

SENATE BILL NO. 281—SENATOR NGUYEN

MARCH 15, 2023

Referred to Committee on Growth and Infrastructure

SUMMARY—Revises provisions governing natural gas utilities.
(BDR 58-693)

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

~

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

AN ACT relating to natural gas; requiring certain natural gas utilities to file with the Public Utilities Commission of Nevada a triennial plan designed to meet the current and future demand for natural gas at the lowest reasonable cost to the natural gas utility and its customers; prohibiting a natural gas utility from filing a general rate application under certain circumstances; revising provisions governing certain regulations the Commission is required to adopt with respect to natural gas utilities; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Existing law requires a utility which supplies natural gas in this State to file
2 annually with the Public Utilities Commission of Nevada an informational report
3 describing certain information regarding the demand for natural gas, certain costs
4 related to the provision of gas service and sources of planned acquisitions of natural
5 gas. (NRS 704.991) **Sections 8, 14 and 18** of this bill replace the requirement to
6 file an annual informational report with a requirement for a natural gas utility which
7 serves 10 more customers in a calendar year to file with the Commission, on or
8 before October 1, 2025, and on or before October 1 of every third year thereafter, a
9 plan designed to meet the current and future demand for natural gas at the lowest
10 reasonable cost to the natural gas utility and its customers. **Section 14** requires the
11 plan to include certain information related to the provision of gas service by the
12 utility during the 3 years covered by the plan, including certain expenses of
13 the utility and certain activities and programs that the utility plans to engage in.
14 **Section 14** requires the Commission to require each natural gas utility to meet with
15 personnel from the Commission and the Bureau of Consumer Protection in the
16 Office of the Attorney General and any other interested persons at least 4 months
17 before filing the plan or within a reasonable period before filing an amendment to
18 an existing plan to provide an overview of the plan or amendment.



19 **Sections 2-10** of this bill define terms related to the plan required to be filed by
20 a natural gas utility.

21 **Section 11** of this bill requires the Commission to convene a public hearing on
22 the adequacy of the plan and establishes certain determinations regarding the plan
23 that the Commission is required to make following such a hearing.

24 **Section 12** of this bill requires the Commission to issue an order accepting or
25 modifying the plan, and any amendment to the plan, within a certain period of time
26 and authorizes the natural gas utility to respond to any modifications to the plan
27 made by the Commission. **Section 12** provides that a plan or an amendment to a
28 plan that is accepted by the Commission shall be deemed prudent and a natural gas
29 utility is authorized to recover all prudently and reasonably incurred costs for the
30 implementation of such a plan or amendment.

31 **Section 13** of this bill prohibits a natural gas utility from filing a general rate
32 application within 180 days before or after the filing of a plan.

33 Existing law requires the Commission to adopt regulations authorizing a public
34 utility which purchases natural gas for resale to expand the infrastructure of the
35 public utility in a manner consistent with a program of economic development.
36 (NRS 704.9925) **Section 16** of this bill instead requires the Commission to adopt
37 regulations authorizing a natural gas utility to include in the plan required to be
38 filed by a natural gas utility a proposal to expand its infrastructure in a manner
39 consistent with a program of economic development. **Section 17** of this bill makes
40 a conforming change to reflect that the regulations adopted by the Commission
41 apply to a natural gas utility that is required to file a plan.

42 **Section 15** of this bill removes the existing requirement for the Commission to
43 adopt certain regulations establishing methods and programs that remove financial
44 disincentives which discourage a public utility which purchases natural gas for
45 resale from supporting energy conservation.

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

1 **Section 1.** Chapter 704 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 13, inclusive, of this
3 act.

4 **Sec. 2.** *As used in NRS 704.991, 704.992 and 704.9925, and*
5 *sections 3 to 13, inclusive, of this act, unless the context otherwise*
6 *requires, the words and terms defined in sections 3 to 10,*
7 *inclusive, of this act have the meanings ascribed to them in those*
8 *sections.*

9 **Sec. 3.** *“Carbon capture and storage” means the capture of*
10 *greenhouse gas emissions, including, without limitation, through*
11 *direct air capture, that would otherwise be released into the*
12 *atmosphere.*

13 **Sec. 4.** *“Carbon-neutral natural gas” means natural gas*
14 *accompanied by offsetting measures to balance greenhouse gas*
15 *emissions generated when natural gas is combusted.*

16 **Sec. 5.** *“Carbon offset” means a reduction in greenhouse gas*
17 *emissions or an increase in carbon capture and storage used to*
18 *compensate for greenhouse gas emissions that occur elsewhere.*



1 **Sec. 6.** *“Energy efficiency and conservation” means a*
2 *reduction in energy intensity or energy consumption.*

3 **Sec. 7.** *“Load management” means the practice of adjusting*
4 *or reshaping energy usage from one period to another.*

5 **Sec. 8.** *“Natural gas utility” means a public utility which:*

- 6 1. *Purchases natural gas for resale; and*
- 7 2. *Serves 10 or more customers in this State during a*
8 *calendar year.*

9 **Sec. 9.** *“Responsibly sourced or transported natural gas”*
10 *means geologic natural gas that is produced or transported with*
11 *methane emission intensity levels that are below a certain*
12 *threshold and using processes that demonstrate best practices for*
13 *production and transportation.*

14 **Sec. 10.** *“Significant operational or capital requirements”*
15 *means the construction of a new transmission, distribution,*
16 *compression or storage facility or the rehabilitation, replacement,*
17 *modification, upgrade, uprate or update of existing facilities, or*
18 *any planned series of such activities addressing the same need,*
19 *which:*

- 20 1. *Costs more than \$10 million; or*
- 21 2. *Involves the construction of 10 miles or more of new*
22 *pipeline.*

23 **Sec. 11.** 1. *After a utility has filed its plan pursuant to NRS*
24 *704.991, the Commission shall convene a public hearing on the*
25 *adequacy of the plan.*

26 2. *The Commission shall determine the parties to the public*
27 *hearing on the adequacy of the plan. A person or governmental*
28 *entity may petition the Commission for leave to intervene as a*
29 *party. The Commission must grant a petition to intervene as a*
30 *party in the hearing if the person or entity has relevant material*
31 *evidence to provide concerning the adequacy of the plan. The*
32 *Commission may limit participation of an intervener in the*
33 *hearing to avoid duplication and may prohibit continued*
34 *participation in the hearing by an intervener if the Commission*
35 *determines that continued participation will unduly broaden the*
36 *issues, will not provide additional relevant material evidence or is*
37 *not necessary to further the public interest.*

38 3. *In addition to any party to the hearing, any interested*
39 *person may make comments to the Commission regarding the*
40 *contents and adequacy of the plan.*

41 4. *After the hearing, the Commission shall determine*
42 *whether:*

43 (a) *The forecast requirements of the natural gas utility are*
44 *based on substantially accurate data and an adequate method of*
45 *forecasting.*



1 (b) *The plan identifies and takes into account any present and*
2 *projected changes in the demand for natural gas.*

3 (c) *The plan adequately demonstrates the need for the*
4 *proposed activities and investments.*

5 (d) *The plan identifies:*

6 (1) *The mix of geologic and commercially-available*
7 *nongeologic gas supply which will be utilized by the natural gas*
8 *utility;*

9 (2) *Activities and programs that will be implemented by the*
10 *natural gas utility to promote energy efficiency and conservation;*
11 *and*

12 (3) *Investments designed to meet the current and future*
13 *demand for natural gas at the lowest reasonable cost to the*
14 *natural gas utility and its customers.*

15 (e) *If the plan includes commercially-available nongeologic*
16 *gas supply options, the plan identifies and considers any present*
17 *and projected changes in greenhouse gas emissions as a result of*
18 *the proposed activities.*

19 **Sec. 12. 1.** *After a natural gas utility has filed the plan*
20 *required pursuant to NRS 704.991, the Commission shall issue an*
21 *order accepting or modifying the plan or specifying any portions*
22 *of the plan it deems to be inadequate within 210 days. If the*
23 *Commission issues an order modifying the plan, the natural gas*
24 *utility may consent to or reject some or all of the modifications by*
25 *filing with the Commission a notice to that effect. Any such notice*
26 *must be filed not later than 30 days after the date of issuance of*
27 *the order.*

28 2. *If a natural gas utility files an amendment to a plan, the*
29 *Commission shall issue an order accepting or modifying the*
30 *amendment or specifying any portions of the amendment it deems*
31 *to be inadequate within 180 days after the filing of the*
32 *amendment. If the Commission issues an order modifying the*
33 *amendment, the natural gas utility may consent to or reject some*
34 *or all of the modifications by filing with the Commission a notice*
35 *to that effect. Any such notice must be filed not later than 30 days*
36 *after the date of issuance of the order.*

37 3. *Except as otherwise provided by this chapter, a plan filed*
38 *pursuant to NRS 704.991 or an amendment to such a plan that is*
39 *accepted by the Commission shall be deemed to be prudent and the*
40 *natural gas utility may recover all prudently and reasonably*
41 *incurred costs for the implementation of such a plan or*
42 *amendment. For the purposes of this subsection, a plan or*
43 *amendment shall be deemed accepted by the Commission only*
44 *with respect to:*



1 (a) *The portion of the plan or amendment that was accepted by*
2 *the Commission as filed; and*

3 (b) *Any modification to the plan or amendment to which the*
4 *natural gas utility consented.*

5 **Sec. 13.** *A natural gas utility shall not file a general rate*
6 *application:*

7 1. *During the 180 calendar days immediately preceding the*
8 *date on which the natural gas utility is required to file a plan*
9 *pursuant to NRS 704.991; or*

10 2. *Within 180 days after any date on which the natural gas*
11 *utility files a plan pursuant to NRS 704.991.*

12 **Sec. 14.** NRS 704.991 is hereby amended to read as follows:

13 704.991 1. A *natural gas* utility ~~[which supplies natural gas~~
14 ~~in this state]~~ shall file ~~[annually]~~ with the Commission ~~[, in a format~~
15 ~~prescribed by the Commission, an informational report which~~
16 ~~describes:~~

17 ~~—1.]~~ , *on or before October 1 of every third year, a plan designed*
18 *to meet the current and future demand for natural gas at the*
19 *lowest reasonable cost to the natural gas utility and its customers.*
20 *The plan shall include, without limitation, for the 3-year period*
21 *immediately following the submission of the plan:*

22 (a) *The anticipated demand for natural gas made on ~~[its]~~ the*
23 *system of the natural gas utility by its customers;*

24 ~~[2.]~~ (b) *The estimated cost of supplying natural gas sufficient to*
25 *meet the demand and the means by which the natural gas utility*
26 *proposes to minimize that cost;*

27 ~~[3.]~~ (c) *The sources of planned acquisitions of natural gas,*
28 *including an estimate of the cost and quantity of the acquisitions to*
29 *be made from each source and an assessment of the reliability of the*
30 *source; ~~and~~*

31 ~~—4.]~~ (d) *Significant operational or capital requirements of the*
32 *natural gas utility related to its provision of gas service in this state*
33 ~~[-];~~

34 (e) *Activities and programs that will be implemented by the*
35 *natural gas utility to promote energy efficiency and conservation;*

36 (f) *Renewable natural gas activities described in subsection 3*
37 *of NRS 704.9997 that will be engaged in by the natural gas utility*
38 *and any other proposed activities or expenses of the natural gas*
39 *utility related to commercially-available nongeologic gas supplies,*
40 *carbon offsets, load management or carbon capture and storage;*

41 (g) *An analysis in support of the plan based on information*
42 *available at the time the plan is filed, including, without*
43 *limitation:*

44 (1) *An assessment of supplies of geologic and commercially*
45 *available nongeologic gas, including, without limitation,*



1 *renewable natural gas, carbon-neutral natural gas and*
2 *responsibly sourced or transported natural gas;*

3 (2) *An assessment of opportunities for natural gas storage,*
4 *including, without limitation, contracted storage and storage*
5 *owned by the natural gas utility;*

6 (3) *An assessment of the capability and reliability of*
7 *pipelines used for transmission;*

8 (4) *An analysis of the greenhouse gas emissions reasonably*
9 *expected to be avoided or reduced through the plan, including,*
10 *without limitation:*

11 (I) *An explanation of the methodology used by the*
12 *natural gas utility to calculate the greenhouse gas emissions that*
13 *are expected from the use of natural gas by customers of the*
14 *natural gas utility; and*

15 (II) *An estimate of the reductions in greenhouse gas*
16 *emissions attributable to specific activities or investments of the*
17 *natural gas utility;*

18 (5) *A comparative evaluation of the cost of supply*
19 *purchasing strategies, storage options, delivery resources and*
20 *improvements in energy efficiency, conservation and load*
21 *management using generally accepted methods for calculating*
22 *cost effectiveness; and*

23 (6) *An analysis of the estimated impact of the investments*
24 *and activities planned by the natural gas utility on the rates*
25 *charged to customers.*

26 2. *The Commission shall require each natural gas utility, not*
27 *less than 4 months before filing a plan required pursuant to this*
28 *section, or within a reasonable period before filing an amendment*
29 *to such a plan pursuant to section 12 of this act, to meet with*
30 *personnel from the Commission and the Bureau of Consumer*
31 *Protection in the Office of the Attorney General and any other*
32 *interested persons to provide an overview of the anticipated filing*
33 *or amendment.*

34 **Sec. 15.** NRS 704.992 is hereby amended to read as follows:

35 704.992 ~~[(1)]~~ The Commission shall adopt regulations to
36 establish ~~[methods and programs for a public utility which~~
37 ~~purchases natural gas for resale that remove financial disincentives~~
38 ~~which discourage the public utility from supporting energy~~
39 ~~conservation, including, without limitation:~~

40 ~~—(a) Procedures]~~ *procedures* for a public utility which purchases
41 natural gas for resale to have a mechanism established during a
42 general rate application filed pursuant to NRS 704.110 to ensure that
43 the costs of the public utility for providing service are recovered
44 without regard to the difference in the quantity of natural gas
45 actually sold by the public utility by taking into account the adjusted



1 and annualized quantity of natural gas sold during a test year and the
2 growth in the number of customers of the public utility . ~~;~~

3 ~~—(b) Procedures for a public utility which purchases natural gas
4 for resale to apply to the Commission for approval of an activity
5 relating to increasing energy efficiency or energy conservation; and~~

6 ~~—(c) Procedures for a public utility which purchases natural gas
7 for resale to apply to the Commission for the recovery of costs
8 associated with an activity approved by the Commission pursuant to
9 paragraph (b).~~

10 ~~—2. The regulations adopted pursuant to subsection 1 must
11 ensure that the methods and programs consider the recovery of
12 costs, stabilization of revenue and any reduction of risk for the
13 public utility which purchases natural gas for resale.]~~

14 **Sec. 16.** NRS 704.9925 is hereby amended to read as follows:

15 704.9925 1. The Commission shall adopt regulations
16 ~~[authorizing] :~~

17 (a) *Authorizing* a ~~[public utility which purchases]~~ natural gas
18 ~~[for resale] utility to include in a plan filed pursuant to NRS~~
19 ~~704.991 a proposal to~~ expand the infrastructure of the ~~[public]~~
20 *natural gas* utility in a manner consistent with a program of
21 economic development ; ~~[, including, without limitation:~~

22 ~~—(a) Procedures for a public utility which purchases natural gas
23 for resale to apply to the Commission for approval of an activity
24 relating to the expansion of the infrastructure of the public utility in
25 a manner consistent with a program of economic development;]~~ and

26 (b) ~~[Procedures]~~ *Establishing procedures* for a ~~[public]~~ *natural*
27 *gas* utility ~~[which purchases natural gas for resale]~~ to apply to the
28 Commission for the recovery of costs associated with an activity
29 approved by the Commission ~~[pursuant to paragraph (a).]~~ *as part of*
30 *a plan filed pursuant to NRS 704.991.*

31 2. The regulations adopted pursuant to subsection 1 must
32 ensure the timely recovery by the ~~[public]~~ *natural gas* utility ~~[which~~
33 ~~purchases natural gas for resale]~~ of all prudent and reasonable costs
34 associated with the expansion of the infrastructure of the ~~[public]~~
35 *natural gas* utility in a manner consistent with a program of
36 economic development through the development of alternative cost-
37 recovery methodologies that balance the interests of persons
38 receiving direct benefits and persons receiving indirect benefits
39 from the expansion of the infrastructure of the ~~[public]~~ *natural gas*
40 utility.

41 3. As used in this section, “program of economic development”
42 means a program to expand the infrastructure of a ~~[public]~~ *natural*
43 *gas* utility ~~[which purchases natural gas for resale]~~ that is proposed
44 by the ~~[public]~~ *natural gas* utility and approved by the Commission
45 for one or more of the following purposes:



1 (a) Providing natural gas service to unserved and underserved
2 areas within this State;

3 (b) Accommodating the expansion of existing business
4 customers of the ~~{public}~~ *natural gas* utility;

5 (c) Attracting and retaining residential and business customers
6 of the ~~{public}~~ *natural gas* utility;

7 (d) Attracting to this State new and diverse businesses and
8 industries which use natural gas and which would otherwise locate
9 or expand their business or industry within this State but for the
10 absence of adequate natural gas infrastructure;

11 (e) Facilitating the implementation of the State Plan for
12 Economic Development developed by the Executive Director of the
13 Office of Economic Development pursuant to subsection 2 of NRS
14 231.053; and

15 (f) Facilitating any policy of the Legislature with respect to
16 economic development in this State.

17 **Sec. 17.** NRS 271B.130 is hereby amended to read as follows:

18 271B.130 1. For the purposes of subsection 3 of NRS
19 704.9925, the activity of a ~~{public}~~ *natural gas* utility ~~{which~~
20 ~~purchases natural gas for resale}~~ relating to the expansion of its
21 infrastructure necessary to provide natural gas to the legal boundary
22 of a district constitutes a program of economic development. The
23 ~~{public}~~ *natural gas* utility shall expand its infrastructure in
24 accordance with the provisions of that section.

25 2. A ~~{public}~~ *natural gas* utility which expands its
26 infrastructure as described in subsection 1 shall file an application
27 with the Public Utilities Commission of Nevada in accordance with
28 the regulations adopted pursuant to NRS 704.9925 to establish rates
29 to recover all prudent and reasonable costs associated with the
30 expansion in accordance with the provisions of that section.

31 3. As used in this section, ~~{“public”}~~ *“natural gas utility”* has
32 the meaning ascribed to it in ~~{NRS 704.020.} section 8 of this act.~~

33 **Sec. 18.** 1. Notwithstanding any other provision of law, a
34 natural gas utility shall file a plan pursuant to NRS 704.991, as
35 amended by section 14 of this act, on or before October 1, 2025. A
36 natural gas utility is not required to file a plan pursuant to NRS
37 704.991, as amended by section 14 of this act, during the 2024
38 calendar year.

39 2. As used in this section, “natural gas utility” has the meaning
40 ascribed to it in section 8 of this act.

41 **Sec. 19.** 1. This section becomes effective upon passage and
42 approval.

43 2. Sections 1 to 18, inclusive, of this act become effective:



- 1 (a) Upon passage and approval for the purpose of adopting any
- 2 regulations and performing any other preparatory administrative
- 3 tasks that are necessary to carry out the provisions of this act; and
- 4 (b) On January 1, 2024, for all other purposes.

