

PUBLIC UTILITIES COMMISSION OF NEVADA



PUCN

2013

Biennial Report



Fiscal Years
2010-2012



BRIAN SANDOVAL
Governor

STATE OF NEVADA
PUBLIC UTILITIES COMMISSION

ALAINA BURTENSHAW
Chairman

REBECCA WAGNER
Commissioner

DAVID NOBLE
Commissioner

CRYSTAL JACKSON
Executive Director

January 31, 2013

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

Dear Governor Sandoval:

The Public Utilities Commission of Nevada (“Commission”) is pleased to present its 2013 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, 2010 through June 30, 2012. The report captures the Commission’s progress in fulfilling its roles and responsibilities which include significant regulatory decisions.

The Commission 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.

Also, during this biennium, the Commission actively monitored intrastate gas pipelines, promoted underground damage prevention, improved railroad safety, resolved consumer complaints and was committed to educating Nevadans about the purpose and functions of the Commission. The Commission also had the honor of celebrating its 100th anniversary (1911-2011) on March 23, 2011.

Sincerely,


Crystal Jackson
Executive Director

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PUBLIC UTILITIES COMMISSION OF NEVADA

2013 BIENNIAL REPORT

Pursuant to Nevada Revised Statute (NRS) 703.180, the Public Utilities Commission of Nevada (Commission) herein publishes its 2013 Biennial Report, covering the period July 1, 2010, through June 30, 2012.

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TABLE OF CONTENTS

About the Public Utilities Commission of Nevada.....	3
Funding and Budget.....	10
Electric.....	11
Renewable Energy and Energy Efficiency.....	18
Natural Gas.....	21
Telecommunications.....	28
Water and Wastewater.....	33
Investigations and Rulemakings.....	34
Rail Safety.....	35
Gas Pipeline Safety.....	36
Underground Damage Prevention (One-Call Program).....	38
Consumer Complaint Resolution.....	39
Consumer Outreach.....	40
Electronic Filings and Records Management.....	40
Litigation.....	41

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.

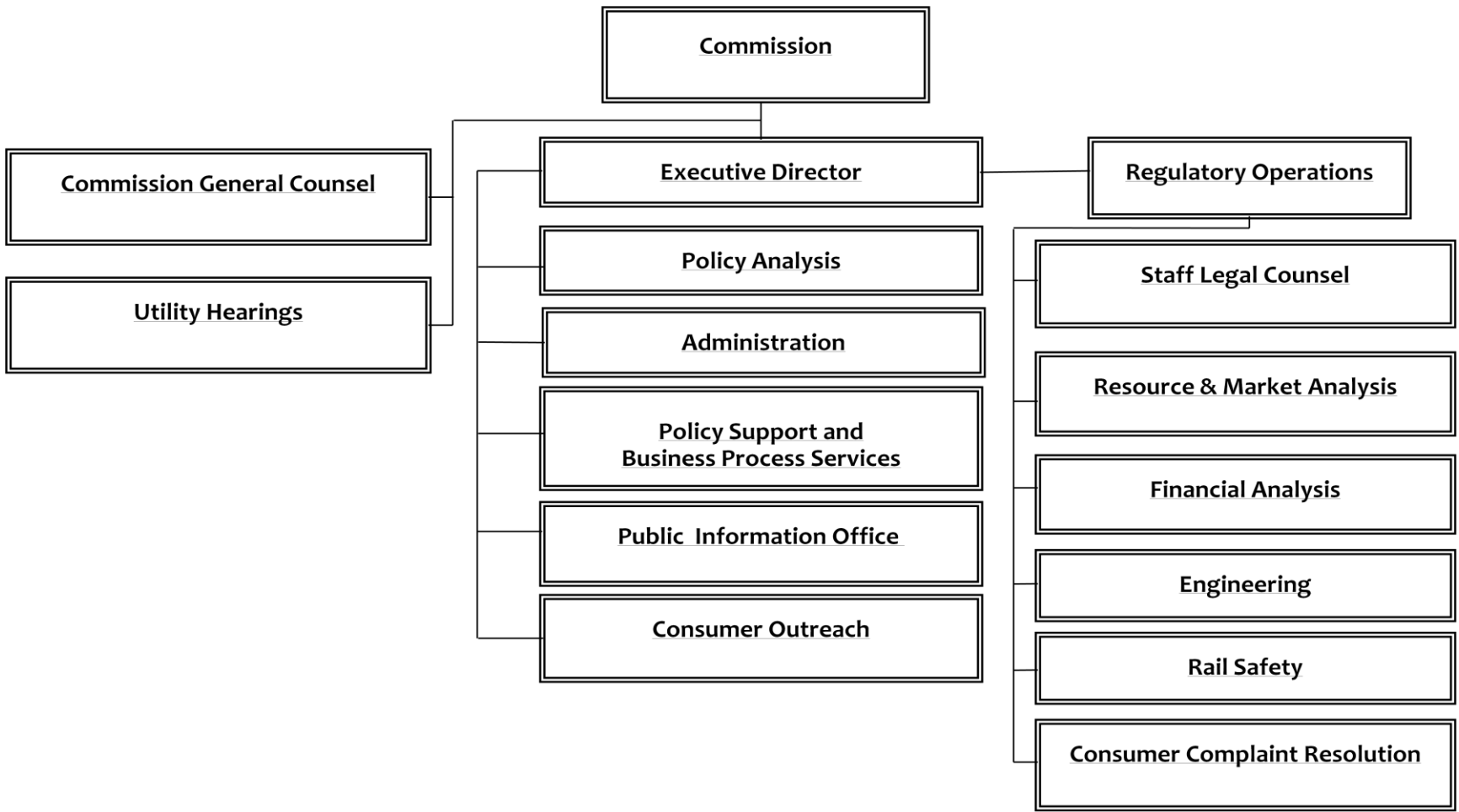
PHILOSOPHY

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 held. 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).

PUBLIC UTILITIES COMMISSION CENTENNIAL

The Commission celebrated its 100-year anniversary on March 23, 2011, with a ceremony at the Old Assembly Chambers at the State Capitol in Carson City. Gov. Brian Sandoval presented a proclamation to Commission officials during the event attended by more than 100 people, including representatives of the utilities regulated by the Commission. A special video detailing the 100 years of the Commission was shown at the anniversary celebration.

COMMISSIONERS



Alaina Burtenshaw, Chairman

Alaina Burtenshaw was appointed Chairman of the Public Utilities Commission of Nevada by Gov. Brian Sandoval on February 2, 2011.

Prior to her appointment as Chairman, she was appointed Commissioner to the PUCN by Gov. Jim Gibbons on January 18, 2010.

Chairman Burtenshaw has been with the PUCN since 1992. As Staff Counsel and Assistant Staff Counsel, Chairman Burtenshaw was responsible for electric, gas and water cases in Northern and Southern Nevada. Since 1997, Chairman Burtenshaw has been the principal attorney in the larger deferred energy and general rate cases and has represented Regulatory Operations Staff in cases associated with environmental impacts, renewable energy and railroad safety. 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).

Chairman Burtenshaw's term expires on September 30, 2013.



Rebecca D. Wagner, Commissioner

Rebecca Wagner has been a member of the Public Utilities Commission of Nevada since 2006. Prior to joining the Commission, Commissioner Wagner served as Gov. Kenny Guinn's Energy Advisor and as the Director of the Nevada State Office of Energy. From 1997 to 2003, Commissioner Wagner worked for a Nevada-based geothermal company that owned, operated and developed geothermal projects.

Commissioner Wagner holds a bachelor's degree from the University of Nevada, Reno. She serves on Gov. Brian Sandoval's Technical Advisory Committee to the New Energy Industry Task Force and the U.S. Department of Energy's Energy Advisory Committee. She is a member of the National Association of Regulatory Utility Commissioners (NARUC), the Committee on Regional Electric Power Cooperation (CREPC), the State and Provincial Steering Committee (SPSC), and the Scenario Planning Steering Group (SPSG). She also serves as Chair of the Demand Side Management Working Group for the SPSC and as the Vice Chairman of the Western Interconnection Regional Advisory Body (WIRAB).

Commissioner Wagner's term expires September 30, 2015.



David Noble, Commissioner

David Noble was reappointed Commissioner of the Public Utilities Commission of Nevada by Gov. Brian Sandoval in May 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 was also a Commission liaison to the Nevada Legislature on various utility and administrative matters over the last six regular legislative sessions.

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).¹

¹ Commissioner Louis Valera, who was appointed by Gov. Brian Sandoval in February 2011, resigned from his position in August 2011.

EXECUTIVE DIRECTOR

The Executive Director serves as Chief Financial Officer and directs the daily 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 policies and procedures to ensure the efficient operation of the Commission including Regulatory Operations.

The Commission appointed Crystal Jackson as Executive Director in 2009. Prior to being appointed Executive Director, Ms. Jackson served as Commission Secretary, Assistant Commission Secretary and Legal Case Manager at the Commission.

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.

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 maintains the Commission's master calendar.

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 appraises 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 \$20.9 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 1.99 mills for Fiscal Year 2011 and 2.12 mills for Fiscal Year 2012. 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 5.5 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 Material, Operating Practices, Track and Motive Power & 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.

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

In addition, the Commission received an American Recovery and Reinvestment Act of 2009 (ARRA) grant. The funding from this grant enabled the Commission to enhance the expertise of staff in providing testimony/advice on renewable energy/energy efficiency dockets; providing oversight on the utility renewable incentive programs; tracking and verifying Portfolio Energy Credits generated by net-metered customers; inspecting renewable energy generators for compliance and applicability, providing educational outreach on renewable energy and energy efficiency programs; and providing testimony/advice on proposed transmission lines.

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 \$23.7 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 \$21.6 million;
- Access line surcharge for the Department of Health and Human Services Office of Disability Services (NRS 426.295), totaling approximately \$2.2 million;
- Inspection fees for the Commission's Rail Safety Inspection Program (NRS 704.309), totaling approximately \$807,592;
- 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 \$171,467;
- 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 \$694,145; and
- One federal ARRA grant totaling approximately \$528,806.

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.

Base Tariff Energy Rate

Overview

In 2011, the base tariff energy rate (BTER) accounts for approximately 47 percent of NPC's revenues and 44 percent of SPPC's revenues. The BTER collects the fuel and purchased power costs the utility is expected to incur. The BTER is 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.

As a result of lower natural gas prices due to the slowdown of U.S. economic activity in 2010, for fuel and purchased power, SPPC paid approximately \$385 million, which was \$114 million less than 2009, and NPC paid \$1.2 billion, which was \$235 million less than 2009. In 2011 NPC's fuel and purchased power costs dropped \$229 million to \$959 million. SPPC's fuel and purchased power costs dropped \$112 million to \$273 million. The reductions in fuel and purchased power costs were flowed back to customers through the BTER and DEAA (Deferred Energy Accounting Adjustment) rates.²

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 in establishing the price of purchased power in the wholesale market. During the period from January 2010 to the end of December 2010, the natural gas commodity price remained in the low range of prices the utilities have seen in the last 10 years. Prices paid by the utilities to fuel their natural gas generators ranged from a monthly high of \$5.66 per 1,000 cubic feet in January 2010 to \$3.11 in October 2010. NPC's average cost per 1,000 cubic feet dropped 19 percent

² NV Energy 2011 10K Report, pages 94 and 99

in 2011 from \$5.73 in 2010 to \$4.66. SPPC's average cost per 1,000 cubic feet dropped 14 percent in 2011 from \$6.54 in 2010 to \$5.60³

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.

Prior to the 2011 revision to NRS 704.110(10), an electric utility would file annually to collect or refund the accumulated deferred balance. NRS 704.110(10) allows the electric utility to request authority to 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, the Commission completed processing two DEAA applications filed in the previous biennium and two DEAA applications filed in this biennium. In these instances, an annual DEAA was established.

In 2011, NPC and SPPC requested authority to implement quarterly DEAA adjustments and the Commission granted the authority, with NPC's initial adjustment occurring April 1, 2012, and SPPC's occurring January 1, 2012. During the biennium, NPC implemented one quarterly DEAA adjustment and SPPC implemented two 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, 2012, which is beyond the reporting biennium.

On March 1, 2012, NPC and SPPC filed their annual DEAA applications. The Commission will render a decision by September 27, 2012.

³ NV Energy 2011 10K Report, pages 15 and 16

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. During the rulemaking proceeding, the identified financial disincentives were the reduction in sales, lost revenues, associated with implementing the energy efficiency and conservation programs. On July 22, 2010, the promulgated regulations became effective.

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. These two related but distinct cost recovery mechanisms are filed with the annual deferred energy accounting adjustment application and the rates are set in that proceeding. 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. Any measurement and verification report adjustment to recorded lost revenues approved by the Commission may not be reflected in the deferred lost revenue rate for approximately two years (e.g., 2011 program year report performed in 2012 and rates not reset until 2013).

Commission Proceedings

In October 2010, NPC and SPPC filed applications to establish interim 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:

<u>NPC</u>	<u>Request</u>	<u>Approved</u>
EE&C Programs	\$70.6 Million	\$57.8 Million
Lost Revenue	\$35.1 Million	\$14.3 Million

<u>SPPC</u>	<u>Request</u>	<u>Approved</u>
EE&C Programs	\$12.1 Million	\$9.7 Million
Lost Revenue	\$7.5 Million	\$2.6 Million

The Commission's order included the following significant items:

- Lost sales would be net free ridership (exclude the reduction in sales associated with utility program customers who would have adopted the energy efficiency measures or practices regardless).
- Lost revenues associated with programs whose costs were included in a previous general rate case are excluded from the lost sales recovery allowed by the regulations.
- Reduced lost sales per CFL bulb to 1.9 hours, which affected all programs that had a residential lighting component.

NPC and SPPC's 2011 deferred energy accounting applications contained a request to adjust both the prospective energy efficiency and conservation programs and lost revenue rates and establish the initial rates to recover the program costs and lost revenues deferred, or unrecovered, during the period August 2010 through December 2010. NPC and SPPC agreed to modify their requests to reflect the Commission's decisions in the interim rate applications, which reduced the deferred lost revenues to be collected from the consumer by more than 50 percent.

NPC and SPPC's 2012 deferred energy accounting applications contained the request to adjust both the prospective energy efficiency and conservation programs and rates to recover the calendar year 2011 deferred, unrecovered, program costs and lost revenues.

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 2011 deferred energy accounting adjustment application, the REPR was set to recover from NPC's customers and SPPC's customers approximately \$16 million and \$38 million, respectively. In DEAA applications filed on March 1, 2012, NPC and SPPC have requested REPR rates designed to recover \$28.5 million and \$35.7 million, respectively. The Commission will render a decision on the applications by September 27, 2012.

Temporary Renewable Energy Development

Overview

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. The TRED charge rate mechanism addressed the creditworthiness of the electric utility impeding development of new renewable energy resources. An electric utility, the sole customer of the renewable energy project, with a low credit rating made it difficult for a renewable energy project developer to obtain financing for their projects.

The TRED charge increased assurance that funds would be available to pay renewable energy and/or portfolio credit suppliers. 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. The TRED charge is filed with the annual deferred energy accounting adjustment application and the rate is set in that proceeding.

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 2011, the TRED charge was designed to collect from NPC's customers and SPPC's customers \$14.6 million and \$5.8 million, respectively. In the DEAA applications filed on March 1, 2012, NPC and SPPC have requested TRED rates designed to recover \$15.3 million and \$6.2 million, respectively. The Commission will render a decision on the applications by September 27, 2012.

General Rates

Overview

General rate changes (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 \$1.1 billion for NPC and approximately \$400 million for SPPC per year.

Commission Proceedings

In June 2010, SPPC filed a GRC application requesting an increase to general revenues of \$29.3 million, a return on equity (ROE) of 10.75 percent and overall weighted average rate of return (ROR) on rate base, utility investment, of 8.77 percent, with rate base increasing from \$1.4 billion to \$1.6 billion. The Commission issued its order in December 2010 with rates effective as of January 1, 2011. The Commission's order resulted in the following significant items:

- Decreased electric general rates by \$18 million, a 4.21 percent decrease.
- Decreased electric rate base by \$16 million, a 1 percent decrease, from that proposed.
- Adopted an authorized ROE and ROR of 10.1 percent and 7.86 percent, respectively.
- Reduced the single-family residential class subsidy.
- As part of its next rate case filing SPPC was directed to provide an analysis on how the Advanced Service Directive program ("smart meters") will affect the customer service fee as well as home visits.

In June 2011, NPC filed a GRC application requesting an increase to general revenues of \$252.7 million (\$64 million is proposed to be deferred for later recovery), and an ROE of 11.25 percent. The main reason cited for the large increase in rate base was the addition of the 500 megawatt Harry Allen combined cycle generating plant.

The Commission issued its order in December 2011 with rates effective as of January 1, 2012. The Commission's order resulted in the following significant items:

- Increased electric general rates by \$161 million, an 8.24 percent increase after existing rates were reduced by the BTER reduction effective concurrently on January 1, 2012.
- Adopted an authorized ROE of 10.0 percent, which is a reduction from the previously authorized 10.5 percent, and an authorized ROR of 8.17 percent.
- Reduced labor expense collected in general, including a reduction to salaries (i.e., 3.64 percent for management and professionals, 4.25 percent for labor union, and 4.69 percent for executives and officers).
- Reduced the single-family residential class subsidy by nearly 50 percent to \$36 million.
- Opened an investigation to determine if the current marginal cost methodology for allocating costs between customer classes is still appropriate.

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. 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.

The utility is also allowed to file a transmission plan to expand existing or construct new facilities to serve renewable energy geographic zones identified by the Commission as having sufficient resources to develop substantial generation capacity and where inadequate transmission capacity exists.

In addition to the IRP application, the electric utility may make additional filings updating or amending the action plan. The Commission acts upon these applications within 135 days.

Commission Proceedings

During 2011, the Commission acted upon two amendments to NPC's previously approved IRP. Also, the Commission acted upon SPP's triennial IRP and one amendment to SPPC's IRP. Additionally, the Commission processed three annual DSM update reports.

Of note, NPC proposed to retire approximately 150 megawatts of existing generation at NPC's Sunrise Generation Station at the end of 2011, which the Commission approved. The Commission also approved approximately 110 megawatts of renewable energy contracts for both SPPC and NPC in 2011.

The Commission also processed two dockets regarding the roll-out and implementation of a Dynamic Pricing Trial which accompanies the roll out of smart meters in both Northern and Southern Nevada.

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 27 UEPA filings during the biennium:

Entity	Number
Renewable Energy Plant or Transmission Facilities	14
Electric facilities	4
Water facilities	8
Natural facilities	1
Total	27

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.

RPS

Overview

The RPS was first adopted by the Nevada Legislature in 1997 and has been modified nearly every legislative session since then. 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 up to 25 percent of the annual RPS requirement. Of the 25 percent, 50 percent must come from measures installed on residential customer locations. 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 indefinitely for future year compliance purposes or sold to other entities for RPS compliance.

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 in compliance with the RPS in 2010 and 2011. The Commission set Shell Energy's 2011 compliance filing for further proceedings with the purpose of establishing the level of excess credits that may be carried forward for future compliance purposes.

SPPC and NPC each filed two Annual Reports on compliance with the RPS. The Commission determined that SPPC and NPC were in compliance with the RPS in 2010 and 2011. The Commission set NPC's and SPPC's 2011 compliance filing for further proceedings with the purpose of establishing the level of excess credits associated with energy efficiency programs that may be carried forward for future compliance purposes.

In October 2010, the Commission adopted regulations that provide for the evaluation of the costs and terms and conditions associated with short-term renewable energy contracts as part of the deferred energy process.

In January 2012, the Commission adopted regulations eliminating the shelf life of portfolio credits to five years. Prior to the adoption of this change an energy credit had to be used within five years of its creation for portfolio energy standard compliance. The new regulations allow for a credit to be used for compliance without regard to its vintage.

In April 2012, the Commission initiated an investigation to address the question of at what point in time should a utility initiate a solicitation for renewable energy contracts to meet its portfolio energy standard requirements. The purpose of the investigation is to identify the process by which the utility strikes the appropriate balance between when the credit is needed for compliance and when the credit is procured to minimize costs for consumers while at the same time facilitating compliance.

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. Implementation details are set forth in the program year plan, which must be approved by the Commission. As for incentive amounts, the solar program incentives are set by regulation with the wind and water demonstration program incentive levels being set in the annual plan.

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 each filed 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 29 petitions requesting approval to exceed the capacity cap for schools in the Solar Program. By statute, 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. However, the Commission noted that its granting of the waiver does not allow NPC or SPPC to exceed the statutory capacity cap.

The Commission promulgated regulations to modify the Solar Thermal System Program, the wind and water incentive programs to implement changes enacted by 2011 Legislature Senate Bill 182, Assembly Bill No. 359, and Assembly Bill No. 380. The Wind Program was significantly impacted; the program capacity was increased from 500 kilowatts to 5 megawatts and expiration extended from 2016 to 2021. In June 2011, the Commission opened a rulemaking proceeding to modify the Solar Program, Wind Program, and Water Program, which included reviewing the solar incentive amount and the possibility of replacing the current set rate per watt with a performance based system. Regulations were adopted in September 2012.

Energy Efficiency

Overview

Energy efficiency and conservation plans are developed by both electric and natural gas utilities, which is 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. Pursuant to NRS 704.7821(2)(b), an electric utility may use energy efficiency savings to meet 25 percent of its annual RPS compliance. As discussed in the Electric Utility energy efficiency and conservation rate section of this report, with the adoption of the regulations implementing NRS 704.785 the electric utility allowed for the recovery of lost sales, associated with implementing the Commission-approved energy efficiency and conservation programs. The measurement and verification report serves as the initial basis for the estimated sales reduction.

Commission Proceedings

During the biennium, the Commission acted upon NPC’s triennial IRP filed in a previous reporting period and SPPC’s triennial IRP. The Commission received four annual DSM plan updates, and processed three of these filings. In 2012, the Commission suspended the EnergyStar® Lighting Program for calendar year 2012. The Commission found it reasonable to wait and see the market response to the new lighting standard established by federal and state legislation.

The Commission suspended the low-income weatherization program for 2012, as the program was not cost effective. The Commission also found the residential solar thermal hot water program was not cost effective. However, while not legislatively mandated to include a program, the Commission acknowledged the Legislature’s intent to encourage the use of solar hot water systems by encouraging NPC and SPPC to offer meaningful programs. The Commission found NPC and SPPC’s lighting programs estimated sales reductions were overstated. The Commission approved NPC and SPPC’s residential demand response programs.

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 to generate electricity.

The cost of natural gas represents the single largest component 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.

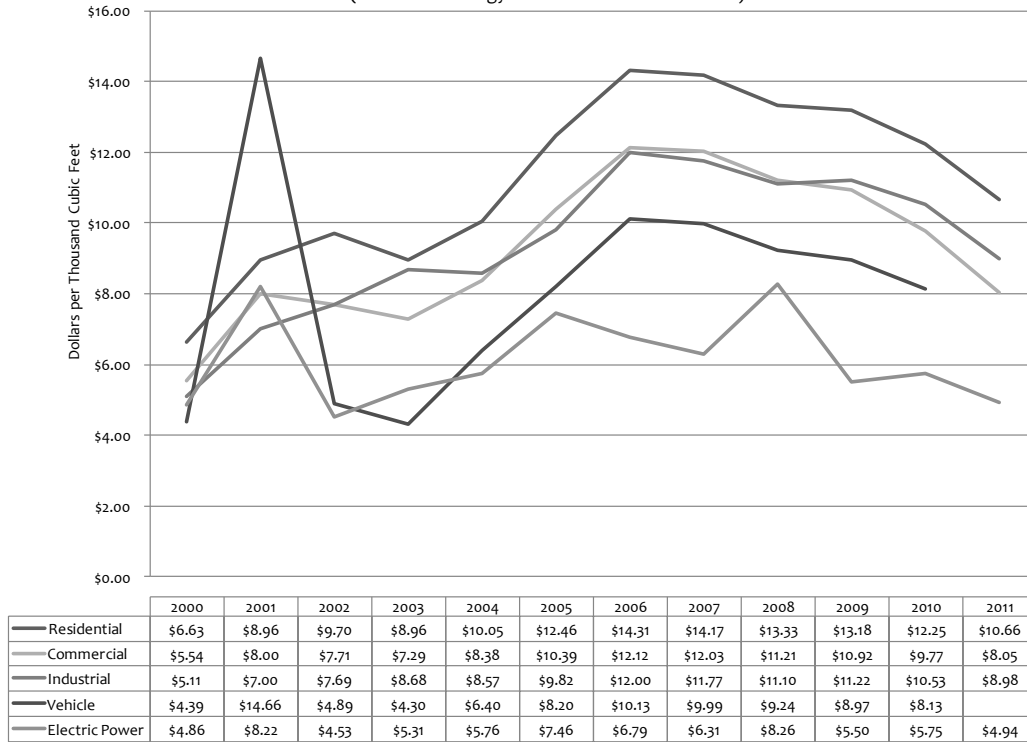
Table 1: Nevada Natural Gas Consumption by End Use 2011
(Source: US Energy Information Administration)

	Consumption (MM Cubic Feet)	Percent of Total Consumption
Residential	40,117	16.33%
Commercial	30,665	12.48%
Industrial	11,038	4.49%
Vehicle	921	0.37%
Electric Power	162,888	66.31%
Total	245,630	100.00%

As indicated by Figure 1, natural gas prices in Nevada remained low in 2010 and 2011 for all sectors. 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.

Figure 1
Nevada Natural Gas Price by End Use
2000-2011

(Source: US Energy Information Administration)



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 previously requested and received approval from the Commission 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 rate adjustment application, which is equivalent to the electric utility deferred energy accounting adjustment application discussed in the Electric Utility section of this report.

Commission Proceedings

SPPC filed eight and SWG 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.

Prior to 2011 revision to NRS 704.110(8), SPPC's and SWG's DEAA's were changed once a year in the annual rate adjustment application. In the annual rate adjustment application the Commission reviews the natural gas purchased for resale during the 12-month period covered by the application for prudence and reasonableness. The natural gas utility has the burden to demonstrate the cost of natural gas was prudently incurred and reasonable. The Commission must act upon these applications within 210 days.

The 2011 revised NRS 704.110(8) allows a natural gas utility to request authority to adjust the DEAA quarterly without Commission review and approval. Upon granting the authority to make quarterly DEAA adjustments, similar to the quarterly BTER adjustments, the Commission is required to review the quarterly DEAA adjustments in the annual rate adjustment application.

Unlike the quarterly BTER adjustments, the quarterly DEAA adjustments are restricted. If the natural gas utility's deferred energy account balance is less than five percent of the natural gas utility's annual recorded cost of natural gas purchased for resale, the DEAA must be set at zero. Excluding the above condition, a quarterly DEAA change may not exceed 2.5 cents per therm.

The 2011 legislative revisions to NRS 704.110(8) did not change the gas utility's burden of proof as to 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, the Commission completed processing two annual rate adjustment applications filed in the previous biennium and two annual rate adjustment applications filed in the current biennium. In these instances, an annual DEAA was established.

In 2011, SPPC and SWG requested authority to implement quarterly DEAA adjustments and the Commission granted the authority, with SPPC's initial adjustment occurring January 1, 2012, and SWG's occurring October 1, 2011. During the biennium, SPPC implemented three quarterly DEAA adjustments and SWG implemented four quarterly DEAA adjustments. The changes were filed in conjunction with the quarterly BTER changes.

General Rate Change Applications

Overview

General rate changes (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 2010, SPPC filed a GRC application requesting an increase to general revenues of \$29.3 million, a return on equity (ROE) of 10.75 percent and overall weighted average rate of return (ROR) on rate base, utility investment, of 8.77 percent, with rate base of \$186 million. SPPC's application included a statement of expected changes (NRS 704.110(4)) which accounted for \$4.29 million of the requested increase. The Commission issued its order in December 2010 with rates effective as of January 1, 2011. The Commission's order resulted in the following significant items:

- Decreased natural gas general rates by \$338,000, a 0.75 percent decrease.
- SPPC proposed rate base of \$186 million was accepted.
- Authorized a ROE and ROR of 10.0 percent and 7.86 percent, respectively.

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 is requesting a 7.44 percent rate of return on \$821 million in rate base for its Southern Nevada division and a 8.45 percent rate of return on \$115 million in rate base for its Northern Nevada division. The Commission will render a decision on the application by November 7, 2012.

General Rate Revenue Decoupling

Overview

As noted in the previous bi-annual report, NRS 704.992 required the Commission to adopt regulations establishing methods and programs for a natural gas utility to remove the financial disincentives which discourage a natural gas utility from supporting energy conservation. NRS 704.992 required at the minimum the option for the natural gas utility to separate the general rate revenues it collects from its actual sales volumes ("revenue decoupling"). Revenue decoupling allows the natural gas utility to collect the average per customer general rate revenue regardless of the actual sales volumes. 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.

However, unlike the deferred energy balancing account methodology, which has both a prospective rate (BTER) and amortization rate (DEAA), the revenue decoupling balancing account only has an amortization rate.

In 2009, SWG requested in its GRC authority to use revenue decoupling and the Commission granted the authority. In granting the authority, NRS 704.992(2) requires the Commission to consider if the implemented methods or programs reduced the natural gas utility's risk (e.g., enhanced revenue stabilization). The Commission determined revenue decoupling reduced SWG's risks and estimated the appropriate adjustment to be 0.25 percent reduction to the authorized ROE, which reduced the authorized ROE from 10.40 percent to 10.15 percent.

Commission Proceedings

During the biennium, the Commission completed processing one general rate revenue decoupling application, which refunded to SWG's northern Nevada customers \$1.9 million and collected from SWG's southern Nevada customers \$300,000. The Commission is processing a second SWG general rate revenue decoupling application. SWG proposes to refund its northern Nevada customers \$1.5 million and collect from its southern Nevada customers \$2.6 million.

Variable Interest or Dividend Recovery

Overview

Pursuant to NRS 704.324(2), the Commission adopted regulations (NAC 704.210 – NAC 704.222), which were initially adopted in 1992, that allow a utility 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 rate making 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

During the biennium, the Commission completed processing one SWG annual rate adjustment application filed in the previous biennium and one annual rate adjustment application filed in the current biennium. The Commission is currently reviewing a second rate adjustment application filed in this biennium.

Solar Thermal Systems Demonstration Program

Overview

Pursuant to NRS 701B.300 through 701B.333, the Commission promulgated regulations (NAC 701B.200 – 701B.290) establishing the solar thermal systems demonstration program, which became effective in April 2010. The regulations were designed to attempt to achieve the legislative goal of installing at least 3,000 solar thermal systems in the state by natural gas utilities' customers. The regulations allocated to each natural gas utility a share of the 3,000 solar thermal system goal.

Annually, the natural gas utility is required to file a plan with the Commission setting forth its efforts to achieve the state's goal.

A natural gas utility recovers its costs associated with the solar thermal demonstration program established pursuant to NRS 701B using one of two balancing account methodologies. The natural gas utility may elect a balancing account methodology similar to that described for deferred energy accounting, which has both a proposed rate and balance amortization rate. If this methodology is selected, the natural gas utility files its proposed rate change with the annual rate adjustment application. Alternatively, the natural gas utility may elect a balancing account mechanism that has only an amortization rate. The natural gas utility using the alternative methodology is not required to file the annual cost recovery filing with the annual rate adjustment application. SPPC elected to use the balancing account methodology similar to deferred energy. SWG elected to use the alternative one rate balancing account methodology, with the rate filed as part of its annual solar thermal demonstration program plan filing.

Commission Proceedings

During the biennium, the Commission processed one SPPC annual solar thermal demonstration program annual plan. The Commission processed one SPPC annual rate adjustment application that established the solar thermal systems demonstration program rates. In the DEAA application filed March 1, 2012, SPPC has requested a gas solar thermal program rate designed to recover approximately \$553,000. The Commission will render a decision on the application by September 27, 2012.

The Commission processed one SWG solar thermal demonstration program annual plan, which the natural gas utility elected to defer establishing a rate until 2012. The Commission is processing a second SWG filing.

The Commission promulgated regulations to modify the Solar Thermal System Program to implement changes enacted by the 2011 Legislature, Senate Bill 182. Regulations were adopted in March 2012.

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 one report from SWG and one report from SPPC.

Energy Efficiency and Conservation Plans

Overview

Pursuant to NRS 704.992, the Commission adopted regulations to encourage natural gas utilities to support energy efficiency and conservation, which included the development of rate making methodologies that would remove the disincentives. Two alternative methods were adopted to remove financial disincentives, revenue decoupling (discussed above) and an increased ROE applicable to energy efficiency and conservation measures costs included in general rates. If the natural gas utility elects either option, 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 two annual updates to SWG's EEC plan, which was approved in 2009. In the tri-annual EEC plan, SWG established nine EEC programs to provide benefits to all classes of customers in both the Southern and Northern Nevada Divisions, with an annual budget of approximately one-half percent of its Nevada revenues, approximately \$2.7 million.

During the biennium, the Commission processed and approved SPPC's initial tri-annual natural gas utility EEC plan, which was approved in 2010. SPPC's EEC plan established four EEC programs to provide benefits to all classes of customers, with an annual budget of approximately one-third percent of its Nevada revenues, approximately \$1 million. The Commission processed and approved with modification SPPC's first annual EEC Plan update filing, which reduced the budget to approximately \$700,000. SPPC filed an application on July 1, 2011, requesting approval of its 2011 Natural Gas Conservation and Energy Efficiency Plan Annual Report. Three of the programs proposed by SPPC were found to be cost effective and were approved at a level of \$390,000. The Commission denied approval for the Low-Income Weatherization Program because the program was no longer cost effective due, primarily, to the reduction in forecasted natural gas prices over the next 20 years. The Commission also found that the Gas Water Heater Blankets Program, discontinued in June 2010, should remain discontinued because it was no longer cost effective. SPPC filed an application for approval of its 2012 Natural Gas Conservation and Energy Efficiency Plan Annual Report on June 29, 2012. The Commission will render a decision on the application by November 11, 2012.

SWG filed an application on July 15, 2011, requesting approval for its Conservation and Energy Efficiency Plan Annual Report for 2009-2010. A stipulation filed by the parties was approved by the Commission on September 21, 2011. In April 2012, in conjunction with its general rate application, SWG filed a tri-annual energy efficiency and conservation plan.

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 Services (formerly Sempra Energy Solutions)
- Occidental Energy Marketing, Inc.
- Pacific Summit Energy, LLC
- RRI Energy Services, Inc.
- Seminole Retail Energy Services, L.L.C
- Shell Energy North America (US), L.P.
- Sierra Southwest Cooperative Services, Inc.
- South Jersey Energy Company
- Sparks Energy Gas, LP
- U.S Energy Services, Inc.

Commission Proceedings

During the biennium, the Commission processed four alternative seller applications: one licensure as an alternative seller, two applications to terminate license, and one for a name change.

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.

The Commission continued to provide for state funding of discounted rates for intrastate telecommunications services for low-income consumers, school and libraries, and rural health care providers, to the extent that sufficient funding from federal sources was unavailable.

The Commission maintained its efforts to ensure the existence of an environment conducive to effective competition in both the local and long distance markets.

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). These reviews ensure that ILECs provide service to their competitors at a level which is at parity with the level of service the ILECs provide to their retail customers. On June 29, 2011, the Commission approved AT&T's petition for review and approval of its 2012 Performance Measurements Plan and 2012 Performance Incentives Plan. CenturyLink's petition for review and approval of its 2012 Performance Measurements Plan and 2012 Performance Incentives Plan has been set for hearing in November 2012.

The Commission also continued to implement the universal service goals of the Telecom Act to ensure that telecommunication services are available to consumers in rural areas at rates comparable to rates in urban areas.

The various telecommunication providers in Nevada include 13 incumbent local exchange carriers (ILEC) of which 11 are small scale providers of last resort; 63 commercial mobile radio service providers, and 289 competitive suppliers. Of these telecommunication providers, 23 have been designated as eligible telecommunications carriers (ETC), all ILECs and 10 competitive suppliers, which 13 (12 ILECS and 1 competitive supplier) receive federal high-cost support.

Outside Events

On November 18, 2011, the FCC released revised regulations (FCC Order 11-161) designed to comprehensively reform and modernize universal service and inter-carrier compensation (USF/ICC Transformation Order) with the goal of ensuring robust affordable fixed and mobile voice and broadband service, which includes promoting the development of broadband service to the nation's most expensive areas to serve, mostly rural, and insular communities. One aspect of implementing this reform was modifying the requirements upon ETCs to continue to receive federal high-cost fund support. A few of these reforms were:

- Requiring the ETC to develop a five-year plan as to how it will expand broadband service to its customers;
- Report annually with the FCC and state commission as to its status in meeting the five-year plan and other quality of service information; and
- Attest that for the previous calendar year it has spent the federal funds for the intended purposes and will spend during the forthcoming calendar year the high-cost support for its intended purposes.

The intended purposes are the provision, maintenance, and upgrading of facilities capable of delivering voice and broadband services to homes, businesses and community organizations. While

the FCC retained the state commission certification for state certified ETCs to obtain federal high-cost support, the FCC expanded the state commission certification requirement to include now both retrospective and prospective certification whereas only prospective certification was required. If the state commission does not certify an ETC's compliance, the ETC will not receive any federal high-cost support.

The FCC expressed its intent for the state commission to rely upon the annual ETC filing containing information as to its status in meeting the five-year plan and quality of service information for its certification and to rigorously review the filing.

Additionally, the FCC capped the federal high-cost funding in total and the amount available on a per subscriber line basis (i.e. \$3,000 annually). Further, the annual support an ETC receives will be reduced if its monthly subscriber rate is less than the FCC calculated national urban rate on a dollar for dollar basis. For example, if the ETC monthly subscriber rate (ETC's charge plus state fees) is \$13 and the national urban average is \$14, the ETC would lose \$1 per month per subscriber line. The test is performed using the ETC's June 1st rate.

The federal high-cost support reduction would be initially reflected in the coming calendar year. Once the federal high-cost support is lost, the ETC may not recover the support in future periods. As a transition, the FCC established a national \$10 urban average for June 1, 2012, and \$14 for June 1, 2013.

Additionally, the USF/ICC Transformation Order required the intrastate access charges be set at the interstate rates, with a transition period of two years. A portion of the lost revenues could be collected via a subscriber surcharge which could increase no more than 50 cents 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 (FCC Order 12-11), 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;
- Establishes an annual certification for qualifying for the program;
- Required the ETCs to recertify all existing customers starting June 1, 2012, with the completion by December 31, 2012;
- Broaden the qualifying criteria;
- Enhances the data collected to verify qualification, which is not to be retained by the ETC;
- Establishes the development of a national clearing house for ETC through the certification process;
- Sets the monthly subsidy at \$9.25 per customer and additional \$25 for customers located on tribal lands;
- Restricts the Link-up program whereby connection charges are covered to only those eligible customers located on tribal lands.

Additionally, the FCC issued a request for comments regarding if the existing regulations on funding the Lifeline and Tribal Link-Up programs should be modified and how to modify the regulations.

Legislation

The Legislature enacted Assembly Bill 518 (2007) repealing the plan of alternative regulation (PAR) and replacing it with a regulatory scheme intended to promote more competition in the local marketplace. Under this legislation, all telecommunication providers, except certain small-scale providers of last resort, are classified as competitive suppliers. This legislation reduces the Commission's regulatory authority over such competitive suppliers and provides for greater flexibility of pricing regarding most components of local telephone service, including basic telephone service.

The two non-rural local exchange telephone companies, AT&T and CenturyLink, are classified as competitive providers. Their basic residential service rates were frozen at the current level until January 2011. After January 1, 2011, AT&T and CenturyLink are allowed to increase their basic residential rates by \$1 per month. After January 1, 2012, AT&T and CenturyLink no longer have rates set by the Commission for basic residential service.

All rural local exchange companies will remain under rate-of-return regulation. However, a rural local exchange company can request to be reclassified by the Commission as a competitive provider.

Commission Proceedings

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

- Phase I addresses the USF/ICC 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 USF/ICC Transformation Order broadband changes (e.g., state commission certification for high-cost fund support);
- Phase IV addresses other USF/ICC 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. Further, the Commission ordered the ILECs to file revised access tariff rate filings with the Commission.

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.

Telecommunication filings during this reporting period were:

TYPE OF FILING	NUMBER OF FILINGS
Review of the hearing and speech impaired programs and Lifeline eligibility	2
Application for Universal Service Funding	3
Applications pursuant to section 254 of the Telecommunications Act (ETC designation)	16
Applications for commercial mobile radio service registration for new and cancellation of services	40
Petitions pursuant to section 252 of the Telecommunications Act (interconnection agreements between companies), interconnection amendments, and resale agreements	5
Filings (informational and tariff) made with the Commission pursuant to USF/ICC Transformational Order and Lifeline Reform Order	24
Miscellaneous filings such as operation authorizations, name changes, annual reports, revised tariffs, special promotions resale, and informational	62
TOTAL FILINGS	152

WATER AND WASTEWATER

Overview

The Commission regulates 27 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. For example, Staff identified multiple system deficiencies in a general rate case and Staff Inspection Report for Sky Ranch Water System, and the company agreed to perform the necessary improvements as scheduled in the approved stipulation.

Commission Proceedings

Water and wastewater related filings during this reporting period were:

TYPE OF FILING	NUMBER of FILINGS
Integrated resource plans (NRS 704.661)	3
Small water inspections (NAC 704.627)	6
General rate changes (NRS 704.095, 704.110)	6
Service territory revisions (NAC 703.170 et seq.)	6
UEPA construction permits (NRS 704.820 et seq. and NAC 703.415 et seq.)	8
Miscellaneous filings	31
TOTAL FILINGS	60

INVESTIGATIONS AND RULEMAKINGS

During the biennium, the Commission opened 16 investigations and/or rulemakings:

10-07027	Investigation and rulemaking regarding revisions to the Consumer Bill of Rights regulations as impacted by aspects of Advanced Service Delivery.
10-10032	Investigation and rulemaking to address reporting criteria associated with the use of financing authority pursuant to NRS 704.322 through 704.328.
10-12009	Investigation and rulemaking regarding the recovery of distribution system improvement costs as well as the effect of tiered rates on the revenues of water utilities.
11-06028	Investigation and rulemaking regarding the Solar Energy Systems Incentive Program and the Wind Energy Systems Demonstration Program.
11-07021	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 Senate Bill 182, Assembly Bill 359, and Assembly Bill 380.
11-08022	Rulemaking to amend, adopt, and/or repeal regulations regarding quarterly rate adjustments for public utilities that purchase natural gas for resale and electric utilities in accordance with Assembly Bill 215.
11-01016	Investigation pursuant to Governor Sandoval's Executive Order regarding assessment and proposals for regulations that may be repealed or modified.
12-01004	Rulemaking to amend, adopt, and/or repeal regulations relating to General Counsel's annual order to show cause process.
12-02013	Investigation and rulemaking to adopt, amend, and/or repeal regulations pertaining to the Commission's processes and procedures.
12-02014	Investigation and rulemaking to adopt, amend, and/or repeal regulations pertaining to Chapter 704 of the Nevada Administrative Code regarding relevant NV Energy accounting practices.
12-02015	Investigation and rulemaking to adopt, amend, and/or repeal regulations pertaining to Chapter 705 of the Nevada Administrative Code regarding relevant reporting requirements and other issues relating to the transportation of materials via railroad.
12-02016	Investigation and rulemaking to amend NAC 703.280 through 703.296 to avoid duplication of regulations governing interconnection agreements for telecommunication service as found in 47 U.S.C. § 252 et seq.
12-02017	Investigation and rulemaking to amend the Nevada Administrative Code to provide a simplified procedure for changing rates for those public utilities which furnish only liquefied petroleum gas.
12-02018	Investigation and rulemaking to amend NAC 704.983 to remove the requirement that a tenant service charge account be in an interest bearing account.
12-03019	Investigation and rulemaking regarding recent Federal Communications Commission decisions that could affect all Nevada telecommunication carriers.
12-04016	Rulemaking to adopt, amend, or repeal regulations associated with the portfolio standard and resource planning process.
12-05019	Investigation and rulemaking to adopt, amend, or repeal regulations applicable to the criteria used to designate customers eligible to receive lifeline services from eligible telecommunications carriers.

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

2008	56 reports	2,426 units	78 defects
2009	101 reports	3,927 units	130 defects
2010	96 reports	3,920 units	126 defects
2011	77 reports	3,269 units	174 defects
2012	70 reports	3,263 units	88 defects

- Operating Practices

2008	63 reports	448 units	30 defects
2009	114 reports	1,275 units	51 defects
2010	104 reports	1,038 units	96 defects
2011	107 reports	1,025 units	68 defects
2012	97 reports	1,010 units	55 defects

- Hazardous Materials

2008	91 reports	2,379 units	68 defects
2009	140 reports	3,863 units	167 defects
2010	133 reports	4,069 units	177 defects
2011	132 reports	3,921 units	202 defects
2012	140 reports	2,666 units	227 defects

- Motive Power & Equipment

2008	221 reports	14,562 units	467 defects
2009	114 reports	11,984 units	51 defects ⁴
2010	59 reports	6,406 units	272 defects
2011	139 reports	11,997 units	883 defects
2012	157 reports	9,921 units	640 defects

⁴ Inspections were down due to an MP&E vacancy for eight months and a new inspector being trained.

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 quiet zones.

Inspectors continue to work with Clark County and Washoe County in diagnostic reviews of crossings for possible quiet zones in Las Vegas at Desert Inn Road and in the Verdi area of Washoe County which involves approximately 20 private and public crossings. These diagnostic reviews involve personnel from each county, FRA, Union Pacific Railroad, Nevada Department of Transportation (NDOT) and the Commission. The purpose is to determine what changes or modifications would be required to meet FRA quiet zone requirements. To date, Nevada has no quiet zones, although they are becoming common in many states across the country. This is a continuous process due to the fact that as counties or municipalities consider quiet zones, a complete diagnostic review is required each time.

Inspectors have also 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 Safety Program closed numerous railroad crossing dockets. Eleven new dockets were opened, mostly issues involving new railroad crossings. Six are currently open and active. This division was instrumental in the review of a new pedestrian overpass over the Union Pacific mainline tracks in Downtown Las Vegas for pedestrian access to the new Symphony Hall.

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 (MHP), 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 in excess of 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.

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 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. When and if construction of these direct sales laterals move forward, considerable resources will have to be devoted to inspecting these pipelines, especially given the length of time the pipelines can take to construct (4 to 6 months) and the high pressures at which the pipelines operate.

The following table reflects the number of field days the Commission’s gas pipeline engineers spent on annual operation and maintenance audits, construction inspections and pipeline incident investigations for the biennium. Inspections were made on intrastate transmission pipelines, distribution pipelines, direct sales pipelines, master meter distribution systems and liquid propane distribution systems:

Field days (Calendar year)	2007	2008	2009	2010*	2011**
Annual O&M Audits	63	80	97	50	202
Construction Inspections	495	364	681	614	554
Incident Investigations	4	114	24	33	20

* The 2010 data reflects implementation of a new database system implemented in late 2009, where Field Days are calculated using 8 hour equivalents, where previously a Field Day was an activity that took from a few to several hours to complete.

** The 2011 data reflects a change in the incident reporting criteria implemented in late 2010, where the incident cost factor was increased from \$5,000 to \$50,000 to match the Federal reporting criteria, resulting in far fewer reports being filed by jurisdictional utilities. This data also reflects a shift in emphasis in late 2010 from one-call compliance to gas safety and integrity management aspects given all the Federal attention to gas safety subsequent to the September 9, 2010, San Bruno pipeline rupture. This increased emphasis on pipeline integrity management has resulted in some accelerated pipeline replacement efforts, as evidenced by the increased pace of replacement of certain types of aging plastic and steel pipelines.

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 engineers, and training on safe excavation practices by the Nevada Regional Common Ground Alliance (NRCGA).

Violations found during a field inspection are conducted through a three-stage process: starting upon a first offense with a verbal warning, where training on safe excavation practices is strongly encouraged; a repeat violation escalates to a written warning from PUCN Staff Counsel, where training on safe excavation practices is mandated; and if violations continue unabated, the filing of a 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 Commission pipeline safety engineers. From 2005 on, the Commission’s pipeline safety 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 Commission’s Staff. Although the growth in underground infrastructure has slowed significantly since 2007, as reflected in the number of dig tickets, the number of One-Call inspections increased considerably until dropping off in 2011 to reflect a change in emphasis back to more gas inspections and audits and other factors (such as a short-term staffing reduction caused by the retirement of one of the pipeline safety engineers in late 2010).

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

Description	CALENDAR YEAR				
	2007	2008	2009	2010	2011
# Field Inspections by PSP Engineers	69	278	400	444	347
# Verbal Warnings Issued	50 +/-	150 +/-	125 +/-	82	70
# Written Warnings Sent	0	5	11	12	7
# Civil Penalties Assessed	0	2	11	2	0
# Gas & Electric Damages	1,021	692	437	338	345
# Dig Tickets	171,550	121,815	72,250	67,460	69,010
Ratio of Damages per 1,000 Tickets	5.95	5.68	6.05	5.01	5.00

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 recently expanded its operating hours to 7:30 a.m. to 5:30 p.m. without added cost to the taxpayers or ratepayers. The division receives complaints via telephone, letter, e-mail, walk-in or through a complaint form on the Commission's website. The division normally resolves telephone and other less complicated complaints within 48 hours; over 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, eight of the division's recommendations were appealed to the Commission. The Commission upheld the division's recommendations and denied four of those appeals. The other four were set for further proceedings by the Commission, and were ultimately resolved.

Nevada's continued troubled economy created ongoing challenges for utility customers during the biennium. High unemployment, underemployment and foreclosures remained high - adding to tensions between customers and utilities. In addition, the State's largest provider of electric service introduced a new Advanced Service Delivery meter, the "smart meter," which caused significant issues between some customers and the utility.

Complaint Statistics

7/1/10 – 6/30/12

Electric	3,786
Natural gas	985
Telephone	2,224
Water	184
Other	1,250
Totals	8,429

Commission Proceedings

Thirty-three consumer sessions were held over this biennium, either relating to pending dockets or the statutorily required general consumer sessions.

During the biennium, the division worked with the State's major electric utilities on policies designed to strike a balance between the utilities' need for timely payment and customers caught in difficult situations. The Commission responded to the deployment of the ASD smart meter and the public outcry wanting an opt-out program by opening an investigatory docket and approving an opt-out program. The specifics are currently being investigated, with a decision expected in November 2012. Tariffs related to establishing credit, deposits and bill payments, and restrictions to terminations of

residential service were updated. The parties also worked on achieving consistent policies for maintaining utility services for customers who can prove a valid medical need. Issues related to the unique needs of agricultural customers during peak summer watering also received considerable attention.

CONSUMER OUTREACH

Overview

Consumer Outreach continues to promote public understanding of the Commission and its functions. The consumer outreach director represented the Commission throughout the biennium as a presenter at various community events to include home improvement shows, consumer sessions, and other functions attended by energy consumers, as well as presentations to local and regional government representatives and members of the energy community (energy auditors, contractors, consultants, etc). Outreach efforts have focused on explaining the purpose and function of the Commission, how customers can reduce utility bills through conservation, tips on resolving billing or service issues, and other related utility concerns.

Additionally, the consumer outreach director is in the process of developing a new Commission website that will contain a “consumers” and “just for kids” page. The new website will include fact sheets to assist consumers with understanding the services provided by the Commission, tips on selecting residential renewable energy systems, as well as energy and water saving ideas. The new website is expected to go live in the first quarter of 2013.

Consumer Outreach has also established an electronic monthly newsletter to educate consumers and to increase the Commission’s presence among consumers. The consumer outreach director is also using social media (Facebook and Twitter) to assist in this effort.

ELECTRONIC FILINGS AND RECORDS MANAGEMENT

Overview

The Electronic Filings and Records Management (EFRM) System enables the Commission to accept electronic filings submitted over the Internet or delivered over-the-counter on electronic media (CD, DVD, or thumb drive) or one original paper filing capable of being scanned. Payments and fees can be collected via the Internet as well.

The most notable recent addition to the EFRM system is the addition of the Consumer Division’s ApplicationXtender (AX) application. The Consumer’s database application has been enhanced to integrate with the new AX application so that the records for a consumer contact are immediately available for review at a compliance investigator’s desktop. Document scanners have been added to the compliance investigators’ desktops to allow for immediate scanning of documents and records by the compliance investigators. Records include but are not limited to correspondence and other supporting documentation provided by a consumer, utility or created by the compliance investigator during the course of a case.

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, 2010, and June 30, 2012;

Court:

BCP v. PUCN (First Judicial District Court, Case No. CV08-oC-004601B)

Action – Appeal of PUCN Decision in Docket No. 08-05014

Subject matter – resource planning approval for Harry Allen power plant

Status – Commission Order Affirmed on 5/8/09

BCP v. PUCN (Nevada Supreme Court, Case No. 54072)

Action – Appeal of District Court Decision in Case No. CV08-oC-004601B

Subject matter – resource planning approval for Harry Allen power plant

Status – District Court Order Affirmed on 9/28/10

FH Ventures v. PUCN (Eighth Judicial District Court, Case No. A612010J)

Action – Appeal of Commission Decision in Docket No. 09-12003

Subject matter – payments to extend natural gas service to subdivision

Status – Order Dismissing Petition and Remanding to Commission 10/20/10

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

Action – Consumer requesting Restraining Order against Southwest Gas Corporation (PUCN Amicus)

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

Status – 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

WWC License, LLC d/b/a Verizon Wireless v. PUCN (First Judicial District Court, Case No. 11OC001371B)

Action – Appeal of Commission Decision in Docket No. 10-12021
Subject matter – eligible telecommunication carrier status of WWC License, LLC
Status – Dismissed by Stipulation of Parties on 7/6/11

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 – Whether the Commission has jurisdiction over General Improvement Districts, and in particular, Incline Village General Improvement District (“IVGID”)

Status – Commission Motion for Summary Judgment Granted on 4/20/12; Causes of Action against IVGID pending.

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 – review of shrinkage rate calculation and request for refund by Saguaro

Status – Commission Order Affirmed on 7/13/10

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 – District Court Order Affirmed on 5/2/12; Saguaro’s Petition for Rehearing Denied on 7/31/12

Washoe County et al. v. PUCN (Second Judicial District Court, Case No. CV08-02470)

Action – Appeal of Commission Decision in Docket No. 07-12001

Subject matter – allocation of expenses required to place transmission line underground

Status – Commission Order Affirmed on 12/6/2010

City of Reno v. PUCN (Nevada Supreme Court, Case No. 57584)

Action – Appeal of District Court Decision in Case No. CV08-02470

Subject matter – allocation of expenses required to place transmission line underground

Status – District Court Order Affirmed on 6/21/12

Castillo et al v. UICN (Eighth Judicial District Court, Case Nos. A11649981C, A12656613C)

Action – Civil complaint(s) by Consumer(s) (PUCN filed Motion to Intervene)

Subject matter – consumer complaints against UICN for breach of obligation to provide water and sewer service

Status – UICN’s Motions to Dismiss both Complaints Granted 6/26/12

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

Action – Complaint requesting Declaratory Judgment and Injunctive Relief

Subject matter – employment of one person by Executive and Legislative branches of Nevada Government is alleged violation of NV and US Constitutions

Status – Motion to Dismiss on grounds of mootness Granted 2/24/12

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

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

Subject matter – exception to the mootness doctrine

Status – Pending

FERC:

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

PUCN Action – 9/23/10, comments filed.

FERC Action – 7/21/11, issued Final Order 1000.

Status – Pending Petitions for Review in U.S. Court of Appeals for the District of Columbia Circuit

RP11-1823 –Section 5 Investigation into rates charged by Tuscarora Gas Transmission Company (Tuscarora)

PUCN Action – 2/28/11, PUCN/NV Energy filed complaint requesting Interim Relief and an Evidentiary Hearing regarding whether Tuscarora’s rates are unjust and unreasonable and whether, if so, to fix just and reasonable rates.

FERC Action – 3/9/12, issued a letter order accepting Offer of Settlement and Stipulation following certification of uncontested settlement.

Status – 5/25/12, Tuscarora filed its Refund Report indicating a total refund of \$1,481,330.64.

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

PUCN Action – 8/16/11, filed Notice of Intervention and Request to File Late-Filed Comments - PUCN Commission voted not to file comments.

FERC Action – 2/1/12, issued Order approving uncontested settlement.

ER11-3816 and ER11-3839 – Transmission Facilities Agreement (“TFA”) between Nevada Power Company (“NPC”) and PacifiCorp – issue re. costs for Harry Allen Substation.

PUCN Action – 6/28/10, filed Notice of Intervention

FERC Action – 1/30/12, Settlement Judge certified an uncontested settlement to the Commission resolving all issues and cancelling pending hearing.

AC12-12 – Coordination between Natural Gas and Electricity Markets (Interdependence Study)

PUCN Action – 3/15/12, PUCN filed comments.

FERC Action – Currently holding regional technical conferences.

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.

PUCN Action – 5/17/12, PUCN filed comments and Notice of Intervention.

FERC Action – Issued request on 8/17/12 to Kern River to provide additional information.

Status – Pending.

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

PUCN Action – 11/15/11, PUCN filed its Notice of Intervention.

FERC Action – Following technical conference, FERC issued Order on 5/2/12 requiring Paiute to file compliance tariff records.

Status – Pending rehearing.

RP12-238 – FERC issued Letter Order on 12/29/11 accepting GTN’s revised tariff records to implement a Stipulation and Settlement Agreement approved by the Commission on 11/30/11.

PUCN Action – Participated in settlement negotiations.

FERC Action – Accepted Settlement Agreement on 11/30/11.

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 a 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.