection by the public, must be:
- (a) Printed in plain type and posted in each station or office of the public utility where payments are made to the public utility by its customers; and
- (b) Open to inspection by the public and in such form and place as to be readily accessible to and conveniently inspected by the public.



Sec. 5. NRS 704.075 is hereby amended to read as follows:

- 704.075 1. As used in this section, with respect to the sale of *natural* gas:
- (a) "Generating customer" means a customer who generates electricity by burning natural gas.
- (b) "Industrial customer" means a customer engaged primarily in manufacturing or processing which changes raw or unfinished materials into another form or creates another product.
- (c) "Large commercial customer" means a customer whose requirements equal or exceed [50 thousand] 50,000 cubic feet of natural gas per day on any day and which is an institution, an agency of federal, state or local government, or engaged primarily in renting out offices or other commercial space, in providing lodging or in the sale of other goods or services.
- 2. The commission shall establish standards for the setting, increase or decrease of rates and charges for natural gas to generating, industrial and large commercial customers. These standards must authorize increases or decreases on less than 30 days' notice. Establishing different classes of customers, and charging different rates to customers of the same class, for these customers do not violate this chapter.
- 3. The commission may, for sales to generating, industrial and large commercial customers:
- (a) Exempt the filing of rates from those provisions of NRS [704.080, 704.090,] 704.070, 704.100 and 704.110 which it determines are not needed to protect the public interest.
- (b) Authorize the establishment of different classes of customer or the charging of different rates for customers of the same class, based on value of the service and on the customer's ability to change from one fuel to another
 - **Sec. 6.** NRS 704.100 is hereby amended to read as follows:
- 704.100 Except as otherwise provided in NRS 704.075, or *except* as may otherwise be provided by the commission pursuant to NRS 704.095, 704.097 or 704.275:
- 1. [No changes may be made] A public utility shall not make changes in any schedule, including schedules of joint rates, or in the rules or regulations affecting any rates or charges, except upon 30 days' notice to the commission, and all changes must be plainly indicated, or by filing new schedules in lieu thereof 30 days before the time the schedules are to take effect. The commission, upon application of [any] the public utility, may prescribe a shorter time within which a reduction may be made.
- 2. [Copies] A public utility shall post copies of all proposed [,] schedules and all new or amended schedules [must be filed and posted in the offices of public utilities as required for original schedules.] in the same stations and 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.
- 3. A public utility may *not* set forth as justification for a rate increase *any* items of expense or rate base [which] *that previously* have been considered and disallowed by the commission, [only if] *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 **[commission's]** prior decision **[.]** of the commission.

4. The commission shall determine whether a hearing must be held when the proposed change in any schedule stating a new or revised individual or joint rate, fare or charge, or any new or revised individual or joint regulation or practice affecting any rate, fare or charge, will result in an increase in annual gross revenue as certified by the applicant of \$2,500 or less.

[5.] In making [the] such a determination, the commission shall first consider all timely written protests, any presentation the staff of the commission may desire to present, the application of the public utility and any other matters deemed relevant by the commission.

Sec. 7. NRS 704.110 is hereby amended to read as follows:

704.110 Except as otherwise provided in NRS 704.075, or *except* as otherwise provided by the commission pursuant to NRS 704.095 or 704.097:

- 1. Whenever there is filed with the commission any schedule stating a new or revised individual or joint rate or charge, or any new or revised individual or joint regulation or practice affecting any rate or charge, or any schedule resulting in a discontinuance, modification or restriction of service, the commission may, upon complaint or upon its own motion without complaint, at once, without answer or formal pleading by the interested utility, investigate or, upon reasonable notice, conduct a hearing concerning the propriety of the rate, charge, classification, regulation, discontinuance, modification, restriction or practice.
- 2. Pending the investigation or hearing and the decision thereon, the commission, upon delivering to the utility affected thereby a statement in writing of its reasons for the suspension, may suspend the operation of the schedule and defer the use of the rate, charge, classification, regulation, discontinuance, modification, restriction or practice, but not for more than 150 days beyond the time when the rate, charge, classification, regulation, discontinuance, modification, restriction or practice would otherwise go into effect.
- 3. Whenever there is filed with the commission any schedule stating an increased individual or joint rate or charge for service or equipment, the public utility shall submit with its application a statement showing the recorded results of revenues, expenses, investments and costs of capital for its most recent 12 months for which data were available when the application was prepared. During any hearing concerning the increased rates or charges determined by the commission to be necessary, the commission shall consider evidence in support of the increased rates or charges based upon actual recorded results of operations for the same 12 months, adjusted for increased revenues, any increased investment in facilities, increased expenses for depreciation, certain other operating expenses as approved by the commission and changes in the costs of securities which are known and are measurable with reasonable accuracy at the time of filing and which will become effective within 6 months after the last month of those 12 months, but no new rates or charges may be



placed into effect until the changes have been experienced and certified by the utility to the commission. The commission shall also consider evidence supporting expenses for depreciation, calculated on an annual basis, applicable to major components of the public utility's plant placed into service during the recorded test period or the period for certification as set forth in the application. Adjustments to revenues, operating expenses and costs of securities must be calculated on an annual basis. Within 90 days after the filing with the commission of the certification required in this subsection, or before the expiration of any period of suspension ordered pursuant to subsection 2, whichever time is longer, the commission shall make such order in reference to those rates or charges as is required by this chapter.

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- 4. After full investigation or hearing, whether completed before or after the date upon which the rate, charge, classification, regulation, discontinuance, modification, restriction or practice is to go into effect, the commission may make such order in reference to the rate, charge, classification, regulation, discontinuance, modification, restriction or practice as would be proper in a proceeding initiated after the rate, charge, classification, regulation, discontinuance, modification, restriction or practice has become effective.
- 5. Except as otherwise provided in subsection 6, whenever a general rate application for an increased rate or charge for, or classification, regulation, discontinuance, modification, restriction or practice involving service or equipment has been filed with the commission, a public utility shall not submit another general rate application until all pending general rate applications for increases in rates submitted by that public utility have been decided unless, after application and hearing, the commission determines that a substantial financial emergency would exist if the other application is not permitted to be submitted sooner.
- 6. A public utility may not file an application to recover the increased cost of purchased fuel, purchased power [,] or natural gas purchased for resale more often than once every 30 days.
- 7. A utility facility identified in a 3-year plan submitted pursuant to NRS 704.741 and accepted by the commission for acquisition or construction pursuant to NRS 704.751 and the regulations adopted pursuant thereto shall be deemed to be a prudent investment. The utility may recover all just and reasonable costs of planning and constructing such a facility.

Sec. 8. NRS 704.410 is hereby amended to read as follows:

704.410 1. Any public utility subject to the provisions of NRS [704.005] 704.001 to 704.751, inclusive, to which a certificate of public convenience and necessity has been issued pursuant to NRS [704.005] 704.001 to 704.751, inclusive, may transfer the certificate to any person qualified under NRS [704.005] 704.001 to 704.751, inclusive. [, but the] Such a transfer is not valid for any purpose [until a] unless:

- (a) A joint application to make the transfer has been made to the commission by the transferor and the transferee [, and the]; and
- **(b)** The commission has authorized the substitution of the transferee for the transferor.



2. The commission may direct that a hearing be had in the matter of the transfer. If the commission determines that a hearing should be held, the hearing must be noticed and conducted in the same manner as other contested hearings before the commission.

- 3. [The commission has the sole discretion to direct that a hearing be held if the application seeks to transfer the certificate from a person or partners to a corporation when the officers of the corporation will be substantially the same person or partners.
- —4.1 The commission may dispense with a hearing if, upon the expiration of the time fixed in the notice thereof, no protest to the proposed transfer has been filed by or on behalf of any interested person.
- [5.] 4. In determining whether the transfer of a certificate of public convenience and necessity to an applicant transferee should be authorized, the commission must take into consideration:
- (a) The utility service performed by the transferor and the proposed utility service of the transferee;
- (b) Other authorized utility services in the territory for which the transfer is sought; and
- (c) Whether the transferee is fit, willing and able to perform the services of a public utility and whether the proposed operation will be consistent with the legislative policies set forth in NRS [704.005] 704.001 to 704.751, inclusive.
- [6.] 5. The commission may make such amendments, restrictions or modifications in a certificate upon transferring it as the public interest requires.
- 7.1 6. No transfer is valid beyond the life of the certificate transferred. Sec. 9. NRS 704.430 is hereby amended to read as follows:
- 704.430 1. Any person, firm, association or corporation who [shall violate] violates any provisions of NRS 704.330 to [704.410,] 704.430, inclusive, shall be punished by a fine of not more than \$250.
- 2. Each day's operation without a certificate as provided in NRS 704.330 to [704.410,] 704.430, inclusive, or each day that service is discontinued, modified or restricted, as defined in NRS 704.330 to [704.410,] 704.430, inclusive, shall be considered a separate offense.
 - Sec. 10. NRS 704.635 is hereby amended to read as follows: 704.635 [When]
- 1. If a complaint has been filed with the commission alleging that a person is providing a service which requires a certificate of public convenience and necessity, or [when] if the commission has reason to believe that a person is violating any provision of NRS [704.005] 704.001 to 704.751, inclusive, [is being violated,] the commission [shall]:
 - (a) Shall investigate the [operation and may, after] person; and
- (b) After a hearing, may issue an order requiring that the person cease and desist from any operation in violation of NRS [704.005] 704.001 to 704.751, inclusive.
- 2. The commission shall enforce [the] such an order under the powers vested in the commission by NRS [704.005] 704.001 to 704.751, inclusive, or any other [law.] specific statute.



Sec. 11. NRS 704.640 is hereby amended to read as follows:

704.640 Except as otherwise provided in NRS 704.281 to 704.284, inclusive, any person who:

- 1. Operates any public utility to which NRS [704.005] 704.001 to 704.751, inclusive, and 704.993 to 704.999, inclusive, apply without first obtaining a certificate of public convenience and necessity or in violation of its terms;
- 2. Fails to make any return or report required by NRS [704.005] 704.001 to 704.751, inclusive, and 704.993 to 704.999, inclusive, or by the commission pursuant to NRS [704.005] 704.001 to 704.751, inclusive, and 704.993 to 704.999, inclusive;
- 3. Violates, or procures, aids or abets the violating of any provision of NRS [704.005] 704.001 to 704.751, inclusive, and 704.993 to 704.999, inclusive;
 - 4. Fails to obey any order, decision or regulation of the commission;
- 5. Procures, aids or abets any person in his failure to obey the order, decision or regulation; or
- 6. Advertises, solicits, proffers bids or otherwise holds himself out to perform as a public utility in violation of any of the provisions of NRS [704.005] 704.001 to 704.751, inclusive, and 704.993 to 704.999, inclusive,

shall be fined not more than \$500.

Sec. 12. NRS 704.660 is hereby amended to read as follows:

704.660 1. Any public utility which furnishes, for compensation, any water for domestic purposes shall furnish each city, town, village or hamlet which it serves with a reasonably adequate supply of water at reasonable pressure for fire protection and at reasonable rates, all to be fixed and determined by the commission.

2. The duty to furnish a reasonably adequate supply of water provided for in subsection 1 includes the laying of mains with all necessary connections for the proper delivery of the water for fire protection and also the installing of appliances to assure a reasonably sufficient pressure for fire protection.

- 3. The commission may fix and determine reasonable rates and prescribe all installations and appliances adequate for the proper utilization and delivery of water for fire protection. The commission may adopt regulations and practices to be followed by a utility in furnishing water for fire protection, and has complete jurisdiction of all questions arising under the provisions of this section.
- 4. All proceedings under this section must be conducted pursuant to NRS 703.320 to 703.370, inclusive, and [704.005] 704.001 to 704.645, inclusive. All violations of any order made by the commission under the provisions of this section are subject to the penalties for similar violations of the provisions of NRS [704.005] 704.001 to 704.645, inclusive.
- 5. This section applies to and governs all public utilities furnishing water for domestic use on March 26, 1913, unless otherwise expressly provided in the charters, franchises or permits under which those utilities are acting. Each public utility which supplies water for domestic uses after March 26, 1913, is subject to the provisions of this section, regardless of



any conditions to the contrary in any charter, franchise or permit of whatever character granted by any county, city, town, village or hamlet within this state, or of any charter, franchise or permit granted by any authority outside this state.

Sec. 13. NRS 704.773 is hereby amended to read as follows:

704.773 1. A utility shall offer net metering, as set forth in NRS 704.775, to the customer-generators operating within its service area. [until 100 of those customer generators have accepted the offer.]

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- (a) Shall offer to make available to each of its customer-generators who has accepted its offer for net metering an energy meter that is capable of registering the flow of electricity in two directions.
- (b) May, at its own expense and with the written consent of the customer-generator, install one or more additional meters to monitor the flow of electricity in each direction.
- (c) Shall not charge a customer-generator any fee or charge that would increase the customer-generator's minimum monthly charge to an amount greater than that of other customers of the utility in the same rate class as the customer-generator.
- 3. If a customer-generator accepts an offer for net metering from a utility, the utility shall enter into a written contract or agreement with the customer-generator concerning the terms and conditions for net metering and for use of the net metering system by the customergenerator. The contract or agreement must not include any terms or conditions that have not been approved by the commission. If the contract or agreement includes any terms or conditions that have not been approved by the commission, those terms or conditions are void and unenforceable and are not valid for any purpose. The commission shall adopt regulations prescribing the procedures that must be followed to submit the terms and conditions of a contract or agreement to the commission for approval pursuant to this subsection.

 Sec. 14. NRS 704.975 is hereby amended to read as follows:

- 704.975 1. "Vertically integrated electric utility" means any public utility in the business of supplying electricity or its successor in interest that, as of December 31, 1996:
- (a) Held a certificate of public convenience and necessity issued pursuant to NRS [704.005] 704.001 to 704.731, inclusive; and
- (b) Had an annual operating revenue of \$250,000,000 or more in Nevada.
- 2. The term does not include a cooperative association or nonprofit corporation or association or other provider of electric service, which is declared to be a public utility pursuant to NRS 704.673 and provides service only to its members.

Sec. 15. NRS 704.080 and 704.090 are hereby repealed.

Sec. 16. Notwithstanding the amendatory provisions of section 13 of this act, if, before the effective date of this act, a utility entered into a written contract or agreement with a customer-generator concerning the terms and conditions for net metering and for use of a net metering system by the customer-generator, the terms and conditions of the contract or



- 1 agreement are valid and enforceable on and after the effective date of this
- 2 act if such terms and conditions are approved by the public utilities
- 3 commission of Nevada before January 1, 2002.
- 4 Sec. 17. This act becomes effective upon passage and approval.

TEXT OF REPEALED SECTIONS

704.080 Printing and posting of schedules. A copy, or so much of the schedule as the commission shall deem necessary for the use of the public, shall be printed in plain type and posted in every station or office of such public utility where payments are made by the consumers or users, open to the public, in such form and place as to be readily accessible to the public and conveniently inspected.

704.090 Schedule of joint rates: Filing; printing; posting. When a schedule of joint rates or charges is or may be in force between two or more public utilities, such schedule shall, in like manner, be printed and filed with the commission, and so much thereof as the commission may deem necessary for the use of the public shall be posted conspicuously in every station or office as provided in NRS 704.080.



