### ASSEMBLY BILL NO. 510-COMMITTEE ON COMMERCE AND LABOR

# MARCH 23, 2009

#### Referred to Committee on Commerce and Labor

SUMMARY—Revises various provisions governing the Public Utilities Commission of Nevada. (BDR 58-1140)

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

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

AN ACT relating to the Public Utilities Commission of Nevada; requiring that the entire Commission must act in certain matters; requiring that the Commission appoint an Executive Director; revising the dates by which certain applications must be filed; indicating that certain provisions of law do not prohibit the Commission from taking certain action; and providing other matters properly relating thereto.

## **Legislative Counsel's Digest:**

**Section 2** of this bill requires that certain matters be decided by the entire Public Utilities Commission of Nevada and allows the Commission to designate hearing officers as acting commissioners in certain circumstances.

**Section 3** of this bill requires the Commission to appoint an Executive Director and specifies the qualifications and duties of the Executive Director. **Section 1** of this bill revises provisions to be consistent with this new requirement.

**Section 4** of this bill revises the dates by which electric utilities must file general rate applications.

**Section 5** of this bill provides that the provisions of chapter 704 of NRS do not prohibit the Commission from allowing an electric utility to provide reduced rates to low-income customers.

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

**Section 1.** NRS 703.070 is hereby amended to read as follows: 703.070 The Governor shall designate one of the Commissioners to be Chairman, whose term as Chairman shall be at



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the pleasure of the Governor. [The Chairman shall serve as the Executive Officer of the Commission.]

**Sec. 2.** NRS 703.085 is hereby amended to read as follows:

703.085 1. All commissioners are required for the Commission to act in any matter involving:

- (a) A general rate application or an annual deferred energy accounting adjustment application of an electric utility or a public utility which purchases natural gas for resale; and
- (b) A plan of an electric utility to increase its supply of electricity or decrease the demands made on its system pursuant to NRS 704.741.
- 2. [A] Except as otherwise provided in subsection 1, a majority of the commissioners has full power to act in all matters within the jurisdiction of the Commission.
- [2.] 3. Before the Commission may enter a final order on a matter, there must be at least [two] the required number of commissioners who are able to act on the matter. If there are fewer than [two] the required number of commissioners who are able to act on the matter because of disqualifications, illnesses, incapacities, vacancies that have not yet been filled, or any other reason, the Governor shall appoint the requisite number of persons to serve as acting commissioners in the place of the commissioners who are unable to act on the matter so that there are at least [two] the required number of persons who are able to act on the matter, whether serving as a commissioner or an acting commissioner. If there are fewer than [two] the required number of commissioners who are able to act on the matter because of disqualifications, illnesses, incapacities, vacancies that have not yet been filled, or any other reason, and the Governor has not appointed the requisite number of persons to serve as acting commissioners pursuant to this subsection, the [Deputy Commissioner] Commission may designate a hearing officer appointed pursuant to subsection [1] 6 of NRS 703.130 [may] to serve as an acting commissioner.
- [3.] 4. Before the Governor may appoint a person to serve as an acting commissioner in the place of a commissioner who is unable to act on the matter, the person must be qualified to serve in the office of that commissioner as if the Governor were appointing the person to fill a vacancy in that office.
- [4.] 5. A person who is appointed or authorized to serve as an acting commissioner shall be deemed to be a commissioner and is entitled to exercise the powers of a commissioner only in proceedings before the Commission that involve the matter or matters for which the person is appointed or authorized to serve as an acting commissioner.



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- [5.] 6. A person who is appointed to serve as an acting commissioner:
- (a) Is subject to all legal requirements and restrictions and enjoys all legal protections and immunities that apply to a commissioner and to state officers generally while the person is engaged in the business of the Commission as an acting commissioner: and
- (b) Is entitled to receive, for each day the person is engaged in the business of the Commission as an acting commissioner, a salary of \$80 and the per diem allowance and travel expenses provided for state officers and employees generally. The person is not entitled to receive any other compensation for serving as commissioner.
- [6.] 7. A person who is appointed to serve as an acting commissioner serves at the pleasure of the Governor. The appointment of the person expires:
- (a) On the date that the Governor declares that the appointment has expired; or
- (b) On the date that the matter or matters for which the person was appointed are no longer pending before the Commission,
- → whichever date occurs earlier.
- [7.] 8. The Governor may reappoint a person to serve as an acting commissioner.
  - **Sec. 3.** NRS 703.130 is hereby amended to read as follows:
- 703.130 1. The Commission shall appoint fa Deputy Commissioner] an Executive Director, who [shall serve in the 26 unclassified service of the State.] must be:
  - (a) Knowledgeable and experienced in public administration and fiscal management;
  - (b) Knowledgeable in the areas of utility regulation by the Commission; and
- (c) Independent of and have no pecuniary interest in any entity regulated by the Commission. 33
  - 2. The Executive Director shall:
  - (a) Serve as Chief Financial Officer for the Commission;
  - (b) Direct the daily operation of the Commission, including, without limitation:
    - (1) Budget preparation;
    - (2) Administration:
    - (3) Human resources;
- (4) Purchases and acquisitions made by the Commission; 41 42 and
  - (5) Contracts and leases entered into by the Commission;
- 44 (c) Develop and implement policies and procedures to ensure the efficient operation of the Commission;



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(d) Oversee:

- (1) The review of applications for certificates, permits and modifications of tariffs;
- (2) The maintenance of a hearing calendar of all matters pending before the Commission; and
- (3) Compliance with and enforcement of statutes and regulations pertaining to utilities which are regulated by the Commission; and
- (e) Authenticate documents and serve as custodian of all agency records.
- 3. The Executive Director is in the unclassified service of the State.
- 4. The Executive Director, with the approval of the Commission, shall [appoint] designate a Secretary who shall perform such administrative and other duties as are prescribed by the [Commission.] Executive Director. The Executive Director, with the approval of the Commission, shall also [appoint] designate an Assistant Secretary.
- [3.] 5. The [Commission] Executive Director may employ such other clerks, experts or engineers as may be necessary.
- [4.] 6. Except as otherwise provided in subsection [5,] 7, the Commission:
- (a) May appoint one or more hearing officers for a period specified by the Commission to conduct proceedings or hearings that may be conducted by the Commission pursuant to NRS 702.160 and 702.170 and chapters 704, 704A, 704B, 705, 708 and 711 of NRS.
- (b) Shall prescribe by regulation the procedure for appealing a decision of a hearing officer to the Commission.
- [5.] 7. The Commission shall not appoint a hearing officer to conduct proceedings or hearings:
- (a) In any matter pending before the Commission pursuant to NRS 704.7561 to 704.7595, inclusive; or
- (b) In any matter pending before the Commission pursuant to NRS 704.061 to 704.110, inclusive, in which an electric utility has filed a general rate application or an annual deferred energy accounting adjustment application.
- [6.] 8. As used in this section, "electric utility" has the meaning ascribed to it in NRS 704.187.
  - **Sec. 4.** NRS 704.110 is hereby amended to read as follows:
- 704.110 Except as otherwise provided in NRS 704.075 and 704.68861 to 704.68887, inclusive, or as may otherwise be provided by the Commission pursuant to NRS 704.095 or 704.097:
- 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 annual deferred energy accounting adjustment application, the Consumer's Advocate shall be deemed a party of record.

2. Except as otherwise provided in 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 date on which the application is filed, issue a written order approving or disapproving, in whole or in part, the proposed changes.

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 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 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. The following public utilities shall each file a general rate application pursuant to this subsection based on the following schedule:



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- (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 the first Monday in [December 2007,] June 2010, and at least once every 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 the first Monday in [December 2008,] *June 2011*, and at least once every 36 months thereafter.
- (c) A public utility that furnishes water for municipal, industrial or domestic purposes or services for the disposal of sewage, or both, which had an annual gross operating revenue of \$500,000 or more for at least 1 year during the immediately preceding 3 years and which had not filed a general rate application with the Commission on or after July 1, 2005, shall file a general rate application on or before June 30, 2008, and at least once every 36 months thereafter unless waived by the Commission pursuant to standards adopted by regulation of the Commission.
- (d) A public utility that furnishes water for municipal, industrial or domestic purposes or services for the disposal of sewage, or both, which had an annual gross operating revenue of \$500,000 or more for at least 1 year during the immediately preceding 3 years and which had filed a general rate application with the Commission on or after July 1, 2005, shall file a general rate application on or before June 30, 2009, and at least once every 36 months thereafter unless waived by the Commission pursuant to standards adopted by regulation of the Commission.
- → The Commission shall adopt regulations setting forth standards for waivers pursuant to paragraphs (c) and (d) and for including the costs incurred by the public utility in preparing and presenting the general rate application before the effective date of any change in rates.
- 4. In addition to submitting the statement required pursuant to subsection 3, a public utility 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, projections or budgets. If the Commission determines that the public utility has met its burden of proof:

- (a) The Commission shall consider the statement submitted pursuant to this subsection and evidence relevant to the statement, including all reasonable projected or forecasted offsets in revenue and expenses that are directly attributable to or associated with the expected changes in circumstances under consideration, in addition to the statement required pursuant to subsection 3 as evidence in establishing just and reasonable rates for the public utility; and
- (b) The public utility is not required to file with the Commission the certification that would otherwise be required pursuant to subsection 3.
- 5. If a public utility files with the Commission an application to make changes in any schedule and the Commission does not issue a final written order regarding the proposed changes within the time required by this section, the proposed changes shall be deemed to be approved by the Commission.
- If a public utility files with the Commission a general rate application, the public utility shall not file with the Commission another general rate application until all pending general rate applications filed by that public utility have been decided by the Commission unless, after application and hearing, the Commission determines that a substantial financial emergency would exist if the public utility is not permitted to file another general rate application sooner. The provisions of this subsection do not prohibit the public utility from filing with the Commission, while a general rate application is pending, an application to recover the increased cost of purchased fuel, purchased power, or natural gas purchased for resale pursuant to subsection 7, a quarterly rate adjustment pursuant to subsection 8 or 9, any information relating to deferred accounting requirements pursuant to NRS 704.185 or an annual deferred energy accounting adjustment application pursuant to NRS 704.187, if the public utility is otherwise authorized to so file by those provisions.
- 7. A public utility may file an application to recover the increased cost of purchased fuel, purchased power, or natural gas purchased for resale once every 30 days. The provisions of this subsection do not apply to:





- (a) An electric utility which is required to adjust its rates on a quarterly basis pursuant to subsection 9; or
- (b) A public utility which purchases natural gas for resale and which adjusts its rates on a quarterly basis between annual rate adjustment applications pursuant to subsection 8.
- 8. A public utility which purchases natural gas for resale must request approval from the Commission to adjust its rates on a quarterly basis between annual rate adjustment applications based on changes in the public utility's recorded costs of natural gas purchased for resale. If the Commission approves such a request:
- (a) The public utility shall file written notice with the Commission before the public utility makes a quarterly rate adjustment between annual rate adjustment applications. A quarterly rate adjustment is not subject to the requirements for notice and a hearing pursuant to NRS 703.320 or the requirements for a consumer session pursuant to subsection 1 of NRS 704.069.
- (b) The public utility shall provide written notice of each quarterly rate adjustment to its customers by including the written notice with a customer's regular monthly bill. The public utility shall begin providing such written notice to its customers not later than 30 days after the date on which the public utility files its written notice with the Commission pursuant to paragraph (a). The written notice that is included with a customer's regular monthly bill:
- (1) Must be printed separately on fluorescent-colored paper and must not be attached to the pages of the bill; and
  - (2) Must include the following:
- (I) The total amount of the increase or decrease in the public utility's revenues from the rate adjustment, stated in dollars and as a percentage;
- (II) The amount of the monthly increase or decrease in charges for each class of customer or class of service, stated in dollars and as a percentage;
- (III) A statement that customers may send written comments or protests regarding the rate adjustment to the Commission; and
  - (IV) 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 a review of the transactions and recorded costs of natural gas





included in each quarterly rate adjustment 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.
- 9. An electric utility shall adjust its rates on a quarterly basis based on changes in the public utility's recorded costs of purchased fuel or purchased power in the following manner:
- (a) An electric utility shall file written notice with the Commission on or before August 15, 2007, and every quarter thereafter of the quarterly rate adjustment to be made by the electric utility for the following quarter. The first quarterly rate adjustment by the electric utility will take effect on October 1, 2007, and each subsequent quarterly rate adjustment will take effect every quarter thereafter. A quarterly rate adjustment is not subject to the requirements for notice and a hearing pursuant to NRS 703.320 or the requirements for a consumer session pursuant to subsection 1 of NRS 704.069.
- (b) Each electric utility shall provide written notice of each quarterly rate adjustment to its customers by including the written notice with a customer's regular monthly bill. The electric utility shall begin providing such written notice to its customers not later than 30 days after the date on which the electric utility files a written notice with the Commission pursuant to paragraph (a). The written notice that is included with a customer's regular monthly bill:
- (1) Must be printed separately on fluorescent-colored paper and must not be attached to the pages of the bill; and
  - (2) Must include the following:
- (I) The total amount of the increase or decrease in the electric utility's revenues from the rate adjustment, stated in dollars and as a percentage;
- (II) The amount of the monthly increase or decrease in charges for each class of customer or class of service, stated in dollars and as a percentage;





- (III) A statement that customers may send written comments or protests regarding the rate adjustment to the Commission; and
  - (IV) Any other information required by the Commission.
- (c) An electric utility shall file an annual deferred energy accounting adjustment application pursuant to NRS 704.187 with the Commission. The annual deferred energy accounting 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 deferred energy accounting adjustment application must include a review of each quarterly rate adjustment and a review of the transactions and recorded costs of purchased fuel and purchased power included in each quarterly rate adjustment and the annual deferred energy accounting adjustment application. There is no presumption of reasonableness or prudence for any quarterly rate adjustment or for any transactions or recorded costs of purchased fuel and purchased power included in any quarterly rate adjustment or the annual deferred energy accounting adjustment application, and the electric utility has the burden of proving reasonableness and prudence in the proceeding.
- (e) The Commission shall not allow the electric utility to recover any recorded costs of purchased fuel and purchased power which were the result of any practice or transaction that was unreasonable or was undertaken, managed or performed imprudently by the electric utility, and the Commission shall order the electric utility to adjust its rates if the Commission determines that any recorded costs of purchased fuel and purchased power included in any quarterly rate adjustment or the annual deferred energy accounting adjustment application were not reasonable or prudent.
- 10. If an electric utility files an annual deferred energy accounting adjustment application pursuant to subsection 9 and NRS 704.187 while a general rate application is pending, the electric utility shall:
- (a) Submit with its annual deferred energy accounting adjustment application 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.
- 11. 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.

12. As used in this section:

- (a) "Electric utility" has the meaning ascribed to it in NRS 704.187.
- (b) "Electric utility that primarily serves densely populated counties" means an electric utility that, with regard to the provision of electric service, derives more of its annual gross operating revenue in this State from customers located in counties whose population is 400,000 or more than it does from customers located in counties whose population is less than 400,000.
- (c) "Electric utility that primarily serves less densely populated counties" means an electric utility that, with regard to the provision of electric service, derives more of its annual gross operating revenue in this State from customers located in counties whose population is less than 400,000 than it does from customers located in counties whose population is 400,000 or more.
  - **Sec. 5.** NRS 704.120 is hereby amended to read as follows:
- 704.120 1. If, upon any hearing and after due investigation, the rates, tolls, charges, schedules or joint rates shall be found to be unjust, unreasonable or unjustly discriminatory, or to be preferential, or otherwise in violation of any of the provisions of this chapter, the Commission shall have the power to fix and order substituted therefor such rate or rates, tolls, charges or schedules as shall be just and reasonable.
- 2. If it shall in like manner be found that any regulation, measurement, practice, act or service complained of is unjust, unreasonable, insufficient, preferential, unjustly discriminatory or otherwise in violation of the provisions of this chapter, or if it be found that the service is inadequate, or that any reasonable service cannot be obtained, the Commission shall have the power to substitute therefor such other regulations, measurements, practices, service or acts and make such order relating thereto as may be just and reasonable.
- 3. When complaint is made of more than one rate, charge or practice, the Commission may, in its discretion, order separate hearings upon the several matters complained of and at such times and places as it may prescribe.
- 4. No complaint shall at any time be dismissed because of the absence of direct damage to the complainant.
- 5. The Commission may at any time, upon its own motion, investigate any of the rates, tolls, charges, rules, regulations, practices and service, and, after a full hearing as above provided, by order, make such changes as may be just and reasonable, the same as if a formal complaint had been made.





- 6. The provisions of this section do not apply to a competitive supplier, except that a competitive supplier that is an incumbent local exchange carrier is subject to the provisions of this section with regard to:
- (a) The provision of basic network service until January 1, 2012; and
- (b) Any general rate application filed by the competitive supplier pursuant to paragraph (b) of subsection 2 of NRS 704.68877. If the competitive supplier files such a general rate application, the general rate case proceeding must be conducted by the Commission in accordance with this section and NRS 704.110.
- 7. Nothing in this chapter shall be construed to prohibit the Commission from authorizing an electric utility to provide reduced rates to low-income customers upon a hearing and after due investigation.





