

Amendment No. 296

Senate Amendment to Senate Bill No. 238	(BDR 58-1156)
Proposed by: Committee on Commerce and Labor	
Amendment Box:	
Resolves Conflicts with: N/A	
Amends: Summary: No Title: Yes Preamble: No Joint Sponsorship: No Digest: Yes	

ASSEMBLY ACTION	Initial and Date	SENATE ACTION	Initial and Date
Adopted <input type="checkbox"/> Lost <input type="checkbox"/>	_____	Adopted <input type="checkbox"/> Lost <input type="checkbox"/>	_____
Concurred In <input type="checkbox"/> Not <input type="checkbox"/>	_____	Concurred In <input type="checkbox"/> Not <input type="checkbox"/>	_____
Receded <input type="checkbox"/> Not <input type="checkbox"/>	_____	Receded <input type="checkbox"/> Not <input type="checkbox"/>	_____

Amend sec. 3, page 3, line 36, by deleting “*periodic*” and inserting “*quarterly*”.

Amend sec. 4, page 5, by deleting line 5 and inserting:

“3. If a”.

Amend sec. 4, page 5, line 10, by deleting “In” and inserting:

“~~In~~ *Except as otherwise provided in subsection 4, in*”.

Amend sec. 4, pages 5 and 6, by deleting lines 36 through 45 on page 5 and lines 1 through 9 on page 6, and inserting:

“at least once every 24 months.

4. *In addition to submitting the statement required pursuant to subsection 3, a public utility which purchases natural gas for resale may submit with its general rate application a statement showing the effects, on an annualized basis, of expected changes in circumstances which may*

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Date: 4/21/2005

S.B. No. 238—Revises provisions governing regulation of certain public utilities.

occur within 240 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. 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 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.”.

Amend sec. 4, page 6, lines 38 and 43, by deleting “*periodic*” and inserting “*quarterly*”.

Amend sec. 4, page 7, by deleting lines 1 through 16 and inserting:

“(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.”.

Amend the bill as a whole by adding new sections designated sections 7 and 8, following sec. 6, to read as follows:

“**Sec. 7.** 1. As soon as practicable after the effective date of this act, the Public Utilities Commission of Nevada shall open an investigatory docket to study, examine and review the various processes, theories and methodologies that may be used to establish just and reasonable rates in cases involving general rate applications filed by public utilities.

2. The investigatory docket must include, without limitation:

(a) Consideration of the use of different ratemaking methodologies as an alternative to the historical test year methodologies currently used in Nevada, such as:

- (1) Projected test year methodologies;
- (2) Hybrid methodologies that use a combination of projected data and historical data; and
- (3) Any other ratemaking methodologies that are reasonable alternatives to historical test year methodologies.

(b) With regard to each alternative ratemaking methodology, consideration of:

- (1) The rate impact on customers and whether the methodology would result in rates that more accurately reflect the costs of providing service to those customers;

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- (2) The cost effectiveness of using the methodology;
 - (3) The fiscal impact on state and local agencies;
 - (4) The procedures and mechanisms necessary to implement the methodology; and
 - (5) Any other related matters that the Commission deems appropriate.
3. The following parties may participate in the investigatory docket:
 - (a) Each public utility operating in this State;
 - (b) The Regulatory Operations Staff of the Commission;
 - (c) The Consumer's Advocate and the Bureau of Consumer Protection in the Office of the Attorney General; and
 - (d) Any other interested parties.
 4. On or before October 1, 2006, the Commission shall submit a written report of its findings and recommendations from the investigatory docket to the Director of the Legislative Counsel Bureau for transmittal to the 74th Session of the Nevada Legislature.
 5. If the Commission's report contains any recommendations for modification or replacement of the historical test year methodologies currently used in Nevada with alternative ratemaking methodologies, the report must include, without limitation, recommendations regarding:
 - (a) The legislation that would be necessary to authorize the alternative ratemaking methodologies; and
 - (b) The procedures and mechanisms that would be necessary to implement the alternative ratemaking methodologies.
- Sec. 8.** 1. This section and section 7 of this act become effective upon passage and approval.
2. Sections 1 to 6, inclusive, of this act become effective on October 1, 2005.'".

Amend the title of the bill to read as follows:

“AN ACT relating to public utilities; authorizing a public utility which purchases natural gas for resale to submit information with a general rate application regarding the effect that certain expected changes in circumstances will have on its operations; authorizing the Public Utilities Commission of Nevada to permit a public utility which purchases natural gas for resale to make quarterly adjustments in its rates based on changes in the costs of natural gas without complying with certain procedural requirements; requiring the Commission to conduct a study and prepare a report for the Legislature regarding the possible use of alternative ratemaking methodologies in general rate cases; and providing other matters properly relating thereto.”.

**If this amendment is adopted, the Legislative
Counsel's Digest will be changed to read as follows:**

Legislative Counsel's Digest:

Existing law contains certain requirements and procedures that a public utility must follow when filing a general rate application. Specifically, a public utility must submit a statement showing its actual revenues, expenses, investments and costs of capital for the most recent 12-month period of operations from which such data is available. Based on the actual data obtained from the prior 12-month period of operations and any supplemental data submitted by the utility, the Public Utilities Commission of Nevada establishes new rates for the utility. (NRS 704.110)

This bill allows a natural gas utility to submit with its general rate application a statement showing the effects of certain changes which are expected to occur within 240 days after the date on which its general rate application is filed with the Commission. If the public utility proves that the expected changes are reasonably known and are measurable with reasonable accuracy, the Commission shall consider the effects of those expected changes in establishing just and reasonable rates for the public utility.

Existing law allows a natural gas utility to file an application with the Commission once every 30 days to recover from ratepayers any increased costs the utility pays for its supply of natural gas. (NRS 704.110) Upon receipt of such an application, the Commission generally must provide notice of the application and hold a hearing concerning the proposed rate increase. (NRS 703.320) In addition, the Commission generally must conduct a consumer session to solicit comments from the public concerning the proposed rate increase. (NRS 704.069)

This bill allows a natural gas utility to request approval from the Commission to adjust its rates on a quarterly basis between annual rate adjustment applications based on changes in the costs of natural gas. If the request is approved, the utility's quarterly rate adjustments are not subject to the requirements for notice, hearings or consumer sessions. Instead, the utility must file an annual rate adjustment application with the Commission to review the appropriateness of the utility's quarterly rate adjustments. The Commission must adjust the utility's rates if the Commission determines that any quarterly rate adjustment made by the utility was not reasonable or was the result of any imprudent practice or transaction.

Finally, this bill requires the Commission to open an investigatory docket to study the various methodologies that may be used to establish just and reasonable rates in cases involving general rate applications filed by public utilities. The Commission must consider the possible use of different ratemaking methodologies, such as projected test year methodologies, as an alternative to the historical test year methodologies currently used in Nevada. The Commission must submit a report of its findings and recommendations to the Director of the Legislative Counsel Bureau for transmission to the 2007 Legislature.