

ASSEMBLY BILL NO. 103—COMMITTEE ON COMMERCE AND LABOR

(ON BEHALF OF THE PUBLIC UTILITIES COMMISSION OF NEVADA)

FEBRUARY 14, 2007

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions regarding general rate applications filed by public utilities. (BDR 58-564)

FISCAL NOTE: Effect on Local Government: No.
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 public utilities; altering schedules under which electric utilities must file general rate applications with the Public Utilities Commission of Nevada; authorizing public utilities to provide, with a general rate application, a statement of reasonably known and measurable changes for specified periods beyond the date the application is filed; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law provides for public utilities to apply to the Public Utilities Commission of Nevada for proposed rate changes and provides a schedule under which electric utilities must file general rate applications with the Commission every 24 months. (NRS 704.110) **Section 2** of this bill revises that schedule to require filing every 36 months.

Existing law requires public utilities to provide financial data for the prior 12 months when filing general rate applications and authorizes natural gas utilities to provide expected financial data for the period ending 210 days after the general rate application is filed. (NRS 704.110) **Section 2** of this bill authorizes all public utilities to provide such expected financial data when filing general rate applications and revises the provisions governing the consideration of that data by the Commission. **Section 2** also deletes certain provisions relating to PAR carriers.

Section 1 of this bill revises the requirement that the Commission report biennially to the Legislature on the amount of assessments charged public utilities to require the reporting upon the request of the Legislative Commission. (NRS 703.145) **Section 3** of this bill revises the requirement that the Commission report quarterly to the Legislative Commission on proposed transactions between



18 customers and providers of new electric sources to require the reporting upon the
19 request of the Legislative Commission. (NRS 704B.210)

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

1 **Section 1.** NRS 703.145 is hereby amended to read as follows:

2 703.145 1. Any public utility subject to the jurisdiction of the
3 Commission which elects to maintain its books and records outside
4 the State of Nevada shall, in addition to any other assessment and
5 fees provided for by law, be assessed by the Commission for an
6 amount equal to the travel expenses and the excess of the out-of-
7 state subsistence allowances over the in-state subsistence
8 allowances, as fixed by NRS 281.160, of Commission members and
9 staff, for investigations, inspections and audits required to be
10 performed outside this State.

11 2. Any public utility subject to the jurisdiction of the
12 Commission shall, in addition to any other assessment and fees
13 provided for by law, be assessed by the Commission for an amount
14 equal to the travel expenses and the excess of the out-of-state
15 subsistence allowances over the in-state subsistence allowances, as
16 fixed by NRS 281.160, of Commission members and staff, for
17 investigations, audits and appearances required to be performed out
18 of this State as a result of interventions in:

19 (a) Federal Energy Regulatory Commission proceedings as
20 authorized in NRS 703.152; or

21 (b) Actions involving the Federal Communications Commission
22 or other federal regulatory agencies,

23 ↪ if the intervention is made to benefit the public utility or its
24 customers.

25 3. The assessments provided for by this section must be
26 determined by the Commission upon the completion of each such
27 investigation, inspection, audit or appearance and are due ~~and~~
28 ~~payable~~ within 30 days ~~of~~ *after* receipt by the affected utility of
29 the notice of assessment. The total amount assessed by the
30 Commission in 1 year pursuant to subsection 2 must not exceed
31 \$50,000.

32 4. The records of the Commission relating to the additional
33 costs incurred by reason of the necessary additional travel must be
34 open for inspection by the affected utility at any time within the 30-
35 day period.

36 5. The Commission shall , *not later than 2 business days after*
37 *receiving a written request from the Legislative Commission,*
38 report to the Legislature ~~[no later than February 1 of each odd-~~
39 ~~numbered year]~~ the amount of assessments charged public utilities



pursuant to subsection 2 during the previous biennium ~~[pursuant to subsection 2.]~~ *or any other period specified by the Legislative Commission.*

Sec. 2. NRS 704.110 is hereby amended to read as follows:

704.110 Except as otherwise provided in NRS 704.075 and 704.68904 to 704.68984, inclusive, or as may otherwise be provided by the Commission pursuant to NRS 704.095 or 704.097 or pursuant to the regulations adopted by the Commission in accordance with subsection 4 of NRS 704.040:

1. If a public utility files with the Commission an application to make changes in any schedule, including, without limitation, changes that will result in a discontinuance, modification or restriction of service, the Commission shall investigate the propriety of the proposed changes to determine whether to approve or disapprove the proposed changes. If an electric utility files such an application and the application is a general rate application or an application to clear its deferred accounts, the Consumer's Advocate shall be deemed a party of record.

2. Except as otherwise provided in ~~[subsections 3 and 13,]~~ *subsection 3*, if a public utility files with the Commission an application to make changes in any schedule, the Commission shall, *not later than 210 days after the application is filed*, issue a written order approving or disapproving, in whole or in part, the proposed changes. ~~[-~~

~~—(a) For a public utility that is a PAR carrier, not later than 180 days after the date on which the application is filed; and~~

~~—(b) For all other public utilities, not later than 210 days after the date on which the application is filed.]~~

3. If a public utility files with the Commission a general rate application, 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. Except as otherwise provided in subsection 4, in determining whether to approve or disapprove any increased rates, the Commission shall consider evidence in support of the increased rates 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 the public utility shall not place into effect any increased rates until the changes have been experienced and



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certified by the public utility to the Commission and the Commission has approved the increased rates. 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 date on which the certification required by this subsection is filed with the Commission, or within the period set forth in subsection 2, whichever time is longer, the Commission shall make such order in reference to the increased rates as is required by this chapter. An electric utility shall file a general rate application pursuant to this subsection at least once every ~~[24]~~ 36 months based on the following schedule:

(a) An electric utility that primarily serves less densely populated counties shall file a general rate application *not later than 5 p.m.* on or before ~~[October 3, 2005,]~~ *the first Monday in December 2007*, and at least once every ~~[24]~~ 36 months thereafter.

(b) An electric utility that primarily serves densely populated counties shall file a general rate application *not later than 5 p.m.* on or before ~~[November 15, 2006,]~~ *the first Monday in December 2008*, and at least once every ~~[24]~~ 36 months thereafter.

4. In addition to submitting the statement required pursuant to subsection 3, a public utility ~~[which purchases natural gas for resale]~~ may submit with its general rate application a statement showing the effects, on an annualized basis, of all expected changes in circumstances. If such a statement is filed, it must include all increases and decreases in revenue and expenses which may occur within 210 days after the date on which its general rate application is filed with the Commission if such expected changes in circumstances are reasonably known and are measurable with reasonable accuracy. If a public utility submits such a statement, the public utility has the burden of proving that the expected changes in circumstances set forth in the statement are reasonably known and are measurable with reasonable accuracy. *The Commission shall consider expected changes in circumstances to be reasonably known and measurable with reasonable accuracy if the expected changes in circumstances consist of specific and identifiable events or programs rather than general trends, patterns or developments, have an objectively high probability of occurring to the degree, in the amount and at the time expected, are primarily measurable by recorded or verifiable revenues and expenses and are easily and objectively calculated, with the calculation of the expected changes relying only secondarily on estimates, forecasts,*



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1 *projections or budgets.* If the Commission determines that the
2 public utility has met its burden of proof:

3 (a) The Commission shall consider the statement submitted
4 pursuant to this subsection and evidence relevant to the statement ,
5 *including all reasonable projected or forecasted offsets in revenue*
6 *and expenses that are directly attributable to or associated with the*
7 *expected changes in circumstances under consideration,* in
8 addition to the statement required pursuant to subsection 3 as
9 evidence in establishing just and reasonable rates for the public
10 utility; and

11 (b) The public utility is not required to file with the Commission
12 the certification that would otherwise be required pursuant to
13 subsection 3.

14 5. If a public utility files with the Commission an application to
15 make changes in any schedule and the Commission does not issue a
16 final written order regarding the proposed changes within the time
17 required by this section, the proposed changes shall be deemed to be
18 approved by the Commission.

19 6. If a public utility files with the Commission a general rate
20 application, the public utility shall not file with the Commission
21 another general rate application until all pending general rate
22 applications filed by that public utility have been decided by the
23 Commission unless, after application and hearing, the Commission
24 determines that a substantial financial emergency would exist if the
25 public utility is not permitted to file another general rate application
26 sooner. The provisions of this subsection do not prohibit the public
27 utility from filing with the Commission, while a general rate
28 application is pending, an application to recover the increased cost
29 of purchased fuel, purchased power, or natural gas purchased for
30 resale pursuant to subsection 7 or an application to clear its deferred
31 accounts pursuant to subsection 9, if the public utility is otherwise
32 authorized by those provisions to file such an application.

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

37 (a) An electric utility using deferred accounting pursuant to
38 NRS 704.187; or

39 (b) A public utility which purchases natural gas for resale and
40 which adjusts its rates on a quarterly basis between annual rate
41 adjustment applications pursuant to subsection 8.

42 8. A public utility which purchases natural gas for resale must
43 request approval from the Commission to adjust its rates on a
44 quarterly basis between annual rate adjustment applications based



1 on changes in the public utility's recorded costs of natural gas
2 purchased for resale. If the Commission approves such a request:

3 (a) The public utility shall file written notice with the
4 Commission before the public utility makes a quarterly rate
5 adjustment between annual rate adjustment applications. A quarterly
6 rate adjustment is not subject to the requirements for notice and a
7 hearing pursuant to NRS 703.320 or the requirements for a
8 consumer session pursuant to subsection 1 of NRS 704.069.

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

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

19 (2) Must include the following:

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

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

26 (III) A statement that customers may send written
27 comments or protests regarding the rate adjustment to the
28 Commission; and

29 (IV) 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 and a review of the transactions and recorded costs of natural gas
38 included in each quarterly rate adjustment and the annual rate
39 adjustment application. There is no presumption of reasonableness
40 or prudence for any quarterly rate adjustment or for any transactions
41 or recorded costs of natural gas included in any quarterly rate
42 adjustment or the annual rate adjustment application, and the public
43 utility has the burden of proving reasonableness and prudence in the
44 proceeding.



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(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.

9. Except as otherwise provided in subsection 10 and subsection 5 of NRS 704.100, if an electric utility using deferred accounting pursuant to NRS 704.187 files an application to clear its deferred accounts and to change one or more of its rates based upon changes in the costs for purchased fuel or purchased power, the Commission, after a public hearing and by an appropriate order:

(a) Shall allow the electric utility to clear its deferred accounts by refunding any credit balance or recovering any debit balance over a period not to exceed 3 years, as determined by the Commission.

(b) Shall not allow the electric utility to recover any debit balance, or portion thereof, in an amount that would result in a rate of return during the period of recovery that exceeds the rate of return authorized by the Commission in the most recently completed rate proceeding for the electric utility.

10. Before allowing an electric utility to clear its deferred accounts pursuant to subsection 9, the Commission shall determine whether the costs for purchased fuel and purchased power that the electric utility recorded in its deferred accounts are recoverable and whether the revenues that the electric utility collected from customers in this State for purchased fuel and purchased power are properly recorded and credited in its deferred accounts. The Commission shall not allow the electric utility to recover any costs for purchased fuel and purchased power that were the result of any practice or transaction that was undertaken, managed or performed imprudently by the electric utility.

11. If an electric utility files an application to clear its deferred accounts pursuant to subsection 9 while a general rate application is pending, the electric utility shall:

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

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

12. 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



1 regulations adopted pursuant thereto shall be deemed to be a prudent
2 investment. The utility may recover all just and reasonable costs of
3 planning and constructing such a facility.

4 13. ~~[A PAR carrier may, in accordance with this section and~~
5 ~~NRS 704.100, file with the Commission a request to approve or~~
6 ~~change any schedule to provide volume or duration discounts to~~
7 ~~rates for telecommunication service for an offering made to all or~~
8 ~~any class of business customers. The Commission may conduct a~~
9 ~~hearing relating to the request, which must occur within 45 days~~
10 ~~after the date the request is filed with the Commission. The request~~
11 ~~and schedule shall be deemed approved if the request and schedule~~
12 ~~are not disapproved by the Commission within 60 days after the date~~
13 ~~the Commission receives the request.~~

14 —14.] As used in this section:

15 (a) "Electric utility" has the meaning ascribed to it in
16 NRS 704.187.

17 (b) "Electric utility that primarily serves densely populated
18 counties" has the meaning ascribed to it in NRS 704.187.

19 (c) "Electric utility that primarily serves less densely populated
20 counties" has the meaning ascribed to it in NRS 704.187.

21 ~~[(d) "PAR carrier" has the meaning ascribed to it in~~
22 ~~NRS 704.68942.]~~

23 **Sec. 3.** NRS 704B.210 is hereby amended to read as follows:

24 704B.210 ~~[Not]~~ *The Commission shall, not* later than ~~[30]~~ *2*
25 *business* days after ~~[the end of each calendar quarter, the~~
26 ~~Commission shall]~~ *receiving a request in writing from the*
27 *Legislative Commission,* submit to the Legislative Commission a
28 written report which summarizes for ~~[that calendar quarter:]~~ *the*
29 *period requested by the Legislative Commission:*

30 1. Each application which was filed with the Commission
31 pursuant to the provisions of this chapter and which requested
32 approval of a proposed transaction between an eligible customer and
33 a provider of new electric resources;

34 2. The information that the eligible customer included with the
35 application;

36 3. The findings of the Commission concerning the effect of the
37 proposed transaction on the public interest; and

38 4. Whether the Commission approved the application and, if
39 so, the effective date of the proposed transaction, the terms and
40 conditions of the proposed transaction, and the terms, conditions and
41 payments ordered by the Commission.

42 **Sec. 4.** This act becomes effective on July 1, 2007.

