LCB File No. R100-01

PROPOSED REGULATION OF THE PUBLIC UTILITIES COMMISSION OF NEVADA

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

In re Commission investigation to reaffirm and/or amend the Commission's regulations and/or adopt new regulations pursuant to Assembly Bill 369.	))))	Docket No. 01-5025

NOTICE OF INTENT TO AMEND/ADOPT/REPEAL REGULATIONS
NOTICE OF WORKSHOP AND NOTICE OF HEARING

NOTICE IS HEREBY GIVEN that the Public Utilities Commission of Nevada ("Commission") will hold a WORKSHOP on **Wednesday September 12, 2001**, 10:00 a.m., at the offices of the Commission, 1150 E. William Street, Carson City, Nevada 89701, Hearing Room A, at which time interested persons may appear and be heard. The workshop may continue from day to day as necessary. The purpose of this workshop is to receive comments from all interested persons regarding the attached proposed deferred accounting regulations.

Prior to conducting the workshop, the Regulatory Operations Staff of the Commission will investigate the impact of the proposed regulation on small businesses in accordance with Nevada Revised Statute ("NRS") 233B.0608(1), and the Commission shall determine whether the proposed regulation is likely to impose a direct and significant economic burden upon a small business.

NOTICE IS ALSO GIVEN that the Commission will hold a HEARING on **Wednesday, September 26, 2001**, 10:00 a.m., at the offices of the Commission, 1150 E. William Street, Carson City, Nevada 89701, Hearing Room B, at which time interested persons may appear and be heard. The hearing may continue from day to day as necessary. The purpose of this hearing is to receive comments from all interested persons regarding the attached proposed deferred accounting regulations.

The following information is provided pursuant to the requirements of NRS 233B.0603:

On April 18, 2001, Nevada Governor Kenny C. Guinn signed Assembly Bill No. 369 ("AB 369") into law. AB 369, Sec. 19 (5) requires the Commission to adopt regulations prescribing the period within which an electric utility must file an application to clear its deferred accounts after the end of a period of deferred accounting.

The proposed regulation potentially affects all entities which offer or will offer electric services, as well as the customers of such entities. At this time the Commission cannot quantify either the adverse or beneficial economic effects on the entities affected by the regulation or the public, either immediate or long-term, which may result from the regulation.

The Commission at this time does not envision any increased costs associated with enforcement of this proposed regulation. This regulation does not overlap or duplicate any other state or local federal government regulation, nor does it establish any new fee or increase an existing fee.

Persons wishing to comment upon the proposed action of the Commission may appear at the scheduled public hearing or address their comments, data, views, or arguments, in written form, to the Secretary of the Commission, 1150 East William Street, Carson City, Nevada 89701 or 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109.

A copy of this notice and the proposed regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulation will be available at the offices of the Commission, at 1150 East William Street, Carson City, Nevada 89701 or 101 Convention Center Drive, Suite 250, Las Vegas, Nevada 89109; and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulations are also available in the State of Nevada Register of Administrative Regulations, which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653, and on the Internet at http://www.leg.state.nv.us. Copies of this notice and the proposed regulations will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

Upon adopting of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption and incorporate therein its reason for overruling the consideration urged against its adoption.

This notice has been posted at the county courthouses located in Reno, Carson City, and Las Vegas.

By the Commission,

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CRYSTAL JACKSON, Commission Secretary

Dated: Carson City, Nevada

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(SEAL)

PROPOSED REGULATION OF THE
PUBLIC UTILITIES COMMISSION OF NEVADA

The Commission's deferred accounting regulations were not repealed during the interim period between the passage of SB 438 in 1999 (eliminating deferred accounting for electric utilities) and passage of AB 369 in 2001 (instituting deferred accounting for electric utilities). Due to the uncertainty of their effectiveness, Sections 1-17 are being reissued in an abundance of caution to adopt even though no changes are proposed. This uncertainty also applies to sections 18-26 which are being amended. Section 27 is an entirely new proposed regulation.

Section 1. NAC 704.023 Definitions. As used in NAC 704.023 to 704.195 inclusive, unless the context otherwise requires, the words and terms defined in NAC 704.024 to 704.063 inclusive, have the meanings ascribed to them in those sections.

Sec. 2. NAC 704.024 "Adjustment date" defined. "Adjustment date" means the end of the calendar month selected by the utility for the purposes of a deferred energy application.

Sec. 3. NAC 704.032 "Base tariff energy rate" defined. "Base tariff energy rate" means:

1. The rate determined by dividing the annualized cost of fuel for generation and purchased power by applicable sales as described in NAC 704.130; or
2. The rate determined by dividing the annualized cost of gas by applicable sales as described in NAC 704.135.

Sec. 4. NAC 704.035 "Deferred energy accounting" defined. "Deferred energy accounting" means an accounting practice which provides for the monthly deferral of increased or decreased energy costs experienced during a specific period and the amortization of those costs during a subsequent period to the extent that a utility does not collect more or less than its actual cost of fuel for generation and purchased power or purchased gas which is prudently incurred.

Sec. 5. NAC 704.037 "Deferred energy accounting adjustment" defined. "Deferred energy accounting adjustment" means the rate determined by dividing the deferred energy balance for the applicable period by the total Nevada jurisdictional kilowatt-hours or therms which have been billed as sales as described in NAC 704.101.

Sec. 6. NAC 704.050 "Energy costs" defined. "Energy costs" mean expenses associated with the acquisition of fuel for electric generation, purchased power, and purchased gas for resale as those expenses are defined in the Uniform System of Accounts of the Federal Energy Regulatory Commission and in the accounts which have been created by NAC 704.023 to 704.195, inclusive.

Sec. 7. NAC 704.055 "FERC account" defined. "FERC account" means an account contained in the Uniform System of Accounts created by the Federal Energy Regulatory Commission.

Sec. 8. NAC 704.058 “Nonfirm sales” defined. “Nonfirm sales” means the short-term sale of energy or the capacity to produce energy, or both, where there is no commitment of the continuous availability of the energy.

Sec. 9. NAC 704.060 “PSCN account” defined. “PSCN account” means a deferred energy account created under the provisions of NAC 704.023 to 704.195, inclusive.

Sec. 10. NAC 704.063 “Test period” defined. “Test period” means the 12 calendar months ending on the adjustment date.

Sec. 11. NAC 704.080 Deviation from regulations. Where good cause appears, the commission may permit deviation from NAC 704.023 to 704.195, inclusive, if the deviation is found to be in the public interest and is not contrary to statute.

Sec. 12. NAC 704.095 Deferred energy accounts: General provisions. Deferred energy accounts may be used only to carry out deferred energy accounting procedures and are not amendments to any other regulation of the commission. The accounts must be consistent with the provisions of NAC 704.023 to 704.195, inclusive.

Sec. 13. NAC 704.105 Account for energy cost adjustments. An account for energy cost adjustments must:

1. Contain contra entries to FERC Account No. 186 (electric operations) or FERC Account No. 191 (gas operations).
2. Be debited or credited with the amount of the amortized energy cost differential for each month of each period of amortization.
3. Be maintained in a manner consistent with FERC Account No. 186 (electric operations) or FERC Account No. 191 (gas operations).

Sec. 14. NAC 704.135 Calculation of base tariff energy rate: Gas. The base tariff energy rate (BTER) for gas purchased for resale must be established in a utility’s application for deferred energy relief and must be based on the following formula:

Let:

PG = Actual volumes of gas purchased from each pipeline supplier and from each producer in the field, for the test period expressed in therms.

UG = The latest experienced unit price paid for gas to each pipeline supplier and each producer during the test period.

SG = Actual volumes of gas sold less excess gas sold for the test period expressed in therms.

FG = Fixed costs associated with the purchase of gas for the test period as may be enumerated in the accounts specified in paragraph (d) of subsection 2 of NAC 704.120.

DSG = Total actual volume of gas sold and delivered into the transmission system of the utility for the test period expressed in therms.

Then:

For distribution utilities:

$$\text{BTER} = \frac{(\text{PG X UG}) + \text{FG}}{\quad}$$

SG

For transmission utilities:

$$BTER = \frac{(PG \times UG) + FG}{DSG}$$

Sec. 15. NAC 704.145 Accounting procedures for deferred accounts.

1. FERC Account Nos. 186 and 557 must be used in Nevada jurisdictional electric operations for deferred energy accounting to record monthly entries in the manner prescribed in NAC 704.101 and 704.105.

2. FERC Account Nos. 191 and 805.1 must be used in Nevada jurisdictional gas operations to record the monthly entries in the manner prescribed in NAC 704.101 and 704.105.

3. The contra entries to the deferred energy accounts referred to in subsections 1 and 2 must be made to FERC Account No. 557 for electric cost differentials and FERC Account No. 805.1 for gas cost differentials.

4. The income tax effect applicable to the debit and credit entries to the deferred energy accounts set forth in NAC 704.023 to 704.195, inclusive, must be recorded in the following FERC accounts:

(a) FERC Account No. 410.1	-Provision for deferred income taxes, utility operating income.
(b) FERC Account No. 283	-Accumulated deferred income taxes, other.
(c) FERC Account No. 411.1	-Provision for deferred income taxes, credit, utility operating income.
(d) FERC Account No. 190	-Accumulated deferred income taxes.
(e) FERC Account No. 409.1	-Income taxes, utility operating income.
(f) FERC Account No. 236	-Taxes accrued.

These accounts must be maintained by test period so as to separate the income tax effect between electric and gas operations. The accounts must be maintained in a manner consistent with FERC Account No. 191 (gas operations) and FERC Account No. 186 (electric operations).

Sec. 16. NAC 704.150 Carrying charges.

1. Except as otherwise provided in subsection 3, a carrying charge must be computed on the current debit or credit balance at the end of each month in FERC Account No. 186 (electric operations) or FERC Account No. 191 (gas operations) and must be respectively debited or credited to the account at the rate of one-twelfth of the overall rate of return as authorized by the commission for the particular department or division of the utility. The rate of the carrying charge must be applied to the entire balance in FERC Account No. 186 (electric operations) or FERC Account No. 191 (gas operations).

2. The contra entries for the carrying charge must be made to FERC Account No. 419 (gas operations).

3. 3.If, in any month, a utility's Nevada jurisdictional earned rate of return for an operating department for the test period exceeds the overall rate of return last authorized by the commission for that department, and if the monthly balance in FERC Account No. 186 (electric operations) or FERC Account No. 191 (gas operations) is a debit, an adjustment amount will be

calculated equal to the amount which exceeds the utility's last authorized rate of return. Carrying charges may accrue only on that portion of the debit balance which exceeds the adjustment amount.

Sec. 17. NAC 704.195 Monthly reports.

1. Not later than 45 days after the end of each month in every deferred energy period, each utility must submit to the commission a report containing all transactions and calculations affecting the deferred energy accounts. The utility's monthly reports must include any other information or data required by the commission to expedite or facilitate the application and hearing necessary to clear the balances of deferred energy accounts.

2. Each utility with deferred electric account balances shall submit in its monthly reports for electric operations the monthly cost of all energy generated and purchased, indicating:

(a) The number of megawatt-hours generated as to quantity, cost, and type of fuel used in each generating unit;

(b) The number of megawatt-hours purchased and the cost, including demand charges, for each supplier by rate schedule or contract; and

(c) The basis of charges and data supporting those charges.

3. Each utility with deferred gas account balances shall submit in its monthly reports for gas operations the monthly cost of all gas purchased, indicating:

(a) The quantity and cost of gas purchased from each supplier by rate schedule or contract; and

(b) The basis of the charges and the invoices supporting the charges.

Sec. 18. NAC 704.030 is hereby amended to read as follows:

1. "Amortization period" ***for an electric utility*** means ~~[a 12-month period beginning 3 months after the end of the prior related test period]~~ ***such period after the end of the prior related test period, not to exceed 36-months, as determined by the commission***

2. "Amortization period" for a gas utility means such 12-month period after the end of the prior related test period, as determined by the commission.

Sec. 19. NAC 704.045 is hereby amended to read as follows: **"**Deferred energy balance" means the amount contained in FERC Account Nos. 186 and 191, and represents the sum of:

1. The difference between revenue received from the base tariff energy rate and the jurisdictional allocation of the amounts contained in the appropriate accounts listed in paragraphs (a), (b), ~~[(d)]~~ ***(c)*** and ***(e)*** of subsection 2 of NAC 704.120;

2. The amount resulting from the application of the deferred energy accounting adjustment to sales, as contained in the appropriate revenue accounts;

3. The Nevada jurisdictional portion of refunds from suppliers, including any interest earned thereon; and

4. Carrying charges as described in NAC 704.150.

Sec. 20. NAC 704.075 is hereby amended to read as follows:

1. The provisions of NAC 704.023 to 704.195, inclusive, apply ***to each electric utility and*** to each ***gas*** utility which elects to use deferred energy accounting.

2. The ***gas*** utility, before it institutes procedures for deferred energy accounting, must notify the commission in writing of its intent to do so. The notice must include the base tariff energy rate and all supporting data required to calculate the rate according to the formulas provided in NAC 704.023 to 704.195, inclusive.

Sec. 21. NAC 704.090 is hereby amended to read as follows:

1. Any ***gas*** utility which uses deferred energy accounting pursuant to NAC 704.023 to 704.195, inclusive, may apply to the commission for authority to terminate those accounting procedures. The ***gas*** utility may cease using those accounting procedures upon authorization from the commission.

2. An application must contain a report showing the Nevada jurisdictional earned rate of return for the specific operating department applying for termination for the most current 12 calendar months.

3. Within 45 days after the date on which the commission authorizes termination, the utility shall file for the specific operating department which applied for termination a report containing:

(a) The Nevada jurisdictional earned rate of return for the 12 calendar months ending on the date of termination.

(b) A statement of the cumulative balance as of the termination date. The commission will issue an appropriate order for the disposition of this balance.

4. The commission may suspend an application in the same manner as used for the filing of a general increase in rates.

Sec. 22. NAC 704.101 is hereby amended to read as follows:

A utility ***using deferred energy accounting*** shall maintain a deferred energy account ***and, if applicable, an electric utility shall maintain appropriate sub-accounts***. Entries must be made to the account at the end of each month as follows:

1. For electric operations:

(a) A debit entry or credit entry to FERC account 186, if negative, equal to the cost of ***both*** generation fuel and the net purchased power***, reduced for revenues from nonfirm sales,*** distributed to applicable jurisdictional sales by the ratio of those jurisdictional sales to the total sales of energy, exclusive of nonfirm sales, less the amount of revenue ~~[billed during the month under the base tariff energy rate]~~ ***derived by applying the base tariff energy rate to that month's applicable jurisdictional sales.***

(b) ~~[A]~~ ***Each sub-account will receive a separate*** credit entry or debit entry, if negative, equal to the amount of revenue ~~[billed during the month under the deferred energy accounting adjustment]~~ ***derived by applying the appropriate deferred energy accounting adjustment to that month's applicable jurisdictional sales.***

(c) A credit equal to the jurisdictional amount of any cash refund, including interest if applicable, received from its fuel or suppliers of purchased power.

(d) ~~[A]~~ ***Each sub-account will receive a separate*** debit entry or credit entry, if negative, equal to the product of the ending balance multiplied by one-twelfth of the authorized rate of return as provided in NAC 704.150.

2. For gas operations:

(a) A debit entry or credit entry to FERC account 191, if negative, equal to the cost of purchased gas for the month distributed to applicable jurisdictional sales by the ratio of those jurisdictional sales to total sales, less the amount of the revenue ~~[billed during the month under~~

~~the base tariff energy rate]~~ ***derived by applying the base tariff energy rate to that month's applicable jurisdictional sales.***

(b) A credit entry or debit entry, if negative, equal to the amount of revenue ~~[billed during the month under the deferred energy accounting adjustment]~~ ***derived by applying the appropriate deferred energy accounting adjustment to that month's applicable jurisdictional sales.***

(c) A credit entry equal to the jurisdictional amount of any cash refund, including interest if applicable, received from suppliers of purchased gas.

(d) A debit entry or credit entry, if negative, equal to the product of the ending balance multiplied by one-twelfth of the authorized rate of return as provided in NAC 704.150.

Sec. 23. NAC 704.111 is hereby amended to read as follows:

1. For an electric utility:

(a) An electric utility shall clear annually any debit or credit balance in FERC Account No. 186 over an approved period by dividing the cumulative debit or credit balance by Nevada Jurisdictional kilowatt-hours which have been sold during the test period. The resulting positive or negative deferred energy accounting adjustment must then be applied to each Nevada jurisdictional customer's monthly use of energy expressed in kilowatt-hours.

(b) If an electric utility requests, or is ordered, to clear any debit or credit balance in FERC Account No. 186 over an amortization period exceeding 12-months, the cumulative debit, subject to subsection 3, or credit balance at the end of the test period shall be transferred to a separate sub-account. The cumulative balance shall be multiplied by the ratio of 12 months to the number of months in the extended amortization period. The debit or credit amount so derived shall be divided by the Nevada jurisdictional kilowatt-hours sold during the test period. The resulting positive or negative deferred energy accounting adjustment must be applied to each Nevada jurisdictional customer's monthly use of energy expressed in kilowatt-hours. The deferred energy accounting adjustment shall remain in effect during the entire amortization period. At the end of the amortization period any remaining balance will be transferred to the non-segregated deferred account sub-account.

(c) The deferred energy accounting adjustment may not be billed or credited to the utility's customers until authorized by the commission after a proper application is made therefor.

~~[1]~~ ***2.*** A ***gas*** utility shall clear annually any debit or credit balance in ~~[FERC Account No. 186 (electric operations) or]~~ FERC Account No. 191 ~~[(gas operations)]~~ by dividing the cumulative debit or credit balance by the total Nevada jurisdictional ~~[kilowatt-hours or]~~ therms which have been ~~[billed]~~ ***sold*** as sales for the test period. The resulting positive or negative deferred energy accounting adjustment must then be applied to each Nevada jurisdictional customer's monthly use of energy expressed in ~~[kilowatt-hours or]~~ therms. The deferred energy accounting adjustment may not be billed or credited to the utility's customers until authorized by the commission after a proper application is made therefor.

~~[2]~~ ***3.*** The recovery of a debit balance in FERC Account No. 186 (electric operations) or FERC Account No. 191 (gas operations) must be limited by the most recently authorized Nevada jurisdictional rate of return for the specific operation of the utility. If the Nevada jurisdictional rate of return submitted for a utility's operating department exceeds the most recently authorized rate of return for the utility, an amount equal to the amount which exceeds the utility's last authorized rate of return must be carried forward to the next test period.

Sec. 24. NAC 704.116 is hereby amended to read as follows:

1. Each utility shall file annually with the commission a deferred energy application for each of its jurisdictional operating departments in this state setting forth its calculations of the deferred energy accounting adjustment and the base tariff energy rate.

2. A semiannual application may be made if the net change in revenues necessary to ~~[if the net change in revenue necessary to offset changes in the cost of fuel for generation and purchased power or purchased gas exceeds plus or minus 5 percent of total revenue at rates last authorized for the test period]~~ ***clear the change in the deferred account balance at the end of the six month period exceeds plus or minus 5 percent of the total revenue at the last authorized rates for fuel and purchased power or purchased gas.***

~~[2]~~ ***3.*** ~~[An]~~ ***Other than the initial electric utility application which may be filed 60 days after the adjustment date, an*** application must be filed no later than 45 days after the adjustment date.

~~[3]~~ ***4.*** The deferred energy accounting adjustment must be calculated pursuant to NAC 704.101.

~~[4]~~ ***5.*** An increased or decreased base tariff energy rate must be based on the volumes as described in NAC 704.130 (electric operations) and NAC 704.135 (gas operations) for the test period at the latest experienced unit costs.

~~[5]~~ ***6.*** A utility's base tariff energy rate remains in effect until an amended rate is authorized by the commission. A utility's deferred energy accounting adjustment remains in effect until the end of the designated amortization period or until an amended rate is authorized by the commission, whichever occurs first.

Sec. 25. NAC 704.120 is hereby amended to read as follows:

1. The commission hereby adopts by reference from the Uniform System of Accounts of the Federal Energy Regulatory Commission those accounts enumerated in this section as FERC accounts. These accounts are contained in 18 C.F.R. Parts 101 and 201, and may be purchased from the Superintendent of Documents, United States Government Printing Office, Washington, D.C. 20402, for $15 and $14, respectively, per copy.

2. The following accounts are hereby adopted:

(a) Fuel for electric generation, FERC Account Nos. 501 and 547.

(b) Purchased power, FERC Account No. 555.

(c) Transmission of electricity by others, FERC Account No. 565.

~~[(c)]~~ ***(d)*** Income tax accounts, electric, and gas, FERC Account Nos. 190, 236, 283, 409.1, 410.1, and 411.1.

~~[(d)]~~ ***(e)*** Gas for resale, FERC Account Nos. 728, 755, 760, 777, 800 to 809, inclusive, 811, 812, and 858.

~~[(e)]~~ ***(f)*** Purchased gas cost adjustments, FERC Account No. 805.1.

~~[(f)]~~ ***(g)*** Unrecovered purchased gas costs, FERC Account No. 191.

~~[(g)]~~ ***(h)*** Interest and dividend income, FERC Account No. 419.

~~[(h)]~~ ***(i)*** Miscellaneous deferred debits, electric, FERC Account No. 186.

~~[(i)]~~ ***(j)*** Other expenses, FERC Account No. 557.

Sec. 26. NAC 704.130 is hereby amended to read as follows:

The base tariff energy rate (BTER) for fuels used in electric generation and for purchased power must be established in a utility's application for deferred energy relief and must be based on the following formula:

Let:

MG = Units of fuel used for the test period by each generating station for each type of fuel used.

UG = The latest experienced unit cost, for a reasonably significant volume purchased, for each type of fuel used in each generating station.

FG = Other latest known costs associated with fuel used in electric generation as enumerated in the accounts specified in paragraph (a) of subsection 2 of NAC 704.120.

PPF = Total megawatt-hours purchased under firm obligation and net associated interchanged power for the test period.

UPF = The latest experienced unit energy costs for firm power and associated net interchanged power from each supplier.

PPN = Total megawatt-hours purchased under nonfirm sales and associated net interchange power for the test period.

UPN = The average weighted cost for nonfirm power and associated net interchange power purchased during the test period (recorded cost).

FP = Fixed costs associated with the purchase and net interchange of power as may be enumerated in the accounts specified in paragraph (b) of subsection 2 of NAC 704.120.

T = Total sales of megawatt-hours ~~[which have been billed]~~, exclusive of nonfirm sales, for the test period.

Then:

$$BTER = \frac{((MG \times UG) + FG) + ((PPF \times UPF) + (PPN \times UPN) + FP)}{T}$$

Sec. 27. NAC 704.175 is hereby amended to read as follows:

Before the hearing, the commission may suspend the proposed base tariff energy rate and deferred energy accounting adjustment and defer their use for a period of not more than ~~[150]~~ ***90*** days beyond the time when the rates would otherwise go into effect.

Sec. 28. Chapter 704 of NAC is hereby amended by adding thereto a new section to read as follows:

Whenever an electric utility files an application to clear its deferred accounts pursuant to NAC 704.023 to 704.195 inclusive while a general rate change application is before the commission, it shall submit with its application information related to cost of service and rate design; and, if not provided with the general rate application, supplement its general rate application with the same information.