

ASSEMBLY BILL NO. 215—COMMITTEE  
ON COMMERCE AND LABOR

MARCH 1, 2011

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Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing utilities.  
(BDR 58-593)

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.

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AN ACT relating to utilities; authorizing certain public utilities that purchase natural gas for resale and electric utilities to request approval from the Public Utilities Commission of Nevada to make quarterly rate adjustments based on deferred accounting; requiring that written notices which are provided to customers of certain public utilities that purchase natural gas for resale and electric utilities contain information about the review of certain quarterly rate adjustments by the Commission; authorizing the Commission to allow public utilities that purchase natural gas for resale and electric utilities to apply for certain additional rate adjustments upon a showing of good cause; prohibiting public utilities which purchase natural gas for resale and electric utilities from applying for certain annual rate adjustments after receiving approval from the Commission to make quarterly rate adjustments based on deferred accounting; and providing other matters properly relating thereto.

**Legislative Counsel's Digest:**

1 Existing law authorizes certain public utilities that purchase natural gas for  
2 resale and certain electric utilities to use deferred accounting to reflect changes in  
3 the cost of purchased natural gas, fuel or power. (NRS 704.185, 704.187) **Section 5**  
4 of this bill authorizes a public utility which purchases natural gas for resale and  
5 which adjusts its rates on a quarterly basis based on the fluctuating price of natural  
6 gas to request approval to make quarterly adjustments to its deferred energy  
7 accounting adjustment. **Section 5** also authorizes an electric utility that is required



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8 to make quarterly adjustments based on the fluctuating price of fuel or power to  
9 request approval from the Commission to make quarterly adjustments to its  
10 deferred energy accounting adjustment. **Section 5** further requires a utility that  
11 receives approval to make any quarterly adjustments to provide its customers with  
12 written notice that includes information relating to when the adjustments will be  
13 reviewed by the Commission. **Section 5** also authorizes the Commission to  
14 approve, upon a showing of good cause, certain additional quarterly adjustments for  
15 a public utility which purchases natural gas for resale and an electric utility which  
16 has received approval from the Commission to make quarterly adjustments to its  
17 deferred energy accounting adjustment. **Sections 6 and 7** of this bill provide that a  
18 public utility which purchases natural gas for resale or an electric utility which has  
19 received approval from the Commission to make quarterly adjustments to its  
20 deferred energy accounting adjustment is not eligible to apply for any additional  
21 adjustment to its deferred energy accounting adjustment in its annual deferred  
22 energy accounting adjustment application.

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

1 **Section 1.** NRS 703.320 is hereby amended to read as follows:  
2 703.320 Except as otherwise provided in subsections ~~8 and~~ 9  
3 *and 11* of NRS 704.110:

4 1. In any matter pending before the Commission, if a hearing is  
5 required by a specific statute or is otherwise required by the  
6 Commission, the Commission shall give notice of the pendency of  
7 the matter to all persons entitled to notice of the hearing. The  
8 Commission shall by regulation specify:

- 9 (a) The manner of giving notice in each type of proceeding; and  
10 (b) The persons entitled to notice in each type of proceeding.

11 2. The Commission shall not dispense with a hearing:

12 (a) In any matter pending before the Commission pursuant to  
13 NRS 704.7561 to 704.7595, inclusive; or

14 (b) Except as otherwise provided in paragraph (f) of subsection  
15 1 of NRS 704.100, in any matter pending before the Commission  
16 pursuant to NRS 704.061 to 704.110, inclusive, in which an electric  
17 utility has filed a general rate application or an annual deferred  
18 energy accounting adjustment application pursuant to NRS 704.187.

19 3. In any other matter pending before the Commission, the  
20 Commission may dispense with a hearing and act upon the matter  
21 pending unless, within 10 days after the date of the notice of  
22 pendency, a person entitled to notice of the hearing files with the  
23 Commission a request that the hearing be held. If such a request for  
24 a hearing is filed, the Commission shall give at least 10 days' notice  
25 of the hearing.

26 4. As used in this section, "electric utility" has the meaning  
27 ascribed to it in NRS 704.187.



1       **Sec. 2.** NRS 704.062 is hereby amended to read as follows:  
2       704.062 “Application to make changes in any schedule” and  
3 “application” include, without limitation:

- 4       1. A general rate application;
- 5       2. An application to recover the ~~increased~~ cost of purchased  
6 fuel, purchased power, or natural gas purchased for resale; ~~and~~
- 7       3. An annual deferred energy accounting adjustment  
8 application ~~;~~ *and*
- 9       4. *An annual rate adjustment application.*

10       **Sec. 3.** NRS 704.069 is hereby amended to read as follows:  
11       704.069 1. Except as otherwise provided in subsections ~~8~~  
12 ~~and~~ 9 *and 11* of NRS 704.110, the Commission shall conduct a  
13 consumer session to solicit comments from the public in any matter  
14 pending before the Commission pursuant to NRS 704.061 to  
15 704.110, inclusive, in which:

16       (a) A public utility has filed a general rate application, an  
17 application to recover the increased cost of purchased fuel,  
18 purchased power, or natural gas purchased for resale, an annual  
19 deferred energy accounting adjustment application pursuant to NRS  
20 704.187 or an annual rate adjustment application; and

21       (b) The changes proposed in the application will result in an  
22 increase in annual gross operating revenue, as certified by the  
23 applicant, in an amount that will exceed \$50,000 or 10 percent of  
24 the applicant’s annual gross operating revenue, whichever is less.

25       2. In addition to the case-specific consumer sessions required  
26 by subsection 1, the Commission shall, during each calendar year,  
27 conduct at least one general consumer session in the county with the  
28 largest population in this State and at least one general consumer  
29 session in the county with the second largest population in this  
30 State. At each general consumer session, the Commission shall  
31 solicit comments from the public on issues concerning public  
32 utilities. Not later than 60 days after each general consumer session,  
33 the Commission shall submit the record from the general consumer  
34 session to the Legislative Commission.

35       **Sec. 4.** NRS 704.100 is hereby amended to read as follows:  
36       704.100 1. Except as otherwise provided in NRS 704.075  
37 and 704.68861 to 704.68887, inclusive, or as may otherwise be  
38 provided by the Commission pursuant to NRS 704.095 or 704.097:

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

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

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



1 (b) A public utility shall adjust its rates on a quarterly basis  
2 between annual rate adjustment applications pursuant to subsection  
3 8 of NRS 704.110 based on changes in the public utility's recorded  
4 costs of natural gas purchased for resale.

5 (c) An electric utility shall, between annual deferred energy  
6 accounting adjustment applications filed pursuant to NRS 704.187,  
7 adjust its rates on a quarterly basis pursuant to subsection ~~9~~ 10 of  
8 NRS 704.110.

9 (d) A public utility shall post copies of all proposed schedules  
10 and all new or amended schedules in the same offices and in  
11 substantially the same form, manner and places as required by NRS  
12 704.070 for the posting of copies of schedules that are currently in  
13 force.

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

21 (f) Except as otherwise provided in paragraph (g), if the  
22 proposed change in any schedule does not change any rate or will  
23 result in an increase in annual gross operating revenue, as certified  
24 by the public utility, in an amount that does not exceed \$2,500:

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

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

30 (g) If the applicant is a small-scale provider of last resort and the  
31 proposed change in any schedule will result in an increase in annual  
32 gross operating revenue, as certified by the applicant, in an amount  
33 that does not exceed \$50,000 or 10 percent of the applicant's annual  
34 gross operating revenue, whichever is less, the Commission shall  
35 determine whether it should dispense with a hearing regarding the  
36 proposed change.

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

42 2. As used in this section, "electric utility" has the meaning  
43 ascribed to it in NRS 704.187.



1       **Sec. 5.** NRS 704.110 is hereby amended to read as follows:

2       704.110 Except as otherwise provided in NRS 704.075 and  
3 704.68861 to 704.68887, inclusive, or as may otherwise be provided  
4 by the Commission pursuant to NRS 704.095 or 704.097:

5       1. If a public utility files with the Commission an application to  
6 make changes in any schedule, including, without limitation,  
7 changes that will result in a discontinuance, modification or  
8 restriction of service, the Commission shall investigate the propriety  
9 of the proposed changes to determine whether to approve or  
10 disapprove the proposed changes. If an electric utility files such an  
11 application and the application is a general rate application or an  
12 annual deferred energy accounting adjustment application, the  
13 Consumer's Advocate shall be deemed a party of record.

14       2. Except as otherwise provided in subsection 3, if a public  
15 utility files with the Commission an application to make changes in  
16 any schedule, the Commission shall, not later than 210 days after the  
17 date on which the application is filed, issue a written order  
18 approving or disapproving, in whole or in part, the proposed  
19 changes.

20       3. If a public utility files with the Commission a general rate  
21 application, the public utility shall submit with its application a  
22 statement showing the recorded results of revenues, expenses,  
23 investments and costs of capital for its most recent 12 months for  
24 which data were available when the application was prepared.  
25 Except as otherwise provided in subsection 4, in determining  
26 whether to approve or disapprove any increased rates, the  
27 Commission shall consider evidence in support of the increased  
28 rates based upon actual recorded results of operations for the same  
29 12 months, adjusted for increased revenues, any increased  
30 investment in facilities, increased expenses for depreciation, certain  
31 other operating expenses as approved by the Commission and  
32 changes in the costs of securities which are known and are  
33 measurable with reasonable accuracy at the time of filing and which  
34 will become effective within 6 months after the last month of those  
35 12 months, but the public utility shall not place into effect any  
36 increased rates until the changes have been experienced and  
37 certified by the public utility to the Commission and the  
38 Commission has approved the increased rates. The Commission  
39 shall also consider evidence supporting expenses for depreciation,  
40 calculated on an annual basis, applicable to major components of the  
41 public utility's plant placed into service during the recorded test  
42 period or the period for certification as set forth in the application.  
43 Adjustments to revenues, operating expenses and costs of securities  
44 must be calculated on an annual basis. Within 90 days after the date  
45 on which the certification required by this subsection is filed with



1 the Commission, or within the period set forth in subsection 2,  
2 whichever time is longer, the Commission shall make such order in  
3 reference to the increased rates as is required by this chapter. The  
4 following public utilities shall each file a general rate application  
5 pursuant to this subsection based on the following schedule:

6 (a) An electric utility that primarily serves less densely  
7 populated counties shall file a general rate application not later than  
8 5 p.m. on or before the first Monday in June 2010, and at least once  
9 every 36 months thereafter.

10 (b) An electric utility that primarily serves densely populated  
11 counties shall file a general rate application not later than 5 p.m. on  
12 or before the first Monday in June 2011, and at least once every 36  
13 months thereafter.

14 (c) A public utility that furnishes water for municipal, industrial  
15 or domestic purposes or services for the disposal of sewage, or both,  
16 which had an annual gross operating revenue of \$2,000,000 or more  
17 for at least 1 year during the immediately preceding 3 years and  
18 which had not filed a general rate application with the Commission  
19 on or after July 1, 2005, shall file a general rate application on or  
20 before June 30, 2008, and at least once every 36 months thereafter  
21 unless waived by the Commission pursuant to standards adopted by  
22 regulation of the Commission. If a public utility furnishes both  
23 water and services for the disposal of sewage, its annual gross  
24 operating revenue for each service must be considered separately for  
25 determining whether the public utility meets the requirements of this  
26 paragraph for either service.

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

40 ➤ The Commission shall adopt regulations setting forth standards  
41 for waivers pursuant to paragraphs (c) and (d) and for including the  
42 costs incurred by the public utility in preparing and presenting the  
43 general rate application before the effective date of any change in  
44 rates.



1 4. In addition to submitting the statement required pursuant to  
2 subsection 3, a public utility may submit with its general rate  
3 application a statement showing the effects, on an annualized basis,  
4 of all expected changes in circumstances. If such a statement is  
5 filed, it must include all increases and decreases in revenue and  
6 expenses which may occur within 210 days after the date on which  
7 its general rate application is filed with the Commission if such  
8 expected changes in circumstances are reasonably known and are  
9 measurable with reasonable accuracy. If a public utility submits  
10 such a statement, the public utility has the burden of proving that the  
11 expected changes in circumstances set forth in the statement are  
12 reasonably known and are measurable with reasonable accuracy.  
13 The Commission shall consider expected changes in circumstances  
14 to be reasonably known and measurable with reasonable accuracy if  
15 the expected changes in circumstances consist of specific and  
16 identifiable events or programs rather than general trends, patterns  
17 or developments, have an objectively high probability of occurring  
18 to the degree, in the amount and at the time expected, are primarily  
19 measurable by recorded or verifiable revenues and expenses and are  
20 easily and objectively calculated, with the calculation of the  
21 expected changes relying only secondarily on estimates, forecasts,  
22 projections or budgets. If the Commission determines that the public  
23 utility has met its burden of proof:

24 (a) The Commission shall consider the statement submitted  
25 pursuant to this subsection and evidence relevant to the statement,  
26 including all reasonable projected or forecasted offsets in revenue  
27 and expenses that are directly attributable to or associated with the  
28 expected changes in circumstances under consideration, in addition  
29 to the statement required pursuant to subsection 3 as evidence in  
30 establishing just and reasonable rates for the public utility; and

31 (b) The public utility is not required to file with the Commission  
32 the certification that would otherwise be required pursuant to  
33 subsection 3.

34 5. If a public utility files with the Commission an application to  
35 make changes in any schedule and the Commission does not issue a  
36 final written order regarding the proposed changes within the time  
37 required by this section, the proposed changes shall be deemed to be  
38 approved by the Commission.

39 6. If a public utility files with the Commission a general rate  
40 application, the public utility shall not file with the Commission  
41 another general rate application until all pending general rate  
42 applications filed by that public utility have been decided by the  
43 Commission unless, after application and hearing, the Commission  
44 determines that a substantial financial emergency would exist if the  
45 public utility is not permitted to file another general rate application



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1 sooner. The provisions of this subsection do not prohibit the public  
2 utility from filing with the Commission, while a general rate  
3 application is pending, an application to recover the increased cost  
4 of purchased fuel, purchased power, or natural gas purchased for  
5 resale pursuant to subsection 7, a quarterly rate adjustment pursuant  
6 to subsection 8 or ~~[9-]~~ 10, any information relating to deferred  
7 accounting requirements pursuant to NRS 704.185 or an annual  
8 deferred energy accounting adjustment application pursuant to NRS  
9 704.187, if the public utility is otherwise authorized to so file by  
10 those provisions.

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

15 (a) An electric utility which is required to adjust its rates on a  
16 quarterly basis pursuant to subsection ~~[9-]~~ 10; or

17 (b) A public utility which purchases natural gas for resale and  
18 which adjusts its rates on a quarterly basis ~~[between annual rate  
19 adjustment applications]~~ pursuant to subsection 8.

20 8. A public utility which purchases natural gas for resale must  
21 request approval from the Commission to adjust its rates on a  
22 quarterly basis between annual rate adjustment applications based  
23 on changes in the public utility's recorded costs of natural gas  
24 purchased for resale. *A public utility which purchases natural gas  
25 for resale and which adjusts its rates on a quarterly basis may  
26 request approval from the Commission to make quarterly  
27 adjustments to its deferred energy accounting adjustment. The  
28 Commission shall approve or deny such a request not later than  
29 120 days after the application is filed with the Commission. The  
30 Commission may approve the request if the Commission finds that  
31 approval of the request is in the public interest. If the Commission  
32 approves a request to make quarterly adjustments to the deferred  
33 energy accounting adjustment of a public utility pursuant to this  
34 subsection, any quarterly adjustment to the deferred energy  
35 accounting adjustment must not exceed 2.5 cents per therm of  
36 natural gas. If the balance of the public utility's deferred account  
37 varies by less than 5 percent from the public utility's annual  
38 recorded costs of natural gas which are used to calculate quarterly  
39 rate adjustments, the deferred energy accounting adjustment must  
40 be set to zero cents per therm of natural gas.*

41 9. If the Commission approves ~~[such]~~ a request ~~[-]~~ *to make any  
42 rate adjustments on a quarterly basis pursuant to subsection 8:*

43 (a) The public utility shall file written notice with the  
44 Commission before the public utility makes a quarterly rate  
45 adjustment . ~~[between annual rate adjustment applications.]~~ A





1 quarterly rate adjustment is not subject to the requirements for  
2 notice and a hearing pursuant to NRS 703.320 or the requirements  
3 for a consumer session pursuant to subsection 1 of NRS 704.069.

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

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

14 (2) Must include the following:

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

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

21 (III) A statement that customers may send written  
22 comments or protests regarding the rate adjustment to the  
23 Commission; ~~and~~

24 (IV) *A statement that the transactions and recorded  
25 costs of natural gas which are the basis for any quarterly rate  
26 adjustment will be reviewed for reasonableness and prudence in  
27 the next proceeding held by the Commission to review the annual  
28 rate adjustment application pursuant to paragraph (d); and*

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



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

9 ~~9.]~~ 10. An electric utility shall adjust its rates on a quarterly  
10 basis based on changes in the ~~[public]~~ electric utility's recorded  
11 costs of purchased fuel or purchased power . ~~[in the following~~  
12 ~~manner:]~~ *In addition to adjusting its rates on a quarterly basis, an*  
13 *electric utility may request approval from the Commission to make*  
14 *quarterly adjustments to its deferred energy accounting*  
15 *adjustment. The Commission shall approve or deny such a request*  
16 *not later than 120 days after the application is filed with the*  
17 *Commission. The Commission may approve the request if the*  
18 *Commission finds that approval of the request is in the public*  
19 *interest. If the Commission approves a request to make quarterly*  
20 *adjustments to the deferred energy accounting adjustment of an*  
21 *electric utility pursuant to this subsection, any quarterly*  
22 *adjustment to the deferred energy accounting adjustment must not*  
23 *exceed 0.25 cents per kilowatt-hour of electricity. If the balance of*  
24 *the electric utility's deferred account varies by less than 5 percent*  
25 *from the electric utility's annual recorded costs for purchased fuel*  
26 *or purchased power which are used to calculate quarterly rate*  
27 *adjustments, the deferred energy accounting adjustment must be*  
28 *set to zero cents per kilowatt-hour of electricity.*

29 11. *A quarterly rate adjustment filed pursuant to subsection*  
30 *10 is subject to the following requirements:*

31 (a) ~~[An]~~ *The* electric utility shall file written notice with the  
32 Commission on or before August 15, 2007, and every quarter  
33 thereafter of the quarterly rate adjustment to be made by the electric  
34 utility for the following quarter. The first quarterly rate adjustment  
35 by the electric utility will take effect on October 1, 2007, and each  
36 subsequent quarterly rate adjustment will take effect every quarter  
37 thereafter. *The first quarterly adjustment to a deferred energy*  
38 *accounting adjustment must be made pursuant to an order issued*  
39 *by the Commission approving the application of an electric utility*  
40 *to make quarterly adjustments to its deferred energy accounting*  
41 *adjustment.* A quarterly rate adjustment is not subject to the  
42 requirements for notice and a hearing pursuant to NRS 703.320 or  
43 the requirements for a consumer session pursuant to subsection 1 of  
44 NRS 704.069.



1 (b) ~~Each~~ *The* electric utility shall provide written notice of  
2 each quarterly rate adjustment to its customers by including the  
3 written notice with a customer's regular monthly bill. The electric  
4 utility shall begin providing such written notice to its customers not  
5 later than 30 days after the date on which the electric utility files a  
6 written notice with the Commission pursuant to paragraph (a). The  
7 written notice that is included with a customer's regular monthly  
8 bill:

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

11 (2) Must include the following:

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

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

18 (III) A statement that customers may send written  
19 comments or protests regarding the rate adjustment to the  
20 Commission; ~~and~~

21 (IV) *A statement that the transactions and recorded*  
22 *costs of purchased fuel or purchased power which are the basis*  
23 *for any quarterly rate adjustment will be reviewed for*  
24 *reasonableness and prudence in the next proceeding held by the*  
25 *Commission to review the annual deferred energy accounting*  
26 *adjustment application pursuant to paragraph (d); and*

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

28 (c) ~~An~~ *The* electric utility shall file an annual deferred energy  
29 accounting adjustment application pursuant to NRS 704.187 with  
30 the Commission. The annual deferred energy accounting adjustment  
31 application is subject to the requirements for notice and a hearing  
32 pursuant to NRS 703.320 and the requirements for a consumer  
33 session pursuant to subsection 1 of NRS 704.069.

34 (d) The proceeding regarding the annual deferred energy  
35 accounting adjustment application must include a review of each  
36 quarterly rate adjustment and ~~a review of~~ the transactions and  
37 recorded costs of purchased fuel and purchased power included in  
38 each quarterly ~~rate adjustment~~ *filing* and the annual deferred  
39 energy accounting adjustment application. There is no presumption  
40 of reasonableness or prudence for any quarterly rate adjustment or  
41 for any transactions or recorded costs of purchased fuel and  
42 purchased power included in any quarterly rate adjustment or the  
43 annual deferred energy accounting adjustment application, and the  
44 electric utility has the burden of proving reasonableness and  
45 prudence in the proceeding.



1 (e) The Commission shall not allow the electric utility to recover  
2 any recorded costs of purchased fuel and purchased power which  
3 were the result of any practice or transaction that was unreasonable  
4 or was undertaken, managed or performed imprudently by the  
5 electric utility, and the Commission shall order the electric utility to  
6 adjust its rates if the Commission determines that any recorded costs  
7 of purchased fuel and purchased power included in any quarterly  
8 rate adjustment or the annual deferred energy accounting adjustment  
9 application were not reasonable or prudent.

10 ~~H0.~~ 12. If an electric utility files an annual deferred energy  
11 accounting adjustment application pursuant to subsection ~~H9.~~ 11 and  
12 NRS 704.187 while a general rate application is pending, the  
13 electric utility shall:

14 (a) Submit with its annual deferred energy accounting  
15 adjustment application information relating to the cost of service  
16 and rate design; and

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

20 ~~H1.~~ 13. A utility facility identified in a 3-year plan submitted  
21 pursuant to NRS 704.741 and accepted by the Commission for  
22 acquisition or construction pursuant to NRS 704.751 and the  
23 regulations adopted pursuant thereto shall be deemed to be a prudent  
24 investment. The utility may recover all just and reasonable costs of  
25 planning and constructing such a facility.

26 ~~H2.~~ 14. In regard to any rate or schedule approved or  
27 disapproved pursuant to this section, the Commission may, after a  
28 hearing:

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

31 (1) Until a date determined by the Commission; and

32 (2) Under conditions as determined by the Commission,  
33 including, without limitation, a requirement that interest charges be  
34 included in the collection of the new rate; and

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

37 ~~H3.~~ 15. *The Commission may, upon request and for good*  
38 *cause shown, permit a public utility which purchases natural gas*  
39 *for resale or an electric utility to make a quarterly adjustment to*  
40 *its deferred energy accounting adjustment in excess of the*  
41 *maximum allowable adjustment pursuant to subsection 8 or 10.*

42 16. *A public utility which purchases natural gas for resale or*  
43 *an electric utility that makes quarterly adjustments to its deferred*  
44 *energy accounting adjustment pursuant to subsection 8 or 10 may*  
45 *submit to the Commission for approval an application to*



1 *discontinue making quarterly adjustments to its deferred energy*  
2 *accounting adjustment and to subsequently make annual*  
3 *adjustments to its deferred energy accounting adjustment. The*  
4 *Commission may approve an application submitted pursuant to*  
5 *this subsection if the Commission finds that approval of the*  
6 *application is in the public interest.*

7 17. As used in this section:

8 (a) *“Deferred energy accounting adjustment” means the rate*  
9 *of a public utility which purchases natural gas for resale or an*  
10 *electric utility that is calculated by dividing the balance of a*  
11 *deferred account during a specified period by the total therms or*  
12 *kilowatt-hours which have been sold in the geographical area to*  
13 *which the rate applies during the specified period.*

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

16 ~~(b)~~ (c) “Electric utility that primarily serves densely populated  
17 counties” means an electric utility that, with regard to the provision  
18 of electric service, derives more of its annual gross operating  
19 revenue in this State from customers located in counties whose  
20 population is 400,000 or more than it does from customers located  
21 in counties whose population is less than 400,000.

22 ~~(c)~~ (d) “Electric utility that primarily serves less densely  
23 populated counties” means an electric utility that, with regard to the  
24 provision of electric service, derives more of its annual gross  
25 operating revenue in this State from customers located in counties  
26 whose population is less than 400,000 than it does from customers  
27 located in counties whose population is 400,000 or more.

28 **Sec. 6.** NRS 704.185 is hereby amended to read as follows:

29 704.185 1. Except as otherwise provided in subsection 8 of  
30 NRS 704.110, a public utility which purchases natural gas for resale  
31 may record upon its books and records in deferred accounts all cost  
32 increases or decreases in the natural gas purchased for resale. Any  
33 public utility which uses deferred accounting to reflect changes in  
34 costs of natural gas purchased for resale shall include in its annual  
35 report to the Commission a statement showing the allocated rate of  
36 return for each of its operating departments in Nevada which uses  
37 deferred accounting.

38 2. ~~If the rate of return for any department using deferred~~  
39 ~~accounting pursuant to subsection 1 is greater than the rate of return~~  
40 ~~allowed by the Commission in the last rate proceeding, the~~  
41 ~~Commission shall order the utility which recovered any costs of~~  
42 ~~natural gas purchased for resale through rates during the reported~~  
43 ~~period to transfer to the next energy adjustment period that portion~~  
44 ~~of such recovered amounts which exceeds the authorized rate of~~  
45 ~~return.~~



1 ~~—3.]~~ A public utility which purchases natural gas for resale may  
2 request approval from the Commission to record upon its books and  
3 records in deferred accounts any other cost or revenue which the  
4 Commission deems appropriate for deferred accounting and which  
5 is not otherwise subject to the provisions of ~~[subsections]~~  
6 *subsection 1 . [and 2.]* If the Commission approves such a request,  
7 the Commission shall determine the appropriate requirements for  
8 reporting and recovery that the public utility must follow with  
9 regard to each such deferred account.

10 ~~[4.]~~ 3. When a public utility which purchases natural gas for  
11 resale files an *annual rate adjustment application or an annual*  
12 *deferred energy accounting adjustment* application , ~~[to clear its~~  
13 ~~deferred accounts.]~~ the proceeding regarding the application must  
14 include a review of the transactions and recorded costs of natural  
15 gas included in the application. There is no presumption of  
16 reasonableness or prudence for any transactions or recorded costs of  
17 natural gas included in the application, and the public utility has the  
18 burden of proving reasonableness and prudence in the proceeding.

19 *4. A public utility which purchases natural gas for resale and*  
20 *which has received approval from the Commission to make*  
21 *quarterly adjustments to a deferred energy accounting adjustment*  
22 *pursuant to subsection 8 of NRS 704.110 is not eligible to request*  
23 *an adjustment to its deferred energy accounting adjustment in its*  
24 *annual rate adjustment application.*

25 **Sec. 7.** NRS 704.187 is hereby amended to read as follows:

26 704.187 1. An electric utility that purchases fuel or power  
27 shall use deferred accounting by recording upon its books and  
28 records in deferred accounts all increases and decreases in costs for  
29 purchased fuel and purchased power that are prudently incurred by  
30 the electric utility.

31 2. An electric utility using deferred accounting shall include in  
32 its annual report to the Commission a statement showing, for the  
33 period of recovery, the allocated rate of return for each of its  
34 operating departments in this State using deferred accounting. ~~[If,~~  
35 ~~during the period of recovery, the rate of return for any operating~~  
36 ~~department using deferred accounting is greater than the rate of~~  
37 ~~return authorized by the Commission in the most recently completed~~  
38 ~~rate proceeding for the electric utility, the Commission shall order~~  
39 ~~the electric utility that recovered costs for purchased fuel or~~  
40 ~~purchased power through its rates during the reported period to~~  
41 ~~transfer to the next energy adjustment period that portion of the~~  
42 ~~amount recovered by the electric utility that exceeds the authorized~~  
43 ~~rate of return.]~~

44 3. Except as otherwise provided in this section, an electric  
45 utility using deferred accounting shall file an annual deferred energy



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1 accounting adjustment application on or before March 1, 2008, and  
2 on or before March 1 of each year thereafter.

3 4. *An electric utility that purchases fuel or power and has*  
4 *received approval from the Commission to make quarterly*  
5 *adjustments to its deferred energy accounting adjustment*  
6 *pursuant to subsection 10 of NRS 704.110 is not eligible to request*  
7 *an adjustment to its deferred energy accounting adjustment in its*  
8 *annual deferred energy accounting adjustment application.*

9 5. As used in this section:

10 (a) "Annual deferred energy accounting adjustment application"  
11 means an application filed by an electric utility pursuant to this  
12 section and subsection ~~9~~ 11 of NRS 704.110.

13 (b) "Costs for purchased fuel and purchased power" means all  
14 costs which are prudently incurred by an electric utility and which  
15 are required to purchase fuel, to purchase capacity and to purchase  
16 energy. The term does not include any costs that the Commission  
17 determines are not recoverable pursuant to subsection ~~9~~ 11 of  
18 NRS 704.110.

19 (c) "Electric utility" means any public utility or successor in  
20 interest that:

21 (1) Is in the business of providing electric service to  
22 customers;

23 (2) Holds a certificate of public convenience and necessity  
24 issued or transferred pursuant to this chapter; and

25 (3) In the most recently completed calendar year or in any  
26 other calendar year within the 7 calendar years immediately  
27 preceding the most recently completed calendar year, had a gross  
28 operating revenue of \$250,000,000 or more in this State.

29 ↪ The term does not include a cooperative association, nonprofit  
30 corporation, nonprofit association or provider of electric service  
31 which is declared to be a public utility pursuant to NRS 704.673 and  
32 which provides service only to its members.

33 **Sec. 8.** This act becomes effective upon passage and approval.

