

# Public Utilities Commission of Nevada



## 2015 BIENNIAL REPORT





BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
PUBLIC UTILITIES COMMISSION

ALAINA BURTENSHAW  
Chairman

REBECCA WAGNER  
Commissioner

DAVID NOBLE  
Commissioner

CRYSTAL JACKSON  
Executive Director

January 31, 2015

The Honorable Brian Sandoval  
Governor of the State of Nevada  
State Capitol  
Carson City, Nevada 89701

Dear Governor Sandoval:

On behalf of the Commissioners and Staff of the Public Utilities Commission (“Commission”), I am proud to present to you our 2015 Biennial Report. This report is published pursuant to Nevada Revised Statutes 703.180 and is a summary of the Commission’s most significant activities, accomplishments and functions during the period of July 1, 2012, through June 30, 2014. The report highlights the Commission’s major accomplishments and activities during this biennium.

The Commission remains active in many different aspects of the rapidly changing regulatory environment and continues to make progress in responding to Nevada’s energy, natural gas, telecommunication and water and wastewater needs. The Commission strives to monitor each of these industries and seeks to be proactive in its approach to the constantly changing and challenging regulatory environment.

The Commission continues to actively work to improve safety by monitoring intrastate gas pipelines, promoting underground damage prevention, and inspecting railroad operations. The Commission also strives to resolve consumer complaints, educate the general public about the regulatory process and improve internal operational efficiencies.

Sincerely,

  
Crystal Jackson  
Executive Director

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# PUBLIC UTILITIES COMMISSION OF NEVADA

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Pursuant to Nevada Revised Statute (NRS) 703.180, the Public Utilities Commission of Nevada (Commission) herein publishes its 2015 Biennial Report, covering the period July 1, 2012, through June 30, 2014.

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# ABOUT THE PUBLIC UTILITIES COMMISSION OF NEVADA

## MISSION

Supervise and regulate the operation and maintenance of utility services in Nevada.

## VISION

Ensure safe, reliable, utility service at just and reasonable rates.

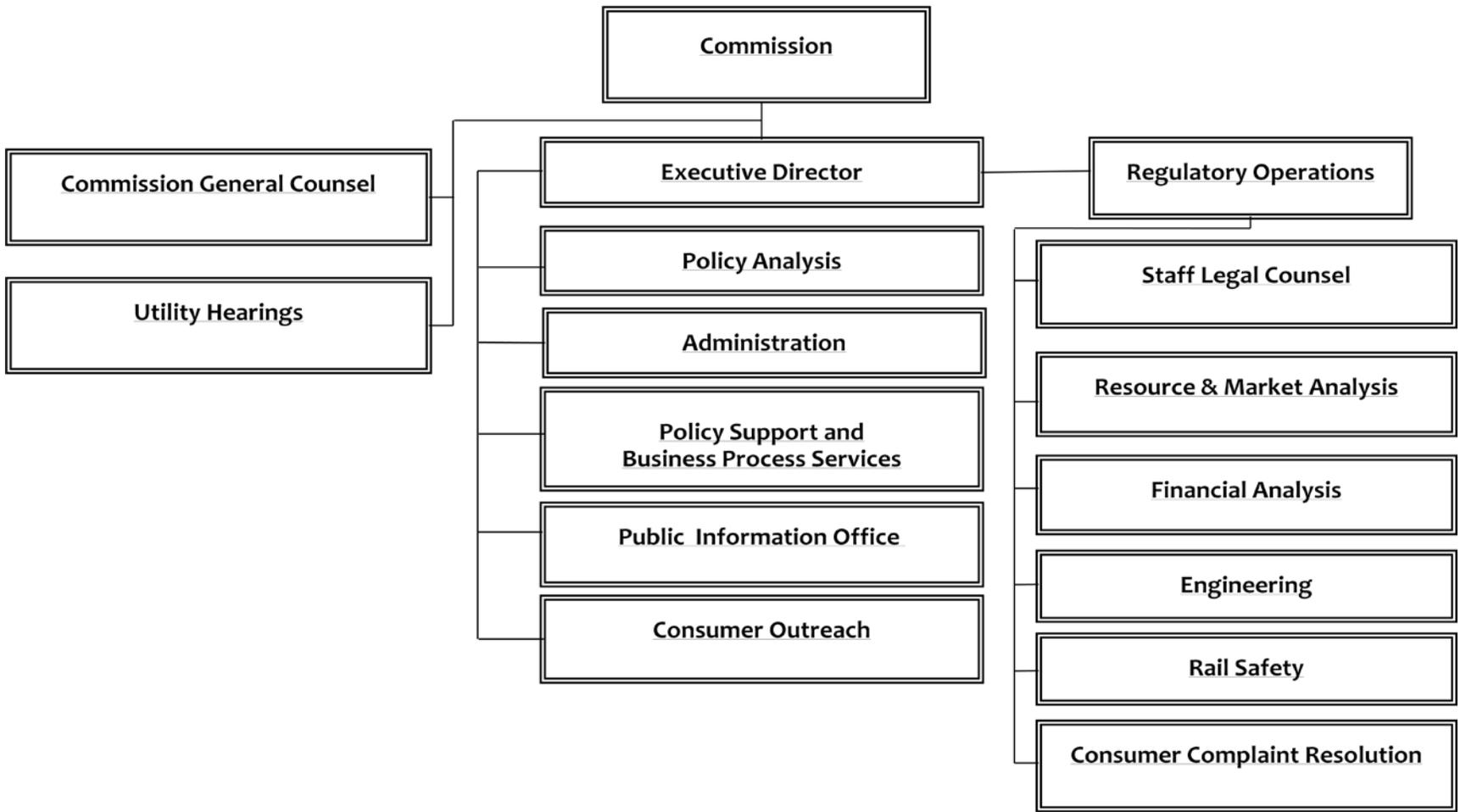
## PHILOSOPHY

Strive to be efficient, flexible, impartial, diligent and professional in all efforts.

The Commission regulates public utilities engaged in electric, natural gas, telephone, water and wastewater services; gas and electric “master meter” service at mobile home parks; and some propane systems. The Commission is also involved in monitoring gas pipeline, rail safety, and underground excavation near subsurface installations.

NRS Chapters 426, 455, 701, 701B, 702, 703, 704, 704A, 704B, 705, 707, 708, 709, and 710 set forth the enabling legislation for the Commission’s regulatory duties. As a state agency, the Commission is subject to the Nevada Administrative Procedure Act and the Nevada Open Meeting Law requirements as delineated in NRS Chapters 233B and 241, respectively, and performs its regulatory functions in accordance with these statutes.

# Organizational Chart



FTE's: 96

# COMMISSION

The Commission is comprised of three Commissioners who are each appointed by the Governor to a four-year term. The Governor designates one Commissioner as Chairman.

In contested matters, rulemakings, and investigations, a Commissioner is assigned to govern the proceedings to act as the Presiding Officer. The Presiding Officer, in contested cases, acts in a quasi-judicial manner by receiving and ruling on the admissibility of evidence and amendments to pleadings, acting upon any pending motions which do not involve a final determination of the proceeding, issuing appropriate interim orders, ruling on all procedural matters, setting timeframes for oral testimony and making findings of fact and conclusions of law for the full Commission to approve. Witnesses are presented and are subject to cross-examination by the other parties, Commissioners and Commissioners' advisors. Likewise, in rulemaking proceedings, the Presiding Officer receives public comment on proposed regulations.

All matters over which the Commission has supervision, control, jurisdiction or advisory power must be approved by a quorum of Commissioners during a public agenda meeting. Thus, during these meetings, the Commissioners vote on Regulatory Operation Staff ("Staff") recommendations for resolution of matters which did not go to hearing, and vote on other recommendations presented by the Presiding Officer for final determination of matters in which hearings have been conducted. The Commissioners also vote on various administrative, legislative, legal and policy issues in state and federal regulatory matters, including those before the Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC).

## COMMISSIONERS



### **Alaina Burtenshaw, Chairman**

Alaina Burtenshaw was appointed Commissioner to the PUCN by Gov. Jim Gibbons on January 18, 2010. Gov. Brian Sandoval appointed her as Chairman of the Public Utilities Commission on February 2, 2011. She was reappointed Chairman in June 2013.

Chairman Burtenshaw has been with the PUCN since 1992 as assistant staff counsel and then as staff counsel. Chairman Burtenshaw represented Regulatory Operations in electric, gas, telecommunications, railroad, pipeline safety and water utility cases as well as cases associated with environmental impacts, renewable energy, and energy efficiency in Northern and Southern Nevada.

Chairman Burtenshaw worked in private practice in Las Vegas from 1987 to 1992, where she focused on administrative law. Chairman Burtenshaw received her Bachelor of Arts degree in history from Idaho State University and her Juris Doctorate degree from the University of Nebraska-Lincoln. She is a licensed attorney in the state of Nevada.

In November 2012, Chairman Burtenshaw was appointed Co-Vice Chairman of the Committee on Water for the National Association of Regulatory Utility Commissioners (NARUC).



## **Rebecca D. Wagner, Commissioner**

Rebecca Wagner has been a member of the Public Utilities Commission of Nevada since 2006. Prior to joining the Commission, Wagner served as an energy advisor to the Governor, the Director of the Nevada State Office of Energy and worked for a geothermal company that owned, operated and developed geothermal projects in Nevada.

Wagner serves as the Chair of the California ISO Energy Imbalance Market Transitional Committee, as a member of the US DOE's Electricity Advisory Committee, as a co-chair on SEE Action, and is the Vice-chair of the Western Interconnection Regional Advisory Body. She also is a past Board member of WECC, the former Chair of the Western Renewable Energy Generation Information System Committee and a past member of the Peak Reliability and WECC Member Advisory Committees. She holds a bachelor's degree in English Literature from the University of Nevada, Reno.



## **David Noble, Commissioner**

David Noble was reappointed Commissioner of the Public Utilities Commission of Nevada by Gov. Brian Sandoval in October 2012.

Commissioner Noble has been with the Commission since 1997, working as an administrative attorney, assistant staff counsel, assistant general counsel, and hearings officer.

Commissioner Noble is a member of the National Association of Regulatory Utility Commissioners' Committee on Energy Resources and the Environment and Subcommittee on Pipeline Safety. In addition, Commissioner Noble is Vice President of the Western Conference of Public Service Commissioners (WCPSC). Nevada will host the WCPSC annual conference in 2016.

Commissioner Noble earned his Bachelor of Arts degree in international relations and environmental studies from the University of Pennsylvania and his Juris Doctorate degree from Loyola Law School (Los Angeles).

## **EXECUTIVE DIRECTOR**

The Executive Director serves as Chief Financial Officer and directs the daily administrative operations of the Commission including without limitation, budget preparation, administration, human resources, media relations and consumer outreach, purchases and acquisitions made by the Commission and contracts and leases entered into by the Commission. The Executive Director also develops and implements administrative policies and procedures to ensure the efficient operation of the Commission including Regulatory Operations.

Crystal Jackson has served as the Commission's Executive Director since 2009.

## **PUBLIC INFORMATION OFFICE**

The Public Information Office is responsible for coordinating all external communications with the public, media, financial community, trade organizations and other interested groups. The Public Information Officer (PIO) monitors state legislative activities and produces reports as needed, and

interacts with other state agencies and branches of local, state and federal government to increase understanding of Commission activities. The PIO also assists with satisfying public record requests in accordance with State law.

## **CONSUMER OUTREACH**

Consumer Outreach is responsible for managing consumer outreach efforts to include: Development and dissemination of outreach materials, development and tracking of outreach activities and attending and speaking at community events.

# **ADMINISTRATION**

Administration is responsible for the overall administrative operations of the Commission to include budget and fiscal management; assessments, fees and administrative fines; human resources and management services; computer systems and operations; and the Electronic Filings and Records Management System.

## **BUSINESS PROCESS SERVICES**

Business Process Services is responsible for the Commission's core business processes relating to docket management. This includes implementing processes necessary to support the acceptance and management of "legally defensible" electronic documents and records. Business Process Services also manages the master dockets, prepares agenda meeting notices and minutes and maintains the Commission's master calendar.

## **POLICY SUPPORT**

Policy Support is responsible for the issuance of Commission notices and orders. The division is responsible for maintaining the master docket files and master service lists. The division also is responsible for the processing of agenda meeting notices and materials in accordance with Nevada's Open Meeting Law and maintaining the necessary databases used in the division for automation of work processes.

# **COMMISSION GENERAL COUNSEL**

General Counsel is responsible for representing the Commission's interests in all proceedings in state and federal court. The division represents the Commission's interests before various state and federal regulatory agencies including the Federal Energy Regulatory Commission (FERC); counsels Commissioners and administrative attorneys on legal and policy issues; and reviews and approves notices, orders, notices of agenda meetings, regulations, legislation and other legal documents prepared by administrative attorneys and the legal case manager. The division is also responsible for case management and reviewing the Commission's administrative procedures to assure compliance with the Administrative Procedures Act as well as other statutes and regulations applicable to the Commission.

## **ADMINISTRATIVE ATTORNEYS**

Administrative Attorneys are responsible for providing preliminary advice and counsel to the assigned Commissioner; interpreting relevant laws, regulations, policies and procedures as they

apply to specific utility issues; drafting legally sufficient opinions, notices, orders and regulations for the Commissioners; and making fair and impartial recommendations to the Commissioners based on fact and conclusions of the law.

## **CASE MANAGEMENT**

Case Management is responsible for reviewing all filings received by the Commission for legal completeness and compliance with Nevada Revised Statutes and Nevada Administrative Code. Case Management is also responsible for preparing legally sufficient notices and orders as well as other legal documents for the Commission.

## **UTILITY HEARINGS**

The Utilities Hearing Officer conducts administrative hearings on applications to provide utility services, tariff rates, financial practices, jurisdictional issues and consumer complaints, writes administrative orders, and arbitrates disputes between telecommunications providers. The Utilities Hearing Officer schedules and presides over administrative proceedings including prehearing conferences, consumer sessions, workshops, mediations, arbitrations and hearings in rulemakings, investigations and contested cases. The Utilities Hearing Officer also researches and analyzes evidence while drafting orders and opinions based on the record as well as state and federal law, which is reviewed and voted on by the Commissioners. Finally, the Utilities Hearing Officer reviews petitions for reconsideration and drafts appropriate responses.

The decisions of the Utilities Hearing Officer are subject to appeal by the Commission in the same manner that the decisions of a Presiding Officer are subject to appeal and review by the Commission. The Utilities Hearing Officer, however, is not able to vote on any matter before the Commission.

## **POLICY ANALYSIS**

Policy Analysis is responsible for providing policy, technical support and advice to the Commissioners on various aspects of utility issues including telecommunications, electric, gas, water and sewer. This involves evaluating, analyzing and interpreting utility data; drafting opinions, orders and regulations and ensuring they are technically accurate, consistent and complete; and providing policy and technical assistance to the Commission during hearings and rulemaking sessions. Policy Analysis also provides policy and technical assistance to General Counsel during all proceedings before state and federal courts as well as federal regulatory agencies.

## **REGULATORY OPERATIONS**

Regulatory Operations Staff (“Staff”) appears and participates in cases before the Commission as an independent party, balancing the interests of ratepayers and utility shareholders to ensure safe and reliable service at a reasonable cost.

## **DIRECTOR OF REGULATORY OPERATIONS**

The Director of Regulatory Operations (DRO) supervises and manages all aspects of Staff, consisting of five technical divisions and Staff Counsel. The DRO ensures that all Staff employees perform at a high level of competence and professionalism; organizes and manages all Staff regulatory functions

including resources to ensure timely completion of analyses and submission of testimony, comments, reports and other filings to the Commission; and makes recommendations to the Commission regarding public utility matters. Additionally, the DRO monitors public utilities' compliance with applicable statutes, regulations and Commission orders.

## **STAFF COUNSEL**

Staff Counsel performs the legal functions of Staff and is responsible for providing legal counsel and support to Staff management and employees. These duties include formulating legal strategy and legal positions regarding utility filings; drafting case discovery; reviewing utility filings for legal adequacy and content; and preparing pleadings, briefs, responses to petitions, stipulations and other filings applicable to the regulation of Nevada utilities. The division also reviews and assists in the development of Staff testimony and filings; ensures that Staff's positions are in compliance with Nevada statutes and regulations; represents Staff at Commission hearings and workshops; assists in the development of proposed regulations and legislation; and provides other legal support to Staff divisions. Staff Counsel is the only division within Staff that addresses, in some form, every case filed with the Commission.

## **RESOURCE AND MARKET ANALYSIS**

Resource and Market Analysis is responsible for all economic analyses of electric, natural gas and local telephone utility performance; rate designs; certificates of public convenience and necessity (CPC) applications; merger and competitive issue reviews; interconnection agreements; and other tariff reviews, including compliances. The division also provides information to the public regarding installation of renewable facilities, participation in the renewable portfolio standard and any incentive or subsidy programs available.

## **FINANCIAL ANALYSIS**

Financial Analysis is responsible for the project management and audit of general rate change applications and analysis of filings for electric, natural gas, telephone, water and wastewater utilities. Additionally, the division is responsible for the project management and audit of the annual electric deferred energy and gas rate adjustment applications and mobile home park filings, analyzing and processing applications for licenses, reviewing applications for certificates of public convenience and necessity and changes in ownership, reviewing annual report filings, tracking compliance for non-safety issues, and monitoring universal energy charge collections.

## **ENGINEERING**

Engineering is responsible for monitoring the implementation of electric renewable portfolio standards and demand-side management activities as well as forecasting Nevada's electric energy and capacity requirements. The division monitors water and wastewater utilities for quality of service, environmental compliance and financial performance; and reviews Utility Environmental Protection Act (UEPA) applications for construction permits for compliance with environmental requirements for new water and/or wastewater facilities. The division also implements a gas pipeline safety program in conjunction with the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration.

## **RAIL SAFETY**

Rail Safety in conjunction with the U.S. Department of Transportation, Federal Railroad Administration, participates in the enforcement of federal safety regulations and orders applicable to railroad track, hazardous materials shipments, rolling equipment and operations in Nevada. The division also reviews applications to modify or construct new railroad crossings.

## **CONSUMER COMPLAINT RESOLUTION**

Consumer Complaint Resolution is responsible for responding to utility consumer needs, problems and inquiries. The division is responsible for receiving, investigating and mediating complaints that arise between customers and their serving utilities including electric, gas, telecommunications, water and sewer. The division also tracks complaint levels and apprises the Commission of arising problem areas. Additionally, it makes recommendations to the Commission and the utilities regarding possible changes in policies or practices relating to the improvement of customer service and complaint resolution.

# **FUNDING AND BUDGET**

While the Commission is a relatively small agency with 96 full-time equivalents and actual operating expenses of approximately \$21.4 million for the biennium, it regulates various operations of nearly 400 gas, electric, telecommunications, water, and wastewater utilities along with gas pipeline and railroad safety issues in Nevada, which affect the daily lives of all Nevadans.

The Commission's budget is funded primarily through an annual regulatory assessment levied against public utilities in the state for which they receive recovery from their ratepayers. The annual regulatory assessment was set at 2.28 mills for Fiscal Year 2013 and 2.59 mills for Fiscal Year 2014. The statutory maximum is 3.5 mills.

Throughout this biennium, the Commission has demonstrated a commitment to eliminate unnecessary expenditures while continuing to improve operating and administrative efficiencies. As a result of these efforts, the Commission's expenditures were 3.6 percent below the legislatively approved budget for the biennium. It is through this commitment that the Commission can keep the annual regulatory assessment rate low and pass the savings on to Nevada utility customers.

The rail safety program conducts inspections in four major categories: Hazardous Materials, Operating Practices, Track, and Motive Power and Equipment. The program is funded through a combination of assessments to railroads and a portion of the hazardous waste disposal fees paid to the state.

The Commission also implements the federal gas pipeline safety program conducting safety inspections of natural and propane gas distribution and transmission systems statewide. The federal government reimburses nearly half of the costs of the program.

In addition, the Commission promotes and enforces the State's One-Call Program ("Call-Before-You-Dig").

For the biennium, the Commission managed and monitored the collection, audit, and disbursement of the following revenues:

- Regulatory assessments for the Commission and Attorney General’s Bureau of Consumer Protection operations (NRS 704.033), totaling approximately \$24.8 million;
- Universal energy charge assessments for the Nevada Department of Business and Industry Housing Division and Nevada Department of Health and Human Services Division of Welfare and Supportive Services (NRS 702.160), totaling approximately \$24.5 million;
- Access line surcharge for the Department of Health and Human Services Office of Disability Services (NRS 426.295), totaling approximately \$3.9 million;
- Inspection fees for the Commission’s Rail Safety Inspection Program (NRS 704.309), totaling approximately \$636,664;
- Administrative fines and civil penalties assessed by the Commission (NRS 703.380; NRS 455.170) and transferred to the State’s General Fund, totaling approximately \$833,178; and
- Three federal Department of Transportation grants: one for the Commission’s Gas Pipeline Safety Program and two for the Commission’s Gas Pipeline Safety Damage Prevention Program, totaling approximately \$1,069,055.

## **ELECTRIC**

### **Overview**

The Commission has broad regulatory authority to implement the State’s energy policies, including developing renewable energy resources within Nevada and promoting energy conservation, while promoting safe and reliable service at just and reasonable rates. The Commission’s primary electric utility regulatory activities include:

- Establishing the rates charged by an electric utility for service. The rates charged consist of various components intended to recover a particular cost (e.g., fuel and purchased power, energy efficiency and conservation programs), with the two largest being purchased power costs and general costs. The latter recovers all other costs of operating the business not specifically collected by another rate (e.g., payroll).
- Evaluating the utility’s long-term plan for generation and transmission to fulfill its obligation to serve the retail customers located in its service territory. Its evaluation encompasses both conservation and supply options, with consideration of Nevada’s renewable portfolio standard requirements. Further, the Commission evaluates the utility’s short-term plan for meeting its obligations.
- Issuing permits for the construction of utility facilities in certain circumstances.
- Evaluating the utilities’ plans for compliance with the Nevada solar generation, wind generation demonstration, and water generation demonstration programs.
- Authorizing the issuance of security transactions.

The Commission regulates the operations of two utilities, Nevada Power Company (“NPC”) and Sierra Pacific Power Company (“SPPC”), both of which conducted business during the biennium as “NV Energy.”

### **NV Energy MidAmerican Merger**

In May 2013, MidAmerican Energy Holdings Company (MEHC) and NV Energy announced that they had reached an agreement pursuant to which MEHC would purchase all outstanding shares of NV Energy’s common stock, for \$23.75 per share in cash. This equates to an enterprise value of approximately \$10 billion for NV Energy. The transaction was approved by both companies’ boards of directors, and received the requisite approval of NV Energy’s stockholders.

On July 17, 2013, MEHC and NV Energy filed a joint application with the Commission, designated as Docket No. 13-07021, for approval of the proposed transaction. On November 8, 2013, the joint applicants filed a stipulation between the joint applicants, Bureau of Consumer Protection (BCP), and Regulatory Operations Staff and other parties. Among the major provisions of the stipulation were the following:

- An agreement that neither MidAmerican nor NV Energy will seek to recover the previously requested acquisition premium, transaction or transition costs associated with the merger in Nevada retail rates.
- An agreement to provide a one-time bill credit to retail customers of \$20 million, which will be paid out in one complete billing cycle after the close of the proposed transaction. The bill credit will be apportioned as follows: 75 percent to Nevada Power customers, 23 percent to Sierra electric customers, and 2 percent to Sierra gas customers.
- An agreement that NV Energy and the Nevada utilities will not seek to collect lost revenues under NAC 704.9524 in 2014, and will not seek collection of lost revenues in excess of 50 percent of what Nevada Power and Sierra could otherwise request in 2015.
- An agreement regarding limitations on NV Energy's ability to make loans or transfer funds to MidAmerican or its affiliates or to hold new diversified holdings or investments of MidAmerican following the proposed transaction, and that MidAmerican will not pledge the assets of NV Energy or its subsidiaries as backing for securities which MidAmerican or its affiliates (excluding NV Energy or its subsidiaries) may issue.
- Certain agreements regarding protecting customer-specific information, investigating Nevada Power's customer service issues, ensuring corporate headquarters and senior management personnel are located in Nevada, and a commitment to file plans prior to potential reductions in workforce.
- Additionally, agreements are made that NV Energy will not include any increase in salaries of senior management personnel in revenue requirement for a period of 20 months after the close of the proposed transaction.

The stipulation was approved by the Commission on December 17, 2013.

### **Enactment of Senate Bill 123**

In June 11, 2013, Nevada Senate Bill 123 ("SB123") was signed into law. Among other things, SB123 required the Company to file with the PUCN an emission reduction and capacity replacement plan by May 1, 2014. The plan must provide for the retirement or elimination of 300 megawatts (MW) of coal generating capacity by December 31, 2014, another 250 MW of coal generating capacity by December 31, 2017, and another 250 MW of coal generating capacity by December 31, 2019, along with replacement of such capacity with a mixture of constructed, acquired or contracted renewable and non-technology specific generating units. The plan also must set forth the expected timeline and costs associated with decommissioning coal-fired generating units that will be retired or eliminated pursuant to the plan.

In February 2014, the Commission adopted regulations regarding the implementation of the portions of SB123 which deal with requirements for the emission reduction and capacity replacement plan to be filed no later than May 1, 2014. Phase II of the rulemaking will address the processes for procurement of renewable resources specified in SB123. This rulemaking had not been completed by the end of the biennium.

In May 2014, NPC filed with the Commission its proposed emission reduction and capacity plan. The Commission was scheduled to vote on this application in the fourth quarter of 2014.

## Completion of ON Line Transmission Line

On January 1, 2014, the One Nevada Transmission Line (ON Line) became operational. The 231-mile-long 500 kilovolt (kV) line electrically connects Nevada Power Company and Sierra Pacific Power Company's electrical system for the first time. The ON Line runs from the Harry Allen Substation north of Las Vegas to Robinson Summit Substation near Ely. The cost to construct the line was approximately \$600 million.

Great Basin Transmission LLC owns a 75 percent interest and NV Energy owns 25 percent interest of the project. The ON Line will facilitate the development and delivery of renewable energy resources and allows for the sharing of generating resources.

NV Energy is solely responsible for the operation of the line under the terms and conditions of an Interim Joint Dispatch Agreement approved by the Federal Energy Regulatory Commission.

## Base Tariff Energy Rate

### Overview

The base tariff energy rate (BTER) collects the fuel and purchased power costs the utility is expected to incur. The rate is set to equal the rolling 12-month average cost of fuel and purchased power experienced by the utility expressed as a cost per kilowatt hour. NRS 704.110(9) requires the utility to adjust the BTER quarterly without Commission review or approval. However, the Commission must annually review the quarterly BTER filings as part of the annual deferred energy accounting adjustment application. NPC's and SPPC's fuel and purchased power costs were:

	2013	2012
NPC	\$1,114 million	\$852 million
SPPC	\$357 million	\$259 million

The changes in fuel and purchased power costs were flowed back to customers through the BTER and DEAA (Deferred Energy Accounting Adjustment) rates, with the differences between the expected costs and actual fuel and purchased power costs being flowed through the DEAA.

### Outside Events

Natural gas is not only the primary fuel used by both NPC and SPPC to generate electricity but also the benchmark fuel used to establish the price of purchased power in the wholesale market. The market price of power in competitive wholesale power markets closely follows the price of natural gas. As a general rule, as natural gas prices rise, so do the prices of wholesale power. During the period from January 2013 to the end of December 2013, the natural gas commodity price increased over what the utilities had paid in the prior year. Prices paid by the utilities to fuel their natural gas generators ranged from a monthly high of \$6.90 per 1,000 cubic feet in December 2013 to \$2.28 in September 2013. NPC's average cost per 1,000 cubic feet increased 31 percent in 2013 from \$3.18 in 2012 to \$4.15. SPPC's average cost per 1,000 cubic feet increased 19 percent in 2013 from \$3.78 in 2012 to \$4.48

### Commission Proceedings

NPC and SPPC each filed eight quarterly BTER filings during the biennium.

## **Deferred Energy Accounting Adjustment**

### **Overview**

NRS 704.187 requires NPC and SPPC to use deferred energy accounting. The deferred energy accounting adjustment (“DEAA”) is the rate authorized by the Commission for the utility to collect/refund any differences between the reasonably and prudently incurred generation fuel and purchased power costs and the actual funds collected by the BTER. The deferred balance (i.e., over collection or under collection) is amortized (refunded or collected) during a subsequent period.

NPC and SPPC adjust the DEAA quarterly without Commission review and approval. However, as with the quarterly BTER changes, the Commission must annually review the quarterly DEAA filings as part of the annual deferred energy accounting adjustment application, in which the 12-month period actual generation fuel and purchased power costs are reviewed for prudence and reasonableness. The electric utility has the burden to demonstrate the prudence and reasonableness of the costs. The Commission must act upon these applications within 210 days.

Unlike the quarterly BTER adjustments, the quarterly DEAA adjustments are restricted. If the electric utility’s deferred energy account balance is less than five percent of the electric utility’s annual recorded cost of generation fuel and purchased power, the DEAA must be set at zero. Excluding the above condition, the quarterly DEAA change may not exceed 0.25 cents per kilowatt hour.

### **Commission Proceedings**

During the biennium, both SPPC and NPC implemented eight quarterly DEAA adjustments with the adjustments included in the quarterly BTER filings. Each electric utility filed another quarterly DEAA change that did not become effective until July 1, 2014, which is beyond the reporting biennium. In 2014, NPC and SPPC filed their annual DEAA applications on February 28, 2014. The Commission rendered a decision on September 26, 2014.

## **Energy Efficiency and Conservation Rates**

### **Overview**

NRS 704.785 required the Commission to adopt regulations allowing for recovery of the costs a electric utility incurs to implement and administer energy efficiency and conservation programs; and, remove financial disincentives caused or reasonably created by implementing these programs.

The regulations created a balancing account methodology similar to that described for deferred energy accounting for both the energy efficiency and conservation program costs and revenues lost as a consequence of these programs. The prospective rates (i.e., energy efficiency and conservation program and lost revenues) are based upon information determined in the resource planning process (e.g., program budget costs and estimated lost revenues). Lost revenues attributed to utility-sponsored programs are trued-up through a measurement and verification analysis.

## **Commission Proceedings**

In March 2012, NPC and SPPC filed applications to establish prospective energy efficiency and conservation program rates and prospective lost revenue rates. The cost levels sought by NPC and SPPC and those approved are set forth in the tables below:

<b>NPC</b>	<b>Request</b>	<b>Approved</b>
EE&C Programs	\$33.6 Million	\$31.5 Million
Lost Revenue	\$11.2 Million	\$10.2 Million

<b>SPPC</b>	<b>Request</b>	<b>Approved</b>
EE&C Programs	\$5.6 Million	\$5.6 Million
Lost Revenue	\$5.1 Million	\$4.8 Million

In March 2013, NPC and SPPC filed applications to establish prospective energy efficiency and conservation program rates and prospective lost sales rates. The cost levels sought by NPC and SPPC and those approved are set forth in the tables below:

<b>NPC</b>	<b>Request</b>	<b>Approved</b>
EE&C Programs	\$44.6 Million	\$44.6 Million
Lost Revenue	\$14.7 Million	\$14.7 Million

<b>SPPC</b>	<b>Request</b>	<b>Approved</b>
EE&C Programs	\$6.0 Million	\$6.0 Million
Lost Revenue	\$5.6 Million	\$5.5 Million

The Commission's order observed that during the test period both NPC and SPPC's achieved rate of return exceeded its authorized rate of return and that lost revenue recovery contributed to that excess. Therefore the Commission ordered that all lost revenue collected during the test period be refunded to ratepayers. NPC was ordered to refund \$10.0 million and SPPC was ordered to refund \$4.6 million.

As one of the commitments in Docket No. 13-07021, the acquisition of NPC and SPPC by Mid-American Energy Holdings Co. ("MEHC"), the companies agreed to refund the lost revenues collected in 2013. NPC and SPPC's 2014 deferred energy accounting applications referenced above include a refund of \$14.5 million for NPC and \$5.4 million for SPPC, net of carrying charges, for lost revenues collected and recorded in calendar year 2013. The companies also agreed in their commitments to seek recovery of only 50 percent of anticipated lost revenues for calendar year 2014. The Commission's Order issued on June 30, 2014 referenced above incorporates this commitment.

## **Renewable Energy Incentive Programs Rates**

### **Overview**

An electric utility recovers its costs associated with the renewable energy programs established pursuant to NRS 701B (i.e., solar energy systems incentive program, wind energy systems demonstration program, and water power energy systems demonstration program) through a balancing account methodology similar to that described for deferred energy accounting. The renewable energy program rate ("REPR"), prospective and amortization components, are filed with and set in the annual deferred energy accounting adjustment application. The electric utility REPR

prospective rate component is developed using the approved renewable energy incentive program budgets, which are set in the annual renewable energy program plan filings.

### **Commission Proceedings**

During the biennium, the Commission completed processing two DEAA applications filed in the previous biennium and two DEAA applications filed in this biennium, in each application the REPR, prospective and amortization components, was established.

In the 2012 deferred energy accounting adjustment application, the REPR was set to recover from NPC and SPPC's customers approximately \$37.7 million and \$45.3 million, respectively.

In the 2013 deferred energy accounting adjustment application, the REPR was set to recover from NPC and SPPC's customers approximately \$28 million and \$47.3 million, respectively.

In DEAA applications filed March 1, 2014, NPC and SPPC requested REPR rates designed to refund \$0.6 million and \$5.8 million, respectively. On June 30, 2014 the Commission approved REPR rates designed for NPC to refund \$17.4 million and SPPC to refund \$24.7 million effective October 1, 2014.

## **Temporary Renewable Energy Development**

### **Overview**

The temporary renewable energy development ("TRED") charge is a rate designed to recover the cost of renewable energy and/or portfolio credit contracts approved by the Commission that qualified for this specialized cost recovery.

In lieu of the funds collected through the BTER for these projects being comingled with all other corporate funds, the TRED charge collects the costs charged the electric utility for energy and/or portfolio credits per the terms of the qualifying contracts plus a three-month reserve. The electric utility deposits the collected TRED charge funds into a trust account. The trust pays the cost of the energy and/or portfolio credits purchased from the qualifying Commission approved contracts. Since its inception in 2004, and the Commission closing the rate mechanism to new contracts, only one of the two approved contracts became commercially operational.

### **Commission Proceedings**

During the biennium, the Commission completed processing two DEAA applications filed in the previous biennium and two DEAA applications filed in this biennium; each established a TRED charge. In 2012, the TRED charge was designed to collect from NPC and SPPC's customers \$10.3 million and \$7.3 million, respectively. In the DEAA applications filed on March 1, 2013, NPC and SPPC requested TRED rates designed to recover \$15.7 million and \$7.3 million, respectively. The Commission approved these rates on September 30, 2013. On June 30, 2014 the Commission approved TRED rates designed to recover \$14.4 million for NPC and \$5.8 million for SPPC which became effective on October 1, 2014.

## **General Rates**

### **Overview**

General rate cases ("GRC") are intended to establish rates to collect utility costs except those recovered in other rate setting forums, e.g., fuel and purchased power, which are collected through

the BTER and DEAA. The Commission acts upon these applications within 210 days. The base tariff general rate (BTGR) revenues collected through this rate were approximately \$1.2 billion for NPC and approximately \$364 million for SPPC per year.

### **Commission Proceedings**

In June 2013, SPPC filed a GRC application requesting a decrease to general revenues of \$9.4 million, a return on equity (“ROE”) of 10.40 percent and overall weighted average rate of return (“ROR”) on rate base, utility investment, of 8.03 percent, with rate base decreasing from \$1.67 billion to \$1.55 billion. The Commission issued its order in December 2013 with rates effective as of January 1, 2014. The Commission’s order resulted in the following significant items:

- Decreased electric general rates by \$39 million, a 6 percent decrease.
- Decrease in electric rate base by \$48 million, a 3.1 percent decrease, from that proposed.
- Adopted an authorized ROE and ROR of 9.8 percent and 7.62 percent, respectively.
- Reduced the single-family residential class subsidy.
- As part of its next rate case filing SPPC is directed to provide a 20-year life cycle analysis on the Advanced Delivery System (“ASD”) that includes distribution planning and outage management as well as assigning the cost impacts of the system on the gas and electric divisions of the company.

In May 2014, NPC filed a GRC application requesting an increase to general revenues of \$20.8 million, and an ROE of 10 percent. The Commission issued an order on this request in the fourth quarter of 2014.

## **Resource Planning**

### **Overview**

NRS 704.741 provides that an electric public utility must submit a triennial integrated resource plan (“IRP”) to the Commission to increase its supply of electricity or decrease the demands made on its system by its customers. It is the electric utility’s long-term plan identifying both supply requirements necessary to meet its forecasted service obligations (“load”) for the next 20 calendar year period and the manner it proposes to fill this need (“supply plan”). The load is the net of any reduction associated with currently implemented conservation and efficiency programs (“demand side management programs” or DSM) and those programs planned to be offered during the 20-year planning period.

Additionally, the electric utility illustrates those actions necessary to perform during the next three calendar years to implement the selected plan to meet its 20-year forecasted service obligation. The actions include implementing DSM programs and acquisition of supply resources including transmission facilities for renewable energy systems. Further, the utility must include a plan for acquiring the forecasted fuel and purchased power supply for the three years covered by the action plan. The Commission acts upon these applications within 180 days.

In addition to the IRP application, the electric utility may make additional filings updating or amending the action plan. These include changes to the action plan filed as amendments and annual DSM update reports. DSM update reports indicate revisions to the estimated energy and capacity savings and proposed modifications to the DSM plan, including budget modifications. The Commission acts upon these applications within 135 days.

An electric utility is required to file an energy supply plan each triennium as part of its IRP for the next three calendar years. The energy supply plan indicates annually how the electric utility intends

to acquire its fuel supply, purchased power, and how it intends to mitigate the costs and volatility of generation fuel and purchased power through hedging and various purchase strategies. Annually, the electric utility files an update to the energy supply plan for the remaining calendar years covered by the plan.

### **Commission Proceedings**

During the biennium, the Commission acted upon both SPPC and NPC’s tri-annual resource plans. It also acted on one Amendment to SPPC’s Resource Plan. Additionally, the Commission processed two annual DSM update reports.

Of note, SPPC proposed to retire 136 megawatts of existing generation at SPPC’s Tracy Generation Station at the end of 2014 which the Commission approved.

In May 2014, NPC filed the first Amendment to the Resource Plan which includes NPC’s proposal to address the emission and capacity replacement plan (“ERCR”) that was a requirement in SB123. NPC is proposing as part of this plan:

- Retirement of 812 megawatts of coal-fired generation in three steps, beginning December 31, 2014, with 300 megawatts; 257 megawatts by December 31, 2017; and 255 megawatts by December 31, 2019
- The purchase of Las Vegas Cogeneration Units 1 and 2, which is 274 megawatts of capacity
- The purchase of the Sun-Peak generating unit, which is 210 megawatts of capacity
- The purchase of 200 megawatts from Moapa Solar Generating Station, which will add 76 megawatts of peak capacity

In June 2014, NPC filed the Second Amendment to its Resource Plan and requested to add a new 500 kilovolt to 220 kilovolt autotransformer to the Harry Allen 500 kilovolt substation. The Commission ruled on both of these amendments during the fourth quarter of 2014.

## **Utility Environmental Protection Act**

### **Overview**

NRS 704.865 provides that a person, other than a local government, constructing a utility facility in Nevada must obtain a Utility Environmental Protection Act (“UEPA”) permit from the Commission. The process balances the potential environmental impact of a proposed utility with the public interest served by such a facility.

The Commission issues a UEPA permit to construct utility facilities once all other relevant permits have been obtained by the developer.

### **Commission Proceedings**

The Commission received 23 UEPA filings during the biennium:

<b>Entity</b>	<b>Number</b>
Renewable Energy Plant or Transmission facilities	15
Electric facilities	3
Water facilities	4
Natural Gas facilities	1
Total	23

# RENEWABLE ENERGY AND ENERGY EFFICIENCY

## Overview

The Commission has regulatory authority over many aspects of renewable energy and energy efficiency in Nevada. This authority includes oversight of the Renewable Portfolio Standard (“RPS”), the renewable energy incentive programs, and Energy Efficiency and Conservation programs.

## **Renewable Portfolio Standard**

### Overview

The RPS was first adopted by the Nevada Legislature in 1997 and has been modified nearly every legislative session since. The RPS is based on a percentage of electricity sold to retail customers and increases every two years until it reaches 25 percent in 2025. Included within the RPS is a solar carve-out of 5 percent through 2015 which increases to 6 percent beginning in 2016. Finally, energy efficiency measures can be used to comply with the annual RPS requirement. In 2013-14 up to 25 percent of annual RPS requirement can be met through energy efficiency measures. From 2015-19, 20 percent can contribute to the RPS and from 2020-24, 10 percent can contribute. After 2025 energy efficiency measures can no longer contribute to the RPS.

Of the percent of energy efficiency measures, 50 percent must come from measures installed on residential customer locations. Also starting January 1, 2016, station usage energy from renewable energy resources constructed after this date no longer can contribute to the RPS. The RPS is based on a system of portfolio energy credits which is defined as a credit that is earned from a renewable energy system or an energy efficiency measure.

Each year, providers of electric service must submit to the Commission a report on compliance with the RPS. The Commission determines if the provider has met the requirements and, if not, the Commission may impose a fine, provide an exemption or take other administrative action.

Any portfolio energy credits in excess of that required for current year compliance may be carried forward, if authorized by the Commission, for future year compliance purposes or if excess credits are in excess of 10 percent of what is needed for the succeeding calendar year, these credits may be sold to other entities.

### Commission Proceedings

During the biennium, Shell Energy North America (provider of electric services for Barrick Goldstrike Mines) filed two Annual Reports on compliance with the RPS. The Commission determined that Shell Energy was not in compliance with the RPS in 2012 and imposed an administrative fine of \$601,407. For 2013, the Commission found that Shell Energy was in compliance with the RPS.

SPPC and NPC filed two Annual Reports on compliance with the RPS. The Commission determined that SPPC and NPC were in compliance with the RPS in 2012 and 2013. The Commission’s orders addressing these reports included authorizations for the level of credits that could be carried forward to a subsequent calendar year.

As indicated above, in the 2013 legislative session, legislation was passed that affects the renewable portfolio standard and portfolio energy credits. Senate Bill 252 phases out energy efficiency and station usage contributions to the RPS by 2025 and requires an investigation into whether the process for selling portfolio credits can be improved. Rulemaking dockets have been opened and are in progress to address these changes.

## **Incentive Programs**

### **Overview**

The Nevada Legislature has created several incentive programs to encourage the development of renewable energy. These programs include the Solar Energy Systems Incentive Program (“Solar Program”), the Wind Energy Systems Demonstration Program (“Wind Program”) and the Waterpower Energy Systems Demonstration Program (“Waterpower Program”). The 2009 Legislature modified the programs to accommodate greater demand. The programs offer rebates to customers for installing solar, wind and waterpower systems on homes, small businesses, public buildings or schools. The details regarding program implementation, including incentive levels, are described in the Program Year Plan filed with the Commission each year no later than February 1.

The natural gas utility Solar Thermal Systems Demonstration Program is discussed in the Gas Utility section of this report.

### **Commission Proceedings**

During the biennium, SPPC and NPC filed jointly two Annual Plans for the Solar Incentive Program (“Solar Program”), Wind Energy Demonstration Program (“Wind Program”), and Water Energy Demonstration Program (“Water Program”). In addition to the Annual Plans, the Commission received a number of petitions requesting approval to exceed the capacity cap for schools in the Solar Program.

By statute, through December 31, 2013, the individual capacity cap for a solar facility on a school is limited to 50 kilowatts (“kW”) unless the Commission determines that it is more practicable to exceed the cap. The Commission granted the petitions that were received on or before December 31, 2013. On January 1, 2014, provisions of AB428 addressing the capacity cap for solar systems became effective and the cap increased to 500 kW. Systems with a capacity level greater than 500 kW are no longer allowed.

The Nevada Legislature revised the laws addressing these incentive programs in the 2013 legislative session. Notable changes include setting the goal for solar installations at 250 MW of capacity by 2021; limiting the statewide budget for the solar program to \$255,270,000; and requiring performance based incentives for installations greater than 25 kW. The Commission promulgated regulation addressing these legislative changes in January 2014.

## **Energy Efficiency**

### **Overview**

Energy efficiency and conservation plans are developed by both electric and natural gas utilities (which are discussed in the Gas Utility section of this report). The electric utilities’ energy efficiency and conservation (aka Demand Side Management or DSM) programs are approved, reviewed, and terminated in one of two types of filings, a tri-annual plan or annual plan update. The tri-annual plan

is an integral component of the tri-annual IRP. Annually, the electric utility files a report providing a status of the programs approved in the tri-annual plan and to propose continuing or changing the tri-annual plan approved programs. In approving or modifying a program, program cost effectiveness is a significant consideration. One component in determining cost effectiveness is the annual energy efficiency and conservation program verification and measurement report filed by the utility.

The measurement and verification report estimates the actual demand and energy savings achieved by the programs. The estimated achieved savings are used to determine both RPS compliance and cost recovery.

### **Commission Proceedings**

During the biennium, the Commission acted upon NPC's 2012 and SPPC's 2013 tri-annual IRPs and received and processed two annual DSM plan updates.

With respect to NPC's DSM plans included in its IRP, the Commission accepted NPC's proposed action plan budgets for the following programs: \$1.2 million for the Energy Education and Consultation program; \$1.5 million budget for the Electric Low Income Weatherization program; \$1.2 million budget for the Market and Technology Trials program; \$57.9 million for the Demand Response program; \$3.6 million for the Second Refrigerator Collection and Recycling program; \$4.7 million for the Energy Smart Schools program; \$32.15 million for the Commercial Incentives program; \$36 million for the Residential High Efficiency Air Conditioning program; and \$4.6 million for the Energy Efficient Pools and Spas program.

The Commission rejected NPC's proposed \$5.3 million Residential Energy Efficiency Lighting program; \$1.5 million for Advanced Building Techniques program; and several other less than \$1 million programs.

With respect to SPPC's DSM plans included in its IRP, the Commission accepted SPPC's proposed action plan budgets for the following programs: \$1.64 million for the Home Energy Reports program; \$3.4 million for the Residential Energy Efficient Lighting program; \$1.5 million for the Second Refrigerator Collection and Recycling program; \$600,000 for the Residential Solar Thermal Water Heating program; \$330,000 for the Non-profit Agency Grants program; \$13.5 million for the Commercial Incentives program; \$1.2 million for the Energy Smart Schools program; \$750,000 for the Energy Education and Consultation program; \$300,000 for the Market and Technology Trials program; and \$12.5 million for the Demand Response program.

## **NATURAL GAS**

### **Overview**

Natural gas is a major source of energy in Nevada for residential, commercial and industrial use. As noted in Table 1 below, approximately two-thirds of the natural gas consumed was used to generate electricity.

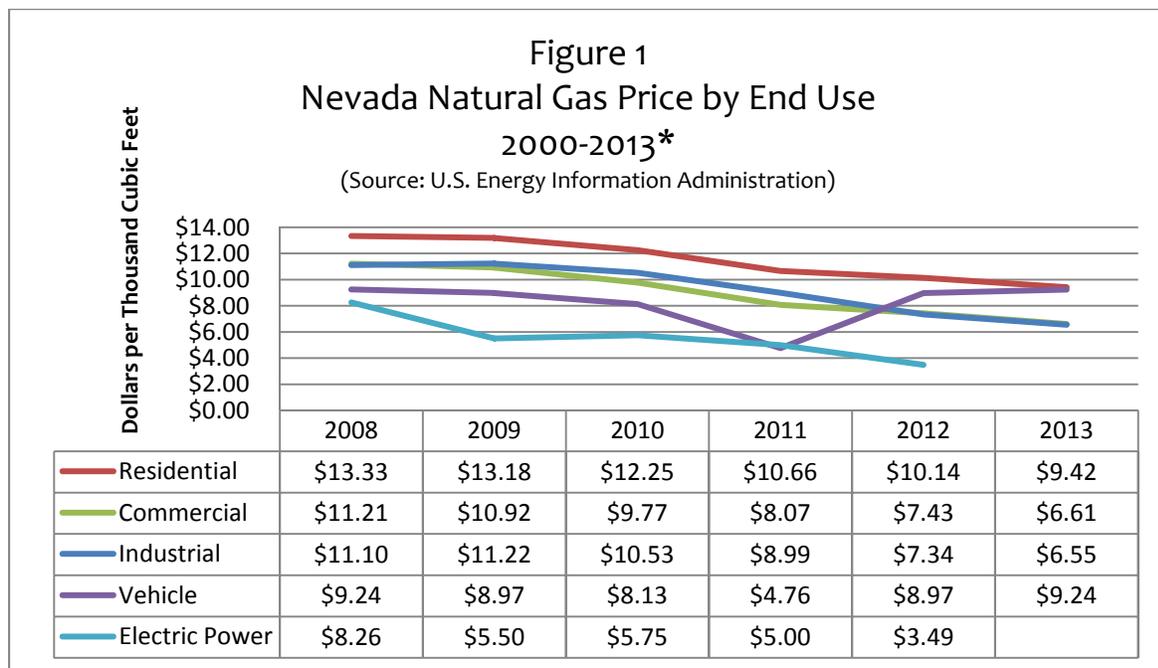
The cost of natural gas represents the largest single expense for natural gas utilities in Nevada. Natural gas utilities are allowed to recover the prudently and reasonably incurred cost of natural gas on a dollar-for-dollar basis through a deferred energy accounting process.

**Table 1: Nevada Natural Gas Consumption by End Use 2013**

(Source: US Energy Information Administration)

	Consumption (MM Cubic Feet)	Percent of Total Consumption
Residential	41,664	15.54%
Commercial	31,211	11.64%
Industrial	13,209	4.93%
Vehicle	661	0.25%
Electric Power	181,362	67.65%
Total	268,108	100.00%

As indicated by Figure 1, below, natural gas prices in Nevada remained low in 2012 and 2013. This trend is indicative of natural gas prices nationwide, which are at their lowest levels in nearly a decade. The decline in prices is attributed to the expansion of supplies nationwide made possible by advanced drilling techniques.



\*Data for 2013 Electric Power was not disclosed by EIA

## Quarterly Base Tariff Energy Rate Adjustments

### Overview

The Base Tariff Energy Rate (BTER) is the price charged for natural gas commodity and is equal to the rolling 12-month average cost of natural gas purchased for resale experienced by the natural gas utility expressed as a cost per therm. Pursuant to NRS 704.110(8), both SPPC and SWG adjust the BTER quarterly without Commission review or approval. However, the Commission must annually review the quarterly BTER filings as part of the annual rate adjustment application.

## **Commission Proceedings**

SPPC and SWG each filed eight quarterly BTER filings during the biennium.

## **Deferred Energy Accounting Adjustment**

### **Overview**

The deferred energy accounting adjustment (DEAA) is the rate authorized by the Commission for the utility to collect the accumulative difference between the reasonably and prudently incurred natural gas cost purchased for resale and the actual funds collected by the BTER. Deferred energy accounting is the practice of deferring every month the difference between the actual cost of natural gas purchased for resale and the estimated amount collected by the BTER. The deferred balance (i.e., over collection or under collection) is amortized (refunded or collected) during a subsequent period.

The gas utility has the burden of proof to demonstrate the prudence or reasonableness of the cost of natural gas purchased for resale. The annual rate adjustment application is still the proceeding in which the 12-month period actual cost of natural gas purchased for resale is reviewed for prudence and reasonableness.

### **Commission Proceedings**

During the biennium, SPPC and SWG each filed eight quarterly DEAA adjustments which are filed concurrently with the quarterly Base Tariff Energy Rate (BTER). The last DEAA adjustments filed by SPPC and SWG had effective dates of July 1, 2014.

## **General Rate Change Applications**

### **Overview**

General rate cases (GRC) are intended to establish rates to collect utility costs except for those recovered in other rate setting forums, e.g., cost of natural gas purchased for resale, which are collected through the BTER and DEAA. The Commission acts upon these applications within 210 days.

### **Commission Proceedings**

In June 2013, SPPC filed a GRC application requesting an increase to general revenues of \$10.2 million, a return on equity (ROE) of 10.35 percent and overall weighted average rate of return (ROR) on rate base, utility investment, of 7.72 percent, with rate base of \$204 million. One of the primary drivers for the requested increase was an increase in the cost of debt for the gas division from 4.05 percent to 5.38 percent as a result of the retirement of two county tax exempt bonds. SPPC's requested increase was mitigated by a 4.3 percent reduction in maintenance, payroll, benefits and pension expense since its last general rate case (GRC).

The Commission issued its order in December 2013 and rates became effective on January 1, 2014. The results of the order were as follows:

Authorized Return on Equity	9.70%
Allowed Rate of Return on Rate Base	6.02%
Allowed Rate Base	\$192 million

Authorized Revenue Increase	\$3.9 million
% Increase in Operating Revenue	3.14%

In April 2012, Southwest Gas (SWG) filed a GRC application requesting increases to general revenues of \$25.4 million and \$1.5 million for its Southern Nevada and Northern Nevada divisions, respectively. The requested amounts represent a 6.2 percent and 1.4 percent increase for the Southern and Northern Nevada divisions, respectively.

SWG requested a 7.44 percent rate of return on \$821 million in rate base for its Southern Nevada division and an 8.45 percent rate of return on \$115 million in rate base for its Northern Nevada division.

The Commission's order was issued in March 2013. The results of the order were as follows:

	<b>Southern NV Division</b>	<b>Northern NV Division</b>
Authorized Return on Equity	10.00%	9.30%
Allowed Rate of Return on Rate Base	6.56%	7.88%
Allowed Rate Base	\$825 million	\$116 million
Authorized Revenue Increase	\$6.7 million	\$691 thousand
% Increase in Operating Revenue	1.70%	.65%

## **General Rate Revenue Decoupling**

### **Overview**

NAC 704.9716 provides the frame work for general revenue decoupling. Revenue decoupling allows the natural gas utility to collect the average per customer general rate revenue regardless of the actual sales volumes, thus removing a disincentive which discourages the utility from supporting energy conservation. On a monthly basis, the difference between the actual average per customer general rate revenues received in a month and the average per customer general rate revenues estimated in the most recent GRC to be collected in that calendar month is deferred. The deferred balance (i.e., over collection or under collection) is amortized (refunded or collected) during a subsequent period. The deferred balance amortization rate is set annually.

### **Commission Proceedings**

During the biennium, the Commission completed processing two general rate revenue (GRA) decoupling applications for SWG. The Commission's order in SWG's 2012 GRA established rates effective July 1, 2013, to collect for Southern Nevada customers \$2.8 million (0.82 percent of total revenues) and for Northern Nevada customers \$1.8 million or 2.21 percent (of total revenues). The Commission's order in SWG's 2013 GRA established rates, effective July 1, 2014, to refund to SWG's Southern Nevada customers \$2.2 million (0.59 percent of total revenues) and collect from its Northern Nevada customers \$3.8 million (3.80 percent of total revenues). SPPC does not participate in GRA decoupling.

## Variable Interest or Dividend Recovery

### Overview

Pursuant to NRS 704.324(2) and Commission regulations, a utility is allowed to adjust general rates to recover the change in variable cost securities interest or dividend rates. During the biennium, only the natural gas utility SWG used this ratemaking option.

General rates are adjusted to reflect the current interest or dividend rate on only those variable cost securities included in the last general rate case to establish the authorized ROR. Similar to deferred energy accounting, the difference between the actual variable cost security interest or dividend rate on those variable cost securities included in the last general rate case and the interest or dividend rate currently included in general rates is deferred monthly. The deferred balance (i.e., over collection or under collection) is amortized (refunded or collected) during a subsequent period. The rates are adjusted annually in either the deferred energy application or the annual rate adjustment application.

### Commission Proceedings

SWG filed two requests to reflect the change in rates for variable cost securities. The request to reflect this change is included in SWG's Annual Rate Adjustment application. Two applications were processed by the Commission during the biennium.

## Solar Thermal Systems Demonstration Program

### Overview

NRS 701B.336 (1) provides that the Commission shall establish the Solar Thermal Systems Demonstration Program to promote the installation of at least 3,000 solar thermal systems in homes, businesses, schools and other governmental buildings throughout Nevada by 2019. This program is offered by natural gas utilities. Each year the utility must file with the Commission a plan detailing the efforts for the next year to achieve this goal. Additionally, the natural gas utility may recover its reasonable and prudent costs, including customer incentives.

### Commission Proceedings

In December 2012, the Commission approved a Solar Thermal Systems Demonstration budget for SPPC of \$325,000 for program year 2013, which represented a \$165,000 reduction from the 2012 budget.

In February 2013, SPPC filed a subsequent Deferred Energy Accounting Adjustment application. In June 2014, the Commission approved a REPR rate of \$0.00086/therm for SPPC's Solar Thermal Program.

In March 2013, SPPC filed its annual application for Deferred Energy Accounting Adjustment which included a request for the Renewable Energy Program Rate (REPR). The REPR rate for SPPC's gas operations represents the rate for the Solar Thermal Program. SPPC requested a rate of \$0.00226/therm which was approved by the Commission in September 2013.

In June 2013, SWG filed its Annual Rate Adjustment application requesting, along with other relief, approval for REPR rates for its Solar Systems Demonstration Program in its Northern and Southern

Nevada jurisdictions. In November 2013, the Commission approved REPR rates of \$0.00103/therm and \$0.00139/therm for the Northern and Southern Nevada jurisdictions, respectively.

In July 2013, SWG filed an application seeking approval of its 2014 Solar Systems Demonstration Program Plan. SWG's plan for 2014 was approved by the Commission in September 2013 with a budget of \$2.2 million.

In June 2014, SWG filed its Annual Rate Adjustment application requesting, along with other relief, approval for REPR rates for the Solar Demonstration Program in its Northern and Southern Nevada jurisdictions. SWG requested approval for REPR rates of \$0.00339/therm and \$0.00592/therm for the Northern and Southern Nevada jurisdictions, respectively. If approved by the Commission, the new rates will have an effective date of December 31, 2014.

## **Gas Utility Resource Planning**

### **Overview**

NRS 704.991 provides that a gas utility must file with the Commission an annual informational report which describes:

- The anticipated demand for natural gas made on its system by its customers
- The estimated cost of supplying natural gas sufficient to meet the demand and the means by which the utility proposes to minimize that cost
- The sources of planned acquisitions of natural gas, including an estimate of the cost and quantity of the acquisitions to be made from each source and an assessment of the reliability of the source
- Significant operational or capital requirements of the utility related to its provision of gas service in this state

### **Commission Proceedings**

During the biennium the Commission received two reports from SWG and two reports from SPPC.

## **Energy Efficiency and Conservation Plans**

### **Overview**

Pursuant to NAC 704.9702, natural gas utilities may choose between two alternative methods to remove disincentives to conserve natural gas. These are: 1) general revenue decoupling; or 2) an enhanced return on the equity portion of conservation cost in general rates. Regardless of the option elected, the natural gas utility must file a three-year energy efficiency and conservation (EEC) plan denoting its proposed energy efficiency and conservation programs with the Commission for its approval. If the Commission approves the EEC plan, the natural gas utility is required to file an annual update to the EEC plan in the first and second year of the three-year period.

### **Commission Proceedings**

During the biennium, the Commission processed and approved one Annual Report, identified below, for SWG's three-year EEC plan, which was approved in 2012 for plan years 2013-2015. In the tri-annual EEC plan approved in September 2012, SWG established EEC programs to provide benefits to all classes of customers in both the Southern and Northern Nevada divisions. The Residential Rebate Program, with a three-year budget of \$6.6 million, offers incentives for the purchase and/or

installation of qualified program measures such as high-efficiency gas clothes dryers and ENERGY STAR tank-less water heaters. The Homes Construction Program, with a three-year budget of \$2.1 million, offers incentives to builders to increase the energy efficiency of new home construction through improved thermal construction and upgraded mechanical systems. The Commercial Rebate Program, with a three-year budget of \$3.9 million, encourages the purchase of selected high efficiency appliances. The Low-Income Energy Conservation Program with a three-year budget of \$750,000, provides Southwest with funding for energy efficiency measures in conjunction with a federally-funded program provided by the Nevada Housing Division which manages the U.S. Department of Energy's statewide Weatherization Assistance Program. All program expenditures are subject to prudence review in a general rate case.

In April 2014, SWG filed its 2013 Conservation and Energy Efficiency Plan Annual Report. The Annual Report provides information and analysis to determine what CEE programs should be implemented, continued, modified or terminated. The Commission issued an order addressing the recommendations in the Annual Report during the third quarter of 2014.

SPPC filed its 2012 Annual Conservation and Energy Efficiency Plan Report in June 2012. The Commission's order in November 2012 included the following findings:

- The Low Income Weatherization program and High Efficiency Space Heating Program were no longer cost effective due to the decline in the wholesale price of gas and were terminated.
- The Commission directed SPPC to re-evaluate the Low Income Weatherization program in its 2013 Annual Report.
- The Commercial Incentive Program was continued with a budget of \$350,000.
- The Gas Energy Education Program educated 13,046 customers about measures for energy efficiency and was continued with a budget of \$20,000.
- The Gas Market and Technology Trials Program was continued with a budget of \$50,000.

In July 2013, SPPC filed its Natural Gas Conservation and Energy Efficiency Plan for 2014-2016. The Commission's order in November 2013 included the following findings:

- SPPC fulfilled its obligation to re-evaluate a Low Income Weatherization Plan by issuing an RFP for a third party to conduct a combined electric and gas program. No bidders responded to the RFP.
- SPPC has committed to revisit a Low Income Weatherization program partnership with the Nevada Housing Division and include the results of this analysis in its 2014 Annual Report.
- The Commission approved SPPC's proposed programs at the Preferred Plan budget levels for the Commercial Incentives Plan, Gas Market and Technology Trials and Gas Energy Education Programs.

## **Gas Infrastructure Replacement Mechanism (GIR)**

In November 2013, SWG filed a request to establish a regulatory asset to defer the return on investment and incremental depreciation related to the accelerated replacement of early vintage plastic pipe (EVPP) in Southern and Northern Nevada. SWG's petition indicated that the GIR mechanism (above) would be used if regulations were approved in Docket No. 12-11010. Use of the GIR mechanism would allow SWG to replace all EVPP in Nevada by 2020 in lieu of the prior expected replacement completion date of 2026. The Commission approved SWG's request in January 2014.

In February 2014, new regulations were adopted to address a recovery mechanism for the accelerated replacement of gas infrastructure. The GIR mechanism allows a gas utility to defer for

future recovery the return on investment and depreciation costs resulting from the accelerated replacement of:

- Early vintage plastic pipe (EVPP) composed of a material that the Pipeline and Hazardous Safety Administration of the U.S. Department of Transportation has prohibited from use in newly constructed pipeline and;
- Early vintage steel pipe installed in a natural gas system before January 1971; and
- Replacement of a master meter system or other project authorized by the Commission for addressing a safety and reliability concern.

Costs authorized for deferral under the GIR mechanism will be reviewed for prudence in a subsequent general rate proceeding and subject to rate recovery in that case.

## **Alternative Natural Gas Suppliers**

### **Overview**

Pursuant to NRS 704.075, a natural gas utility's generating, industrial and large commercial consumers may select an alternative seller of natural gas. Pursuant to NRS 704.998, alternative sellers of natural gas are required to be licensed by the Commission. The alternative seller procures natural gas on behalf of an eligible customer and has the natural gas delivered by the interstate pipeline to the interstate pipeline's interconnection with the natural gas utility. The natural gas utility transports the natural gas through its distribution system to the eligible customer's delivery point. The natural gas utility charges the eligible customer a fee for this transportation service. The natural gas utility may only provide this transportation service for an eligible customer pursuant to a contract approved by the Commission.

Pursuant to NRS 703.191, alternative sellers of natural gas are required, as are other utilities in the state, to file an annual report with the Commission no later than May 15 of each year. The report describes the business transacted within the state.

Below is a list of currently licensed alternative sellers of natural gas service:

- BP Energy Company
- Commerce Energy Inc.
- IGI Resources, Inc.
- Noble Americas Energy Solutions LLC
- Occidental Energy Marketing, Inc.
- Pacific Summit Energy, LLC
- Seminole Retail Energy Services, L.L.C
- Shell Energy North America (US), L.P.
- South Jersey Energy Company
- Sparks Energy Gas, LP
- Stand Energy Corporation
- U.S Energy Services, Inc.

### **Commission Proceedings**

During the biennium, the Commission processed four alternative seller applications: two licensures as an alternative seller and two applications to terminate license.

# TELECOMMUNICATIONS

## Overview

The Federal Telecommunications Act of 1996 (Telecom Act) assigned a number of specific responsibilities to state regulatory commissions, which were necessary to open local telecommunications markets to competition while advancing the longstanding public policy goal of universal service. In November 2011 and February 2012, the Federal Communications Commission (FCC) revised its regulations which, amongst other matters, significantly modified the federal high-cost support and Lifeline programs (Transformation Order), respectively. Subsequently, in recent years the FCC issued a number of orders on reconsideration clarifying the provisions of these regulations.

The Commission continued to provide direction for state universal service funding which supplements federal funding for providing reasonable rates for telephone service in high cost and rural areas and supporting the state Lifeline program. State universal service funding is also available to public schools, public libraries, and health care providers in rural areas to provide affordable and reliable basic telephone service. The Commission maintained its efforts to ensure the existence of an environment conducive to effective competition in both the local and long distance markets to continue the goal of universal service.

The Commission continued to review and approve performance standards applicable to Incumbent Local Exchange Carriers (ILECs) regarding their provision of service to Competitive Local Exchange Carriers (CLECs). This review process ensures that ILECs provide service to their competitors at an equal level with the service the ILECs provide to their own retail customers.

The various telecommunication providers in Nevada include 13 ILECs, of which 11 are small scale providers of last resort; 74 Commercial Mobile Radio Service (CMRS) providers, and 250 competitive suppliers. Of these 337 telecommunication providers, 30 have been designated as an Eligible Telecommunications Carrier (ETC), this includes all ILECs and 17 CMRS and competitive suppliers. Federal high-cost support is being received by 14 ETCs, all 13 ILECS and 1 competitive supplier.

## Outside Events

As part of the high-cost service transition, the FCC initially established a national \$10.00 residential rate floor for June 1, 2012, and \$14.00 for June 1, 2013. ETCs eligible for high-cost support, with rates below the floor as of June 1 of that year would lose federal support on a dollar-per-dollar basis for each subscriber line. An example would be an ETC with a monthly subscriber rate of \$13.00 as of June 1, 2013, and because the rate floor was set at \$14.00, the ETC would lose \$1 per month per subscriber line in federal high-cost funding. Once the federal high-cost support is lost, the ETC may not recover the support in future periods.

On June 10, 2014, the FCC released its seventh Order on Reconsideration which extended the rate floor transition period by four additional years. This extension was largely due to the national average urban rate significantly exceeding what was initially anticipated for the third year of the transition, \$20.46 compared to expected \$15.62 plus state fees. The new rate floor benchmarks are as follows:

- \$14.00 or greater by July 1, 2014
- \$16.00, or greater by December 1, 2014
- \$18.00 or the new 2016 floor rate, whichever is lower by July 1, 2016

- \$20.00 or the new 2017 floor rate, whichever is lower by July 1, 2017

Additionally, in its efforts to comprehensively reform the universal service fund and inter-carrier compensation system, the FCC's Transformation Order adopted a uniform national bill-and-keep framework as the ultimate inter-carrier compensation format and prescribed transitional steps to that goal. The FCC implemented a seven-step process to reach this goal, beginning in 2012 and ending in 2018. Most recently, carriers had to be in compliance with "Step 3" by July 1, 2014. Specifically, all local exchange carriers are required to mirror intrastate access rates to the interstate rate structure. A portion of the lost revenues could be collected via a subscriber surcharge which could increase no more than 50 cents annually with a total rate not to exceed \$3.00 per month. The telecommunication provider is required to file annually with the FCC and state commission the estimated lost switching revenues to be recovered through the surcharge.

On February 6, 2012, as part of its comprehensive reform, the FCC released revised regulations (Lifeline Reform Order) with the stated intention to reform and modernize the Universal Service Fund's Lifeline program. Primarily, these regulations require:

- The eligible customer to opt-into the program;
- An annual qualification certification for the program;
- ETCs to annually recertify all existing customers;
- Broadening of the qualifying criteria;
- Enhancing the data collection to verify qualification, which is not to be retained by the ETC;
- The development of a national clearing house for ETCs through the certification process;
- The monthly subsidy to be set at \$9.25 per customer and additional \$25.00 for tribal Lifeline;
- The restrictions of the Link-up program whereby connection charges are covered to only those eligible customers located on tribal lands.

The National Lifeline Accountability Database ("NLAD") was created to help reduce the amount of waste, fraud, and abuse in the Lifeline program. Nevada was part of the last group to begin integration into the NLAD process in February 2014.

### **Legislation**

The Legislature enacted Senate Bill 41 (2013) aligning the statutory requirements of eligible providers and Lifeline customer qualifications with the changes promulgated by the FCC to reform and modernize the Universal Service Fund's Lifeline program. Further, SB41 provided new options for small-scale providers to raise rates in order to continue to meet federal high-cost funding requirements and comply with the FCC's Transformation Order. Under certain conditions, small-scale providers may adjust monthly rates for basic residential service to meet the FCC national urban rate benchmarks without filing a general rate application pursuant to Nevada Revised Statutes ("NRS") 704.110.

The Legislature enacted Senate Bill 498 (2013) requiring the Commission to contract with an independent administrator selected through a request for proposal to perform the FCC universal service Lifeline required customer certification and annual recertification in lieu of the telecommunications provider.

The Legislature enacted Assembly Bill 486 (2013) which allowed a competitive supplier to elect to be relieved of its obligation and status of Provider of Last Resort ("POLR") in areas of its service territory where alternative voice services are available.

## **Commission Proceedings**

On March 15, 2012, the Commission opened an investigation and rulemaking regarding recent FCC decisions that could affect all Nevada telecommunication carriers. The investigation was separated into four phases:

- Phase I addresses the Transformation Order federal high-cost support monthly subscriber rate floor and access tariff rate (inter-carrier compensation) tariff filings;
- Phase II addresses Lifeline Reform Order issues;
- Phase III addresses the Commission's jurisdictional authority to implement the FCC's Transformation Order broadband changes (e.g., state commission certification for high-cost fund support);
- Phase IV addresses other Transformation Order issues.

As a result of Phase I, on May 23, 2012, the Commission issued an order identifying only three Nevada certified ETCs (all small providers of last resorts) receiving high-cost support with monthly subscriber charges below \$14.00. Further, the Commission ordered the ILECs to file revised access tariff rate filings with the Commission to meet the July, 1, 2012, "Step 1" deadline of the Transformation Order.

As a result of Phase II, on July, 5, 2012, the Commission issued a declaratory order interpreting NRS 707.470 and NRS 707.480 to ensure the providers of telecommunication service in Nevada are legally capable of complying with the FCC's eligibility requirements for Lifeline funding.

Additionally, on September 17, 2012, proposed modifications to the existing regulations were submitted to the *Legislative Counsel Bureau*. However, on August 21, 2013, in light of the passage of SB498 and the repeal of NRS 704.470 and 707.480, the Commission withdrew the proposed regulation modifications and closed the investigation.

The Commission continued to review and approve performance standards applicable to (ILECs) regarding their provision of service to CLECs. On December 11, 2012, the Commission approved a modified version of Central Telephone Company's, d/b/a CenturyLink, 2012 Performance Measurements Plan and Performance Incentives Plan. On March 27, 2014, the Commission approved a modified version of Frontier Communication of the Southwest's (Frontier's) Carrier-to-Carrier Performance Assurance Plan.

The FCC's implementation of a residential rate floor has had a direct impact on the rural carriers in Nevada. Three of the nine Commission regulated small-scale providers have filed a general rate case in order to increase rates to meet the newly implemented rate floors. Each of the rate case filings also included an application for state universal service funding.

In April 2013, Oregon-Idaho Utilities, Inc. d/b/a Humboldt Telephone Company's application for state universal service was granted and successfully raised their residential rate above the current rate floor to \$15.00.

In June 2013, Rio Virgin Telephone Company d/b/a Reliance Connects' application for state universal service funding was not granted and was not successful in raising their residential rate to meet the rate floor. In June 2014, Lincoln County Telephone System, Inc. filed a general rate case and application for state universal service funding. The Commission issued an order in the fourth quarter of 2014.

Pursuant to NRS 704.68869 and the Commission promulgated regulations on March 28, 2014, the Commission authorized Frontier to be reclassified as a competitive provider; joining Nevada Bell

Telephone Company d/b/a AT&T and CenturyLink. The competitive providers' rates, including the basic telephone service, are no longer set by the Commission. However, Frontier agreed not to raise its residential rates by more than \$5.00 in the first two years being regulated as a competitive supplier, with an interim cap of \$2.50 in the first year.

CenturyLink, in accordance with NRS 704.68886, requested to be relieved from its designation as the Provider of Last Resort (POLR) in the parts of its service territory concurrently being served by Cox Communications. The Commission granted CenturyLink's application in April 2014.

Telecommunication filings during this reporting period were:

<b>TYPE OF FILING</b>	<b>NUMBER OF FILINGS</b>
Application to increase general rates and receive NUSF Funding	3
Review of the hearing and speech impaired programs and Lifeline eligibility	2
Application for Universal Service Funding and Universal Service Fund Administration	3
Applications pursuant to section 254 of the Telecommunications Act (ETC designation)	10
Applications for commercial mobile radio service registration for new and cancellation of services	49
Petitions pursuant to section 252 of the Telecommunications Act (interconnection agreements between companies), interconnection amendments, and resale agreements	62
Filings (informational and tariff) made with the Commission pursuant to USF/ICC Transformational Order and Lifeline Reform Order	179
Miscellaneous filings such as operation authorizations, name changes, annual reports, revised tariffs, special promotions resale, and informational	236
Commission Proceedings	5
<b>TOTAL FILINGS</b>	<b>549</b>

The Commission opened five proceedings, including three investigation and rulemaking proceedings. Two of the investigation and rulemaking proceedings were initiated as the result of the 2013 Legislature enactment of Senate Bill 41 and Senate Bill 498. The Commission adopted permanent regulations in both proceedings.

## **WATER AND WASTEWATER**

### **Overview**

The Commission regulates 30 water and wastewater utilities serving approximately 22,300 customers in Nevada. The Commission is responsible for ensuring that water utilities deliver clean, safe and reliable water to their customers at reasonable rates, and that the wastewater utilities provide reliable sewer service to their customers at reasonable rates. The Commission monitors these utilities for quality of service, environmental compliance and financial performance. The Commission also reviews applications for construction permits for compliance with environmental requirements for new water and/or wastewater facilities.

Water quality, supply and wastewater discharge issues are governed by various federal and state agencies. The Commission works collaboratively and closely with these other agencies to ensure utility conformance. The Commission is proactive in providing guidance to the regulated small water

companies. The Commission developed and implemented a comprehensive inspection program, which identifies areas of needed improvement. The response by water companies has been positive.

### **Commission Proceedings**

Water and wastewater related filings during this reporting period were:

<b>TYPE OF FILING</b>	<b>NUMBER of FILINGS</b>
Integrated resource plans (NRS 704.661)	3
Small water inspections (NAC 704.627)	0 <sup>1</sup>
General rate changes (NRS 704.095, 704.110)	5
Service territory revisions (NAC 703.170 et seq.)	5
UEPA construction permits (NRS 704.820 et seq. and NAC 703.415 et seq.)	5
Gross Domestic Product Deflator (NRS 704.094 and NAC 704.584)	10
Annual Reports (NRS 703.191, NAC 703.199, and NAC 704.225)	2
Miscellaneous filings	16
<b>TOTAL FILINGS</b>	<b>46</b>

#### Notes:

1. It is noteworthy that during this reporting period, five (5) small water inspection dockets per NAC 704.627 were closed, and that five (5) additional small water inspection dockets were being processed and monitored. The Regulatory Operations Staff of the Commission performs small water inspections for each of its rate regulated water systems on a three-year cycle in order to allow for processing and the completion of the related compliances.

## **INVESTIGATIONS AND RULEMAKINGS**

During the biennium, the Commission opened 28 Investigations and/or Rulemakings:

12-07024	Investigation and rulemaking regarding the annual assessment of telecommunication revenues.
12-10013	Investigation regarding voltage and volt-ampere reactive (var) control and optimization.
12-11002	Investigation of ongoing receivership of Wendover Gas Company and oversight by the Fourth Judicial District Court, Elko County, and matters related thereto, including reliability and safety issues, propane supply, and possible acquisition by the City of West Wendover, Nevada.
12-11009	Rulemaking to address issues related to the General Revenues Adjustment mechanism.
12-11010	Investigation and rulemaking to address a recovery mechanism for the accelerated replacement of gas infrastructure.
12-12030	Investigation regarding demand side management in Nevada.
12-12031	Investigation regarding accounting treatment of costs associated with One Nevada Transmission Line.
13-04014	Rulemaking to amend NAC 704.9524 to require that an application filed for lost sales compensation pursuant to NRS 704.785 be required to present evidence, as part of the application, regarding the electric utility's achieved rate of return.
13-04033	Investigation to evaluate the Energy Assistance Program in order to provide advice for the State Fiscal Year Evaluation.
13-05006	Investigation to address whether a pilot program for Rule No. 9 electric line

	extension applicant design and installation should be developed and, if so, the requirements and conditions necessary to ensure safety and reliability.
13-06017	Rulemaking to address cost of service studies, issues authorized for rulemaking in Assembly Bill 436, and other matters related to water and wastewater utilities.
13-06018	Rulemaking to amend, adopt, and/or repeal regulations pertaining to Chapters 701B and 704 of the Nevada Administrative Code regarding renewable energy programs in accordance with Assembly Bill 428.
13-06019	Rulemaking to amend, adopt, and/or repeal regulations pertaining to Chapters 703 and 704 of the Nevada Administrative Code regarding telecommunication services in accordance with Senate Bill 41.
13-06020	Rulemaking to amend, adopt, and/or repeal regulations pertaining to Chapter 704 of the Nevada Administrative Code regarding the portfolio standard and portfolio energy credits in accordance with Senate Bill 252.
13-06021	Rulemaking to amend, adopt, and/or repeal regulations pertaining to Chapter 704 of the Nevada Administrative Code regarding the selection and duties of an independent administrator who will certify or recertify Lifeline service eligibility in accordance with Senate Bill 498.
13-06022	Rulemaking to address the Economic Development Electric Rate Rider Program, land use permitting appeals process, and other matters set forth in Assembly Bill 239.
13-06023	Rulemaking to address an emissions reduction and capacity replacement plan and other matters related thereto in accordance with Senate Bill 123.
13-07010	Investigation to examine the costs and benefits of net metering in Nevada pursuant to Section 26.5 of Assembly Bill 428 (2013).
13-07017	Investigation into whether NV Energy should be required to establish and implement a non-standard metering option for commercial customers.
13-09012	Rulemaking to amend, adopt, and/or repeal regulations pertaining to utility business office requirements.
13-09027	Investigation and/or rulemaking to address jurisdictional cost allocations pursuant to NAC 704.101.
13-11029	Investigation to address Nevada Universal Service Fund's issues regarding accumulated unclaimed funds, uncollected funds, and to establish regulations or procedures to address future unclaimed funds, uncollectible funds, and delinquent filers.
13-12020	Investigation pursuant to Section 14 of Senate Bill 252 (2013) regarding the process for the sale of portfolio energy credits to determine whether the process can be improved.
13-12040	Investigation and rulemaking regarding when a regulated utility should be permitted to use deferred accounting resulting in a regulatory asset or liability.
13-12045	Investigation into whether Valley Electric Association, Inc. ("VEA") should be assessed an administrative fine for constructing a new 5.3 mile, 138 kV transmission line and associated facilities (the "Innovation Project") prior to obtaining Commission approval to proceed with the Innovation Project as required by the 1963 agreement entered into between Nevada Power Company and VEA's predecessor, the Amargosa Valley Cooperative, Inc.
14-04025	Investigation into the use of the Western Renewable Energy Generation Information System ("WREGIS") to track and certify Nevada portfolio energy credits.
14-04039	Investigation and rulemaking to evaluate methods for maximizing and allocating the benefits of the One Nevada Transmission Line for Nevada retail electric

	service customers.
14-06009	Investigation regarding whether separate customer classes of service for net metering customers should be established.

## RAIL SAFETY

### Overview

The Commission maintains a Rail Safety Program as part of Nevada’s State Participation Program with the U.S. Department of Transportation Federal Railroad Administration (FRA). The agreement provides that the Commission shall employ FRA certified inspectors in one or more of five inspection disciplines. The Commission employs inspection personnel in the following disciplines: 1) hazardous materials; 2) operation practices; 3) track; and 4) motive power and equipment.

Union Pacific Railroad owns all of the state’s mainline track and there are several shortline operations in Nevada. The Rail Safety Program performed inspections in the following four categories during the corresponding fiscal years:

- Track

2010	96 reports	3,920 units	126 defects
2011	77 reports	3,269 units	174 defects
2012	70 reports	3,263 units	88 defects
2013	86 reports	5,447 units	86 defects
2014	100 reports	4,270 units	210 defects

- Operating Practices

2010	104 reports	1,038 units	96 defects
2011	107 reports	1,025 units	68 defects
2012	97 reports	1,010 units	55 defects
2103	42 reports	1322 units	40 defects
2014	20 reports	459 units	6 defects

- Hazardous Materials

2010	133 reports	4,069 units	177 defects
2011	132 reports	3,921 units	202 defects
2012	140 reports	2,666 units	227 defects
2013	144 reports	5,525 units	178 defects
2014	170 reports	5657 units	257 defects

- Motive Power & Equipment

2010	59 reports	6,406 units	272 defects
2011	139 reports	11,997 units	883 defects
2012	157 reports	9,921 units	640 defects

2013	112 reports	9,243 units	586 defects
2014	119 reports	7,583 units	487 defects

### **Outside Events**

The Commission’s rail safety inspectors worked to improve rail safety in Nevada during the biennium. One specific area that railway staff is involved in is grade crossings.

Inspectors have been working with different entities around the state (Nevada Department of Transportation, Union Pacific Railroad, cities of Ely, Fallon and Reno). The inspectors also have worked with employees representing the counties of White Pine, Elko and Washoe to evaluate crossing conditions and addressed safety concerns and the perspective need for upgrades or replacements. These evaluations are based on safety conditions, Federal Manual on Uniform Traffic Control Devices (MUTCD) standards and possible elimination of unnecessary crossings. The rail group has also been working with NDOT and City of Ely on the possible reclassification status of a Highway 93 crossing.

Inspectors also have instituted a broader approach to addressing railroad safety issues involving accident/incidents. Inspectors are trying to identify accident/incident trends that are identified as developing in any specific area. For example, railway staff is striving to:

- Identify commonalities or contributing factors.
- Identify root causes as indicated by contributing factors.
- Identify predominate geographical locations where railroad accidents/incidents are occurring. (Sparks, Elko, Las Vegas, etc.)
- Implement continuous railway inspector cross-training program with each railway inspector to develop basic skills in all four disciplines.
- Maintain increased railway inspector presence in problem areas.
- Develop an updated incident call reporting form and spreadsheet so incidents/accidents can be tracked to see where the incident trends are occurring and adjust inspection schedules accordingly. (Spills, releases, trespassers, crossing, etc.)

### **Commission Proceedings**

During the biennium, the Rail Supervisor worked closely with Staff Counsel to address the problem of stagnant compliances issued in rail dockets. Several government agencies that applied for, and received approval to construct rail-related facilities, had not been addressing their compliances to:

1) Notify the Commission of commencement of construction; and 2) Notify the Commission, in writing, of the completion of the projects. Some of these agencies had neglected these compliances. The Rail Supervisor contacted management personnel in these agencies to address the issue, and several dockets have come into compliance as a result of these efforts.

The Rail Safety Program closed seven rail-related compliances. Five new dockets were opened relating to: altering an existing bridge to accommodate the expanding 1-15 freeway and the 1-215 Beltway; two new crossings; a crossing removal; and a new bridge, all in Clark County. Eleven rail-related dockets are currently open and active.

# GAS PIPELINE SAFETY

## Overview

The Pipeline Safety Program involves the inspection of liquid propane and natural gas piping systems statewide. Gas pipeline engineers monitor the design, construction, operation and maintenance of the gas systems under the Commission's jurisdiction. They inspect the local natural gas distribution companies (LDCs), the natural gas master metered distribution systems found mainly in mobile home parks (MHPs), underground piping systems providing liquid petroleum gas (LPG) service to 10 or more customers, again mainly in MHPs; and direct sales lateral customers (such as gold mines) whose pipelines are fed directly from large interstate supply lines.

Gas pipeline engineers can also act as agents for the Pipelines and Hazardous Materials Safety Administration (PHMSA) during the inspection of construction projects for new interstate pipelines.

Nevada residents continue to benefit from the pipeline safety partnership between the Commission and the USDOT, PHMSA. The Pipeline Safety State Grant Program, administered by PHMSA, routinely funds approximately 50 percent of the Commission's Pipeline Safety Program. Each year, PHMSA's staff performs an evaluation of the Pipeline Safety Program.

## Outside Events

In the past, population growth in Nevada led to a significant expansion in the State's gas pipeline infrastructure. Gas pipeline engineers' oversight, inspection and investigation of gas system operators have provided Nevadans with a high level of safety during those years of rapid growth.

Extended maintenance inspections and new reporting requirements for the LDCs, completed with the cooperation of the LDCs, have further improved regulatory compliance. However, with the recent downturn in population growth, coupled with numerous high profile natural gas explosions that have occurred recently nationwide, the LDCs are now focusing more on the replacement of aging pipelines, instead of installing new pipelines to support growth.

This recent number of high profile events has also led to investigations as to whether small master meter natural gas systems operated by mobile home park owners should remain in-service. The PUCN performed a detailed investigation as part of Docket No. 12-06043 and concluded that with these master meter systems aging (50 plus years), and with the pipeline safety regulations becoming more and more stringent, that it was in the public interest to begin converting these master meter natural gas systems to new systems owned and operated by the LDCs. In 2013, three master meter systems were replaced and the goal is to have all systems converted by the 2016-17 time period.

Additionally, with the completion of the new interstate Ruby Pipeline that runs from Wyoming to California (thereby crossing Northern Nevada), there has been a flurry of activity regarding the potential for several new direct sales laterals to be built from the Ruby Pipeline in order to provide natural gas service to communities and industrial customers located in the eastern part of the State. One such pipeline, the 26-mile, 12-inch Eureka Pipeline, was constructed in 2012-13 and now provides Barrick's Goldstrike mine with firm natural gas service. Gas pipeline engineers spent almost 12 weeks inspecting this job. When and if construction of these direct sales laterals move forward, considerable resources will again have to be devoted to inspecting these pipelines.

The following table reflects the number of field days the Commission's gas pipeline engineers spent performing field inspections, the number of annual operation and maintenance audits performed,

the number of Federal reportable pipeline incident investigations performed, and the number of civil penalties assessed. Inspections were made on intrastate transmission pipelines, distribution pipelines, direct sales pipelines, master meter distribution systems and liquid propane distribution systems:

Category	2011	2012	2013
Field/Inspection Days*	775	588	559
O&M Audits Performed*	20	24	34
Federal Reportable Incident*	2	0	2
Probable Violations Issued*	39	31	39
Civil Penalties Assessed*	2	5	7

\* The reporting data/information for this biennium report has been adjusted to match the Federal reporting data that is required to be provided to PHMSA every year as part of the “Base Grant Progress Report,” which was initiated in 2011.

## **UNDERGROUND DAMAGE PREVENTION “ONE CALL PROGRAM”**

### **Overview**

The Commission promotes and encourages effective use of the State’s excavation damage prevention/One-Call/811 Program. The purpose of Nevada’s One-Call Program is to reduce excavation damage to all underground facilities, not just those owned and operated by investor-owned utilities jurisdictional to the PUCN, by ensuring compliance with requirements in the one-call law and regulation (NRS/NAC 455). This is achieved through field inspections and select audits by pipeline safety program (“PSP”) engineers, and training on safe excavation practices by the Nevada Regional Common Ground Alliance (“NRCGA”).

Dealing with violations found during a field inspection is conducted through a three-stage process: starting upon a first offense with a verbal warning, where training on safe excavation practices is strongly encouraged; proceeding upon a repeat violation to written warning from Staff Counsel, where training on safe excavation practices is mandated; and where violations continue unabated, the filing of a complaint petition with the Commission asking that civil penalty be assessed.

The NRCGA is a stakeholder-driven association dedicated to the reduction of damage to underground infrastructure, and conducts monthly meetings that are routinely attended by 25 to 30 stakeholders including PSP engineers. From 2005 on, the Commission’s PSP engineers have helped to galvanize what had been a loose-knit NRCGA into a formal, highly-structured stakeholder advisory group.

### **Compliance Activities and Results**

The Nevada Legislature enacted Senate Bill 396 in 2007 to revise Nevada’s One-Call statute (NRS 455) to include granting enforcement authority to the PUCN’s Staff. Although the growth in underground infrastructure has slowed significantly with the downturn in the economy, as reflected in the number of dig tickets below, excavation activity is beginning to increase once again.

The trends in key one-call aspects are reflected as follows:

Description	YEAR			
	2010	2011	2012	2013
# Verbal Warnings Issued	139	98	121	126
# Written Warnings Sent	11	7	11	9
# Civil Penalties Assessed	2	0	3	2
# Gas & Electric Damages	338	345	340	366
# Dig Tickets	67,460	69,010	74,246	75,531
Ratio of Damages per 1,000 tickets	5.01	5.00	4.58	4.85

## CONSUMER COMPLAINT RESOLUTION

### Overview

Consumer Complaint Resolution is responsible for receiving, investigating and resolving disputes between consumers and their utility companies. The division's employees also log rate protests, explain Commission decisions and policies, prepare consumer related testimony on behalf of Staff in certain dockets, assist utility customers with making payment arrangements and generally enforce the Commission's Consumer Bill of Rights.

The division receives complaints via telephone, letter, e-mail, walk-in or a form on the Commission's website. The division normally resolves telephone and other less complicated complaints within 48 hours; more than 80 percent of the written complaints are resolved within 45 days.

Written complaints are sent to the corresponding utility for a written response. When the division makes a recommendation on a written complaint, either party can appeal that recommendation to the Commission. During the biennium, 12 of the division's recommendations were appealed to the Commission. The Commission upheld the division's recommendations and denied 11 of those appeals. One was set for further proceedings by the Commission, and was ultimately resolved.

Nevada's economy continued to create ongoing challenges for utility customers during the biennium. High unemployment, underemployment and foreclosures remained high - adding to tensions between customers and utilities. In addition, in 2014 the State's largest provider of electric service, NV Energy, completed the final installation phase of a new Advanced Service Delivery meter, the "smart meter," which had caused significant issues between some customers and the utility. The Commission finalized an opt-out program in early 2013 in response to public concern.

### Complaint Statistics

7/1/2012 – 6/30/2014

<b>Electric – NV Energy South</b>	2,462
<b>Electric, Gas – NV Energy North</b>	1,114
<b>Natural gas – Southwest Gas</b>	1,433
<b>Telephone</b>	3,989
<b>Water</b>	98
<b>Other</b>	1,156
<b>Totals</b>	10,252

## **Commission Proceedings**

Twenty-five consumer sessions were conducted during this biennium, either relating to pending dockets or the statutorily required general consumer sessions.

During the biennium, the Commission responded to utility customer service concerns through an ongoing investigation. The investigation required NV Energy to submit a comprehensive customer satisfaction improvement plan in June 2014. After a detailed review of the plan, the Commission was expected to approve a final version in fall 2014.

# **CONSUMER OUTREACH**

## **Overview**

Consumer Outreach continued to promote public understanding of the Commission and its functions throughout the biennium. Outreach efforts focused on explaining the purpose and function of the Commission, reducing utility bills through conservation, tips on resolving billing or service issues, and other related utility concerns. To accomplish these efforts, the consumer outreach director represented the Commission at various community events, including home improvement shows, energy assistance expos, and science fairs. The consumer outreach director also made presentations to utility and consumer groups, participated in a trade organization with a shared goal of promoting damage prevention to underground facilities, and organized presentations made by PUCN staff to consumer groups such as AARP.

With the publication of a new Commission website in January 2013, the Internet played an important role in the Commission's outreach efforts during the biennium. The consumer outreach director identified the need for new web content to assist consumers in understanding utility regulation and Commission decisions, worked with staff experts to develop the content, and used the Commission's monthly electronic newsletter and social media accounts to highlight the new content. The Commission's Facebook and Twitter accounts have also increased the agency's visibility throughout the state through the sharing of posts by the Commission's social media followers.

During the biennium, the consumer outreach director also implemented efforts to teach conservation and energy efficiency to Nevada's school children through participation in science fairs, distribution of an activity book developed with assistance from the Commission's administrative staff, and attendance at conferences for Nevada's school teachers.

# **ELECTRONIC FILINGS AND RECORDS MANAGEMENT**

## **Overview**

The Electronic Filings and Records Management (EFRM) System enables the Commission to accept and manage filings submitted over the Internet, over-the-counter on electronic media, or on paper. It also allows for the collection of payments and fees over the Internet.

The Information Technology and EFRM systems are currently being updated with new replacement server hardware and software that should support the existing EFRM integrated environment for another 5 to 7 years. Some of the new server components are already in place. New PDF processing

software has been evaluated and existing electronic filing processes and programs are being updated with a new design in order to support the new 64 bit operating systems environment(s).

The new designs were completed in fall 2014. All existing software that supports the EFRM and integrated information management systems (example: Docket Tracker) will be or have already been migrated to new hardware and software environments.

Other accomplishments include web access to PDF versions (copies) of dockets stored in ApplicationXtender (AX). This allows for Internet access to dockets via Apple Macintosh, phone and new and evolving tablet technologies. New AX applications include an application to support Dockets 2015–2019 and a new Engineering Application to support inspections, audits, incident reporting documents and attachments. There are more than 2 million pages of docket information dating back to 1996 stored in AX. AX currently hosts more than 20 other applications that store other PUCN-related documents.

## LITIGATION

### Overview

The Commission General Counsel Division is responsible for representing the Commission in all proceedings in state and federal court. The Division also represents the Commission before various state and federal regulatory agencies, including the Federal Energy Regulatory Commission (FERC) and Federal Communications Commission (FCC), and represents the Commission in legislative proceedings.

The Division provides legal advice and recommendations to the Commission as needed to ensure that Commission actions conform to applicable law and Commission decisions are legally sound.

This includes review of internal Commission processes and policies, drafting documents as applicable, reviewing all documents issued by the Commission or otherwise provided to the public for legal sufficiency, attending agenda meetings, and reviewing procedures for compliance with the Open Meeting Law and Administrative Procedure Act.

### Representation of the Commission

The General Counsel Division has represented the Commission in the following proceedings during the period between July 1, 2012, and June 30, 2014.

#### **Court Cases:**

**National Toxic Encephalopathy Foundation v. PUCN** (Eighth Judicial District Court, Clark County, Case No. A12669287P)

Action – Emergency Petition for Writ of Mandamus and Alternative Writ of Prohibition.

Subject matter – PUCN was served the Petition and an Order to shorten time to hear the matter on October 2, 2012. The parties appeared on October 4, 2012 to address whether Petitioner had a right to intervene in the PUCN’s Docket No. 12-05003.

Status – Closed. Court denied the Petition on 11/8/12.

**Goett v. NVE and PUCN** (Las Vegas Justice Court, Dept. 7, Small Claims, Case No. 13A001622)

Action – Complaint requesting \$362.00 from NV Energy, Inc. (PUCN received complaint and summons on 5/14/13).

Subject matter – Plaintiff disputed a power bill with NV Energy, Inc., and consumer complaint resolution process of PUCN.

Status – Closed. PUCN and NV Energy appeared for Court-ordered mediation on 6/10/13 after filing Answers and Affidavits (regarding consumer complaint resolution process). Plaintiff did not appear. Motion to Dismiss was granted without prejudice on 6/11/13.

**Wilkins v. SWG** (Ninth Judicial District Court, Case No. 09CV0324)

Action – Plaintiff sought a Restraining Order against Southwest Gas Corporation (PUCN filed an Amicus Brief).

Subject matter – Individual Consumer’s complaint against Southwest Gas Corporation regarding rates/services.

Status – Closed. Order Staying the Matter and Dissolving Temporary Restraining Order entered on 4/11/11; Commission Docket No. 11-03034 opened 3/29/11 to allow Consumer to exhaust administrative remedies. Docket closed on 7/6/12.

**Fish Springs Ranch, LLC v. SPPC d/b/a NV Energy, Inc.** (Second Judicial District Court, Washoe County, Dept. B6, Case No. CV11-02919 – Docket No. 13-03017)

Action – Plaintiff filed a civil complaint seeking reformation or rescission of its General Services Agreement and Line Extension Agreement with Sierra Pacific Power Company (SPPC).

Subject matter – Plaintiff alleged that its contracts with SPPC should be modified to reflect Plaintiff’s understanding that it would receive a refund for any interconnection with the Fort Sage Substation, including by SPPC. Plaintiff argued that interconnection by a transmission customer as originally contemplated under the terms of the Agreements was not possible, and that therefore the Agreements did not reflect the understanding of the parties thereto.

Status – Closed. The Court deferred and stayed certain matters and ordered Plaintiff to file a petition with the Commission seeking appropriate relief of its claims. In Docket No. 13-03017, the Commission denied in part and granted in part the petition of Plaintiff and transmitted the Commission’s order to the Court as requested. Plaintiff sought reconsideration with the Commission but later withdrew the petition. The Court then dismissed the case with prejudice pursuant to a Stipulation of the parties.

**Katz v. Incline Village General Improvement District (IVGID) and PUCN** - (Second Judicial District Court, Case No. CV11-01380)

Action – Appeal of Commission Decision in Docket No. 11-04015 and Request for Declaratory Order.

Subject matter – Plaintiff contested whether the Commission has jurisdiction over General Improvement Districts, and in particular, Incline Village General Improvement District (“IVGID”)

Status – Closed. Court granted the Commission’s Motion for Summary Judgment on 4/20/12; thereby relieving the Commission of liability. Causes of Action by Plaintiff against IVGID remained. General Counsel monitored case. On 8/8/14, Court granted motion to dismiss.

**Saguaro Power Company v. PUCN** (First Judicial District Court, Case No. 09-0C-002161B)

Action – Appeal of Commission Decision in Docket No. 08-03033

Subject matter – Appellant sought judicial review of shrinkage rate calculation and request for refund by Saguaro.

Status – . Court affirmed the Commission Order on 7/13/10. Appealed.

**Saguaro Power Company v. PUCN** (Nevada Supreme Court, Case No. 56682)

Action – Appeal of District Court Decision in Case No. 09-0C-002161B.

Subject matter – Review of shrinkage rate calculation and request for refund by Saguaro.

Status – Closed. The Court affirmed the District Court’s Order on 5/2/12; The Court denied Saguaros’s Petition for Rehearing on 7/31/12.

**In Re Wendover Gas Company** (Fourth Judicial District Court, Elko County, Case No. CVC-08849)Action – Complaint for Receivership of Wendover Gas Company.

Subject matter - Court appointed Receiver and granted his request for a General Rate Increase. The Court held numerous status hearings to monitor the viability of the company under the receivership. Concurrently, the Commission issued an order to show cause regarding safety and regulatory violations by Wendover Gas Company in Docket No. 13-07018. Therein, Commission issued an Order on 10/28/13 approving a stipulation between Staff and Wendover Gas. The Commission allowed Wendover Gas to file in a separate docket, Docket No. 13-10044, an application for the acquisition of an ownership interest by the Receiver and PNG.

Status –Closed. The Commission issued an Order in Docket No. 13-10044 on 12/20/13 directing the Receiver to seek termination of the Receivership upon the close of the acquisition transaction. On February 24, 2014, the Court issued an “Order Ending Receivership and Approving the Efforts Made by the Receiver and Others to Put This Small Utility back on at Least a Fairly Sound Business Footing.” The Commission filed Notice of Entry of Order 8/18/14.

**Pojunis v. Denis** (First Judicial District Court, Case No. 110C003941B)

Action – Complaint requesting Declaratory Judgment and Injunctive Relief.

Subject matter – Plaintiff alleged that employment of one person by both Executive and Legislative branches of Nevada Government is a violation of Nevada and United States Constitutions.

Status – On 2/24/12, the Court granted Defendant’s Motion to Dismiss as moot. Appealed.

**Pojunis v. Denis** (Nevada Supreme Court Case No. 60554)

Action – Petition for Review of District Court Order in Case No. 110C003941B

Subject matter – Appellant took exception to the District Court’s ruling on the mootness doctrine. Appellant seeks a reversal of the District Court’s dismissal of Appellant’s claims alleging a violation of article 3, section 1(1), of the Nevada Constitution. In dismissing Appellant’s Complaint, the District Court found that the resignation of Sen. Denis from employment with the Commission as a computer technician renders moot Appellant’s claims alleging injuries resulting from the Commission’s allegedly unconstitutional employment of Sen. Denis. The District Court further determined that Appellant’s moot claims are not exempt from the requirement of a live controversy and do not fall within the exceptions where seemingly moot claims are found to contain live controversies.

Status – Pending.

**Andreola Farms, Inc. v. Nevada Controls, LLC** (Sixth Judicial District Court, Lander County, Case No. CV 10302, Dept. 2)

Action – In its Complaint filed on 2/5/13, Plaintiff alleges certain contract claims and seeks declaratory relief regarding the rights of the competing parties to additional rebate from the Wind Energy Systems Demonstration Program. The Commission filed an Amicus Brief on 4/4/13 requesting that Plaintiff’s claim for declaratory relief be denied.

Subject matter – Wind Energy Systems Demonstration Program incentive entitlement - Plaintiff seeks the rebate money that it assigned to Nevada Controls. The Commission’s Amicus Brief explained that the Commission has jurisdiction regarding oversight of the administration of the Wind Program, and the Commission has previously stated that SPPC should not deviate from its normal administration of the program incentives in this case because it has not been ordered to do so by the Commission. Normal procedures dictate that SPPC pay Nevada Controls according to the assignment form that both parties signed and submitted, and that SPPC accepted in the course of the normal administration of the Program.

Status - Pending. Nevada Controls filed its Joinder and First Amended Answer and Counterclaim Assertion of Affirmative Defenses on 4/8/13. Pursuant to Court docket report received via fax from the Court on 12/2/13: Defendant filed second amended answer affirmative defenses counterclaim and third party complaint on 9/6/13 and a Stipulation to amend answer was filed on 9/9/13. Summons issued on 9/16/13. Errata also filed on 9/16/13.

**Nevada Department of Health & Human Services, Aging & Disability Services Division v PUCN** (First Judicial District Court, Carson City, Case No. 13-OC-002001B – Docket No. 12-11027)

Action – Petition for Judicial Review filed by Nevada Department of Health & Human Services, Aging & Disability Division (“ADSD”).

Subject matter – ADSD sought judicial review of the Commission’s Order issued on May 31, 2013, which set the telecommunication device for the deaf (“TDD”) surcharge rate per access line for telecommunication customers in Nevada. In its Order, the Commission modified and approve the TDD surcharge budget for the 2014 fiscal year and found that the TDD surcharge monies should only fund TDD equipment and activities related to TDD equipment, including equipment use training, equipment use outreach, the relay system, and the regulation of interpreters and real-time captioning providers. ADSD argued that the TDD surcharge monies should be used to fund the centers for persons who are deaf or hard of hearing (the “Centers”) even if unrelated to the TDD program. ADSD argued that the Commission has no authority to limit the Centers’ use of funds derived from the TDD surcharge. ADSD asserted that the Centers’ use of TDD surcharge funds is not subject to the Commission’s oversight because, according to ADSD, the Centers are not part of the TDD program.

Status – On 10/31/14, the District Court issued an Order Denying Petition for Judicial Review, without hearing.

**Nevada Department of Health & Human Services, Aging & Disability Services Division v PUCN** (Nevada Supreme Court Case No. 64474).

Action – ADSD filed an appeal of the District Court’s Order Denying Petition for Judicial Review in First Judicial District Court Case No. 13-OC-002001B.

Subject Matter – See above.

Status – Oral Argument was heard September 19, 2014 before the Nevada Supreme Court.

#### **FERC:**

#### **RM10-23 – Rulemaking on Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities.**

Action - FERC opened a rulemaking seeking comment on proposed rules amending the transmission planning and cost allocation requirements established in Order No. 890 to ensure Commission-jurisdictional services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential.

Docket Activity - FERC issued Order No. 1000 on 7/21/11. Following rehearing, FERC issued Order No. 1000-A<sup>1</sup> (Order on Rehearing & Clarification) on 5/17/12, affirming Order No. 1000 w/ additional clarifications. FERC issued Order 1000-B on 10/18/12, again affirming Order No. 1000 and Order No.

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<sup>1</sup> In Order No. 1000-A, the Commission affirmed its decision in Order No. 1000 to require the elimination of a federal right of first refusal from Commission-jurisdictional tariffs and agreements for transmission facilities selected in a regional transmission plan for purposes of cost allocation.

1000-A w/ additional clarifications requested.<sup>2</sup> PUCN Intervention & Comments filed on 11/26/12 (addressing Orders, NVE's Compliance filing and WestConnect Implementation Management Committee and PUCN participation).

Status – Pending. \*\* Waiting for Court decisions on Petitions for Judicial Review of FERC Order Nos. 1000, 1000-A, and 1000-B pending in Federal Court (U.S. Court of Appeals for the DC Circuit) Case No. 12-1448 (filed by numerous utilities/commissions—not PUCN)

### **ER13-105 – NV Energy, Inc. Compliance Filing in Response to Order No. 1000 (RM10-23)**

Action - NVE filed compliance in accordance with FERC Order No. 1000.

Docket Activity - NVE filed initial Order No. 1000 Compliance Filing on 10/11/12; NVE second compliance filing was made on 9/20/13. NVE filed revised second compliance filing on 8/1/14. PUCN/COPUC filed joint comments on 10/21/13 and Supplemental Joint Comments on 11/20/13.

Status – Pending. Waiting on FERC's decision on second round of compliance filings from NVE (& other WestConnect companies' filings in associated dockets.) The PUCN is no longer participating in WestConnect Legal and Negotiations committee at the direction of Commissioners.

### **RP11-2356 –Kern River Gas Transmission Company Gas Tariff Period Two Rates**

Docket Activity - On 8/16/11, PUCN filed Notice of Intervention and Request to File Late-Filed Comments - PUCN Commission voted not to file comments. On 2/1/12, FERC issued Order approving uncontested settlement. On 2/22/13, FERC issued Opinion 486-F re: Rehearing.

On 3/4/13, Kern River filed Petition for Review. On 3/25/13, Kern River filed Request for Clarification. On 4/22/13, FERC issued Order granting rehearing.

Status – Pending.

### **AC12-53 - Kern River Gas Transmission Company request to retroactively adjust the amount of allowance for funds used during construction (AFUDC) for its APEX Expansion project.**

Docket Activity – On 5/17/12, PUCN filed comments and Notice of Intervention. On 8/17/12, FERC issued request to Kern River to provide additional information. On 9/6/12, Kern River filed Confidential Response.

Status – Pending.

### **AD12-12 – Coordination between Natural Gas and Electricity Markets (Interdependence Study)**

Docket Activity – On 3/15/12, PUCN filed Comments. On 4/3/13, FERC issued supplemental Notice of Technical Conference for 4/25/13. On 5/9/13, FERC issued Notice of Commission meeting for RTOs and ISOs to share information on 5/16/13. On 6/4/13, FERC issued thank you letters to ISOs and RTOs with

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<sup>2</sup> FERC affirms its basic determinations in Order Nos. 1000 and 1000-A, amending the transmission planning and cost allocation requirements established in Order No. 890 to ensure that Commission jurisdictional services are provided at just and reasonable rates and on a basis that is just and reasonable and not unduly discriminatory or preferential. This order affirms the Order No. 1000 transmission planning reforms that: (1) require that each public utility transmission provider participate in a regional transmission planning process that produces a regional transmission plan; (2) provide that local and regional transmission planning processes must provide an opportunity to identify and evaluate transmission needs driven by public policy requirements established by state or federal laws or regulations; (3) improve coordination between neighboring transmission planning regions for new interregional transmission facilities; and (4) remove from Commission-approved tariffs and agreements a federal right of first refusal. This order also affirms the Order No. 1000 requirements that each public utility transmission provider must participate in a regional transmission planning process that has: (1) a regional cost allocation method for the cost of new transmission facilities selected in a regional transmission plan for purposes of cost allocation and (2) an interregional cost allocation method for the cost of new transmission facilities that are located in two neighboring transmission planning regions and are jointly evaluated by the two regions in the interregional transmission coordination process required by this Final Rule. Additionally, this order affirms the Order No. 1000 requirement that each cost allocation method must satisfy six cost allocation principles.

follow-up questions. On 1/31/14, Desert Southwest Pipeline Stakeholders file comments. On 2/4/14, Xcel Energy Services, Inc. filed comments.

3/20/14: News Release – Gas Electric Coordination Quarterly Report.

3/31/14: Report of New England Gas-Electric Focus Group.

6/14/14: Quarterly Report filed.

Status – Pending.

#### **RM12-10 – Solar Energy Industries Association (“SEIA”) Petition for Rulemaking to Update Small Generator Interconnection Rules and Procedures for Solar Electric Generation**

Action – SEIA petitioned FERC to open a rulemaking to update the small generator interconnection rules and procedures for solar electric generation.

Docket Activity – On 10/8/12, CPUC filed Motion to Lodge California PUC Decision (D.) 12-09-018, the revised Electric Rule 21 Tariff (Rule 21), and the Assigned Commissioner’s Amended Scoping Memo Ruling Requesting Comments. On 2/27/13, FERC issued Notice of Workshop re the Small Generator Interconnection Agreements and Procedures under RM13-2 et al. (Workshop held on March 27, 2013.) On 6/3/13, Clean Coalition filed comments.

Status – Pending. PUCN monitoring in event FERC issues proposed rules for comment.

#### **RP12-130 – Paiute Pipeline Company filed Fourth Revised Volume No. 1-A Tariff**

Docket Activity – On 11/15/11, PUCN filed its Notice of Intervention. On 5/12/12, following technical conference, FERC issued Order requiring Paiute to file compliance tariff records.

Status – Pending rehearing.

#### **EC13-96 – NPC filed Section 203 Application for Disposition of Jurisdictional Facilities (California DWR Interest in Reid Gardner)**

Action – NPC filed for authority to acquire CDWR’s interest in the Reid Gardner generating facility.

Docket Activity – On 5/13/13, PUCN filed Notice of Intervention and Comments. On 5/28/13, NVE and CDWR filed Answers. On 6/12/13, PUCN filed Answer to Answer. On 8/1/13, PUCN filed Motion to Lodge PUCN Order & a correction filed on 8/2/13. On 8/14/13, CWDR filed a Response in Opposition to PUCN Motion to Lodge. On 8/29/13, PUCN filed Answer to CDWR Motion. On 10/7/13, FERC issued Order Authorizing Acquisition of Interest of Generating Facility.

Status – Granted/Closed.

#### **EC13-113 – NVE Application for Reorganization**

Action – NVE filed for authority for internal corporate reorganization between NPC and SPPC.

Docket Activity – On 7/30/13, PUCN filed Comments. BCP also filed comments. On 8/14/13, NVE filed Answer. On 10/21/13, Joint Applicants filed supplemental information re PUCN proceeding. On 11/26/13, FERC issued Order authorizing internal corporate reorganization.

Status – Granted/Closed.

#### **EC13-128 – NVE/Mid-American Merger - Joint Application for Authorization under Section 203 of Silver Merger Sub, Inc., et al.**

Action - NVE/MidAmerican jointly filed for authority to merge NVE with MidAmerican.

Docket Activity – On 9/10/13, PUCN filed comments (state representatives and Governor Sandoval filed comments and received responses from FERC). On 9/19/13, Joint Applicants filed Answer in Opposition to Limited Protest and Comments. On 9/29/13, Barrick Mines filed Request to Reply and Reply to Answer. On 12/17/13, Joint Applicants filed PUCN Order on state proceeding. On 12/19/13, FERC issued Order authorizing disposition of facilities and acquisition of securities.

Status – Granted/Closed.

**ER13-247 – NVE (SPPC) Transmission Rate Case**

**EL13-29 – FERC Section 206 rate review of SPPC’s proposed transmission and ancillary service rates under ER13-247.**

Docket Activity – On 11/20/12, PUCN filed Comments. On 12/6/12, SPPC submits Exhibit No. SPPC 9.2 Depreciation Study Supporting Testimony filed with the PUCN. On 12/6/12, SPPC filed Motion to Answer protests/interventions. On 12/11/12, FERC issued Notice to file comments in answer to NVE’s exhibit No. SPPC9.2. On 12/31/12, FERC issued Order accepting and suspending proposed rates, establishing hearing and settlement judge procedures and instituting Section 206 Proceeding under EL13-29. On 8/29/13, FERC issued Order approving Uncontested Settlement, NVE filed Tariff on 10/1/13 and FERC issued notice for Comments on Tariff filing on 10/3/13.

Status – Settled/Closed.

**ER13-255 – NVE (NPC) Transmission Rate Case**

**EL13-28 – FERC Section 206 rate review of NPC’s proposed transmission and ancillary service rates under ER13-255.**

Docket Activity – On 12/31/12, FERC issued Order accepting and suspending proposed rates, establishing hearing and settlement judge procedures and instituting Section 206 Proceeding under EL13-28. On 11/27/13, NPC filed Motion for Interim Rate Relief and tariff filing. On 12/5/13, Chief Judge granted Motion for Interim Rate Relief, rates effective November 1, 2013. On 12/17/13, FERC Staff filed initial Settlement Comments and SNWA filed supporting Comments. On 12/19/13, Settlement agreement was filed and FERC Staff filed comments in support of agreement. On 1/6/14, Final report issued by Settlement Judge. On 2/2/14, FERC issues Order approving settlement (terminating Docket Nos. ER13-255-000, ER13-255-001, ER13-255-002 and EL13-28-000).

Status – Settled/Closed.

**ER13-1605 – NV Energy Combined Transmission Rate filing**

**ER13-1607 – NV Energy Combined OATT filing**

Docket Activity – On 7/1/13, PUCN filed Comments. On 7/16/13, NVE filed Answer on 7/16/13. On 8/20/13, NVE filed Tariff filing. On 8/5/13, FERC issued Order accepting/rejecting in part, accepting and suspending filings in part, establishing hearing and settlement judge procedures and consolidating proceedings; issued Order designating Settlement Judge Dring and setting Settlement Conference. On 9/4/13, Request for Rehearing filed. On 9/30/13, FERC issued Order Granting Rehearing, Settlement progressing, next Settlement Conference scheduled. On 1/2/14, NVE filed informational notice re ON Line being placed into service and operational effective Jan. 1, 2014. On 3/24/14, FERC issued Letter order approving NVE's 1/17/14 filing of an Offer of Partial Settlement under ER13-1605 et al.

Status –Pending. Waiting for all signatories to sign settlement agreement.

**ER13-1564 through 1567, and 1576 – NV Energy Retail Access Transmission Service Agreement (TSA) filings**

Docket Activity – On 6/19/13, PUCN filed Intervention. On 6/25/13, FERC issued letter orders accepting TSAs.

Status – Granted/Closed.

**ER13-1724 (ORNI) –Retail Access TSA Between NVE & ORNI 47**

Action – ORNI has requested 100 MW of capacity on ON Line.

Docket Activity – On 7/9/13, PUCN filed Intervention/Comments. On 12/19/13, FERC issued Order conditionally accepting and suspending TSAs, consolidating proceedings, and establishing Settlement Judge’s procedures. On 5/12/14, FERC issued order terminating settlement procedures for ER13-1724 as all issues in that docket have been resolved.

Status – Settled.

**ER13-1860 (Cargill) – Retail Access TSA Between NVE & Cargill Power Company**

Action – Cargill has requested 300 MW of capacity on ON Line. NVE claims that the capacity sought is entitled to native load priority.

Docket Activity – On 7/19/13, PUCN filed Intervention/Comments. (Consolidated with ER13-1724). Last Settlement Conference held on 9/10/14. NVE settlement offer given on 9/10/14. Cargill settlement offer due by 9/18/14.

Status – Settlement ongoing.

**RP13-199 – Kern River Gas Transmission Company Tariff filing P2 Rates**

Docket Activity – PUCN did not file comments/intervention. Party interventions and reply filed. On 1/16/13, FERC issued data request. On 1/22/13, Kern River submitted data response to FERC. On 2/22/13, FERC issued Opinion No. 486-F. On 3/21/13, Kern River filed Petition for Review. On 4/22/13, FERC issued Order granting rehearing for further consideration re Kern River.

Status – Pending.

**EC14-83 - NPC requests FERC approval to acquire facilities pursuant to SB123 (SunPeak)**

Docket Activity - PUCN intervened (5/23/14). On 6/19/14, NPC and Sun-Peak filed a clarification to the Application.

Status – Pending.

**EC14-84 - NPC requests FERC for approval to acquire facilities pursuant to SB123 (LV Cogen).**

Docket Activity – On 5/5/14, NPC et al submits CD-ROMs containing the work papers of Julie Solomon re the Section 203. On 5/8/14, Errata notice to the 5/5/14 Commission issued Combined Notice of Filings # 1, extending comment period re NPC. On 5/23/14, PUCN intervened. On 7/2/14, Calpine Corporation intervened. On 8/6/14, NPC et al submitted the Section 203 Application that contains a market concentration analysis by Julie Solomon submitted on May 2, 2014. On 9/10/14, NPC submitted supporting files underlying the SIL study.

Status – Pending.

**ER14-146, ER14-147, ER14-149 – Tariff Rate Schedule No. 139 Interim Joint Dispatch Agreement and Revised OATT filed on 10/21/13.**

Docket Activity – On 11/12/13, PUCN filed comments, and on 11/22/13, PUCN filed supplemental comments. On 12/19/13, FERC issued Order accepting proposed interim joint dispatch agreement and revised OATT to be effective January 1, 2014 or the in-service date of the ON Line.

Status – Granted/Closed.

**EL14-16 – Newmont Complaint Against NVE Seeking Order Establishing Liability for Sub-synchronous Resonance Study and Mitigation.**

Docket Activity – On 1/13/14, PUCN filed comments. FERC issued order granting Newmont's Complaint finding NVE liable for SSR issues.

Status – Granted/Closed.

**RP14-540 – Paiute Pipeline Company Tariff filing per Section 154.312 (2014 Rate Case)**

Action – PPC transmission rate case filing.

Docket Activity – On 2/28/13, PPC filed rate case at FERC. On 3/11/14, NNIGU filed Motion for Leave to Intervene and Protest. On 3/11/14, PPC filed Errata to Statement F-3 of February 28, 2013 PPC tariff filing (2014 Rate Case). On 3/12/14, SWG filed Motion to Intervene. On 3/12/14, SPPC filed Motion to Intervene, Protest, and Request for Maximum Suspension and Evidentiary Hearing. On 3/12/14, PUCN filed Notice of Intervention. On 3/14/14, BCP filed Motion to Intervene, Protest and Request for Hearing and Suspension. On 3/18/14, PPC filed Second Errata to Statement F-3 of February 28, 2013

PPC tariff filing (2014 Rate Case). On 3/31/14, FERC issued Order accepting and suspending tariff records subject to refund, and establishing hearing procedures re PPC. On 4/4/14, Order of Chief Judge designating Presiding Administrative Law Judge, and establishing Track III procedural time standards.

Prehearing Conference held on 4/22/2014.

Status – Settlement negotiations ongoing. Hearing set for January 20, 2015.

#### **ER14-1729 – CAISO/NVE EIM Implementation Agreement**

Docket Activity – On 6/2/14, PUCN filed intervention. On 6/13/14, FERC issued Order Accepting EIM Implementation Agreement between CAISO and NVE w/out need for further hearing.

Status – Granted/Closed.

#### **CP14-509 – Paiute Pipeline Company’s Abbreviated Application for a Certificate of Public Convenience and Necessity (CPC)**

Action – PPC is requesting a CPC to construct and operate the 2015 Elko Area Expansion Project.

Docket Activity – Application filed on 6/27/14. On 7/30/14, Newmont USA Limited filed intervention. On 7/31/14, PUCN & SWG filed interventions. NVE and BCP intervene and protest. On 8/12/14, NNIGU filed intervention.

Status – Pending.

#### **EL03-180, et al – Enron Power Marketing, Inc. and Enron Energy Services Inc., et al.**

Action - Consolidated cases concerning gaming and/or anomalous market behavior through the use of partnerships alliances or other arrangements, and violation of FERC order(s) as to Enron’s authority to charge market-based rates for wholesale power sales by not informing FERC of Enron’s business relationship with El Paso Electric Company. Primary issue was ‘termination’ payments Enron sought to collect.

Docket Activity – PUCN involved through bankruptcy and FERC proceedings. PUCN participated in settlement discussions. NPC/SPPC achieved settlement. (PUCN Settlement Payment Docket closed.) On 2/1/13, FERC issued Order approving uncontested settlement re San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Investigation of Practices of the California Independent System Operator, et al. Followed by Opt-ins to settlement agreement. On 12/4/13, FERC issued Order denying rehearing re San Diego Gas & Electric Company v Sellers.

Status – Pending/Ongoing Issue.

#### **FCC:**

**Order and Proposed Rulemaking** – 11/18/11 FCC released an order concerning broad transformation of the Federal Universal Service Fund (“USF”) and Intercarrier Compensation (“ICC”) regimes and another order on 2/6/12 for Lifeline Reform creating the need for oversight and action by state commissions.

PUCN Action – PUCN is monitoring these proceedings and participating as necessary, and to protect the interests of Nevada ratepayers.

Status – Pending; many parts of these Orders are still being interpreted, reviewed and challenged.