

**REVISED PROPOSED REGULATION OF THE
PUBLIC UTILITIES COMMISSION OF NEVADA**

LCB File No. R049-06

August 29, 2006

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1-12, NRS 703.025 and 704.210.

A REGULATION relating to public utilities; revising provisions governing the application process for adjustments in rates of certain public utilities; and providing other matters properly relating thereto.

Section 1. Chapter 703 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this regulation.

Sec. 2. *If a public utility which purchases natural gas for resale elects, pursuant to subsection 4 of NRS 704.110, to submit with its general rate application a statement showing the effects, on an annualized basis, of all expected changes in circumstances, it shall submit the application and statement not later than 155 days after the end of the 12-month period described in subsection 3 of NRS 704.110 for which data were available when the application was prepared.*

Sec. 3. *For the purposes of subsection 4 of NRS 704.110, the Commission will consider expected changes in circumstances to be reasonably known and measurable with reasonable accuracy if the expected changes in circumstances affect revenues and expenses that:*

1. Consist of specific and identifiable events or programs rather than general trends, patterns or developments;

2. Have an objectively high probability of occurring to the degree, in the amount and at the time expected; and

3. 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.

Sec. 4. NAC 703.2201 is hereby amended to read as follows:

703.2201 As used in NAC 703.2201 to 703.2481, inclusive, *and sections 2 and 3 of this regulation*, unless the context otherwise requires:

1. “Uniform system of accounts” means uniform system of accounts prescribed for public utilities and licensees, classes A, B, C and D, which were published by the Federal Energy Regulatory Commission and adopted by reference in NAC 704.650.

2. “Unit” means the quantitative measurement of an item, or level of use, consumption or effort.

3. “Unit rate” is that rate which when multiplied by the number of units within a given period results in the aggregate dollar amount applicable to that period.

Sec. 5. NAC 703.2245 is hereby amended to read as follows:

703.2245 1. Amounts which purport to represent recorded data and are included in a statement or schedule must be reported in a separate column or columns. Adjustments to recorded data must also be reported in a separate column or columns so that the recorded data and adjustment thereto and adjusted amounts are clearly disclosed.

2. For the purposes of subsection 4 of NRS 704.110, adjustments which show the effects, on an annualized basis, of all expected changes in circumstances, and which are reasonably known and measurable with reasonable accuracy, must be reported in a separate column or

columns so that the recorded data, adjustments to recorded data and adjustments that show the effects of all expected changes in circumstances are clearly disclosed.

3. An adjustment to recorded data *or an adjustment that shows the effects of all expected changes in circumstances submitted pursuant to subsection 4 of NRS 704.110* must be supported by workpapers detailing the calculations, units, unit rates and any other accounting or financial data necessary to completely explain and justify the proposed adjustments.

~~3.~~ 4. The applicant ~~must~~ *shall* calculate the adjustments to show the annual effect of the change in units or in the unit rate, or both, upon applicant's weighted cost of capital, rate base or summary of earnings.

5. If the Commission considers an adjustment for all expected changes in circumstances in accordance with subsection 4 of NRS 704.110, the Commission may also consider all reasonably projected or forecasted offsets in revenue and expenses that are directly attributable to or associated with the expected changes in circumstances under consideration.

Sec. 6. NAC 703.2255 is hereby amended to read as follows:

703.2255 1. The data in support of the proposed ~~increase~~ *change* in rates must include the required recorded data, adjustments and other computations and information on which the applicant relies to justify the proposed rates.

2. Any data or summaries included in the application which reflect the book of accounts must be supported by accounting workpapers. The workpapers *must* contain, in separate columns, all necessary particulars from which an auditor may readily identify the book data included in the filing and a verification that such data are in agreement with the applicant's book of accounts. All statements, schedules and workpapers must be prepared in accordance with the classifications provided in the uniform system of accounts. Workpapers in support of all

adjustments, computations and other information included in the application must be cross-referenced, contain all relevant details and be available for inspection.

3. Each applicant ~~must~~ *shall* prepare and maintain workpapers sufficient to support the application. Failure to produce promptly such workpapers on request of an authorized representative of the Commission or the Consumer's Advocate is a cause for dismissal by the Commission of the application in its entirety. In addition to the workpapers, the following material, normally prepared by the applicant, must be made available for verification and analysis by the Commission's staff and the Consumer's Advocate. Upon request, a copy of the information must be furnished. If required for the analysis, the Commission will request:

- (a) Copies of monthly financial reports prepared for managerial purposes.
- (b) Copies of the accounting analyses of balance sheet accounts.
- (c) Complete trial balances of all the balance sheet accounts at the beginning and end of the 12 months of actual experience, and revenue and expense accounts for the 12 months of recorded data used for the application.
- (d) Analyses of the miscellaneous revenues and related expenses included in the submitted results of operations.
- (e) Analyses of accounts showing retained earnings or capital surplus.
- (f) *If the applicant is submitting a statement pursuant to subsection 4 of NRS 704.110, operating budgets showing all expected changes in circumstances through the end of the 210-day period described in that subsection.*
- (g) Copies of all relevant reports and correspondence with other regulatory agencies.
- ~~(g)~~ (h) Copies of all relevant reports, returns and correspondence with federal, state and local authorities on taxes.

~~(b)~~ (i) If not confidential, copies of all managerial studies, reports and letters prepared by employees of the company and outside auditors.

Sec. 7. NAC 703.2301 is hereby amended to read as follows:

703.2301 Schedule F-1 is a schedule that shows the weighted average cost of debt capital based upon the following data for each class and series of debt outstanding according to the balance sheet as of the end of the period of testing and the cost of new securities issued pursuant to subsection 3 *or* 4 of NRS 704.110:

1. Title;
2. Date of issuance and final maturity;
3. Interest rate;
4. Principal amount of the issue, gross proceeds, discount and any premiums;
5. The amount and percentage of the gross proceeds of the issuance expense, including underwriters' discounts or commissions;
6. Principal amount of the issue outstanding, unamortized discount and expense and net proceeds outstanding;
7. Effective cost of the money;
8. If the issue is owned by an affiliate, the name and relationship of the owner; and
9. If the company has acquired at a discount or premium ~~(b)~~ some part of the outstanding debt which could be used in meeting sinking fund requirements ~~(b)~~ or for other reasons, it ~~(must)~~ *shall* show the annual amortization of the discount or premium for each series of debt from the date of reacquisition, over the remaining life of the debt being retired and separately show the total discount and premium as a result of such amortization, applicable to the period of testing.

Sec. 8. NAC 703.2305 is hereby amended to read as follows:

703.2305 Schedule F-2 is a schedule that shows the weighted average cost of preferred stock capital based upon the following data for each class and series of preferred stock outstanding according to the balance sheet as of the end of the period of testing and the cost of new securities issued pursuant to subsection 3 *or* 4 of NRS 704.110:

1. Title;
2. Date of issuance;
3. If callable, the call price;
4. If convertible, the terms of conversion;
5. Dividend rate;
6. Par or stated amount of the issue, gross proceeds and any premiums;
7. The amount and percentage of gross proceeds of the issuance expense, including underwriters' discounts or commissions;
8. Net proceeds;
9. Cost of the money;
10. Whether the issue was offered to stockholders through subscription rights or to the public; and
11. If the issue is owned by an affiliate, the name and relationship of the owner.

Sec. 9. NAC 703.2315 is hereby amended to read as follows:

703.2315 Schedule F-4 is a schedule that shows for each issue of common stock during the 6 years preceding the balance sheet as of the end of the period of testing and the cost of new securities issued pursuant to subsection 3 *or* 4 of NRS 704.110:

1. Number of shares sold;
2. Gross proceeds at offering price;

3. Amount and percentage of gross proceeds of underwriters' discounts or commissions;
4. Proceeds to applicant;
5. Amount and percentage of gross proceeds of issuance expenses; and
6. Net proceeds showing the offering price and net proceeds per share.

Sec. 10. NAC 703.2345 is hereby amended to read as follows:

703.2345 **1.** Statement H is a summary of the overall results of operations developed from the supporting schedules and statements. The statements must show ~~the~~:

(a) *The* amounts as recorded on the applicant's books ~~is~~; *and*

(b) *Except as otherwise provided in subsection 4 of NRS 704.110 relating to a public utility which purchases natural gas for resale,* adjustments during the year of testing for known changes and estimated adjustments to be certified by the applicant.

2. The statement must also include the requested rate of return and must show the application of the requested rate of return to the overall rate base.

Sec. 11. NAC 703.2351 is hereby amended to read as follows:

703.2351 If statement H contains adjustments for estimated changes beyond the actual year of testing, certification of these amounts must be submitted in statement I in accordance with subsection 3 of NRS 704.110 ~~is~~ *unless filing in accordance with subsection 4 of NRS 704.110, in which case statement I is not necessary.* The certified amounts must be shown in statement I in the same format as statement H. Statement I must begin with the results of operations as recorded and as adjusted for known changes during the year of testing from statement H. Each certified adjustment must be then shown. The necessary detail used to support each certified adjustment must be submitted with the statement.

Sec. 12. NAC 703.2355 is hereby amended to read as follows:

703.2355 1. Statement J must contain a statement that shows the revenues used to operate a utility classified in accordance with the accounts for operating revenue prescribed by the uniform system of accounts. Sales and service must be classified as between department, jurisdictional and nonjurisdictional, as applicable.

2. Jurisdictional operating revenues must be adjusted to show the annual effect of changes occurring during the period of testing. Adjusted sales for each rate schedule to show the annual effect of increases or decreases in the number of customers during such a period may be computed using the number of customers at the end of the period and the average annual usage and demand per customer, except where the applicant can attribute changes in sales directly to changes in the usage or demand of individual customers.

3. If statement H contains adjustments for estimated changes in expenses beyond the actual recorded year of testing ~~it~~ *and the application is being certified pursuant to subsection 3 of NRS 704.110*, the applicant in its statement I ~~must~~ *shall* adjust jurisdictional operating revenues to show the annual effect of changes occurring during the period for certification. Adjusted sales for each rate schedule to show the annual effect of increases or decreases in the number of customers during the period for certification ~~it~~ may be computed using the number of customers and the average annual usage and demand per customer at the end of the period for certification, except in those instances where the applicant can attribute changes in sales directly to changes in the usage or demand of individual customers.

4. Statement J must disclose, using supporting schedules as necessary, revenues by months and revenue totals for the period of testing. Statement J must also disclose, using supporting schedules as necessary, the revenue totals for such a period from adjusted jurisdictional sales as

computed under the presently effective and proposed rates together with the differences in the annual revenues, and the actual annual revenues from the nonjurisdictional sales.